

REGISTRAR

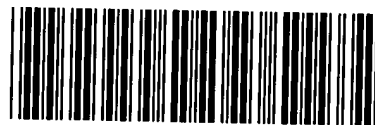
Registered number: 00953723

FAI AUTOMOTIVE PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

THURSDAY



A880FC00

A27

20/06/2019

#268

COMPANIES HOUSE

FAI AUTOMOTIVE PLC

CONTENTS

	Page
Company Information	1
Strategic Report	2 - 3
Directors' Report	4 - 6
Independent Auditor's Report	7 - 9
Statement of Comprehensive Income	10
Balance Sheet	11
Statement of Changes in Equity	12
Statement of Cash Flows	13 - 14
Notes to the Financial Statements	15 - 29

FAI AUTOMOTIVE PLC

COMPANY INFORMATION

Directors	S Walker E Cooper J Alexander P Guinn
Company secretary	P Guinn
Registered number	00953723
Registered office	Chiltern Trading Estate Grovebury Road Leighton Buzzard Bedfordshire LU7 4TU
Independent auditor	MHA MacIntyre Hudson Chartered Accountants & Statutory Auditors Moorgate House 201 Silbury Boulevard Milton Keynes Buckinghamshire MK9 1LZ

FAI AUTOMOTIVE PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Introduction

The Directors present the strategic report for the year ended 31 December 2018.

Fair review of the business

The Company's success is dependent (as our 2018 results have portrayed) upon the continued attention that we give to our customer service program.

The Company's prime objective is its continued growth at a sustainable progression through both the introduction of new to market products, extending our range of existing products and seeking new customers in new markets.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of business risks:

Competition

The Company continues to operate in a highly competitive price sensitive market. Focusing on our four core values of Best Service, Best Quality, Best Value and Best Availability keeps FAI one step ahead of our competitors.

Supply chain

A mitigation of risk to our product supply is managed through selective supplier targeting, regular visiting to maintain customer/supplier continuity and advance forward scheduling. Maintaining these solid supplier relationships and using our bespoke stock forward scheduling system reduces to a minimum the peaks and troughs in supply that could otherwise be encountered.

Employees

Our dedicated in house Human Resources department, together with excellent staff benefit packages, enables us to maintain our exceptionally low staff turnover levels. This allows our customers and suppliers to build lasting relationships with their key points of contact.

Development and performance

The Directors are satisfied with the position of the Company at the year end.

FAI AUTOMOTIVE PLC

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Key performance indicators

The Board of Directors monitor the Company's progress by reference to four indicators:

Stock days

Stock days are calculated as the stock holding at cost price divided by the annualised cost of goods sold in the period. It is key that we hold sufficient shelf stock so that customers can order with confidence. Our stock days for 2018 were 201 days (2017: 192 days).

Customer order fulfillment

A weekly analysis is maintained for parts ordered against parts supplied. On average we had a fulfillment ratio of 99.24% for parts supplied against orders placed (2017: 98%).

Employee retention

This is measured as the percentage of employees remaining in employment with the Company at the end of each period compared to those in employment at the start of each period, after allowing for planned retirements. We have managed to achieve an employee retention rate of 93.6% for the period (2017: 95%).

Sales growth

Each sales area is individually targeted, and then separately monitored monthly, firstly upon their growth against the target set, and then by the sales achieved per customer over that recorded for the same period in the previous year.

In addition, the following financial KPIs are closely monitored by management:

		<u>2018</u>	<u>2017</u>
1.	Turnover	£32.8m	£30.1m
2.	Gross margin	32.5%	29.0%
3.	Profit before tax	£3.4m	£1.9m

This report was approved by the board and signed on its behalf.



.....
P Guinn
Director

Date: 28 March 2019

FAI AUTOMOTIVE PLC

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

The Directors present their report and the financial statements for the year ended 31 December 2018.

Principal activities

The principal activities of the Company continued to be the distribution of motor car and light commercial vehicle engine components together with steering ancillaries to the independent vehicle aftermarket; this being principally to distributors and engine reconditioners both in the UK and into 60 overseas markets.

Directors

The Directors who served during the year were:

S Walker
E Cooper
J Alexander
P Guinn

Results and dividends

The profit for the year, after taxation, amounted to £2,705,357 (2017 - £1,535,885).

Acquisition of own shares

During the year the Company repurchased 4,337 Ordinary A £1 shares. The consideration paid for the purchase of these shares amounted to £500,013. The shares were subsequently cancelled. The purchase of the shares represented 8.66% of the total called up share capital. The reason for the purchase was for the benefit of the Company's future strategic planning and development.

Auditor

The auditor, MHA MacIntyre Hudson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies for the Company's financial statements 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 to 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.

Future developments

There are no significant changes anticipated by management in the Company's future trading position.

Post balance sheet events

Following the creation of two new share types, the following share reclassifications occurred on 11 February 2019:

1. 6,065 Ordinary A shares of £1 each were reclassified to 6,065 Ordinary A1 shares of £1 each.
2. 6,065 Ordinary A shares of £1 each were reclassified to 6,065 Ordinary A2 shares of £1 each.

The Ordinary A1 shares will carry two votes per share and have rights to income and capital on a winding up, capital distribution or sale on the same basis as the Ordinary A shares and Ordinary A2 shares subject to the rights of the redeemable cumulative preference shareholders.

The Ordinary A2 shares will carry no votes per share, but otherwise shall have the same rights to income and capital on a winding up, capital distribution or sale on the same basis as the Ordinary A shares and Ordinary A1 shares subject to the rights of the redeemable cumulative preference shareholders.

FAI AUTOMOTIVE PLC

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

This report was approved by the board and signed on its behalf.



.....
P Guinn
Director

Date: 28 March 2019

Chiltern Trading Estate
Grovebury Road
Leighton Buzzard
Bedfordshire
LU7 4TU

FAI AUTOMOTIVE PLC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FAI AUTOMOTIVE PLC

Opinion

We have audited the financial statements of FAI Automotive PLC (the 'Company') for the year ended 31 December 2018, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. 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

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FAI AUTOMOTIVE PLC
(CONTINUED)**

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.

Opinion 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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

FAI AUTOMOTIVE PLC

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FAI AUTOMOTIVE PLC
(CONTINUED)**

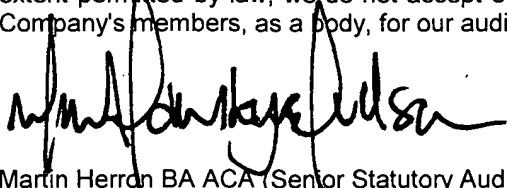
Auditor's responsibilities for the audit of the financial statements

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

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

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.



Martin Herron BA ACA (Senior Statutory Auditor)
for and on behalf of

MHA MacIntyre Hudson
Chartered Accountants
Statutory Auditors
Moorgate House
201 Silbury Boulevard
Milton Keynes
Buckinghamshire
MK9 1LZ

28 March 2019

FAI AUTOMOTIVE PLC

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £	2017 £
Turnover	4	32,759,039	30,123,234
Cost of sales		(22,112,238)	(21,393,064)
Gross profit		10,646,801	8,730,170
Administrative expenses		(7,269,762)	(6,835,214)
Other operating income		9,151	20,505
Operating profit	5	3,386,190	1,915,461
Interest receivable and similar income		1,849	-
Interest payable and expenses		(2,091)	(10,735)
Profit before tax		3,385,948	1,904,726
Tax on profit	9	(680,591)	(368,841)
Profit for the financial year		2,705,357	1,535,885

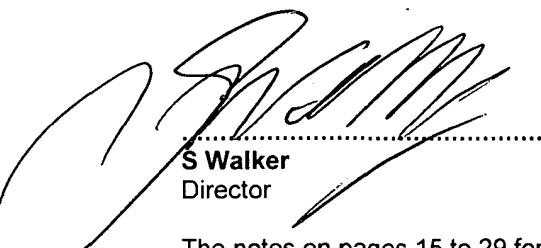
There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

The notes on pages 15 to 29 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	11	582,816	598,795
Current assets			
Stocks	12	7,952,864	7,592,258
Debtors: amounts falling due within one year	13	6,934,130	5,550,095
Cash at bank and in hand	14	1,154,764	543,024
		<u>16,041,758</u>	<u>13,685,377</u>
Creditors: amounts falling due within one year	15	(4,267,743)	(3,879,056)
Net current assets		<u>11,774,015</u>	<u>9,806,321</u>
Total assets less current liabilities		<u>12,356,831</u>	<u>10,405,116</u>
Provisions for liabilities			
Deferred tax	17	(61,008)	(68,974)
		<u>(61,008)</u>	<u>(68,974)</u>
Net assets		<u><u>12,295,823</u></u>	<u><u>10,336,142</u></u>
Capital and reserves			
Called up share capital	18	50,082	50,082
Share premium account	19	28,642	28,642
Capital redemption reserve	19	21,228	16,891
Profit and loss account	19	12,195,871	10,240,527
		<u><u>12,295,823</u></u>	<u><u>10,336,142</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 March 2019.


S Walker
Director


P Guinn
Director

The notes on pages 15 to 29 form part of these financial statements.

FAI AUTOMOTIVE PLC

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 January 2017	50,082	28,642	12,391	9,539,582	9,630,697
Comprehensive income for the year					
Profit for the year	-	-	-	1,535,885	1,535,885
Redemption of shares	-	-	4,500	-	4,500
Total comprehensive income for the year	-	-	4,500	1,535,885	1,540,385
Contributions by and distributions to owners					
Dividends: Equity capital	-	-	-	(100,000)	(100,000)
Purchase of own shares	-	-	-	(734,940)	(734,940)
Shares issued during the year	4,500	-	-	-	4,500
Shares redeemed during the year	(4,500)	-	-	-	(4,500)
Total transactions with owners	-	-	-	(834,940)	(834,940)
At 1 January 2018	50,082	28,642	16,891	10,240,527	10,336,142
Comprehensive income for the year					
Profit for the year	-	-	-	2,705,357	2,705,357
Redemption of shares	-	-	4,337	-	4,337
Total comprehensive income for the year	-	-	4,337	2,705,357	2,709,694
Contributions by and distributions to owners					
Dividends: Equity capital	-	-	-	(250,000)	(250,000)
Purchase of own shares	-	-	-	(500,013)	(500,013)
Shares issued during the year	4,337	-	-	-	4,337
Shares redeemed during the year	(4,337)	-	-	-	(4,337)
Total transactions with owners	-	-	-	(750,013)	(750,013)
At 31 December 2018	50,082	28,642	21,228	12,195,871	12,295,823

The notes on pages 15 to 29 form part of these financial statements.

FAI AUTOMOTIVE PLC

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	2,705,357	1,535,885
Adjustments for:		
Depreciation of tangible assets	172,608	144,256
Gain on disposal of assets	(4,790)	(8,970)
Interest paid	2,091	10,735
Interest received	(1,849)	-
Taxation charge	680,591	368,841
(Increase) in stocks	(360,606)	(143,647)
(Increase)/decrease in debtors	(1,384,035)	342,858
Increase/(decrease) in creditors	550,308	(200,912)
Corporation tax (paid)	(850,179)	(380,101)
Net cash generated from operating activities	1,509,496	1,668,945
Cash flows from investing activities		
Purchase of tangible fixed assets	(171,941)	(240,098)
Sale of tangible fixed assets	20,102	28,056
Interest received	1,849	-
Net cash from investing activities	(149,990)	(212,042)
Cash flows from financing activities		
Issue of ordinary shares	4,338	4,500
Purchase of ordinary shares	(500,013)	(734,940)
Dividends paid	(250,000)	(100,000)
Interest paid	(2,091)	(10,735)
Net cash used in financing activities	(747,766)	(841,175)

FAI AUTOMOTIVE PLC

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £	2017 £
Net increase in cash and cash equivalents	611,740	615,728
Cash and cash equivalents at beginning of year	543,024	(72,704)
Cash and cash equivalents at the end of year	1,154,764	543,024
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,154,764	543,024

The notes on pages 15 to 29 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. General information

FAI Automotive PLC is a private Company, limited by shares, registered in England and Wales.

The Company's registered number is 00953723 and their registered office (and principal place of business) is The Chiltern Trading Estate, Grovebury Road, Leighton Buzzard, Bedfordshire, LU7 4TU.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.4 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.5 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.6 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.7 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.8 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.9 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance basis.

Depreciation is provided on the following basis:

Short-term leasehold property	- over the lease term
Plant and equipment	- 20% - 33.33% per annum
Motor vehicles	- 25% per annum
Fixtures and fittings	- 15% - 33.33% per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.10 Inventories

Inventories are stated at the lower of average cost and estimated selling price less costs to complete and sell. Average cost comprises direct material and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Inventories are classified as such when the goods have arrived at the warehouses in the UK, and have cleared a quarantine inspection. The constructive obligation to pay arises once this has been cleared.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.13 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.14 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.15 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an 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.

2.16 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgments, 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 revisions and future periods where the revision affects both current and future periods.

Critical judgments

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

Leases

Determine whether leases entered into by the Company either as a lessor or a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Property, plant and equipment

Determine whether there are indicators of impairment of the Company's property, plant & equipment. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

Inventory

Inventories are valued at the lower of average cost and net realisable value. Net realisable value includes, where necessary, provisions for slow moving and obsolete stocks. Calculation of these provision requires judgments to be made, which include forecast consumer demand, the promotion, competitive and economic environment and inventory loss trends.

Key sources of estimation uncertainty

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

Property, plant and equipment

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programs are taken into account. Residual value assessments consider issues such as future market conditions, in the remaining life of the asset and projected disposal values.

Inventory provisioning

The Company sells automotive parts to various wholesalers worldwide and is subject to changing consumer demands for parts. As a result it is necessary to consider the recoverability of the costs of inventory and the associated provisioning required. When considering the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of inventory held and recent sales performance of inventory lines.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

3. Judgments in applying accounting policies (continued)

Impairment of receivables

The Company makes an estimate of the recoverable value of trade and other receivables. When assessing impairment of trade and other receivables, management considers factors including the current credit rating of the receivable, the ageing of the profile of receivables and historical experience.

4. Turnover

An analysis of turnover by class of business is as follows:

	2018 £	2017 £
Distribution of motor car components	32,759,039	30,123,234

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	16,612,810	16,396,764
Europe	13,419,597	11,529,075
Rest of the world	2,726,632	2,197,395
	32,759,039	30,123,234

5. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Research & development charged as an expense	-	1,679
Exchange differences	87,986	(64,373)
Operating lease rentals - property	309,612	299,834
Operating lease rentals - equipment	73,609	44,183
Operating lease rentals - motor vehicles	42,704	59,378
Profit on sale of tangible assets	(4,790)	(8,970)

FAI AUTOMOTIVE PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

6. Auditor's remuneration

	2018 £	2017 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>29,550</u>	<u>31,370</u>
Fees payable to the Company's auditor and its associates in respect of:		
All other services	<u>12,600</u>	<u>14,872</u>

7. Employees

Staff costs, including Directors' remuneration, were as follows:

	2018 £	2017 £
Wages and salaries	4,131,287	4,159,990
Social security costs	459,325	440,123
Cost of defined contribution scheme	349,819	295,213
	<u>4,940,431</u>	<u>4,895,326</u>

The average monthly number of employees, including the Directors, during the year was as follows:

	2018 No.	2017 No.
Distribution staff	59	54
Administrative staff	32	31
Management staff	7	7
Sales staff	16	16
	<u>114</u>	<u>108</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

8. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	1,137,694	1,133,582
Company contributions to defined contribution pension schemes	150,432	102,609
	<u>1,288,126</u>	<u>1,236,191</u>

During the year retirement benefits were accruing to 4 Directors (2017 - 4) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £446,065 (2017 - £502,655).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £NIL (2017 - £NIL).

In addition to Directors' remuneration above, the Company paid £173,227 for remuneration of key management personnel. Key management personnel is deemed to be the Directors, plus selected members of senior staff.

9. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	680,453	366,412
Adjustments in respect of previous periods	8,104	(4,496)
Total current tax	<u>688,557</u>	<u>361,916</u>
Deferred tax		
Origination and reversal of timing differences	(7,966)	6,925
Taxation on profit on ordinary activities	<u>680,591</u>	<u>368,841</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	3,385,948	1,904,726
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	643,330	366,660
Effects of:		
Tax effect of expenses that are not deductible in determining taxable profit	27,769	7,533
Adjustments to tax charge in respect of prior periods	8,104	(4,496)
Capital allowances in excess of depreciation	(7,966)	6,924
Depreciation on assets not qualifying for tax allowances	9,354	(10,901)
Amortisation on assets not qualifying for tax allowances	-	3,121
Total tax charge for the year	680,591	368,841

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

10. Dividends

	2018 £	2017 £
Final	100,000	-
Interim	150,000	100,000
	250,000	100,000

FAI AUTOMOTIVE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

11. Tangible fixed assets

	Short-term leasehold property £	Plant and equipment £	Motor vehicles £	Fixtures and fittings £	Total £
Cost					
At 1 January 2018	381,498	2,381,791	232,926	496,302	3,492,517
Additions	4,400	44,039	113,637	9,865	171,941
Disposals	-	-	(85,697)	-	(85,697)
At 31 December 2018	385,898	2,425,830	260,866	506,167	3,578,761
Depreciation					
At 1 January 2018	331,396	2,004,573	113,049	444,704	2,893,722
Charge for the year on owned assets	17,995	94,242	51,858	8,513	172,608
Disposals	-	-	(70,385)	-	(70,385)
At 31 December 2018	349,391	2,098,815	94,522	453,217	2,995,945
Net book value					
At 31 December 2018	36,507	327,015	166,344	52,950	582,816
At 31 December 2017	50,102	377,218	119,877	51,598	598,795

FAI AUTOMOTIVE PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

12. Inventories

	2018 £	2017 £
Finished goods and goods for resale	<u>7,952,864</u>	<u>7,592,258</u>

Inventories recognised in cost of sales during the year as an expense was £14,469,965 (2017: £15,197,464).

13. Debtors

	2018 £	2017 £
Trade debtors	6,352,899	5,239,788
Other debtors	210,723	113,271
Prepayments and accrued income	370,508	197,036
	<u>6,934,130</u>	<u>5,550,095</u>

14. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	<u>1,154,764</u>	<u>543,024</u>

15. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	1,884,102	1,566,480
Corporation tax	204,790	366,412
Other taxation and social security	168,400	326,552
Other creditors	87,548	60,611
Accruals and deferred income	1,922,903	1,559,001
	<u>4,267,743</u>	<u>3,879,056</u>

FAI AUTOMOTIVE PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

16. Financial instruments

	2018 £	2017 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>6,382,349</u>	<u>5,276,158</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(3,638,503)</u>	<u>(3,186,092)</u>

Financial assets measured at fair value through profit or loss comprise of trade and other debtors.

Financial liabilities measured at amortised cost comprise of trade and other creditors.

17. Deferred taxation

	2018 £	2017 £
At beginning of year	68,974	62,049
Charged to profit or loss	(7,966)	6,925
At end of year	<u>61,008</u>	<u>68,974</u>

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	<u>61,008</u>	<u>68,974</u>

18. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
39,407 (2017 - 43,745) Ordinary A shares of £1.00 each	39,407	43,745
1 (2017 - nil) Ordinary B share of £1.00	1	-
10,674 (2017 - 6,337) Ordinary C shares of £1.00 each	10,674	6,337
	<u>50,082</u>	<u>50,082</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

18. Share capital (continued)

On 20 September 2018, the Company repurchased 4,337 Ordinary A £1 shares. The consideration paid for the purchase of these shares amounted to £500,013. The shares were subsequently cancelled. The purchase of the shares represented 8.66% of the total called up share capital. The reason for the purchase was for the benefit of the Company's future strategic planning and development.

On the same day, 4,337 Ordinary C £1 shares were issued at par to maintain the Company's capital.

The Company also reclassified 1 Ordinary A £1 share to 1 Ordinary B £1 share on 20 September 2018.

All shares rank pari passu in all respects, except:

- 1) the non-voting Ordinary C shares which carry no voting rights and are only entitled to par value on a sale or return of capital.
- 2) the Ordinary B share holder is entitled to a higher allocation of proceeds in the event of a Company sale.
- 3) the Directors may at any time declare a dividend on one class of share and not on others.

Following the creation of two new share types, the following share reclassifications occurred on 11 February 2019:

1. 6,065 Ordinary A shares of £1 each were reclassified to 6,065 Ordinary A1 shares of £1 each.
2. 6,065 Ordinary A shares of £1 each were reclassified to 6,065 Ordinary A2 shares of £1 each.

The Ordinary A1 shares will carry two votes per share and have rights to income and capital on a winding up, capital distribution or sale on the same basis as the Ordinary A shares and Ordinary A2 shares subject to the rights of the redeemable cumulative preference shareholders.

The Ordinary A2 shares will carry no votes per share, but otherwise shall have the same rights to income and capital on a winding up, capital distribution or sale on the same basis as the Ordinary A shares and Ordinary A1 shares subject to the rights of the redeemable cumulative preference shareholders.

19. Reserves

Share premium account

The share premium account includes all amounts paid above the nominal value for shares issued.

Capital redemption reserve

The capital redemption reserve includes all amounts relating to the par value of shares re-purchased by the Company.

Profit and loss account

The profit and loss account contains all current and prior year retained profits and losses.

FAI AUTOMOTIVE PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

20. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £349,727 (2017 - £295,213). Contributions totaling £17,399 (2017 - £2,351) were payable to the fund at the balance sheet date and are included in creditors.

21. Commitments under operating leases

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	331,128	330,668
Later than 1 year and not later than 5 years	343,424	594,143
	<u>674,552</u>	<u>924,811</u>

22. Transactions with directors

During the year dividends totalling £157,925 (2017 - £100,000) were paid to the Directors.

23. Controlling party

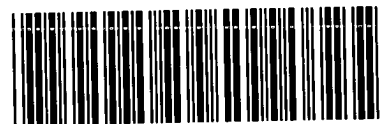
The ultimate controlling party is S Walker.

Registered number: 00953723

FAI AUTOMOTIVE PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

SATURDAY



A9EFKYR7

A11

26/09/2020

#239

COMPANIES HOUSE

FAI AUTOMOTIVE PLC

CONTENTS

	Page
Company Information	1
Strategic Report	2 - 4
Directors' Report	5 - 6
Independent Auditor's Report	7 - 9
Statement of Comprehensive Income	10
Balance Sheet	11 - 12
Statement of Changes in Equity	13
Statement of Cash Flows	14 - 15
Analysis of Net Debt	15
Notes to the Financial Statements	16 - 33

FAI AUTOMOTIVE PLC

COMPANY INFORMATION

Directors	S Walker E Cooper (resigned 31 August 2020) J Alexander P Guinn T Payne (appointed 1 January 2020) K Walker (appointed 2 July 2020)
Company secretary	P Guinn
Registered number	00953723
Registered office	Chiltern Trading Estate Grovebury Road Leighton Buzzard Bedfordshire LU7 4TU
Independent auditor	MHA MacIntyre Hudson Chartered Accountants & Statutory Auditors Moorgate House 201 Silbury Boulevard Milton Keynes Buckinghamshire MK9 1LZ

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Introduction

The Directors present the strategic report for the year ended 31 December 2019.

Fair review of the business

The Company's success is dependent (as our 2019 results have portrayed) upon the continued attention that we give to our customer service program.

The Company's prime objective is its continued growth at a sustainable progression through both the introduction of new to market products, extending our range of existing products and seeking new customers in new markets.

Covid - 19

Our assessment of the effects of Covid-19 on the company are detailed in accounting policy 2.2.

Under UK accounting standards the effects of the Covid-19 pandemic is a non adjusting event for the purposes of our 2019 financial statements. The COVID-19 pandemic and the ensuing economic shutdown has of course had a significant short term impact on both us as a company and our industry sector in 2020 insofar as many of our customers have been closed at various points in time. However, due to the fact we export to 70 countries we have remained open throughout the pandemic. As some of our overseas territories closed due to the pandemic others have reopened, and in the UK the motor factor industry was one that was not required to close by HM Government. Indeed, some of our motor components were part of the NHS supply chain to keep NHS vehicles on the road during the UK lockdown. The Directors have performed a robust analysis of forecast future cash flows taking into account the potential impact on the business of possible future scenarios arising from the impact of COVID-19. This analysis also considers the effectiveness of available measures to assist in mitigating the financial impact. Based on these assessments and having regard to the resources available to the entity, the Directors are confident that the company is in a strong position to cope with the difficult times ahead as the pandemic progresses.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of business risks:

Competition

The Company continues to operate in a highly competitive price sensitive market. Focusing on our four core values of Best Service, Best Quality, Best Value and Best Availability keeps FAI one step ahead of our competitors.

Supply chain

A mitigation of risk to our product supply is managed through selective supplier targeting, regular visiting to maintain customer/supplier continuity and advance forward scheduling. Maintaining these solid supplier relationships and using our bespoke stock forward scheduling system reduces to a minimum the peaks and troughs in supply that could otherwise be encountered.

Employees

Our dedicated in house Human Resources department, together with excellent staff benefit packages, enables us to maintain our exceptionally low staff turnover levels. This allows our customers and suppliers to build lasting relationships with their key points of contact.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

Development and performance

The Directors are satisfied with the position of the Company at the year end.

Key performance indicators

The Board of Directors monitor the Company's progress by reference to three indicators:

Stock days

Stock days are calculated as the stock holding at cost price divided by the annualised cost of goods sold in the period. It is key that we hold sufficient shelf stock so that customers can order with confidence. Our stock days for 2019 were 224 days (2018: 201 days).

Employee retention

This is measured as the percentage of employees remaining in employment with the Company at the end of each period compared to those in employment at the start of each period, after allowing for planned retirements. We have managed to achieve an employee retention rate of 94.0% for the period (2018: 93.6%).

Sales growth

Each sales area is individually targeted, and then separately monitored monthly, firstly upon their growth against the target set, and then by the sales achieved per customer over that recorded for the same period in the previous year.

In addition, the following financial KPIs are closely monitored by management:

		<u>2019</u>	<u>2018</u>
1.	Turnover	£32.95m	£32.76m
2.	Gross margin	32.3%	32.5%
3.	Profit before tax	£3.42m	£3.39m

Additional Information

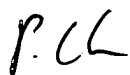
The directors have had regard to the matters set out in section 172(1) (a) to (f) when performing their duty under section 172 of the Companies Act.

As a Board we are focusing on the impact of our long term decision making for the benefit of our employees and our external business relationships. We have set out our policy on "Company Values" that we have issued to all of our staff. We have considered our environmental impact and are actively working with our suppliers to minimise plastic packaging and move to reuseable or fully recyclable packaging. In 2018 we set up a "Junior Board" of key personnel within our business who have a brief to focus on the interests of our employees, the community in which we work and the environment within which we operate. As a result of this we have sponsored a local disabled football team in association with the local Rotary Club of Leighton Linlade. In Spring 2020 we undertook the triennial audit of our ISO compliance and are pleased to report that we qualified to continue with our ISO9001:2015 accreditation for a further three years. Our ISO compliance is crucial in maintaining our high standards of business conduct.

FAI AUTOMOTIVE PLC

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

This report was approved by the board and signed on its behalf.



.....
P Guinn
Director

Date: 20/1/2020

FAI AUTOMOTIVE PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their report and the financial statements for the year ended 31 December 2019.

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies for the Company's financial statements 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 to 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.

Principal activities

The principal activities of the Company continued to be the distribution of motor car and light commercial vehicle engine components together with steering ancillaries to the independent vehicle aftermarket; this being principally to distributors and engine reconditioners both in the UK and into 70 overseas markets.

Results and dividends

The profit for the year, after taxation, amounted to £2,748,078 (2018 - £2,705,357).

Directors

The Directors who served during the year were:

S Walker
E Cooper (resigned 31 August 2020)
J Alexander
P Guinn

Future developments

There are no significant changes anticipated by management in the Company's future trading position.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Acquisition of own shares

During the year the Company repurchased 962 Ordinary A £1 shares. The consideration paid for the purchase of these shares amounted to £110,909. The shares were subsequently cancelled. The purchase of the shares represented 1.92% of the total called up share capital. The reason for the purchase was for the benefit of the Company's future strategic planning and development.

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

After the year end the company issued a further 480 C Ordinary shares. It also purchased a further 480 A Ordinary shares from a shareholder for a consideration of £55,339. The repurchased shares were subsequently cancelled.

Auditor

The auditor, MHA MacIntyre Hudson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



.....
P Guinn
Director

Date: 21/12/2019

Chiltern Trading Estate
Grovebury Road
Leighton Buzzard
Bedfordshire
LU7 4TU

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAI AUTOMOTIVE PLC

Opinion

We have audited the financial statements of FAI Automotive PLC (the 'Company') for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAI AUTOMOTIVE PLC (CONTINUED)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. 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.

Opinion 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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAI AUTOMOTIVE PLC (CONTINUED)

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

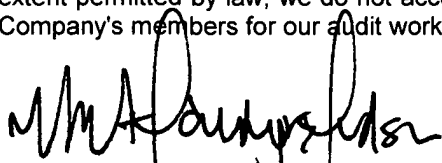
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Company's members 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 for our audit work, for this report, or for the opinions we have formed.



Martin Herron BA (Hons) ACA (Senior Statutory Auditor)
for and on behalf of

MHA MacIntyre Hudson

Chartered Accountants

Statutory Auditors

Moorgate House

201 Silbury Boulevard

Milton Keynes

Buckinghamshire

MK9 1LZ

Date:

24 September 2020

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £	2018 £
Turnover	4	32,951,826	32,759,039
Cost of sales		(22,321,054)	(22,112,238)
Gross profit		10,630,772	10,646,801
Administrative expenses		(7,222,869)	(7,269,762)
Other operating income		33,386	9,151
Operating profit	5	3,441,289	3,386,190
Interest receivable and similar income		2,377	1,849
Interest payable and similar expenses		(16,168)	(2,091)
Profit before tax		3,427,498	3,385,948
Tax on profit	9	(679,420)	(680,591)
Profit for the financial year		2,748,078	2,705,357

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

The notes on pages 16 to 33 form part of these financial statements.

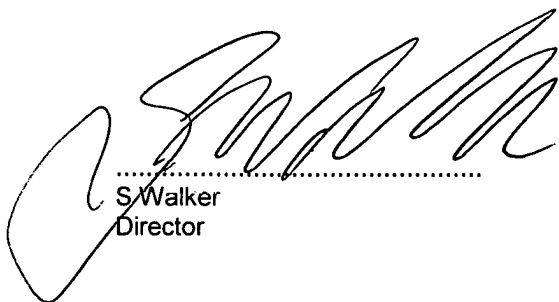
BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	11	1,083,894	582,816
		<u>1,083,894</u>	<u>582,816</u>
Current assets			
Stocks	12	9,218,328	7,952,864
Debtors: amounts falling due within one year	13	6,231,770	6,934,130
Cash at bank and in hand	14	1,661,550	1,154,764
		<u>17,111,648</u>	<u>16,041,758</u>
Creditors: amounts falling due within one year	15	(3,672,651)	(4,267,743)
Net current assets		<u>13,438,997</u>	<u>11,774,015</u>
Total assets less current liabilities		<u>14,522,891</u>	<u>12,356,831</u>
Provisions for liabilities			
Deferred tax	17	(88,937)	(61,008)
		<u>(88,937)</u>	<u>(61,008)</u>
Net assets		<u><u>14,433,954</u></u>	<u><u>12,295,823</u></u>
Capital and reserves			
Called up share capital	18	50,082	50,082
Share premium account	19	28,642	28,642
Capital redemption reserve	19	22,190	21,228
Profit and loss account	19	14,333,040	12,195,871
		<u>14,433,954</u>	<u>12,295,823</u>

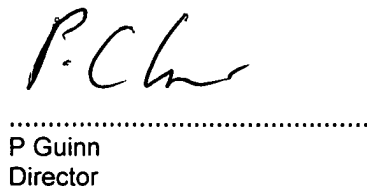
FAI AUTOMOTIVE PLC
REGISTERED NUMBER: 00953723

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2019

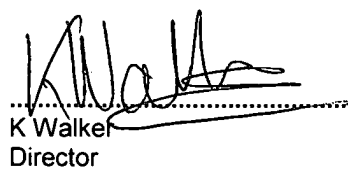
The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



.....
S Walker
Director



.....
P Guinn
Director



.....
K Walker
Director

Date: 21/9/2020

The notes on pages 16 to 33 form part of these financial statements.

FAI AUTOMOTIVE PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 January 2018	50,082	28,642	16,891	10,240,527	10,336,142
Comprehensive income for the year					
Profit for the year	-	-	-	2,705,357	2,705,357
Redemption of shares	-	-	4,337	-	4,337
Contributions by and distributions to owners					
Dividends: Equity capital	-	-	-	(250,000)	(250,000)
Purchase of own shares	-	-	-	(500,013)	(500,013)
Shares issued during the year	4,337	-	-	-	4,337
Shares redeemed during the year	(4,337)	-	-	-	(4,337)
Total transactions with owners	-	-	-	(750,013)	(750,013)
At 1 January 2019	50,082	28,642	21,228	12,195,871	12,295,823
Comprehensive income for the year					
Profit for the year	-	-	-	2,748,078	2,748,078
Redemption of shares	-	-	962	-	962
Total comprehensive income for the year	-	-	962	2,748,078	2,749,040
Contributions by and distributions to owners					
Dividends: Equity capital	-	-	-	(500,000)	(500,000)
Purchase of own shares	-	-	-	(110,909)	(110,909)
Shares issued during the year	962	-	-	-	962
Shares redeemed during the year	(962)	-	-	-	(962)
Total transactions with owners	-	-	-	(610,909)	(610,909)
At 31 December 2019	50,082	28,642	22,190	14,333,040	14,433,954

The notes on pages 16 to 33 form part of these financial statements.

FAI AUTOMOTIVE PLC

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019 £	2018 £
Cash flows from operating activities		
Profit for the financial year	2,748,078	2,705,357
Adjustments for:		
Depreciation of tangible assets	202,081	172,608
Loss on disposal of tangible assets	17,614	(4,790)
Interest paid	16,168	2,091
Interest received	(2,377)	(1,849)
Taxation charge	679,420	680,591
(Increase) in stocks	(1,265,464)	(360,606)
Decrease/(increase) in debtors	765,064	(1,384,035)
(Decrease)/increase in creditors	(702,092)	550,308
Corporation tax (paid)	(918,985)	(850,179)
Net cash generated from operating activities	1,539,507	1,509,496
Cash flows from investing activities		
Purchase of tangible fixed assets	(425,983)	(171,941)
Sale of tangible fixed assets	17,000	20,102
Interest received	2,377	1,849
Net cash from investing activities	(406,606)	(149,990)
Cash flows from financing activities		
Issue of ordinary shares	962	4,338
Purchase of ordinary shares	(110,909)	(500,013)
Dividends paid	(500,000)	(250,000)
Interest paid	(16,168)	(2,091)
Net cash used in financing activities	(626,115)	(747,766)

FAI AUTOMOTIVE PLC

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £	2018 £
Net increase in cash and cash equivalents	506,786	611,740
Cash and cash equivalents at beginning of year	1,154,764	543,024
Cash and cash equivalents at the end of year	1,661,550	1,154,764
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,661,550	1,154,764

ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2019

	At 1 January 2019 £	Cash flows £	At 31 December 2019 £
Cash at bank and in hand	1,154,764	506,786	1,661,550
	1,154,764	506,786	1,661,550

The notes on pages 16 to 33 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. General information

FAI Automotive PLC is a private Company, limited by shares, registered in England and Wales.

The Company's registered number is 00953723 and their registered office (and principal place of business) is The Chiltern Trading Estate, Grovebury Road, Leighton Buzzard, Bedfordshire, LU7 4TU.

The financial statements are presented in sterling, rounded to the nearest whole number.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The financial statements have been prepared on a going concern basis. The Directors have considered relevant information, including the annual budget, forecast future cash flows and the impact of subsequent events in making their assessment. The COVID-19 pandemic and the ensuing economic shutdown has of course had a significant short term impact on the company's operations in 2020 insofar as many of our customers have been closed at various points in time. However, due to the fact we export to 70 countries we have remained open throughout the pandemic. As some of our overseas territories close due to the pandemic others reopen, and in the UK the motor factor industry was one that was not required to close by HM Government.

In response to the COVID-19 pandemic, the Directors have performed a robust analysis of forecast future cash flows taking into account the potential impact on the business of possible future scenarios arising from the impact of COVID-19. This analysis also considers the effectiveness of available measures to assist in mitigating the financial impact.

Based on these assessments and having regard to the resources available to the entity, the Directors have concluded that there is no material uncertainty and that they can continue to adopt the going concern basis in preparing the annual report and accounts.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.6 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.7 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.8 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.9 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance basis.

Depreciation is provided on the following basis:

Short-term leasehold property	- over the lease term
Plant and equipment	- 20% - 33.33% per annum
Motor vehicles	- 25% per annum
Fixtures and fittings	- 15% - 33.33% per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.11 Inventories

Inventories are stated at the lower of average cost and estimated selling price less costs to complete and sell. Average cost comprises direct material and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition, such as direct freight and duty costs.

Inventories are classified as such when the goods have arrived at the warehouses in the UK, and have cleared a quarantine inspection. The constructive obligation to pay arises once this has been cleared.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.12 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.14 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.16 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an 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.

2.17 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgments, 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 revisions and future periods where the revision affects both current and future periods.

Critical judgments

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

Leases

Determine whether leases entered into by the Company either as a lessor or a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Property, plant and equipment

Determine whether there are indicators of impairment of the Company's property, plant & equipment. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

Inventory

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

Key sources of estimation uncertainty

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

Property, plant and equipment

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programs are taken into account. Residual value assessments consider issues such as future market conditions, in the remaining life of the asset and projected disposal values.

Inventory provisioning

The Company sells automotive parts to various wholesalers worldwide and is subject to changing consumer demands for parts. As a result it is necessary to consider the recoverability of the costs of inventory and the associated provisioning required. When considering the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of inventory held and recent sales performance of inventory lines.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

3. Judgments in applying accounting policies (continued)***Impairment of receivables***

The Company makes an estimate of the recoverable value of trade and other receivables. When assessing impairment of trade and other receivables, management considers factors including the current credit rating of the receivable, the ageing of the profile of receivables and historical experience.

4. Turnover

An analysis of turnover by class of business is as follows:

	2019 £	2018 £
Distribution of motor car components	32,951,826	32,759,039

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	14,947,908	16,612,810
Europe	14,161,442	13,419,597
Rest of the world	3,842,476	2,726,632
	32,951,826	32,759,039

5. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
Exchange differences	218,585	87,986
Operating lease rentals - property	410,175	309,612
Operating lease rentals - equipment	62,352	73,609
Operating lease rentals - motor vehicles	23,283	42,704
Loss/(profit) on sale of tangible assets	17,614	(4,790)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

6. Auditor's remuneration

	2019 £	2018 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<u>30,000</u>	<u>29,550</u>
Fees payable to the Company's auditor in respect of:		
All other services	-	12,600
	<u>-</u>	<u>12,600</u>

7. Employees

Staff costs, including Directors' remuneration, were as follows:

	2019 £	2018 £
Wages and salaries	3,972,158	4,131,287
Social security costs	440,110	459,325
Cost of defined contribution scheme	292,775	349,819
	<u>4,705,043</u>	<u>4,940,431</u>

The average monthly number of employees, including the Directors, during the year was as follows:

	2019 No.	2018 No.
Distribution staff	56	59
Administrative staff	28	32
Management staff	7	7
Sales staff	16	16
	<u>107</u>	<u>114</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

8. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	785,356	1,137,694
Company contributions to defined contribution pension schemes	78,778	150,432
	<u>864,134</u>	<u>1,288,126</u>

During the year retirement benefits were accruing to 4 Directors (2018 - 4) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £398,565 (2018 - £446,065).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £NIL (2018 - £NIL).

Key management personnel is deemed to be the Directors.

9. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	647,296	680,453
Adjustments in respect of previous periods	4,195	8,104
Total current tax	<u>651,491</u>	<u>688,557</u>
Deferred tax		
Origination and reversal of timing differences	27,929	(7,966)
Taxation on profit on ordinary activities	<u>679,420</u>	<u>680,591</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	3,427,498	3,385,948
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	651,225	643,330
Effects of:		
Tax effect of expenses that are not deductible in determining taxable profit	10,497	17,289
Capital allowances for year in excess of depreciation	(19,606)	10,480
Adjustments to tax charge in respect of prior periods	4,195	8,104
Short term timing difference leading to an increase (decrease) in taxation	27,929	(7,966)
Depreciation on assets not qualifying for tax allowances	5,180	9,354
Total tax charge for the year	679,420	680,591

10. Dividends

	2019 £	2018 £
Final	500,000	100,000
Interim	-	150,000
	500,000	250,000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

11. Tangible fixed assets

	Short-term leasehold property £	Plant and equipment £	Motor vehicles £	Fixtures and fittings £	Total £
Cost					
At 1 January 2019	385,898	2,425,830	260,866	506,167	3,578,761
Additions	386,349	284,917	52,996	13,511	737,773
Disposals	-	(812,737)	(27,148)	-	(839,885)
At 31 December 2019	<u>772,247</u>	<u>1,898,010</u>	<u>286,714</u>	<u>519,678</u>	<u>3,476,649</u>
Depreciation					
At 1 January 2019	349,391	2,098,815	94,522	453,217	2,995,945
Charge for the year on owned assets	27,263	115,484	49,885	9,449	202,081
Disposals	-	(799,134)	(6,137)	-	(805,271)
At 31 December 2019	<u>376,654</u>	<u>1,415,165</u>	<u>138,270</u>	<u>462,666</u>	<u>2,392,755</u>
Net book value					
At 31 December 2019	<u>395,593</u>	<u>482,845</u>	<u>148,444</u>	<u>57,012</u>	<u>1,083,894</u>
At 31 December 2018	<u>36,507</u>	<u>327,015</u>	<u>166,344</u>	<u>52,950</u>	<u>582,816</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

12. Inventories

	2019 £	2018 £
Finished goods and goods for resale	<u>9,218,328</u>	<u>7,952,864</u>

13. Debtors

	2019 £	2018 £
Trade debtors	5,537,112	6,352,899
Other debtors	277,667	210,723
Prepayments and accrued income	416,991	370,508
	<u>6,231,770</u>	<u>6,934,130</u>

14. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	<u>1,661,550</u>	<u>1,154,764</u>

15. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	1,367,592	1,884,102
Corporation tax	-	204,790
Other taxation and social security	25,887	168,400
Other creditors	196,184	87,548
Accruals and deferred income	2,082,988	1,922,903
	<u>3,672,651</u>	<u>4,267,743</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

16. Financial instruments

	2019 £	2018 £
Financial assets		
Financial assets measured at fair value through profit or loss	<u>5,557,462</u>	<u>6,382,349</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(3,646,764)</u>	<u>(3,638,503)</u>

Financial assets measured at amortised cost are comprised of trade and other debtors.

Other financial liabilities measured at amortised cost are comprised of trade creditors, other creditors and accruals.

17. Deferred taxation

	2019 £	2018 £
At beginning of year	61,008	68,974
Charged/(credited) to profit or loss	27,929	(7,966)
At end of year	<u>88,937</u>	<u>61,008</u>

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	88,937	61,008
	<u>88,937</u>	<u>61,008</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

18. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
26,315 (2018 - 39,407) Ordinary A shares of £1.00 each	26,315	39,407
1 (2018 - 1) Ordinary B share of £1.00	1	1
11,636 (2018 - 10,674) Ordinary C shares of £1.00 each	11,636	10,674
6,065 (2018 - Nil) Ordinary A1 shares of £1.00 each	6,065	-
6,065 (2018 - Nil) Ordinary A2 shares of £1.00 each	6,065	-
	50,082	50,082

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

18. Share capital (continued)

On 20 September 2018, the Company repurchased 4,337 Ordinary A £1 shares. The consideration paid for the purchase of these shares amounted to £500,013. The shares were subsequently cancelled. The purchase of the shares represented 8.66% of the total called up share capital. The reason for the purchase was for the benefit of the Company's future strategic planning and development.

On the same day, 4,337 Ordinary C £1 shares were issued at par to maintain the Company's capital.

Following the creation of two new share types, the following share reclassifications occurred on 11 February 2019:

1. 6,065 Ordinary A shares of £1 each were reclassified to 6,065 Ordinary A1 shares of £1 each.
2. 6,065 Ordinary A shares of £1 each were reclassified to 6,065 Ordinary A2 shares of £1 each.

The Ordinary A1 shares carry two votes per share and have rights to income and capital on a winding up, capital distribution or sale on the same basis as the Ordinary A shares and Ordinary A2 shares subject to the rights of the redeemable cumulative preference shareholders. The Ordinary A1 shares carry one vote per share during a company sale situation.

The Ordinary A2 shares carry no votes per share, but otherwise have the same rights to income and capital on a winding up, capital distribution or sale on the same basis as the Ordinary A shares and Ordinary A1 shares subject to the rights of the redeemable cumulative preference shareholders. The Ordinary A2 shares carry one vote per share during a company sale situation.

On 26 July 2019, the Company repurchased 481 Ordinary A £1 shares. The consideration paid for the purchase of these shares amounted to £55,455. The shares were subsequently cancelled. The purchase of the shares represented 0.96% of the total called up share capital. The reason for the purchase was for the benefit of the Company's future strategic planning and development.

On the same day, 481 Ordinary C £1 shares were issued at par to maintain the Company's capital.

On 12 December 2019, the Company repurchased 481 Ordinary A £1 shares. The consideration paid for the purchase of these shares amounted to £55,455. The shares were subsequently cancelled. The purchase of the shares represented 0.96% of the total called up share capital. The reason for the purchase was for the benefit of the Company's future strategic planning and development.

On the same day, 481 Ordinary C £1 shares were issued at par to maintain the Company's capital.

All shares rank *pari passu* in all respects, except:

- 1) the non-voting Ordinary C shares which carry no voting rights and are only entitled to par value on a sale or return of capital.
- 2) the Ordinary B share holder is entitled to a higher allocation of proceeds in the event of a Company sale.
- 3) the Directors may at any time declare a dividend on one class of share and not on others.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

19. Reserves**Share premium account**

The share premium account includes all amounts paid above the nominal value for shares issued.

Capital redemption reserve

The capital redemption reserve includes all amounts relating to the par value of shares re-purchased by the Company.

Profit and loss account

The profit and loss account contains all current and prior year retained profits and losses.

20. Share based payments

During the year to 31 December 2019 FAI Automotive PLC had one share-based payment arrangement as summarised below:

	Weighted average exercise price (pence) 2019	Number 2019	Weighted average exercise price (pence) 2018	Number 2018
Outstanding at the beginning of the year	153.72	3,252	-	-
Granted during the year	-	-	153.72	3,252
Outstanding at the end of the year	153.72	3,252	153.72	3,252

The options outstanding at 31 December 2019 had an exercise price of £153.72 and a remaining contractual life of 8.25 years.

All 3,252 options vest over a 10 year period as follows:

- 100% at the point the company undergoes an Exit Event (a share sale, an asset sale, a listing, or a capital raising which the Board has determined shall be treated as an Exit Event).
- All of the options must be exercised between expiration of the related vesting period and 10 years from date of date of grant.
- Options lapse upon termination of the contract of employment.

No charge for share based payments has been recognised in the year (2018: £Nil) as the amount is considered to be immaterial.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

21. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £292,775 (2018 - £349,727). Contributions totaling £17,037 (2018 - £17,399) were payable to the fund at the balance sheet date and are included in creditors.

22. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	484,221	331,128
Later than 1 year and not later than 5 years	1,971,574	343,424
Later than 5 years	398,805	-
	<u>2,854,600</u>	<u>674,552</u>

23. Transactions with directors

During the year dividends totalling £191,513 (2018 - £157,925) were paid to the Directors.

As at 31 December 2019 the company owed the Directors £110,329 (2018 - £39,975). The loan is repayable on demand.

Interest is paid at the rate of 10% per annum on loans from the directors and shareholders. During the year £16,115 (2018: £nil) of interest was paid on shareholders loans.

24. Controlling party

The ultimate controlling party is S Walker.

REGISTRAR

Registered number: 00953723

FAI AUTOMOTIVE PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

TUESDAY



AA779S16

A22

22/06/2021

#319

COMPANIES HOUSE

FAI AUTOMOTIVE PLC

CONTENTS

	Page
Company Information	1
Strategic Report	2 - 4
Directors' Report	5 - 6
Independent Auditor's Report	7 - 10
Statement of Comprehensive Income	11
Balance Sheet	12 - 13
Statement of Changes in Equity	14
Statement of Cash Flows	15
Analysis of Net Debt	16
Notes to the Financial Statements	17 - 32

FAI AUTOMOTIVE PLC

COMPANY INFORMATION

Directors	S Walker J Alexander P Guinn T Payne K Walker
Company secretary	P Guinn
Registered number	00953723
Registered office	Chiltern Trading Estate Grovebury Road Leighton Buzzard Bedfordshire LU7 4TU
Independent auditor	MHA MacIntyre Hudson Chartered Accountants & Statutory Auditors Moorgate House 201 Silbury Boulevard Milton Keynes Buckinghamshire MK9 1LZ

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

Introduction

The Directors present the Strategic Report for the year ended 31 December 2020.

Principal activity

The principal activities of the Company are the distribution of motor car and light commercial vehicle engine components together with steering ancillaries to the independent vehicle aftermarket; this being principally to distributors and engine reconditioners both in the UK and into 70 overseas markets.

Fair review of the business

The Company's success is dependent (as our 2020 results have portrayed) upon the continued attention that we give to our customer service program.

The Company's prime objective is its continued growth at a sustainable progression through both the introduction of new to market products, extending our range of existing products and seeking new customers in new markets.

COVID-19

Our assessment of the effects of COVID-19 on the Company are detailed in accounting policy 2.2.

The COVID-19 pandemic and the ensuing economic shutdown has of course had a significant short term impact on both us as a company and our industry sector in 2020 insofar as many of our customers have been closed at various points in time. However, due to the fact we export to 70 countries we have remained open throughout the pandemic. As some of our overseas territories closed due to the pandemic others have reopened, and in the UK the motor factor industry was one that was not required to close by HM Government. Indeed, some of our motor components were part of the NHS supply chain to keep NHS vehicles on the road during the UK lockdown. The Directors have performed a robust analysis of forecast future cash flows taking into account the potential impact on the business of possible future scenarios arising from the impact of COVID-19. This analysis also considers the effectiveness of available measures to assist in mitigating the financial impact. Based on these assessments and having regard to the resources available to the entity, the Directors are confident that the Company is in a strong position to cope with the difficult times ahead as the pandemic progresses.

FAI AUTOMOTIVE PLC

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

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of business risks:

Competition

The Company continues to operate in a competitive and price sensitive market. Focusing on our four core values of Best Service, Best Quality, Best Value and Best Availability keeps FAI one step ahead of our competitors.

Supply chain

A mitigation of risk to our product supply is managed through selective supplier targeting, regular visiting to maintain customer/supplier continuity and advance forward scheduling. Maintaining these solid supplier relationships and using our bespoke stock forward scheduling system reduces to a minimum the peaks and troughs in supply that could otherwise be encountered. Regular visiting is currently on hold due to COVID-19 travel restrictions but will recommence when possible.

Employees

Our dedicated in house Human Resources department, together with excellent staff benefit package, enables us to maintain our low staff turnover levels. This allows our customers and suppliers to build lasting relationships with their key points of contact.

Development and performance

The Directors are satisfied with the position of the Company at the year end.

Key performance indicators

The Board of Directors monitor the Company's progress by reference to three indicators:

Stock days

Stock days are calculated as the stock holding at cost price divided by the annualised cost of goods sold in the period. It is key that we hold sufficient shelf stock so that customers can order with confidence. Our stock days for 2020 were 176 days (2019: 224 days).

Employee retention

This is measured as the percentage of employees remaining in employment with the Company at the end of each period compared to those in employment at the start of each period, after allowing for planned retirements. We have managed to achieve an employee retention rate of 84.4% for the period (2019: 94.0%).

Sales growth

Each sales area is individually targeted, and then separately monitored monthly, firstly upon their growth against the target set, and then by the sales achieved per customer over that recorded for the same period in the previous year.

In addition, the following financial KPIs are closely monitored by management:

		<u>2020</u>	<u>2019</u>
1.	Turnover	£33.11m	£32.95m
2.	Gross margin	31.9%	32.3%
3.	Profit before tax	£2.97m	£3.42m

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

Additional Information

The directors have had regard to the matters set out in section 172(1) (a) to (f) when performing their duty under section 172 of the Companies Act.

As a Board we are focusing on the impact of our long term decision making for the benefit of our employees and our external business relationships. We have set out our policy on "Company Values" that we have issued to all of our staff. We have considered our environmental impact and are actively working with our suppliers to minimise plastic packaging and move to reuseable or fully recyclable packaging. In 2018 we set up a "Junior Board" of key personnel within our business who have a brief to focus on the interests of our employees, the community in which we work and the environment within which we operate. As a result of this we have sponsored a local disabled football team in association with the local Rotary Club of Leighton Linlade. In Spring 2020 we undertook the triennial audit of our ISO compliance and are pleased to report that we qualified to continue with our ISO9001:2015 accreditation for a further three years. Our ISO compliance is crucial in maintaining our high standards of business conduct.

This report was approved by the board and signed on its behalf.



.....
P Guinn
Director

Date: 16 JUNE 2021

FAI AUTOMOTIVE PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies for the Company's financial statements 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 to 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.

Principal activities

The principal activities of the Company continued to be the distribution of motor car and light commercial vehicle engine components together with steering ancillaries to the independent vehicle aftermarket; this being principally to distributors and engine reconditioners both in the UK and into 70 overseas markets.

Results and dividends

The profit for the year, after taxation, amounted to £2,403,814 (2019 - £2,748,078).

Dividends of £500,000 (2019 - £500,000) were paid during the year, as detailed in note 11.

Directors

The Directors who served during the year were:

S Walker
E Cooper (resigned 31 August 2020)
J Alexander
P Guinn
T Payne (appointed 1 January 2020)
K Walker (appointed 2 July 2020)

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

Future developments

There are no significant changes anticipated by management in the Company's future trading position.

Acquisition of own shares

During the year the Company repurchased 480 Ordinary A £1 shares. The consideration paid for the purchase of these shares amounted to £55,339. The shares were subsequently cancelled. The purchase of the shares represented 0.96% of the total called up share capital. The reason for the purchase was for the benefit of the Company's future strategic planning and development.

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

There are no post balance sheet events to note except the ongoing implications of the COVID-19 pandemic which is detailed in note 2.2.

Auditor

The auditor, MHA MacIntyre Hudson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



.....
P Guinn
Director

Date: 16 JUNE 2021

Chiltern Trading Estate
Grovebury Road
Leighton Buzzard
Bedfordshire
LU7 4TU

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAI AUTOMOTIVE PLC

Opinion

We have audited the financial statements of FAI Automotive PLC (the 'Company') for the year ended 31 December 2020, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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

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

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

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

FAI AUTOMOTIVE PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAI AUTOMOTIVE PLC (CONTINUED)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. 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.

Opinion 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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAI AUTOMOTIVE PLC (CONTINUED)

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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias;
- Reviewing minutes of meetings of those charged with governance.

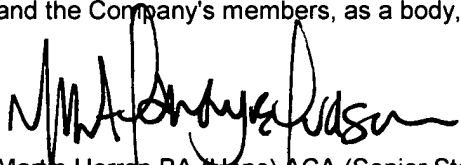
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

FAI AUTOMOTIVE PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAI AUTOMOTIVE PLC (CONTINUED)

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.



Martin Herron BA (Hons) ACA (Senior Statutory Auditor)

for and on behalf of

MHA Macintyre Hudson

Chartered Accountants

Statutory Auditors

Moorgate House

201 Silbury Boulevard

Milton Keynes

Buckinghamshire

MK9 1LZ

Date: **21 June 2021**

FAI AUTOMOTIVE PLC

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £	2019 £
Turnover	4	33,108,250	32,951,826
Cost of sales		(22,540,469)	(22,321,054)
Gross profit		10,567,781	10,630,772
Administrative expenses		(7,923,417)	(7,222,869)
Other operating income	5	327,341	33,386
Operating profit	6	2,971,705	3,441,289
Interest receivable and similar income		2,206	2,377
Interest payable and similar expenses		(4,831)	(16,168)
Profit before tax		2,969,080	3,427,498
Tax on profit	10	(565,266)	(679,420)
Profit for the financial year		2,403,814	2,748,078

There were no recognised gains and losses for 2020 or 2019 other than those included in the statement of comprehensive income.

The notes on pages 17 to 32 form part of these financial statements.

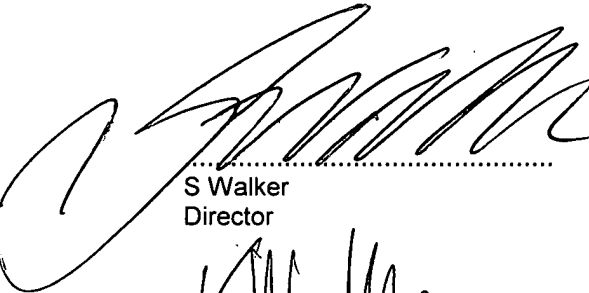
**BALANCE SHEET
AS AT 31 DECEMBER 2020**

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	12	1,025,429	1,083,894
		<u>1,025,429</u>	<u>1,083,894</u>
Current assets			
Stocks	13	7,377,322	9,218,328
Debtors: amounts falling due within one year	14	6,615,784	6,231,770
Cash at bank and in hand	15	5,385,468	1,661,550
		<u>19,378,574</u>	<u>17,111,648</u>
Creditors: amounts falling due within one year	16	(4,051,075)	(3,672,651)
Net current assets		<u>15,327,499</u>	<u>13,438,997</u>
Total assets less current liabilities		<u>16,352,928</u>	<u>14,522,891</u>
Provisions for liabilities			
Deferred tax	17	(70,019)	(88,937)
		<u>(70,019)</u>	<u>(88,937)</u>
Net assets		<u>16,282,909</u>	<u>14,433,954</u>
Capital and reserves			
Called up share capital	18	50,082	50,082
Share premium account	19	28,642	28,642
Capital redemption reserve	19	22,670	22,190
Profit and loss account	19	16,181,515	14,333,040
		<u>16,282,909</u>	<u>14,433,954</u>

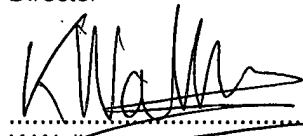
FAI AUTOMOTIVE PLC
REGISTERED NUMBER: 00953723

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2020

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



.....
S Walker
Director



.....
K Walker
Director



.....
P Guinn
Director

Date: 16 JUNE 2021

The notes on pages 17 to 32 form part of these financial statements.

FAI AUTOMOTIVE PLC

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

	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 January 2019	50,082	28,642	21,228	12,195,871	12,295,823
Comprehensive income for the year					
Profit for the year	-	-	-	2,748,078	2,748,078
Redemption of shares	-	-	962	-	962
Contributions by and distributions to owners					
Dividends: Equity capital	-	-	-	(500,000)	(500,000)
Purchase of own shares	-	-	-	(110,909)	(110,909)
Shares issued during the year	962	-	-	-	962
Shares redeemed during the year	(962)	-	-	-	(962)
Total transactions with owners	-	-	-	(610,909)	(610,909)
At 1 January 2020	50,082	28,642	22,190	14,333,040	14,433,954
Comprehensive income for the year					
Profit for the year	-	-	-	2,403,814	2,403,814
Redemption of shares	-	-	480	-	480
Total comprehensive income for the year	-	-	480	2,403,814	2,404,294
Contributions by and distributions to owners					
Dividends: Equity capital	-	-	-	(500,000)	(500,000)
Purchase of own shares	-	-	-	(55,339)	(55,339)
Shares issued during the year	480	-	-	-	480
Shares redeemed during the year	(480)	-	-	-	(480)
Total transactions with owners	-	-	-	(555,339)	(555,339)
At 31 December 2020	50,082	28,642	22,670	16,181,515	16,282,909

The notes on pages 17 to 32 form part of these financial statements.

FAI AUTOMOTIVE PLC

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	2020 £	2019 £
Cash flows from operating activities		
Profit for the financial year	2,403,814	2,748,078
Adjustments for:		
Depreciation of tangible assets	224,249	202,081
Loss on disposal of tangible assets	10,479	17,614
Interest paid	4,831	16,168
Interest received	(2,206)	(2,377)
Taxation charge	565,266	679,420
Decrease/(increase) in stocks	1,841,006	(1,265,464)
(Increase)/decrease in debtors	(123,315)	765,064
(Decrease) in creditors	(329,932)	(702,092)
Corporation tax (paid)	(136,527)	(918,985)
Net cash generated from operating activities	<u>4,457,665</u>	<u>1,539,507</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(215,974)	(425,983)
Sale of tangible fixed assets	39,711	17,000
Interest received	2,206	2,377
Net cash from investing activities	<u>(174,057)</u>	<u>(406,606)</u>
Cash flows from financing activities		
Issue of ordinary shares	480	962
Purchase of ordinary shares	(55,339)	(110,909)
Dividends paid	(500,000)	(500,000)
Interest paid	(4,831)	(16,168)
Net cash used in financing activities	<u>(559,690)</u>	<u>(626,115)</u>
Net increase in cash and cash equivalents	<u>3,723,918</u>	<u>506,786</u>
Cash and cash equivalents at beginning of year	1,661,550	1,154,764
Cash and cash equivalents at the end of year	<u><u>5,385,468</u></u>	<u><u>1,661,550</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u><u>5,385,468</u></u>	<u><u>1,661,550</u></u>

FAI AUTOMOTIVE PLC

**ANALYSIS OF NET DEBT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

**ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	At 1 January 2020 £	Cash flows £	At 31 December 2020 £
Cash at bank and in hand	1,661,550	3,723,918	5,385,468
	<u>1,661,550</u>	<u>3,723,918</u>	<u>5,385,468</u>

The notes on pages 17 to 32 form part of these financial statements.

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

1. General information

FAI Automotive PLC is a private Company, limited by shares, registered in England and Wales. The principal activities of the Company are the distribution of motor car and light commercial vehicle engine components together with steering ancillaries to the independent vehicle aftermarket; this being principally to distributors and engine reconditioners both in the UK and into 70 overseas markets.

The Company's registered number is 00953723 and their registered office (and principal place of business) is The Chiltern Trading Estate, Grovebury Road, Leighton Buzzard, Bedfordshire, LU7 4TU.

The financial statements are presented in sterling, rounded to the nearest whole number.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The financial statements have been prepared on a going concern basis. The Directors have considered relevant information, including the annual budget, forecast future cash flows and the impact of subsequent events in making their assessment. The COVID-19 pandemic and the ensuing economic shutdown has of course had a significant short term impact on the company's operations in 2020 insofar as many of our customers have been closed at various points in time. However, due to the fact we export to 70 countries we have remained open throughout the pandemic. As some of our overseas territories close due to the pandemic others reopen, and in the UK the motor factor industry was one that was not required to close by HM Government.

In response to the COVID-19 pandemic, the Directors have performed a robust analysis of forecast future cash flows taking into account the potential impact on the business of possible future scenarios arising from the impact of COVID-19. This analysis also considers the effectiveness of available measures to assist in mitigating the financial impact.

Based on these assessments and having regard to the resources available to the entity, the Directors have concluded that there is no material uncertainty and that they can continue to adopt the going concern basis in preparing the annual report and accounts.

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

2. Accounting policies (continued)

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

2. Accounting policies (continued)

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.6 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

2.7 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.8 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.9 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

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

2. Accounting policies (continued)

2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.11 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance basis.

Depreciation is provided on the following basis:

Short-term leasehold property	- over the lease term
Plant and equipment	- 20% - 33.33% per annum
Motor vehicles	- 25% per annum
Fixtures and fittings	- 15% - 33.33% per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

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

2. Accounting policies (continued)

2.12 Inventories

Inventories are stated at the lower of average cost and estimated selling price less costs to complete and sell. Average cost comprises direct material and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition, such as direct freight and duty costs.

Inventories are classified as such when the goods have arrived at the warehouses in the UK, and have cleared a quarantine inspection. The constructive obligation to pay arises once this has been cleared.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.13 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.14 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.15 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

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

2. Accounting policies (continued)

2.17 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an 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.

2.18 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgments, 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 revisions and future periods where the revision affects both current and future periods.

Critical judgments

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

Leases

Determine whether leases entered into by the Company either as a lessor or a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Property, plant and equipment

Determine whether there are indicators of impairment of the Company's property, plant & equipment. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

Inventory provisions

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

Key sources of estimation uncertainty

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

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

3. Judgments in applying accounting policies (continued)***Property, plant and equipment***

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programs are taken into account. Residual value assessments consider issues such as future market conditions, in the remaining life of the asset and projected disposal values.

Inventory provisioning

The Company sells automotive parts to various wholesalers worldwide and is subject to changing consumer demands for parts. As a result it is necessary to consider the recoverability of the costs of inventory and the associated provisioning required. When considering the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of inventory held and recent sales performance of inventory lines.

Impairment of receivables

The Company makes an estimate of the recoverable value of trade and other receivables. When assessing impairment of trade and other receivables, management considers factors including the current credit rating of the receivable, the ageing of the profile of receivables and historical experience.

4. Turnover

An analysis of turnover by class of business is as follows:

	2020 £	2019 £
Distribution of motor car components	33,108,250	32,951,826

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	15,587,456	14,947,908
Europe	14,886,682	14,161,442
Rest of the world	2,634,112	3,842,476
	33,108,250	32,951,826

FAI AUTOMOTIVE PLC

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

5. Other operating income

	2020 £	2019 £
Other operating income	3,095	33,386
Government grants receivable	324,246	-
	<u>327,341</u>	<u>33,386</u>

6. Operating profit

The operating profit is stated after charging:

	2020 £	2019 £
Exchange differences	215,433	218,585
Operating lease rentals - property	518,811	410,175
Operating lease rentals - equipment	37,694	62,352
Operating lease rentals - motor vehicles	12,445	23,283
Loss on sale of tangible assets	10,479	17,614
	<u> </u>	<u> </u>

7. Auditor's remuneration

	2020 £	2019 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<u>30,000</u>	<u>30,000</u>

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

8. Employees

Staff costs, including Directors' remuneration, were as follows:

	2020 £	2019 £
Wages and salaries	4,541,710	3,927,987
Social security costs	489,493	440,110
Cost of defined contribution scheme	304,280	292,775
	<u>5,335,483</u>	<u>4,660,872</u>

The average monthly number of employees, including the Directors, during the year was as follows:

	2020 No.	2019 No.
Distribution staff	55	56
Administrative staff	25	28
Management staff	7	7
Sales staff	14	16
	<u>101</u>	<u>107</u>

9. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	1,525,403	785,356
Company contributions to defined contribution pension schemes	124,765	78,778
	<u>1,650,168</u>	<u>864,134</u>

During the year retirement benefits were accruing to 5 Directors (2019 - 4) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £577,483 (2019 - £398,565).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £NIL (2019 - £NIL).

Key management personnel is deemed to be the Directors.

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

10. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	584,953	647,296
Adjustments in respect of previous periods	(769)	4,195
Total current tax	584,184	651,491
Deferred tax		
Origination and reversal of timing differences	(18,918)	27,929
Taxation on profit on ordinary activities	565,266	679,420

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	2,969,080	3,427,498
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	564,125	651,225
Effects of:		
Tax effect of expenses that are not deductible in determining taxable profit	1,267	10,497
Capital allowances for year in excess of depreciation	12,704	(19,606)
Adjustments to tax charge in respect of prior periods	(769)	4,195
Short term timing difference leading to an increase (decrease) in taxation	(18,918)	27,929
Depreciation on assets not qualifying for tax allowances	6,857	5,180
Total tax charge for the year	565,266	679,420

FAI AUTOMOTIVE PLC

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

11. Dividends

	2020 £	2019 £
Ordinary A	342,233	340,239
Ordinary B	13	13
Ordinary A1	78,877	79,874
Ordinary A2	78,877	79,874
	<u>500,000</u>	<u>500,000</u>

12. Tangible fixed assets

	Short-term leasehold property £	Plant and equipment £	Motor vehicles £	Fixtures and fittings £	Total £
Cost					
At 1 January 2020	772,247	1,898,010	286,714	519,678	3,476,649
Additions	2,600	84,753	124,869	3,752	215,974
Disposals	-	(6,956)	(121,589)	-	(128,545)
At 31 December 2020	<u>774,847</u>	<u>1,975,807</u>	<u>289,994</u>	<u>523,430</u>	<u>3,564,078</u>
Depreciation					
At 1 January 2020	376,654	1,415,165	138,270	462,666	2,392,755
Charge for the year on owned assets	36,088	121,077	58,223	8,861	224,249
Disposals	-	(4,181)	(74,174)	-	(78,355)
At 31 December 2020	<u>412,742</u>	<u>1,532,061</u>	<u>122,319</u>	<u>471,527</u>	<u>2,538,649</u>
Net book value					
At 31 December 2020	<u>362,105</u>	<u>443,746</u>	<u>167,675</u>	<u>51,903</u>	<u>1,025,429</u>
At 31 December 2019	<u>395,593</u>	<u>482,845</u>	<u>148,444</u>	<u>57,012</u>	<u>1,083,894</u>

FAI AUTOMOTIVE PLC

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

13. Inventories

	2020 £	2019 £
Finished goods and goods for resale	<u>7,377,322</u>	<u>9,218,328</u>

14. Debtors

	2020 £	2019 £
Trade debtors	5,868,396	5,537,112
Other debtors	357,333	277,667
Prepayments and accrued income	390,055	416,991
	<u>6,615,784</u>	<u>6,231,770</u>

15. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	<u>5,385,468</u>	<u>1,661,550</u>

16. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	840,179	1,367,592
Corporation tax	384,953	-
Other taxation and social security	132,298	25,887
Other creditors	20,860	196,184
Accruals and deferred income	2,672,785	2,082,988
	<u>4,051,075</u>	<u>3,672,651</u>

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

17. Deferred taxation

	2020 £	2019 £
At beginning of year	88,937	61,008
(Credited)/charged to profit or loss	(18,918)	27,929
At end of year	70,019	88,937

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	70,019	88,937
	70,019	88,937

18. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
15,104 (2019 - 26,315) Ordinary A shares of £1.00 each	15,104	26,315
10,732 (2019 - 1) Ordinary B shares of £1.00 each	10,732	1
12,116 (2019 - 11,636) Ordinary C shares of £1.00 each	12,116	11,636
6,065 (2019 - 6,065) Ordinary A1 shares of £1.00 each	6,065	6,065
6,065 (2019 - 6,065) Ordinary A2 shares of £1.00 each	6,065	6,065
	50,082	50,082

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

18. Share capital (continued)

The following share reclassifications occurred on 11 February 2019:

1. 6,065 Ordinary A shares of £1 each were reclassified to 6,065 Ordinary A1 shares of £1 each.
2. 6,065 Ordinary A shares of £1 each were reclassified to 6,065 Ordinary A2 shares of £1 each.

The Ordinary A1 shares carry two votes per share and have rights to income and capital on a winding up, capital distribution or sale on the same basis as the Ordinary A shares and Ordinary A2 shares subject to the rights of the redeemable cumulative preference shareholders. The Ordinary A1 shares carry one vote per share during a company sale situation.

The Ordinary A2 shares carry no votes per share, but otherwise have the same rights to income and capital on a winding up, capital distribution or sale on the same basis as the Ordinary A shares and Ordinary A1 shares subject to the rights of the redeemable cumulative preference shareholders. The Ordinary A2 shares carry one vote per share during a company sale situation.

On 26 July 2019, the Company repurchased 481 Ordinary A £1 shares. The consideration paid for the purchase of these shares amounted to £55,455. The shares were subsequently cancelled. The purchase of the shares represented 0.96% of the total called up share capital. The reason for the purchase was for the benefit of the Company's future strategic planning and development.

On the same day, 481 Ordinary C £1 shares were issued at par to maintain the Company's capital.

On 12 December 2019, the Company repurchased 481 Ordinary A £1 shares. The consideration paid for the purchase of these shares amounted to £55,455. The shares were subsequently cancelled. The purchase of the shares represented 0.96% of the total called up share capital. The reason for the purchase was for the benefit of the Company's future strategic planning and development.

On the same day, 481 Ordinary C £1 shares were issued at par to maintain the Company's capital.

On 3 February 2020, the Company repurchased 480 Ordinary A £1 shares. The consideration paid for the purchase of these shares amounted to £55,339. The shares were subsequently cancelled. The purchase of the shares represented 0.96% of the total called up share capital. The reason for the purchase was for the benefit of the Company's future strategic planning and development.

On the same day, 480 Ordinary C £1 shares were issued at par to maintain the Company's capital.

On 20 December 2020, 10,731 Ordinary A shares were redesignated to Ordinary B shares.

All shares rank *pari passu* in all respects, except:

- 1) the non-voting Ordinary C shares which carry no voting rights and are only entitled to par value on a sale or return of capital.
- 2) The entitlements to the allocation of proceeds in the event of a company sale differ for the A1, A2, and B Ordinary shares
- 3) the Directors may at any time declare a dividend on one class of share and not on others.

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

19. Reserves**Share premium account**

The share premium account includes all amounts paid above the nominal value for shares issued.

Capital redemption reserve

The capital redemption reserve includes all amounts relating to the par value of shares re-purchased by the Company.

Profit and loss account

The profit and loss account contains all current and prior year retained profits and losses.

20. Share based payments

During the year to 31 December 2020 FAI Automotive PLC had one share-based payment arrangement as summarised below:

	Weighted average exercise price (pence) 2020	Number 2020	Weighted average exercise price (pence) 2019	Number 2019
Outstanding at the beginning of the year	153.72	3,252	153.72	3,252
Granted during the year	-	-	-	-
Outstanding at the end of the year	153.72	3,252	153.72	3,252

The options outstanding at 31 December 2020 had an exercise price of £153.72 and a remaining contractual life of 7.25 years.

All 3,252 options vest over a 10 year period as follows:

- 100% at the point the company undergoes an Exit Event (a share sale, an asset sale, a listing, or a capital raising which the Board has determined shall be treated as an Exit Event).
- All of the options must be exercised between expiration of the related vesting period and 10 years from date of grant.
- Options lapse upon termination of the contract of employment.

No charge for share based payments has been recognised in the year (2019: £Nil) as the amount is considered to be immaterial.

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

21. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £304,280 (2019 - £292,775). Contributions totaling £Nil (2019 - £17,037) were payable to the fund at the balance sheet date and are included in creditors.

22. Commitments under operating leases

At 31 December 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Not later than 1 year	507,488	484,221
Later than 1 year and not later than 5 years	1,861,916	1,971,574
Later than 5 years	-	398,805
	<u>2,369,404</u>	<u>2,854,600</u>

23. Transactions with directors

During the year dividends totalling £337,122 (2019 - £191,513) were paid to the Directors.

As at 31 December 2020 the company owed the Directors £7,426 (2019 - £167,430). The loan is repayable on demand.

Interest is paid at the rate of 10% per annum on loans from the directors and shareholders. During the year £4,831 (2019: £16,115) of interest was paid on shareholders loans.

24. Controlling party

The ultimate controlling party is S Walker.



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Hayley Sinclair

2418018

Degree Apprenticeship in Logistics and Supply Chain Management

1st November 2025

Sustainability (ACMA4017)

Exercise 1:

The payback formula for payback period = $30K / 10K = 3 \text{ Years}$

Exercise 2:

Profit before tax: £300,000 tax 50% = £150,000

PAT = £300,000 - £150,000 = £150,000

Add back Depreciation: Cash inflow = £150,000 + £250,000 = £400,000

Payback Period formula = Initial investment / annual cash inflow

= $20,00,000 / 4,00,000 = 5 \text{ years}$

Exercise 3:

Year	Cash Inflow £	Cumulative Cash Flow £
1	5,000	5,000
2	8,000	13,000
3	10,000	23,000
4	12,000	35,000
5	7,000	42,000
6	3,000	45,000

We require £25,000 & during year 4 Cumulative becomes £35,000 so investment is recovered this year. Payback happens sometime during Year 4.

Amount still needed after year 3 = £25,000 - £23,000 = £2,000

Year 4 inflow = £12,000

Fraction of the year: $£2,000 / £12,000 = 0.1667$ converted into months $0.17 \times 12 = 2.04$ months

Payback Period = 3.17 years which is to say 3 years and 2 months.

Exercise 4:**Part A:**

$£100,000 / £25,000 = 4 \text{ years}$

Project life: 6 years

Payback = **4 years**

Remaining years = $6 - 4 = 2 \text{ years}$

Post-Payback Profitability = £25,000 + £25,000 = **£50,000**

Post-Payback Profitabilty Index $50K / 100K = 0.50$

Part B:

First 5 years = £20,000 each

Next 5 years = £8,000 each

Estimated life: 10 years

Salvage value: £16,000

Investment recovered at end of year 5

Payback Period = **5 years**

Remaining years = 6 – 10 = 5 x £8,000 = £40,000

Add Salvage = £16,000

Post-Payback Profitability = £40,000 + £16,000 = **£56,000**

Post-Payback Profitability Index 56K / 100K = **0.56**

Exercise 5:

	PROPOSAL 1	PROPOSAL 2
COST OF MACHINE	£220,000	£60,000
ESTIMATED LIFE	5.5 YEARS	8 YEARS
SALES PER YEAR	£150,000	£150,000
MATERIAL COST	£50,000	£50,000
LABOUR COST	£12,000	£60,000
VARIABLE OVERHEADS	£24,000	£20,000

ARR = Average Annual Profit / Initial investment x 100

Proposal 1: = £150,000 - £86,000 = £64,000

Depreciation: £220,000 / 5.5 = £40,000

Profit after Depreciation = £64,000 - £40,000 = £24,000

AAR = £24,000 / £220,000 x 100 = **10.91%**

Proposal 2: = £150,000 - £130,000 = £20,000

Depreciation: £60,000 / 8 = £7,500

Profit after Depreciation = £20,000 - £7,500 = £12,500

AAR = £12,500 / £60,000 x 100 = **20.83%**

Proposal 1 is a lower return. Proposal 2 is more profitable

Exercise 6:**PROJECT X**

YEAR	CASH FLOW	PV FACTOR	PRESENT VALUE
1	5,000	0.909	4,545
2	10,000	0.826	8,260
3	10,000	0.751	7,510
4	3,000	0.683	2,049
5	2,000	0.621	1,242
5 (SCRAP)	1,000	0.621	621

$$4,545 + 8,260 + 7,510 + 2,049 + 1,242 + 621 = 24,227$$

$$\text{NPV} = 24,227 - 20,000 = \text{£}4,227$$

PROJECT Y

YEAR	CASH FLOW	PV FACTOR	PRESENT VALUE
1	20,000	0.909	18,180
2	10,000	0.826	8,260
3	5,000	0.751	3,755
4	3,000	0.683	2,049
5	2,000	0.621	1,242
5 (SCRAP)	2,000	0.621	1,242

$$18,180 + 8,260 + 3,755 + 2,049 + 1,242 + 1,242 = 34,728$$

$$\text{NPV} = 34,728 - 30,000 = \text{£}4,728$$

Project Y should be accepted.

Exercise 7:

YEAR	FORMULA	RESULT
1	35,000 X 0.909	31,815
2	45,000 X 0.826	37,170
3	65,000 X 0.751	48,815
4	85,000 X 0.683	58,055
5 (REGULAR INFLOW)	50,000 X 0.621	31,050
5 (SALVAGE VALUE)	50,000 X 0.621	31,050

$$\text{TOTAL PV} = 237,955$$

$$\text{NPV} = 237,955 - 175,000 = \text{£}62,955$$

Exercise 8:

Depreciation = cost – scrap value / life

$$= 100,000 - 10,000 / 5 = \mathbf{18,000 \text{ per year}}$$

YEAR	PAT £	DEPRECIATION £	CASH INFLOW £
1	6,000	18,000	24,000
2	14,000	18,000	32,000
3	24,000	18,000	42,000
4	16,000	18,000	34,000
5	0	18,000	18,000

Exercise 9:

YEAR	PROJECT A CASH INFLOW	NPV AT 10%	PRESENT VALUES 10 %	NPV AT 20%	PRESENT VALUES 20 %
1	12,000	0.909	10,908	0.833	9,996
2	4,000	0.826	3,304	0.694	2,776
3	2,000	0.751	1,502	0.579	1,158
4	10,000	0.683	6,830	0.482	4,820

$$\text{NPV } 10\% = 22,544 - 22,000 = \mathbf{+ 544}$$

$$\text{NPV } 20\% = 18,750 - 22,000 = \mathbf{-3,250}$$

IRR PROJECT A = 11.43%

YEAR	PROJECT B CASH INFLOW	NPV AT 10%	PRESENT VALUES 10 %	NPV AT 20%	PRESENT VALUES 20 %
1	2,000	0.909	1,818	0.833	1,666
2	2,000	0.826	1,652	0.694	1,388
3	4,000	0.751	3,004	0.579	2,316
4	20,000	0.683	13,660	0.482	9,640

$$\text{NPV } 10\% = 20,134 - 20,000 = \mathbf{+ 134}$$

$$\text{NPV } 20\% = 15,010 - 20,000 = \mathbf{-4,990}$$

IRR PROJECT B = 10.26%

Project A is preferable

Exercise 10:

$$PV AF = 16,000 / 4,000 = 4$$

RATE	PVAF (5 years)
8%	3.992
10%	3.791
12%	3.605
14%	3.433

8% rate, PVAF = 3.992 which is closest to 4 so IRR = 8%

Exercise 11:

YEAR	PV Factor
1	0.909
2	0.826
3	0.751
4	0.683
5	0.621

Cash inflow 3,500 x each year = 3,181.5 + 2,891 + 2,628.5 + 2,390.5 + 2,173.5 = 13,265

$$PI = 13,265 / 10,000 = \mathbf{1.3265}$$

Excess present value index = 1.33

Exercise 12:**PART A:**

$$P1 (1.46 - 1) \times 600,000 = \text{£}276,000$$

$$P2: (0.098 - 1) \times 200,000 = - \text{£}4000 \text{ (negative reject)}$$

$$P3: (2.31 - 1) \times 1,000,000 = \text{£}1,310,000$$

$$P4: (1.32 - 1) \times 400,000 = \text{£}128,000$$

$$P5: (1.25 - 1) \times 300,000 = \text{£}75,000$$

PI RANKING = P3, P1, P4, P5, P2

OPTIMAL PORTFOLIO UNDER THE £2M CAP = **P3 + P1 + P4**

PART B:

$$\begin{aligned} \text{PROJECT X} &= 5,000 \times 0.909 + 10,000 \times 0.826 + 10,000 \times 0.751 + 3,000 \times 0.683 + 2,000 \times 0.621 + \\ & (1,000 \times 0.621 \text{ SCRAP}) = 4,545 + 8,260 + 7,510 + 2,049 + 1,242 + 621 = \mathbf{\text{£}24,227 - 20,000 =} \\ & \mathbf{\text{£}4,227} \end{aligned}$$

PROJECT Y = $20,000 \times 0.909 + 10,000 \times 0.826 + 5,000 \times 0.751 + 3,000 \times 0.683 + 2,000 \times 0.621 + (2,000 \times 0.621 \text{ SCRAP}) = 18,180 + 8,260 + 3,755 + 2,049 + 1,242 + 1,242 = \text{£}34,728 - \text{£}30,000 = \text{£}4,728$

Both projects are acceptable but Project Y has higher NPV £4,728 vs £4,227

PART C:

YEAR	PV Factor @ 10%	INFLOW	RESULT
1	0.909	35,000	31,815
2	0.826	45,000	37,170
3	0.751	65,000	48,815
4	0.683	85,000	58,055
5	0.621	50,000	31,050
5 SALVAGE	0.621	50,000	31,050

$31,815 + 37,170 + 48,815 + 58,055 + 31,050 + 31,050 = 237,955$

NPV = $237,955 - 175,000 = \text{£}62,955$ which is positive and the project should be accepted

Depreciation = $100,000 - 10,000 / 5 = \text{£}18,000$

Yearly cash inflow = $\text{£}24,000, \text{£}32,000, \text{£}42,000, \text{£}34,000, \text{£}18,000$

PV – $3500 \times 3.79 = 13,265$

PI = $13,265 / 10,000 = 1.3265$ project should be accepted

PART D:

Project X = $2\% = 12\%$

PROJECT X	CASH INFLOW	PV FACTOR @ 12%	PRESENT VALUE
1	60,000	0.893	53,580
2	45,000	0.797	35,865
3	35,000	0.712	24,920
4	30,000	0.636	19,080

NPV = $133,445 - 150,000 = -16,555$

Project Y = 8% = 18%

PROJECT Y	CASH INFLOW	PV FACTOR @ 12%	PRESENT VALUE
1	65,000	0.847	55,055
2	55,000	0.718	39,490
3	40,000	0.609	24,360
4	40,000	0.516	20,640

NPV = 139,545 – 150,000 = **- 10,455**

Project Y is preferred as smaller loss and higher PV of inflows.

PART E:

Project A = NPV = 56,316 – 50,000 = **£6,316**

Project B = NPV = 54,094 – 50,000 = **£4,094**

Project A is preferred

PART F:

PV AF = $1 - (0.497) / 0.15 = 0.503 / 0.15 = \mathbf{3.353}$

Project X:

OPTIMISTIC – NPV = 60,000 X 3.353 – 100,000 = 201,180 – 100,00 = **£101,180**

MOST LIKELY – NPV = 35,000 X 3.353 – 100,000 = 117,355 – 100,00 = **£17,355**

PESSIMISTIC – NPV = 20,000 X 3.353 – 100,000 = 67,060 – 100,00 = **- £32,940**

Project Y:

OPTIMISTIC – NPV = 55,000 X 3.353 – 100,000 = 184,415 – 100,00 = **£84,415**

MOST LIKELY – NPV = 30,000 X 3.353 – 100,000 = 100,590 – 100,00 = **£590**

PESSIMISTIC – NPV = 20,000 X 3.353 – 100,000 = 67,060 – 100,00 = **- £32,940**

Project X range sensitivity = 101,180 – (-32,940) = **134,120**

Project Y range sensitivity = 84,415 – (-32,940) = **117,355**

Project X is more sensitive and higher risk, project Y is recommended as less risky.

PART G:

Project A Expected inflow = 2,000 + 10,800 + 1,600 = **14,400**

Project B expected inflow = 2,400 + 9,600 + 2,800 = **14,800**

Project B provides the higher expected cash inflow & profit.

PART H:

Project X = $6,400 + 1,650 + 2,220 + 1,780 = \text{£}12,050$

Project Y = $3,200 + 2,200 + 2,960 + 890 = \text{£}9,250$

Project X Standard Deviation = **10,047**

Project Y Standard Deviation = **7,663**

Project Y has a lower standard deviation and should be selected as more stable and less risk.

PART I:

Project X CV = $10,047 / 12,050 = 0.833$

Project Y CV = $7,663 / 9,250 = 0.828$

Project Y has a lower CV and should therefore be selected.

PART J:

EVENT	CASH INFLOW	PROBABILITY	WEIGHTED VALUE
1	16,000	0.3	4,800
2	24,000	0.5	12,000
3	20,000	0.2	4,000

Expected cash inflow for (Year 1) = $4,800 + 12,000 + 4,000 = \text{£}20,800$

YEAR 2 INFLOW	PROBABILITY	WEIGHTED VALUE
30,000	0.2	6,000
40,000	0.6	24,000
50,000	0.2	10,000

Expected cash inflow for (Year 2) conditional

CASE 1 - Year 1 inflow = £16,000 (prob = 0.3) = $6,000 + 24,000 + 10,000 = \text{£}40,000$

Weighted by year 1 probability = $0.3 \times 40,000 = 12,000$

CASE 2 – Year 1 inflow = £24,000 (prob = 0.5)

YEAR 2 INFLOW	PROBABILITY	WEIGHTED VALUE
40,000	0.1	4,000
60,000	0.8	48,000
80,000	0.1	8,000

E (Y2, 24,000) = $4,000 + 48,000 + 8,000 = \text{£}60,000$

Weighted = $0.5 \times 60,000 = 30,000$

CASE 3 – Year 1 inflow = £20,000 (prob = 0.2)

YEAR 2 INFLOW	PROBABILITY	WEIGHTED VALUE
5,000	0.2	1,000
8,000	0.5	4,000
12,000	0.3	3,600

E (Y2, 20,000) = $1,000 + 4,000 + 3,600 = \text{£}8,600$

Weighted = $0.2 \times 8,600 = 1,720$

Expected (year 2) = $12,000 + 30,000 + 1,720 = \text{£}43,720$

PV factors at 10% = Y1 = 0.909 & Y2 = 0.826

Present value of Y1 inflow = $20,800 \times 0.909 = 18,907$

Present value of Y2 inflow = $43,720 \times 0.826 = 36,096$

PV total = $18,907 + 36,096 = \text{£}55,003$

NPV = $55,003 - 40,000 = \text{£}15,003$

NPV is positive therefore the project should be accepted.

Working capital management section 7:

Scenario 1

Total cost per Unit = $10 \times 80\% = \text{£}8$

Activity Level = 250,000 units

Annual material consumption = $250,000 \times 3.50 = \text{£}875,000$

RM stock = $875,000 \times 1/12 = \text{£}72,917$

FG Stock = $250,000 \times 1/12 \times 8 = \text{£}166,667$

Debtors = $250,000 \times 10 = \text{£}2,500,000$

3 months = $2,500,000 \times 3/12 = \text{£}625,000$

Total current assets = **£864,584**

Material purchases = £875,000 & 2 months = $2/12$ year

Creditors = $875,000 \times 8/12 = \text{£}145,833$

Net WC = current assests – current liabilities

= $864,584 - 145,833 = \text{£}718,751$

Forecast profit & loss:

Sales: $250,000 \times 10 = \text{£}2,500,000$

Cost of goods sold: $250,000 \times 8 = \text{£}2,000,000$

Profit = $2,500,000 - 2,000,000 = \text{£}500,000$

Share Capital = $\text{£}1,200,000$

10% = $\text{£}300,000$

Fixed assets = $\text{£}1,100,000$

Profit for the year = $\text{£}500,000$

Working cap required = $\text{£}718,751$

Scenario 2

Cost of goods sold = $2,000,000 \times \frac{3}{4} = \text{£}1,500,000$

GP = $2,000,000 - 1,500,000 = \text{£}500,000$

Operating expenses = $\text{£}36,000 + \text{£}200,000 = \text{£}236,000$

Estimated Net Profit for year = $500,000 - 236,000 = \text{£}264,000$

Annual purchase cost = COGS = $\text{£}1,500,000 \times \frac{8}{12} = \text{£}250,000$

Debtors = 0

Creditors = $1,500,000 \times \frac{1}{12} = \text{£}125,000$

WC = $250,000 - 125,000 = \text{£}125,000$

Scenario 3

Opening cash = $\text{£}37,500$

April inflow 20% = $90,000 \times 0.20 = 18,000$

Collection of March 80% = $84,000 \times 0.80 = 67,200$

Total April inflow = $\text{£}85,200$

May inflow 20% = $120,000 \times 0.20 = 24,000$

Collection of April 80% = $90,000 \times 0.80 = 72,000$

Total May inflow = $\text{£}96,000$

June inflow 20% = $135,000 \times 0.20 = 27,000$

Collection of May 80% = $120,000 \times 0.80 = 96,000$

Total June inflow = $\text{£}123,000$

April outflows = $9,750 + 8,250 + 6,000 + 4,500 = 28,500$

Total April outflow = $45,000 + 28,500 + 15,000 + 22,500 = \text{£}111,000$

Total May outflow = $48,000 + 30,750 + 120,000 = \text{£}198,750$

Total June outflow = 52,000 + 37,320 + 57,500 = £146,820

APRIL Closing cash = £11,700 (SURPLUS)

MAY Closing cash = - £91,050 (DEFICIT)

JUNE Closing cash = - £114,870 (DEFICIT)

The company will face significant deficits in May and June and may need short-term financing to maintain operations during these months.

AI Acknowledgement

Hayley Sinclair (February 2026)

Student ID: 2418018

I confirm that I have not presented any AI-generated materials as my own work in this portfolio. However, I acknowledge that I have used or may have used AI in the research and proofreading of my portfolio.

The details are provided below:

I acknowledge the use of ChatGPT (<https://chatgpt.com/>) for research using the prompt(s):

1. Please help me understand the calculation or the ratio for working capital management.
2. Please help me understand the calculation or ratios for NPV.

I confirm that I have not presented any AI generated text as my own work. I confirm that I have copies of my drafts, notes, and other resources I used before, and after the use of AI tools which I may be asked to provide in evidence.