

P. & F. Safepac Co. Limited

Annual Report and Financial Statements

31 January 2020



STEPHENSON SMART (EAST ANGLIA) LIMITED

Chartered accountants & statutory auditor
22-26 King Street
King's Lynn
Norfolk
PE30 1HJ

P. & F. Safepac Co. Limited

Annual Report and Financial Statements

Year ended 31 January 2020

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P. & F. Safepac Co. Limited

Officers and Professional Advisers

The board of directors

Mr D A Flynn
Mr W P Flynn
Mr N Pearson

Company secretary

Mr W P Flynn

Registered office

Field Road
Mildenhall
Suffolk
IP28 7AP

Auditor

Stephenson Smart (East Anglia) Limited
Chartered accountants & statutory auditor
22-26 King Street
King's Lynn
Norfolk
PE30 1HJ

Bankers

National Westminster Bank plc
4 Tuesday Market Place
King's Lynn
Norfolk
PE30 1YY

P. & F. Safepac Co. Limited

Strategic Report

Year ended 31 January 2020

Principal activities and business review

The principal activity of the company continued to be that of packing and forwarding agents.

The results of the company for the year are set out in the statement of comprehensive income on page 12 of these financial statements.

The directors are satisfied with the company's performance during a challenging year. The company has continued to implement a programme of cost cutting initiatives during the year, where possible, to assist with profitability.

However, despite a fall in turnover during the year the company has seen an improvement on gross profit. Administrative expenses have remained reasonably consistent when adjusting for the revaluation of the investment property in the prior year, which led to an adjustment to administrative expenses of £592,884.

The company's revenue mix has seen UK packing and forwarding decreased to 47.5% (2019: 56.8%) of total sales for the year, whereas overseas packing and forwarding increased to 52.5% (2019: 42.8%) of total sales. The company continues to see a significant proportion of sales driven by its' eminent location close to several USAF bases; the directors actively try to diversify to mitigate the reliance of this revenue stream.

The company intends to continue to develop both the UK and overseas markets in the coming years, and continue to closely monitor costs.

The net asset position of the company at 31 January 2020 totalled £2,602,099 (2019: £2,677,246).

Key performance indicators

The company uses a range of performance measures to monitor and manage the business effectively, both financial and non-financial. The key performance indicators and their comparatives are as follows:

	2020	2019
Gross profit margin	10.55%	5.25%
Current ratio	1.05	1.00
Trade debtor days	60 days	65 days

The growth of the gross profit margin reflects the director's drive to become more efficient throughout the year, without compromising on customer service.

The current ratio has remained fairly consistent, displaying the company's ability to manage its liquidity.

Reduced trade debtor days is a positive step showing tighter and more efficient credit control.

P. & F. Safepac Co. Limited

Strategic Report *(continued)*

Year ended 31 January 2020

Principal risks and uncertainties

The company is exposed to several risk factors which are closely monitored internally.

A key risk facing the company is the volatility of the housing market. The UK housing market throughout the year has been strong, but remains a risk moving forward. The company is able to react to fluctuations in the housing market through employing staff on short term contracts and maintain fixed costs to an acceptable level.

The USAF has announced the retention of staff for the foreseeable future at bases local to the company which will facilitate a continued trade in the overseas market. However, if this was not the case the company would expect to see significant demand for a 12-month period following withdrawal of USAF squadrons from the UK bases, followed by a period of reorganisation to fully focus on the UK packing and forwarding.

The company faces continued uncertainties surrounding the United Kingdom's relationship with the European Union, though the certainty of the UK withdrawing from the EU has been realised. The company uses European contractors to move good around Europe, therefore uncertainties regarding trade deals remain a risk to the business during the coming year.

Details of the company's procedures to manage liquidity risk, interest rate risk, foreign currency risk and credit risk are discussed in the Directors' report.

COVID-19 has inevitably impacted the business post the balance sheet date, with the UK government imposing a nationwide lockdown on 23 March 2020. The local USAF bases issued a Stop Movement Order with effect from 25 March 2020, 4 days after a confirmed COVID-19 case at RAF Lakenheath. This order stood in place until 30 June 2020, meaning that no movement of service personnel took place until July 2020.

In addition to this, the government imposed restrictions around the viewing of properties, slowing down the housing market during the lockdown period. The impacts of the restrictions imposed lead to a 50% decline in trade for the company during this period. The company hence relied on the government Coronavirus Job Retention Scheme, furloughing 30 staff to protect jobs during the uncertain period.

Since the lifting of the Stop Movement Order and the reopening of the housing market, with the buying and selling of properties booming, the company is returning to levels of sales expected by the directors and is experiencing a high level of pent up demand. The fall in fuel prices as a result of COVID-19 has also had a positive impact on the business post lockdown.

Future developments

The directors remain positive about the business outlook over the next 12 months. Looking forward, there has been an active drive to monitor general overhead costs to ensure that they are maintained in line with the level of activity.

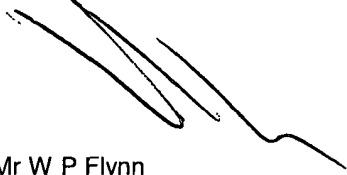
The directors are confident the performance of the company can be consolidated and will continue to monitor performance to ensure profitability in future years.

P. & F. Safepac Co. Limited

Strategic Report *(continued)*

Year ended 31 January 2020

This report was approved by the board of directors on 28 September 2020 and signed on behalf of the board by:



Mr W P Flynn
Director

Registered office:
Field Road
Mildenhall
Suffolk
IP28 7AP

P. & F. Safepac Co. Limited

Directors' Report

Year ended 31 January 2020

The directors present their report and the Annual report and financial statements of the company for the year ended 31 January 2020.

Directors

The directors who served the company during the year were as follows:

Mr D A Flynn
Mr W P Flynn
Mr N Pearson

Dividends

The directors do not recommend a final dividend for the year (2019: £Nil).

Results

The loss for the year, after taxation, amounted to £75,147 (2019: £143,740 profit).

Future developments

Looking forward the directors are hoping for a satisfactory year. Further details, and the impacts of COVID-19, can be found within the Strategic Report.

Financial instruments and financial risk management objectives and policies

The company uses various financial instruments, including loans and cash, and items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments are to finance the company's operations and capital projects.

The existence of these financial instruments exposes the company to a number of financial risks which are described in more detail below. The main risks arising from the company's financial instruments are credit risk, currency risk and interest rate risk. The directors review and agree policies for managing each of these risks and they are summarised below. The policies have remained unchanged from previous years.

The company's principal financial instruments include derivative financial instruments, the purpose of which is to manage currency risks and interest rate risks arising from the company's activities, and bank overdrafts and loans, the main purpose of which is to raise finance for the company's operations. In addition, the company has various other financial assets and liabilities such as trade debtors and trade creditors arising directly from operations.

Derivative transactions which the company enter into principally comprise forward exchange contracts. In accordance with the company's treasury policy, derivative instruments are not entered into for speculative purposes.

P. & F. Safepac Co. Limited

Directors' Report *(continued)*

Year ended 31 January 2020

Liquidity risk

The company manages its cash and borrowing requirements in order to minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business.

Interest rate risk

The company is exposed to fair value interest rate risk on its fixed rate borrowings and cash flow interest rate risk on bank overdrafts and loans. The company uses interest rate derivatives to manage the mix of fixed and variable rate debt so as to reduce its exposure to changes in interest rates.

Foreign currency risk

The company's principal foreign currency exposures arise from trading with overseas companies. The company policy permits but does not demand that these exposures may be hedged in order to fix the cost in sterling. This hedging activity involves the use of foreign exchange forward contracts.

Credit risk

The company monitors credit risk closely and considers that its current policies on credit checks meets its objective of managing exposure to credit risk. Trade debtors are reviewed on a regular basis and provision is made for doubtful debts when necessary.

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 30 to the Annual report and financial statements.

Disclosure of information in the strategic report

In accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, the review of the development and performance of the business, including key performance indicators, along with details of future developments is contained in the Strategic Report on pages 2 to 4.

Directors' responsibilities statement

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

Company law requires the directors to prepare Annual report and financial statements for each financial year. Under that law the directors have elected to prepare the Annual report and 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 Annual report and financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these Annual report and financial statements, the directors are required to:

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

P. & F. Safepac Co. Limited

Directors' Report *(continued)*

Year ended 31 January 2020

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 Annual report and 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.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

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

This report was approved by the board of directors on 28 September 2020 and signed on behalf of the board by:



Mr W P Flynn
Director

Registered office:
Field Road
Mildenhall
Suffolk
IP28 7AP

P. & F. Safepac Co. Limited

Independent Auditor's Report to the Members of P. & F. Safepac Co. Limited

Year ended 31 January 2020

Opinion

We have audited the Annual report and financial statements of P. & F. Safepac Co. Limited (the 'company') for the year ended 31 January 2020 which comprise the statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the Annual report and financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 annual report and 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 Annual report and 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 Annual report and financial statements is not appropriate; or
- the directors have not disclosed in the Annual report and 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 Annual report and financial statements are authorised for issue.

P. & F. Safepac Co. Limited

Independent Auditor's Report to the Members of P. & F. Safepac Co. Limited (continued)

Year ended 31 January 2020

Other information

The other information comprises the information included in the annual report, other than the Annual report and financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the Annual report and 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 Annual report and financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Annual report and 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 Annual report and 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 the information given in the strategic report and the directors' report for the financial year for which the financial statements and annual report are prepared is consistent with the financial statements and annual report; and the strategic report and directors' 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 where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and the 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; and
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the directors reports and take advantage of the small companies exemption from the requirement to prepare a strategic report.

P. & F. Safepac Co. Limited

Independent Auditor's Report to the Members of P. & F. Safepac Co. Limited (continued)

Year ended 31 January 2020

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the Annual report and 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 Annual report and financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Annual report and 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 annual report and financial statements

Our objectives are to obtain reasonable assurance about whether the Annual report and 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 Annual report and financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Annual report and financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Annual report and financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Annual report and financial statements, including the disclosures, and whether the Annual report and financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

P. & F. Safepac Co. Limited

Independent Auditor's Report to the Members of P. & F. Safepac Co. Limited (continued)

Year ended 31 January 2020

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

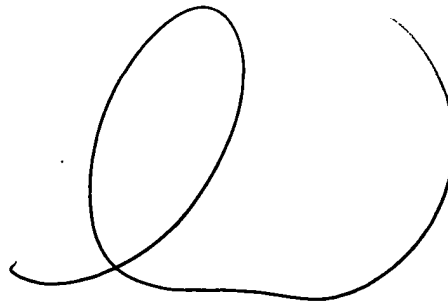
Use of our report

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.

Mr Michael Andrews FCA (Senior Statutory Auditor)

For and on behalf of
Stephenson Smart (East Anglia) Limited
Chartered accountants & statutory auditor
22-26 King Street
King's Lynn
Norfolk
PE30 1HJ

28 September 2020



P. & F. Safepac Co. Limited

Statement of Comprehensive Income

Year ended 31 January 2020

	Note	2020 £	2019 £
Turnover	4	7,090,161	7,366,549
Cost of sales		<u>(6,306,274)</u>	<u>(6,980,169)</u>
Gross profit		783,887	386,380
Administrative expenses		<u>(1,054,221)</u>	<u>(435,110)</u>
Other operating income	5	<u>321,291</u>	<u>276,608</u>
Operating profit	6	50,957	227,878
Other interest receivable and similar income	10	<u>62</u>	<u>1,487</u>
Interest payable and similar expenses	11	<u>(61,507)</u>	<u>(135,782)</u>
(Loss)/profit before taxation		(10,488)	93,583
Tax on (loss)/profit	12	<u>(3,909)</u>	<u>50,157</u>
(Loss)/profit for the financial year and total comprehensive income		<u>(14,397)</u>	<u>143,740</u>

All the activities of the company are from continuing operations.

The notes on pages 16 to 34 form part of these Annual report and financial statements.

P. & F. Safepac Co. Limited

Balance Sheet

31 January 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	13	4,366,547	4,530,149
Investments	14	1	1
		<u>4,366,548</u>	<u>4,530,150</u>
Current assets			
Stocks	15	164,224	166,499
Debtors	16	1,443,473	1,480,738
Cash at bank and in hand		332	20,955
		<u>1,608,029</u>	<u>1,668,192</u>
Creditors: amounts falling due within one year	18	<u>(1,453,523)</u>	<u>(1,673,550)</u>
Net current assets/(liabilities)		<u>154,506</u>	<u>(5,358)</u>
Total assets less current liabilities		<u>4,521,054</u>	<u>4,524,792</u>
Creditors: amounts falling due after more than one year	19	<u>(1,730,071)</u>	<u>(1,728,291)</u>
Provisions			
Taxation including deferred tax	21	<u>(128,134)</u>	<u>(119,255)</u>
Net assets		<u>2,662,849</u>	<u>2,677,246</u>
Capital and reserves			
Called up share capital	25	341,321	341,321
Revaluation reserve	26	592,884	592,884
Capital redemption reserve	26	71,236	71,236
Other reserves	26	(2,596,985)	(2,596,985)
Share based payments reserve	26	24,708	24,708
Profit and loss account	26	4,229,685	4,244,082
Shareholders funds		<u>2,662,849</u>	<u>2,677,246</u>

These Annual report and financial statements were approved by the board of directors and authorised for issue on 28 September 2020, and are signed on behalf of the board by:



Mr W P Flynn
Director

Company registration number: 00872451

The notes on pages 16 to 34 form part of these Annual report and financial statements.

P. & F. Safepac Co. Limited

Statement of Changes in Equity

Year ended 31 January 2020

	Called up share capital £	Revaluation reserve £	Capital redemption reserve £	Other reserves £	Share based payments reserve £	Profit and loss account £	Total £
At 1 February 2018	341,321	–	71,236	(2,596,985)	24,708	4,693,226	2,533,506
Profit for the year						143,740	143,740
Other comprehensive income for the year:							
Reclassification from revaluation reserve to profit and loss account	–	592,884	–	–	–	(592,884)	–
Total comprehensive income for the year	–	592,884	–	–	–	(449,144)	143,740
At 31 January 2019	341,321	592,884	71,236	(2,596,985)	24,708	4,244,082	2,677,246
Loss for the year						(14,397)	(14,397)
Total comprehensive income for the year	–	–	–	–	–	(14,397)	(14,397)
At 31 January 2020	341,321	592,884	71,236	(2,596,985)	24,708	4,229,685	2,662,849

The notes on pages 16 to 34 form part of these Annual report and financial statements.

P. & F. Safepac Co. Limited

Statement of Cash Flows

Year ended 31 January 2020

	Note	2020 £	2019 £
Cash flows from operating activities			
(Loss)/profit for the financial year		(14,397)	143,740
<i>Adjustments for:</i>			
Depreciation of tangible assets		306,433	314,104
Fair value adjustment of investment property		–	(592,884)
(Gain)/loss on financial assets at fair value through profit or loss		(78,591)	110,580
Other interest receivable and similar income		(62)	(1,487)
Interest payable and similar expenses		61,507	135,782
Loss on disposal of tangible assets		8,179	13,464
Tax on (loss)/profit		3,909	(50,157)
<i>Changes in:</i>			
Stocks		2,275	(27,125)
Trade and other debtors		62,490	391,774
Trade and other creditors		(96,631)	126,632
Cash generated from operations		255,112	564,423
Interest paid		(61,507)	(135,782)
Interest received		62	1,487
Tax received/(paid)		4,970	(46,352)
Net cash from operating activities		<u>198,637</u>	<u>383,776</u>
Cash flows from investing activities			
Purchase of tangible assets		(158,515)	(166,123)
Proceeds from sale of tangible assets		7,504	7,999
Net cash used in investing activities		<u>(151,011)</u>	<u>(158,124)</u>
Cash flows from financing activities			
Proceeds from borrowings		1,832	–
Repayments of borrowings		–	(310,291)
Payments of finance lease liabilities		33,679	(22,123)
Net cash from/(used in) financing activities		<u>35,511</u>	<u>(332,414)</u>
Net increase/(decrease) in cash and cash equivalents		83,137	(106,762)
Cash and cash equivalents at beginning of year		<u>(310,149)</u>	<u>(203,387)</u>
Cash and cash equivalents at end of year	17	<u>(227,012)</u>	<u>(310,149)</u>

The notes on pages 16 to 34 form part of these Annual report and financial statements.

P. & F. Safepac Co. Limited

Notes to the Annual Report and Financial Statements

Year ended 31 January 2020

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Field Road, Mildenhall, Suffolk, IP28 7AP.

2. Statement of compliance

These individual financial statements 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 Republic of Ireland' (effective March 2018) ('FRS 102'), and with the Companies Act 2006.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity. Figures are rounded to the nearest whole pound sterling.

The company is itself a parent company and is exempt from the requirement to prepare group accounts by virtue of section 405 of the Companies Act 2006. The subsidiary is not material for the purpose of giving a true and fair view.

These financial statements therefore present information about the company as an individual undertaking and not about its group.

Contributions to Qualifying Employee Share Ownership Trust (QUEST)

In accordance with FRS 102 section 26, contributions to the QUEST are not recognised in the profit and loss account until such time as the shares vest unconditionally with the employees. Dividends paid/payable to the QUEST are deducted from the aggregate dividends paid and proposed.

Contributions to Share Incentive Plan (SIP)

In accordance with FRS 102 section 26, contributions to the SIP are not recognised in the Profit and Loss Account until such time as the shares vest unconditionally with the employees. Until that time, the employee share ownership plan trust's investment in the shares of the company are shown as a reduction in reserves.

Liquid resources

The company classifies liquid resources as debtors and cash at bank and in hand less creditors due within one year, which it attempts to maintain at a level such that working capital can be used effectively.

P. & F. Safepac Co. Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 January 2020

Judgements and key sources of estimation uncertainty

The preparation of the financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancements, future investments, economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of tangible assets and note 3 for the useful economic lives for each class of assets.

(ii) Taxation

The company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. See note 22 for the disclosures relating to the deferred tax provision.

(iii) Impairment of trade debtors

The company makes an estimate of the recoverable value of trade debtors. When assessing the impairment of trade debtors, management considers factors including the current credit rating, the age profile and the historical experience. See note 16 for the net carrying amount of trade debtors and the associated impairment provision.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied and services rendered, stated net of discounts and of Value Added Tax.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that it is probable the expenses recognised will be recovered.

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

P. & F. Safepac Co. Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 January 2020

3. Accounting policies *(continued)*

Taxation *(continued)*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred taxation in connection with the SIP's and QUEST's purchase of own shares is shown as a deduction from the cost of the shares acquired. This is a departure from Financial Reporting Standard FRS 102 section 29 to show the deferred tax liability as a provision for liabilities and charges. In the opinion of the directors, this departure is necessary in order to give a true and fair view of the company's affairs. The directors consider that, following the adoption of the accounting treatment under FRS 102 for the contribution to the SIP, the separation of the costs of the shares acquired and the relevant deferred taxation into 2 separate areas of the balance sheet would not give a true and fair view.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Share-based payments

The valuation is calculated using a generally accepted valuation methodology allowing for the lack of an observable market price as the company is an unlisted limited company. If the value of the shares is less than the cost of the shares awarded, the difference is transferred between the SIP reserve and the profit and loss reserve over the grant period.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

P. & F. Safepac Co. Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 January 2020

3. Accounting policies *(continued)*

Operating leases *(continued)*

Lease income is recognised in profit or loss on a straight line basis over the lease term. The aggregate cost of lease incentives are recognised as a reduction to income over the lease term on a straight-line basis. Costs, including depreciation, incurred in earning the lease income are recognised as an expense. Any initial direct costs incurred in negotiating and arranging the operating lease are added to the carrying amount of the lease and recognised as an expense over the lease term on the same basis as the lease income.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

The company has elected to use a previous UK GAAP revaluation as deemed cost at transition, under FRS 102, section 35.10 (d).

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold buildings	-	4% p.a. straight line basis
Plant and machinery	-	15% p.a. reducing balance basis
Motor vehicles	-	25% p.a. reducing balance basis

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

Investment property

Investment property is initially recorded at cost, which includes purchase price and any directly attributable expenditure.

Investment property is revalued to its fair value at each reporting date and any changes in fair value are recognised in profit or loss.

If a reliable measure of fair value is no longer available without undue cost or effort for an item of investment property, it shall be transferred to tangible assets and treated as such until it is expected that fair value will be reliably measurable on an on-going basis.

P. & F. Safepac Co. Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 January 2020

3. Accounting policies *(continued)*

Investment property

Investment property is initially recorded at cost, which includes purchase price and any directly attributable expenditure.

Investment property is revalued to its fair value at each reporting date and any changes in fair value are recognised in profit or loss.

If a reliable measure of fair value is no longer available without undue cost or effort for an item of investment property, it shall be transferred to tangible assets and treated as such until it is expected that fair value will be reliably measurable on an on-going basis.

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

Stocks

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

Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the balance sheet as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

P. & F. Safepac Co. Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 January 2020

3. Accounting policies *(continued)*

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the balance sheet and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

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

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

P. & F. Safepac Co. Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 January 2020

3. Accounting policies *(continued)*

Defined contribution plans

The company operates a defined contribution pension scheme for directors and a separate scheme for other employees. The assets of the schemes are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

4. Turnover

Turnover arises from:

	2020 £	2019 £
Rendering of services	<u>7,090,161</u>	<u>7,366,549</u>

The turnover is attributable to the one principal activity of the company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2020 £	2019 £
United Kingdom	3,368,375	4,216,616
Overseas packing and forwarding	<u>3,721,786</u>	<u>3,149,933</u>
	<u>7,090,161</u>	<u>7,366,549</u>

5. Other operating income

	2020 £	2019 £
Rental income	223,552	245,737
Management charges receivable	75,000	—
Other operating income	<u>22,739</u>	<u>30,871</u>
	<u>321,291</u>	<u>276,608</u>

6. Operating profit

Operating profit or loss is stated after charging/crediting:

	2020 £	2019 £
Depreciation of tangible assets	306,433	314,104
Loss on disposal of tangible assets	8,179	13,464
Fair value adjustments to investment property	—	(592,884)
Impairment of trade debtors	56,355	11,683
Foreign exchange differences	28,969	75,898
Operating lease payments	<u>647,873</u>	<u>359,717</u>

Included in foreign exchange differences are foreign exchange losses of £107,561 (2019: £34,682 gain) and gains on foreign exchange financial derivatives of £78,591 (2019: £110,580 loss).

Depreciation of tangible fixed assets is included within cost of sales and administrative expenses.

P. & F. Safepac Co. Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 January 2020

7. Auditor's remuneration

	2020 £	2019 £
Fees payable for the audit of the annual report and financial statements	<u>11,500</u>	<u>11,000</u>

8. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2020 No.	2019 No.
Production staff	69	69
Administrative staff	13	13
Management staff	<u>3</u>	<u>3</u>
	<u>85</u>	<u>85</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2020 £	2019 £
Wages and salaries	2,262,571	2,284,619
Social security costs	214,307	212,003
Other pension costs	<u>46,611</u>	<u>37,575</u>
	<u>2,523,489</u>	<u>2,534,197</u>

9. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2020 £	2019 £
Remuneration	121,610	121,697
Company contributions to defined contribution pension plans	<u>1,860</u>	<u>1,860</u>
	<u>123,470</u>	<u>123,557</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2020 No.	2019 No.
Defined contribution plans	<u>1</u>	<u>1</u>

10. Other interest receivable and similar income

	2020 £	2019 £
Interest on cash and cash equivalents	<u>62</u>	<u>1,487</u>

Interest receivable is derived from financial assets measured at amortised cost.

P. & F. Safepac Co. Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 January 2020

11. Interest payable and similar expenses

	2020 £	2019 £
Interest on banks loans and overdrafts	43,233	125,582
Interest on obligations under finance leases and hire purchase contracts	18,274	10,121
Other interest payable and similar charges	–	79
	<u>61,507</u>	<u>135,782</u>

Interest payable is derived from financial liabilities measured at amortised cost.

12. Tax on (loss)/profit

Major components of tax expense/(income)

	2020 £	2019 £
Current tax:		
Adjustments in respect of prior periods	(4,970)	–
Deferred tax:		
Origination and reversal of timing differences	8,879	(50,157)
Tax on (loss)/profit	<u>3,909</u>	<u>(50,157)</u>

Reconciliation of tax expense/(income)

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than (2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%).

	2020 £	2019 £
(Loss)/profit on ordinary activities before taxation	(10,488)	93,583
(Loss)/profit on ordinary activities by rate of tax	(1,993)	17,781
Effect of expenses not deductible for tax purposes	338	(111,839)
Effect of capital allowances and depreciation	15,165	2,886
Losses carried forward	(4,631)	41,015
Adjustments in respect of prior periods	(4,970)	–
Tax on (loss)/profit	<u>3,909</u>	<u>(50,157)</u>

Factors that may affect future tax expense

The Finance Bill 2020 (set out on 11 March 2020) sets the Corporation Tax main rate at 19% for the financial year beginning 1 April 2020. This maintains the rate at 19% rather than reducing it to 17% from 1 April 2020. The charge to Corporation Tax and the main rate will also be set at 19% for the financial year beginning 1 April 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

P. & F. Safepac Co. Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 January 2020

13. Tangible assets

	Freehold property £	Investment property £	Plant and machinery £	Motor vehicles £	Total £
Cost					
At 1 February 2019	3,305,202	2,650,000	650,078	1,863,034	8,468,314
Additions	–	–	87,920	70,594	158,514
Disposals	–	–	–	(146,733)	(146,733)
At 31 January 2020	3,305,202	2,650,000	737,998	1,786,895	8,480,095
Depreciation					
At 1 February 2019	2,171,248	–	471,264	1,295,653	3,938,165
Charge for the year	119,453	–	39,738	147,242	306,433
Disposals	–	–	–	(131,050)	(131,050)
At 31 January 2020	2,290,701	–	511,002	1,311,845	4,113,548
Carrying amount					
At 31 January 2020	1,014,501	2,650,000	226,996	475,050	4,366,547
At 31 January 2019	1,133,954	2,650,000	178,814	567,381	4,530,149

Included within tangible fixed assets are investment properties included at their fair value of £2,650,000. This value was ascertained externally by Harris Commercial Surveyors Limited in accordance with RICS Code of Measuring Practice (5th Edition) on 30 July 2019. The directors of the entity deemed this valuation to be appropriate as at 31 January 2020. The historic cost of the asset totals £2,863,495, with accumulated depreciation of £806,379 as at the date of reclassification and valuation. The valuation resulted in a fair value uplift of £592,884.

The carrying value of the property over which security has been pledged, as detailed in notes 18 and 19, is £3,664,501 (2019: £3,783,954). There are no tangible fixed assets to which the entity has restricted title.

Tangible assets held at valuation

Land and buildings at Field Road, Mildenhall, Suffolk were revalued in 1993 at £318,915.

P. & F. Safepac Co. Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 January 2020

13. Tangible assets *(continued)*

In respect of tangible assets held at valuation, the aggregate cost, depreciation and comparable carrying amount that would have been recognised if the assets had been carried under the historical cost model are as follows:

	Freehold property £
At 31 January 2020	
Aggregate cost	185,423
Aggregate depreciation	(185,423)
Carrying value	<u>—</u>
At 31 January 2019	
Aggregate cost	185,423
Aggregate depreciation	(185,423)
Carrying value	<u>—</u>

Finance leases and hire purchase contracts

Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase agreements:

	Motor vehicles £
At 31 January 2020	185,930
At 31 January 2019	<u>166,233</u>

14. Investments

	Shares in group undertakings £
Cost	
At 1 February 2019 and 31 January 2020	<u>1</u>
Impairment	
At 1 February 2019 and 31 January 2020	<u>—</u>
Carrying amount	
At 31 January 2020	<u>1</u>
At 31 January 2019	<u>1</u>

P. & F. Safepac Co. Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 January 2020

14. Investments *(continued)*

Subsidiaries, associates and other investments

	Registered office	Class of share	Percentage of shares held
Subsidiary undertakings			
Safepac Trustees Limited	Safepac House Field Road Mildenhall Suffolk IP28 7AP	Ordinary	100

The results and capital and reserves for the year are as follows:

	Capital and reserves		Profit/(loss) for the year	
	2020	2019	2020	2019
	£	£	£	£
Subsidiary undertakings				
Safepac Trustees Limited	<u>1</u>	<u>1</u>	<u>—</u>	<u>—</u>

15. Stocks

	2020	2019
	£	£
Raw materials and consumables	<u>164,224</u>	<u>166,499</u>

Stocks are stated after provisions for impairment of £Nil (2019: £Nil).

16. Debtors

	2020	2019
	£	£
Trade debtors	1,173,346	1,315,915
Prepayments and accrued income	215,761	157,518
Financial derivative asset	25,226	—
Other debtors	29,140	7,305
	<u>1,443,473</u>	<u>1,480,738</u>

Trade debtors are stated after provisions for impairment of £42,167 (2019: £58,580).

The company enters into forward exchange currency contracts to mitigate the exchange rate risk. The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward rates for Sterling:Dollar at the balance sheet date.

As at 31 January 2020, the company is committed to sell \$800,000 (2019: \$1,375,000) at £631,605 (2019: £993,456) giving rise to a financial derivative asset stated above; all contracts are due to mature within 6 months of the reporting date.

P. & F. Safepac Co. Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 January 2020

17. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2020 £	2019 £
Cash at bank and in hand	332	20,955
Bank overdrafts	(227,344)	(331,104)
	<u>(227,012)</u>	<u>(310,149)</u>

18. Creditors: amounts falling due within one year

	2020 £	2019 £
Bank loans and overdrafts	368,124	451,422
Trade creditors	325,416	353,047
Accruals and deferred income	193,197	92,990
Social security and other taxes	52,512	59,199
Obligations under finance leases and hire purchase contracts	57,528	40,207
Director loan accounts	305,518	362,936
Other creditors	151,228	313,749
	<u>1,453,523</u>	<u>1,673,550</u>

The aggregate liability of creditors under one year over which security is held is £425,652 (2019: £491,629).

The bank loans and overdrafts are secured by way of legal charges over the property owned by the company, a fixed and floating charge over all current and future assets of the company and a charge of debt over the balances owed by the company to the directors.

The hire purchase debt is secured over the asset the debt was used to purchase.

19. Creditors: amounts falling due after more than one year

	2020 £	2019 £
Bank loans and overdrafts	1,605,381	1,566,593
Obligations under finance leases and hire purchase contracts	124,690	108,332
Derivative financial liability	—	53,366
	<u>1,730,071</u>	<u>1,728,291</u>

P. & F. Safepac Co. Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 January 2020

19. Creditors: amounts falling due after more than one year *(continued)*

The aggregate liability within creditors over one year over which security is held is £1,730,071 (2019: £1,674,925).

The bank loans and overdrafts are secured by way of legal charges over the property owned by the company, a fixed and floating charge over all current and future assets of the company and a charge of debt over the balances owed by the company to the directors.

The company enters into forward exchange currency contracts to mitigate the exchange rate risk. The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward rates for Sterling:Dollar at the balance sheet date.

As at 31 January 2020, the company is committed to sell \$800,000 (2019: \$1,375,000) at £631,605 (2019: £993,456) creating a financial derivative asset (2019: financial derivative liability); all contracts are due to mature within 6 months of the reporting date.

The hire purchase debt is secured over the asset the debt was used to purchase.

Included within creditors: amounts falling due after more than one year is an amount of £1,032,994 (2019: £1,050,857) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

The balance is repayable by instalments, with interest charged at 1.85% above LIBOR rate. The final payment to repay the loan, interest and any other amounts outstanding to be made in April 2030.

20. Finance leases and hire purchase contracts

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	2020	2019
	£	£
Not later than 1 year	71,380	43,162
Later than 1 year and not later than 5 years	138,383	118,556
	<u>209,763</u>	<u>161,718</u>

21. Provisions

	Deferred tax (note 22)
	£
At 1 February 2019	119,255
Additions	8,879
At 31 January 2020	<u>128,134</u>

P. & F. Safepac Co. Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 January 2020

22. Deferred tax

The deferred tax included in the balance sheet is as follows:

	2020 £	2019 £
Included in provisions (note 21)	<u>128,134</u>	<u>119,255</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2020 £	2019 £
Accelerated capital allowances	160,532	119,255
Unused tax losses	<u>(32,398)</u>	<u>—</u>
	<u>128,134</u>	<u>119,255</u>

Deferred tax has been calculated at 19% (2019: 17%), the future rate of taxation.

23. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £46,611 (2019: £37,575).

At the balance sheet date contributions of £8,690 (2019: £7,527) were outstanding and subsequently paid.

24. Financial instruments

The carrying amount for each category of financial instrument is as follows:

	2020 £	2019 £
Financial assets measured at fair value through profit or loss		
Financial assets measured at fair value through profit or loss	<u>25,226</u>	<u>—</u>
Financial assets that are debt instruments measured at amortised cost		
Financial assets that are debt instruments measured at amortised cost	<u>1,202,818</u>	<u>1,344,175</u>
Financial assets that are equity instruments measured at cost less impairment		
Financial assets that are equity instruments measured at cost less impairment	<u>1</u>	<u>1</u>
Financial liabilities measured at fair value through profit or loss		
Financial liabilities measured at fair value through profit or loss	<u>—</u>	<u>53,366</u>
Financial liabilities measured at amortised cost		
Financial liabilities measured at amortised cost	<u>2,883,146</u>	<u>2,926,340</u>

P. & F. Safepac Co. Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 January 2020

25. Called up share capital

Issued, called up and fully paid

	2020		2019	
	No.	£	No.	£
'A' Ordinary shares of £1 each	272,572	272,572	272,572	272,572
'B' Ordinary shares of £1 each	100	100	100	100
'D' Ordinary shares of £1 each	50,229	50,229	50,229	50,229
'E' Ordinary shares of £0.01 each	1,362,860	13,629	1,362,860	13,629
'F' Ordinary shares of £0.01 each	479,130	4,791	479,130	4,791
	<u>2,164,891</u>	<u>341,321</u>	<u>2,164,891</u>	<u>341,321</u>

Ordinary A, B and E shares are full ordinary shares; there are no restrictions on the distribution of dividends and the repayment of capital.

Ordinary D and F shares are full ordinary shares with pre-emption rights attached to the shares. See note 32 for further details.

26. Reserves

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

Capital redemption reserve - This reserve records the nominal value of shares repurchased by the company.

Other reserves - This reserve holds the shares acquired on behalf of the Qualifying Employee Share Ownership Trust. The company paid a contribution for the purchase of shares in the company which are held to be divested to the employees at a future date. As at the balance sheet date the balance on this reserve totalled (£2,596,985) (2019: (£2,596,985)), including provisions for deferred tax.

Share based payment reserve - This reserve records the value of the remaining cost on unconditional vesting of shares, if the value of the shares is less than the cost of the shares awarded, the difference is transferred between the SIP reserve and the profit and loss reserve. This is included within 'Other reserves' on the face of the balance sheet; as at the balance sheet date the balance on this reserve totalled £24,708 (2019: £24,708).

Revaluation reserve - This reserve records the value of asset revaluations and fair value movements on assets recognised in other comprehensive income, along with the gains and losses on the revaluation of investment properties, which are non-distributable.

P. & F. Safepac Co. Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 January 2020

27. Analysis of changes in net debt

	At 1 Feb 2019	Cash flows	At 31 Jan 2020
	£	£	£
Cash at bank and in hand	20,955	(20,623)	332
Bank overdrafts	(331,104)	103,760	(227,344)
Debt due within one year	(523,461)	19,635	(503,826)
Debt due after one year	(1,674,925)	(55,146)	(1,730,071)
	<u>(2,508,535)</u>	<u>47,626</u>	<u>(2,460,909)</u>

28. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2020	2019
	£	£
Not later than 1 year	35,062	476,454
Later than 1 year and not later than 5 years	242,294	397,026
	<u>277,356</u>	<u>873,480</u>

29. Contingencies

The company has provided a guarantee to Natwest Bank plc in the sum of £18,000 in favour of HM Revenue and Customs.

Since 1 November 2017, the company has acted as a guarantor for Home Store Limited regarding the 5 year lease agreements for units A3/A6 and A5, Anglian Lane Industrial Estate, Bury St. Edmunds, Suffolk. Annual rents for these properties total £91,850 and £38,000 per annum respectively; the maximum expose of the guarantee is £357,088 (2019: £486,938).

The directors have provided security in respect of a bank loan by way of a charge of debt over the balances owed to them by the company.

30. Events after the end of the reporting period

On 23 March 2020, the government enforced a lockdown throughout the UK in reaction to the outbreak of COVID-19, impacting the company's packing and forwarding operations, as discussed in the Strategic Report.

The financial implications of COVID-19 has equated to loss of revenue for the company, and whilst costs of a variable nature have fallen also, fixed costs, not supported by government grants continue. No reliable estimate of the financial effect of COVID-19 can be made, as since the lifting of lockdown, the company has seen trade exceed pre-lockdown levels as a reaction to pent up demand.

P. & F. Safepac Co. Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 January 2020

31. Related party transactions

The following balances were outstanding at the year end:

	2020	2019
	£	£
Owed by Eurogroup International Movers Limited	27,744	41,225
Owed to Eurogroup International Movers Limited	6,673	1,246
Owed by APAK Relocations Limited	5,389	-
Owed by Home Store Limited	564	-
Owed to Home Store Limited	116,714	253,952
Owed to P & F Safepac Company Limited Directors Pension Scheme	-	40,800

The following transactions took place with related parties during the year:

	2020	2019
	£	£
Sales to Eurogroup International Movers Limited	322,536	94,811
Purchases from Eurogroup International Movers Limited	16,699	24,383
Sales to APAK Relocations Limited	8,447	19,576
Purchases from APAK Relocations Limited	1,540	10,166
Rent charged to Home Store Limited	165,000	165,000
Other sales to Home Store Limited	28,817	13,417
Management charge to Home Store Limited	75,000	-
Purchases from Home Store Limited	56,613	58,153
Rent to P & F Safepac Company Limited Directors Pension Scheme	68,000	68,000

Mr W P Flynn and Mr D A Flynn are shareholders and directors of P & F Safepac Company Limited and Eurogroup International Movers Limited (formerly Euro-USA Shipping Limited) and are directors of Home Store Limited throughout the current and previous year.

APAK Relocations Limited is a wholly owned subsidiary of Eurogroup International Movers Limited.

P & F Safepac Company Limited Directors' Pension Scheme will provide pensions to Mr W P Flynn and Mr D A Flynn on their retirement.

The company was under the joint control of the directors Mr W P Flynn and Mr D A Flynn (who are also the majority shareholders) in both the current and previous year. During the year there were net transactions between the company and the directors amounting to £57,418 (2019: £191,224). At the balance sheet date an amount of £305,518 (2019: £362,936) was owed to the directors.

32. Controlling party

The company is controlled jointly by two of its directors, Mr D A Flynn and Mr W P Flynn acting in concert.

P. & F. Safepac Co. Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year ended 31 January 2020

33. Other reserves

Investment: Own shares

	'D' Shares held in trust	'F' Shares held in trust	Nominal value £	Cost £	Total £
QUEST	18,276	91,380	19,190	1,999,475	1,999,475
SIP	31,953	387,750	35,830	1,699,918	1,699,918
	<u>50,229</u>	<u>479,130</u>	<u>55,020</u>	<u>3,699,393</u>	<u>3,699,393</u>

The P. & F. Safepac Co. Limited Share Incentive Plan was established to purchase shares for the benefit of the employees. The aim is to provide free shares to all employees over a five year period. On 17 December 2009, 77,550 Ordinary £1.00 'D' Shares were granted, the value of the shares at the grant date was £59,972. As P. & F. Safepac Co. Limited is a private company, there is no observable market price for the shares granted. Therefore, the value of the shares was measured using generally accepted valuation methodology which allowed for this.

As the value of the shares is less than the cost of the shares, the difference has been transferred from the SIP reserve to the profit and loss reserve over the vesting period.

The P. & F. Safepac Co. Limited QUEST is governed by a trust deed dated 1 September 2003. The QUEST trustees hold shares for the benefit of the employees generally. The aim is to appropriate the shares to the employees on a long term basis.

There has been no movement on the reserve during the year or the prior year.