

Registration number: 00955511

Carlac Limited

Annual Report and Financial Statements
for the Year Ended 30 September 2020

Murray Harcourt Limited
6 Queen Street
Leeds
West Yorkshire
LS1 2TW



Carlac Limited

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Carlac Limited

Company Information

Directors	M Firth
	N Firth
	M Long
Company secretary	M Long
Registered office	Units 16-17 Ashfield Way Whitehall Road Industrial Estate Leeds West Yorkshire LS12 5JB
Auditors	Murray Harcourt Limited 6 Queen Street Leeds West Yorkshire LS1 2TW

Carlac Limited

Strategic Report for the Year Ended 30 September 2020

The Directors present their strategic report for the year ended 30 September 2020.

Principal activity

The principal activity of the Company is the distribution of paint, motor body components and ancillary goods

Fair review of the business

Market conditions throughout 2020 continued to be competitive and the revenue and profit of the business dropped in the second half of the year due to the Covid 19 pandemic. Despite this, the company was stable throughout this period and was able to access support through the job retention scheme. The company also acquired Diverse Distribution UK Ltd on 31st July 2020 and this strategic acquisition will complement our existing operations in the North East of England.

During the year under review, turnover decreased by 10% resulting in a decrease in operating profit. The gross profit percentage has been held consistently year on year. The focus on improving revenue whilst maintaining tight control over costs continues to be the focus of the Directors in the current financial period whilst navigating an uncertain economic outlook caused by the Covid 19 pandemic.

Covid 19 continues to have an impact upon the business but the Company is doing well and the Directors are positive about the success of the business in the future.

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

	Unit	2020	2019
Turnover	£	10,493,578	11,735,861
Gross profit margin	%	32	31
Operating profit	£	522,207	555,937

Principal risks and uncertainties

The automotive paints market has remained static in volume levels. However, the Company has continued to grow its overall sales in the automotive paints sector. In order to ensure the Company can grow going forward, the Company is continuing its research into innovative technologies and sales of goods into various coatings sectors. The Directors continue to believe these are markets in which success can be achieved. The Directors believe that this, together with a continued focus on selling body shop capital equipment will lead to further increases in turnover and profitability in the future.

Approved by the Board on 23/6/21 and signed on its behalf by:


N Firth
Director

Carlac Limited

Directors' Report for the Year Ended 30 September 2020

The Directors present their report and the financial statements for the year ended 30 September 2020.

Directors of the Company

The Directors who held office during the year were as follows:

M Firth

N Firth

M Long - Company secretary and director

Strategic report

In accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, the Company has prepared a Strategic Report, which includes information that would have previously been included in the Directors' Report.

Financial instruments

Price risk, credit risk, liquidity risk and cash flow risk

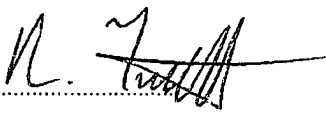
Credit risk arises from customers failing to meet their obligation under contracts of sale to pay. In order to minimise this risk, deferred terms are only granted to those customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures.

Liquidity risk arises from the difficulties the company may face in meeting obligations under financial liabilities as they fall due. The company mitigates liquidity risk by long, medium and short term forecasts, applying cash collection targets throughout the company and utilisation of full trading terms with its suppliers. The company has renewed its asset based lending facility with a new finance provider. The finance provider has indicated that competitive terms will be ongoing.

Disclosure of information to the auditors

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Approved by the Board on 23/6/21 and signed on its behalf by:



N Firth
Director

Carlac Limited

Statement of Directors' Responsibilities

The Directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Carlac Limited

Independent Auditor's Report to the Members of Carlac Limited

Opinion

We have audited the financial statements of Carlac Limited (the 'Company') for the year ended 30 September 2020, which comprise the Statement of Income and Retained Earnings, Balance Sheet, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, it is not possible to predict with certainty the potential impact of future developments in both the company's trading environment or in the broader economy. Because of this, the above statements should not be interpreted as a guarantee that the company will continue to operate as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. 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.

Carlac Limited

Independent Auditor's Report to the Members of Carlac Limited

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities [set out on page 4], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Carlac Limited

Independent Auditor's Report to the Members of Carlac Limited

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.

Murray Harcourt Limited

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Steven Williams FCA (Senior Statutory Auditor)
For and on behalf of Murray Harcourt Limited, Statutory Auditor

6 Queen Street
Leeds
West Yorkshire
LS1 2TW

Date: 28/6/21

Carlac Limited

Statement of Income and Retained Earnings for the Year Ended 30 September 2020

	Note	2020 £	2019 £
Turnover	3	10,493,578	11,735,861
Cost of sales		<u>(7,136,399)</u>	<u>(8,040,169)</u>
Gross profit		3,357,179	3,695,692
Administrative expenses		(3,220,503)	(3,139,755)
Other operating income	4	<u>385,531</u>	<u>-</u>
Operating profit	5	522,207	555,937
Interest payable and similar charges	6	<u>(55,608)</u>	<u>(66,460)</u>
Profit before tax		466,599	489,477
Taxation	10	<u>(100,913)</u>	<u>(90,312)</u>
Profit for the financial year		365,686	399,165
Retained earnings brought forward		<u>2,438,428</u>	<u>2,039,263</u>
Retained earnings carried forward		<u><u>2,804,114</u></u>	<u><u>2,438,428</u></u>

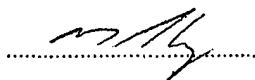
The notes on pages 10 to 25 form an integral part of these financial statements.

Carlac Limited

(Registration number: 00955511)
Balance Sheet as at 30 September 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	11	73,157	-
Tangible assets	12	464,833	467,470
		<u>537,990</u>	<u>467,470</u>
Current assets			
Stocks	14	1,607,200	1,673,535
Debtors: amounts falling due within one year	15	4,427,020	4,533,618
Debtors: amounts falling due after more than one year	15	403,994	593,740
Cash at bank and in hand		157,620	18,327
		<u>6,595,834</u>	<u>6,819,220</u>
Creditors: Amounts falling due within one year	17	<u>(3,548,351)</u>	<u>(4,608,377)</u>
Net current assets		<u>3,047,483</u>	<u>2,210,843</u>
Total assets less current liabilities		<u>3,585,473</u>	<u>2,678,313</u>
Creditors: Amounts falling due after more than one year	17	<u>(743,310)</u>	<u>(222,023)</u>
Provisions for liabilities	18	<u>(36,049)</u>	<u>(15,862)</u>
Net assets		<u>2,806,114</u>	<u>2,440,428</u>
Capital and reserves			
Called up share capital		2,000	2,000
Profit and loss account	21	<u>2,804,114</u>	<u>2,438,428</u>
Total equity		<u>2,806,114</u>	<u>2,440,428</u>

Approved and authorised by the Board on 23/6/24 and signed on its behalf by:


M Long
Company secretary and director

Carlac Limited

Notes to the Financial Statements for the Year Ended 30 September 2020

1 General information

The Company is a private company limited by share capital incorporated in England & Wales. Company information details are shown on page 1.

2 Accounting policies

Basis of preparation

These financial statements have been prepared on a going concern basis, using the historical cost convention and in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

Summary of disclosure exemptions

FRS 102 allows a qualifying entity certain disclosure exemptions. The Company has taken advantage of the following available exemptions:

- the requirement to prepare a statement of cash flows;
- financial instruments disclosures, including categories of financial instruments; and
- the disclosure of key management personnel remuneration in total.

Key sources of estimation uncertainty

Useful economic lives of tangible fixed assets

The annual depreciation charge for tangible fixed 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 advancement, future investments, economic utilisation and the physical condition of the assets.

The carrying value of tangible fixed assets is £464,833 (2019: £467,470) and the useful economic life of each category of fixed asset is set out in the accounting policy under "Depreciation", below.

Impairment of trade and other debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the ageing profile and historical experience. The carrying value of trade debtors and the associated provision are set out in note 15.

Impairment of stocks

The company sells products that are subject to changing technological developments. As a result it is necessary to consider the recoverability of the cost of stock and the associated provisions required. When considering the impairment of stocks, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of finished goods. The carrying value of stocks and the associated provision is set out in note 14.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Carlac Limited

Notes to the Financial Statements for the Year Ended 30 September 2020

2 Accounting policies (continued)

Judgements

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed under "Key sources of estimation uncertainty" above.

Going concern

The Directors have considered the going concern basis of preparation of the financial statements.

Covid-19 initially caused reduced activity for the business in Spring 2020 but trading quickly recovered and activity is now above pre-pandemic levels.

The Directors have prepared cash flow forecasts for the period to September 2022 on a cautious basis reflecting current trading levels. These cash flow forecasts indicate that the business can pay its debts as they fall due over the next 12 months. The cash flow forecasts assume no further funding facilities in addition to current levels, or government reliefs that have not already been confirmed to be available to the group. The Directors have considered reasonably possible downsides that may arise against the assumptions underlying the forecasts. The forecasts indicate that adequate cash headroom exists to absorb these downsides, should they occur.

On the basis of the above the Directors consider that no material uncertainty exists and have prepared the financial statements on a going concern basis.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Company's activities. Turnover is shown net of value added tax, returns, rebates and discounts and is recognised when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the entity.

Tax

Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Current income tax is calculated on the basis of 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 which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in assessments in periods different from those in which they are recognised in the financial statements.

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

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.

Carlac Limited

Notes to the Financial Statements for the Year Ended 30 September 2020

2 Accounting policies (continued)

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Long leasehold improvements	10% straight line
Plant and machinery	10% reducing balance
Fixtures and fittings	10% and 33% on cost
Motor vehicles	30% reducing balance

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date. Goodwill is amortised over its useful life, which shall not exceed ten years if a reliable estimate of the useful life cannot be made.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Goodwill	straight line over 10 years

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Carlac Limited

Notes to the Financial Statements for the Year Ended 30 September 2020

2 Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the weighted average cost formula.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to profit and loss over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in profit and loss and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Share capital

Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

Dividends

Dividend distribution to the Company's shareholders is recognised in the financial statements in the reporting period in which the dividends are paid.

Carlac Limited

Notes to the Financial Statements for the Year Ended 30 September 2020

2 Accounting policies (continued)

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the Company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Financial instruments

Classification

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Recognition and measurement

Basic financial assets and liabilities are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of future cash flows discounted at a market rate of interest. Basic financial assets and liabilities are subsequently measured at amortised cost.

Impairment

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate.

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

3 Revenue

All of the Company's revenue for the year from continuing operations arose in the UK and related to the sale of goods.

Carlac Limited

Notes to the Financial Statements for the Year Ended 30 September 2020

4 Other operating income

The analysis of the Company's other operating income for the year is as follows:

	2020	2019
	£	£
Grant monies received under the UK Government Job Retention Scheme	<u>385,531</u>	<u>-</u>

5 Operating profit

Arrived at after charging/(crediting):

	2020	2019
	£	£
Depreciation expense	132,191	130,340
Amortisation expense	2,523	-
Profit on disposal of property, plant and equipment	<u>(4,270)</u>	<u>(8,258)</u>

6 Interest payable and similar charges

	2020	2019
	£	£
Interest on bank overdrafts and borrowings	30,865	39,291
Interest on obligations under finance leases and hire purchase contracts	7,027	7,261
Interest expense on other finance liabilities	22	-
Other finance costs	<u>17,694</u>	<u>19,908</u>
	<u>55,608</u>	<u>66,460</u>

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020	2019
	£	£
Wages and salaries	1,820,399	1,780,239
Social security costs	144,421	141,534
Pension costs, defined contribution scheme	50,831	48,052
Other employee expense	<u>-</u>	<u>5,465</u>
	<u>2,015,651</u>	<u>1,975,290</u>

Carlac Limited

Notes to the Financial Statements for the Year Ended 30 September 2020

7 Staff costs (continued)

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

	2020	2019
	No.	No.
Administration and support	6	6
Sales	83	86
	<u>89</u>	<u>92</u>

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020	2019
	£	£
Remuneration	124,451	129,420
Contributions paid to money purchase schemes	15,000	15,000
	<u>139,451</u>	<u>144,420</u>

During the year the number of directors accruing benefits under money purchase schemes was 2 (2019 - 2).

9 Auditors' remuneration

	2020	2019
	£	£
Audit of the financial statements	<u>13,115</u>	<u>13,600</u>

Carlac Limited

Notes to the Financial Statements for the Year Ended 30 September 2020

10 Taxation

Tax charged/(credited) in the income statement

	2020 £	2019 £
Current taxation		
UK corporation tax	78,290	89,734
UK corporation tax adjustment to prior periods	2,436	(2,647)
	<u>80,726</u>	<u>87,087</u>
Deferred taxation		
Arising from origination and reversal of timing differences	18,320	4,555
Arising from changes in tax rates and laws	1,867	(1,330)
Total deferred taxation	<u>20,187</u>	<u>3,225</u>
Tax expense in the income statement	<u>100,913</u>	<u>90,312</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £	2019 £
Profit before tax	<u>466,599</u>	<u>489,477</u>
Corporation tax at standard rate	88,654	93,001
Effect of expense not deductible in determining taxable profit (tax loss)	4,230	1,841
Deferred tax expense relating to changes in tax rates or laws	1,889	-
UK deferred tax credit relating to changes in tax rates or laws	-	(1,866)
Deferred tax expense from unrecognised tax loss or credit	189	-
Increase/(decrease) in UK and foreign current tax from adjustment for prior periods	2,436	(2,664)
Tax increase from effect of capital allowances and depreciation	<u>3,515</u>	<u>-</u>
Total tax charge	<u>100,913</u>	<u>90,312</u>

Carlac Limited

Notes to the Financial Statements for the Year Ended 30 September 2020

10 Taxation (continued)

Deferred tax

Deferred tax assets and liabilities

	Asset £	Liability £
2020		
Losses	-	-
Short term timing differences	3,800	-
Accelerated capital allowances	-	39,849
	<u>3,800</u>	<u>39,849</u>
2019		
Losses	-	-
Short term timing differences	16,473	-
Accelerated capital allowances	-	32,335
	<u>16,473</u>	<u>32,335</u>

Carlac Limited

Notes to the Financial Statements for the Year Ended 30 September 2020

11 Intangible assets

	Goodwill £	Total £
Cost		
Additions acquired separately	75,680	75,680
At 30 September 2020	75,680	75,680
Amortisation		
Amortisation charge	2,523	2,523
At 30 September 2020	2,523	2,523
Carrying amount		
At 30 September 2020	73,157	73,157

Goodwill

On 31 July 2020, Carlac Limited purchased the entire share capital of Diverse Distribution UK Limited for £100,000. The trade and net assets of Diverse Distribution UK Limited, with a net asset value of £24,320, were immediately hived up to Carlac Limited for a consideration equal to book value.

Since the company suffered no overall loss as a result of the hive up of the trade and net assets of Diverse Distribution UK Limited, the Companies Act 2006 true and fair override provisions have been applied and rather than impair the investment in share capital, the surplus of the investment carrying value over the subsidiary net asset of £24,320, has been reclassified as goodwill. Amortisation of goodwill is recognised over 5 years.

Carlac Limited

Notes to the Financial Statements for the Year Ended 30 September 2020

12 Tangible assets

	Land and buildings £	Furniture, fittings and equipment £	Motor vehicles £	Other property, plant and equipment £	Total £
Cost					
At 1 October 2019	216,391	253,853	546,984	72,476	1,089,704
Additions	-	972	144,062	2,250	147,284
Disposals	-	-	(95,930)	(10,990)	(106,920)
At 30 September 2020	<u>216,391</u>	<u>254,825</u>	<u>595,116</u>	<u>63,736</u>	<u>1,130,068</u>
Depreciation					
At 1 October 2019	96,812	211,250	253,150	61,022	622,234
Charge for the year	14,600	7,937	108,491	1,163	132,191
Eliminated on disposal	-	-	(79,280)	(9,910)	(89,190)
At 30 September 2020	<u>111,412</u>	<u>219,187</u>	<u>282,361</u>	<u>52,275</u>	<u>665,235</u>
Carrying amount					
At 30 September 2020	<u>104,979</u>	<u>35,638</u>	<u>312,755</u>	<u>11,461</u>	<u>464,833</u>
At 30 September 2019	<u>119,579</u>	<u>42,603</u>	<u>293,834</u>	<u>11,454</u>	<u>467,470</u>

Included within the net book value of land and buildings above is £104,978 (2019 - £119,579) in respect of long leasehold land and buildings.

Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2020 £	2019 £
Motor vehicles	<u>127,821</u>	<u>95,051</u>

Carlac Limited

Notes to the Financial Statements for the Year Ended 30 September 2020

13 Business combinations

On 31 July 2020, Carlac Limited acquired 100% of the issued share capital of Diverse Distribution UK Limited, obtaining control.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Fair value 2020 £
Assets and liabilities acquired	
Financial assets	140,406
Stocks	21,238
Financial liabilities	<u>(137,324)</u>
Total identifiable assets	<u>24,320</u>
Goodwill	<u>75,680</u>
Total consideration	<u>100,000</u>

14 Stocks

	2020 £	2019 £
Finished goods and goods for resale	<u>1,607,200</u>	<u>1,673,535</u>

The cost of stocks recognised as an expense in the year amounted to £7,091,808 (2019 - £8,040,170). Finished goods and goods for resale are stated after provisions of £153,651 (2019 - £165,115).

15 Debtors

	2020 £	2019 £
Trade debtors	2,674,430	2,977,678
Amounts owed by group undertakings	881,031	795,373
Other debtors	182,840	141,584
Prepayments	<u>1,092,713</u>	<u>1,212,723</u>
	<u>4,831,014</u>	<u>5,127,358</u>

Trade debtors are stated after provisions for impairment of £213,667 (2019 - £94,002).

Details of non-current trade and other debtors

Included within prepayments are amounts of £403,994 (2019 - £593,740) not expected to be realised until after more than one year.

Carlac Limited

Notes to the Financial Statements for the Year Ended 30 September 2020

16 Cash and cash equivalents

	2020 £	2019 £
Cash on hand	428	225
Cash at bank	157,192	18,102
	<u>157,620</u>	<u>18,327</u>

17 Creditors

	2020 £	2019 £
Due within one year		
Loans and borrowings	951,608	2,186,095
Trade creditors	1,572,951	1,658,906
Social security and other taxes	402,087	149,953
Other payables	116,840	188,961
Accrued expenses	426,575	334,711
Income tax liability	78,290	89,751
	<u>3,548,351</u>	<u>4,608,377</u>
Due after one year		
Loans and borrowings	564,691	34,918
Other payables	178,619	187,105
	<u>743,310</u>	<u>222,023</u>

18 Deferred tax and other provisions

	Deferred tax £	Total £
At 1 October 2019	15,862	15,862
Increase (decrease) in existing provisions	20,187	20,187
At 30 September 2020	<u>36,049</u>	<u>36,049</u>

19 Pension and other schemes

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £50,831 (2019 - £48,052).

Carlac Limited

Notes to the Financial Statements for the Year Ended 30 September 2020

20 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	No.	£	No.	£
Ordinary of £1 each	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>

21 Reserves

Share capital represents the number of shares issued at nominal price.

The profit and loss account represents accumulated comprehensive income for the year and prior periods, after deduction of dividends paid.

22 Loans and borrowings

	2020	2019
	£	£
Non-current loans and borrowings		
Other borrowings	521,667	-
Finance lease liabilities	<u>43,024</u>	<u>34,918</u>
	<u>564,691</u>	<u>34,918</u>

Carlac Limited

Notes to the Financial Statements for the Year Ended 30 September 2020

22 Loans and borrowings (continued)

	2020 £	2019 £
Current loans and borrowings		
Finance lease liabilities	57,016	36,930
Other borrowings	894,592	2,149,165
	<u>951,608</u>	<u>2,186,095</u>

Included within current loans and borrowings, security has been provided on finance lease liabilities amounting to £57,016 (2019 - £36,930).

Included within non - current loans and borrowings, security has been provided on finance lease liabilities amounting to £43,025 (2019 - £34,918).

Other borrowings comprises invoice finance which is secured by a debenture including a fixed charge over all present freehold and leasehold property, first fixed charge over book and other debts, chattels, goodwill and uncalled capital, both present and future, and a first floating charge over all assets and undertaking both present and future. Finance leases are secured on the assets to which the finance relates.

On 1 July 2020 Carlac Limited was advanced a loan of £500,000 under the Coronavirus Business Interruption Loan Scheme (CBILS). Interest on the loan is charged at a rate of 3.99% per annum over the Bank of England Base Rate and for the first twelve months, the Business Interruption Payment (BIP) will pay the interest.

As part of the acquisition of Diverse Distribution UK Limited, Carlac Limited acquired the financial liabilities of the entity, which included a Bounce Back Loan (BBL) of £50,000. Interest on the loan is charged at 2.5% per annum and under the terms of the BBL, the BIP will cover the payment of the interest for the first 12 months.

23 Obligations under leases and hire purchase contracts

Finance leases

The total of future minimum lease payments is as follows:

	2020 £	2019 £
Not later than one year	57,016	36,930
Later than one year and not later than five years	43,025	34,918
	<u>100,041</u>	<u>71,848</u>

Operating leases

The total of future minimum lease payments is as follows:

Carlac Limited

Notes to the Financial Statements for the Year Ended 30 September 2020

23 Obligations under leases and hire purchase contracts (continued)

	2020	2019
	£	£
Not later than one year	37,335	31,936
Later than one year and not later than five years	91,076	88,126
Later than five years	3,215	19,287
	<u>131,626</u>	<u>139,349</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £40,865 (2019 - £106,208).

24 Related party transactions

The Company has taken the exemption set out in FRS 102 from disclosing transactions with other members of the group.

Summary of transactions with other related parties

Cuckoo Nest Properties Limited
(Common Directors)

During the period the group paid rent and related charges to Cuckoo Nest Properties Limited of £100,379 (2019 - £90,305). A management charge was charged to the same related party amounting to £12,000 (2019 - £24,000). At the balance sheet date the amount due to Cuckoo Nest Properties Limited was £154,438 (2019 - £142,031). The loan is interest free and repayable on demand.

25 Parent and ultimate parent undertaking

The ultimate parent is Carlac Group Limited, incorporated in England & Wales.

These financial statements are available upon request from Companies House, Crown Way, Cardiff, CF14 3UZ.

The ultimate controlling party is N Firth by virtue of his majority shareholding in the ultimate parent company.