

Brownhills Motorhomes Limited

Annual Report and Financial Statements

Year Ended

30 September 2020

Company Number 02999408



Brownhills Motorhomes Limited

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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 2020

The directors present their Strategic Report together with the audited financial statements for the year ended 30 September 2020.

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 40 motorhomes for sale, has a cafe 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.

Considering that the business was closed to customers from 24 March 2020 until 31 May 2020 due to the coronavirus pandemic, the directors are pleased to report another year of strong profitability. The company made a profit before tax of £952k (2019 - £1,098k). Although sales and profit were down on the previous year due to the inability to hand over motorhomes during the closed period, order take during the financial year increased and the shortfall has been recovered in the first quarter of the 2020/21 financial year when significantly more motorhomes than last year were invoiced to customers. This consistent profitability has been as a result of increased new and used motorhome buying by management and good control of costs.

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.

The company has excellent relationships with its bankers and franchisors and meets all its requirements on time.

There are no planned changes to the principal activities of the company. The directors believe the business is well placed to face any further challenges ahead and are encouraged by the strong trading performance since re-opening on 1 June 2020 and throughout the remainder of 2020, the continuing high demand for motorhomes and increased orders placed with manufacturers for the year ahead. The directors are forecasting increased profits for the 2020/21 financial year.

Review of financial position

At 30 September 2020, the company remained in a strong net cash position with a net balance of £6.5m (2019 - £5.5m).

As a result of the profitability in the year, the company's net assets increased to £10.1m. The net current asset position has increased to £5.6m.

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.

At the year end, the directors reviewed the valuation of the freehold land and buildings and have revalued the freehold land and buildings to £5.875m, an increase of £563k on the previous valuation.

Brownhills Motorhomes Limited

Strategic Report (continued) For the Year Ended 30 September 2020

Key performance indicators

	Sept 2020	Sept 2019	Method of calculation
Profit for the year (£'000)	952	1,098	Profit before tax
Gross margin (%)	11.4	10.9	Gross profit divided by turnover
Capital expenditure (£'000)	244	169	Investment in capital items in the year
Average number of staff	171	185	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 coronavirus, the UK economy, the reliance on motorhome manufacturers and their supply chain and the GBP/EUR exchange rate. These risks are reviewed by the Board and where appropriate, monitored and mitigated by suitable processes.

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

They continue to have good relationships with and the continued support of their bankers and franchisors.

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.

Inventory control

The directors review the levels, ageing and valuation of stock monthly. 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 company's currency risk when required.

Brownhills Motorhomes Limited

Strategic Report (continued) For the Year Ended 30 September 2020

Principal risks and uncertainties (continued)

Coronavirus

The group's financial result was adversely impacted by the Coronavirus during the 24 March to 31 May 2020 lockdown in particular which caused an almost complete cessation of onsite activities with no handovers of sold motorhomes or customer servicing possible during the period leading to heavy financial losses during the months of April and May. The closure also resulted in a backlog in handovers and servicing for the remainder of the financial year.

Additionally, motorhome manufacturers were unable to fulfil some orders placed by the group due to their own enforced shutdowns and issues they suffered with their suppliers and some parts and accessories were in short supply.

The directors have implemented safety measures to ensure the continuing welfare of staff and customers throughout the period of the pandemic. Recognising the mental health effect of the lockdowns, the group has drawn employees' attention to the National Caravan Council's Care First advice line which offers a wide range of advice, counselling and support on family and personal issues, debt, mental health or workplace worries.

The group has significant levels of cash reserves and facilities available to ensure that coronavirus does not impact its long-term viability.

Section 172 statement

The directors of the company act in accordance with the duties set out in section 172(1) of the Companies Act 2006 to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

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

The board of directors meet monthly and all major decisions are discussed and agreed based on their potential short and long-term risks and rewards.

The directors are mindful that good employees are key to any business and staff are regularly consulted by way of a monthly newsletter, staff forum meetings, suggestion boxes and representation at health and safety meetings. The company believes that staff pay is competitive and undertakes a pay review every year with all staff receiving an annual increase. The company believes it to be a good employer as evidenced by low staff turnover, an increased number of long serving employees and a very stable and long serving management team.

The company has excellent relationships with its key suppliers, the motorhome manufacturers, and for many years has had a strategy of limiting the number of manufacturers it represents and being a major supplier for each to enhance those relationships for the benefit of all parties. The company has five manufacturer relationships and is the UK's biggest selling dealer (by motorhomes sold) for four of them and second biggest for the other. Strategically, around 80% of the motorhomes the company sells are sourced from UK manufacturers which gives greater certainty on supply as almost all their product is built for the UK market. The remaining 20% is sourced from European manufacturers.

Customer satisfaction is of huge importance to the company and is measured by surveys sent to all motorhome buying and service customers and TrustPilot reviews. The feedback is read by the executive directors and management team and acted upon to continuously improve customer service.

Brownhills Motorhomes Limited

Strategic Report (continued) For the Year Ended 30 September 2020

Section 172 statement (continued)

The company also operates Club Brownhills which all motorhome buying customers automatically become members of for the lifetime of their ownership of that motorhome and includes complimentary benefits such as overnight stays with electric hook-up; use of the swimming pool, sauna, spa and washroom/changing facilities; use of the club lounge and kitchen; attendance at member weekend events where food and entertainment is laid on; and an invite to member Christmas lunches throughout December. This offering is unique throughout the industry and is very well received by the members and along with good service helps maintain customer loyalty.

The company always aims to foster good relationships with its neighbours, local authorities and community and sponsors local football and rugby clubs. Additionally, the company nominates a charity of the year and the proceeds raised at club member events are passed on. Wherever possible the company uses local suppliers to help the local economy.

The company takes its environmental responsibilities seriously and recycles, has solar panels on the roof of the building and strives to minimise energy consumption by using low energy lighting and software to minimise energy waste.

The directors always strive to act professionally and with integrity in the interests of the company's reputation, financial wellbeing and the stakeholders. The company is not controlled by any one individual and therefore decision making is undertaken collectively and the company's shareholder agreement ensures fairness in that any major decisions affecting the structure of it must be unanimous.

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



S B Cullen
Director

Date: 28/06/2021

Brownhills Motorhomes Limited

Directors' Report For the Year Ended 30 September 2020

The directors present their report and the financial statements for the year ended 30 September 2020.

Results and dividends

The profit for the year, after taxation, amounted to £1,926,490 (2019 - £1,128,515).

Interim dividends of £332,843 per share 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

There have been no significant events affecting the company since the year end.

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 2020

Directors' responsibilities statement

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

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

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

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make 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: 28/06/2021

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 2020 which comprise the Statement of Comprehensive Income, the Balance Sheet and 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 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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.

Brownhills Motorhomes Limited

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

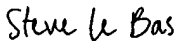
Auditor's responsibilities for the audit of the financial statements

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: <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 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.

DocuSigned by:

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

Date: 29 June 2021

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 2020

	Note	2020 £	2019 £
Turnover	3	65,907,143	77,624,436
Cost of sales		(58,370,218)	(69,144,491)
Gross profit		7,536,925	8,479,945
Administrative expenses		(6,915,017)	(7,066,557)
Other operating income	4	623,555	-
Operating profit	5	1,245,463	1,413,388
Interest payable and expenses	9	(292,973)	(315,873)
Profit before tax		952,490	1,097,515
Tax on profit	10	974,000	31,000
Profit for the financial year		1,926,490	1,128,515
Other comprehensive income for the year			
Unrealised surplus on revaluation of tangible fixed assets		563,420	-
Total comprehensive income for the year		2,489,910	1,128,515

The notes on pages 13 to 27 form part of these financial statements.

Brownhills Motorhomes Limited

Registered number:02999408

Balance Sheet As at 30 September 2020

	Note	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Tangible assets	13		6,373,614		5,802,681
Current assets					
Stocks	14	11,005,569		11,000,540	
Debtors	15	1,817,640		1,838,046	
Cash at bank and in hand		6,520,767		5,542,873	
		<u>19,343,976</u>		<u>18,381,459</u>	
Creditors: amounts falling due within one year	16	(13,747,053)		(13,945,567)	
Net current assets			<u>5,596,923</u>		<u>4,435,892</u>
Total assets less current liabilities			<u>11,970,537</u>		<u>10,238,573</u>
Creditors: amounts falling due after more than one year	17		(1,905,292)		(1,997,552)
Net assets			<u><u>10,065,245</u></u>		<u><u>8,241,021</u></u>
Capital and reserves					
Called up share capital	19		2		2
Revaluation reserve	20		1,134,921		571,501
Profit and loss account	20		8,930,322		7,669,518
			<u><u>10,065,245</u></u>		<u><u>8,241,021</u></u>

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

29 June 2021



S B Cullen
Director

The notes on pages 13 to 27 form part of these financial statements.

Brownhills Motorhomes Limited

Statement of Changes in Equity For the Year Ended 30 September 2020

	Share capital £	Revaluation reserve £	Profit and loss account £	Total equity £
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 1 October 2019	2	571,501	7,669,518	8,241,021
Profit for the year	-	-	1,926,490	1,926,490
Surplus on revaluation of freehold property	-	563,420	-	563,420
Dividends	-	-	(665,686)	(665,686)
At 30 September 2020	2	1,134,921	8,930,322	10,065,245

The notes on pages 13 to 27 form part of these financial statements.

Brownhills Motorhomes Limited

Notes to the Financial Statements For the Year Ended 30 September 2020

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 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 11.42, 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 2020 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 2020

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.

The company achieved a good level of profitability for the year under review this was despite being closed for just over 2 months. With the continuing impact of Covid-19 there has been increase in staycations in the UK and this has benefitted the company. The results to May 2021 are significantly ahead of forecast and the directors are forecasting continued profitability for the period of the going concern review to 30 September 2023.

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 2022 the covenants are forecast to continue to be achieved with significant levels of headroom.

After due consideration of these forecasts, current and forecast cash resources 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.

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

Brownhills Motorhomes Limited

Notes to the Financial Statements For the Year Ended 30 September 2020

1. Accounting policies (continued)

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 Government grants

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

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

1.11 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 2020

1. Accounting policies (continued)

1.12 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.

1.13 Finance costs

Finance costs are charged to profit or loss 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.

1.14 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.

1.15 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.

1.16 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 profit or loss 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 2020

1. Accounting policies (continued)

1.17 Current and deferred taxation

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

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

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

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

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

2. 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 13.

Brownhills Motorhomes Limited

Notes to the Financial Statements For the Year Ended 30 September 2020

3. Turnover

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

	2020 £	2019 £
Vehicles	61,667,511	74,643,710
Aftersales	4,119,663	2,826,768
Other	119,969	153,958
	<u>65,907,143</u>	<u>77,624,436</u>

All turnover arose within the United Kingdom.

4. Other operating income

	2020 £	2019 £
Coronavirus Job Retention Scheme grants	<u>623,555</u>	<u>-</u>

5. Operating profit

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

	2020 £	2019 £
Depreciation of tangible fixed assets	228,985	215,156
Operating lease expense	86,385	89,870
Exchange differences	(113,963)	(9,254)
Defined contribution pension cost	102,992	88,315
Impairments of stocks	<u>54,919</u>	<u>11,840</u>

6. Auditors' remuneration

	2020 £	2019 £
Fees payable to the company's auditor for the audit of the company's annual accounts	28,000	26,250
Fees payable to the company's auditor in respect of:		
Tax compliance services	5,835	5,665
All other services	<u>6,070</u>	<u>5,920</u>

Brownhills Motorhomes Limited

Notes to the Financial Statements For the Year Ended 30 September 2020

7. Employees

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

	2020 £	2019 £
Wages and salaries	4,628,985	4,954,531
Social security costs	479,608	479,264
Cost of defined contribution scheme	102,992	88,315
	<u>5,211,585</u>	<u>5,522,110</u>

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

	2020 No.	2019 No.
Sales	53	57
Administration	34	36
Service	67	73
Parts	17	19
	<u>171</u>	<u>185</u>

8. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	517,745	406,659
Company contributions to defined contribution pension schemes	22,139	20,756
	<u>539,884</u>	<u>427,415</u>

During the year retirement benefits were accruing to 2 directors (2019 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £244,109 (2019 - £190,380).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £12,223 (2019 - £9,225).

Brownhills Motorhomes Limited

Notes to the Financial Statements For the Year Ended 30 September 2020

9. Interest payable and similar expenses

	2020 £	2019 £
Bank loans and overdrafts	69,746	40,398
Stocking interest	223,227	275,475
	<u>292,973</u>	<u>315,873</u>

10. Taxation

	2020 £	2019 £
Deferred tax		
Origination and reversal of timing differences	(947,412)	(31,000)
Effect of tax rate change	(26,588)	-
Total deferred tax	<u>(974,000)</u>	<u>(31,000)</u>

Factors affecting tax charge for the year

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

	2020 £	2019 £
Profit on ordinary activities before tax	<u>952,490</u>	<u>1,097,515</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	180,973	208,528
Effects of:		
Expenses not deductible for tax purposes	19,786	27,294
Movement on tax losses	(1,174,759)	(266,822)
Total tax charge for the year	<u>(974,000)</u>	<u>(31,000)</u>

Factors that may affect future tax charges

As at the year end the Government had announced that the Corporation Tax main rate would remain at 19%. Accordingly, deferred tax balances recognised in the accounts as at the year end have been calculated using the 19% rate.

The company has estimated losses of £9.6m (2019 - £10.7m) available for carry forward against future trading profits. In addition there are capital losses totalling £3.4 (2019 - £3.4m).

Brownhills Motorhomes Limited

Notes to the Financial Statements For the Year Ended 30 September 2020

11. Dividends

	2020 £	2019 £
Ordinary		
Interim paid of £332,843 (2019 - £275,000) per share	<u>665,686</u>	<u>550,000</u>

12. Intangible assets

	Purchased goodwill £
Cost	
At 1 October 2019 and 30 September 2020	<u>17,969,087</u>
Amortisation	
At 1 October 2019 and 30 September 2020	<u>17,969,087</u>
Net book value	
At 30 September 2019 and 30 September 2020	<u>-</u>

Brownhills Motorhomes Limited

Notes to the Financial Statements For the Year Ended 30 September 2020

13. Tangible fixed assets

	Freehold land and buildings £	Computer equipment £	Motor vehicles £	Fixtures, fittings and equipment £	Total £
Cost or valuation					
At 1 October 2019	5,500,000	59,341	101,615	737,492	6,398,448
Additions	-	28,383	125,674	90,406	244,463
Disposals	-	-	(28,008)	(109,039)	(137,047)
Revaluations	375,000	-	-	-	375,000
At 30 September 2020	5,875,000	87,724	199,281	718,859	6,880,864
Depreciation					
At 1 October 2019	140,750	33,633	52,710	368,674	595,767
Provided for the year	47,670	18,796	34,158	128,361	228,985
Disposals	-	-	(20,044)	(109,038)	(129,082)
Revaluations	(188,420)	-	-	-	(188,420)
At 30 September 2020	-	52,429	66,824	387,997	507,250
Net book value					
At 30 September 2020	5,875,000	35,295	132,457	330,862	6,373,614
At 30 September 2019	5,359,250	25,708	48,905	368,818	5,802,681

Brownhills Motorhomes Limited

Notes to the Financial Statements For the Year Ended 30 September 2020

13. Tangible fixed assets (continued)

Included in the cost of land and buildings is freehold land of £3,300,000 (2019 - £3,300,000) which is not depreciated.

At the year end, the directors have assessed the valuation of the freehold land and buildings by reference to an independent valuation carried out in the year by Colliers and have concluded the valuation at the year end is £5,875,000.

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

	2020 £	2019 £
Cost	5,517,947	5,517,947
Accumulated depreciation	(738,032)	(690,673)
Net book value	4,779,915	4,827,274

14. Stocks

	2020 £	2019 £
Work in progress	40,212	47,308
Finished goods and goods for resale	10,965,357	10,953,232
	11,005,569	11,000,540

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.

Brownhills Motorhomes Limited

Notes to the Financial Statements For the Year Ended 30 September 2020

15. Debtors

	2020 £	2019 £
Due within one year		
Trade debtors	451,782	479,363
Prepayments and accrued income	165,858	1,132,683
Deferred taxation (note 18)	1,200,000	226,000
	<u>1,817,640</u>	<u>1,838,046</u>

16. Creditors: Amounts falling due within one year

	2020 £	2019 £
Bank loans (secured)	117,138	113,790
Trade creditors	9,766,626	11,334,523
Amounts owed to group undertakings	103,004	133,004
Other taxation and social security	2,836,472	1,723,812
Accruals and deferred income	923,813	640,438
	<u>13,747,053</u>	<u>13,945,567</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 £6,953,750 (2019 - £9,864,637) which are secured against the individual assets concerned.

Brownhills Motorhomes Limited

Notes to the Financial Statements For the Year Ended 30 September 2020

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

	2020 £	2019 £
Bank loans (secured)	<u>1,905,292</u>	<u>1,997,552</u>
	2020 £	2019 £
In one year or less, or on demand	117,138	113,790
In more than one year but not more than two years	120,584	117,138
In more than two years but not more than five years	1,784,708	1,880,414
In more than five years	-	-
	<u>2,022,430</u>	<u>2,111,342</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.

18. Deferred taxation

	2020 £	2019 £
At beginning of year	226,000	195,000
Credited/(charged) to the profit or loss	974,000	31,000
At end of year	<u>1,200,000</u>	<u>226,000</u>

The deferred tax asset is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	(19,733)	(10,715)
Tax losses	1,215,060	233,688
Other timing differences	4,673	3,027
	<u>1,200,000</u>	<u>226,000</u>

At the year end the company has an estimated unprovided deferred tax asset totalling £1,273,000 (2019 - £2,134,000) consisting of an asset of £617,000 (2019 - £1,547,000) in relation to unrecognised trading losses and £656,000 (2019 - £587,000) in relation to unrecognised capital losses.

Brownhills Motorhomes Limited

Notes to the Financial Statements For the Year Ended 30 September 2020

19. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

20. 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.

21. 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.

22. 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 £102,992 (2019 - £88,315). There were outstanding contributions totalling £24,594 (2019 - £19,523) at the end of the financial year.

23. Commitments under operating leases

At 30 September 2020 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Not later than 1 year	61,250	87,310
Later than 1 year and not later than 5 years	245,000	249,625
Later than 5 years	158,229	219,479
	<u>464,479</u>	<u>556,414</u>

Brownhills Motorhomes Limited

Notes to the Financial Statements For the Year Ended 30 September 2020

24. 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.

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.