

Company Registration No. 05433031 (England and Wales)

AUTOSMART HOLDINGS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 JANUARY 2020



AUTOSMART HOLDINGS LIMITED

COMPANY INFORMATION

Directors	C A Ashton S Atkinson C K Brain
Company number	05433031
Registered office	Lynn Lane Shenstone Lichfield Staffordshire WS14 0DH
Auditor	RSM UK Audit LLP Chartered Accountants St Philips Point Temple Row Birmingham West Midlands B2 5AF
Bankers	Lloyds Bank Plc 125 Colmore Row Birmingham B3 3SD
Solicitors	Keelys 28 Dam Street Lichfield Staffordshire WS13 6AA

AUTOSMART HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 JANUARY 2020

The directors present the Strategic Report for the year ended 31 January 2020.

Fair review of the business

Sales

Sales closed at £37.5m, a growth of over £5m (16%). 80% of the growth was from having our Swedish acquisition for a whole year, 20% of the growth was from the UK.

Profit

Our EBITDA before tax was £6.7m, which was £900k (15%) up on last year and this together with tight control over working capital resulted in a £1m increase in operating cash inflows before interest and tax to £6.4m.

Margin increased 5 points. The main driver for this is the structure of our local Swedish business which sells direct to end users rather than wholesale.

Future plans

Autosmart International is expecting to buy a third site to increase its manufacturing capacity, and is investing in its IT systems including an ERP giving it better business resilience and more productivity.

We have the benefit of in-house research and development, and come into the year with new foaming truckwashes that offer customers exceptional cleaning and low cost in use, and a product range for a new paint protector sector. We are also formulating a new hygiene range that will give the customer peace of mind and low cost in use, with the launch planned in phases June – August 2020

We are expecting to buy the final 25% of our Swedish subsidiary in the current financial year. The improved financial performance of the subsidiary together with the impact of foreign exchange and timing have led to an increase in the liability to purchase this remaining 25%. This is shown as a charge below operating profit.

Key performance indicators

Our business is built on the success of our individual franchise owners' success. The UK, France, Australia and Sweden, Ireland and our new master franchise in Austria have achieved their highest sales so far. We close the year with 284 mobile showrooms in nine countries.

Monitoring and managing risk

We have a watching brief for Brexit and for market disruption due to the Covid pandemic and will flex as needed to continue being competitive.

Cash Flow and Liquidity risk

We have a prudent approach as a business. We closed the financial year with no borrowings and £7m cash at bank.

Credit risk

Our credit risk is in our trade receivables. We have policies in place which manage the trade receivables carefully.

Price Risk

We are a manufacturer and therefore are subject to changes in the prices of our raw materials as they occur. We also sell in several currencies and therefore also carry an exchange rate risk. We have systems in place to monitor and react to these risks.

Draft Financial Statements at 21 July 2020
AUTOSMART HOLDINGS LIMITED

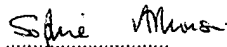
STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2020

Future developments

Covid 19 The partial or complete lock down of our sales markets began in March 2020 as governments decided how best to protect their nation's health. We are expecting a significant decrease in our sales compared to last year, and are mitigating the impact on profit by controlling costs extremely tightly and by engaging our franchise network in business recovery planning. We expect to remain profitable and we have secured extra bank funding as a contingency. Our franchisees have implemented plans to maintain their liquidity also.

Additional manufacturing site - We are hoping to complete the purchase of an existing 6 acre manufacturing site in late summer, which is the start of a 5 year project to increase our manufacturing capacity.

On behalf of the board



S Atkinson
Director

Date: 22nd July 2020

AUTOSMART HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2020

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

Principal activities

The principal activities of Autosmart Holdings are those of a holding company. The principal activity of the group continued to be that of the manufacture and sale of, valeting and maintenance products for vehicles through an exclusive network of franchisees. The company owns directly the entire issued share capital of Autosmart International Ltd, the trading company. The company owns directly the entire issued share capital of Sarl Service Autosmart France which recruits and trains franchisees on behalf of the trading company. The company owns 75% of the issued share capital of Smartab, Hi-Tech Chemicals Aktiebolag who are distributors of vehicle products manufactured by the trading company.

Directors

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

C A Ashton
S Atkinson
C K Brain

Results and dividends

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

Ordinary dividends were paid to shareholders amounting to £1,127,490 (2019: £1,335,557). Ordinary dividends were paid to non-controlling interests amounting to £299,914 (2019: £Nil). The directors do not recommend payment of a further dividend.

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Going concern

The directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements and have not identified any material uncertainties to the company's ability to continue as a going concern for at least twelve months from the date of approval of the financial statements. We have considered the impact of COVID-19 and regard it appropriate to adopt the going concern basis of accounting.

Research and development

The group has a continuing commitment to research and development. During the year the group incurred expenditure totalling £172,785 (2019: £397,411).

Auditor

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

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, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Matters of strategic importance

Information as required by schedule 7 of the Large and Medium sized companies and groups (Accounts and Reports) Regulations 2008 has been included in the Strategic Report.

Draft Financial Statements at 21 July 2020
AUTOSMART HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2020

On behalf of the board

Sophie Atkinson
.....
S Atkinson
Director

Date: *22nd July 2020*

AUTOSMART HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 JANUARY 2020

The directors are responsible for preparing the Strategic Report and the 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 company, and of 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUTOSMART HOLDINGS LIMITED

Opinion

We have audited the financial statements of Autosmart Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 January 2020 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 January 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; 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 group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUTOSMART HOLDINGS LIMITED (CONTINUED)

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 their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://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 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.

RSM UK Audit LLP

Richard Eccles FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row
Birmingham
West Midlands, B2 5AF

..... 22/7/20

AUTOSMART HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JANUARY 2020

	Notes	2020 £	2019 £
Turnover	3	37,538,192	32,206,656
Cost of sales		(19,776,074)	(18,549,544)
Gross profit		17,762,118	13,657,112
Administrative expenses		(14,331,112)	(10,594,504)
Other operating income		1,082,297	1,027,460
Operating profit	6	4,513,303	4,090,068
Interest receivable and similar income	8	8,173	73,565
Interest payable and similar expenses	9	(28,037)	(34,639)
Fair value losses on financial liability	18	(1,014,704)	-
Earnings before interest, tax, depreciation, amortisation and impairment		6,742,369	5,874,021
Profit before taxation		3,478,735	4,128,994
Tax on profit	10	(994,768)	(826,317)
Profit for the financial year		2,483,967	3,302,677
Other comprehensive income net of taxation			
Currency translation differences		(381,996)	20,372
Total comprehensive income for the year		2,101,971	3,323,049
Profit for the financial year is attributable to:			
- Owners of the parent company		2,364,239	3,302,812
- Non-controlling interests		119,728	(135)
		2,483,967	3,302,677
Total comprehensive income for the year is attributable to:			
- Owners of the parent company		2,027,152	3,314,601
- Non-controlling interests		74,819	8,448
		2,101,971	3,323,049

AUTOSMART HOLDINGS LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 JANUARY 2020**

	Notes	2020 £	£	2019 £	£
Fixed assets					
Goodwill	12	3,509,008		4,210,975	
Other intangible assets	12	1,105,610		2,042,741	
Total intangible assets		4,614,618		6,253,716	
Tangible assets	13	3,593,277		4,014,436	
		8,207,895		10,268,152	
Current assets					
Stocks	16	3,941,781		3,941,094	
Debtors falling due after more than one year	17	101,662		110,749	
Debtors falling due within one year	17	4,374,913		4,116,963	
Cash at bank and in hand		7,095,663		4,756,017	
		15,514,019		12,924,823	
Creditors: amounts falling due within one year	18	(7,619,101)		(6,428,250)	
Net current assets		7,894,918		6,496,573	
Total assets less current liabilities		16,102,813		16,764,725	
Creditors: amounts falling due after more than one year	19	(260,279)		(1,444,772)	
Provisions for liabilities	23	(238,200)		(390,186)	
Net assets		15,604,334		14,929,767	
Capital and reserves					
Called up share capital	26	503,359		503,359	
Share premium account	27	73,806		73,806	
Capital redemption reserve	27	75,213		75,213	
Put and call reserve	27	(2,026,329)		(1,011,625)	
Profit and loss reserves	27	16,521,010		14,606,644	
Equity attributable to owners of the parent company		15,147,059		14,247,397	
Non-controlling interests		457,275		682,370	
		15,604,334		14,929,767	

Draft Financial Statements at 21 July 2020

Company Registration No. 05433031

AUTOSMART HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 JANUARY 2020

The financial statements were approved by the board of directors and authorised for issue on 22/7/20
and are signed on its behalf by:

Sophie Atkinson
S Atkinson
Director

Draft Financial Statements at 21 July 2020

Company Registration No. 05433031

AUTOSMART HOLDINGS LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 JANUARY 2020

	Notes	2020		2019	
		£	£	£	£
Fixed assets					
Tangible assets	13		918,762		976,716
Investments	14		16,507,628		16,507,628
			17,426,390		17,484,344
Current assets					
Cash at bank and in hand		2,089,549		357,215	
Creditors: amounts falling due within one year	18	(3,192,555)		(1,905,936)	
Net current liabilities			(1,103,006)		(1,548,721)
Total assets less current liabilities			16,323,384		15,935,623
Creditors: amounts falling due after more than one year	19		-		(1,011,625)
Provisions for liabilities	24		(31,454)		(32,411)
Net assets			16,291,930		14,891,587
Capital and reserves					
Called up share capital	26		503,359		503,359
Share premium account	27		73,806		73,806
Capital redemption reserve	27		75,213		75,213
Put and call reserve	27		(2,026,329)		(1,011,625)
Profit and loss reserves	27		17,665,881		15,250,834
Total equity			16,291,930		14,891,587

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group accounts. The company's profit for the year was £2,527,833 (2019 - £6,742,586 profit).

The financial statements were approved by the board of directors and authorised for issue on 22/7/20 and are signed on its behalf by:

Sophie Atkinson

 S Atkinson
 Director

AUTOSMART HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JANUARY 2020

	Share capital £	Share premium account £	Capital redemption reserve £	Put and call £	Profit and loss reserves £	Total controlling interest £	Non- controlling interest £	Total £
Balance at 1 February 2018	503,359	73,806	75,213	-	12,677,489	13,329,867	-	13,329,867
Year ended 31 January 2019:								
Profit for the year	-	-	-	-	3,302,812	3,302,812	(135)	3,302,677
Other comprehensive income net of taxation:								
Currency translation differences	-	-	-	-	11,789	11,789	8,583	20,372
Total comprehensive income for the year	-	-	-	-	3,314,601	3,314,601	8,448	3,323,049
Acquisition of put and call option on non controlling interest in Smartab	-	-	-	(1,061,514)	-	(1,061,514)	-	(1,061,514)
Non-controlling interest arising on acquisition	-	-	-	-	-	-	673,922	673,922
Total changes in ownership interests in subsidiaries that do not result in a loss in control	-	-	-	(1,061,514)	-	(1,061,514)	673,922	(387,592)
Fair value gain on financial liability	-	-	-	49,889	(49,889)	-	-	-
Dividends	-	-	-	-	(1,335,557)	(1,335,557)	-	(1,335,557)
Balance at 31 January 2019	503,359	73,806	75,213	(1,011,625)	14,606,644	14,247,397	682,370	14,929,767

AUTOSMART HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) **FOR THE YEAR ENDED 31 JANUARY 2020**

		Share capital £	Share premium account £	Capital redemption reserve £	Put and call £	Profit and loss reserves £	Total controlling interest £	Non- controlling interest £	Total £
Year ended 31 January 2020:									
Profit for the year		-	-	-	-	2,364,239	2,364,239	119,728	2,483,967
Other comprehensive income net of taxation:									
Currency translation differences		-	-	-	-	(337,087)	(337,087)	(44,909)	(381,996)
Total comprehensive income for the year		-	-	-	-	2,027,152	2,027,152	74,819	2,101,971
Fair value loss on financial liability		-	-	-	(1,014,704)	1,014,704	-	-	-
Dividends	11	-	-	-	-	(1,127,490)	(1,127,490)	(299,914)	(1,427,404)
Balance at 31 January 2020		503,359	73,806	75,213	(2,026,329)	16,521,010	15,147,059	457,275	15,604,334

AUTOSMART HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JANUARY 2020

	Notes	Share capital £	Share premium account £	Capital redemption reserve £	Put and call £	Profit and loss reserves £	Total £
Balance at 1 February 2018		503,359	73,806	75,213	-	9,893,694	10,546,072
Year ended 31 January 2019:							
Profit and total comprehensive income for the year		-	-	-	-	6,742,586	6,742,586
Dividends	11	-	-	-	-	(1,335,557)	(1,335,557)
Acquisition of put and call option on non controlling interest in Smartab		-	-	-	(1,061,514)	-	(1,061,514)
Fair value gain on financial liability		-	-	-	49,889	(49,889)	-
Balance at 31 January 2019		503,359	73,806	75,213	(1,011,625)	15,250,834	14,891,587
Year ended 31 January 2020:							
Profit and total comprehensive income for the year		-	-	-	-	2,527,833	2,527,833
Dividends	11	-	-	-	-	(1,127,490)	(1,127,490)
Fair value loss on financial liability		-	-	-	(1,014,704)	1,014,704	-
Balance at 31 January 2020		503,359	73,806	75,213	(2,026,329)	17,665,881	16,291,930

AUTOSMART HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JANUARY 2020

	Notes	2020 £	£	2019 £	£
Cash flows from operating activities					
Cash generated from operations	28	6,450,949		5,414,572	
Interest paid		(28,037)		(34,639)	
Income taxes paid		(1,394,033)		(1,347,189)	
Net cash inflow from operating activities		5,028,879		4,032,744	
Investing activities					
Acquisition of subsidiaries (net of cash acquired)		(698,080)	(4,042,782)		
Purchase of intangible assets		(69,291)	(363,584)		
Proceeds on disposal of intangibles		139,809	-		
Purchase of tangible fixed assets		(212,310)	(648,294)		
Proceeds on disposal of tangible fixed assets		56,850	103,696		
Interest received		8,173	23,676		
Net cash used in investing activities		(774,849)		(4,927,288)	
Financing activities					
Repayment of bank loans		(164,800)	(127,000)		
Payment of finance leases obligations		(287,462)	(157,000)		
Dividends paid to equity shareholders		(1,127,490)	(1,335,557)		
Dividends paid to non-controlling interests		(299,914)	-		
Net cash used in financing activities		(1,879,666)		(1,619,557)	
Net increase/(decrease) in cash and cash equivalents		2,374,364		(2,514,101)	
Cash and cash equivalents at beginning of year		4,756,017		7,278,251	
Effect of foreign exchange rates		(34,718)		(8,133)	
Cash and cash equivalents at end of year		7,095,663		4,756,017	

AUTOSMART HOLDINGS LIMITED

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

1 Accounting policies

Company information

Autosmart Holdings Limited ("the company") is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Lynn Lane, Shenstone, Lichfield, Staffordshire, WS14 0DH.

The group consists of Autosmart Holdings Limited and all of its subsidiaries.

The company's and the group's principal activities and nature of its operations are disclosed in the Directors' Report.

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, including the provisions of the Large and Medium-sized Companies and Groups (accounts and Reports) Regulations 2008.

The financial statements are prepared in sterling, which is the functional currency of the group. Monetary amounts in these financial statements are rounded to the nearest whole £1.

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

Reduced disclosures

The 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 for parent company information presented within the consolidated financial statements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

Basis of consolidation

The consolidated financial statements incorporate those of Autosmart Holdings Limited and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 January 2020. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

AUTOSMART HOLDINGS LIMITED

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

1 Accounting policies (Continued)

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

Going concern

The financial statements have been prepared on a going concern basis which assumes the company and group will continue in operational existence for at least twelve months from the date of approval of the financial statements. The company and group has significant financial resources and is in a strong position to deal with the economic impact of the COVID-19 pandemic. The directors have reviewed cash flow projections and based on their assessment have concluded that the company has sufficient resources available over next twelve months. As such, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. Turnover from the sale of goods is recognised when the goods leave the Autosmart premises.

Other operating income

Royalty income is recognised in the period to which the royalty payments relate. Franchise fee income is recognised in the period that the income is incurred.

Research and development expenditure

Costs related to research and development are expensed within the Statement of Comprehensive Income. The costs are primarily an in house research and development department, who focus on developing our product ranges and on our manufacturing processes.

Intangible fixed assets - goodwill

Goodwill is capitalised and written off evenly over 10 years as in the opinion of the directors, this represents the best estimate of the period over which the goodwill is expected to give rise to economic benefits.

Intangible fixed assets - territories

Territories represent the excess of the cost of acquisition of territories 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 impairment losses.

Territories are disclosed at their carrying value, which is reviewed annually by the directors.

AUTOSMART HOLDINGS LIMITED

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

1 Accounting policies (Continued)

Intangible fixed assets other than goodwill

Intangible assets purchased other than in a business combinations are recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Intangible assets arising on a business combination are recognised, except where the asset arises from legal or contractual rights, there is no evidence of exchange transactions for the same or similar assets and estimating fair value would depend on immeasurable variables.

Re-acquired rights arising on a business combination are valued based on the discounted expected future profits for the remaining contractual term (being from the acquisition date to 31 May 2021). It is amortised on a straight line basis over this period.

Intangible assets are initially recognised at cost (which for intangible assets acquired in a business combination is the fair value at acquisition date) and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

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

Computer software	33.33% straight line
Re-acquired rights	35% straight line
Territories	0-50% straight line
Trademarks	10% straight line

Tangible fixed assets

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

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

Freehold buildings	0-10% straight line
Plant and equipment	20-100% straight line

Freehold land is not depreciated.

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.

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

AUTOSMART HOLDINGS LIMITED

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

1 Accounting policies (Continued)

Impairment of fixed assets

At each reporting period end date, the group 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.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

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

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

Stocks

Stocks are stated at the lower of cost and net realisable value. Costs comprise 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.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

Financial instruments

The group 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 when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and 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.

AUTOSMART HOLDINGS LIMITED

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

1 Accounting policies (Continued)

Loans and receivables

Trade debtors, loans and other debtors that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

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.

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 group 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.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the group's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the group are recorded at the fair value of 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 group.

AUTOSMART HOLDINGS LIMITED

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

1 Accounting policies (Continued)

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries, associates, branches and interests in jointly controlled entities, that will be assessed to or allow for tax in a future period except where the group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

AUTOSMART HOLDINGS LIMITED

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

1 Accounting policies (Continued)

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.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

Asset and corresponding liability are recognised for leasing agreements that transfer to the group substantially all of the risk and rewards incidental to ownership ("finance leases"). The amount capitalised is the fair value of the leased asset or, if lower, the present value of the minimum lease payments payable during the lease term, both determined at inception of the lease. 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. Contingent rents are expenses as incurred.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

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 leased asset are consumed.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

Assets and liabilities of overseas subsidiaries (including goodwill and fair value adjustments in relation to overseas subsidiaries) are translated into the Group's presentation currency at the rate ruling at the reporting date. Income and expenses of overseas subsidiaries are translated at the average rate for the year as the directors consider this to be a reasonable approximation to the rate at the date of transaction. Translation differences are recognised in other comprehensive income and accumulated in equity.

AUTOSMART HOLDINGS LIMITED

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

2 Judgements and key sources of estimation uncertainty

In the application of the group'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.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below:

- useful economic life of fixed assets
- judgements used in assessing the level of provision against trade debtors
- estimation of useful economic life of goodwill and intangible assets
- discount rate used to value put and call option
- profit forecasts and discount rates used to value re-acquired rights

3 Turnover and other revenue

	2020 £	2019 £
Turnover analysed by class of business		
Sale of goods	37,538,192	32,206,656
	<u> </u>	<u> </u>
	2020 £	2019 £
Other revenue		
Interest income	8,173	73,565
Royalty income	727,882	665,889
Franchise fee	158,150	167,987
	<u> </u>	<u> </u>
	2020 £	2019 £
Turnover analysed by geographical market		
United Kingdom	21,594,551	20,400,666
Europe	15,525,657	11,323,099
Rest of the World	417,984	482,891
	<u> </u>	<u> </u>
	37,538,192	32,206,656
	<u> </u>	<u> </u>

AUTOSMART HOLDINGS LIMITED

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

4 Employees

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

	Group 2020 Number	2019 Number	Company 2020 Number	2019 Number
Production staff	58	56	-	-
Sales staff	55	57	1	1
Administrative staff	86	80	2	2
	<u>199</u>	<u>193</u>	<u>3</u>	<u>3</u>

Their aggregate remuneration comprised:

	Group 2020 £	2019 £	Company 2020 £	2019 £
Wages and salaries	7,420,604	6,019,535	-	-
Social security costs	1,422,924	1,211,542	-	-
Pension costs	915,194	889,451	-	-
	<u>9,758,722</u>	<u>8,120,528</u>	<u>-</u>	<u>-</u>

5 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	358,876	371,830
Company pension contributions to defined contribution schemes	44,652	41,625
	<u>403,528</u>	<u>413,455</u>

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

	2020 £	2019 £
Remuneration for qualifying services	122,107	150,315
Company pension contributions to defined contribution schemes	16,326	12,000
	<u>138,433</u>	<u>162,315</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2019: 3).

The directors are remunerated for services to the company through Autosmart International Ltd.

AUTOSMART HOLDINGS LIMITED

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

6 Operating profit

	2020 £	2019 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	294,131	91,341
Research and development costs	172,785	397,411
Depreciation of owned tangible fixed assets	730,098	743,414
Depreciation of tangible fixed assets held under finance leases	105,350	39,016
Profit on disposal of tangible fixed assets	(3,165)	(36,430)
Amortisation of intangible assets	1,393,618	1,001,523
Profit on disposal of intangible assets	(80,219)	(59,205)
Operating lease charges	295,943	243,600

7 Auditor's remuneration

	2020 £	2019 £
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the group and company	10,000	3,000
Audit of the financial statements of the company's subsidiaries	32,000	29,000
	42,000	32,000

8 Interest receivable and similar income

	2020 £	2019 £
Interest income		
Interest on bank deposits	1,153	12,382
Other interest income	7,020	11,294
Total interest revenue	8,173	23,676
Other income from investments		
Fair value gain on financial liability	-	49,889
Total income	8,173	73,565

9 Interest payable and similar expenses

	2020 £	2019 £
Interest on bank overdrafts and loans	17,299	10,141
Other interest on financial liabilities	286	-
Interest on finance leases and hire purchase contracts	10,452	24,498
Total finance costs	28,037	34,639

AUTOSMART HOLDINGS LIMITED

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

10 Taxation

	2020 £	2019 £
Current tax		
UK corporation tax on profits for the current period	839,932	845,768
Adjustments in respect of prior periods	-	(4,697)
Total UK current tax	839,932	841,071
Foreign current tax on profits for the current period	301,461	116,045
Adjustments in foreign tax in respect of prior periods	(39)	-
Total current tax	1,141,354	957,116
Deferred tax		
Origination and reversal of timing differences	(146,586)	(130,799)
Total tax charge	994,768	826,317

The total tax charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2020 £	2019 £
Profit before taxation	3,478,735	4,128,994
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	660,960	784,509
Tax effect of expenses that are not deductible in determining taxable profit	48,508	57,194
Change in unrecognised deferred tax assets	(3,089)	-
Adjustments in respect of prior years	(39)	(4,697)
Effect of change in corporation tax rate	5,132	-
Research and development tax credit	(42,678)	(98,161)
Other permanent differences	113	(58,949)
Fair value loss on put and call option not tax deductible	192,794	-
Tax effect of intangible asset amortisation not deductible in determining taxable profit	90,800	137,000
Additional deduction for land remediation expenditure	-	(1,866)
Effect of different tax rates of subsidiaries operating in other jurisdictions	35,345	4,365
Fixed asset differences	6,922	6,922
Taxation charge	994,768	826,317

AUTOSMART HOLDINGS LIMITED

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

11 Dividends

	2020 £	2019 £
Interim paid	1,127,490	1,335,557

12 Intangible fixed assets

Group	Goodwill £	Computer software £	Re-acquired rights £	Territories £	Trademarks £	Total £
Cost						
At 1 February 2019	5,984,126	781,190	1,945,974	425,254	46,623	9,183,167
Additions - separately acquired	-	49,949	-	16,834	2,508	69,291
Disposals	-	(2,864)	-	(119,906)	(7,854)	(130,624)
Exchange adjustments	(224,100)	-	(68,857)	-	-	(292,957)
Other changes	-	-	-	145,378	-	145,378
At 31 January 2020	5,760,026	828,275	1,877,117	467,560	41,277	8,974,255
Amortisation and impairment						
At 1 February 2019	1,773,151	461,578	390,568	290,356	13,798	2,929,451
Amortisation charged for the year	477,867	172,665	654,033	84,470	4,583	1,393,618
Disposals	-	(2,864)	-	(62,958)	(5,212)	(71,034)
Other changes	-	-	-	107,602	-	107,602
At 31 January 2020	2,251,018	631,379	1,044,601	419,470	13,169	4,359,637
Carrying amount						
At 31 January 2020	3,509,008	196,896	832,516	48,090	28,108	4,614,618
At 31 January 2019	4,210,975	319,612	1,555,406	134,898	32,825	6,253,716

Amortisation for intangible assets is included within administrative expenses.

Re-acquired rights arising on a business combination are valued based on the discounted expected future profits for the remaining contractual term (being from the acquisition date to 31 May 2021). It is amortised on a straight line basis over this period.

AUTOSMART HOLDINGS LIMITED

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

13 Tangible fixed assets

Group	Freehold land and buildings £	Plant and equipment £	Total £
Cost			
At 1 February 2019	2,930,348	5,061,060	7,991,408
Additions	-	540,862	540,862
Disposals	-	(397,087)	(397,087)
Exchange adjustments	-	(258,003)	(258,003)
At 31 January 2020	2,930,348	4,946,832	7,877,180
Depreciation and impairment			
At 1 February 2019	705,179	3,271,793	3,976,972
Depreciation charged in the year	169,889	665,559	835,448
Eliminated in respect of disposals	-	(343,402)	(343,402)
Exchange adjustments	-	(185,115)	(185,115)
At 31 January 2020	875,068	3,408,835	4,283,903
Carrying amount			
At 31 January 2020	2,055,280	1,537,997	3,593,277
At 31 January 2019	2,225,169	1,789,267	4,014,436
Company			
			Freehold land and buildings £
Cost			
At 1 February 2019 and 31 January 2020			1,158,357
Depreciation and impairment			
At 1 February 2019			181,641
Depreciation charged in the year			57,954
At 31 January 2020			239,595
Carrying amount			
At 31 January 2020			918,762
At 31 January 2019			976,716

AUTOSMART HOLDINGS LIMITED

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

13 Tangible fixed assets (Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases:

	Group 2020 £	2019 £	Company 2020 £	2019 £
Plant and equipment	639,730	554,869	-	-

14 Fixed asset investments

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Investments in subsidiaries	15	-	-	16,507,628	16,507,628

Movements in fixed asset investments Company

	Shares in group undertakings £
Cost or valuation	
At 1 February 2019 and 31 January 2020	16,507,628
Carrying amount	
At 31 January 2020	16,507,628
At 31 January 2019	16,507,628

AUTOSMART HOLDINGS LIMITED

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

15 Subsidiaries

Details of the company's subsidiaries at 31 January 2020 are as follows:

Name of undertaking	Registered office key	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Autosmart Group Limited	1	Non trading company (exempt from audit)	Ordinary shares	100.00	-
Autosmart International Ltd	1	Manufacture, distribution and sale of valeting and maintenance products for vehicles	Ordinary shares	100.00	-
Autosmart Australian Ventures Ltd	1	Non trading company (exempt from audit)	Ordinary shares	100.00	-
Smartab, Hi-Tech Chemicals Aktiebolag	2	Sale of valeting and maintenance products for vehicles	Ordinary shares	-	75.00
Sarl Service Autosmart France	3	Recruiting and training franchisees in France	Ordinary shares	-	100.00

Registered Office addresses:

- 1 Autosmart International Ltd, Lynn Lane, Shenstone, WS14 0DH
- 2 Hållnäsgratan 14, 752 28, Uppsala, Sweden
- 3 Immeuble du Rand Point, 5 Boulevard de L'oise, 95000 Cergy, France

16 Stocks

	Group 2020 £	2019 £	Company 2020 £	2019 £
Raw materials and consumables	1,444,138	2,613,268	-	-
Finished goods and goods for resale	2,497,643	1,327,826	-	-
	<u>3,941,781</u>	<u>3,941,094</u>	<u>-</u>	<u>-</u>

Stock with a carrying value of £4,005,133 has been written down to £3,941,781. No earlier stock write down has been reversed during the current or preceding period. Impairment of stock is included within cost of sales.

AUTOSMART HOLDINGS LIMITED

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

17 Debtors

	Group 2020	2019	Company 2020	2019
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	3,801,878	3,763,247	-	-
Corporation tax recoverable	154,036	-	-	-
Other debtors	120,604	76,767	-	-
Prepayments and accrued income	298,395	276,949	-	-
	<u>4,374,913</u>	<u>4,116,963</u>	<u>-</u>	<u>-</u>
Amounts falling due after more than one year:				
Other debtors	<u>101,662</u>	<u>110,749</u>	<u>-</u>	<u>-</u>
Total debtors	<u>4,476,575</u>	<u>4,227,712</u>	<u>-</u>	<u>-</u>

Included within other debtors is a pension debtor totalling £79,190 (2019: £65,445). There is no risk to the group regarding the pension debtor and this is matched with an endowment of the same value.

18 Creditors: amounts falling due within one year

	Notes	Group 2020	2019	Company 2020	2019
		£	£	£	£
Bank loans	20	157,330	174,520	-	-
Obligations under finance leases	21	174,331	179,955	-	-
Trade creditors		1,681,605	2,061,465	-	-
Amounts owed to group undertakings		-	-	1,156,226	1,185,726
Corporation tax payable		374,057	461,353	-	-
Other taxation and social security		812,326	488,475	-	(1,320)
Put and call option		2,026,329	-	2,026,329	-
Other creditors		1,116,032	1,731,311	-	698,080
Accruals and deferred income		1,277,091	1,331,171	10,000	23,450
		<u>7,619,101</u>	<u>6,428,250</u>	<u>3,192,555</u>	<u>1,905,936</u>

Included within other creditors is deferred cash consideration totalling £Nil (2019: £698,080). The deferred cash consideration was paid by 31 July 2019.

The put and call reserve comprises an estimate of the present value of the expected purchase cost for the remaining 25% of share capital of Smartab, Hi-Tech Chemicals Aktiebolag as defined in the share purchase agreement at the date of acquisition.

The fair value loss arising on the put and call option was £1,014,704 (2019: £49,889 gain).

The put and call option is unsecured and is expected to be paid within 1 year.

AUTOSMART HOLDINGS LIMITED

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

19 Creditors: amounts falling due after more than one year

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Bank loans	20	117,998	305,410	-	-
Obligations under finance leases	21	142,281	127,737	-	-
Put and call option		-	1,011,625	-	1,011,625
		<u>260,279</u>	<u>1,444,772</u>	<u>-</u>	<u>1,011,625</u>

20 Borrowings

	Group 2020 £	2019 £	Company 2020 £	2019 £
Bank loans	<u>275,328</u>	<u>479,930</u>	<u>-</u>	<u>-</u>
Payable within one year	157,330	174,520	-	-
Payable after one year	<u>117,998</u>	<u>305,410</u>	<u>-</u>	<u>-</u>

The group have bank borrowings of £275,328 (2019: £479,930). These are repayable in quarterly instalments between 1 February 2020 and 31 March 2022. The interest rate is 2.35% and the leases are secured by mortgages.

An agreement has been made with the bank to have a 6 month loan repayment holiday due to the outbreak of the coronavirus, COVID-19.

AUTOSMART HOLDINGS LIMITED

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

21 Finance lease obligations

	Group 2020 £	2019 £	Company 2020 £	2019 £
Future minimum lease payments due under finance leases:				
Less than one year	174,331	179,955	-	-
Between one and five years	142,281	127,737	-	-
	<u>316,612</u>	<u>307,692</u>	<u>-</u>	<u>-</u>

Finance leases are secured on the assets to which they relate and interest charged at 1.55%. The average lease term is 3 years (2019: 3 years). The net book value of the secured assets is disclosed in note 13.

22 Financial instruments

	Group 2020 £	2019 £	Company 2020 £	2019 £
Carrying amount of financial liabilities				
Measured at fair value through profit or loss				
- Other financial liabilities	2,026,329	1,011,625	2,026,329	1,011,625
	<u>2,026,329</u>	<u>1,011,625</u>	<u>2,026,329</u>	<u>1,011,625</u>

23 Provisions for liabilities

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Pension		73,312	65,445	-	-
Deferred tax liabilities	24	164,888	324,741	31,454	32,411
		<u>238,200</u>	<u>390,186</u>	<u>31,454</u>	<u>32,411</u>

Movements on provisions apart from deferred tax liabilities:

Group	Pension £
At 1 February 2019	65,445
Additional provisions in the year	14,313
Exchange difference	(6,446)
At 31 January 2020	<u>73,312</u>

AUTOSMART HOLDINGS LIMITED

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

24 Deferred taxation

The major deferred tax liabilities and assets recognised by the group and company are:

	Liabilities 2020 £	Liabilities 2019 £
Group		
Accelerated capital allowances	31,454	36,032
Deferred tax on re-acquired rights	148,536	342,189
Short term timing differences	(15,102)	(53,480)
	<u>164,888</u>	<u>324,741</u>
	Liabilities 2020 £	Liabilities 2019 £
Company		
Accelerated capital allowances	<u>31,454</u>	<u>32,411</u>
	Group 2020 £	Company 2020 £
Movements in the year:		
Liability at 1 February 2019	324,741	32,411
Credit to profit or loss	(146,586)	(957)
Exchange difference	(13,267)	-
	<u>164,888</u>	<u>31,454</u>
Liability at 31 January 2020		

The deferred tax asset set out above is expected to reverse within 12 months and relates to short term timing differences. The deferred tax liability relating to accelerated capital allowances and is expected to reverse in line with the assets to which they relate. The deferred tax liability relating to re-acquired rights is expected to reverse over the long term.

25 Retirement benefit schemes

	2020 £	2019 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>915,194</u>	<u>889,451</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund. Contributions totalling £Nil (2019: £Nil) were payable to the fund at the year end and are included in creditors.

AUTOSMART HOLDINGS LIMITED

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

26 Share capital

	Group and company	
	2020	2019
	£	£
Ordinary share capital		
Issued and fully paid		
318,215 Ordinary A shares of £1 each	318,215	318,215
185,144 Ordinary B shares of £1 each	185,144	185,144
	<u>503,359</u>	<u>503,359</u>

Ordinary A shares have full voting rights which are unrestricted including the right for the holders of A majority of the ordinary shares to appoint and remove one person as an 'A director' of the company.

Ordinary B shares are unrestricted and non preferential other than the right to appoint an 'A director'.

27 Reserves

Share premium

Share premium comprises consideration received for shares issued above their nominal value net of transaction costs.

Capital redemption reserve

The capital redemption reserve comprises the nominal value of shares repurchased and still held at the end of the reporting period.

Put and call reserve

The put and call reserve comprises an estimate of the present value of the expected purchase cost for the remaining 25% of share capital of Smartab, Hi-Tech Chemicals Aktiebolag as defined in the shared purchase agreement at the date of acquisition.

Profit and loss reserves

Profit and loss reserves comprise of cumulative profit and loss net of distributions to owners.

AUTOSMART HOLDINGS LIMITED

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

28 Cash generated from group operations

	2020 £	2019 £
Profit for the year after tax	2,483,967	3,302,677
Adjustments for:		
Taxation charged	994,768	826,317
Finance costs	28,037	34,639
Investment income	(8,173)	(73,565)
Gain on disposal of tangible fixed assets	(3,165)	(19,043)
Gain on disposal of intangible assets	(80,219)	-
Fair value losses on put and call option	1,014,704	-
Amortisation and impairment of intangible assets	1,393,618	1,001,523
Depreciation and impairment of tangible fixed assets	835,448	782,430
Net foreign exchange differences	(63,727)	33,708
Movements in working capital:		
(Increase) in stocks	(75,120)	(551,070)
(Increase) in debtors	(188,054)	(606,986)
Increase in creditors	118,865	683,942
Cash generated from operations	6,450,949	5,414,572

29 Analysis of changes in net funds - group

	1 February 2019 £	Cash flows £	New finance leases £	Exchange rate movements £	31 January 2020 £
Cash at bank and in hand	4,756,017	2,374,364	-	(34,718)	7,095,663
Borrowings excluding overdrafts	(479,930)	164,800	-	39,802	(275,328)
Obligations under finance leases	(307,692)	287,462	(328,552)	32,170	(316,612)
	<u>3,968,395</u>	<u>2,826,626</u>	<u>(328,552)</u>	<u>37,254</u>	<u>6,503,723</u>

AUTOSMART HOLDINGS LIMITED

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

30 Operating lease commitments

Lessee

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

	Group 2020 £	2019 £	Company 2020 £	2019 £
Within one year	576,260	475,406	-	-
Between one and five years	1,533,747	1,387,739	-	-
In over five years	718,258	1,505,469	-	-
	<u>2,828,265</u>	<u>3,368,614</u>	<u>-</u>	<u>-</u>

31 Events after the reporting date

On 11 March 2020, the outbreak of the coronavirus, COVID-19, was declared by the World Health Organisation to be a pandemic. The business is primarily influenced by the state of the European economy. The current COVID-19 crisis has introduced material uncertainty into the economy. Despite a significant decrease in our sales we expect to remain profitable and we have secured extra bank funding as a contingency.

The impact of COVID-19 has impacted the valuation of the majority of companies globally. This may impact the carrying value of the investments and intangible assets held on the balance sheet; however this is a non adjusting post balance sheet event as defined by FRS 102 and does not impact the carrying value as at 31 January 2020.

The longer term impact on the carrying value of these assets on the balance sheets of COVID-19 is uncertain and the impact will be reassessed at 31 January 2021.

A bank term loan of £5 million has been secured in June 2020. This is secured via a charge over freehold land and buildings of the company group and a guarantee and set off agreement between the bank and other group companies.

32 Related party transactions

A loan of £Nil (2019: £850,000) was made from a director to a subsidiary company during the year. No interest was charged, £850,000 (2019: £Nil) has been repaid and £Nil (2019: £Nil) was outstanding at the year end.

The group had sales with a subsidiary that was not wholly owned of £2,233,981 (2019: £2,886,213) and was owed £372,654 (2019: £353,083) at year end.

During the year, the company received dividends totalling £899,772 (2019: £Nil) from a non-wholly owned subsidiary. The company paid dividends totalling £1,127,490 (2019: £1,335,557) to the directors. Dividends totalling £299,913 (2019: £Nil) were paid to non-controlling interests from a subsidiary company that is not 100% owned.

No guarantees have been given or received.



AUTOSMART HOLDINGS LIMITED

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

33 Controlling party

The ultimate controlling party is S Atkinson through her majority shareholding in Autosmart Holdings Limited.