COMPANY REGISTRATION NUMBER: 08010067

LIKEWISE GROUP PLC

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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COMPANY INFORMATION

The board of directors	R Povey P P S Bassi A J Brewer A J W Simpson
Company secretary	R Povey
Registered number	08010067
Registered office	Unit 6 Topaz Business Park Birmingham Road Bromsgrove B61 0GD
Auditors	Crowe U.K.LLP Chartered Accountants & statutory auditor 55 Ludgate Hill London EC4M 7JW

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

Introduction

The directors present their Strategic Report and the audited financial statements of the Group and Company for the year ended 31 December 2020.

Business overview

Likewise Group Plc is a distributor of floorcoverings and mattings and has the opportunity to become one of the UK's largest distributors in this sector.

Likewise Group Plc intends to utilise the expertise and industry knowledge of the Board and Executive Board to develop an alternative to larger industry competitors. Management believe this can be achieved through a mixture of organic growth, operational leverage and where appropriate, acquisitions.

The Group has grown rapidly in the past two years and, following the restructuring of the Heatseam business, now operates from two national distribution hubs in Sudbury and Morley, a regional distribution center in Manchester and three smaller logistics centers in Glasgow, Newcastle and Peckham, as well as the operations of H&V BVBA in Belgium.

COVID-19

The shutdown of large swathes of the UK economy and particularly the retail sector, understandably had a significant impact on the Group's operations throughout 2020.

The Board has navigated carefully through the pandemic focusing on maintaining employment and cash resources. With the support and commitment of key management personnel and employees, the business was able to operate with a skeleton team to continue to trade in line with government guidelines in order to fulfil orders for contractors providing essential services.

Whilst the trading activity across the Group was impacted, the management team were able to use this period to make significant improvements to IT, logistics and operations that would have been more difficult under normal trading conditions. Throughout the year the Matting business was successfully integrated into one operation based in our Freehold distribution center in Sudbury, H&V BVBA and Heatseam Limited were migrated on to our Group IT platform and the operations of Heatseam Limited were restructured from two sites into one larger distribution facility based in Morley, Leeds. The use of a single IT system and improved logistics planning, now provides a streamlined network between all locations.

The focus on IT migrations now provides a logistics network that is underpinned by the development of a single IT solution which is now implemented in all operations, except A. & A. Carpets Limited which will operate independently in the immediate future.

The Group benefitted from furlough grants under the Coronavirus Job Retention Scheme (CJRS) to preserve employment for staff, whilst allowing us to manage cash flow particularly in the earlier phases of the pandemic. £0.85m was received under the CJRS scheme that is disclosed within the enclosed financial statements.

In addition, the Group also benefitted from deferrals of VAT and PAYE payments in H1 2020 that again allowed the Board to preserve cash flow throughout the period. Repayment plans are now in place to settle the outstanding VAT obligations in accordance with guidelines provided by HMRC.

Whilst the Board will continue to appraise potential acquisitions in line with our business strategy going forward, 2020 has also confirmed what can be achieved through investment in organic growth.

In February 2020, the Group acquired the business of A. & A. Carpets Limited, a well established supplier of residential flooring to the retail market in the North West of England. The acquisition of A & A significantly increases the Group's presence and logistics capability in the North West.

Trading Performance

Despite tough trading conditions presented by the onset of the COVID-19 pandemic, the directors are pleased to report the Group's revenue increased by 57.7% from £30.01 million to £47.32 million in the year to December 2020.

This has largely been achieved by positive organic growth in all businesses but especially in the new Likewise branded businesses established in 2019 that have successfully gained traction in their local markets on which they continue to build. All of these businesses are now profitable and performed ahead of their respective budgets for H2 2020. This has provided a strong foundation for further development in 2021.

The acquisition of A & A in February 2020 has helped improve the Group's logistics capabilities in the North West of England. The overall performance of A & A for the 11 months to December well exceeded initial trading expectations, contributing £7.14m revenue and a profit of £0.43m to the Group's consolidated results for the year.

At the beginning of 2020, the operations of Bruce Starke and William Armes Limited were successfully combined to form Likewise Matting, with the two businesses now running from the freehold distribution hub in Sudbury. Trading conditions were particularly difficult following the wholesale closure of the hospitality sector during the onset of the pandemic, which resulted in a reduction in revenue in 2020. Whilst revenues reduced, operational cost savings as a result of the combination of the two businesses and relocation to one site has helped reduce operational losses. Included within administrative expenses are £0.98m of costs relating to restructuring costs of the original Bruce Starke operation from Eye to Sudbury.

The operations of Heatseam Limited were relocated from two sites in Dewsbury to one larger distribution hub in Morley and a further satellite site relocated from Daventry to the distribution hub in Sudbury. This has significantly improved material handling capabilities with the benefit of having all logistics and administration of the core business based in one location and using the Group's current infrastructure to support the operations of the business. Included within administrative expenses are £0.82m of exceptional cost relating to the restructuring of Heatseam Limited's operations.

The profitability and cash generation of the business in H2 2020 was significantly ahead of budget and expectations but whilst H2 was profitable it was unfortunately not greater than the losses sustained in H1 2020. This was heavily impacted by COVID-19 and resulted in an overall operating loss in the business for 2020 of £2,829,482.

Overall, the Group has remained resilient to the significant impacts presented by the onset of the pandemic, experienced positive recovery of revenues and profitability in H2 2020 and improved the operational and logistical capabilities of the Group that will provide a great foundation on which to build a much larger business through organic development combined with appropriate acquisitions.

Business strategy

It is the belief of the Board that value can be generated for shareholders, suppliers and consumers by creating a national supplier and distributor of UK floorcoverings.

It is the intention of the Board that where future acquisitions are considered, they will focus around increasing scale, advancing the commercial and operational reach of the Group into new regions and consolidate the Group's overall market position.

Market and competition

The floor covering market is made up of manufacturers, distributors, retailers and installers. It is the strategy of Likewise Group to become a national distributor in this market.

The UK flooring market, is worth c.£2 billion split between residential, commercial, public and industrial markets. It is the strategy of the Group to focus on the residential and commercial areas of the market.

Key performance indicators

The Board consider the following as financial key performance indicators (KPIs) for the Group: revenue, operating profit and cash flow. The Board members review these for each of the businesses on a monthly basis. Individual subsidiaries have additional key performance indicators specific to their operations. Sales and orders are also monitored against budget on a weekly basis by the executive management team.

Key performance indicators were as follows:

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Revenue	47,322,673	30,013,085
Operating Loss	(2,829,482)	(2,739,782)
Operating Cash Flow	4,921,779	(3,447,735)

The above operating loss figure is stated after charging:

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Restructuring costs	821,709	-
Amortisation of intangible assets	287,428	215,931
Share based payments	68,992	90,574
Acquisition costs	19,645	235,394

The Board additionally monitors the square footage of available warehouse space as a non-financial KPI. The warehouse capacity as at 31 December 2020 was 243,000 square feet (2019 - 212,646 square feet).

Process for managing risk

The Board continually assesses and monitors the key risks in the business. Below describes the principal risks and uncertainties that could have a material impact on the Group's performance and prospects and the mitigating activities which are aimed at reducing the impact or likelihood of a major risk materialising. The Board does recognise, however, that it will not always be possible to eliminate risk.

Business Disruption
The Group's operations could be subject to disruption due to factors including incidents such as a major fire or failure of key suppliers. Incidents such as a fire at key premises or failure of key suppliers could result in the temporary cessation in activity or disruption of the Group's facilities impeding the Group's ability to deliver its products to its customers, adversely affecting its financial results. The Board looks to mitigate the failure of any key suppliers by having a wide supplier base with known alternatives as well as maintaining a level of buffer stock within its UK operations. The Group has developed business continuity and disaster recovery plans. The impact of Coronavirus COVID 19 on the business is covered in the Strategic Report but this pandemic has shown that with good communication with all business partners and the full application of emergency procedures, a level of business can be maintained. The Group also maintains insurance to cover business interruption and damage to property from such events.

As a distribution business, the impact of any changes in product preference and changing fashions in the marketplace is limited to the level of stock held at any one time. Changes in ranges offered to the wider customer base generally take place at the lowest level of stock holding. Any cost of discounting of stock that may be necessary is built into the general business model.

Economic Conditions
The Group is dependent on the level of activity in various markets and is therefore susceptible to any changes in economic conditions. Lower levels of activity in key markets in which the Group operates could reduce sales volumes adversely, thus affecting the Group's financial results. The Group monitors trends in the key industries and markets the Group operates in. As a distribution and selling business the Group is well placed to react to changes relatively quickly and implement changes to the business model and practices.

Fluctuations in Input Prices
Adverse fluctuations in raw material commodity prices could affect the profitability of the Group albeit such increases are likely to have an industry wide impact and as such would result in an increase in sales prices to end customers to negate this. A proportion of the Group's purchases are transacted in Euros and US Dollars and as such we are susceptible to foreign exchange risk on such purchases albeit in most instances the Group enters forward contracts to mitigate against any exposure.

In addition, rising freight costs recently experienced inevitably increase the landing costs of materials purchased which ultimately impact the profitability of the Group. This risk is mitigated where possible by choosing alternative suppliers or ensuring a sufficient stock holding of product is maintained to sustain short term fluctuations in prices.

Brexit
In 2019, the impending decision to leave the European Union was identified as a potential risk to the Group's businesses, both in the UK and Europe as a result of potential changes to tariffs as well as disruption to the wider supply chain. The Trade and Cooperation Agreement in place with the European Union has ensured no tariffs or quotas have been levied on goods originating from the EU and as such there has been no significant impact to the Group's profit margins as a result of Brexit. Whilst there was disruption to the supply chain due to new custom's measures and procedures introduced, the Group were able to negate some of this impact by ensuring sufficient buffer stock was on hand to withstand such delays. The Group continue to monitor changes in government guidance of import procedures and update the Group's processes accordingly.

Post balance sheet events

On 19 February 2021 the Company allotted 32,200 new £0.01 Ordinary Shares for consideration of £0.10 per share, totalling £3,220.

Directors' statement of compliance with duty to promote the success of the Group

A director of a company must act in the way he/she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- The likely consequences of any decision in the long term
- The interests of the company's employees
- The need to foster the company's business relationships with suppliers, customers and others
- The impact of the company's operations on the community and the environment
- The desirability of the company maintaining a reputation for high standards of business conduct, and
- The need to act fairly as between members of the company.

The directors consider it crucial that the Group maintains a reputation for the highest standards of business conduct and are responsible for setting, reviewing and upholding the culture, values, standards, ethics and reputation of the Group to ensure obligations to key stakeholders are met. By using the core values of the business, we seek to sustain and develop strong, stable, profitable partnerships with all our customers, employees and suppliers by providing outstanding products.

During the year ended 31 December 2020, the directors consider that they have at all times acted in a way that would most likely promote the success of the Group and for the benefit of its members as a whole, and in making those decisions have had particular regard the points outlined above.

The engagement with key stakeholders is summarised as follows:

Our people

Our employees foster strong relationships with both customers and suppliers and are integral in delivering the Group's strategy. As such the Group is committed to attracting talent, developing individuals, and ensuring employees are rewarded for their contribution to the growth of the business. The Board ensure that information and decisions of interest or concern to employees are shared at all levels.

Our shareholders

The shareholders of the business have helped us build the business to where we are today. As we continue on our growth trajectory the Group ensures shareholders are regularly updated on the latest developments. Announcements are shared on the Company's investor website as well as on the website of The International Stock Exchange (TISE) where all regulatory information can be obtained.

Should shareholders have further questions the AGM promotes the opportunity for questions to be put to the Board or alternatively they are welcome to contact the Board via the investor website to raise queries important to them.

Business relationships

Relationships with our customers is at the heart of what we do. The Group is committed to developing lasting relationships by providing great products, service and value for our customers.
With the help of our employees, and in line with government guidelines customers have been visited regularly to drive the quality of our service offering whilst also providing the opportunity to obtain timely feedback on products, service and any changes in consumer trends that help us develop our business to continue to meet their expectations.
Strong relationships have also been developed with suppliers which continue to allow us to exceed customer expectations. Regular dialogue with suppliers provides mutually beneficial feedback on products whilst exploring new ranges that may be of interest to our customers.

Community and environment

We try to be a positive influence in the life of the communities in which we operate and strive to minimise our impact on the environment as much as possible.

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

A J Brewer
Director
Date: 18th June 2021

CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

Introduction

The Directors acknowledge the importance of the principles set out in the QCA Corporate Governance Code.

Whilst there is no regulatory requirement for the Group to comply with the QCA Corporate Governance Code, the Directors intend to introduce the QCA Corporate Governance Code, as far as they consider appropriate in 2021.

Directors and Board

Two separate boards have been established to deliver the Group's long term strategy:

The PLC Board

The PLC Board will be responsible for execution of the strategy and ensuring the Group meets with the requirements expected of a listed business. This Board consists of Andrew Simpson (non-executive director), Anthony Brewer (Chief Executive Officer), Roy Povey (Chief Financial Officer) and Paul Bassi (independent non executive Chairman) each of which have previous listed company experience and have a wealth of experience in the UK floor coverings industry.

Executive Board

The Executive Board will report to the PLC Board and will be responsible for operational delivery and be in control of the day to day trading, sourcing and integration of new acquisitions and management of head office operations. This board consists of Adrian Laffey, Tony Judge and James Kellet who have a wealth of experience in the UK floor coverings market.

Biographies of all Board members can be viewed on the Likewise PLC web site.

Board committees

The Board meets regularly to consider strategy, performance and the framework of internal controls. To enable the Board to discharge its duties, all Directors will receive appropriate and timely information. Briefing papers will be distributed to all Directors in advance of Board meetings. All Directors will have access to the advice and services of the Secretary, who is responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Group’s expense.

The Audit Committee is responsible for reviewing and monitoring internal financial control systems and risk management systems on which the Group is reliant, considering annual and interim accounts and audit reports, considering the appointment and remuneration of the Group’s auditors and monitoring and reviewing annually their independence, objectivity, effectiveness and qualifications. The Audit Committee consists of Paul Bassi (Chair) and Andrew Simpson.

A Remuneration Committee has been established consisting of Andrew Simpson (Chair) and Paul Bassi. The Remuneration Committee is responsible for, inter alia, the Group’s remuneration policy and for reviewing and recommending all Directors’ and senior executives’ remuneration, bonuses and incentives.

The Board intends to establish a Nominations Committee with responsibility for identifying suitable candidates to be appointed as Directors as and when a vacancy may arise. This committee will only meet as required.

Relations with shareholders

In normal circumstances, the Board values very highly the opportunity to meet shareholders in person at its AGM. The health and safety of our employees and shareholders are of paramount importance. This year's AGM will be held in line with the latest government guidelines.

This report was approved and signed on behalf of the board by:

A J Brewer
Director
Date: 18th June 2021

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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

Principal activities

The principal activity of the Group is the wholesale distribution of floorcoverings and associated products.

The Group is required by the Companies Act 2006 to prepare a Strategic Report that includes an overview of the business, a review of trading performance of the Group and its position as at the end of the financial year to 31 December 2020 and the principal risks faced by the Group. The Strategic Report can be found on pages 3 to 8.

Results and dividends

Revenue for the year amounted to £47,322,673 (2019 - £30,013,085). Loss before taxation was £3,274,981 (2019 - £2,788,663).

The Directors have not proposed a dividend for the year to 31 December 2020 (2019 - £Nil).

Political contributions

The Group made no political donations during the year (2019 - Nil).

Financial risk management objectives and policies

The three key risks the Group monitors are interest rate risk, liquidity risk and credit risk.

The Board reviews and agrees policies for managing these risks and they are summarised below.

Interest rate risk
The Group finances its operations through a mixture of retained profits and bank borrowings. The Group's borrowings consist of invoice discounting facilities and bank loans.

The interest rates charged are reviewed and re-negotiated periodically.

Liquidity risk
The repayment terms of the floating rate loans have been structured to be serviced from cash generated by operating activities. Short-term flexibility is achieved through invoice financing facilities.

Credit risk
The credit rating of significant customers is monitored regularly.

Directors

The Directors who served the Company during the year were as follows:

R Povey
P P S Bassi
A J Brewer
A J W Simpson

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, Directors' Report and the consolidated financial statements, in accordance with applicable law.

Company law requires the Directors to prepare consolidated financial statements for each financial year. Under that law they have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Under company law the Directors must not approve the consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing the consolidated financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company’s website. The Directors’ responsibility also extends to the ongoing integrity of the financial statements contained therein. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors

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 and the Group's auditors are 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 and the Group's auditors are aware of that information.

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of Crowe U.K. LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

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

A J Brewer
Director
Date: 18th June 2021

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LIKEWISE GROUP PLC

Opinion

We have audited the financial statements of Likewise Group Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the period ended 31 December 2020 which comprise:

- the Group statement of profit or loss and other comprehensive income for the year ended 31 December 2020;
- the Group and parent company statements of financial position as at 31 December 2020;
- the Group and parent company statements of changes in equity for the year then ended;
- the Group and parent company statements of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regard the parent company, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and of the Parent Company's affairs as at 31 December 2020 and of the Group’s loss for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing management's financial projections for the Group and parent company for a period of more than 12 months from the date of approval of the financial statements.
- Checking the numerical accuracy of management's financial projections.
- Challenging management on the assumptions underlying those projections and sensitised them to reduce anticipated net cash inflows from future trading activities.
- Considering the terms of the bank loan and trade finance facilities and the amount available for drawdown.
- Considering potential downside scenarios and the resultant impact on available funds.
- Obtained the latest financial results post year end 31 December 2020 to review how the company is trending toward achieving the forecast.
- Performed sensitivity analysis on key inputs of the forecast by calculating the impact of various scenarios and considering the impact on the group and parent company's ability to continue as a going concern in the event of not meeting the forecast.
- Assessing the completeness and accuracy of the matters described in the going concern disclosure within the significant accounting policies as set out in Note 4.1.

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 group or parent 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.

Our approach to the audit

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £275,000 (2019: £200,000), based on 0.6% of revenues per pre-year end management accounts. As the Group is a trading group, we determined that the use of a trading-based metric was the most appropriate to use for determining materiality.

Materiality for the parent Company financial statements as a whole was set at £100,000 based on 0.6% of total assets per pre-year end management accounts.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. The range of performance materiality allocated to the significant components of the group was between £24,000 and £100,000.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Directors to report to it all identified errors in excess of £13,750 (2019: £10,000). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

The Group has two principal operating locations in the UK, in West Yorkshire and Suffolk, which have local accounting functions that report to the central management team at the head office in Worcestershire. Our audit was conducted remotely due to covid restrictions in place in the UK. All Group companies were within the scope of our audit testing.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We set out below, together with going concern included above in the section, those matters we considered to be key audit matters.

This is not a complete list of all risks identified by our audit.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LIKEWISE GROUP PLC (CONTINUED)

Key Audit Matter	How our scope addressed this matter
Revenue recognition Revenue is recognised in accordance with the accounting policy set out in the financial statements. We focus on the risk of material misstatement in the recognition of revenue, as a result of both fraud and error, because revenue is material and is an important determinant of the group's profitability, which has a consequent impact on its share price performance.	Our work focused on assessing that revenue accounting policies were compliant with IFRS and validating that revenue is recognised in accordance with the accounting policies and that cut off was correctly applied through testing. We additionally assessed the compliance of newly acquired entities with the Group's revenue recognition policies. We validated a sample of revenue items to confirm revenue was being recognised in line with IFRS ensuring the goods were delivered within the period. We also assessed the adequacy of the Group's disclosures related to revenue.
Carrying value of inventory As at 31 December 2020 the value of inventory amounted to £7.56 million, representing 20.4% of total assets. Inventories were considered to be a key audit matter due to the size of the balance and because the valuation of inventory held at the year end date involves judgement. There is a risk that some inventory may not be adequately provided or carried at the lower of cost or net realisable value.	Our audit procedures in this area included: - Attending inventory counts at the group's key operating locations - Assessing the compliance of the group's accounting policies with IFRS. - Assessing the inventory valuation processes and practices - Validating the assessment made by management with respect to slow moving and obsolete stock
Business combinations During the year the Group made acquisition of A&A Carpets Limited for total consideration of £0.89 million. Accounting for business combinations is complex and requires the recognition of both consideration paid and acquired assets and liabilities at the acquisition date at fair values, which can involve significant judgement and estimates. There is a risk that inappropriate assumptions could result in material errors in the acquisition accounting.	We reviewed the share purchase agreement to understand the terms of the transaction and we validated the consideration paid. We audited the statement of financial position as at the acquisition date to ensure that assets and liabilities were appropriately recognised at fair value. We challenged management's assessment of fair value of the assets and liabilities acquired. We challenged management as to the possible omission of intangible assets being identified at the date of acquisition. We also assessed the disclosures made and application of the standard in line with IFRS.

Carrying value of goodwill and other intangible assets The Group's intangible assets comprise of goodwill arising on acquisition of subsidiaries, customer relationships and brand assets. When assessing the carrying value of goodwill and intangible assets, management makes judgements regarding the appropriate cash generating unit, strategy, future trading and profitability and the assumptions underlying these. We considered the risk that goodwill and/or other intangible assets were impaired. The carrying value of goodwill and other intangible assets at 31 December 2020 was £8.03 million (31 December 2019: £8.13 million).	We evaluated, in comparison to the requirements set out in IAS 36, management's assessment (using discounted cash flow models) as to whether goodwill and/or other intangible assets were impaired. We challenged, reviewed and considered by reference to external evidence, management's impairment and fair value models as appropriate and their key estimates, including the discount rate. We reviewed the appropriateness and consistency of the process for making such estimates. We obtained management's discounted cash flow models supporting the intangible asset valuation. We challenged the key assumptions into the model, including the forecast revenue and gross margin, discount rates and growth rates. We compared cash flow forecasts used in the impairment review to historical performance, and challenged where forecasts indicated performance that deviated significantly from historical performance, in the absence of significant changes in the business or market environment. Discount rates and terminal growth rates were benchmarked to externally derived data and our knowledge of sector performance, to evaluate the reasonableness of these assumptions. Sensitivity analysis was performed on the key assumptions such as growth, margin and discount rates to identify those assumptions to which the goodwill or intangible asset valuation was highly sensitive.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LIKEWISE GROUP PLC (CONTINUED)

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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:

Based on our understanding of the Group and industry, discussions with management and the Board of Directors we identified financial reporting standards and Companies Act 2006 as having a direct effect on the amounts and disclosures in the financial statements.

Other laws and regulations where non-compliance may have a material effect on the Group’s operations are Data Protection and GDPR.

Our audit procedures included:

- enquiry of management about the Group's policies, procedures and related controls regarding compliance with laws and regulations and if there are any known instances of non-compliance;
- examining supporting documents for all material balances, transactions and disclosures;
- review minutes of meetings of the Board of directors;
- enquiry of management about litigations and claims;
- evaluation of the selection and application of accounting policies related to subjective measurements and complex transactions, in particular business combinations, which is included in the Key Audit Matters;
- analytical procedures to identify any unusual or unexpected relationships;
- testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- review of accounting estimates for biases.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

The potential effects of inherent limitations are particularly significant in the case of misstatement resulting from fraud because fraud may involve sophisticated and carefully organized schemes designed to conceal it, including deliberate failure to record transactions, collusion or intentional misrepresentations being made to us.

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 auditors' 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 auditors' 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.

John Glasby (Senior Statutory Auditor)

for and on behalf of

Crowe U.K.LLP

Statutory Auditor

London

Date: 21 June 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £	*As restated* *2019* *£*
Revenue	6	**47,322,673**	*30,013,085*
Cost of sales		**(34,992,370)**	*(21,439,000)*
Gross profit		**12,330,303**	*8,574,085*
Other operating income	7	**852,448**	*11,475*
Administrative expenses		**(10,323,473)**	*(7,125,741)*
Distribution costs		**(5,624,387)**	*(4,199,601)*
Impairment losses on trade receivables		**(64,373)**	-
Loss from operations	8	**(2,829,482)**	*(2,739,782)*
Finance income	10	**10**	*130*
Finance costs	10	**(227,969)**	*(132,791)*
(Loss)/gain on revaluation of consideration on acquisition		**(217,540)**	*83,780*
Loss before tax		**(3,274,981)**	*(2,788,663)*
Taxation	11	**203,677**	*(31,443)*
Loss for the year		**(3,071,304)**	*(2,820,106)*
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Revaluation of land and buildings	13	**238,757**	*823,257*
Actuarial loss on defined benefit schemes	31	**(20,000)**	*(20,000)*
		218,757	*803,257*
Items that will or may be reclassified to profit or loss:			
Exchange gains arising on translation on foreign operations		**(39,403)**	-
		(39,403)	-
Total comprehensive income		**(2,891,950)**	*(2,016,849)*

The total basic loss per share attributable to the ordinary equity holders of the Company was £0.02 (2019 - £0.02). There were no potentially dilutive ordinary shares and therefore the basic loss per share equals the diluted loss per share.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	2020 £	*2019 £*
Assets			
Non-current assets			
Property, plant and equipment	13	**11,256,599**	*6,360,746*
Other intangible assets	14	**3,808,425**	*4,098,416*
Goodwill	15	**4,216,728**	*4,028,287*
		19,281,752	*14,487,449*
Current assets			
Inventories	17	**7,555,806**	*8,759,741*
Trade and other receivables	18	**7,466,158**	*6,522,694*
Cash and cash equivalents	19	**2,820,895**	*746,014*
		17,842,859	*16,028,449*
Total assets		**37,124,611**	*30,515,898*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2020

	Note	2020 £	*2019 £*
Liabilities			
Non-current liabilities			
Loans and borrowings	21	**6,749,655**	*2,634,742*
Deferred tax liability	11	**700,484**	*819,097*
		7,450,139	*3,453,839*
Current liabilities			
Bank overdraft		**-**	*127,639*
Trade and other liabilities	20	**15,479,985**	*11,262,587*
Loans and borrowings	21	**2,224,566**	*1,261,306*
Provisions	24	**382,722**	*-*
		18,087,273	*12,651,532*
Total liabilities		**25,537,412**	*16,105,371*
Net assets		**11,587,199**	*14,410,527*
Share capital	27	**1,523,420**	*1,523,420*
Share premium		**13,389,295**	*13,389,295*
Share option reserve		**159,566**	*90,574*
Revaluation reserve		**1,094,771**	*871,514*
Foreign exchange reserve		**(39,403)**	*-*
Warrant reserve		**128,170**	*128,170*
Retained earnings		**(4,668,620)**	*(1,592,446)*
Total equity		**11,587,199**	*14,410,527*

The financial statements on pages 22 to 96 were approved and authorised for issue by the board of Directors and were signed on its behalf by:

A J Brewer
Director
Date: 18th June 2021

The notes on pages 34 to 47 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 £	*2019* *£*
Assets			
Non-current assets			
Property, plant and equipment	13	**193,185**	*157,689*
Investments	16	**12,555,774**	*11,626,451*
		12,748,959	*11,784,140*
Current assets			
Trade and other receivables	18	**5,449,766**	*5,589,107*
Cash and cash equivalents	19	**59,447**	*34,230*
		5,509,213	*5,623,337*
Total assets		**18,258,172**	*17,407,477*

COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2020

	Note	2020 £	*2019* *£*
Liabilities			
Non-current liabilities			
Loans and borrowings	21	**1,943,508**	*1,765,522*
		1,943,508	*1,765,522*
Current liabilities			
Trade and other liabilities	20	**4,111,741**	*2,104,866*
Loans and borrowings	21	**127,109**	*168,725*
		4,238,850	*2,273,591*
Total liabilities		**6,182,358**	*4,039,113*
Net assets		**12,075,814**	*13,368,364*
Share capital	27	**1,523,420**	*1,523,420*
Share premium		**13,389,295**	*13,389,295*
Share option reserve		**159,566**	*90,574*
Warrant reserve	30	**128,170**	*128,170*
Retained earnings		**(3,124,637)**	*(1,869,065)*
Total equity		**12,075,814**	*13,262,394*

The Company's loss for the year was £1,255,572 (2019 - £1,628,128).

The financial statements on pages 22 to 96 were approved and authorised for issue by the board of Directors and were signed on its behalf by:

A J Brewer
Director
Date: 18th June 2021

The notes on pages 34 to 47 form part of these financial statements.

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

	Share capital	Share premium	Share option reserve	Revaluation reserve	Foreign exchange reserve	Warrant reserve	Retained earnings	Total attributable to equity holders of parent	Total equity
	£	£	£	£	£	£	£	£	£
At 1 January 2020	1,523,420	13,389,295	90,574	871,514	-	128,170	(1,592,446)	14,410,527	14,410,527
Loss for the year	-	-	-	-	-	-	(3,071,304)	(3,071,304)	(3,071,304)
Loss for the year	-	-	-	-	-	-	(3,071,304)	(3,071,304)	(3,071,304)
Transfer to/from retained earnings	-	-	-	(15,500)	-	-	15,500	-	-
Property revaluation	-	-	-	238,757	-	-	-	238,757	238,757
Actuarial losses on pension	-	-	-	-	-	-	(20,000)	(20,000)	(20,000)
Other adjustments	-	-	-	-	-	-	(370)	(370)	(370)
Translation of foreign subsidiary	-	-	-	-	(39,403)	-	-	(39,403)	(39,403)
Share options valuation	-	-	68,992	-	-	-	-	68,992	68,992
Total other comprehensive income and contributions by and distributions to owners	-	-	68,992	223,257	(39,403)	-	(4,870)	247,976	247,976
At 31 December 2020	**1,523,420**	**13,389,295**	**159,566**	**1,094,771**	**(39,403)**	**128,170**	**(4,668,620)**	**11,587,199**	**11,587,199**

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

	Share capital	Share premium account	Share capital to be issued	Share option reserve	Revaluation reserve	Warrant reserve	Retained earnings	Total attributable to equity holders of parent	Total equity
	£	£	£	£	£	£	£	£	£
At 1 January 2019	500,000	200,100	800,000	-	48,257	-	1,142,417	2,690,774	2,690,774
Loss for the year	-	-	-	-	-	-	(2,820,106)	(2,820,106)	(2,820,106)
Loss for the year	-	-	-	-	-	-	(2,820,106)	(2,820,106)	(2,820,106)
Issue of share capital	1,023,420	13,349,419	-	-	-	-	-	14,372,839	14,372,839
Impact of IFRS16	-	-	-	-	-	-	(6,921)	(6,921)	(6,921)
Transfer from retained earnings	-	-	-	-	-	-	112,164	112,164	112,164
Property revaluation	-	-	-	-	823,257	-	-	823,257	823,257
Actuarial losses on pension	-	-	-	-	-	-	(20,000)	(20,000)	(20,000)
Shares issued	-	-	(800,000)	-	-	-	-	(800,000)	(800,000)
Reclassification of IPO costs	-	(112,164)	-	-	-	-	-	(112,164)	(112,164)
Share options and warrants issued	-	(48,060)	-	90,574	-	128,170	-	170,684	170,684
Total other comprehensive income and contributions by and distributions to owners	1,023,420	13,189,195	(800,000)	90,574	823,257	128,170	85,243	14,539,859	14,539,859
At 31 December 2019	**1,523,420**	**13,389,295**	**-**	**90,574**	**871,514**	**128,170**	**(1,592,446)**	**14,410,527**	**14,410,527**

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

	Share capital	Share premium	Share option reserve	Other reserves	Retained earnings	Total equity
	£	£	£	£	£	£
At 1 January 2020	1,523,420	13,389,295	90,574	128,170	(1,869,065)	13,262,394
Loss for the year	-	-	-	-	(1,255,572)	(1,255,572)
Loss for the year	-	-	-	-	(1,255,572)	(1,255,572)
Share options	-	-	68,992	-	-	68,992
Total other comprehensive income and contributions by and distributions to owners	-	-	68,992	-	-	68,992
At 31 December 2020	**1,523,420**	**13,389,295**	**159,566**	**128,170**	**(3,124,637)**	**12,075,814**

The notes on pages 36 to 96 form part of these financial statements.

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

	Share capital	Share premium account	Share capital to be issued	Share option reserve	Other reserves	Retained earnings	Total equity
	£	£	£	£	£	£	£
At 1 January 2019	500,000	200,100	800,000	-	-	(353,101)	1,146,999
Loss for the year	-	-	-	-	-	(1,628,128)	(1,628,128)
Loss for the year	-	-	-	-	-	(1,628,128)	(1,628,128)
Issue of share capital	1,023,420	13,349,419	-	-	-	-	14,372,839
Reclassification of IPO costs	-	-	-	-	-	112,164	112,164
Shares issued	-	-	(800,000)	-	-	-	(800,000)
Reclassification of IPO costs	-	(112,164)	-	-	-	-	(112,164)
Share options and warrants issued	-	(48,060)	-	90,574	128,170	-	170,684
Total other comprehensive income and contributions by and distributions to owners	1,023,420	13,189,195	(800,000)	90,574	128,170	112,164	13,743,523
At 31 December 2019	**1,523,420**	**13,389,295**	**-**	**90,574**	**128,170**	**(1,869,065)**	**13,262,394**

The notes on pages 36 to 96 form part of these financial statements.

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

	2020 £	*2019* *£*
Cash flows from operating activities		
Loss for the year	**(3,071,304)**	*(2,820,106)*
Adjustments for		
Depreciation and amortisation	**1,733,339**	*1,089,708*
Impairment of right-of-use assets	**91,733**	*-*
Revaluation of consideration	**217,540**	*(83,780)*
Taxation	**(203,677)**	*31,443*
Finance income	**(10)**	*(130)*
Finance costs	**227,969**	*132,791*
Loss on sale of property, plant and equipment	**222,096**	*-*
Pension contributions	**(20,000)**	*(20,000)*
Increase in provisions	**382,722**	*-*
Net foreign exchange gain	**(41,378)**	*-*
	(460,970)	*(1,670,074)*
Movements in working capital:		
Increase in trade and other receivables	**(98,740)**	*(909,727)*
Decrease/(increase) in inventories	**1,511,188**	*(1,143,331)*
Increase in trade and other payables	**3,855,487**	*464,566*
Cash generated from operations	**4,806,965**	*(3,258,566)*
Income tax received/(paid)	**114,814**	*(189,169)*
Net cash from/(used in) operating activities	**4,921,779**	*(3,447,735)*
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1,086,264)**	*(559,297)*
Acquisition of subsidiaries	**(891,770)**	*(8,103,096)*
Deferred consideration paid	**(700,000)**	*-*
Net cash acquired with subsidiaries	**136,958**	*290,736*
Interest received	**10**	*130*
Net cash used in investing activities	**(2,541,066)**	*(8,371,527)*

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £	*2019* *£*
Cash flows from financing activities		
Interest paid	**(99,585)**	*(113,515)*
Consideration for new shares	**-**	*13,072,839*
Share options issued	**68,992**	*90,574*
Repayment of lease liabilities	**(863,841)**	*(714,595)*
Increase in invoice discounting	**740,562**	*91,187*
Repayment of loans	**(24,321)**	*(373,242)*
Net cash (used in)/from financing activities	**(178,193)**	*12,053,248*
Net cash increase in cash and cash equivalents	**2,202,520**	*233,986*
Cash and cash equivalents at the beginning of year	**618,375**	*384,389*
Cash and cash equivalents at the end of the year	**2,820,895**	*618,375*

Cash and cash equivalents at 31 December 2020 of £2,820,895 (2019 - £618,375) comprised of cash and cash equivalents of £2,820,895 (2019 - £746,014) less bank overdrafts of £Nil (2019 - £127,639).

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

	2020	*2019*
	£	*£*
Cash flows from operating activities		
Loss for the year	**(1,255,572)**	*(1,628,128)*
Adjustments for		
Depreciation and amortisation	**28,549**	*20,766*
Finance costs	**81,529**	*74,211*
Revaluation of consideration	**217,540**	*-*
	(927,954)	*(1,533,151)*
Movements in working capital:		
Decrease/(increase) in trade and other receivables	**139,341**	*(3,425,830)*
Increase/(decrease) in trade and other payables	**2,489,335**	*(669,779)*
Cash generated from/(used in) operations	**1,700,722**	*(5,628,760)*
Net cash from/(used in) operating activities	**1,700,722**	*(5,628,760)*
Cash flows from investing activities		
Purchases of property, plant and equipment	**(2,033)**	*(33,796)*
Purchase of fixed asset investments	**(891,770)**	*(7,146,241)*
Deferred consideration paid	**(700,000)**	*-*
Net cash used in investing activities	**(1,593,803)**	*(7,180,037)*
Cash flows from financing activities		
Interest paid	**(78,225)**	*(73,643)*
Consideration for new shares	**-**	*13,072,839*
Share options issued	**31,439**	*90,574*
Repayment of lease liabilities	**(10,595)**	*(7,947)*
Repayment of loans	**(24,321)**	*(353,498)*
Net cash (used in)/from financing activities	**(81,702)**	*12,728,325*
Net cash increase/(decrease) in cash and cash equivalents	**25,217**	*(80,472)*
Cash and cash equivalents at the beginning of year	**34,230**	*114,702*
Cash and cash equivalents at the end of the year	**59,447**	*34,230*

1. General information

The Company is a public company limited by shares, registered in England and Wales. On 11 January 2019, the Company listed on The International Stock Exchange (TISE). The registered company number is 08010067 and the address of the registered office is Unit 6 Topaz Business Park, Birmingham Road, Bromsgrove, England, B61 0GD.

The principal activity of the Group is the wholesale distribution of floorcoverings and associated products.

2. Basis of preparation

These financial statements consolidate those of the Company and its subsidiaries (together referred to as the “Group”). The Parent Company financial statements present information about the Company as a separate entity.

The financial information is presented in pounds sterling, which is the functional currency of the entity and rounded to the nearest £. The financial statements are prepared on the historical cost basis unless otherwise specified within these accounting policies.

Both the Company and consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as endorsed by the EU (“Adopted IFRSs”). On publishing the Company financial statements here together with the consolidated financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and statement of comprehensive income and related notes.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3. Restatement of prior period

Management have corrected the classification under IFRS 15 of expense categories, discounts paid and discounts received and have determined that certain items in the prior year should be reclassified between revenue, cost of sales, administrative and distribution expenses accordingly.

The impact of this is to:

decrease revenue by £284,064 from £30,297,149 to £30,013,085;
decrease cost of sales by £185,451 from £22,026,068 to £21,840,617;
decrease distribution costs by £6,155 from £1,055,573 to £1,049,418; and
decrease administrative expenses by £92,458 from £9,966,765 to £9,874,307.

In addition, management have reanalysed the classification of expense categories and have determined that certain items in the prior year should be reclassified between cost of sales, administrative and distribution expenses accordingly.

The impact of this is to:

further decrease cost of sales by £401,617 from £21,840,617 to £21,439,000;
increase distribution costs by £3,150,183 from £1,049,418 to £4,199,601; and
further decrease administrative expenses by £2,748,566 from £9,874,307 to £7,125,741.

There have been no amendments to the prior year Consolidated Statement of Financial Position as a result of these reclassifications.

4. Accounting policies

4.1 Going concern

The consolidated financial statements for the Group have been prepared on a going-concern basis.

Whilst the COVID-19 pandemic undoubtedly had a significant impact on the business' operations throughout 2020, the significant growth in revenue despite restrictions on trading during this time provides affirmation of the success of our business model. The business has taken this time to invest in organic growth whilst streamlining the current operations of the business to emerge from the pandemic in a strong position having improved our foundations on which to execute our future growth plans. During this uncertain time, revised forecasts were completed to account for the severe impacts of COVID to better monitor the performance of the business in H2 2020. Despite further lockdowns, the Group well exceeded this revised forecast as pent-up demand and the increase in home-improvement spending fuelled increased trading activity over this period. More information regarding the impact of COVID-19 can be found in the Strategic Report.

The Group currently utilises invoice financing arrangements in some subsidiaries and has the option to draw on additional authorised facilities to support its future working capital requirements. The Group operated within these facilities throughout the year and continues to do so into 2021. The directors are therefore confident that the Group will be able to operate within the finance facilities available to us.

The Board have undertaken assessments of going concern to build up a cash flow model through to December 2022 based on 2020 actuals, 2021 budget and forecast performance for 2022. These cash-flows indicated that the business has adequate resources to continue to operate for the foreseeable future and within the current financing arrangements in place. Furthermore, the current 2021 performance of the business has well exceeded initial expectations following significant recovery of trading activity to normal levels in Q1 2021 and as such updates to the cash-flow models using current actuals further enhances the expected position of the business in the foreseeable future.

Overall, based on the consideration of financing facilities in place as well as considering the progress and forecast performance of the Group, this provides the Directors with assurance on the Group's ability to continue as a going concern, and therefore adopt the going concern basis of accounting in preparing the financial statements.

4.2 Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities, has exposure, or rights, to variable returns and can use its power to affect those returns. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

4. Accounting policies (continued)

4.3 Impact of new international reporting standards

There were a number of narrow scope amendments to existing standards which were effective from 1 January 2020. None of these had an impact on the Group except for the amendments to IFRS16 - COVID-19 Related Rent Concessions.

Effective 1 June 2020, IFRS16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and
(c) there are no substantive changes to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS16 in accounting for the concession.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. The practical expedient has been applied retrospectively, meaning it has been applied to all rent concessions that satisfy the criteria.

Accounting for the rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The effect of applying the practical expedient is disclosed in note 22.

4.4 Revenue

Revenue comprises sales of goods to customers outside the Group, less an appropriate deduction for discounts, and is stated at the fair value of the consideration net of value added tax and other sales taxes.

Revenue and receivables are recognised when performance obligations are satisfied and the goods are delivered to customers as this is the point in time that the consideration is unconditional, control of goods has passed and only the passage of time is required before the payment is due.

4.5 Finance income and costs

Interest income and expense is recognised using the effective interest method which calculates the amortised cost of a financial asset or liability and allocates the interest income or expense over the relevant period.

4. Accounting policies (continued)

4.6 Property, plant and equipment

Property, plant and equipment under the cost model are stated at historical cost less depreciation less any recognised impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of these items. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the company and the costs can be measured reliably. All other costs, including repairs and maintenance costs, are charged to the Income Statement in the period in which they are incurred.

Depreciation is provided on all property, plant and equipment and is calculated as follows:

Freehold property	2% straight line
Leasehold improvements	straight line over the term of the lease
Plant and machinery	12.5% - 15% straight line
Motor vehicles	25% - 33% straight line
Fixtures, fittings and computer equipment	20% - 33% straight line

Depreciation is provided on cost less residual value. The residual value, depreciation methods and useful lives are annually reassessed.

Each asset's estimated useful life has been assessed with regard to its own physical life limitations and to possible future variations in those assessments. Estimates of remaining useful lives are made on a regular basis for all machinery and equipment, with annual reassessments for major items. Changes in estimates are accounted for prospectively.

The gain or loss arising on disposal or scrapping of an asset is determined as the difference between the sales proceeds, net of selling costs, and the carrying amount of the asset and is recognised in the Income Statement.

4.7 Revaluation of property

Individual freehold properties are carried at current year value at fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Consolidated Statement of Financial Position date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the Consolidated Statement of Comprehensive Income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in the Income Statement.

The difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost is transferred from revaluation surplus to retained earnings at the end of each reporting period. Any remaining revaluation surplus included in equity is transferred directly to retained earnings when the asset is disposed of.

4. Accounting policies (continued)

4.8 Impairment of non-financial assets (excluding Goodwill)

At each reporting date, the directors review the carrying amounts of the company's non current assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the directors estimate the recoverable amount of the cash generating unit to which the asset belongs.

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

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit.

An impairment loss is recognised as an expense immediately.

Where an impairment loss on non financial assets subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash generating unit in prior periods. A reversal of an impairment loss is recognised in the Income Statement immediately.

4.9 Inventories

Inventory is valued at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, inventories are assessed for impairment. If inventories are impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Income Statement.

4.10 Cash at bank

Cash at bank comprise cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less from inception.

4. Accounting policies (continued)

4.11 Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. Financial assets and financial liabilities are measured subsequently as described below.

Cash equivalents comprise short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. An investment with a maturity of three months or less is normally classified as being short-term.

Derivatives, including forward foreign exchange contracts, are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the Income Statement in finance costs or income as appropriate.

4.12 Financial assets

Trade and other receivables are recorded initially at transaction price and subsequently measured at amortised cost. This results in their recognition at nominal value less an allowance for any doubtful debts. This allowance for expected credit losses (ECL) may be established where evidence of credit deterioration is observed. In order to assess credit deterioration, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on its historical experience and informed credit assessment, that includes forward-looking information. An additional reserve is established, where required, when a loss is both probable and the amount is known.

ECLs are a probability-weighted estimate of lifetime credit losses. Under the ECL model, the Group calculates the allowance for credit losses by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. The allowance is the sum of these probability weighted outcomes. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that Group expects to receive) with a discount factor applied to such overdue amounts. The discount matrix (“ECL Matrix”) below is applied to derive an ECL for overdue amounts:

Past due (days)	31-60	61-90	90-120	120-250	Over 250
Discount to Amounts Overdue	0%	0%	3%	32.5%	100%

The Group reserves the right to exercise its discretion in the application of discounts outside of the ECL Matrix based on extenuating circumstances that may apply from time to time to the Group's trade receivables. An example of such an extenuating circumstance may occur when an overdue amount has been collected post a reporting or measurement date.

4. Accounting policies (continued)

4.13 Financial liabilities

The Group's financial liabilities include trade and other payables and borrowings.

Interest bearing bank loans and overdrafts are initially recorded at fair value, which equals the proceeds received, net of direct interest costs. They are subsequently held at amortised cost. Finance charges, including premiums payable on settlement or redemption are accounted for using an effective interest rate method and are added to or deducted from the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost. Generally, this results in their recognition at their nominal value.

4.14 Foreign currency

The presentation currency for the Group's historical financial information is pounds sterling.

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Any gain or loss on translation of monetary foreign currency assets and liabilities arising from a movement in exchange rates subsequent to initial measurement is included as an exchange gain or loss in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rate. Income Statements and cash flows of such subsidiaries are translated into Sterling at the average rates of exchange. The adjustments to period end rates are taken to foreign exchange reserve in equity and reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

4. Accounting policies (continued)

4.15 Taxation

Current taxation
Current taxation is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the reporting date and includes adjustments to tax payable or recoverable in respect of previous periods.

Deferred taxation
Deferred taxation is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the historical financial information. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. No deferred tax is recognised on initial recognition of goodwill or on investment in subsidiaries. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the year end date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are provided in full, and are not discounted.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Income Statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority where there is an intention to settle the balances on a net basis.

4. Accounting policies (continued)

4.16 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition related costs are expensed as incurred.

The excess of the:
- consideration transferred
- amount of any non-controlling interest in the acquired entity, and
- acquisition date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the Income Statement as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the Income Statement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the Income Statement.

4. Accounting policies (continued)

4.17 Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill not attributed to a specific intangible asset is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's subsidiaries expected to benefit from the synergies of the combination. If the recoverable value of the subsidiary is less than the carrying amount of goodwill, the impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

4.18 Intangible assets

Other intangible assets

Goodwill attributable to the brand name of acquired subsidiaries or customer base is initially recognised and measured as set out above. Licences are initially recognised at cost.

Amortisation is provided on all intangible assets (excluding goodwill) as follows:

Brand name	15 years straight line
Customer base	15 years straight line
Licenses	10 years straight line

The useful lives of intangible assets are annually reassessed and all assets are reviewed for impairment at least annually. On disposal of a subsidiary, the attributable amount of intangible assets is included in the determination of the profit or loss on disposal.

4. Accounting policies (continued)

4.19 Employment benefits

Provision is made in the financial statements for all employee benefits. Liabilities for wages and salaries, including non monetary benefits and annual leave obliged to be settled within 12 months of the reporting date, are recognised in accruals.

Contributions to defined contribution pension plans are charged to the Income Statement in the year to which the contributions relate.

William Armes Limited, a subsidiary of the Group operates a defined benefit pension plan for certain employees.

The liability recognised in the Consolidated Statement of Financial Position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Group engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

Where the calculation results in a benefit to the Group, the asset recognised is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

4.20 Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

4.21 Borrowing costs

Borrowing costs are recognised in the Income Statement in the year in which they are incurred.

4. Accounting policies (continued)

4.22 Share based payments

The fair value of equity instruments granted to employees is charged to the Statement of Comprehensive Income, with a corresponding increase in equity. The fair value of share options is measured at grant date using the Black-Scholes pricing model and spread over the period during which the employee becomes unconditionally entitled to the award. The charge is adjusted to reflect the number of shares or options that vest.

4.23 Invoice discounting

The Group has an invoice discounting arrangement. The amount owed by customers to the Group are included within trade receivables and the amount owed to the invoice discounting company is included within borrowings. The amount owed to the invoice discounting company represents the difference between the amounts advanced by the invoice discounting company and the invoices discounted. The interest element of the invoice discounting charges and other related costs are recognised as they accrue and are included in the Income Statement with other finance costs.

4.24 Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Chief Operating Decision Maker has been identified as the Board of Executive Directors, at which level strategic decisions are made.

Details of the Group's reporting segments are provided in note 6.

4.25 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. Accounting policies (continued)

4.26 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

5. Judgements and key sources of estimation uncertainty

5.1

The preparation of the financial statements, in conformity with adopted IFRSs requires management to make judgements, estimates and assumptions that affect the carrying amounts of assets and liabilities at the date of these financial statements and the reported amount of revenues and expenses during the period. These judgements, estimates and assumptions are continually evaluated by management and are based upon historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are as follows:

Impairment of trade receivables

Trade and other receivables are recognised at nominal value less an allowance for doubtful debts. This allowance for expected credit losses (ECL) may be established where evidence of credit deterioration is observed. In order to assess credit deterioration, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on its historical experience and informed credit assessment, that includes forward-looking information. An additional reserve is established, where required, when a loss is both probable and the amount is known. See notes 4.12 and 18 for further information.

Defined benefit pension scheme

Assumptions for future inflation linked pension increases (where applicable) are based on the appropriate headline index, adjusted where necessary to reflect any caps or collars, bearing in mind the proximity of the future inflation assumption to those caps and collars and the expected variability of future inflation increases. All other assumptions have been set in accordance with the statement of funding principals. No allowances have been made for members transferring benefits out of the scheme in future. The assumptions selected and associated sensitivity analysis are disclosed in note 31.

5. Judgements and key sources of estimation uncertainty (continued)

5.1 (continued)

Inventory valuation

This is provided for on the basis of the age of the items and dependent on the frequency of component use. The Group makes appropriate provision for slow-moving and discontinued inventory items although a significant shift in consumer market or customer demand may result in additional provision.

Valuation of land and buildings

The Group carries its land and buildings at fair value, with changes in fair value being recognised in Other Comprehensive Income. The Group engaged independent valuation specialists to determine fair value at 31 December 2020. Significant changes in the commercial property market may impact the valuation of the Group’s property.

Acquisition accounting balances

Assets and liabilities must be recognised at their fair value on acquisition. The identification and measurement of contingent liabilities and intangible assets are key areas of judgement. The Group's acquisition in the year along with any assumptions applied is detailed in note 34. As part of the acquisition the Group performed a purchase price allocation review and has assessed the fair value of the assets and liabilities acquired. Using assumptions regarding the performance of the acquired entity, management have not identified any additional intangibles and therefore any excess of the purchase consideration over the estimated fair values of acquired net identified assets is recorded as goodwill in the balance sheet and is allocated to an appropriate business segment.

Going concern

Given the net current liabilities position and the losses incurred in 2020 it could be assessed that there is material uncertainty over going concern. However, the Board have evaluated the cash flow and profit projections through to December 2022 and consider that the Group will be able to meet all of its obligations as they become due.

The improved trading levels in the six months to December 2020, coupled with the positive start to 2021 provides greater assurance of this. Furthermore, the Board has access to additional, approved, funding arrangements in the way of invoice financing, should this be required.

6. Segmental reporting

For the purposes of segmental reporting, the Group's Chief Operating Decision Maker (CODM) is considered to be the Executive Board of Directors. The Board has not identified any separate operating segments within the business. The Board reviews revenue and expenses for the business as a whole and makes decisions about resources and assesses performance based on this information.

Revenue is derived from continuing operations and arises entirely through the wholesale of goods. Segmental analysis is therefore not presented.

The Group is not reliant on any one customer and no customer exceeds 10% of total annual turnover.

	2020	*As restated* *2019*
	£	*£*
Sale of goods	**47,322,673**	*30,013,085*
	47,322,673	*30,013,085*

The Group generates revenue from both the UK and overseas as detailed below:

	2020	*As restated* *2019*
	£	*£*
United Kingdom	**46,983,834**	*29,317,834*
Rest of Europe	**338,839**	*633,508*
Rest of the World	**-**	*61,743*
	47,322,673	*30,013,085*

7. Other operating income

	2020	*2019*
	£	*£*
Other operating income	**-**	*11,475*
Government grants receivable	**852,448**	*-*
	852,448	*11,475*

Government grants represent income receivable from central government under the Coronavirus Job Retention Scheme to cover some of the costs of employing certain members of staff placed on furlough leave in response to the COVID-19 pandemic.

8. Operating loss

Operating loss is stated after charging:

	2020	*2019*
	£	*£*
Depreciation of property, plant and equipment	**490,533**	*291,480*
Depreciation of right-of-use assets	**955,378**	*582,297*
Amortisation of intangible assets	**287,428**	*215,931*
(Gain)/loss on foreign exchange	**(28,758)**	*95,548*
Auditor's remuneration:		
- audit services	**100,000**	*80,000*
- tax compliance services	**-**	*6,750*
- non-audit services in relation to reporting accountant services	**-**	*93,619*
Short term lease expense:		
- plant	**112,755**	*10,402*
- property	**137,500**	-
Share based payments	**68,992**	*90,574*
Acquisition / share related costs:		
- acquisition costs	**19,645**	*235,394*
- share scheme costs	**-**	*27,767*
- other similar costs	**-**	*17,286*
Restructuring costs	**821,709**	-

Acquisition / share related costs in the prior year related to costs of acquisition of Lewis Abbott Limited, Heatseam Limited and H&V Carpets BVBA as well as costs of the Group share scheme and costs of £21,195 relating to the 2020 acquisition of A&A Carpets Limited.

Acquisition related costs in the current year relate to the acquisition of A&A Carpets Limited.

9. Directors and employees

Group

	2020 £	2019 £
Employee benefit expenses (including Directors) comprise:		
Wages and salaries	**6,586,038**	*4,396,045*
Social security costs	**639,743**	*417,320*
Pension costs	**283,550**	*213,389*
Compensation for loss of office	**41,842**	*37,176*
Share based payments	**68,992**	*90,574*
	7,620,165	*5,154,504*

The monthly average number of persons, including the Directors, employed by the Group during the year was as follows:

Group

	2020 No.	2019 No.
Directors	**4**	*4*
Other employees	**229**	*158*
	233	*162*

	2020 £	*2019 £*
Remuneration of directors		
Remuneration	**230,388**	*205,211*
Social security costs	**25,922**	*24,223*
Group pension contribution to defined contribution schemes	**25,600**	*23,707*
Share based payments	**14,418**	*13,884*
	296,328	*267,025*

In Q4 2019, an equitable salary was introduced for the second executive director. The full year impact of this would be seen in 2020, however, all executive team members, including the two Directors of Likewise Group Plc, remain on reduced pay since the start of the COVID-19 pandemic. This is subject to review by the Remuneration Committee.

	2020 No.	*2019 No.*
Directors accruing benefits under money purchase pension schemes	**1**	*1*
	1	*1*

2,700,000 share options were granted to directors during the prior year at an exercise price of £0.10 per share. There have been no options exercised or additional options granted in the year.

10. Finance income and expense

Recognised in profit or loss

	2020 £	*2019 £*
Finance income		
Interest on:		
Bank deposits	**10**	*130*
Total finance income	**10**	*130*
Finance expense		
Bank loan interest payable	**81,299**	*73,643*
Interest on lease liabilities	**121,288**	*19,276*
Other interest payable	**13,558**	*17,073*
Invoice discounting facility interest payable	**11,824**	*22,799*
Total finance expense	**227,969**	*132,791*
Net finance expense recognised in profit or loss	**(227,959)**	*(132,661)*

11. Taxation on ordinary activities

11.1 Income tax recognised in profit or loss

	2020 **£**	*2019* *£*
Current tax		
Current tax on losses for the year	**(7,981)**	-
Adjustments in respect of prior years	**(106,833)**	-
Total current tax	**(114,814)**	-
Deferred tax expense		
Origination and reversal of timing differences	**(88,863)**	*31,443*
Total deferred tax	**(88,863)**	*31,443*
Total tax (credit)/expense	**(203,677)**	*31,443*
Total tax (credit)/expense		
Total tax (credit)/expense	**(203,677)**	*31,443*
	(203,677)	*31,443*

11. Taxation on ordinary activities (continued)

11.1 Income tax recognised in profit or loss (continued)

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to losses for the year are as follows:

	2020	*2019*
	£	*£*
Loss for the year	**(3,071,304)**	*(2,820,106)*
Income tax expense	**(203,677)**	*31,443*
Loss before income taxes	**(3,274,981)**	*(2,788,663)*
Tax using the Company's domestic tax rate of 19% (2019:19%)	**(622,246)**	*(529,846)*
Fixed asset differences	**(2,552)**	*95,633*
(Income)/expenses not deductible for tax purposes	**101,999**	*(98,216)*
Losses carried back	**-**	*107,087*
Chargeable losses	**-**	*118,561*
Adjustments to tax charge in respect of prior periods	**(106,833)**	*-*
Non-taxable consolidation adjustments	**66,048**	*5,399*
Remeasurement of deferred tax	**7,235**	*19,284*
Deferred tax not recognised	**408,279**	*313,541*
Other tax adjustments, reliefs and transfers	**(43,395)**	*-*
Other differences leading to an increase/(decrease) in the tax charge	**(12,212)**	*-*
Total tax expense	**(203,677)**	*31,443*

Changes in tax rates and factors affecting the future tax charges

At 31 December 2020, the Group has tax losses of £10,211,829 (2019 - £5,230,930) are available for offset against future taxable profits.

11. Taxation on ordinary activities (continued)

11.2 Deferred tax balances

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

	2020	*2019*
	£	*£*
Deferred tax liabilities	**(700,484)**	*(819,097)*
	(700,484)	*(819,097)*

A deferred tax asset of £1,682,996 (2019 - £814,877) has not been recognised in the financial statements in relation to these losses.

A deferred tax asset has not been recognised in the year as it is uncertain that the asset will crystallise in the foreseeable future.

	Opening balance	**Recognised in profit or loss**	**Acquisitions/ disposals**	**Closing balance**
	£	**£**	**£**	**£**
2020				
Fixed asset timing differences	159,815	95,691	(36,566)	218,940
Arising on business combinations	732,942	(9,341)	-	723,601
Capital gains	-	31,045	-	31,045
Short term timing differences	(4,580)	(18,087)	6,816	(15,851)
Losses and other deductions	(69,080)	(188,171)	-	(257,251)
	819,097	(88,863)	(29,750)	700,484

12. Earnings per share

(i) Basic earnings per share

	2020 Pence	*2019 Pence*
Attributable to the ordinary equity holders of the Company	**(2)**	*(2)*
Total basic loss per share attributable to the ordinary equity holders of the Company	**(2)**	*(2)*

(ii) Reconciliation of earnings used in calculating earnings per share

Loss attributable to the ordinary equity holders of the Group:		
Used in calculating basic earnings per share	**(3,071,304)**	*(2,820,106)*
	(3,071,304)	*(2,820,106)*

(iii) Weighted average number of shares used as the denominator

	2020 number	*2019 number*
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**152,341,994**	*141,006,928*
	152,341,994	*141,006,928*

There were no potentially dilutive ordinary shares and therefore the basic loss per share equals the diluted loss per share.

13. Property, plant and equipment

Group

	Land and buildings £	Right of use assets - leasehold property £	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Fixtures, fittings & computer equipment £	Right of use assets - other £	Total £
Cost or valuation								
At 1 January 2019	3,100,000	159,179	-	45,962	-	42,427	116,817	3,464,385
Additions	-	515,984	8,730	124,997	-	425,570	527,426	1,602,707
Additions on acquisition of subsidiaries	-	348,134	-	144,198	649,679	88,744	192,844	1,423,599
Revaluations	775,000	-	-	-	-	-	-	775,000
At 31 December 2019	3,875,000	1,023,297	8,730	315,157	649,679	556,741	837,087	7,265,691
Additions	-	3,907,884	105,768	265,010	-	715,486	1,316,215	6,310,363
Acquisition of subsidiary	-	-	-	93,077	64,583	63,889	-	221,549
Disposals	-	(159,179)	-	(7,997)	(101,811)	(16,389)	(371,690)	(657,066)
Disposals on restructure	-	-	-	(57,204)	-	(193,090)	-	(250,294)
Revaluation / (impairment)	175,000	(91,733)	-	-	-	-	-	83,267
Foreign exchange movements	-	-	-	4,087	883	1,819	-	6,789
At 31 December 2020	**4,050,000**	**4,680,269**	**114,498**	**612,130**	**613,334**	**1,128,456**	**1,781,612**	**12,980,299**

13. Property, plant and equipment (continued)

	Land and buildings £	Right of use assets - leasehold property £	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Fixtures, fittings & computer equipment £	Right of use assets - other £	Total £
Accumulated depreciation								
At 1 January 2019	-	26,530	-	6,081	-	10,685	36,129	79,425
Charge for the year	48,257	-	437	34,900	141,507	66,379	-	291,480
Charge for right-of-use assets	-	376,389	-	-	-	-	205,908	582,297
Eliminated on revaluation	(48,257)	-	-	-	-	-	-	(48,257)
At 31 December 2019	-	402,919	437	40,981	141,507	77,064	242,037	904,945
Charge for the year	63,757	-	1,021	90,996	183,792	150,967	-	490,533
Charge for right-of-use assets	-	537,518	-	-	-	-	417,860	955,378
Disposals	-	(159,179)	-	(1,253)	(70,084)	(3,863)	(252,076)	(486,455)
Disposals on restructure	-	-	-	(22,925)	-	(58,833)	-	(81,758)
On revalued assets	(63,757)	-	-	-	-	-	-	(63,757)
Exchange adjustments	-	-	-	2,610	883	1,321	-	4,814
At 31 December 2020	**-**	**781,258**	**1,458**	**110,409**	**256,098**	**166,656**	**407,821**	**1,723,700**
Net book value								
At 1 January 2019	3,100,000	132,649	-	39,881	-	31,742	80,688	3,384,960
At 31 December 2019	3,875,000	620,378	8,293	274,176	508,172	479,677	595,050	6,360,746
At 31 December 2020	4,050,000	3,899,011	113,040	501,721	357,236	961,800	1,373,791	11,256,599

13. Property, plant and equipment (continued)

Fair value measurement

Included in land and buildings is land with a cost of £687,167 (2019 - £687,167) which is not depreciated.

The Group's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurement of the Group's freehold land and buildings as at 12 February 2021, which the directors do not believe is materially different to the valuation at year end, was performed by GeraldEve, independent valuers not related to the Group. GeraldEve are real estate advisors and have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The valuation conforms to International Valuation Standards and was determined on an open market basis.

If the freehold property had not been included at valuation, it would have been included under the historical cost convention as follows:

Cost of £3,100,000 (2019 - £3,100,000)
Depreciation of £144,771 (2019 - £96,514)
Net book value of £2,955,229 (2019 - £3,003,486)

13. Property, plant and equipment (continued)

13.1. Assets held under leases

The net book value of owned and leased assets included as "Property, plant and equipment" in the Consolidated Statement of Financial Position is as follows:

	31 December 2020 £	*31 December 2019 £*
Property, plant and equipment owned	**5,983,797**	*5,145,318*
Right-of-use assets	**5,272,802**	*1,215,428*
	11,256,599	*6,360,746*

Information about right-of-use assets is summarised below:

Net book value

	31 December 2020 £	*31 December 2019 £*
Property	**3,899,011**	*620,378*
Motor vehicles & plant and machinery	**1,373,791**	*595,050*
	5,272,802	*1,215,428*

Depreciation charge for the year ended

	31 December 2020 £	*31 December 2019 £*
Property	**537,518**	*376,389*
Motor vehicles & plant and machinery	**417,860**	*205,908*
	955,378	*582,297*

13.2 Impairment losses recognised in the year

During the year, the Group restructured the business to operate from one site. This resulted in an impairment of leasehold property right of use assets of £91,733.

13. Property, plant and equipment (continued)

13.3 Assets pledged as security

There is a floating charge against the assets of the subsidiary Heatseam Limited, from NatWest Bank PLC.

There is a fixed charge over the freehold land and buildings held by the Group and a floating charge over plant and machinery held by the subsidiary William Armes Limited in respect of the bank loans in place for the Group.

There is a floating charge against the assets of the subsidiaries William Armes Limited and Likewise Trading Limited in respect of the invoice financing arrangements.

13. Property, plant and equipment (continued)

Company

	Right of use assets - leasehold property £	Leasehold improvements £	Fixtures, fittings & computer equipment £	Total £
Cost or valuation				
Additions	144,659	8,730	25,066	178,455
At 31 December 2019	144,659	8,730	25,066	178,455
Additions	62,012	1,489	544	64,045
At 31 December 2020	**206,671**	**10,219**	**25,610**	**242,500**

	Right of use assets - leasehold property £	Leasehold improvements £	Fixtures, fittings & computer equipment £	Total £
Accumulated depreciation and impairment				
Charge for the year on owned assets	-	437	2,177	2,614
Charge for the year on leased assets	18,152	-	-	18,152
At 31 December 2019	18,152	437	2,177	20,766
Charge for the year on owned assets	-	1,021	4,758	5,779
Charge for the year on leased assets	22,770	-	-	22,770
At 31 December 2020	**40,922**	**1,458**	**6,935**	**49,315**
Net book value				
At 1 January 2019	-	-	-	-
At 31 December 2019	126,507	8,293	22,889	157,689
At 31 December 2020	165,749	8,761	18,675	193,185

13. Property, plant and equipment (continued)

13.4. Assets held under leases

The net book value of owned and leased assets included as "Property, plant and equipment" in the Company Statement of Financial Position is as follows:

	31 December 2020 £	*31 December 2019 £*
Property, plant and equipment owned	**27,436**	*31,182*
Right-of-use assets	**165,749**	*126,507*
	193,185	*157,689*

Information about right-of-use assets is summarised below:

Net book value

	31 December 2020 £	*31 December 2019 £*
Property	**165,749**	*126,507*
	165,749	*126,507*

14. Intangible assets

Group

	Licences £	Heatseam Customer base £	Heatseam Brandname £	Total £
Cost				
Additions on acquisition of subsidiaries	2,923	2,122,349	2,189,075	4,314,347
At 31 December 2019	2,923	2,122,349	2,189,075	4,314,347
Disposals	(2,923)	-	-	(2,923)
At 31 December 2020	**-**	**2,122,349**	**2,189,075**	**4,311,424**

	Licences £	Heatseam Customer base £	Heatseam Brandname £	Total £
Accumulated amortisation and impairment				
Charge for the year	360	106,117	109,454	215,931
At 31 December 2019	360	106,117	109,454	215,931
Charge for the year	-	141,490	145,938	287,428
Disposals	(360)	-	-	(360)
At 31 December 2020	**-**	**247,607**	**255,392**	**502,999**
Net book value				
At 31 December 2019	2,563	2,016,232	2,079,621	4,098,416
At 31 December 2020	-	1,874,742	1,933,683	3,808,425

The Company held no other intangible assets in any period.

15. Goodwill

Group

	2020 £	*2019* £
Cost	**4,216,728**	*4,028,287*
	4,216,728	*4,028,287*

	2020 £	*2019* £
Cost		
At 1 January	**4,028,287**	-
On acquisition of subsidiaries	**188,441**	*4,028,287*
At 31 December	**4,216,728**	*4,028,287*
Accumulated impairment		
At 31 December	**-**	-

15.1 Allocation of goodwill to cash generating units

The carrying amount of goodwill has all been allocated to the Group's primary activity of whole distribution and has been allocated to subsidiaries as follows:

	2020 £	*2019* £
Heatseam Limited and its subsidiaries	**3,253,210**	*3,253,210*
Lewis Abbott Limited	**467,847**	*467,847*
H&V Carpets BVBA	**307,230**	*307,230*
A. & A. Carpets Limited	**188,441**	-
	4,216,728	*4,028,287*

15. Goodwill (continued)

15.1 Allocation of goodwill to cash generating units (continued)

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The goodwill is a reflection of the benefit the acquisitions of subsidiaries will have on the Group by offering greater geographic coverage and providing the opportunity to expand this further than is currently the case. The acquisitions will benefit from the collective marketing and the enhanced product range available to all Group companies. Ultimately this will enable the acquired businesses and the existing Group members to provide an improved customer service, across a wider geographic area, with a greater product portfolio designed to help the Group to continue its development.

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used being a discount rate of 10% and original growth rate of 1%.

Heatseam Limited and its subsidiaries

The break even point of goodwill for Heatseam Limited is at a growth level of -2.5% with terminal growth factor of 2%. With specific regard to Heatseam Limited, management believes that there is no foreseeable change in any of the assumptions made that would cause the carrying value to exceed its recoverable amount. If the assumptions used in the impairment review were changed to a greater extent than presented, the changes would lead to an impairment loss being recognised for the year ended 31 December 2020. With a discount rate of 11.5%, growth and terminal growth rates of 1% then this impairment would equate to approximately £300,000.

Lewis Abbott Limited

The break even point of goodwill for Lewis Abbott Limited is at a growth level of -33% with terminal growth factor of 1%.

H&V Carpets BVBA

The break even point of goodwill for H&V Carpets BVBA is at a growth level of -27% with terminal growth factor of 1%.

A. & A. Carpets Limited

The break even point of goodwill for A. & A. Carpets Limited is at a growth level of -72% with terminal growth factor of 2%.

16. Subsidiaries

Details of the Group's material subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group (%) 2020	2019
1) Likewise Trading Limited	Wholesale distribution of floor coverings and associated products	Great Britain	100	100
2) William Armes Holdings Limited	Holding company	Great Britain	100	100
3) William Armes Limited(100% subsidiary of William Armes Holdings Limited)	Wholesale distribution of floor coverings and associated products	Great Britain	100	100
4) Lewis Abbott Limited(100% subsidiary of Likewise Trading Limited)	Wholesale distribution of floor coverings and associated products	Great Britain	100	100
5) Heatseam Limited	Wholesale distribution of floor coverings and associated products	Great Britain	100	100
6) Factory Flooring Outlet Ltd(100% subsidiary of Heatseam Ltd)	Dormant company	Great Britain	100	100
7) H&V Carpets BVBA	Wholesale distribution of floor coverings and associated products	Belgium	100	100
8) A&A Carpets Limited	Wholesale distribution of floor coverings and associated products	Great Britain	100	-

The registered offices of Likewise Group Plc, Heatseam Limited, Factory Flooring Outlet Ltd and A. & A. Carpets Limited are Unit 6 Topaz Business Park, Birmingham Road, Bromsgrove, England, B61 0GD.

The registered offices of Likewise Trading Limited, William Armes Holding Limited and William Armes Limited are Church Field Road, Sudbury, Suffolk, England, CO10 2YA.

The registered offices of Lewis Abbott Limited are Unit 16, Kent Park Industrial Estate, Ruby Street, Peckham, London, England, SE15 1LR.

The registered offices of H&V Carpets BVBA are Nijverheidsstraat 26, 8760 Meulebeke, Belgium.

Company - Shares in group undertakings

	Note	**2020** **£**
At 31 December 2019	16	**11,626,451**
Additions		**891,770**
Share options		**37,553**
		12,555,774

On 3 February 2020, the Company acquired the entire issued share capital of A. & A. Carpets Limited, a distributor of floor coverings, in line with the Group's objective of advancing the commercial and operational reach of the Group. Consideration of £891,770 was paid funded by an intercompany loan arrangement with Heatseam Limited.

The Group considers impairment of its subsidiaries annually, this is assessed in the context of the Group's structure, and if appropriate an impairment provision is made.

17. Inventories

Group

	2020 **£**	*2019* *£*
Finished goods and goods for resale	**7,555,806**	*8,759,741*
	7,555,806	*8,759,741*

	2020 **£**	*2019* *£*
Amounts of inventories recognised as an expense during the year	**34,992,370**	*22,026,068*
Amounts of inventories impaired during the year	**67,381**	*106,462*
	35,059,751	*22,132,530*

The Company did not hold any inventories in either the current or prior year.

18. Trade and other receivables

Group

	2020 £	2019 £
Trade receivables	**6,626,374**	*5,929,150*
Less: provision for impairment of trade receivables	**(118,137)**	*(68,376)*
Trade receivables - net	**6,508,237**	*5,860,774*
Prepayments and accrued income	**635,700**	*554,925*
Other receivables	**322,221**	*106,995*
Total trade and other receivables	**7,466,158**	*6,522,694*
Total current portion	**(7,466,158)**	*(6,522,694)*

18. Trade and other receivables (continued)

Company

	2020 £	*2019 £*
Receivables from related parties	**5,263,190**	*5,556,479*
Total financial assets other than cash and cash equivalents classified as loans and receivables	**5,263,190**	*5,556,479*
Prepayments and accrued income	**186,476**	*29,823*
Other receivables	**100**	*2,805*
Total trade and other receivables	**5,449,766**	*5,589,107*
Total current portion	**(5,449,766)**	*(5,589,107)*

All of the above amounts are financial assets of the Group and Parent Company except certain prepayments.

The Directors consider the carrying value of trade and other receivables is approximate to its fair value, after incorporating an impairment provision of £118,137 (2019: £68,376).

Trade receivables comprise amounts due from customers for goods sold. The Group's normal trade credit terms range from 30 to 60 days and therefore all are classified as current. There are a limited number of customers who are granted extended credit terms but these are not considered material to the financial statements. Trade receivables are recognised initially at the amount of consideration that is unconditional. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost.

The Group’s credit risk is primarily attributable to its trade receivables. The amounts presented in the Consolidated Statement of Financial Position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers.

	Group 2020 £	*Group 2019 £*
Not more than 30 days	**3,204,227**	*2,842,408*
More than 30 days but not more than 60 days	**1,796,272**	*1,911,470*
More than 60 days but not more than 90 days	**476,580**	*656,301*
More than 90 days but not more than 120 days	**191,260**	*424,687*
More than 120 days	**958,035**	*94,284*
Loss allowance	**(118,137)**	*(68,376)*
	6,508,237	*5,860,774*

The expected credit loss allowance is calculated using a weighted probability of loss based on age of the receivable:

	2020 £	*ECL*
More than 90 days but not more than 120 days - 3%	**144,006**	*4,320*
More than 120 days - 33% (adjusted for payment plans - see below)	**346,149**	*113,817*
	490,155	*118,137*

Due to the COVID-19 pandemic, credit terms were extended for a number of customers in the current year resulting in a slower recovery of debts. However, the credit checking process has ensured that such terms are only granted where ultimate recovery of the debt is likely. The probability of loss has therefore been amended for debtors more than 90 days from 5% to 3% and for debtors more than 120 days from 50% to 32.5%.

In addition, the debtors balance to which the ECL has been applied has been adjusted where there are payment plans in place arising as a result of the pandemic.

	£
Reconciliation of ECL allowance balance	
Balance at 1 January	**68,376**
ECL allowance charged to profit or loss	**49,761**
	118,137

The carrying amounts of the trade receivables include receivables which are subject to a factoring agreement. Under this arrangement, the subsidiary trading companies have transferred the relevant receivables to the factor in exchange for cash and are prevented from selling or pledging the receivables. However, the subsidiaries retain the late payment and credit risk. The Group therefore continues to recognise the transferred assets in their entirety in its Consolidated Statement of Financial Position. The amount repayable under the factoring agreement is presented as secured borrowing. The Group considers the held to collect business model to remain appropriate for these receivables and hence continues measuring them at amortised cost.

The relevant carrying amounts are:

	2020 **£**	*2019* *£*
Transferred receivables	**1,434,634**	*414,944*
Associated secured borrowings	**(1,093,264)**	*(352,702)*

19. Cash and cash equivalents

	Group 2020 **£**	*Group 2019* *£*	**Company 2020** **£**	*Company 2019* *£*
Cash at bank and in hand	**2,820,895**	*746,014*	**59,447**	*34,230*
	2,820,895	*746,014*	**59,447**	*34,230*

20. Trade and other payables

Group

	2020 £	2019 £
Trade payables	**10,599,998**	*7,822,188*
Other payables	**144,716**	*80,292*
Accruals	**1,169,781**	*536,047*
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	**11,914,495**	*8,438,527*
Other payables - tax and social security payments	**2,085,490**	*861,600*
Deferred consideration on acquisition of subsidiaries	**1,480,000**	*1,962,460*
Total trade and other payables	**15,479,985**	*11,262,587*
Less: current portion - trade payables	**(10,599,998)**	*(7,822,188)*
Less: current portion - other payables	**(2,230,206)**	*(941,892)*
Less: current portion - accruals	**(1,169,781)**	*(536,047)*
Less: current portion - deferred consideration	**(1,480,000)**	*(1,962,460)*
Total current portion	**(15,479,985)**	*(11,262,587)*
Total non-current position	**-**	*-*

20. Trade and other payables (continued)

Company

	2020 **£**	*2019* *£*
Trade payables	**12,363**	*23,312*
Payables to related parties	**2,379,925**	-
Other payables	**4,570**	*1,350*
Accruals	**175,781**	*70,184*
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	**2,572,639**	*94,846*
Other payables - tax and social security payments	**59,102**	*47,560*
Deferred consideration on acquisition of subsidiaries	**1,480,000**	*1,962,460*
Total trade and other payables	**4,111,741**	*2,104,866*
Less: current portion - trade payables	**(12,363)**	*(23,312)*
Less: current portion - payables to related parties	**(2,379,925)**	-
Less: current portion - other payables	**(63,672)**	*(48,910)*
Less: current portion - accruals	**(175,781)**	*(70,184)*
Less: current portion - deferred consideration	**(1,480,000)**	*(1,962,460)*
Total current portion	**(4,111,741)**	*(2,104,866)*
Total non-current position	**-**	-

Trade payables and accruals principally comprise amounts outstanding in relation to trade purchases and ongoing costs. Trade payables are unsecured and the Group has financial risk management procedures in place to ensure that all payables are paid within pre-agreed credit terms.

The Directors consider the carrying value of trade and other receivables is approximate to its fair value due to their short term nature.

Included within tax and social security payments for the Group is £655,189 relating to VAT deferred under the government's COVID-19 VAT payment deferral scheme.

Deferred consideration on acquisition of subsidiaries at 31 December 2019 of £1,962,460 consisted of £200,000 deferred cash payment in relation to the acquisition of Lewis Abbott Limited, £500,000 deferred cash payment in relation to the acquisition of Heatseam Limited and warrants issued on the acquisition of Heatseam Limited valued at £1,262,460. The deferred cash payments were made in the year ended 31 December 2020 and the warrants were revalued to £1,480,000 with the fair value movement of £217,540 included in the loss for the year.

All of the above amounts are financial liabilities of the Group and Parent Company except social security and other taxes.

21. Loans and borrowings

Group

	2020 £	*2019* *£*
Non-current		
Bank loans - secured	**1,779,668**	*1,765,522*
Lease liabilities	**4,969,987**	*869,220*
	6,749,655	*2,634,742*
Current		
Overdrafts	**-**	*127,639*
Bank loans and invoice discounting facility	**1,192,212**	*490,117*
Lease liabilities	**1,032,354**	*771,189*
	2,224,566	*1,388,945*
Total loans and borrowings	**8,974,221**	*4,023,687*

21. Loans and borrowings (continued)

Company

	2020 £	*2019* *£*
Non-current		
Bank loans - secured	**1,779,668**	*1,765,522*
Lease liabilities	**163,840**	*-*
	1,943,508	*1,765,522*
Current		
Bank loans - secured	**98,948**	*137,415*
Lease liabilities	**28,161**	*31,310*
	127,109	*168,725*
Total loans and borrowings	**2,070,617**	*1,934,247*

21. Loans and borrowings (continued)

The Directors consider that the carrying amount of the invoice discounting facility and bank loan approximates their fair value.

The invoice discounting facility is secured against the related trade debtor balances and by a floating charge over the assets of the Group. The invoice discounting facility is denominated in Sterling and Euro.

The overdraft facility is secured by a floating charge over the assets of the Group.

	2020	*2019*
	£	*£*
Amounts repayable under bank loans		
Within one year	**98,948**	*137,415*
In the second to fifth year inclusive	**580,147**	*603,357*
Beyond five years	**1,199,521**	*1,162,165*
	1,878,616	*1,902,937*

The invoice discounting facility for William Armes Limited has service charges of 0.2% (2019 - 0.2%) of the notified value of the related debt subject to a minimum service charge of £500 per month. The invoice discounting facility for Heatseam Limited has a fixed service charge of £18,000 per annum.

During 2018 the Company obtained a bank loan of £2,280,000. Repayments commenced on 5th August 2018 and will continue until 5th January 2033. The loan is secured by a fixed and floating charge over the Group's assets. The loan carries interest at on a floating rate basis with interest at Bank of England rate plus a margin of 2.95%.

A twelve month capital repayment holiday was granted on the bank loan effective April 2020. Interest payments were made throughout the period with capital repayments recommencing in April 2021. There were no defaults of the loan during the year.

This loan is at a floating interest rate and exposes the Group to fair value interest rate risk.

22. Leases

Group

(i) Leases as a lessee

The Group leases a variety of assets including buildings, plant and motor vehicles. The average term of lease for buildings is 5 years and other fixed assets is 3.5 years.

Lease liabilities are due as follows:

	2020	*2019*
	£	*£*
Contractual undiscounted cash flows due		
Not later than one year	**1,069,331**	*798,501*
Between one year and five years	**3,629,281**	*934,869*
Later than five years	**2,254,306**	-
	6,952,918	*1,733,370*
Lease liabilities included in the Consolidated Statement of Financial Position at 31 December	**6,002,341**	*1,640,409*
Non-current	**4,969,987**	*869,220*
Current	**1,032,354**	*771,189*

The following amounts in respect of leases have been recognised in profit or loss:

	2020	*2019*
	£	*£*
Interest expense on lease liabilities	**121,288**	*19,276*
Depreciation on lease liabilities	**955,378**	*582,297*
Impairment on lease liabilities	**91,733**	-
Loss on termination of lease liabilities	**645**	-
Expense relating to short-term leases	**250,255**	*10,402*
Changes in lease payments that arise from covid-19-related rent concessions	**(15,366)**	-

22. Leases (continued)

Company

(ii) Leases as a lessee

The Company leases buildings, plant and motor vehicles. The average term of lease for buildings is 5 years.

Lease liabilities are due as follows:

	2020	*2019*
	£	*£*
Contractual undiscounted cash flows due		
Not later than one year	**26,489**	*31,310*
Between one year and five years	**127,148**	*91,212*
Later than five years	**47,681**	*14,758*
	201,318	*137,280*
Lease liabilities included in the Company Statement of Financial Position at 31 December	**192,001**	*31,310*
Non-current	**163,840**	*-*
Current	**28,161**	*31,310*

The following amounts in respect of leases have been recognised in profit or loss:

	2020	*2019*
	£	*£*
Interest expense on lease liabilities	**3,304**	*1,338*
Depreciation on lease liabilities	**22,770**	*18,152*

The Group has received rent concessions from lessors due to the COVID-19 pandemic, including deferrals of rent.

As discussed in note 4.3, the Group has elected to apply the practical expedient introduced by the amendments to IFRS16 to all rent concessions that satisfy the criteria. Substantially all of the rent concessions entered into during the year satisfy the criteria to apply the practical expedient.

The application of the practical expedient has resulted in the reduction of total lease liabilities of £15,366. The effect of this reduction has been recorded in profit or loss in the period in which the event or condition that triggers the payments occurred.

23. Financial instruments

Classification of financial instruments

The fair value hierarchy Groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The only financial instruments the Group holds which are measured at fair value through the Income Statement (as level 2 above) are forward currency contracts (see note 25). All other financial assets and liabilities are held at amortised cost.

The tables below set out the Group's accounting classification of each class of its financial assets and liabilities.

	Group 2020 £	*Group 2019 £*	**Company 2020 £**	*Company 2019 £*
Financial assets at amortised cost				
Trade receivables	**6,508,237**	*5,860,774*	**-**	*-*
Amounts owed by group undertakings	**-**	*-*	**5,263,190**	*5,556,479*
Other receivables	**322,221**	*106,995*	**100**	*2,805*
Cash and cash equivalents	**2,820,895**	*746,014*	**59,447**	*34,230*
	9,651,353	*6,713,783*	**5,322,737**	*5,593,514*

All of the above financial assets' carrying values are approximate to their fair values, as at each reporting date disclosed.

	Group 2020 £	*Group 2019 £*	**Company 2020 £**	*Company 2019 £*
Non current financial liabilities at amortised cost				
Bank loans	**1,779,668**	*1,765,522*	**1,779,668**	*1,765,522*
	1,779,668	*1,765,522*	**1,779,668**	*1,765,522*

	Group 2020 £	*Group 2019 £*	**Company 2020 £**	*Company 2019 £*
Current financial liabilities at amortised cost				
Trade payables	**10,599,998**	*7,822,188*	**12,363**	*23,312*
Amounts owed to group undertakings	**-**	*-*	**2,379,925**	*-*
Deferred consideration on acquisition of subsidiaries	**1,480,000**	*1,962,460*	**1,480,000**	*1,962,460*
Other payables	**144,716**	*80,292*	**4,570**	*1,350*
Accruals	**1,169,781**	*536,047*	**175,781**	*70,184*
Invoice discounting facility	**1,093,264**	*352,702*	**-**	*-*
Bank loans - current	**98,948**	*137,415*	**98,948**	*137,415*
	14,586,707	*10,891,104*	**4,151,587**	*2,194,721*

All of the above financial liabilities' carrying values are considered by management to be approximate to their fair values, as at each reporting date disclosed.

24. Provisions

Group

	Dilapidation provision £
Charged to profit or loss	322,762
Utilised during the year	(15,040)
On business combinations	75,000
At 31 December 2020	**382,722**
Due within one year or less	382,722
	382,722

25. Financial instrument risk exposure and management

25.1 Financial risk management objectives

The Group's operations expose it to degrees of financial risk that include liquidity risk, credit risk, interest rate risk, and foreign currency risk.

This note describes the Group's objectives, policies and process for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented in the notes above.

25.2 Foreign currency risk

Most of the Group's transactions are carried out in GBP. Exposures to foreign currency exchange rates arise from the Group's overseas sales and purchases, which are denominated in a number of currencies, primarily EUR.

The Group assesses exposure and takes out forward currency contracts to mitigate this foreign exchange risk. As at the 31 December 2020 the value of forward contracts held by the subsidiary companies were as follows:

William Armes Limited held forward Euro contracts totalling £57,278 (2019: £59,732). These contracts expire at various dates between 5 January 2021 and 5 February 2021.

Heatseam Limited held forward Euro contracts totalling £308,523 and forward USD contracts totalling £854,661. These contracts expire at various dates between 1 February 2021 and 28 April 2021.

25.3 Interest rate risk

The Group has secured debt consisting of an invoice discounting facility and bank loan.

The interest on the bank loan and discounting facility are at floating rates, however interest rate risk is considered to be limited due to the low current interest rates and economic climate. The Directors have performed sensitivity analysis which shows the impact on cash flow for the coming year would be less than £200k even if interest rates were to rise by 5% which is consider by the Directors to be highly unlikely.

The Group's only other exposure to interest rate risk is the interest received on the cash held on deposit, which is immaterial.

25. Financial instrument risk exposure and management (continued)

25.4 Credit risk

The Group's credit risk is primarily attributable to its cash balances and trade receivables.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counter party or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

The ageing profile of the trade receivables balance can be seen in note 18 above.

The Group's total credit risk amounts to the total of the sum of the receivables and cash and cash equivalents. At the 2020 reporting date this amounts to £9,666,370 (2019 - £6,713,783).

25. Financial instrument risk exposure and management (continued)

25.5 Liquidity risk

Liquidity and interest risk tables

Prudent liquidity risk management includes maintaining sufficient cash balances to ensure the Group can meet liabilities as they fall due, and ensuring adequate working capital using invoice financing arrangements.

In managing liquidity risk, the main objective of the Group is therefore to ensure that it has the ability to pay all of its liabilities as they fall due. The Group monitors its levels of working capital to ensure that it can meet its debt repayments as they fall due.

The tables below show the undiscounted cash flows on the Group's financial liabilities on the basis of their earliest possible contractual maturity.

	Carrying amount £	Total £	1 - 3 months £	3 - 12 months £	1 - 2 years £	2 - 5 years £	More than 5 years £
31 December 2020							
Trade payables	10,599,998	10,599,998	10,599,998	-	-	-	-
Other taxation and social security	2,085,490	2,085,490	2,085,490	-	-	-	-
Deferred consideration	1,480,000	1,480,000	-	1,480,000	-	-	-
Other payables	144,716	144,716	144,716	-	-	-	-
Accruals	1,169,781	1,169,781	1,169,781	-	-	-	-
Lease liabilities	6,952,918	6,952,918	267,333	801,998	1,150,287	2,478,994	2,254,306
Invoice discounting facility	1,093,264	1,093,264	1,093,264	-	-	-	-
Bank loans	2,240,259	2,240,259	38,357	115,072	189,326	567,978	1,329,526
	25,766,426	25,766,426	15,398,939	2,397,070	1,339,613	3,046,972	3,583,832

25. Financial instrument risk exposure and management (continued)

25.5 Liquidity risk (continued)

31 December 2019	Carrying amount £	Total £	1 - 3 months £	3 - 12 months £	1 - 2 years £	2 - 5 years £	More than 5 years £
Trade payables	7,822,188	7,822,188	7,822,188	-	-	-	-
Other taxation and social security	861,600	861,600	861,600	-	-	-	-
Deferred consideration	1,962,460	1,962,460	200,000	500,000	1,262,460	-	-
Other payables	80,292	80,292	80,292	-	-	-	-
Accruals	536,047	536,047	536,047	-	-	-	-
Lease liabilities	1,733,370	1,733,370	236,655	561,846	474,176	460,693	-
Invoice discounting facility	352,702	352,702	352,702	-	-	-	-
Bank loans	2,333,462	2,333,462	51,377	154,131	205,509	616,527	1,305,918
	15,682,121	15,682,121	10,140,861	1,215,977	1,942,145	1,077,220	1,305,918

26. Capital management

The Group's capital management objectives are:
- To ensure the Group's ability to continue as a going concern; and
- To provide long term returns to shareholders.

The Group defines and monitors capital on the basis of the carrying amount of equity plus its outstanding borrowings, less cash and cash equivalents as presented on the face of the Consolidated Statement of Financial Position as detailed below:

	2020	*2019*
	£	*£*
Equity	**11,587,199**	*14,410,527*
Borrowings	**8,974,221**	*4,023,687*
Cash and cash equivalents	**(2,820,895)**	*(746,014)*
	17,740,525	*17,688,200*

The Board of Directors monitors the level of capital as compared to the Group's commitments and adjusts the level of capital as is determined to be necessary by issuing new shares or adjusting the level of debt. The Group is not subject to any externally imposed capital requirements.

27. Share capital

Consolidated and Company

Authorised

	2020	**2020**
	Number	**£**
Shares treated as equity		
Ordinary shares of £0.01 each	**152,341,994**	**1,523,420**
	152,341,994	**1,523,420**

Issued and fully paid

	2020	**2020**
	Number	**£**
Ordinary shares of £0.01 each		
At 1 January and 31 December	**152,341,994**	**1,523,420**

The Company has one class of ordinary share which carry no right to fixed income.

28. Share premium

	2020 £	2019 £
Consolidated and Company		
Balance at start of year	**13,389,295**	*200,100*
Premium arising on issue of equity shares	**-**	*14,089,438*
Legal and professional fees incurred on issue of equity shares	**-**	*(852,183)*
Valuation of warrant shares	**-**	*(48,060)*
Balance at end of year	**13,389,295**	*13,389,295*

29. Reserves

Share capital

This represents the nominal value of shares that have been issued.

Share premium

This reflects proceeds generated on issue of shares in excess of their nominal value and is a non-distributable reserve.

Revaluation reserve

This is used to record increases in the fair value of fixed assets and decreases to the extent that the decrease relates to a previous increase on the same asset. The revaluation reserve is a non-distributable reserve.

Foreign exchange reserve

This reflects the exchange differences on the translation of the foreign subsidiary.

Retained earnings

This includes all current and prior period gains and losses and is a distributable reserve.

Share option reserve

This represents the cumulative fair value of options granted.

Warrant reserve

This represents the cumulative fair value of warrants granted.

30. Warrants over ordinary shares

On 9 January 2019, the Company issued warrants over 1,800,000 shares as part of the IPO at a price of £0.10 per share.

On 1 May 2019, the Company issued warrants over 1,000,000 shares as part of the acquisition of H&V Carpets BVBA at a price of £0.30 per share.

Warrants are exercisable at any date in the ten years following the date of grant and none had been exercised as at 31 December 2020.

Warrants were valued using the Black-Scholes model. The inputs to the model were the option price and share price at date of grant, expected date of exercise, expected volatility (20%), expected dividend rate (0%) and risk free rate of return (4%). The fair value of the warrants at the date of grant was considered to be £128,170.

31. Retirement plans

Defined contribution scheme

The Group operates a defined contribution pension scheme, the assets of which are held separately from those of the Group in an independently administered fund. Contributions made by the Group to the scheme during the year amounted to £283,550 (2019 - £213,389). The amount outstanding at the reporting date in respect of contributions to the scheme were £57,210 (2019 - £52,071).

(i) Defined benefit scheme characteristics and funding

William Armes Limited, a subsidiary of the Group since 9 January 2018, operates a pension scheme providing benefits based on final pensionable pay. The Scheme is closed to new members and is closed to future accrual. For pensions earned after 5 April 1997 and for Guaranteed Minimum Pensions earned between 6 April 1998 and 5 April 1997, increases in payment will be in line with CPI rather than RPI. Revaluations of pensions in deferment are linked to RPI.

The assets of the Scheme are held separately from those of the Group in trustee-administered funds. The level of contributions is determined by a qualified actuary on the basis of triennial valuations. The latest full valuation was completed by an independent actuary on 31 December 2017.

The contribution paid for the year ended 31 December 2020 was £20,000 (2019 - £20,000). It has been agreed with the trustee that contributions for the next year will be £20,000 (2019 - £20,000).

Given that the defined benefit pension scheme is in surplus at 31 December 2020, there is expected to be no material impact on the Group's future cash flows.

(ii) Reconciliation of defined benefit obligation and fair value of scheme assets

	Defined benefit obligation		Fair value of scheme assets		Effect of asset ceiling		Net defined scheme liability	
	2020	*2019*	**2020**	*2019*	**2020**	*2019*	**2020**	*2019*
	£	*£*	**£**	*£*	**£**	*£*	**£**	*£*
Balance at 1 January	**1,733,000**	*1,673,000*	**(1,902,000)**	*(1,704,000)*	**169,000**	*31,000*	**-**	-
Interest cost	**34,000**	*46,000*	**(34,000)**	*(46,000)*	**-**	-	**-**	-
Included in profit or loss	**1,767,000**	*1,719,000*	**(1,936,000)**	*(1,750,000)*	**169,000**	*31,000*	**-**	-
Remeasurement loss								
Actuarial loss from:								
- Demographic assumptions	**124,000**	*100,000*	**-**	-	**-**	-	**124,000**	*100,000*
- Limited by asset ceiling	**-**	-	**-**	-	**(127,000)**	*138,000*	**(127,000)**	*138,000*
Return on plan assets (excluding interest)	**-**	-	**23,000**	*(218,000)*	**-**	-	**23,000**	*(218,000)*
Change in asset ceiling (excluding interest)	**-**	-	**-**	-	**-**	-	**-**	-
Included in other comprehensive income	**124,000**	*100,000*	**23,000**	*(218,000)*	**(127,000)**	*138,000*	**20,000**	*20,000*
Employer contributions	**-**	-	**(20,000)**	*(20,000)*	**-**	-	**(20,000)**	*(20,000)*
Benefits paid	**(87,000)**	*(86,000)*	**87,000**	*86,000*	**-**	-	**-**	-
Other movements	**(87,000)**	*(86,000)*	**67,000**	*66,000*	**-**	-	**(20,000)**	*(20,000)*
Balance at 31 December	**1,804,000**	*1,733,000*	**(1,846,000)**	*(1,902,000)*	**42,000**	*169,000*		

Actuarial assumption

The principal actuarial assumptions used in the determining calculating the present value of the defined benefit obligation (weighted average) include:

	2020	*2019*
Discount rate	**1.30 %**	*2.00 %*
Future salary increases	**2.00 %**	*2.10 %*
Inflation assumption (RPI)	**2.80 %**	*2.90 %*
Mortality rates - for male aged 65 now	**1.50 %**	*1.50 %*
Mortality rates - for female aged 65 now	**1.00 %**	*1.00 %*
Longevity at retirement age (current pensioners)		
- Males	**86.6 years**	*86.5 years*
- Females	**88.1 years**	*88.1 years*
Longevity at retirement age (future pensioners)		
- Males	**88.4 years**	*88.3 years*
- Females	**89.4 years**	*89.3 years*

Sensitivity analysis

Analysis of the sensitivity to the principal assumptions of the present value of the defined benefit obligation was performed as part of the full 2017 valuation:

- An increase of 0.5% in the pre retirement interest rate would lead to a £14,000 decrease in liabilities;
- If the gap between RPI and CPI had been kept at 0.5% it would lead to a £46,000 increase in liabilities;
- If the rate of mortality had been unchanged from the prior report there would be a £52,000 increase in liabilities.

32. Share-based payments

Equity settled share option plan

The Company has a Savings-Related Share Option Plan ("SAYE") for all employees of the Group. In accordance with the terms of the plan, as approved by shareholders, employees of the Group may be granted options to purchase ordinary shares. There are no performance criteria for the SAYE and options are issued to participants in accordance with HMRC rules. Vesting is conditional on continuity of service.

During the prior year 6,397,546 options were issued, including 600,000 options to directors, at a weighted average option price of £0.13 per share. During the current year no new options were issued and 1,339,817 options lapsed on employees leaving the Group. No options were exercised in the year. The remaining contractual life of the remaining 5,057,729 options is approximately 4 years.

In addition, during the prior year the Company granted 2,100,000 share options to directors and 6,665,000 shares to management in the year under Enterprise Management Incentives (EMIs) at a weighted average option price of £0.18 per share. During the current year a further 2,000,000 new options were issued at an option price of £0.10 and 1,700,000 options lapsed on employees leaving the Group. The remaining contractual life of the options is approximately 4 years. No options were exercised in the year.

Share options are valued using the Black-Scholes model. The inputs to the model are the option price and share price at date of grant, expected volatility (20%), expected dividend rate (0%) and risk free rate of return (4%). The model has been adjusted for expected behavioural considerations.

The cost of options is amortised to the Statement of Comprehensive Income over the service life of the option resulting in a charge of £68,992 for the year (2019 - £90,574).

33. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

33.1 Compensation of key management personnel

The remuneration of the Directors and other members of key management personnel during the year was as follows:

	2020	*2019*
	£	*£*
Remuneration of key management		
Remuneration	**610,976**	*658,894*
Social security costs	**77,302**	*83,243*
Group pension contribution to defined contribution schemes	**61,347**	*42,207*
Share based payments	**17,140**	*13,884*
	766,765	*798,228*

During 2019, Key management personnel were granted 1,200,000 options under the Group SAYE scheme at an option price of £0.10 per share and 3,900,000 options under the Group EMI scheme at an option price of £0.10 per share.

34. Business combinations during the year

34.1 Assets acquired and liabilities recognised at the date of acquisition

On 3 February 2020, the Company acquired the entire issued share capital of A. & A. Carpets Limited, a distributor of floor coverings, in line with the Group's objective of advancing the commercial and operational reach of the Group. Consideration of £891,770 was paid funded by an intercompany loan arrangement with Heatseam Limited. Net assets acquired had a fair value at acquisition of £703,329 as detailed below.

	Book value £	Fair value adjustment £	Fair value £
Non-current assets			
Property, plant and equipment	350,819	(129,270)	221,549
Current assets			
Cash and cash equivalents	136,958	-	136,958
Trade and other receivables	874,724	(30,000)	844,724
Inventories	2,513,689	(2,206,436)	307,253
Deferred tax assets	37,216	-	37,216
	3,913,406	(2,365,706)	1,547,700
Current liabilities			
Trade and other liabilities	(1,093,968)	249,597	(844,371)
	2,819,438	(2,116,109)	703,329

The book value of receivables represents both the gross contracted and fair value of amounts receivable. At the acquisition date, the entire book value of receivables was expected to be collected.

34.2 Goodwill arising on acquisition

	A. & A. Carpets Limited £	Total £
Consideration transferred	891,770	891,770
Fair value of identifiable net assets acquired	(703,329)	(703,329)
Goodwill arising on acquisition	188,441	188,441

There has been no inclusion of other intangible assets separate to goodwill as the value was not deemed to be material. The goodwill is a reflection of the benefit the acquisitions will have on the Group by offering greater geographical coverage.

34. Business combinations during the year (continued)

34.3 Net cash outflow on acquisition

	2020 £
Consideration paid in cash	**891,770**
Less: cash and cash equivalent balances acquired	**(136,958)**
	754,812

Acquisition related costs for the acquisition of A&A Carpets Ltd amounted to £19,645 in the current year and £21,195 in 2019.

34.4 Impact of acquisition on the results of the Group

A. & A. Carpets Limited contributed £7,137,683 of revenue and a profit of £426,213 to the Group's profit for the period between the date of acquisition and the reporting date. If the acquisition of A&A Carpets Limited had been completed on the first day of the financial year, contribution to the Group revenues would have been £7,663,297 and a profit of £359,957 to Group's profit for the year.

35. Changes in liabilities arising from financing activities

	Cash / bank overdraft £	Borrowing due within one year £	Borrowing due after one year £	Total £
Net debt at 31 December 2018	**384,389**	**(387,644)**	**(2,130,306)**	**(2,133,561)**
Cash flows	**233,986**	**(102,473)**	**364,784**	**496,297**
Repayment of / new lease liabilities	**-**	**(771,189)**	**(869,220)**	**(1,640,409)**
Net debt at 31 December 2019	**618,375**	**(1,261,306)**	**(2,634,742)**	**(3,277,673)**
Net debt at 31 December 2019	**618,375**	**(1,261,306)**	**(2,634,742)**	**(3,277,673)**
Cash flows	**2,202,520**	**-**	**-**	**2,202,520**
Repayment of bank loans	**-**	**38,467**	**-**	**24,321**
Unpaid interest	**-**	**-**	**(14,146)**	**-**
New Heatseam invoice discounting facility	**-**	**(946,312)**	**-**	**(740,562)**
Reduction in William Armes Limited invoice discounting	**-**	**205,750**	**-**	**-**
Repayment of / new lease liabilities	**-**	**(261,165)**	**(4,100,767)**	**(4,361,932)**
Net debt at 31 December 2020	**2,820,895**	**(2,224,566)**	**(6,749,655)**	**(6,153,326)**

36. Post balance sheet events

On 19 February 2021 the Company allotted 32,200 new £0.01 Ordinary Shares for consideration of £0.10 per share, totalling £3,220.

The COVID-19 pandemic continued to impact the Group following the year end - please see the Directors Report for further narrative on this matter.

The Board do not believe that there has been any material impact on long term asset values in the business as a result of the pandemic.