

Company Registration No. 07883992 (England and Wales)

**SOMERSET EQUIPMENT FINANCE (UK) LTD**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2021**



# SOMERSET EQUIPMENT FINANCE (UK) LTD

## COMPANY INFORMATION

---

|                          |   |
|--------------------------|---|
| <b>Directors</b>         | E M Bokor<br>A Simon<br>R A Royer   |
| <b>Secretary</b>         | Dentons Secretaries Limited   |
| <b>Company number</b>    | 07883992  |
| <b>Registered office</b> | The Pinnacle<br>170 Midsummer Boulevard<br>Milton Keynes<br>MK9 1FE                                       |
| <b>Auditor</b>           | RSM UK Audit LLP<br>Chartered Accountants<br>25 Farringdon Street<br>London<br>EC4A 4AB<br>United Kingdom |

---

# SOMERSET EQUIPMENT FINANCE (UK) LTD

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

---

The directors present their annual report and financial statements for the year ended 31 December 2021.

### Principal activities

The principal activity of the company continued to be that of holding leases for the purpose of receiving income.

### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

E M Bokor

M Fiorentino

(Resigned 19 January 2022)

A Simon

R A Röyer

(Appointed 19 October 2022)

### Auditor

During the year, Blick Rothenberg Audit LLP resigned as auditor and RSM UK Audit LLP were appointed as auditor to the company in accordance with section 485 of the Companies Act 2006.

### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

### Small companies exemption

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board



E M Bokor

Director

Date: DECEMBER 2, 2022

# **SOMERSET EQUIPMENT FINANCE (UK) LTD**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

---

The directors are responsible for preparing 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOMERSET EQUIPMENT FINANCE (UK) LTD**

---

### **Opinion**

We have audited the financial statements of Somerset Equipment Finance (UK) Ltd (the 'company') for the year ended 31 December 2021 which comprise the statement of comprehensive income, the statement of financial position and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOMERSET EQUIPMENT FINANCE (UK) LTD (CONTINUED)**

---

### **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 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 2, 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.

### **The extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOMERSET EQUIPMENT FINANCE (UK) LTD (CONTINUED)**

---

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from external tax advisors.

There are no significant laws or regulations that have an indirect impact on the financial statements

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to reviewing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business.

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.

*Malcolm Pirouet*

Malcolm Pirouet FCA (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
25 Farringdon Street  
London  
EC4A 4AB  
United Kingdom

5 December 2022

# SOMERSET EQUIPMENT FINANCE (UK) LTD

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

---

|   | 2021<br>£          | 2020<br>£          |
|---|--------------------|--------------------|
| Turnover                                  | 643,015            | 3,263,511          |
| Cost of sales                             | (968,209)          | (1,782,639)        |
| <b>Gross (loss)/profit</b>                | <b>(325,194)</b>   | <b>1,480,872</b>   |
| Administrative expenses                   | (3,356,616)        | (2,534,367)        |
| Profit/(loss) on disposal of fixed assets | (130,686)          | 1,178,831          |
| <b>Operating (loss)/profit</b>            | <b>(3,812,496)</b> | <b>125,336</b>     |
| Interest receivable and similar income    | 95,917             | 160,051            |
| Interest payable and similar expenses     | (207,142)          | (595,525)          |
| <b>Loss before taxation</b>               | <b>(3,923,721)</b> | <b>(310,138)</b>   |
| Tax on loss                               | 1,290,495          | (1,506,473)        |
| <b>Loss for the financial year</b>        | <b>(2,633,226)</b> | <b>(1,816,611)</b> |

---




**SOMERSET EQUIPMENT FINANCE (UK) LTD****STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2021**

|  | Notes | 2021<br>£   | £           | 2020<br>£   | £           |
|--|-------|-------------|-------------|-------------|-------------|
| <b>Fixed assets</b>  |       |             |             |             |             |
| Tangible assets  | 4     |             | 548,493     |             | 807,533     |
| <b>Current assets</b>  |       |             |             |             |             |
| Debtors falling due after more than one year                   | 5     | 1,990,730   |             | 1,438,589   |             |
| Debtors falling due within one year                            | 5     | 3,543,448   |             | 1,832,558   |             |
| Cash at bank and in hand                                       |       | 276,714     |             | 331,181     |             |
|  |       | 5,810,892   |             | 3,602,328   |             |
| <b>Creditors: amounts falling due within one year</b>          | 7     | (9,099,171) |             | (7,018,664) |             |
| <b>Net current liabilities</b>                                 |       |             | (3,288,279) |             | (3,416,336) |
| <b>Total assets less current liabilities</b>                   |       |             | (2,739,786) |             | (2,608,803) |
| <b>Creditors: amounts falling due after more than one year</b> | 8     |             | (3,761,402) |             | (1,208,419) |
| <b>Provisions for liabilities</b>                              | 10    |             | -           |             | (50,710)    |
| <b>Net liabilities</b>   |       |             | (6,501,188) |             | (3,867,962) |
| <b>Capital and reserves</b>                                    |       |             |             |             |             |
| Called up share capital  | 11    |             | 1,000       |             | 1,000       |
| Share premium account  |       |             | 49,000      |             | 49,000      |
| Profit and loss reserves                                       |       |             | (6,551,188) |             | (3,917,962) |
| <b>Total equity</b>  |       |             | (6,501,188) |             | (3,867,962) |

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the board of directors and authorised for issue on 2 December 2022 and are signed on its behalf by:

  
E M Bokor  
Director

# SOMERSET EQUIPMENT FINANCE (UK) LTD

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2021

---

#### 1 Accounting policies

##### Company information

Somerset Equipment Finance (UK) Ltd is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is The Pinnacle, 170 Midsummer Boulevard, Milton Keynes, MK9 1FE.

##### Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

##### Going concern

The paths for Somerset Equipment Finance (UK) Ltd. ("SEF") to expand and flourish over the past several years have been adversely affected by numerous external factors including the effects of Brexit, the COVID-19 pandemic and the current general slowdown in economic activity in the UK. These external factors, combined with the competitive landscape in the UK equipment finance industry, have resulted in SEF generating limited new business during the year ended 31 December 2021 with the outlook for 2022 being fairly sluggish as well.

The limited outlook for new business for SEF led us to reduce the costs of the operation and refine our focus for our sales efforts. Currently the company has very low fixed operating costs which are more than covered by SEF's steady state cash flows. SEF has no external debt that is not fully serviced by fixed rental payments due on lease transactions owned by SEF and none of this debt is recourse to SEF. In consideration of these factors there should be little doubt regarding SEF's ability to continue as a going concern.

For the medium and the longer-term SEF's sales efforts will be focused on partnering on transactions with its lenders (one of the key areas of focus when we commenced SEF's operations), building on our vendor program with Samsung (which has been small, yet profitable) and seeking opportunities in the logistics and energy sectors (two areas which make use of the asset expertise of Somerset Capital Group). Further, one of the asset classes Somerset Capital Group focuses on is aircraft ground support equipment ("GSE") and the UK is one of the larger markets in the world for the leasing of this asset class which further enhances the value to Somerset Capital of maintaining a UK based entity for the long term. These narrow focused efforts are expected to enable us to generate a steady flow of quality business without casting too wide a net for opportunities. We believe this approach will be both efficient and avoid any unnecessary costs.

Our goals and objectives for the near term for SEF are modest with a goal of building a solid foundation for longer term growth. It is anticipated that our approach will return SEF to profitability in 2023. As economic and geopolitical issues hopefully stabilize over the course of the next 12-24 months we would seek to methodically broaden our scope to expand SEF's revenues.

Somerset Capital Group continues to provide SEF with financing for both SEF's transactions and its operations and fully intends to, and continues to remain committed to, supporting SEF's operations for the near and the long term.

# SOMERSET EQUIPMENT FINANCE (UK) LTD

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2021

---

#### 1 Accounting policies

##### Company information

Somerset Equipment Finance (UK) Ltd is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is The Pinnacle, 170 Midsummer Boulevard, Milton Keynes, MK9 1FE.

##### Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

##### Going concern

The paths for Somerset Equipment Finance (UK) Ltd. ("SEF") to expand and flourish over the past several years have been adversely affected by numerous external factors including the effects of Brexit, the COVID-19 pandemic and the current general slowdown in economic activity in the UK. These external factors, combined with the competitive landscape in the UK equipment finance industry, have resulted in SEF generating limited new business during the year ended 31 December 2021 with the outlook for 2022 being fairly sluggish as well.

The limited outlook for new business for SEF led us to reduce the costs of the operation and refine our focus for our sales efforts. Currently the company has very low fixed operating costs which are more than covered by SEF's steady state cash flows. SEF has no external debt that is not fully serviced by fixed rental payments due on lease transactions owned by SEF and none of this debt is recourse to SEF. In consideration of these factors there should be little doubt regarding SEF's ability to continue as a going concern.

For the medium and the longer-term SEF's sales efforts will be focused on partnering on transactions with its lenders (one of the key areas of focus when we commenced SEF's operations), building on our vendor program with Samsung (which has been small, yet profitable) and seeking opportunities in the logistics and energy sectors (two areas which make use of the asset expertise of Somerset Capital Group). Further, one of the asset classes Somerset Capital Group focuses on is aircraft ground support equipment ("GSE") and the UK is one of the larger markets in the world for the leasing of this asset class which further enhances the value to Somerset Capital of maintaining a UK based entity for the long term. These narrow focused efforts are expected to enable us to generate a steady flow of quality business without casting too wide a net for opportunities. We believe this approach will be both efficient and avoid any unnecessary costs.

Our goals and objectives for the near term for SEF are modest with a goal of building a solid foundation for longer term growth. It is anticipated that our approach will return SEF to profitability in 2023. As economic and geopolitical issues hopefully stabilize over the course of the next 12-24 months we would seek to methodically broaden our scope to expand SEF's revenues.

Somerset Capital Group continues to provide SEF with financing for both SEF's transactions and its operations and fully intends to, and continues to remain committed to, supporting SEF's operations for the near and the long term.

# SOMERSET EQUIPMENT FINANCE (UK) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

---

#### 1 Accounting policies (Continued)

##### Turnover

Turnover comprises income received from operating and finance leases and contracts for services.

Leases are classified as finance leases whenever the terms of the lease transfer all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as debtors at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net cash investment outstanding in respect of the leases.

Where the present value of the future minimum lease payments of a finance lease exceeds the book value of the asset the excess profit is recognised upfront on commencement of the lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are recognised on a straight-line basis over the lease term. Assets held for use in operating leases are recorded as fixed assets and depreciated over their useful lives.

Proceeds from the disposal of operating or finance leases or the disposal of assets held for leasing is recognised in turnover in the period the disposal takes place.

Other revenue earned from contracts to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract. When it is probable that total contract costs will exceed total contract revenue on a contract, the expected loss is recognised as an expense immediately, with a corresponding provision.

##### Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

|                     |                                   |
|---------------------|-----------------------------------|
| Plant and machinery | 20% / 33% per annum straight line |
|---------------------|-----------------------------------|

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

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

##### Impairment of fixed assets

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

# SOMERSET EQUIPMENT FINANCE (UK) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

---

#### 1 Accounting policies (Continued)

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

#### **Financial instruments**

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **Basic financial assets**

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

#### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

#### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

#### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

# SOMERSET EQUIPMENT FINANCE (UK) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

---

#### 1 Accounting policies (Continued)

##### **Basic financial liabilities**

Basic financial liabilities, including trade and other creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

##### **Derecognition of financial liabilities**

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

##### **Equity instruments**

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

##### **Taxation**

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

##### **Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

# SOMERSET EQUIPMENT FINANCE (UK) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

---

#### 1 Accounting policies (Continued)

##### Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

##### Leases

Amounts due from lessees under finance leases are recognised as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of leases.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

##### Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

#### 2 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

|       | 2021<br>Number | 2020<br>Number |
|-------|----------------|----------------|
| Total | 3              | 5              |

#### 3 Interest payable and similar expenses

|   | 2021<br>£ | 2020<br>£ |
|---|-----------|-----------|
| Interest payable and similar expenses includes the following: |           |           |
| Interest payable to group undertakings                        | 178,695   | 416,049   |

# SOMERSET EQUIPMENT FINANCE (UK) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

---

#### 1 Accounting policies (Continued)

##### Retirement benefits

For defined contribution schemes, the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

##### Leases

Amounts due from lessees under finance leases are recognised as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of leases.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

##### Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

#### 2 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

|       | 2021<br>Number | 2020<br>Number |
|-------|----------------|----------------|
| Total | 3              | 5              |

#### 3 Interest payable and similar expenses

|   | 2021<br>£ | 2020<br>£ |
|---|-----------|-----------|
| Interest payable and similar expenses includes the following: |           |           |
| Interest payable to group undertakings                        | 178,695   | 416,049   |



# SOMERSET EQUIPMENT FINANCE (UK) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

---

#### 1 Accounting policies (Continued)

##### Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

##### Leases

Amounts due from lessees under finance leases are recognised as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of leases.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

##### Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

#### 2 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

|       | 2021<br>Number | 2020<br>Number |
|-------|----------------|----------------|
| Total | 3              | 5              |

#### 3 Interest payable and similar expenses

|   | 2021<br>£ | 2020<br>£ |
|---|-----------|-----------|
| Interest payable and similar expenses includes the following: |           |           |
| Interest payable to group undertakings                        | 178,695   | 416,049   |

# SOMERSET EQUIPMENT FINANCE (UK) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 4 Tangible fixed assets

|                                    | Plant and machinery<br>£ |
|------------------------------------|--------------------------|
| <b>Cost</b>                        |                          |
| At 1 January 2021                  | 1,610,678                |
| Disposals                          | (1,035,283)              |
| At 31 December 2021                | 575,395                  |
| <b>Depreciation and impairment</b> |                          |
| At 1 January 2021                  | 803,145                  |
| Depreciation charged in the year   | 99,563                   |
| Eliminated in respect of disposals | (875,806)                |
| At 31 December 2021                | 26,902                   |
| <b>Carrying amount</b>             |                          |
| At 31 December 2021                | 548,493                  |
| At 31 December 2020                | 807,533                  |

All of the above assets are held for use as leased equipment.

### 5 Debtors

|  | 2021<br>£        | 2020<br>£        |
|--|------------------|------------------|
| <b>Amounts falling due within one year:</b>          |                  |                  |
| Trade debtors  | 925,610          | 723,707          |
| Amounts owed by group undertakings                   | 708,809          | 711,276          |
| Other debtors  | 1,909,029        | 397,575          |
|  | <u>3,543,448</u> | <u>1,832,558</u> |
| <b>Amounts falling due after more than one year:</b> |                  |                  |
| Trade debtors  | 669,760          | 910,108          |
| Other debtors  | 1,320,970        | 528,481          |
|  | <u>1,990,730</u> | <u>1,438,589</u> |
| <b>Total debtors</b>                                 | <u>5,534,178</u> | <u>3,271,147</u> |

The net investment in finance leases at the balance sheet date was £154,500 (2020: £553,519).

# SOMERSET EQUIPMENT FINANCE (UK) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 6 Finance lease receivables

|  | 2021<br>£      | 2020<br>£      |
|--|----------------|----------------|
| Gross amounts receivable under finance leases: |                |                |
| Within one year                                | 139,313        | 218,977        |
| In the second to fifth years inclusive         | 30,450         | 384,739        |
|  | <u>169,763</u> | <u>603,716</u> |
| Unearned finance income                        | (15,263)       | (50,197)       |
|  | <u>154,500</u> | <u>553,519</u> |

Unguaranteed residual values of assets leased under finance leases at the reporting end date are estimated at £97,187 (2020: £94,982).

#### 7 Creditors: amounts falling due within one year

|                                    | 2021<br>£        | 2020<br>£        |
|------------------------------------|------------------|------------------|
| Bank loans                         | 209,968          | 304,812          |
| Trade creditors                    | 209,869          | 207,769          |
| Amounts owed to group undertakings | 8,302,030        | 4,967,150        |
| Corporation tax                    | -                | 1,273,791        |
| Other creditors                    | 377,304          | 265,142          |
|                                    | <u>9,099,171</u> | <u>7,018,664</u> |

Of the amounts owed to group undertakings of £8,119,628 (2020: £4,882,601) is unsecured, interest free and repayable on demand.

The remaining loan agreements are unsecured. Interest is charged at a rate of between 8.50% and 12.42% (2020: between 8.50% and 12.42%) and is repayable on the termination of the loan.

#### 8 Creditors: amounts falling due after more than one year

|                                    | 2021<br>£        | 2020<br>£        |
|------------------------------------|------------------|------------------|
| Bank loans and overdrafts          | 96,429           | 219,484          |
| Amounts owed to group undertakings | 3,664,973        | 974,151          |
| Other creditors                    | -                | 14,814           |
|                                    | <u>3,761,402</u> | <u>1,208,449</u> |

The amounts due to group are unsecured. Interest is charged at a rate of between 8.50% and 12.42% (2020: between 8.50% and 12.42%) and is repayable on the termination of the loan.

# SOMERSET EQUIPMENT FINANCE (UK) LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 9. Borrowings

|                         | 2021<br>£ | 2020<br>£ |
|-------------------------|-----------|-----------|
| Bank loans              | 306,397   | 524,296   |
| Payable within one year | 209,968   | 304,812   |
| Payable after one year  | 96,429    | 219,484   |

The company has entered into a number of loan agreements which are secured against the future income flows of certain leased assets. Interest is charged at a rate of between 5.00% and 8.08% (2020: 5.00% and 8.08%) and is repayable in monthly instalments.

### 10 Provisions for liabilities

|                          | 2021<br>£ | 2020<br>£ |
|--------------------------|-----------|-----------|
| Deferred tax liabilities | -         | 50,710    |

### 11 Called up share capital

|   | 2021<br>Number | 2020<br>Number | 2021<br>£ | 2020<br>£ |
|---|----------------|----------------|-----------|-----------|
| Ordinary share capital<br>Issued and fully paid |                |                |           |           |
| Ordinary shares of £1 each                      | 1,000          | 1,000          | 1,000     | 1,000     |

### 12 Operating lease commitments

#### Lessor

At the reporting end date the company had contracted with tenants for the following minimum lease payments:

|                            | 2021<br>£ | 2020<br>£ |
|----------------------------|-----------|-----------|
| Within one year            | 128,254   | 133,980   |
| Between one and five years | 86,980    | 167,840   |
|                            | 215,234   | 301,820   |

### 13 Parent undertaking

The smallest group for which consolidated financial statements are drawn up is headed by Somerset Capital Group, Ltd, a company incorporated in The United States of America. The registered office of which is 612 Wheelers Farms Road, Milford, Connecticut.