

Company Registration No. 01755658 (England and Wales)

FESTIVE PRODUCTIONS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

FESTIVE PRODUCTIONS LIMITED

COMPANY INFORMATION

Directors	Mr J C Saunders Ms E Chrysanthou Mr C A Hedlund Mr S A Hedlund Mr M J Hornung Mr J Hughes Mr J P Watkins
Secretary	Mr J P Watkins
Company number	01755658
Registered office	Otters Brook Ty Coch Way CWMBRAN UK NP44 7EZ
Auditor	Azets Audit Services Ty Derw Lime Tree Court Cardiff Gate Business Park Cardiff CF23 8AB

FESTIVE PRODUCTIONS LIMITED

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FESTIVE PRODUCTIONS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the strategic report for the year ended 31 December 2020.

Fair review of the business

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2020.

The principal activity of the Company is the manufacture and wholesale of Christmas decorations, together with other seasonal products.

Principal risks and uncertainties

Finished goods are primarily purchased from the Far East in US dollars. Consequently, the business is exposed to any sharp variations in currency rates. To reduce this risk, the Company continually monitors exchange rates and hedges against currency movements. The Company is currently well hedged against the prevailing rate at the time of signing.

The extent of the impact of COVID-19 on the Company was well managed during the year but remains unclear for the future due to its unpredictable nature. It is difficult to predict with certainty all the potential implications on the company's trade, customers, suppliers, and the wider economy. The directors have prepared re-forecasts for the year to manage the Company's cash flow requirements during this period of uncertainty and to enable the Company to meet its obligations as they fall due.

Development and performance

Turnover for the year ending December 2020 was £11.5m (2019: £10.1m) and delivered a satisfactory growth of 13.9% on prior year.

Gross margin was 30.3% (2019: 26.5%) again delivering a satisfactory increase, being 3.8%.

Distribution, Overhead and Administrative costs continue to improve efficiencies. December 2020 accounted for a combined cost of 29.4% (2019: 32.7%) to turnover, an improvement of 3.3%.

The business continues to maintain a healthy cash position with £5,589k (2019: £3,343k) cash in bank. Although creditors due within 1 year has increased to £13.4m (2019: £11.7m) this combined with cash in bank has improved to £7.8m from 2019 £8.4m.

A targeted stock reduction programme has achieved the desired result by reducing holdings to £1,815k from 2019 £2,501k.

The year-end debtor total of £3,152k (2019: £3,113k) remains consistent even with the increased turnover to collect.

The trading performance for the year was a much-improved result with profit of £96k (2019: £806k loss).

The Company continues to manufacture tinsel in its Cwmbran factory and maintains a significant presence in the UK market.

The Company is aware of the responsibilities to meet the Social and Ethical standards when choosing Far East based suppliers. Full compliance audits are carried out on all factories by third party assessors in conjunction with our own personnel. Corrective action measures are put in place, where appropriate, and monitored by the Company's QA management team which includes three Chinese nationals based in China.

FESTIVE PRODUCTIONS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Future Developments

The Company continues to expand its higher margin business and further explore new markets.

The Company also continues to recognise the potential of online and web focussed sales and continues to expand this avenue.

The Company continues to develop and design new and exciting products and ranges for the Christmas market.

Going concern

The Company enjoys the continued support of related party Hedlund International.

This, together with clearing facilities with Lloyds Banking enables the Company to continue trading as a going concern. Note 1 to the financial statements discusses this in more detail.

By order of the board

Mr J P Watkins

Secretary

15 April 2021

FESTIVE PRODUCTIONS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and financial statements for the year ended 31 December 2020.

Principal activities

The principal activity of the Company is the manufacture and wholesale of Christmas decorations, together with other seasonal products, to both reduce the reliance on Christmas and to provide a fuller service to its customer base.

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

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

Mr J C Saunders
Ms E Chrysanthou
Mr C A Hedlund
Mr S A Hedlund
Mr M J Hornung
Mr J A T Marshall
Mr J Hughes
Mr J P Watkins

(Resigned 28 February 2021)

Auditor

The auditor, Azets Audit Services, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

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

By order of the board

Mr J P Watkins
Secretary

15 April 2021

FESTIVE PRODUCTIONS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

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

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

FESTIVE PRODUCTIONS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FESTIVE PRODUCTIONS LIMITED

Opinion

We have audited the financial statements of Festive Productions Limited (the 'company') for the year ended 31 December 2020 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including 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 31 December 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.

Emphasis of matter

We draw attention to note 1.2 in the financial statements which indicates that the company as a consequence of the emergence of the Covid-19 virus post year end has encountered disruption within the sector it operates. The Directors have taken steps to mitigate this disruption and to manage cash flow requirements during this period however there is uncertainty in terms of the impact of Covid-19 on the company's customers and the wider economy once the restrictions are lifted. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

FESTIVE PRODUCTIONS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF FESTIVE PRODUCTIONS LIMITED

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 contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

FESTIVE PRODUCTIONS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF FESTIVE PRODUCTIONS LIMITED

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the 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. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. 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.

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.

Craig Yearsley FCCA (Senior Statutory Auditor)
For and on behalf of Azets Audit Services

19 April 2021

Chartered Accountants
Statutory Auditor

Ty Derw
Lime Tree Court
Cardiff Gate Business Park
Cardiff
CF23 8AB

FESTIVE PRODUCTIONS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
Turnover	3	11,527	10,102
Cost of sales		(8,033)	(7,424)
Gross profit		<u>3,494</u>	<u>2,678</u>
Distribution costs		(415)	(420)
Administrative expenses		(2,976)	(2,881)
Other operating income		56	1
Operating profit/(loss)	4	<u>159</u>	<u>(622)</u>
Interest receivable and similar income	8	(24)	(116)
Interest payable and similar expenses	9	(39)	(68)
Profit/(loss) before taxation		<u>96</u>	<u>(806)</u>
Tax on profit/(loss)	10	-	-
Profit/(loss) for the financial year		<u><u>96</u></u>	<u><u>(806)</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

FESTIVE PRODUCTIONS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £'000	2019 £'000
Profit/(loss) for the year	96	(806)
Other comprehensive income		
Revaluation of tangible fixed assets	-	914
	<hr/>	<hr/>
Total comprehensive income for the year	96	108
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FESTIVE PRODUCTIONS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
Fixed assets			
Goodwill	12	-	151
Other intangible assets	12	-	3
Total intangible assets		-	154
Tangible assets	13	5,223	5,350
		5,223	5,504
Current assets			
Stocks	15	1,815	2,501
Debtors	16	3,152	3,113
Cash at bank and in hand		5,589	3,343
		10,556	8,957
Creditors: amounts falling due within one year	17	(13,386)	(11,734)
Net current liabilities		(2,830)	(2,777)
Total assets less current liabilities		2,393	2,727
Creditors: amounts falling due after more than one year	18	(1,300)	(1,730)
Net assets		1,093	997
Capital and reserves			
Called up share capital	22	9,500	9,500
Revaluation reserve		891	914
Capital redemption reserve		30	30
Profit and loss reserves		(9,328)	(9,447)
Total equity		1,093	997

The financial statements were approved by the board of directors and authorised for issue on 15 April 2021 and are signed on its behalf by:

Mr J P Watkins
Director

Company Registration No. 01755658

FESTIVE PRODUCTIONS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Revaluation reserve	Capital redemption reserve	Profit and loss reserves	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2019	9,500	-	30	(8,641)	889
Year ended 31 December 2019:					
Loss for the year	-	-	-	(806)	(806)
Other comprehensive income:					
Revaluation of tangible fixed assets	-	914	-	-	914
Total comprehensive income for the year	-	914	-	(806)	108
Balance at 31 December 2019	9,500	914	30	(9,447)	997
Year ended 31 December 2020:					
Profit and total comprehensive income for the year	-	-	-	96	96
Transfers	-	(23)	-	23	-
Balance at 31 December 2020	9,500	891	30	(9,328)	1,093

FESTIVE PRODUCTIONS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities			
Cash generated from/(absorbed by) operations	26	2,712	(1,609)
Interest paid		(39)	(68)
Income taxes paid		-	(6)
Net cash inflow/(outflow) from operating activities		2,673	(1,683)
Investing activities			
Purchase of intangible assets		-	(2)
Purchase of tangible fixed assets		(64)	(40)
Proceeds on disposal of tangible fixed assets		-	21
Interest received		(24)	(116)
Net cash used in investing activities		(88)	(137)
Financing activities			
Repayment of borrowings		(400)	(400)
Repayment of derivatives		61	218
Payment of finance leases obligations		-	(40)
Net cash used in financing activities		(339)	(222)
Net increase/(decrease) in cash and cash equivalents		2,246	(2,042)
Cash and cash equivalents at beginning of year		3,343	5,385
Cash and cash equivalents at end of year		5,589	3,343

FESTIVE PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

Festive Productions Limited is a private company limited by shares incorporated in England and Wales. The registered office is Otters Brook, Ty Coch Way, CWMBRAN, UK, NP44 7EZ.

1.1 Accounting convention

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

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

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

1.2 Going concern

The financial statements have been prepared on a going concern basis which assumes the company will continue in operational existence for the foreseeable future. In making their assessment the directors have reviewed the balance sheet, the likely future cash flows of the business and have considered the working capital facilities that are in place at the date of signing the report. As at 31 December 2020, the Company has cash at bank of £5.589m and net assets of £1.093m.

As a consequence of the measures taken by the UK Government to manage the impact of Covid-19, the day to day operations of the business has been disrupted. However these results reflect the fact that the business has operated in these conditions since March 2020. It is difficult to evaluate all of the potential implications of these measures on the company's trade, customers, suppliers and the wider economy. However, based on the information that is currently known, the directors have prepared forecasts for the year ahead and taken steps to manage the company's cash flow requirements during this period of uncertainty.

At the time of approving the financial statements therefore, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

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

FESTIVE PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is between 5 to 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	5 Years
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1.6 Tangible fixed assets

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

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and equipment	10 Years
Fixtures and fittings	10 Years
Computers	3 Years
Motor Vehicles	4 Years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

FESTIVE PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1.8 Stocks

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

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

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

1.9 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

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

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

Basic financial assets

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

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

FESTIVE PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

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

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

FESTIVE PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Derecognition of financial liabilities

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

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.11 Employee benefits

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

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

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

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Government grants

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

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

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

FESTIVE PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2 Judgements and key sources of estimation uncertainty

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

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

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Stock

Stocks are valued at the lower cost and net realisable value. Net realisable value includes, where necessary, provisions for slow moving and obsolete stocks. Calculation of these provisions requires judgements to be made, which include forecast consumer demand, the economic environment and stock loss trends.

Accruals

Accruals are recognised by the directors for liabilities incurred at the balance sheet date but which have not yet been invoiced. These provisions are calculated by reviewing purchase order records at the balance sheet date and also making judgements on known liabilities.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2020 £'000	2019 £'000
Turnover analysed by class of business		
	11,527	10,102
	=====	=====
	2020 £'000	2019 £'000
Other significant revenue		
Interest income	(24)	(116)
Grants received	58	-
	=====	=====
	2020 £'000	2019 £'000
Turnover analysed by geographical market		
United Kingdom	10,186	8,681
Europe	1,007	905
Rest of World	334	516
	=====	=====
	11,527	10,102
	=====	=====

FESTIVE PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

4 Operating profit/(loss)

	2020 £'000	2019 £'000
Operating profit/(loss) for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(718)	(768)
Government grants	(58)	-
Depreciation of owned tangible fixed assets	192	84
Profit on disposal of tangible fixed assets	-	(15)
Amortisation of intangible assets	70	133
Impairment of intangible assets	84	-
	<u> </u>	<u> </u>

5 Auditor's remuneration

	2020 £'000	2019 £'000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	16	17
	<u> </u>	<u> </u>
For other services		
Taxation compliance services	3	3
	<u> </u>	<u> </u>

6 Employees

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

	2020 Number	2019 Number
Management	6	6
Administration	38	44
Production	26	19
	<u> </u>	<u> </u>
Total	70	69
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2020 £'000	2019 £'000
Wages and salaries	2,447	2,365
Social security costs	166	170
Pension costs	78	78
	<u> </u>	<u> </u>
	2,691	2,613
	<u> </u>	<u> </u>

FESTIVE PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

7 Directors' remuneration

	2020 £'000	2019 £'000
Remuneration for qualifying services	369	460
	<u> </u>	<u> </u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 5 (2019 - 5).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2020 £'000	2019 £'000
Remuneration for qualifying services	80	80
	<u> </u>	<u> </u>

8 Interest receivable and similar income

	2020 £'000	2019 £'000
Interest income		
Interest on bank deposits	37	102
Other income from investments		
Gains on financial instruments measured at fair value through profit or loss	(61)	(218)
	<u> </u>	<u> </u>
Total income	(24)	(116)
	<u> </u>	<u> </u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	37	102
Interest on financial assets measured at fair value through profit or loss	(61)	(218)
	<u> </u>	<u> </u>

9 Interest payable and similar expenses

	2020 £'000	2019 £'000
Interest on financial liabilities measured at amortised cost:		
Interest on invoice finance arrangements	-	20
Interest payable to group undertakings	39	46
	<u> </u>	<u> </u>
	39	66
Other finance costs:		
Interest on finance leases and hire purchase contracts	-	2
	<u> </u>	<u> </u>
	39	68
	<u> </u>	<u> </u>

FESTIVE PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

10 Taxation

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

	2020 £'000	2019 £'000
Profit/(loss) before taxation	96	(806)
	==	==
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	18	(153)
Tax effect of expenses that are not deductible in determining taxable profit	2	3
Tax effect of utilisation of tax losses not previously recognised	(18)	-
Capital Allowances in excess of depreciation	(2)	-
Deferred tax not recognised	-	134
Rate changes	-	16
	==	==
Taxation charge for the year	-	-
	==	==

The company has deferred tax assets amounting to £2.154m (2019: £1.966m) which has not been recognised in the financial statements.

11 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	Notes	2020 £'000	2019 £'000
In respect of:			
Goodwill	12	84	-
		==	==
Recognised in:			
Administrative expenses		84	-
		==	==

FESTIVE PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

12 Intangible fixed assets

	Goodwill £'000	Software £'000	Total £'000
Cost			
At 1 January 2020 and 31 December 2020	675	324	999
Amortisation and impairment			
At 1 January 2020	524	321	845
Amortisation charged for the year	67	3	70
Impairment losses	84	-	84
At 31 December 2020	675	324	998
Carrying amount			
At 31 December 2020	-	-	-
At 31 December 2019	151	3	154

More information on impairment movements in the year is given in note 11.

13 Tangible fixed assets

	Freehold land and buildings £'000	Plant and equipment £'000	Fixtures and fittings £'000	Computers £'000	Motor Ve hicles £'000	Total £'000
Cost or valuation						
At 1 January 2020	5,100	809	1,767	103	11	7,790
Additions	-	4	42	18	-	64
At 31 December 2020	5,100	813	1,809	121	11	7,854
Depreciation and impairment						
At 1 January 2020	-	752	1,577	100	10	2,439
Depreciation charged in the year	128	15	45	3	1	192
At 31 December 2020	128	767	1,622	103	11	2,631
Carrying amount						
At 31 December 2020	4,972	46	187	18	-	5,223
At 31 December 2019	5,100	57	190	3	-	5,350

Land and buildings with a carrying amount of £4,053,661 were revalued at 31 December 2019 by Knight Frank, independent valuers not connected with the company on the basis of market value. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties.

FESTIVE PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

13 Tangible fixed assets

(Continued)

If revalued assets were stated on a historical cost basis rather than a fair value basis, the total amounts included would have been as follows;

	2020 £'000	2019 £'000
Cost	6,598	6,598
Accumulated depreciation	(2,646)	(2,544)
Carrying value	3,952	4,054

14 Financial instruments

	2020 £'000	2019 £'000
Carrying amount of financial assets		
Debt instruments measured at amortised cost	2,888	2,564
Instruments measured at fair value through profit or loss	-	6
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities	55	-
Measured at amortised cost	13,969	12,863

15 Stocks

	2020 £'000	2019 £'000
Raw materials and consumables	309	313
Work in progress	-	13
Finished goods and goods for resale	1,506	2,175
	1,815	2,501

Stocks are stated after provisions for impairment of £689k (2019 £754k).

16 Debtors

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade debtors	2,386	2,191
Derivative financial instruments	-	6
Other debtors	502	373
Prepayments and accrued income	264	543
	3,152	3,113

FESTIVE PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

17 Creditors: amounts falling due within one year

	Notes	2020 £'000	2019 £'000
Other borrowings	19	400	400
Trade creditors		272	284
Taxation and social security		662	541
Derivative financial instruments		55	-
Government grants	20	-	30
Other creditors		11,547	10,212
Accruals and deferred income		450	267
		<u>13,386</u>	<u>11,734</u>

18 Creditors: amounts falling due after more than one year

	Notes	2020 £'000	2019 £'000
Other borrowings	19	1,300	1,700
Government grants	20	-	30
		<u>1,300</u>	<u>1,730</u>

19 Loans and overdrafts

	2020 £'000	2019 £'000
Loans from related parties	1,700	2,100
	<u>1,700</u>	<u>2,100</u>
Payable within one year	400	400
Payable after one year	1,300	1,700
	<u>1,700</u>	<u>1,700</u>

The related party loan is over a period of seven years. Repayments are £100,000 per quarter and interest is charged at 2% per annum. This has been shown at cost.

FESTIVE PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

20 Government grants

	2020 £'000	2019 £'000
Arising from government grants	-	60
	-	60

Deferred income is included in the financial statements as follows:

	2020 £'000	2019 £'000
Current liabilities	-	30
Non-current liabilities	-	30
	-	60

21 Retirement benefit schemes

Defined contribution schemes

The company contributes to the personal pension plans of its employees. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £78k (December 2019: £61k).

22 Share capital

	2020 £'000	2019 £'000
Ordinary share capital		
Issued and fully paid		
9,500 of £1 each	9,500	9,500

23 Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020 £'000	2019 £'000
Within one year	93	93
Between two and five years	118	207
	211	300

FESTIVE PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

24 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows:

	2020 £'000	2019 £'000
Aggregate remuneration	480	517

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Purchase of goods	
	2020 £'000	2019 £'000
Entities with control over the company	4,862	4,126

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties	
	2020 £'000	2019 £'000
Entities with control, joint control or significant influence over the company	12,920	12,009
	12,920	12,009

No guarantees have been given or received.

Festive Productions Limited carries on business, on an arm's length commercial terms basis, with other companies which are also controlled by the Hedlund family.

Outstanding amounts due to related parties include £1.7m in relation to a loan account of which £400k is due within one year.

25 Ultimate controlling party

The company is a subsidiary undertaking of Mailos Holding AG, a company incorporated in Switzerland and controlled by the Hedlund family.

FESTIVE PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

26 Cash generated from/(absorbed by) operations

	2020 £'000	2019 £'000
Profit/(loss) for the year after tax	96	(806)
Adjustments for:		
Finance costs	39	68
Investment income	24	116
Gain on disposal of tangible fixed assets	-	(15)
Amortisation and impairment of intangible assets	154	133
Depreciation and impairment of tangible fixed assets	192	84
Movements in working capital:		
Decrease/(increase) in stocks	686	(46)
(Increase)/decrease in debtors	(45)	1,096
Increase/(decrease) in creditors	1,626	(2,208)
Decrease in deferred income	(60)	(31)
Cash generated from/(absorbed by) operations	2,712	(1,609)

27 Analysis of changes in net funds

	1 January 2020 £'000	Cash flows £'000	31 December 2020 £'000
Cash at bank and in hand	3,343	2,246	5,589
Borrowings excluding overdrafts	(2,100)	400	(1,700)
	<u>1,243</u>	<u>2,646</u>	<u>3,889</u>

