

Harratts M1 Limited
Financial Statements
for the Year Ended 31 December 2022

SMH Jolliffe Cork Audit Ltd
Chartered Accountants & Statutory Auditor
33 George Street
Wakefield
West Yorkshire
WF1 1LX

Harratts M1 Limited (Registered number: 02820886)

**Contents of the Financial Statements
for the year ended 31 December 2022**

	Page
Company Information	1
Statement of Financial Position	2
Notes to the Financial Statements	3

Harratts M1 Limited

Company Information for the year ended 31 December 2022

DIRECTORS: Mrs S M Harratt FIoD
Mr S T Harratt MIoD

SECRETARY: Mrs S M Harratt FIoD

REGISTERED OFFICE: Group Head Office
339 Denby Dale Road
Durkar
Wakefield
West Yorkshire
WF4 3BB

REGISTERED NUMBER: 02820886 (England and Wales)

AUDITORS: SMH Jolliffe Cork Audit Ltd
Chartered Accountants & Statutory Auditor
33 George Street
Wakefield
West Yorkshire
WF1 1LX

BANKERS: HSBC Bank plc
Market Place
Dewsbury
West Yorkshire
WF13 1DH

Harratts M1 Limited (Registered number: 02820886)**Statement of Financial Position
31 December 2022**

			2022		2021
	Notes	£	£	£	£
FIXED ASSETS					
Tangible assets	4		74,285		84,822
CURRENT ASSETS					
Stocks		1,191,429		1,060,428	
Debtors	5	24,606		32,612	
Cash in hand		520		500	
		1,216,555		1,093,540	
CREDITORS					
Amounts falling due within one year	6	3,902,004		3,336,061	
NET CURRENT LIABILITIES			(2,685,449)		(2,242,521)
TOTAL ASSETS LESS CURRENT LIABILITIES			(2,611,164)		(2,157,699)
CAPITAL AND RESERVES					
Called up share capital	9		10,000		10,000
Retained earnings			(2,621,164)		(2,167,699)
SHAREHOLDERS' FUNDS			(2,611,164)		(2,157,699)

The financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

In accordance with Section 444 of the Companies Act 2006, the Income Statement has not been delivered.

The financial statements were approved by the Board of Directors and authorised for issue on 24 August 2023 and were signed on its behalf by:

Mrs S M Harratt FIoD - Director

Mr S T Harratt MloD - Director

The notes form part of these financial statements

**Notes to the Financial Statements
for the year ended 31 December 2022**

1. STATUTORY INFORMATION

Harratts M1 Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The company's functional and presentation currency is the pound sterling £. All financial information presented has been rounded to the nearest £, unless otherwise stated.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Going concern

The directors have continued to review the company's business activities, together with the factors likely to affect its future development and performance including; its cash flows, liquidity position and borrowing facilities. The Group's objectives, policies and process for managing its capital; its financial risk management objectives and its exposure to credit risk and liquidity risk are all applied to this company.

The Group continues to consider and monitor further potential mitigation actions it could take to strengthen its cash position and reduce operating costs particularly in light of the prolonged economic downturn resulting in material reductions in sales volumes and prices as well as rising overhead costs. Such cost reduction and cash preservation actions would include but are not limited to reducing spend on specific variable cost lines including marketing and trading expenses and reducing stock levels to meet demands.

As used car motor dealers, the Group is able to take immediate actions to any changes in customer demands by decreasing the stock in values of used stocks as well as amending used stock profiles. Changes to stock profiles to match current fluctuations in market conditions can be carried out at any given time in order to ensure that the Group is competitive in the market place nationally. Used stock retail prices are reviewed daily adjusting to current prices when necessary. Stock management is strictly controlled in order that overage stock does not pose a problem should demand decrease, but despite our efforts in this regard, the results for the past 12 month period have not been reflective of this.

When making their assessment of the Group's ability to continue as a going concern, the Directors acknowledge that specific uncertainties exist over profitability and availability of funds. Within their Group financial plans and forecasts for the next 12 months, the Directors have taken account of the continued constriction of household disposable income and the reduced appetite for consumer spending on high value items.

Operationally, the Group meets its day to day working capital requirements through a Group Bank overdraft facility as well as other third party linked funding line. The Group's forecasts and projections, taking account of the factors outlined above, show that the Group should be able to operate within the level of its current facilities. However, the Directors have taken the decision to sell their Group property in Pontefract in order to minimise the losses and inject cash into the business in order for it to continue to trade within its funding facilities. This decision to move the trade from Pontefract to Wakefield, will also strengthen the two Wakefield sites with the increase in productive staff who will have the ability to generate additional revenue. Going forward, the Group will accordingly operate from a lower cost base. It is forecasted that this action will have a positive effect on the overall trading results.

The Group has the support of the Bank and the current overdraft facility with the Bank is in place until July 2024. The Group also has a very supportive shareholder base who are committed to the Group's long term success. This is demonstrated by the enduring commitment to retain a significant proportion of the Director's Loan credit balance as a long term liability, reviewed annually by the Board of Directors and ratified most recently on the 16 August 2023.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

**Notes to the Financial Statements - continued
for the year ended 31 December 2022**

2. ACCOUNTING POLICIES - continued

Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover includes revenue earned from the sale of goods and from the rendering of services.

The company recognises turnover when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably and (d) it is probable that future economic benefits will flow to the entity.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and equipment	- 15% on reducing balance
Fixtures and fittings	- 15% on reducing balance
Computer equipment	- 33% on cost

All fixed assets are initially recorded at cost.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost incurred in bringing each product to its present location and condition is based on purchase price less trade discounts.

Financial assets and liabilities

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when; a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or, c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

**Notes to the Financial Statements - continued
for the year ended 31 December 2022**

2. ACCOUNTING POLICIES - continued

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

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

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Provisions for liabilities and charges

Provisions for the expected costs of maintenance under guarantees are charged against profits when products have been invoiced. The effect of the time value of money is not material and therefore the provisions are not discounted.

3. EMPLOYEES AND DIRECTORS

The average number of employees during the year was 6 (2021 - 11) .

Notes to the Financial Statements - continued
for the year ended 31 December 2022

4. TANGIBLE FIXED ASSETS

	Plant and equipment £	Fixtures and fittings £	Computer equipment £	Totals £
COST				
At 1 January 2022	327,180	76,256	49,284	452,720
Additions	2,283	-	1,054	3,337
Disposals	-	-	(690)	(690)
At 31 December 2022	<u>329,463</u>	<u>76,256</u>	<u>49,648</u>	<u>455,367</u>
DEPRECIATION				
At 1 January 2022	251,726	69,616	46,556	367,898
Charge for year	11,647	996	1,231	13,874
Eliminated on disposal	-	-	(690)	(690)
At 31 December 2022	<u>263,373</u>	<u>70,612</u>	<u>47,097</u>	<u>381,082</u>
NET BOOK VALUE				
At 31 December 2022	<u>66,090</u>	<u>5,644</u>	<u>2,551</u>	<u>74,285</u>
At 31 December 2021	<u>75,454</u>	<u>6,640</u>	<u>2,728</u>	<u>84,822</u>

5. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £	2021 £
Trade debtors	9,202	14,669
Other debtors	768	2,126
Prepayments and accrued income	<u>14,636</u>	<u>15,817</u>
	<u>24,606</u>	<u>32,612</u>

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £	2021 £
Bank loans and overdrafts	1,436,891	1,039,276
Vehicle stocking loans	872,983	855,052
Trade creditors	63,000	92,456
Amounts owed to group undertakings	1,418,573	1,296,174
PAYE and NIC	5,965	6,447
VAT	74,158	24,070
Other creditors	11,061	9,486
Accruals and deferred income	<u>19,373</u>	<u>13,100</u>
	<u>3,902,004</u>	<u>3,336,061</u>

**Notes to the Financial Statements - continued
for the year ended 31 December 2022**

7. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2022	2021
	£	£
Within one year	94,785	94,785
Between one and five years	379,140	379,140
In more than five years	180,767	275,552
	<u>654,692</u>	<u>749,477</u>

8. SECURED DEBTS

The following secured debts are included within creditors:

	2022	2021
	£	£
Bank overdrafts	1,436,891	1,039,276
Vehicle stocking loans	872,983	855,052
	<u>2,309,874</u>	<u>1,894,328</u>

The bank overdraft is secured by a fixed charge over the book debts and a floating charge over all other assets.

Third party vehicle stocking loans are at variable commercial rates of interest and are secured at any time by charges on stocks of used vehicles.

9. CALLED UP SHARE CAPITAL

Allotted and issued:

Number:	Class:	Nominal value:	2022	2021
			£	£
10,000	Ordinary	£1	<u>10,000</u>	<u>10,000</u>

10. DISCLOSURE UNDER SECTION 444(5B) OF THE COMPANIES ACT 2006

The Report of the Auditors was unqualified.

Claire Lawton FCA DChA (Senior Statutory Auditor)
for and on behalf of SMH Jolliffe Cork Audit Ltd

**Notes to the Financial Statements - continued
for the year ended 31 December 2022**

10. DISCLOSURE UNDER SECTION 444(5B) OF THE COMPANIES ACT 2006 - continued

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 2 to the financial statements concerning the company's ability to continue as a going concern. The company incurred a net loss of £453,465 during the year ended 31 December 2022 and, at that date the company's current liabilities exceeded its total assets by £2,611,164 and it had net current liabilities of £2,685,449. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a 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.

11. CONTINGENT LIABILITIES

An unlimited cross guarantee was given on 11th July 1994 to HSBC Bank plc by The Harratts Group Limited to secure the assets and liabilities of Harratts M1 Limited.

In addition, a Deed of Corporate Guarantee and Indemnity was given to RCI Financial Services Limited on 17 March 2015 by The Harratts Group Limited, to guarantee the stock financing facility obligations of Harratts M1 Limited.

12. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

The company is a wholly owned subsidiary of The Harratts Group Limited. The largest group in which the results of the company are consolidated is that headed by The Harratts Group Limited, whose registered office is:

Group Head Office
339 Denby Dale Road
Wakefield
West Yorkshire
WF4 3BB

During the year the company paid rent of £94,785 (2021: £94,785) in respect of business premises owned by The Harratts Group Pension Scheme, a scheme in which the directors Mrs S M Harratt and Mr S T Harratt are trustees.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.