Company registration number 03771433 (England and Wales)

T.S.T CARDIFF LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

T.S.T CARDIFF LIMITED

COMPANY INFORMATION

Directors	Mr D J Lewis Mr P J Dawson Mr J A Moore Mr L Wallbank
Company number	03771433
Registered office	iRG Taffs Mead Road Treforest Industrial Estate Pontypridd Wales CF37 5TF
Auditor	Pierce C A Limited Mentor House Ainsworth Street Blackburn Lancashire BB1 6AY
Business address	iRG Taffs Mead Road Treforest Industrial Estate Pontypridd Wales CF37 5TF

T.S.T CARDIFF LIMITED

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T.S.T CARDIFF LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report of the company for the year ended 31 December 2021. The comparative figures are for the period 1 August 2019 to 31 December 2020.

Fair review of the business

The strategy of the business is to increase its share of the motor vehicle repair market through increasing sales and gross margin at its existing outlets and through new outlets where appropriate. The company successfully acquired new customer contracts to assist with its growth strategy.

The company enjoys a number of competitive advantages, including strong brand recognition as being one of the top ten repairers in the UK, alongside being the biggest employer in Wales for the sector it operates in. The company consistently achieves a strong market share, well established price for competitiveness, knowledgeable and enthusiastic workforce and a strong customer focus throughout the business.

This financial year has been one that has been particularly impacted by the Covid-19 pandemic and the devolved Governments of England and Wales response to the pandemic in the form of National and Regional lockdowns and other measures. The automotive repair industry has been significantly affected through this period, as the primary result of the Government's actions has been fewer vehicles on the road and therefore fewer accidents. This ultimately disrupted supply chains, many of which were parts suppliers also suffering post Brexit.

The business had a robust plan for managing through the pandemic and this has been successful by ensuring that the business traded throughout, alongside supporting staff and ensuring the business services levels were carried out for its customer base.

During the financial year, the business invested further in its manufacturer approval program by adding Tesla to the long list of other brands such as but not limited to, Mercedes, JLR, BMW, VW, Seat, Audi, Ford & Renault. Taking the businesses overall approval programme to over 40 brands.

Despite work levels throughout the industry seeing a decline the business managed to grow its gross profit on 2020 normalised to 12 months by a further £970k within the year.

Whilst the business has returned a loss in the year to 31 December 2021, underlying EBTIDA was promising considering the challenges faced within the year.

The business utilised a number of the support schemes provided by the UK government throughout the pandemic.

The directors of the company were disappointed with the overall result of the business during the year. The results of the business having been significantly impacted by the Covid-19 pandemic, Brexit as well as Storm Dennis closing two premises due to flooding in 2020. This led to a reduced performance of these premises following the return of the locations back to operational performance. These were all contributing factors to the overall result of 2021 which led to a reduction in activity levels alongside increased pressures of supply chain issues.

The Directors remain confident that the business will be able to meet its obligations over the course of the next 12 months. The directors have prepared future cashflow projections, supported by a robust business plan geared up to account for further potential market disruptions.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks can be summarised as follows:

Market conditions

The Covid-19 pandemic and the measures the devolved Welsh Government enacted have had extensive negative impacts on the UK economy, which has been seen throughout the prior financial period and into this financial year.

Whilst the UK economy has rebounded in many areas consumer behaviours have adapted, with increased home working and other work life balance changes. This has ultimately led to fewer vehicles on the road and reduced peak time traffic.

The business has mitigated the impact of reduced activity by acquiring additional work provider contracts to cover the shortfall.

People

Staff retention has become a key focus for the business. The overall employment package offered by the business is industry leading and staff retention remains very strong.

Technology risk

Adaptation to technology continues to be a large investment to the business with its extensive manufacturer approvals and ensuring every repair is carried out to the British Standards Institution (BSI) standards at all of its locations.

Credit risk

Credit terms are offered to customers within 30 days with largely blue chip well capitalised entities and these are subject to credit verification procedures. Given the focus on liquidity, the position is considered well managed with minimum risk of bad debt provisions.

Liquidity risk

The company carefully monitors its cashflow with short, medium and long term forecasting to meet liabilities as they fall due.

The company's ultimate parent company AVRC Ltd has external borrowings of £8.1m for which T.S.T Cardiff Limited has provided security by way of a cross-guarantee.

The company has, and continues to, actively manage its exposure with the funder, who remains supportive, as well as other key creditors, and has secured additional facilities since the financial period end to ensure future liabilities are met.
The directors, therefore, consider that in preparing the financial statements they have taken into account all the information that could reasonably be expected to be available.

Future developments

The business' strategic plans assume ongoing success within its current locations with improved sales and gross margin on the back of successful acquisitions of work provider contracts. The business has been successful in winning notable industry awards in 2021, including, Fastest Growing Bodyshop of the year for its Pontypridd Site along with the UK award by Admiral for strategic partner.

The business has revived its long-term plan to help with the skill shortage of recruiting from overseas with planned recruitment drives in Albania and India with the successful licence from the home office to do so.

Apprentices are a big focus for the business in ensuring the skill shortage is minimised with apprenticeships offered across all locations.

Key performance indicators

The company's key performance indicators (KPI's) are summarised below (2020 figures are for a 17 month reporting period):

Turnover	£18,909k	(2020 - £27,428k)
Gross margin	33.2%	(2020 - 27.4%)
EBITDA	(£298k)	(2020 - (£165k))
Net current (liabilities)/assets	£201k	(2020 - £249k)

The business has a strong focus on KPIs that are geared around financial and operational performance, customer, and staff satisfaction.

On behalf of the board

....

Mr D J Lewis

Director

Date: ....

T.S.T CARDIFF LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of the company continued to be that of the repair of accident damaged motor vehicles.

Results and dividends

The results for the year are set out on page 9.

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 D J Lewis
Mr P J Dawson
Mr J A Moore
Mr L Wallbank

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

Auditor

Pierce C A Limited were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of directors' responsibilities

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.

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.

On behalf of the board

Mr D J Lewis
Director

13 March 2023

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF T.S.T CARDIFF LIMITED

Opinion

We have audited the financial statements of T.S.T Cardiff Limited (the 'company') for the year ended 31 December 2021 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity 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 Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss 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 - Material uncertainty related to going concern

We would draw your attention to note 1.3 to the financial statements regarding the company's going concern assumption. Our opinion is not modified in respect of this matter.

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.

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

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 or the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

In identifying and assessing risks of material misstatement in respect of irregularities we considered the following:

- The nature of the industry and the company’s control environment.
- Results of our enquiries of management.
- The company’s procedures and controls on compliance with laws and regulations and the risks of fraud.
- Discussions among the audit engagement team concerning potential indicators of fraud.

We are also required to perform specific procedures to respond to the risk of management override.

As a result of our audit procedures we did not identify a material risk of fraud or other non-compliance with laws and regulations.

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.

Use of our report

This report is made solely to the company's member 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 member those matters we are required to state to the member 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 member, for our audit work, for this report, or for the opinions we have formed.

Simon Diggle (Senior Statutory Auditor)
For and on behalf of Pierce C A Limited

13 March 2023

Statutory Auditor

Mentor House
Ainsworth Street
Blackburn
Lancashire
BB1 6AY

T.S.T CARDIFF LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Year ended 31 December 2021 £	Period ended 31 December 2020 as restated £
Turnover	**3**	18,909,306	27,427,723
Cost of sales		(12,625,073)	(19,900,356)
Gross profit		6,284,233	7,527,367
Distribution costs		-	(23,737)
Administrative expenses		(7,545,190)	(9,459,760)
Other operating income		516,601	1,841,735
Operating loss	**4**	(744,356)	(114,395)
Interest receivable and similar income	**7**	-	198
Interest payable and similar expenses	**8**	(17,882)	(126,599)
Loss before taxation		(762,238)	(240,796)
Tax on loss	**9**	154,766	60,744
Loss for the financial year		(607,472)	(180,052)

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

T.S.T CARDIFF LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Year ended 31 December 2021 £	Period ended 31 December 2020 as restated £
Loss for the year	(607,472)	(180,052)
Other comprehensive income	-	-
Total comprehensive income for the year	(607,472)	(180,052)

T.S.T CARDIFF LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021 £	2021 £	2020 as restated £	2020 as restated £
Fixed assets					
Goodwill	**11**		29,968		68,925
Tangible assets	**12**		1,516,093		1,557,795
			1,546,061		1,626,720
Current assets					
Stocks	**13**	1,321,459		772,446	
Debtors	**14**	1,481,407		2,572,972	
Cash at bank and in hand		635,803		533,243	
		3,438,669		3,878,661	
Creditors: amounts falling due within one year	**15**	(3,193,371)		(3,629,697)	
Net current assets			245,298		248,964
Total assets less current liabilities			1,791,359		1,875,684
Creditors: amounts falling due after more than one year	**16**		(1,107,765)		(522,516)
Provisions for liabilities					
Deferred tax liability	**19**	140,034		202,136	
			(140,034)		(202,136)
Net assets			543,560		1,151,032
Capital and reserves					
Called up share capital	**22**		52		52
Profit and loss reserves			543,508		1,150,980
Total equity			543,560		1,151,032

The financial statements were approved by the board of directors and authorised for issue on 13 March 2023 and are signed on its behalf by:

Mr D J Lewis
Director

Company Registration No. 03771433

T.S.T CARDIFF LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Share capital	Profit and loss reserves	Total
		£	£	£
As restated for the period ended 31 December 2020:				
Balance at 1 August 2019		52	2,659,025	2,659,077
Period ended 31 December 2020:				
Loss and total comprehensive income for the period		-	(180,052)	(180,052)
Dividends	**10**	-	(1,327,993)	(1,327,993)
Balance at 31 December 2020		52	1,150,980	1,151,032
Year ended 31 December 2021:				
Loss and total comprehensive income for the year		-	(607,472)	(607,472)
Balance at 31 December 2021		52	543,508	543,560

1 Accounting policies

Company information
T.S.T Cardiff Limited is a private company limited by shares incorporated in England and Wales. The registered office is iRG Taffs Mead Road, Treforest Industrial Estate, Pontypridd, Wales, CF37 5TF.

1.1 Reporting period
The current figures presented in these financial statements are prepared for the year ended 31 December 2021 and are therefore not entirely comparable with the comparative figures which are for the 17 month period ended 31 December 2020.

1.2 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.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 ‘Statement of Cash Flows’: Presentation of a statement of cash flow and related notes and disclosures;
- Section 33 ‘Related Party Disclosures’: Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of AVRC Ltd. These consolidated financial statements are available from its registered office, IRG, Taffs Mead Road, Treforest Industrial Estate, Pontypridd, CF37 5TF.

1 Accounting policies **(Continued)**

1.3 Going concern

The Covid-19 pandemic and resultant measures taken by government, particularly in Wales, coupled with supply chain issues caused by Covid-19 and Brexit have had a negative impact on the company's trading results in the reporting period.

The main impacts of the above issues have been a 17% reduction in turnover and a significant increase in stock and work in progress which has had an impact on the company's cashflow and cash position.

The company is reporting an operating loss of £744k.

The company's ultimate parent company AVRC Ltd has external borrowings of £8.1m for which T.S.T Cardiff Limited has provided security by way of a cross-guarantee.

Due to the above mentioned factors, the company has, and continues to, actively manage its exposure in this regard with the funder, who remains supportive, as well as other key creditors, and has secured additional facilities since the financial period end to ensure future liabilities are met.
The directors, therefore, consider that in preparing the financial statements they have taken into account all the information that could reasonably be expected to be available.

At the time of approving the financial statements, the directors have prepared detailed cash flow forecasts for the 12 months following the approval of the financial statements. The directors have concluded that there are reasonable expectations that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for 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.

Revenue relates to the repairs of motor vehicles involved in road collision accidents and smart repairs.

Revenue is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

1.5 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 5 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.

1.6 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.

1 Accounting policies **(Continued)**

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	25% on reducing balance
Fixtures and fittings	25% on reducing balance
Computers	25% on reducing balance
Motor vehicles	25% on reducing balance

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.

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.

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell, after making due allowance for obsolete and slow moving items.

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.

Work in progress is calculated to include an element of profit that is based on its stage of completion.

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.

1 Accounting policies (Continued)

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.

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

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.

1 Accounting policies **(Continued)**

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.

Derecognition of financial liabilities

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

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1 Accounting policies **(Continued)**

1.13 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.

1.14 Retirement benefits

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

1.15 Leases

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

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.16 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.

1.17 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 in the period are included in profit or loss.

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.

2 Judgements and key sources of estimation uncertainty **(Continued)**

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Useful economic lives of intangible fixed assets

The annual amortisation charge for intangible assets is sensitive to changes in the estimated useful economic lives of the assets. The useful economic lives are re-assessed annually. They are amended when necessary to reflect current estimates. See the notes for the carrying amount of intangible assets.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See the notes to the financial statements for the carrying amounts of the tangible assets.

3 Turnover and other revenue

	2021	**2020**
	£	**£**
Turnover analysed by geographical market		
United Kingdom	18,909,306	27,427,723

	2021	**2020**
	£	**£**
Other revenue		
Interest income	-	198
Grants received	516,601	1,622,860

4 Operating loss

	2021	**2020**
Operating loss for the year is stated after charging/(crediting):	**£**	**£**
Government grants	(516,601)	(1,622,860)
Fees payable to the company's auditor for the audit of the company's financial statements	15,000	14,000
Depreciation of owned tangible fixed assets	348,100	534,342
Depreciation of tangible fixed assets held under finance leases	105,882	68,310
Profit on disposal of tangible fixed assets	(2,560)	(703,281)
Amortisation of intangible assets	38,957	50,944
Operating lease charges	1,702,753	2,441,196

5 Employees

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

	2021	2020
	Number	**Number**
Production	101	101
Administration	147	149
Directors	4	4
Total	252	254

Their aggregate remuneration comprised:

	2021	2020
	£	**£**
Wages and salaries	6,352,318	10,253,948
Social security costs	588,190	733,905
Pension costs	140,557	329,816
	7,081,065	11,317,669

6 Directors' remuneration

	2021	2020
	£	**£**
Remuneration for qualifying services	235,000	246,633
Company pension contributions to defined contribution schemes	-	588
	235,000	247,221

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2020 - 4).

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

	2021	2020
	£	**£**
Remuneration for qualifying services	70,000	72,000

7 Interest receivable and similar income

	2021	2020
	£	**£**
Interest income		
Interest on bank deposits	-	198

8 Interest payable and similar expenses

	2021	2020
	£	£
Other interest on financial liabilities	-	100,797
Interest on finance leases and hire purchase contracts	15,754	25,802
Other interest	2,128	-
	17,882	126,599

9 Taxation

	2021	2020
	£	£
Current tax		
UK corporation tax on profits for the current period	-	(88,487)
Adjustments in respect of prior periods	(92,664)	(30,661)
Total current tax	(92,664)	(119,148)
Deferred tax		
Origination and reversal of timing differences	(62,102)	58,404
Total tax credit	(154,766)	(60,744)

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

	2021	2020
	£	£
Loss before taxation	(762,238)	(240,796)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(144,825)	(45,751)
Tax effect of expenses that are not deductible in determining taxable profit	(9,941)	(8,381)
Effect of change in corporation tax rate	-	16,910
Under/(over) provided in prior years	-	(30,661)
Deferred tax adjustments in respect of prior years	-	7,139
Taxation credit for the year	(154,766)	(60,744)

10 Dividends

	2021	2020
	£	£
Final paid	-	1,327,993

11 Intangible fixed assets

	Goodwill
	£
Cost	
At 1 January 2021 and 31 December 2021	194,785
Amortisation and impairment	
At 1 January 2021	125,860
Amortisation charged for the year	38,957
At 31 December 2021	164,817
Carrying amount	
At 31 December 2021	29,968
At 31 December 2020	68,925

12 Tangible fixed assets

	Plant and equipment	Fixtures and fittings	Computers	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2021 - as restated	2,707,948	331,410	245,023	525,360	3,809,741
Additions	252,803	32,764	20,309	130,450	436,326
Disposals	-	-	-	(28,750)	(28,750)
At 31 December 2021	2,960,751	364,174	265,332	627,060	4,217,317
Depreciation and impairment					
At 1 January 2021 - as restated	1,582,165	201,662	160,721	307,398	2,251,946
Depreciation charged in the year	327,350	38,454	22,676	65,502	453,982
Eliminated in respect of disposals	-	-	-	(4,704)	(4,704)
At 31 December 2021	1,909,515	240,116	183,397	368,196	2,701,224
Carrying amount					
At 31 December 2021	1,051,236	124,058	81,935	258,864	1,516,093
At 31 December 2020 - as restated	1,125,783	129,748	84,302	217,962	1,557,795

12 Tangible fixed assets **(Continued)**

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2021	2020
	£	£
Plant and equipment	190,214	63,619
Fixtures and fittings	19,792	-
Motor vehicles	201,457	141,310
Computers	11,875	-
	423,338	204,929

13 Stocks

	2021	2020
	£	£
Work in progress	1,059,372	541,525
Raw materials	262,087	230,921
	1,321,459	772,446

14 Debtors

	2021	2020
Amounts falling due within one year:	£	£
Trade debtors	1,101,560	1,270,399
Corporation tax recoverable	69,571	-
Amounts owed by group undertakings	127,204	1,160,696
Other debtors	32,320	70,993
Prepayments and accrued income	150,752	70,884
	1,481,407	2,572,972

15 Creditors: amounts falling due within one year

	Notes	2021 £	2020 £
Bank loans and overdrafts	**17**	-	148
Obligations under finance leases	**18**	75,016	59,992
Trade creditors		2,332,913	1,854,208
Amounts owed to group undertakings		153,431	-
Corporation tax		-	37,138
Other taxation and social security		328,246	1,125,369
Deferred income	**20**	-	198,000
Other creditors		34,200	53,000
Accruals and deferred income		269,565	301,842
		3,193,371	3,629,697

16 Creditors: amounts falling due after more than one year

	Notes	2021 £	2020 £
Obligations under finance leases	**18**	40,494	93,001
Deferred income	**20**	831,433	429,515
Other creditors		235,838	-
		1,107,765	522,516

17 Loans and overdrafts

	2021 £	2020 £
Bank overdrafts	-	148
Payable within one year	-	148

18 Finance lease obligations

Future minimum lease payments due under finance leases:	2021 £	2020 £
Within one year	75,016	59,992
In two to five years	40,494	93,001
	115,510	152,993

Finance lease and hire purchase contracts are secured on the assets to which they relate.

19 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2021	Liabilities 2020
Balances:	**£**	**£**
Accelerated capital allowances	288,058	282,867
Tax losses	(148,024)	(74,126)
Other short term timing difference	-	(6,605)
	140,034	202,136

	2021
Movements in the year:	**£**
Liability at 1 January 2021	202,136
Credit to profit or loss	(62,102)
Liability at 31 December 2021	140,034

The deferred tax liability set out above is expected to reverse within 24 months and relates to accelerated capital allowances that are expected to mature within the same period.

20 Deferred income

	2021	2020
	£	**£**
Arising from government grants	-	198,000
Other deferred income	831,433	429,515
	831,433	627,515

Deferred income is included in the financial statements as follows:		
Current liabilities	-	198,000
Non-current liabilities	831,433	429,515
	831,433	627,515

21 Retirement benefit schemes

	2021	2020
Defined contribution schemes	**£**	**£**
Charge to profit or loss in respect of defined contribution schemes	140,557	329,816

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

22 Share capital

	2021	2020	2021	2020
Ordinary share capital	**Number**	**Number**	**£**	**£**
Issued and fully paid				
Ordinary shares of £1 each	52	52	52	52

23 Contingent asset

As a result of Storm Dennis in February 2020, two of the sites from which the business operates were badly damaged, resulting in the closure of those sites for circa eight months.

Since that date, the company has been in negotiations with its insurers in respect of a settlement for the loss of business. The company has agreed on a settlement figure in the region of £240k.

24 Financial commitments, guarantees and contingent liabilities

The company has provided a cross guarantee in respect of loans amounting to £8,160,000 (2020 - £5,600,000) made to its parent company, AVRC Ltd. The cross guarantee is secured by fixed and floating charges over the assets of the company.

25 Operating lease commitments

Lessee

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:

	2021	2020
	£	**£**
Within one year	700,000	1,099,000
Between two and five years	1,843,000	2,624,000
In over five years	432,000	2,347,000
	2,975,000	6,070,000

26 Related party transactions

As a wholly owned subsidiary of iRG Group Limited, the company has taken advantage of the exemption contained in FRS 102.33.1A and has therefore not disclosed details of transactions or balances with other wholly owned subsidiaries which form part of the Group.

27 Ultimate controlling party

The intermediate parent undertaking is iRG Group Limited

The ultimate parent undertaking and controlling party is AVRC Ltd.

The consolidated financial statements of AVRC Ltd are available from iRG, Taffs Mead Road, Pontypridd, CF37 5TF.

28 Prior period adjustment

The financial statements have been restated to incorporate the impact of fixed asset additions and depreciation being omitted in the prior period.

Changes to the balance sheet

	As previously reported	Adjustment	As restated at 31 Dec 2020
	£	£	£
Fixed assets			
Tangible assets	1,595,369	(37,574)	1,557,795
Capital and reserves			
Profit and loss reserves	1,188,554	(37,574)	1,150,980

Changes to the profit and loss account

	As previously reported	Adjustment	As restated
Period ended 31 December 2020	£	£	£
Cost of sales	(20,048,274)	147,918	(19,900,356)
Administrative expenses	(9,274,268)	(185,492)	(9,459,760)
Loss for the financial period	(142,478)	(37,574)	(180,052)