

Registered number: 02576310

CANEI INTERNATIONAL LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 OCTOBER 2019

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CANEI INTERNATIONAL LIMITED

COMPANY INFORMATION

Directors	R L Bhardwaj B K Bhardwaj K K Bhardwaj
Company secretary	B K Bhardwaj
Registered number	02576310
Registered office	4brothers House Wilsthorpe Road Long Eaton Nottingham NG10 3LE
Independent auditor	Cooper Parry Group Limited Chartered Accountants & Statutory Auditor Sky View Argosy Road East Midlands Airport Castle Donington Derby DE74 2SA

CANEI INTERNATIONAL LIMITED

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CANEI INTERNATIONAL LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 OCTOBER 2019

Introduction

The principal activities of the company are that of car sales and servicing, and storage rental.

Business review

The results for the year and financial position of the company are shown in the annexed financial statements.

Throughout the 2019 financial year, we have again demonstrated business resilience and an ability to manage external pressures. The result is, that in spite of the external headwinds of challenging trading conditions, we have been able to make further progress, with both cash and borrowing facilities continuing to be available for investment opportunities.

At the same time, we have maintained a high standard of customer service excellence, which acts as a strong driver for customer base growth and plays an important part in reinforcing our reputation and maintaining our competitive advantage.

The board are satisfied with the trading performance during the year, achieving strong revenues and profits.

Also, the board are confident that the company remains well placed delivering a consistently reliable performance which will enable it to build on its investment for long term growth. The strategy put in place some years ago to enhance internal training procedures and the dedication of employees is delivering results.

Principal risks and uncertainties

Vehicle pricing risk could impact the company's business through fluctuations in prices in the nearly-new and used vehicle market. This risk is reduced by the company monitoring their selling prices on a regular basis against other key competitors in the market.

Interest rate risks are reduced by the company continuing to finance its operations through a mixture of retained profits, bank borrowings and a stock financing facility. The company's exposure to interest rate fluctuations on its borrowing is managed by the use of both fixed and floating facilities.

Financial risks are considered low because of strong profitability, a cash generative base, and because the company are able to insure against material financial risks.

Liquidity risk is mitigated due to the company's strong cash flow, and a good earnings visibility ensures that its margins are sufficient to exceed operating costs. Current borrowing levels and financial covenants can be supported comfortably. Facilities are in place until 2023.

The Coronavirus pandemic impacted on the company's trade in the period of forced 'lockdown', however since the restrictions were eased there have been very positive signs in the sector, particularly around car sales. This coupled with support from the government has meant the business has remained profitable and is well placed to deal with any subsequent restrictions imposed.

In the view of the directors the company has no material uncertainties as it is a well-established local business.

Analysis of development and performance

Sales activity continues to be buoyant and this should continue, with new customers continually attracted to the brand. The lifting of government restrictions following the outbreak of the Coronavirus pandemic has seen an increase in interest for car sales which has benefitted the company.

The company continues to offer a quality, customer-driven service across the whole business, helping to retain existing customers and to attract new ones.

CANEI INTERNATIONAL LIMITED
STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2019

Analysis using financial key performance indicators

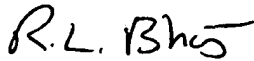
The financial key performance indicators are turnover from products and services, operating profit and profit before tax.

Turnover from products and services increased by 7% to £27.1m (2018: £25.3m). Operating profits have remained strong at £1.4m (2018: £1.5m). Profit before tax decreased by 10% to £1.3m (2018: £1.4m).

Future developments

The company is aiming to increase sales whilst maintaining higher margins, with internet sales and diversification into specialist areas being a major factor in the growth process.

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



R L Bhardwaj
Director

Date: 20 October 2020

CANEI INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2019

The directors present their report and the financial statements for the year ended 31 October 2019.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £1,014,818 (2018: £1,127,352).

A dividend of £300,000 has been paid during the year (2018: £280,000).

Directors

The directors who served during the year are noted on the company information page.

Disclosure of information to auditor

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

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

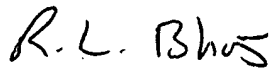
CANEI INTERNATIONAL LIMITED

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

Post balance sheet events

At the date of signing these financial statements, the UK is in partial 'lockdown' as a result of the Covid-19 pandemic. The severity and length of economic downturn is unknown due to the uncertainty of the social distancing measures enforced by the UK government. The UK government has announced unprecedented levels of financial support for the economy in the form of grants to retain employees that are furloughed during this time, as well business support grants. The directors have considered the effect on the company with the information available to it, and do not believe it will affect the company's ability to continue to trade for the foreseeable future. See note 1.2 for further details.

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



R L Bhardwaj
Director

Date: 20 October 2020

CANEI INTERNATIONAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANEI INTERNATIONAL LIMITED

Opinion

We have audited the financial statements of Canei International Limited (the 'company') for the year ended 31 October 2019, which comprise the profit and loss account, the balance sheet, the statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

CANEI INTERNATIONAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANEI INTERNATIONAL LIMITED (CONTINUED)

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

CANEI INTERNATIONAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANEI INTERNATIONAL LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



Steven Ellis (Senior Statutory Auditor)

for and on behalf of

Cooper Parry Group Limited

Chartered Accountants
Statutory Auditor

Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA

Date: 20 October 2020

CANEI INTERNATIONAL LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 OCTOBER 2019**

	Note	2019 £	2018 £
Turnover	1.3,3	27,057,985	25,322,207
Cost of sales		(22,269,898)	(20,762,627)
Gross profit		4,788,087	4,559,580
Administrative expenses		(3,395,768)	(3,035,889)
Operating profit	4	1,392,319	1,523,691
Interest payable and similar expenses	6	(133,637)	(124,478)
Profit on ordinary activities before taxation		1,258,682	1,399,213
Taxation on profit on ordinary activities	7	(243,864)	(271,861)
Profit for the financial year		<u>1,014,818</u>	<u>1,127,352</u>
Retained earnings at the beginning of the year		8,458,859	7,611,507
Profit for the financial year		1,014,818	1,127,352
Dividends declared and paid		(300,000)	(280,000)
Retained earnings at the end of the year		<u>9,173,677</u>	<u>8,458,859</u>

There were no recognised gains and losses for 2019 or 2018 other than those included in the profit and loss account.

The notes on pages 11 to 26 form part of these financial statements.

CANEI INTERNATIONAL LIMITED
REGISTERED NUMBER: 02576310

BALANCE SHEET
AS AT 31 OCTOBER 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible fixed assets	9	-	-
Tangible fixed assets	10	1,099,681	1,137,914
Investment property	11	1,420,000	1,420,000
		<u>2,519,681</u>	<u>2,557,914</u>
Current assets			
Stocks	12	4,257,844	4,853,501
Debtors	13	8,579,183	7,723,199
Bank and cash balances		1,614,715	1,012,680
		<u>14,451,742</u>	<u>13,589,380</u>
Creditors: amounts falling due within one year	14	<u>(6,037,138)</u>	<u>(5,684,294)</u>
Net current assets		<u>8,414,604</u>	<u>7,905,086</u>
Total assets less current liabilities		<u>10,934,285</u>	<u>10,463,000</u>
Creditors: amounts falling due after more than one year	15	(1,285,710)	(1,529,026)
Provisions for liabilities			
Deferred taxation	17	<u>(29,551)</u>	<u>(29,768)</u>
Net assets		<u><u>9,619,024</u></u>	<u><u>8,904,206</u></u>
Capital and reserves			
Called up share capital	18	1,000	1,000
Other reserves	19	444,347	444,347
Profit and loss account	19	9,173,677	8,458,859
Shareholders' funds		<u><u>9,619,024</u></u>	<u><u>8,904,206</u></u>

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

R.L. Bhardwaj

R L Bhardwaj
Director

Date: 20 October 2020

The notes on pages 11 to 26 form part of these financial statements.

CANEI INTERNATIONAL LIMITED

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

	2019 £	2018 £
Cash flows from operating activities		
Profit for the financial year	1,014,818	1,127,352
Adjustments for:		
Depreciation of tangible fixed assets	71,307	75,623
Interest paid	133,637	124,478
Taxation charge	243,864	271,861
Decrease in stocks	595,657	49,589
Increase in debtors	(855,984)	(2,425,967)
Increase in creditors	703,470	230,551
Corporation tax paid	(272,977)	(261,300)
Net cash generated from operating activities	<u>1,633,792</u>	<u>(807,813)</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(33,074)	(16,462)
Net cash from investing activities	<u>(33,074)</u>	<u>(16,462)</u>
Cash flows from financing activities		
New secured loans	-	1,469,000
Repayment of secured loans	(243,316)	(923,158)
Movement on stock loans	-	135,515
Repayment of other loans	(200,720)	-
Repayment of finance leases	(160)	(1,918)
Dividends paid	(300,000)	(280,000)
Interest paid	(133,266)	(124,214)
Hire purchase interest paid	(371)	(264)
Net cash used in financing activities	<u>(877,833)</u>	<u>274,961</u>
Net increase/(decrease) in cash and cash equivalents	722,885	(549,314)
Cash and cash equivalents at beginning of year	393,546	942,860
Cash and cash equivalents at the end of year	<u><u>1,116,431</u></u>	<u><u>393,546</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,614,715	1,012,680
Bank overdrafts	(498,284)	(619,134)
	<u><u>1,116,431</u></u>	<u><u>393,546</u></u>

The notes on pages 11 to 26 form part of these financial statements.

CANEI INTERNATIONAL LIMITED

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

1. Accounting policies

Canei International Limited is a limited liability company incorporated and domiciled in the United Kingdom. The address of its registered office is shown on the company information page.

The financial statements are prepared in Sterling (£) which is the functional currency of the company. The financial statements are for the year ended 31 October 2019 (2018: year ended 31 October 2018).

1.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard (FRS) 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires directors to exercise judgement in applying the company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The following principal accounting policies have been applied consistently throughout the year:

1.2 Going concern

At the balance sheet date the company had a cash balance (net of overdraft) of £1,116,431, net current assets of £8,414,604, and net assets of £9,619,024. At the time of signing these accounts, the directors have considered the effect of the Coronavirus on the going concern position, and consider that this does indicate that the company will continue to trade for a period of at least 12 months from the date of signing these accounts.

Like many businesses the period of lockdown has been difficult which resulted in a slowdown of trade and the company made use of the UK Government support available to businesses during this difficult time under the Coronavirus Job Retention Scheme, as well as applying for business support grants for each of its sites. With the easing of lockdown, the company has seen improved trading conditions and at the date of signing of these financial statements have all but one employee back from furlough.

The current cash position of the company at the time of signing these accounts is strong and the company has still been able to meet all its financial liabilities, such as VAT and loan repayments, without taking advantage of government backed schemes to take repayment holidays or delay payment of taxes, nor have the banking facilities available needed to be increased above current levels. The directors are therefore satisfied that the company will continue to be able to operate within the banking facilities available to it for a period of at least 12 months from the date of signing these accounts.

On that basis, the directors have prepared these financial statements on a going concern basis.

CANEI INTERNATIONAL LIMITED

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

1. Accounting policies (continued)

1.3 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Sale of motor vehicles and accessories

Turnover from the sale of motor vehicles and accessories is recognised when the vehicle has been collected by the customer and the risks and rewards of ownership have passed.

Sale of motor related services

Turnover from motor related services include car servicing, MOT tests and warranties. Sales of related services are recognised when the product is supplied to the customer. Costs in relation to warranties are expensed to the profit and loss account as incurred.

Commission receivable

Where the company receives commission income, primarily arising when the customer uses third-party finance to purchase the vehicle, the company recognises such income on an accruals basis.

Other income

Other income relates to rental income received from investment properties and storage units. Other income is recognised on an accruals basis for the duration of the contract.

1.4 Intangible fixed assets

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the profit and loss account over its useful economic life of five years.

1.5 Tangible fixed assets

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

Repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

CANEI INTERNATIONAL LIMITED

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

1. Accounting policies (continued)

1.5 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Freehold property	- 2% on cost
Short-term leasehold property	- 20% to 33.3% on cost
Plant and machinery	- 15% reducing balance
Motor vehicles	- 25% reducing balance
Fixtures and fittings	- 10% reducing balance
Computer equipment	- 25% reducing balance

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit and loss account.

At each balance sheet date, the company reviews the carrying amounts of its tangible fixed assets to determine whether there is any indication that any items have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of the asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately in the profit and loss account.

1.6 Investment property

Investment property is carried at fair value determined annually by the directors based on advice from professional surveyors and also derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the profit and loss account.

1.7 Stocks

Stocks are stated 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.

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

CANEI INTERNATIONAL LIMITED

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

1. Accounting policies (continued)

1.8 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities such as trade and other debtors and creditors, loans from banks and other third parties and loans with related parties.

All financial assets and liabilities are initially measured at transaction price and subsequently measured at amortised cost.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

1.9 Leasing and hire purchase

Assets that are held by the company under leases which transfer substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership are classed as operating leases.

Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets and depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Obligations under such arrangements are included in creditors net of the finance charge allocated to future periods.

The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.10 Dividends

Equity dividends are recognised when they become legally payable.

1.11 Pensions

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

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

1.12 Provisions for liabilities

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

Provisions are charged as an expense to the profit and loss account in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

CANEI INTERNATIONAL LIMITED

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

1. Accounting policies (continued)

1.13 Taxation

The tax charge for the year comprises of current and deferred tax.

Current tax is recognised for the amount of corporation tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

CANEI INTERNATIONAL LIMITED

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

2. Judgements in applying accounting policies and key sources of estimation uncertainty

The company makes estimates and assumptions concerning the future. The directors are also required to exercise judgement in the process of applying the company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

In preparing these financial statements, the directors have made the following judgements:

Impairment of non-current assets

The company assesses the impairment of intangible and tangible fixed assets subject to amortisation or depreciation whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered important that could trigger an impairment review include the following:

- Significant underperformance relative to historical or projected future operating results;
- Significant changes in the manner of the use of the acquired assets or the strategy for the overall business; and
- Significant negative industry or economic trends.

Investment properties

Critical estimates, assumptions and judgements relate to the determination of the carrying value of investment properties at fair value through the profit and loss account. In determining this, the company applies the overriding concept that fair value is the amount for which an asset can be exchanged between knowledgeable willing parties in an arm's length transaction. The nature, facts and circumstances of the investment drives the valuation methodology.

Carrying value of stocks

The directors review the market value of and demand for its stocks on a periodic basis to ensure stock is recorded in the financial statements at the lower of cost and net realisable value. Any provision for impairment is recorded against the carrying value of stocks. The directors use their knowledge of market conditions, historical experiences and estimates of future events to assess future demand for the company's products and achievable selling prices.

Provisions

A provision is recognised when the company has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Whether a present obligation is probable or not requires judgement. The nature and type of risks for these provisions differ and the directors' judgement is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not.

Leasing

The directors determine whether leases entered into either as a lessor or a lessee are operating or lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis based on an evaluation of the terms and conditions of the arrangements, and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet.

CANEI INTERNATIONAL LIMITED

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

2. Judgements in applying accounting policies (continued)

Taxation

There are many transactions and calculations for which the ultimate tax determination is uncertain. The company takes professional advice of its tax affairs and recognises liabilities for anticipated tax based on estimates of what taxation is likely to be due.

The directors' estimation is required to determine the amount of any deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits.

3. Turnover

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

	2019 £	2018 £
Sales of motor vehicles and accessories	22,226,964	20,792,582
Sales of motor related services	4,235,809	3,950,069
Commissions receivable	386,027	399,865
Other income	209,185	179,691
	<u>27,057,985</u>	<u>25,322,207</u>

All turnover arose within the United Kingdom.

4. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
Depreciation of tangible fixed assets	71,307	75,623
Auditor's remuneration	18,500	17,800
Other operating lease rentals	<u>189,795</u>	<u>184,557</u>

CANEI INTERNATIONAL LIMITED

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

5. Employees

Staff costs were as follows:

	2019	2018
	£	£
Wages and salaries	1,997,482	1,742,406
Social security costs	181,490	151,309
Cost of defined contribution scheme	28,008	17,702
	<u>2,206,980</u>	<u>1,911,417</u>

During the year, no director received any emoluments (2018: £Nil).

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

	2019	2018
	No.	No.
Operational	81	73
Directors	3	3
	<u>84</u>	<u>76</u>

6. Interest payable and similar expenses

	2019	2018
	£	£
Bank interest payable	71,622	66,133
On other loans	61,644	58,081
On finance leases and hire purchase contracts	371	264
	<u>133,637</u>	<u>124,478</u>

CANEI INTERNATIONAL LIMITED

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

7. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	244,081	272,977
Total current tax	<u>244,081</u>	<u>272,977</u>
Deferred tax		
Origination and reversal of timing differences	1,765	(1,116)
Adjustments in respect of prior periods	(1,982)	-
Total deferred tax	<u>(217)</u>	<u>(1,116)</u>
Taxation on profit on ordinary activities	<u><u>243,864</u></u>	<u><u>271,861</u></u>

Factors affecting tax charge for the year

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

	2019 £	2018 £
Profit on ordinary activities before tax	<u>1,258,682</u>	<u>1,399,213</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19.41%)	239,150	265,850
Effects of:		
Fixed asset differences	3,856	3,855
Expenses not deductible for tax purposes	1,918	917
Other differences leading to a decrease in the tax charge	(70)	1,239
Deferred tax not recognised	(990)	-
Total tax charge for the year	<u><u>243,864</u></u>	<u><u>271,861</u></u>

Factors that may affect future tax charges

As at 31 October 2019 the substantively enacted rate for deferred tax calculation purposes was 17% and deferred taxation has been calculated at this rate.

On the 11 March 2020 the Chancellor of the exchequer announced that the tax rate reduction from 19% to 17% was no longer going to be implemented.

CANEI INTERNATIONAL LIMITED

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

8. Dividends

	2019 £	2018 £
Dividends paid	300,000	280,000

9. Intangible fixed assets

	Goodwill £
Cost	
At 1 November 2018 and at 31 October 2019	84,050
Amortisation	
At 1 November 2018 and at 31 October 2019	84,050
Net book value	
At 31 October 2018 and at 31 October 2019	-

CANEI INTERNATIONAL LIMITED

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

10. Tangible fixed assets

	Freehold property £	Short- term leasehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost							
At 1 November 2018	1,014,638	33,950	326,679	141,754	494,944	89,273	2,101,238
Additions	-	-	19,417	-	9,712	3,945	33,074
At 31 October 2019	<u>1,014,638</u>	<u>33,950</u>	<u>346,096</u>	<u>141,754</u>	<u>504,656</u>	<u>93,218</u>	<u>2,134,312</u>
Depreciation							
At 1 November 2018	200,576	33,950	214,037	98,025	337,537	79,199	963,324
Charge for the year	20,293	-	19,809	10,762	16,938	3,505	71,307
At 31 October 2019	<u>220,869</u>	<u>33,950</u>	<u>233,846</u>	<u>108,787</u>	<u>354,475</u>	<u>82,704</u>	<u>1,034,631</u>
Net book value							
At 31 October 2019	<u>793,769</u>	<u>-</u>	<u>112,250</u>	<u>32,967</u>	<u>150,181</u>	<u>10,514</u>	<u>1,099,681</u>
At 31 October 2018	<u>814,062</u>	<u>-</u>	<u>112,642</u>	<u>43,729</u>	<u>157,407</u>	<u>10,074</u>	<u>1,137,914</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2019 £	2018 £
Motor vehicles	<u>-</u>	<u>1,489</u>

CANEI INTERNATIONAL LIMITED

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

11. Investment property

**Freehold
investment
property
£**

Valuation

At 1 November 2018 and 31 October 2019

1,420,000

The directors believe that there is no change to the valuation of investment property and as such the valuation represents fair value which is based on an existing use basis.

12. Stocks

	2019 £	2018 £
Goods for resale	4,257,844	4,853,501

Stock recognised in cost of sales during the year as an expense was £19,782,114 (2018: £18,453,206).

An impairment loss of £1,845 (2018: £3,037) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

13. Debtors

	2019 £	2018 £
Trade debtors	140,934	170,494
Other debtors	8,400,219	7,515,235
Prepayments and accrued income	38,030	37,470
	<u>8,579,183</u>	<u>7,723,199</u>

CANEI INTERNATIONAL LIMITED

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

14. Creditors: Amounts falling due within one year

	2019 £	2018 £
Bank overdrafts	498,284	619,134
Bank loans	243,316	243,316
Other loans	2,900,876	3,101,596
Trade creditors	210,541	317,461
Corporation tax	244,081	272,977
Other taxation and social security	881,683	259,969
Net obligations under finance lease and hire purchase contracts	-	160
Other creditors	1,025,710	849,749
Accruals and deferred income	32,647	19,932
	<u>6,037,138</u>	<u>5,684,294</u>

Obligations under finance lease and hire purchase contracts are secured on the assets to which they relate.

Other loans include a stocking loan of £2,885,942 (2018: £3,085,609) which is secured against a debenture over the assets of the company and first unlimited priority over the stockholding of the company. This is supported by joint and several personal guarantees from B K Bhardwaj, R L Bhardwaj and K K Bhardwaj.

The bank loans and overdrafts are secured and supported by the following assets:

- A legal charge over the freehold and investment property;
- An intercompany cross-guarantee between Canei International Limited, NS Kambr Limited and 4Brothers Properties Limited, supported by a first legal charge over the respective company's property;
- Personal guarantees for £1,700,000 from R L Bhardwaj, S D Bhardwaj, K K Bhardwaj, and B K Bhardwaj supported by a first legal charge over the individual guarantors property.

15. Creditors: Amounts falling due after more than one year

	2019 £	2018 £
Bank loans	1,285,710	1,529,026
	<u>1,285,710</u>	<u>1,529,026</u>

See note 14 for details of security.

CANEI INTERNATIONAL LIMITED

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

16. Loans

Analysis of the maturity of loans is given below:

	2019 £	2018 £
Amounts falling due within one year		
Bank loans	243,316	243,316
Other loans	2,900,876	3,101,596
Amounts falling due 1-2 years		
Bank loans	243,316	243,316
Amounts falling due 2-5 years		
Bank loans	1,042,394	1,285,710
	<u>4,429,902</u>	<u>4,873,938</u>

The bank loans are being repaid in quarterly installments until April 2022 and April 2023 and attract interest at a rate of 2.65% over LIBOR and 2.1% over LIBOR respectively.

17. Deferred taxation

	2019 £	2018 £
At 1 November 2018	29,768	30,884
Charged to the profit and loss account	(217)	(1,116)
	<u>29,551</u>	<u>29,768</u>
At 31 October 2019		

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Fixed asset timing differences	31,697	31,506
Short term timing differences	(1,155)	(747)
Capital losses	(991)	(991)
	<u>29,551</u>	<u>29,768</u>

CANEI INTERNATIONAL LIMITED

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

18. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
1,000 Ordinary shares of £1 each	1,000	1,000

19. Reserves

Other reserves

Other reserves relates to unrealised gains on the revaluation of investment properties.

Profit and loss account

The profit and loss account represents accumulated profits and losses for prior periods less dividends paid.

20. Contingent liabilities

Canei International Limited has provided cross company guarantees in respect of the liabilities of N, S. Kambr Limited and 4Brothers Properties Limited in support of their business activities. As at 31 October 2019 the contingent liability amounted to £6,371,318 (2018: £7,049,528).

21. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £28,008 (2018: £17,702). Contributions totaling £6,795 (2018: £3,928) were payable to the fund at the balance sheet date.

22. Commitments under operating leases

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

	2019 £	2018 £
Not later than 1 year	184,671	165,384
Later than 1 year and not later than 5 years	172,713	219,214
Later than 5 years	119,621	-
	<u>477,005</u>	<u>384,598</u>

CANEI INTERNATIONAL LIMITED

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

23. Related party transactions

	2019 £	2018 £
Dividends paid to directors	240,000	224,000
Dividends paid to close family members	60,000	56,000
Amounts due to directors	14,934	15,987
Amounts due to companies in which a director has a significant interest	546,453	487,354
Amounts due to companies in which a director has a close family member who is a director and has significant influence	457,462	343,467
Amounts due from companies in which a director has a significant interest	8,327,800	7,515,235
Rent paid to companies in which a director has a significant interest	145,037	142,016
Rent received from companies in which a director has a significant interest	33,280	33,280
Rent received from companies in which a director has a close family member who is a director and has significant influence	42,068	44,980

The amounts due to directors is interest free, unsecured and has no fixed repayment date.

The directors consider there to be no key management personnel, other than the directors, who have authority and responsibility for planning, directing and controlling the activities of the company.

24. Post balance sheet events

Subsequent to the year end, there has been an outbreak of Covid-19 which has developed into a global pandemic. Whilst there is a high level of uncertainty about the extent and the timeframe of the virus on the global economy, the directors are adapting the business to circumstances as they evolve with the adoption of aspects of Government support available to the company. At this stage the directors believe the company is strongly positioned to handle any downturn that may occur in the sector the company operates in.

25. Controlling party

The company is controlled by R L Bhardwaj and B K Bhardwaj by virtue of their majority shareholding.