

WA RAINBOW & SONS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 APRIL 2020

FRIDAY



A9G9U49D

A24

23/10/2020

#155

COMPANIES HOUSE

WA RAINBOW & SONS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2020

Contents	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	4
Independent auditor's report to the members	6
Consolidated statement of income and retained earnings	10
Company statement of income and retained earnings	11
Consolidated statement of financial position	12
Company statement of financial position	13
Consolidated statement of cash flows	14
Notes to the financial statements	15

WA RAINBOW & SONS LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

A C Rainbow
O J Rainbow
K A Leigh

Company secretary

A C Rainbow

Registered office

Quibell's Lane
Newark
Nottinghamshire
NG24 2AL

Auditor

Streets Audit LLP
Chartered accountants & statutory auditor
Windsor House
A1 Business Park at
Long Bennington
Notts
NG23 5JR

Bankers

NatWest Bank Plc
1 Market Place
Newark
Notts
NG24 1DY

WA RAINBOW & SONS LIMITED

STRATEGIC REPORT

YEAR ENDED 30 APRIL 2020

We aim to present a balanced and comprehensive review of the development and performance of the group during the year and its position at the year end. Our review is consistent with the size and non-complex nature of our business and is written in the context of the risks and uncertainties we face.

Principal activity and business review

During the year the group continued to provide an express freight service.

The group consolidated accounts includes the results of WA Rainbow & Sons Limited and Rainbow Nightfreight (Worcs) Limited, (Rainbow Nightfreight Limited, after being absorbed by the parent company in a previous financial year has remained dormant).

The group has reported turnover of £12,440,469 (2019 - £12,154,729) and an operating profit of £304,267 (2019 - £124,014).

The balance sheet value has seen an increase in value to £3,376,457 (2019 - £3,140,407). A brief review of the performance of the group has been summarised below:

Turnover increased by 2% compared to the previous year. The marketplace continues to remain highly competitive although we have improved our gross margin by 1.5% whilst managing to contain overhead expenditure within levels commensurate with turnover. Units at the Newark site that are not required for the core freight business are rented out to third parties and rental income was consistent with the previous year.

WA RAINBOW & SONS LIMITED

STRATEGIC REPORT *(continued)*

YEAR ENDED 30 APRIL 2020

Risk management policies

The group faces a number of risks and the directors continue to mitigate these as far as possible. A summary of the key risks are as follows:

Business risk

Interest from large operators is a potential threat to the business. We have experienced inexpensive pricing from competitors trying to secure new business. As the workforce ages and trained drivers retire, a shortage of skilled drivers remains a key business risk. This is further exacerbated by EU directives with regards to experienced drivers requiring extra training.

Credit risk

The group seeks to manage its credit risk by dealing with established customers or otherwise checking the credit-worthiness of new customers, establishing clear contractual relationships with those customers and by identifying and addressing any credit issues arising in a timely manner.

Liquidity risk

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short term flexibility is achieved by overdraft facilities.

Brexit risk

To date Brexit has had minimal impact on the business although the situation is being monitored closely.

Covid - 19 risk

As key workers we continued to provide freight services throughout the pandemic. We saw a spike in business to consumer as lockdown restrictions reduced consumer's purchase options leading to a high demand in goods delivered to homes. This offset a reduction in some sectors of business to business sales as companies closed due to the pandemic (some temporary, some permanent).

In regard to our own working practices, we followed all government guidelines and implemented a number of changes and adapted working practices to reduce the risk to both our customers and staff.

As for many businesses of our size, the business environment in which we operate continues to be challenging. We are not immune from the economic problems facing all businesses but we as directors believe the core business will not face a major downturn as a direct result of general conditions. Nevertheless with these risks and uncertainties in mind, we are aware that any plans for the future development of the business may be subject to unforeseen future events outside of our control.

This report was approved by the board of directors on 14/9/2020 and signed on behalf of the board by:



A C Rainbow
Director

Registered office:
Quibell's Lane
Newark
Nottinghamshire
NG24 2AL

WA RAINBOW & SONS LIMITED

DIRECTORS' REPORT

YEAR ENDED 30 APRIL 2020

The directors present their report and the financial statements of the group for the year ended 30 April 2020.

Directors

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

A C Rainbow
O J Rainbow
K A Leigh

Dividends

The directors do not recommend the payment of a dividend.

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 27 to the financial statements.

Disclosure of information in the strategic report

The company has chosen in accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out in the company's strategic report information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Directors' responsibilities statement

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the 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.

WA RAINBOW & SONS LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 APRIL 2020

Auditor

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

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

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 14/9/2020 and signed on behalf of the board by:



A C Rainbow
Director

Registered office:
Quibell's Lane
Newark
Nottinghamshire
NG24 2AL

WA RAINBOW & SONS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WA RAINBOW & SONS LIMITED

YEAR ENDED 30 APRIL 2020

Opinion

We have audited the financial statements of WA Rainbow & Sons Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 April 2020 which comprise the consolidated statement of income and retained earnings, company statement of income and retained earnings, consolidated statement of financial position, company statement of financial position, consolidated statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

WA RAINBOW & SONS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WA RAINBOW & SONS LIMITED *(continued)*

YEAR ENDED 30 APRIL 2020

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

WA RAINBOW & SONS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WA RAINBOW & SONS LIMITED *(continued)*

YEAR ENDED 30 APRIL 2020

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 group's and the parent 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 group or the parent 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.

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

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

WA RAINBOW & SONS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WA RAINBOW & SONS LIMITED *(continued)*

YEAR ENDED 30 APRIL 2020

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



MARK BRADSHAW (Senior Statutory Auditor)

For and on behalf of
Streets Audit LLP
Chartered accountants & statutory auditor

Windsor House
A1 Business Park at
Long Bennington
Notts
NG23 5JR

14/09/2020

WA RAINBOW & SONS LIMITED

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

YEAR ENDED 30 APRIL 2020

	Note	2020 £	2019 £
Turnover	4	12,440,469	12,154,729
Cost of sales		<u>(10,369,219)</u>	<u>(10,313,059)</u>
Gross profit		2,071,250	1,841,670
Administrative expenses		<u>(1,896,603)</u>	<u>(1,840,914)</u>
Other operating income	5	<u>129,620</u>	<u>123,258</u>
Operating profit	6	304,267	124,014
Interest payable and similar expenses	10	<u>(21,358)</u>	<u>(5,731)</u>
Profit before taxation		282,909	118,283
Tax on profit	11	<u>(46,859)</u>	<u>—</u>
Profit for the financial year and total comprehensive income		<u>236,050</u>	<u>118,283</u>
Retained earnings at the start of the year		3,040,407	2,922,124
Retained earnings at the end of the year		<u>3,276,457</u>	<u>3,040,407</u>

All the activities of the group are from continuing operations.

The notes on pages 15 to 27 form part of these financial statements.

WA RAINBOW & SONS LIMITED

COMPANY STATEMENT OF INCOME AND RETAINED EARNINGS

YEAR ENDED 30 APRIL 2020

	Note	2020 £	2019 £
Profit for the financial year and total comprehensive income		127,065	372,784
Retained earnings at the start of the year		<u>2,119,936</u>	<u>1,747,152</u>
Retained earnings at the end of the year		<u>2,247,001</u>	<u>2,119,936</u>

The notes on pages 15 to 27 form part of these financial statements.

WA RAINBOW & SONS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 APRIL 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	12	49,958	—
Tangible assets	13	<u>2,210,469</u>	<u>2,217,784</u>
		2,260,427	2,217,784
Current assets			
Stocks	15	71,482	97,765
Debtors	16	1,855,581	1,811,769
Cash at bank and in hand		<u>802,405</u>	<u>669,191</u>
		2,729,468	2,578,725
Creditors: amounts falling due within one year	17	<u>(1,564,140)</u>	<u>(1,653,978)</u>
Net current assets		1,165,328	924,747
Total assets less current liabilities		3,425,755	3,142,531
Creditors: amounts falling due after more than one year	18	<u>(49,298)</u>	<u>(2,124)</u>
Net assets		<u>3,376,457</u>	<u>3,140,407</u>
Capital and reserves			
Called up share capital	22	50,000	50,000
Capital redemption reserve	23	50,000	50,000
Profit and loss account	23	<u>3,276,457</u>	<u>3,040,407</u>
Shareholders funds		<u>3,376,457</u>	<u>3,140,407</u>

These financial statements were approved by the board of directors and authorised for issue on 14/9/2020, and are signed on behalf of the board by:



A C Rainbow
Director

Company registration number: 01783207

The notes on pages 15 to 27 form part of these financial statements.

WA RAINBOW & SONS LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
30 APRIL 2020

	Note	2020 £	2019 (restated) £
Fixed assets			
Intangible assets	12	49,958	—
Tangible assets	13	2,138,123	2,128,594
Investments	14	73,747	73,747
		<u>2,261,828</u>	<u>2,202,341</u>
Current assets			
Stocks	15	52,958	67,509
Debtors	16	1,256,163	1,573,593
Cash at bank and in hand		14,957	62,817
		<u>1,324,078</u>	<u>1,703,919</u>
Creditors: amounts falling due within one year	17	<u>(1,189,607)</u>	<u>(1,684,200)</u>
Net current assets		<u>134,471</u>	<u>19,719</u>
Total assets less current liabilities		<u>2,396,299</u>	<u>2,222,060</u>
Creditors: amounts falling due after more than one year	18	<u>(49,298)</u>	<u>(2,124)</u>
Net assets		<u>2,347,001</u>	<u>2,219,936</u>
Capital and reserves			
Called up share capital	22	50,000	50,000
Capital redemption reserve	23	50,000	50,000
Profit and loss account	23	2,247,001	2,119,936
Shareholders funds		<u>2,347,001</u>	<u>2,219,936</u>

The profit for the financial year of the parent company was £127,065 (2019: £372,784).

These financial statements were approved by the board of directors and authorised for issue on 14/4/2020 and are signed on behalf of the board by:



A C Rainbow
Director

Company registration number: 01783207

The notes on pages 15 to 27 form part of these financial statements.

WA RAINBOW & SONS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 30 APRIL 2020

	2020 £	2019 £
Cash flows from operating activities		
Profit for the financial year	236,050	118,283
<i>Adjustments for:</i>		
Depreciation of tangible assets	455,825	485,526
Amortisation of intangible assets	4,542	–
Interest payable and similar expenses	21,358	5,731
Gains on disposal of tangible assets	(55,326)	(97,515)
Tax on profit	46,859	–
Accrued expenses	50,718	27,974
<i>Changes in:</i>		
Stocks	26,283	(15,929)
Trade and other debtors	(43,812)	(198,516)
Trade and other creditors	(195,153)	76,675
Cash generated from operations	547,344	402,229
Interest paid	(21,358)	(5,731)
Tax paid	–	(29,213)
Net cash from operating activities	<u>525,986</u>	<u>367,285</u>
Cash flows from investing activities		
Purchase of tangible assets	(400,736)	(877,137)
Proceeds from sale of tangible assets	45,268	275,253
Net cash used in investing activities	<u>(355,468)</u>	<u>(601,884)</u>
Cash flows from financing activities		
Payments of finance lease liabilities	(37,304)	(54,679)
Net cash used in financing activities	<u>(37,304)</u>	<u>(54,679)</u>
Net increase/(decrease) in cash and cash equivalents	133,214	(289,278)
Cash and cash equivalents at beginning of year	669,191	958,469
Cash and cash equivalents at end of year	<u>802,405</u>	<u>669,191</u>

The notes on pages 15 to 27 form part of these financial statements.

WA RAINBOW & SONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 APRIL 2020

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Quibell's Lane, Newark, Nottinghamshire, NG24 2AL.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

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

The financial statements are prepared in sterling, which is the functional currency of the entity.

Going concern

These financial statements have been prepared on the going concern basis. Coronavirus is likely to have a negative impact on the group, however the directors consider the going concern basis to continue to be appropriate as the group continues to generate positive cash inflows. The directors have also taken into account the ongoing support being offered by the UK Government and also existing group reserves.

Disclosure exemptions

No disclosure exemptions have been taken by the group.

Consolidation

The financial statements consolidate the financial statements of WA Rainbow & Sons Limited and all of its subsidiary undertakings.

The results of subsidiaries acquired or disposed of during the year are included from or to the date that control passes.

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not presented its individual profit and loss account.

Grants received

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income and not deducted from the carrying amount of the asset.

WA RAINBOW & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 30 APRIL 2020

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual outcome may diverge from these estimates if other assumptions are made, or other conditions arise.

- Significant judgements

The group has mixed use property which under FRS 102 should be separated between Investment Property and Property Plant and Equipment. However, the fair value of the Investment Property component cannot be measured reliably, therefore no adjustment has been made upon transition to FRS 102.

- Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

i) Impairment of debtors

The group makes an estimate of the recoverable amount of trade and other debtors. When assessing the impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 16 for the carrying amount of debtors. Trade debtors are stated after provision for impairment of £25,000 (2019 - £28,738).

(ii) General provisions

The group makes an estimate of general provisions within accruals. When assessing the impact of future expenditure management consider factors including the potential costs based upon historical experience. See note 17 for the carrying amount of creditors, which include general provision of £63,365 (2019 - £76,365).

Revenue recognition

The turnover shown in the profit and loss account represents the value of all work done during the year, exclusive of Value Added Tax. Turnover is recognised at the point at which the company has fulfilled its contractual obligations and the risks and rewards attaching to the sale have been transferred to the customer.

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

WA RAINBOW & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 30 APRIL 2020

3. Accounting policies *(continued)*

Income tax

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

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

Deferred tax is recognised in respect of all material timing differences at the reporting date. Unrelieved tax losses and other 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. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Operating leases

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

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

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill - 10 years straight line

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

Investment property is initially recorded at cost, which includes purchase price and any directly attributable expenditure. Investment property is revalued to its fair value at each reporting date and any changes in fair value are recognised in profit or loss.

WA RAINBOW & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 30 APRIL 2020

3. Accounting policies *(continued)*

Depreciation

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

Freehold Property	-	5% straight line
Fixtures & Fittings	-	10-25% reducing balance and 33% straight line
Motor Vehicles	-	25% reducing balance, 33% and 50% straight line

Freehold land is not depreciated.

Investments

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

Impairment of fixed assets

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

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Finance leases and hire purchase contracts

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

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

Financial instruments

The company only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the company and their measurement basis are as follows:

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost. Prepayments are not financial instruments. Cash at bank is classified as a basic financial instrument and is measured at face value.

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost. Taxation and social security are not included in the financial instruments disclosure definition.

WA RAINBOW & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 30 APRIL 2020

3. Accounting policies *(continued)*

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

Business combinations

Business combinations are accounted for using the purchase method.

The cost of a business combination is measured as the aggregate of the fair values, at the acquisition date, of assets given, liabilities incurred or assumed, and equity instruments issued plus any costs directly attributable to the business combination.

Where control is achieved in stages, the cost of the business combination is the aggregate of the fair values of the assets given, liabilities incurred or assumed, and equity instruments issued at the date of each transaction in the series.

Where the business combination requires an adjustment to the cost contingent on future events, the estimated amount of that adjustment is included in the cost of the combination at the acquisition date providing it is probable and can be measured reliably. Where it is not recognised at the acquisition date but subsequently becomes probable and can be measured reliably, the additional consideration is treated as an adjustment to the cost of the combination.

4. Turnover

Turnover arises from:

	2020	2019
	£	£
Rendering of services	<u>12,440,469</u>	<u>12,154,729</u>

The turnover is attributable to the one principal activity of the group and all sales activity took place in the United Kingdom.

5. Other operating income

	2020	2019
	£	£
Rental income	<u>129,620</u>	<u>123,258</u>

6. Operating profit

Operating profit or loss is stated after charging/crediting:

	2020	2019
	£	£
Amortisation of intangible assets	4,542	—
Depreciation of tangible assets	455,825	485,526
Gains on disposal of tangible assets	(55,326)	(97,515)
Impairment of trade debtors	11,728	3,737
Operating lease costs- land & buildings	<u>46,239</u>	<u>32,970</u>

WA RAINBOW & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 30 APRIL 2020

7. Auditor's remuneration

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

8. Staff costs

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

	2020 No.	2019 No.
Distribution staff	147	133
Administrative staff	28	29
Management staff	3	3
	<u>178</u>	<u>165</u>

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

	2020 £	2019 £
Wages and salaries	4,453,212	4,120,749
Social security costs	314,536	284,355
Other pension costs	32,664	31,264
	<u>4,800,412</u>	<u>4,436,368</u>

9. Directors' remuneration

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

	2020 £	2019 £
Remuneration	<u>164,833</u>	<u>155,228</u>

10. Interest payable and similar expenses

	2020 £	2019 £
Interest on obligations under finance leases and hire purchase contracts	<u>21,358</u>	<u>5,731</u>

11. Tax on profit

Major components of tax expense

	2020 £	2019 £
Current tax:		
UK current tax expense	46,859	—
Tax on profit	<u>46,859</u>	<u>—</u>

WA RAINBOW & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 30 APRIL 2020

11. Tax on profit *(continued)*

Reconciliation of tax expense

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

	2020	2019
	£	£
Profit on ordinary activities before taxation	<u>282,909</u>	<u>118,283</u>
Profit on ordinary activities by rate of tax	53,753	22,474
Effect of expenses not deductible for tax purposes	834	(963)
Effect of capital allowances and depreciation	(7,714)	26,207
Utilisation of tax losses	<u>(14)</u>	<u>(47,718)</u>
Tax on profit	<u>46,859</u>	<u>—</u>

12. Intangible assets

Group and company	Goodwill £
Cost	
At 1 May 2019	—
Acquisitions through business combinations	<u>54,500</u>
At 30 April 2020	<u>54,500</u>
Amortisation	
At 1 May 2019	—
Charge for the year	<u>4,542</u>
At 30 April 2020	<u>4,542</u>
Carrying amount	
At 30 April 2020	<u>49,958</u>
At 30 April 2019	<u>—</u>

WA RAINBOW & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 30 APRIL 2020

13. Tangible assets

Group	Freehold property £	Investment property £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At 1 May 2019	1,585,540	319,687	638,648	1,790,086	4,333,961
Additions	–	–	99,985	392,967	492,952
Disposals	–	–	–	(392,751)	(392,751)
At 30 April 2020	1,585,540	319,687	738,633	1,790,302	4,434,162
Depreciation					
At 1 May 2019	373,610	–	429,974	1,312,593	2,116,177
Charge for the year	33,726	–	56,685	365,414	455,825
Disposals	–	–	–	(348,309)	(348,309)
At 30 April 2020	407,336	–	486,659	1,329,698	2,223,693
Carrying amount					
At 30 April 2020	1,178,204	319,687	251,974	460,604	2,210,469
At 30 April 2019	1,211,930	319,687	208,674	477,493	2,217,784
Company					
	Freehold property £	Investment property £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At 1 May 2019	1,564,707	319,687	429,492	1,735,359	4,049,245
Additions	–	–	95,742	392,967	488,709
Disposals	–	–	–	(392,751)	(392,751)
At 30 April 2020	1,564,707	319,687	525,234	1,735,575	4,145,203
Depreciation					
At 1 May 2019	352,778	–	269,077	1,298,796	1,920,651
Charge for the year	33,726	–	47,757	353,255	434,738
Disposals	–	–	–	(348,309)	(348,309)
At 30 April 2020	386,504	–	316,834	1,303,742	2,007,080
Carrying amount					
At 30 April 2020	1,178,203	319,687	208,400	431,833	2,138,123
At 30 April 2019	1,211,929	319,687	160,415	436,563	2,128,594

Included in freehold property is land not subject to depreciation amounting to £735,563 (2019 - £735,563).

In accordance with FRS 102, investment property is stated at open market value and should not be subject to depreciation. The two properties held as investments are currently included at their historical cost of £319,687 (2019 - £319,687) as the Directors consider this carrying value to approximate to their fair value.

WA RAINBOW & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 30 APRIL 2020

13. Tangible assets *(continued)*

Finance leases and hire purchase contracts

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

Group and company	Motor vehicles £
At 30 April 2020	<u>85,009</u>
At 30 April 2019	<u>43,728</u>

Capital commitments

	Group		Company	
	2020 £	2019 £	2020 £	2019 £
Contracted for but not provided for in the financial statements	<u>—</u>	<u>32,076</u>	<u>—</u>	<u>32,076</u>

14. Investments

The group has no investments.

Company	Shares in group undertakings £
Cost	
At 1 May 2019 and 30 April 2020	<u>73,747</u>
Impairment	
At 1 May 2019 and 30 April 2020	<u>—</u>
Carrying amount	
At 1 May 2019 and 30 April 2020	<u>73,747</u>
At 30 April 2019	<u>73,747</u>

Subsidiaries, associates and other investments

Details of the investments in which the parent company has an interest of 20% or more are as follows:

	Class of share	Percentage of shares held
Subsidiary undertakings		
Rainbow Nightfreight (Worcs) Limited	Ordinary	100
Rainbow Nightfreight Limited (Dormant)	Ordinary	100

WA RAINBOW & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 30 APRIL 2020

15. Stocks

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Raw materials and consumables	<u>71,482</u>	<u>97,765</u>	<u>52,958</u>	<u>67,509</u>

16. Debtors

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Trade debtors	1,763,850	1,745,464	1,121,347	974,656
Amounts owed by group undertakings	–	–	64,301	533,958
Prepayments and accrued income	91,731	66,305	70,515	64,979
	<u>1,855,581</u>	<u>1,811,769</u>	<u>1,256,163</u>	<u>1,573,593</u>

Amounts owed by group undertakings are unsecured, interest free and are repayable on demand.

17. Creditors: amounts falling due within one year

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Trade creditors	831,989	1,083,754	477,272	581,053
Amounts owed to group undertakings	–	–	259,077	767,946
Accruals and deferred income	252,763	202,045	178,080	131,975
Corporation tax	46,859	–	18,679	–
Social security and other taxes	421,897	335,835	245,867	170,882
Obligations under finance leases and hire purchase contracts	10,632	2,894	10,632	2,894
Other creditors	–	29,450	–	29,450
	<u>1,564,140</u>	<u>1,653,978</u>	<u>1,189,607</u>	<u>1,684,200</u>

The following securities are held by the group's bankers:-

- An all assets debenture dated 17 June 1997.
- A legal charge over the freehold premises at Hoo Farm Kidderminster dated 17 June 1997.
- An unlimited intercompany guarantee between W A Rainbow & Sons Limited, Rainbow Nightfreight Limited and Rainbow Nightfreight (Worcs) Limited dated 17 June 1997.

Amounts owed to group undertakings are unsecured, interest free and are repayable on demand.

The amounts owed under hire purchase agreements are secured on the assets to which the finance relates.

WA RAINBOW & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 30 APRIL 2020

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

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Obligations under finance leases and hire purchase contracts	<u>49,298</u>	<u>2,124</u>	<u>49,298</u>	<u>2,124</u>

The amounts owed under hire purchase agreements are secured on the assets to which the finance relates.

19. Finance leases and hire purchase contracts

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

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Not later than 1 year	10,632	2,894	10,632	2,894
Later than 1 year and not later than 5 years	<u>49,298</u>	<u>2,124</u>	<u>49,298</u>	<u>2,124</u>
	<u>59,930</u>	<u>5,018</u>	<u>59,930</u>	<u>5,018</u>

20. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £32,664 (2019: £31,264).

21. Financial instruments

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

Financial assets that are debt instruments measured at amortised cost

	Group	
	2020	2019
	£	£
Financial assets that are debt instruments measured at amortised cost	<u>2,528,106</u>	<u>2,414,654</u>

Financial liabilities measured at amortised cost

	Group	
	2020	2019
	£	£
Financial liabilities measured at amortised cost	<u>(1,131,642)</u>	<u>(1,285,799)</u>

22. Called up share capital

Issued, called up and fully paid

	2020		2019	
	No.	£	No.	£
Ordinary shares of £1 each	<u>50,000</u>	<u>50,000.00</u>	<u>50,000</u>	<u>50,000.00</u>

WA RAINBOW & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 30 APRIL 2020

22. Called up share capital *(continued)*

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

23. Reserves

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

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

24. Business combinations

Acquisition of Balderton Dry Cleaners

On 28 June 2019 the company acquired an unincorporated business Balderton Dry Cleaners. The assets and liabilities acquired are set out below.

The fair value of consideration paid in relation to the acquisition of Balderton Dry Cleaners is as follows:

	£
Cash	92,000
Consideration paid - legal fees on acquisition	11,625
	<u>103,625</u>

The fair value of amounts recognised at the acquisition date in relation to Balderton Dry Cleaners are as follows:

	Fair value £
Tangible assets acquired	37,500
Stocks acquired	2,608
Trade debtors acquired	2,862
Other debtors acquired	6,155
	<u>49,125</u>
Goodwill on acquisition	54,500
	<u>103,625</u>

The consolidated statement of income and retained earnings for the financial year includes turnover of £173,109, and after costs and absorption of group overheads profits of £1,752 in respect of Balderton Dry Cleaners since the date of acquisition.

25. Prior period adjustment

The parent company balance sheet has been adjusted to reflect the impairment of an investment in a subsidiary which should have taken place in the year ended 30 April 2018. This adjustment of £376,951 has no effect on the consolidated financial statements.

WA RAINBOW & SONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 30 APRIL 2020

26. Operating leases

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

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Not later than 1 year	85,000	85,000	—	—
Later than 1 year and not later than 5 years	25,000	50,000	—	—
	<u>110,000</u>	<u>135,000</u>	<u>—</u>	<u>—</u>

27. Events after the end of the reporting period

On 24 June 2020 the group purchased the entire shareholding held by the family of a former director for £788,000.

28. Related party transactions

Company

The company has taken advantage of the exemption afforded by FRS 102 not to disclose details of transactions and balances with other group undertakings where 100% of the share capital is controlled by the group.

Transactions with the Directors' Pension Scheme

The company leases properties from the Directors' pension scheme. During the year rent of £35,400 (2019 - £32,970) was charged.

Transactions with Key Management Personnel

Key management personnel remuneration totalled £139,273 (2019 - £131,229).

There were no further transactions with related parties during the year that should be disclosed under FRS 102.

29. Ultimate controlling parties

The group's ultimate controlling parties at the year end was the Rainbow family. On 24 June 2020 the ultimate controlling party became A C Rainbow.