

Brownhills Motorhomes Limited

Annual Report and Financial Statements

Year Ended

30 September 2019

Company Number 02999408

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Brownhills Motorhomes Limited

Contents

| | Page |
|--|---------|
| Company Information | |
| Strategic Report | 1 - 3 |
| Directors' Report | 4 - 5 |
| Independent Auditors' Report | 6 - 8 |
| Statement of Comprehensive Income | 9 |
| Balance Sheet | 10 |
| Statement of Changes in Equity | 11 |
| Notes to the Financial Statements | 12 - 26 |

Company Information

| | |
|-----------------------------|---|
| Directors | S B Cullen A P Craggs M Halley |
| Company secretary | S B Cullen |
| Registered number | 02999408 |
| Registered office | A1/A46 Junction Newark Nottinghamshire NG24 2EA |
| Independent auditors | BDO LLP Arcadia House Maritime Walk Ocean Village Southampton SO14 3TL |

Brownhills Motorhomes Limited

Strategic Report For the Year Ended 30 September 2019

The directors present their Strategic Report together with the audited financial statements for the year ended 30 September 2019.

Principal activities, review of business and future developments

The company is a multi-franchise operation representing leading motorhome manufacturers from across the UK and Europe.

The company operates at Newark and is the biggest single site retailer of new and used motorhomes in the UK. As well as retailing motorhomes the company also has comprehensive aftersales, servicing and repair facilities along with an accessory shop. The Newark site is a unique destination site which, in addition to its state-of-the-art showroom displaying up to 60 motorhomes for sale, has a bistro and leisure centre together with overnight camping facilities for the exclusive use of its customers.

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

The directors are pleased to report another year of strong profitability. The company made a profit before tax of £1,098k (2018 - £1,085k). This consistent profitability has been as a result of the close control by management over their costs despite an industry-wide squeeze in vehicle margins. Management have also taken advantage of buying opportunities as they have arisen.

The company continues to benefit from the close control and monitoring of all aspects of the business by senior management and the continuing demand for motorhomes which has resulted in increased vehicles sales in the company.

The company continues to have excellent relationships with its bankers and franchisors and continues to meet all its requirements on time.

There are no planned changes to the principal activities of the company. As a result of the Covid-19 pandemic and the temporary closure of the business in line with Government requirements, the directors are forecasting lower profitability in the forthcoming year and hope to return to pre-Covid profitability in 2021. The directors believe the business is well placed to face any further challenges ahead and are encouraged by the strong trading performance since reopening on 1 June 2020.

Review of financial position

At 30 September 2019, the company remained in a strong net cash position with a net balance of £5.5m (2018 - £3.8m).

As a result of the profitability in the year the company's net assets increased by 6% to £8.2m. The net current asset position increased to £4.4m.

Based upon the strong financial position of the company the directors are able to make strategic decisions and take advantage of opportunities as they arise.

Brownhills Motorhomes Limited

Strategic Report (continued) For the Year Ended 30 September 2019

Key performance indicators

| | Sept 2019 | Sept 2018 | Method of calculation |
|-----------------------------|--------------|--------------|---|
| Profit for the year (£'000) | 1,098 | 1,085 | Profit before tax |
| Gross margin (%) | 10.9 | 10.7 | Gross profit divided by turnover |
| Capital expenditure (£'000) | 169 | 215 | Investment in capital items in the year |
| Average number of staff | 185 | 158 | Average number taken from payroll records |

The board also monitors non financial key performance indicators, which include:

Customer satisfaction, as measured by independent third parties
Employee turnover and absences

Principal risks and uncertainties

Business environment

The management of the business and the execution of the company's strategy are subject to a number of risks such as the competitive market place, the UK economy, Brexit and the reliance on the manufacturers. These risks are reviewed by the Board and where appropriate, monitored and mitigated by suitable processes.

There are some risks around Brexit, predominantly concerning exchange rates. However the directors do not believe this would have a significant impact.

The directors keep abreast of the current economic conditions and will continue to modify policies to reflect the market conditions.

They continue to have a good relationship and the continued support of their bankers and franchisors.

Inventory control

The directors review the levels, ageing and valuation of stock on a monthly basis. This close control ensures that availability and choice for customers is maintained. This means that the company is able to make informed decisions and react quickly to changes in market conditions as required.

Financial control

The company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk, liquidity risk, currency risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and related finance costs.

Policies are also in place to ensure that funds are cleared on vehicles prior to delivery to ensure this risk is minimised. Where consumer finance is utilised, this is subject to acknowledgement that a customer has been accepted for finance prior to delivery.

To reduce the company's exposure to currency risk, fixed contracts and options are considered on a regular basis by the board. The directors keep this situation under constant review and are able to act to mitigate the group's currency risk when required.

Coronavirus

In the period prior to approving the financial statements a new risk of the Coronavirus has emerged. This will and has impacted all businesses in the UK (and globally). The directors have already implemented actions to take account of this risk to ensure the company can continue to trade and remain profitable for the foreseeable future. We are also working with our staff to ensure their continuing welfare and with customers to ensure their requirements can be met. Finally we have significant levels of cash reserves and facilities available to the company as required.

Brownhills Motorhomes Limited

Strategic Report (continued) For the Year Ended 30 September 2019

Principal risks and uncertainties (continued)

The policies of the board of directors are implemented by the company's finance department. The department has policies and procedures to manage interest and currency rate risks together with credit risk and the circumstances where it would be appropriate to use financial instruments to manage these.

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



S B Cullen
Director

Date: 29/06/2020

29/06/2020
2020

Brownhills Motorhomes Limited

Directors' Report For the Year Ended 30 September 2019

The directors present their report and the financial statements for the year ended 30 September 2019.

Results and dividends

The profit for the year, after taxation, amounted to £1,128,515 (2018 - £1,021,881).

Interim dividends of £275,000 per share (total of £550,000) were paid to the Ordinary shareholder, Hosting Developments Limited, during the year. The directors do not recommend the payment of a final dividend.

Financial risk management objectives and policies

These are disclosed in the Strategic Report.

Future developments

Information on the likely future developments in the business of the company has been included in the Strategic Report on page 1.

Post balance sheet events

In February 2020 the company saw the emergence of Covid-19 and the impact of the subsequent lockdown on the company's onsite operations. This is a non-adjusting post balance sheet event and has had no impact on the assets or the liabilities reported at year end. This led to a substantial closure of the company's operations from late March 2020 to the end of May 2020 and the resulting impact on revenues. The business reopened on 1 June 2020 and the business has seen a strong return with encouraging levels of sales and enquiries. The directors are forecasting a small level of profitability for the forthcoming year. Further details are provided in the Going Concern section of note 1 to these financial statements.

Market value of land and buildings

The directors are of the opinion that there is no material difference between the market value of the company's interests in land and buildings and the amounts at which they are shown in the financial statements.

Directors

The directors who served during the year were:

S B Cullen
A P Craggs
M Halley

Brownhills Motorhomes Limited

Directors' Report (continued) For the Year Ended 30 September 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

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'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's auditors are aware of that information.

Auditors

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



S B Cullen
Director

Date: 29/06/2020

Brownhills Motorhomes Limited

Independent Auditor's report to the member of Brownhills Motorhomes Limited

Opinion

We have audited the financial statements of Brownhills Motorhomes Limited ("the company") for the year ended 30 September 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 30 September 2019 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Brownhills Motorhomes Limited

Independent Auditor's report to the member of Brownhills Motorhomes Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, 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.

Opinions 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and 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 and 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.

Brownhills Motorhomes Limited

Independent Auditor's report to the member of Brownhills Motorhomes Limited (continued)

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://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 member 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 member 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 member for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Stephen Le Bas (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton
United Kingdom

Date: 29/6/2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Brownhills Motorhomes Limited

Statement of Comprehensive Income For the Year Ended 30 September 2019

| | Note | 2019 £ | As restated 2018 £ |
|--------------------------------------|------|------------------|--------------------------|
| Turnover | 3 | 77,624,436 | 72,984,135 |
| Cost of sales | | (69,144,491) | (65,157,518) |
| Gross profit | | 8,479,945 | 7,826,617 |
| Administrative expenses | | (7,066,557) | (6,447,788) |
| Operating profit | 4 | 1,413,388 | 1,378,829 |
| Interest payable and expenses | 8 | (315,873) | (293,948) |
| Profit before tax | | 1,097,515 | 1,084,881 |
| Tax on profit | 9 | 31,000 | (63,000) |
| Profit for the financial year | | 1,128,515 | 1,021,881 |

There was no other comprehensive income for 2019 (2018 - £Nil).

The notes on pages 12 to 26 form part of these financial statements.

Brownhills Motorhomes Limited

Registered number:02999408

Balance Sheet As at 30 September 2019

| | Note | 2019 £ | 2019 £ | 2018 £ | 2018 £ |
|---|------|-------------------|-------------------------|-------------------|-------------------------|
| Fixed assets | | | | | |
| Tangible assets | 12 | | 5,802,681 | | 5,861,132 |
| Current assets | | | | | |
| Stocks | 13 | 11,000,540 | | 10,209,034 | |
| Debtors | 14 | 1,838,046 | | 1,097,587 | |
| Cash at bank and in hand | | 5,542,873 | | 3,800,736 | |
| | | <u>18,381,459</u> | | <u>15,107,357</u> | |
| Creditors: amounts falling due within one year | 15 | (13,945,567) | | (11,170,357) | |
| Net current assets | | | 4,435,892 | | 3,937,000 |
| Total assets less current liabilities | | | <u>10,238,573</u> | | <u>9,798,132</u> |
| Creditors: amounts falling due after more than one year | 16 | | (1,997,552) | | (2,135,626) |
| Net assets | | | <u><u>8,241,021</u></u> | | <u><u>7,662,506</u></u> |
| Capital and reserves | | | | | |
| Called up share capital | 18 | | 2 | | 2 |
| Revaluation reserve | 19 | | 571,501 | | 571,501 |
| Profit and loss account | 19 | | 7,669,518 | | 7,091,003 |
| | | | <u><u>8,241,021</u></u> | | <u><u>7,662,506</u></u> |

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



S B Cullen
Director

Date: 29/06/2020

The notes on pages 12 to 26 form part of these financial statements.

Brownhills Motorhomes Limited

Statement of Changes in Equity For the Year Ended 30 September 2019

| | Share capital £ | Revaluation reserve £ | Profit and loss account £ | Total equity £ |
|-----------------------------|-----------------------|-----------------------------|---------------------------------|-------------------|
| At 1 October 2017 | 2 | 571,501 | 6,949,122 | 7,520,625 |
| Profit for the year | - | - | 1,021,881 | 1,021,881 |
| Dividends | - | - | (880,000) | (880,000) |
| At 1 October 2018 | 2 | 571,501 | 7,091,003 | 7,662,506 |
| Profit for the year | - | - | 1,128,515 | 1,128,515 |
| Dividends | - | - | (550,000) | (550,000) |
| At 30 September 2019 | 2 | 571,501 | 7,669,518 | 8,241,021 |

The notes on pages 12 to 26 form part of these financial statements.

Brownhills Motorhomes Limited

Notes to the Financial Statements For the Year Ended 30 September 2019

1. Accounting policies

1.1 Basis of preparation of financial statements

Brownhills Motorhomes Limited is a private company limited by shares, incorporated in England and Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the Strategic Report.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold buildings and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

The following principal accounting policies have been applied:

1.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Hosting Developments Limited as at 30 September 2019 and these financial statements may be obtained from the registered office of the company.

Brownhills Motorhomes Limited

Notes to the Financial Statements For the Year Ended 30 September 2019

1. Accounting policies (continued)

1.3 Going concern

The financial statements have been prepared on a going concern basis which assumes that the company will have sufficient funds available to enable it to continue to trade for the foreseeable future. In making their assessment that this assumption is correct the directors have undertaken an in depth review of the business, its current prospects, and cash resources as set out below.

In February 2020 the company saw the emergence of Covid-19 and the impact of the subsequent lockdown on the company's onsite operations which meant that the business had to substantially close its operations from late March 2020 until reopening on 1 June 2020. This led to a significant reduction in the company's income and profitability during this period. Since reopening in June 2020 there has been a strong level of sales and enquiries from customers and the directors are forecasting a small level of profitability for the year to 30 September 2020 and an increased recovery into the following financial year.

The company has achieved all covenants in relation to their bank loan during the year and has continued to meet these since the year end. Based on the forecasts prepared to 30 September 2021 the covenants are forecast to continue to be achieved and the company's bankers, National Westminster Bank plc, have also confirmed their continued support to the company.

After due consideration of these forecasts, current and forecast cash resources (which are expected to remain in excess of £4m), and the support of the company's bankers, the directors consider that the company has adequate financial resources to continue in operational existence for the foreseeable future, and for this reason the financial statements have been prepared on a going concern basis.

1.4 Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales.

Sales of motorhomes, parts and accessories are recognised on the earlier of full payment or delivery to the customer. Service sales are recognised on completion of the agreed work.

1.5 Intangible assets

Goodwill relates to the acquisition of a business in 2008, and is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the Statement of Comprehensive Income over the directors' estimate of its useful economic life of 20 years. Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition; and
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

Brownhills Motorhomes Limited

Notes to the Financial Statements For the Year Ended 30 September 2019

1. Accounting policies (continued)

1.6 Tangible fixed assets

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for freehold land, evenly over their expected useful lives. It is calculated at the following rates:

| | |
|-----------------------|-------------------------------|
| Freehold property | - Straight line over 50 years |
| Fixtures and fittings | - Between 10% and 33% on cost |
| Motor vehicles | - 33% on cost |
| Computer equipment | - Between 20% and 33% on cost |

1.7 Revaluation of tangible fixed assets

Individual freehold properties are carried at current year value at fair value at the date of the 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 Balance Sheet date.

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

Revaluation gains and losses are recognised in the 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 profit or loss.

1.8 Stocks

Vehicle stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Where the nature of the agreement with the manufacturer confers the benefit and associated risk of ownership to the company on consignment, such stocks and the corresponding creditor are included on the balance sheet although legal title remains with the supplier until sold.

Parts stock is shown at weighted average purchase price paid. Provision is made for obsolete, slow moving or defective items where appropriate.

1.9 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, and loans to related parties.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

1.10 Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the Statement of Comprehensive Income.

Brownhills Motorhomes Limited

Notes to the Financial Statements For the Year Ended 30 September 2019

1. Accounting policies (continued)

1.11 Financial liability and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

1.12 Finance costs

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

1.13 Dividends

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

1.14 Leases

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the Statement of Comprehensive Income over the shorter of estimated useful economic life and the period of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the Statement of Comprehensive Income over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

1.15 Pensions

Defined contribution pension plan

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

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

Brownhills Motorhomes Limited

Notes to the Financial Statements For the Year Ended 30 September 2019

1. Accounting policies (continued)

1.16 Current and deferred taxation

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

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

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

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

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

1.17 Prior year reclassification

Certain disclosures in the Statement of Comprehensive Income have been re-analysed. Cost of sales and administrative expenses have been restated in the prior year. This has decreased cost of sales by £525,334 and increased administrative expenses by the same amount. There has been no effect on profit for the year or net assets. This relates to the re-analysis of manufacturer bonuses in line with the current year split.

Brownhills Motorhomes Limited

Notes to the Financial Statements For the Year Ended 30 September 2019

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

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. Although these estimates are management's best knowledge of the amount, events or actions, actual amounts ultimately may differ from those estimates.

The directors have made the following critical estimates and judgements deemed to be applicable to the financial statements:

Stocks

Consideration has been given by the directors to the level of provision against vehicle stocks. In determining the provision required the directors have used guidance from independent valuation tools and their knowledge of the industry.

Valuation of fixed assets

Land and buildings within fixed assets are professionally valued on a fair value basis in accordance with FRS 102. The properties are subject to professional valuation with sufficient regularity to ensure that the fair value is not materially misstated. For more information on the valuations carried out in the year please see note 12.

3. Turnover

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

| | 2019 £ | 2018 £ |
|------------|-------------------|-------------------|
| Vehicles | 74,643,710 | 70,048,265 |
| Aftersales | 2,826,768 | 2,789,135 |
| Other | 153,958 | 146,735 |
| | <u>77,624,436</u> | <u>72,984,135</u> |

All turnover arose within the United Kingdom.

4. Operating profit

The operating profit is stated after charging/(crediting):

| | 2019 £ | 2018 £ |
|---------------------------------------|-----------|-----------|
| Depreciation of tangible fixed assets | 215,156 | 205,405 |
| Operating lease expense | 89,870 | 50,097 |
| Exchange differences | (9,254) | (45,729) |
| Defined contribution pension cost | 88,315 | 52,717 |

Brownhills Motorhomes Limited

Notes to the Financial Statements For the Year Ended 30 September 2019

5. Auditors' remuneration

| | 2019 £ | 2018 £ |
|--|--------------|--------------|
| Fees payable to the company's auditor for the audit of the company's annual accounts | 26,250 | 25,450 |
| Fees payable to the company's auditor in respect of: | | |
| Tax compliance services | 5,665 | 5,500 |
| All other services | 5,920 | 5,760 |
| | <u>5,920</u> | <u>5,760</u> |

6. Employees

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

| | 2019 £ | 2018 £ |
|-------------------------------------|------------------|------------------|
| Wages and salaries | 4,954,531 | 4,445,825 |
| Social security costs | 479,264 | 444,291 |
| Cost of defined contribution scheme | 88,315 | 52,717 |
| | <u>5,522,110</u> | <u>4,942,833</u> |

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

| | 2019 No. | 2018 No. |
|----------------|-------------|-------------|
| Sales | 57 | 49 |
| Administration | 36 | 31 |
| Service | 73 | 62 |
| Parts | 19 | 16 |
| | <u>185</u> | <u>158</u> |

Brownhills Motorhomes Limited

Notes to the Financial Statements For the Year Ended 30 September 2019

7. Directors' remuneration

| | 2019 £ | 2018 £ |
|---|----------------|----------------|
| Directors' emoluments | 406,659 | 424,798 |
| Company contributions to defined contribution pension schemes | 20,756 | 20,756 |
| | <u>427,415</u> | <u>445,554</u> |

During the year retirement benefits were accruing to 2 directors (2018 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £190,380 (2018 - £194,291).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £9,225 (2018 - £11,531).

8. Interest payable and similar expenses

| | 2019 £ | 2018 £ |
|---------------------------|----------------|----------------|
| Bank loans and overdrafts | 40,398 | 54,677 |
| Stocking interest | 275,475 | 239,271 |
| | <u>315,873</u> | <u>293,948</u> |

Brownhills Motorhomes Limited

Notes to the Financial Statements For the Year Ended 30 September 2019

9. Taxation

| | 2019 £ | 2018 £ |
|--|-----------------|---------------|
| Deferred tax | | |
| Origination and reversal of timing differences | (31,000) | 68,338 |
| Adjustments in respect of previous periods | - | (5,338) |
| Total deferred tax | (31,000) | 63,000 |

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - lower 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 | 1,097,515 | 1,084,881 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%) | 208,528 | 206,127 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 27,294 | 19,663 |
| Movement on tax losses | (266,822) | (157,452) |
| Adjustments to tax charge in respect of prior periods | - | (5,338) |
| Total tax charge for the year | (31,000) | 63,000 |

Factors that may affect future tax charges

As at the year end the Government had announced that from 1 April 2020 the Corporation Tax main rate would be further reduced to 17%. Accordingly, deferred tax balances recognised in the accounts as at the year end have been calculated using the 17% rate.

The company has estimated losses of £10.7m (2018 - £12.0m) available for carry forward against future trading profits. In addition there are capital losses totalling £3.4m (2018 - £3.4m).

Brownhills Motorhomes Limited

Notes to the Financial Statements For the Year Ended 30 September 2019

10. Dividends

| | 2019 £ | 2018 £ |
|--|----------------|----------------|
| Ordinary | | |
| Interim paid of £275,000 (2018 - £440,000) per share | <u>550,000</u> | <u>880,000</u> |

11. Intangible assets

| | Purchased goodwill £ |
|--|----------------------------|
| Cost | |
| At 1 October 2018 and 30 September 2019 | <u>17,969,087</u> |
| Amortisation | |
| At 1 October 2018 and 30 September 2019 | <u>17,969,087</u> |
| Net book value | |
| At 30 September 2018 and 30 September 2019 | <u>-</u> |

Brownhills Motorhomes Limited

Notes to the Financial Statements For the Year Ended 30 September 2019

12. Tangible fixed assets

| | Freehold land and buildings £ | Computer equipment £ | Motor vehicles £ | Fixtures, fittings and equipment £ | Total £ |
|--------------------------|--|----------------------------|------------------------|---|------------|
| Cost or valuation | | | | | |
| At 1 October 2018 | 5,500,000 | 105,267 | 93,884 | 716,498 | 6,415,649 |
| Additions | - | 7,141 | 24,942 | 136,619 | 168,702 |
| Disposals | - | (53,067) | (17,211) | (115,625) | (185,903) |
| At 30 September 2019 | 5,500,000 | 59,341 | 101,615 | 737,492 | 6,398,448 |
| Depreciation | | | | | |
| At 1 October 2018 | 93,080 | 63,099 | 40,192 | 358,146 | 554,517 |
| Provided for the year | 47,670 | 20,009 | 26,065 | 121,412 | 215,156 |
| Disposals | - | (49,475) | (13,547) | (110,884) | (173,906) |
| At 30 September 2019 | 140,750 | 33,633 | 52,710 | 368,674 | 595,767 |
| Net book value | | | | | |
| At 30 September 2019 | 5,359,250 | 25,708 | 48,905 | 368,818 | 5,802,681 |
| At 30 September 2018 | 5,406,920 | 42,168 | 53,692 | 358,352 | 5,861,132 |

Included in the cost of land and buildings is freehold land of £3,300,000 (2018 - £3,300,000) which is not depreciated.

Subsequent to a full valuation of the freehold land and buildings in December 2016, the directors have assessed the valuation of the freehold land and buildings in 2019 and have determined that there is no material change in their value.

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

| | 2019 £ | 2018 £ |
|--------------------------|------------------|------------------|
| Cost | 5,517,947 | 5,517,947 |
| Accumulated depreciation | (690,673) | (643,314) |
| Net book value | 4,827,274 | 4,874,633 |

Brownhills Motorhomes Limited

Notes to the Financial Statements For the Year Ended 30 September 2019

13. Stocks

| | 2019 £ | 2018 £ |
|-------------------------------------|-------------------|-------------------|
| Work in progress | 47,308 | 45,974 |
| Finished goods and goods for resale | 10,953,232 | 10,163,060 |
| | <u>11,000,540</u> | <u>10,209,034</u> |

Stock recognised in cost of sales during the year as an expense was £71,215,777 (2018 - £66,625,257)

Vehicle depreciation and parts stock obsolescence totalling £11,840 (2018 - £53,265) was recognised in cost of sales and administrative expenses during the year.

Vehicle stocks held under consignment stocking agreements which are deemed to be assets of the company are included on the balance sheet from the point of consignment. The corresponding liability to the manufacturers is included within creditors. Stocks are held on consignment until adopted.

There is no material difference between the replacement cost of stocks and the amounts stated above.

14. Debtors

| | 2019 £ | 2018 £ |
|--------------------------------|------------------|------------------|
| Due within one year | | |
| Trade debtors | 479,363 | 429,424 |
| Prepayments and accrued income | 1,132,683 | 473,163 |
| Deferred taxation (note 17) | 226,000 | 195,000 |
| | <u>1,838,046</u> | <u>1,097,587</u> |

Brownhills Motorhomes Limited

Notes to the Financial Statements For the Year Ended 30 September 2019

15. Creditors: Amounts falling due within one year

| | 2019 £ | 2018 £ |
|------------------------------------|-------------------|-------------------|
| Bank loans (secured) | 113,790 | 110,538 |
| Trade creditors | 11,334,523 | 9,896,893 |
| Amounts owed to group undertakings | 133,004 | 155,299 |
| Other taxation and social security | 1,723,812 | 807,332 |
| Accruals and deferred income | 640,438 | 200,295 |
| | <u>13,945,567</u> | <u>11,170,357</u> |

The bank loans are secured by a first legal charge over the freehold land and buildings held within the group together with a debenture and an inter-company cross guarantee between group companies.

Within trade creditors are amounts totalling £9,864,637 (2018 - £8,757,341) which are secured against the individual assets concerned.

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

| | 2019 £ | 2018 £ |
|----------------------|------------------|------------------|
| Bank loans (secured) | <u>1,997,552</u> | <u>2,135,626</u> |

Analysis of the maturity of loans is given below:

| | 2019 £ | 2018 £ |
|---|------------------|------------------|
| In one year or less, or on demand | 113,790 | 110,538 |
| In more than one year but not more than two years | 117,138 | 113,790 |
| In more than two years but not more than five years | 1,880,414 | 361,853 |
| In more than five years | - | 1,659,983 |
| | <u>2,111,342</u> | <u>2,246,164</u> |

The bank loans are secured by a first legal charge over the freehold land and buildings held within the group together with a debenture and an inter-company cross guarantee between group companies.

Brownhills Motorhomes Limited

Notes to the Financial Statements For the Year Ended 30 September 2019

17. Deferred taxation

| | 2019 £ | 2018 £ |
|--|----------------|----------------|
| At beginning of year | 195,000 | 258,000 |
| Credited/(charged) to the profit or loss | 31,000 | (63,000) |
| At end of year | 226,000 | 195,000 |

The deferred tax asset is made up as follows:

| | 2019 £ | 2018 £ |
|--------------------------------|----------------|----------------|
| Accelerated capital allowances | (7,688) | (17,157) |
| Tax losses | 233,688 | 212,157 |
| | 226,000 | 195,000 |

At the year end the company has an estimated unprovided deferred tax asset totalling £2,134,000 (2018 - £2,417,000) consisting of an asset of £1,547,000 (2018 - £1,830,000) in relation to unrecognised trading losses and £587,000 (2018 - £587,000) in relation to unrecognised capital losses.

18. Share capital

| | 2019 £ | 2018 £ |
|---|-----------|-----------|
| Allotted, called up and fully paid | | |
| 2 Ordinary shares of £1 each | 2 | 2 |

19. Reserves

Revaluation reserve

The revaluation reserve represents accumulated revaluation gains on freehold land and buildings.

Profit and loss account

The profit and loss account represents accumulated comprehensive income for the year and prior periods less any dividends paid.

20. Contingent liabilities

The property and assets of the company are held as security by the bank to secure the liabilities of the company and its parent undertaking.

Brownhills Motorhomes Limited

Notes to the Financial Statements For the Year Ended 30 September 2019

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 charge amounted to £88,315 (2018 - £52,717). There were outstanding contributions totalling £19,523 (2018 - £9,509) at the end of the financial year.

22. Commitments under operating leases

At 30 September 2019 the company had future minimum lease payments under non-cancellable operating leases as follows:

| | 2019 £ | 2018 £ |
|--|----------------|----------------|
| Not later than 1 year | 87,310 | 81,545 |
| Later than 1 year and not later than 5 years | 249,625 | 259,960 |
| Later than 5 years | 219,479 | 280,729 |
| | <u>556,414</u> | <u>622,234</u> |

23. Related party transactions

The company is a wholly owned subsidiary of Hosting Developments Limited and has taken advantage of the exemption conferred by FRS 102 not to disclose transactions with Hosting Developments Limited.

Only the directors are considered to be key management personnel. Total remuneration in respect of these individuals is £483,534 (2018 - £504,176). Amounts outstanding as at 30 September 2019 in respect of this remuneration totalled £37,217 (2018 - £2,500).

24. Post balance sheet events

In February 2020 the company saw the emergence of Covid-19 and the impact of the subsequent lockdown on the company's onsite operations. This is a non-adjusting post balance sheet event and has had no impact on the assets or the liabilities reported at year end. This led to a substantial closure of the company's operations from late March 2020 to the end of May 2020 and the resulting impact on revenues. The business reopened on 1 June 2020 and the business has seen a strong return with encouraging levels of sales and enquiries. The directors are forecasting a small level of profitability for the forthcoming year. Further details are provided in the Going Concern section of note 1 to these financial statements.

25. Controlling party

The company is controlled by the Ordinary shareholders of the ultimate parent company, Hosting Developments Limited. The directors consider that no one person controls the company.

The largest and smallest group in which the results of the company are consolidated is that headed by Hosting Developments Limited, incorporated in England and Wales. The address of Hosting Developments Limited's registered office is A1/A46 Junction, Newark, Nottinghamshire, NG24 2EA.