

Company Registration No. 09323854 (England and Wales)

PENFOLD VERRALL HOLDINGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

PENFOLD VERRALL HOLDINGS LIMITED

COMPANY INFORMATION

Directors	Mr D J L Lynch Mrs C Bowden Mr A J Bish
Company number	09323854
Registered office	Amelia House Crescent Road Worthing West Sussex BN11 1RL
Auditor	Carpenter Box 5 Peveril Court 6-8 London Road Crawley West Sussex RH10 8JE
Business address	The Haulage Yard Dial Post Horsham West Sussex RH13 8NY

PENFOLD VERRALL HOLDINGS LIMITED

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PENFOLD VERRALL HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2022

The directors present the strategic report for the year ended 30 June 2021.

Fair review of the business

The financial year to 30 June 2022 has proved to be a difficult year for the group. As expected, performance in the first quarter was reasonable and yielded some decent results in terms of sales and profit. There was a noticeable substantial drop in enquiries and tenders towards the Christmas period and this resulted in a below par second quarter. After Christmas, and moving into the third quarter, trading became volatile. Material costs were increasing on a weekly basis and although the group was in a position to increase rates with notice, the immediate effects distorted the bottom line. More alarmingly many of our clients were tied into fixed costs which ultimately caused them cash flow issues which affected us further down the line.

The main reason for the below par performance in the third and fourth quarters was simply the massive hike in diesel costs. The group were only paying around £1 per litre more than 15 months earlier. With the group's usage being 20,000 litres per week, and the abolition of red diesel in April 2022, our costs soared and quite often our increased sales prices were not accepted by customers.

Whilst the directors cannot be happy with the results of 2022, the group has become adept at riding out volatile markets when many other businesses have failed. The directors have key and clear plans for the future but will continue to consolidate the business before moving it forward when the current financial crisis has abated.

Principal risks and uncertainties

The directors consider the principal risks of the group to be those outlined in the directors' report and from those generated from within the construction industry. Management monitor conditions within the industry and assess risk levels on an ongoing basis.

Health and safety is one of the key risks facing the group and this risk is mitigated through ongoing training for employees and through regular maintenance checks on plant and machinery. The group utilises hire purchase contracts and therefore interest rate risk is also key to the group. The board implement strategies to mitigate and manage risks that the group faces.

Key performance indicators

The board uses key financial performance indicators ("KPIs") to track and review performance. These are as follows:

	2022	2021
	£	£
Revenue	9,791,338	8,568,921
Gross profit	1,184,999	1,405,072
Profit before tax	288,727	540,197

The directors primarily rely on fast and accurate management information to gain detailed knowledge of where the business is excelling or failing. This allows us to react or prepare for what is ahead. We also have detailed costings on individual lorries and their operatives which allows us to see if a certain vehicle or driver is underperforming. For contract work detailed costings are judged against measured valuations which again gives us performance information. The team leaders closely monitor their staff and equipment and report accidents, mechanical failings etc through the correct channels. It is the directors' responsibility to ensure that each team leader has the correct personnel, equipment, and protocols in place to be able to affect the business positively.

On behalf of the board

Mr D J L Lynch
Director

14 December 2022

PENFOLD VERRALL HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2022

The directors present their annual report and financial statements for the year ended 30 June 2022.

Principal activities

The principal activity of the company and group continued to be that of haulage, plant hire and construction.

Results and dividends

The results for the year are set out on page 7. No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Directors

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

Mr D J L Lynch
Mrs C Bowden
Mr A J Bish

Financial instruments

Liquidity risk

The group manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company and group has sufficient liquid resources to meet the operating needs of the businesses.

Credit risk

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade receivables are monitored on an ongoing basis and a provision is made for doubtful debts where necessary.

Auditor

In accordance with the company's articles, a resolution proposing that Carpenter Box be reappointed as auditor of the group will be put at a General Meeting.

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 auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

COVID-19

The directors have undertaken a robust assessment of the company and group's future trading prospects and have concluded that the company and group remains a going concern. See note 1.3 to the accounts for further detail.

On behalf of the board

Mr D J L Lynch
Director

14 December 2022

PENFOLD VERRALL HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2022

The directors are responsible for preparing the annual 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 group and company, and of the profit or loss of the group 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the ;
- prepare the on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PENFOLD VERRALL HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PENFOLD VERRALL HOLDINGS LIMITED

Opinion

We have audited the financial statements of Penfold Verrall Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2022 which comprise the group statement of comprehensive income, the group statement of financial position, the company statement of financial position, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows 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 group's and the parent company's affairs as at 30 June 2022 and of the group's 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

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 group's and parent 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 our audit:

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

PENFOLD VERRALL HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PENFOLD VERRALL HOLDINGS LIMITED

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 parent 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- Obtaining an understanding of the legal and regulatory framework that the company and group operates in, focusing on those laws and regulations that had a direct effect on the financial statements and operations;
- Obtaining an understanding of the company and group's policies and procedures on fraud risks, including knowledge of any actual, suspected or alleged fraud; and
- Discussing among the engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud through our knowledge and understanding of the company, group and our sector-specific experience.

As a result of these procedures, we considered the opportunities and incentives that may exist within the company and group for fraud. We are also required to perform specific procedures to respond to the risk of management override. As a result of performing the above, we identified the following areas as those most likely to have an impact on the financial statements: health & safety, employment law, and compliance with the UK Companies Act.

PENFOLD VERRALL HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PENFOLD VERRALL HOLDINGS LIMITED

In addition to the above, our procedures to respond to risks identified included the following:

- Making enquiries of management, about any known or suspected instances of non-compliance with laws and regulations and fraud;
- Assessment of matters recorded on the company's health & safety incident register;
- Challenging assumptions and judgements made by management in their significant accounting estimates; and
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.

Due to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). For instance, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to recognise the non-compliance.

A further description of our responsibilities is available 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.

Robert Dowling FCA (Senior Statutory Auditor)
For and on behalf of Carpenter Box
Chartered Accountants
Statutory Auditor
Crawley

14 December 2022

Carpenter Box is a trading name of Carpenter Box Limited



PENFOLD VERRALL HOLDINGS LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 £	2021 £
Revenue	3	9,791,338	8,568,921
Cost of sales		(8,606,339)	(7,163,849)
Gross profit		1,184,999	1,405,072
Administrative expenses		(848,859)	(881,590)
Other operating income		3,053	69,980
Operating profit	4	339,193	593,462
Investment income		221	590
Finance costs	8	(50,687)	(53,855)
Profit before taxation		288,727	540,197
Taxation	9	(175,759)	(97,366)
Profit for the financial year		112,968	442,831
Other comprehensive income			
Tax relating to other comprehensive income		-	(42,000)
Total comprehensive income for the year		112,968	400,831
Profit for the financial year is attributable to:			
- Owners of the parent company		87,412	426,494
- Non-controlling interests		25,556	16,337
		112,968	442,831
Total comprehensive income for the year is attributable to:			
- Owners of the parent company		87,412	384,494
- Non-controlling interests		25,556	16,337
		112,968	400,831

The group statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

PENFOLD VERRALL HOLDINGS LIMITED

GROUP STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Notes	2022 £	£	2021 £	£
Non-current assets					
Property, plant and equipment	11		6,012,136		6,392,758
Current assets					
Inventories	14	166,166		89,529	
Trade and other receivables	15	2,470,763		1,872,857	
Cash and cash equivalents		882,667		921,960	
		<u>3,519,596</u>		<u>2,884,346</u>	
Current liabilities	16	<u>(2,643,797)</u>		<u>(1,802,797)</u>	
Net current assets			<u>875,799</u>		<u>1,081,549</u>
Total assets less current liabilities			<u>6,887,935</u>		<u>7,474,307</u>
Non-current liabilities	17		(1,060,881)		(1,530,398)
Provisions for liabilities	20		<u>(783,708)</u>		<u>(650,033)</u>
Net assets			<u><u>5,043,346</u></u>		<u><u>5,293,876</u></u>
Equity					
Called up share capital	23		100		100
Revaluation reserve	24		522,064		525,337
Capital redemption reserve	24		15		15
Other reserves	24		325,593		325,593
Retained earnings			<u>4,153,656</u>		<u>4,426,469</u>
Equity attributable to owners of the parent company			<u>5,001,428</u>		<u>5,277,514</u>
Non-controlling interests			<u>41,918</u>		<u>16,362</u>
			<u><u>5,043,346</u></u>		<u><u>5,293,876</u></u>

The financial statements were approved by the board of directors and authorised for issue on 14 December 2022 and are signed on its behalf by:

Mr D J L Lynch
Director

PENFOLD VERRALL HOLDINGS LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

		2022		2021	
	Notes	£	£	£	£
Non-current assets					
Property, plant and equipment	11		5,833,762		6,232,910
Investments	12		99		99
			<u>5,833,861</u>		<u>6,233,009</u>
Current assets					
Trade and other receivables	15	201,309		201,309	
Cash and cash equivalents		402,727		491,322	
		<u>604,036</u>		<u>692,631</u>	
Current liabilities	16	(991,561)		(842,333)	
Net current liabilities			<u>(387,525)</u>		<u>(149,702)</u>
Total assets less current liabilities			5,446,336		6,083,307
Non-current liabilities	17		(1,060,881)		(1,530,398)
Provisions for liabilities	20		<u>(777,122)</u>		<u>(646,947)</u>
Net assets			<u><u>3,608,333</u></u>		<u><u>3,905,962</u></u>
Equity					
Called up share capital	23		100		100
Revaluation reserve	24		533,293		533,792
Capital redemption reserve	24		15		15
Retained earnings			3,074,925		3,372,055
Total equity			<u><u>3,608,333</u></u>		<u><u>3,905,962</u></u>

As permitted by s408 Companies Act 2006, the company has not presented its own income statement and related notes. The company's profit for the year was £65,869 (2021: £65,486).

The financial statements were approved by the board of directors and authorised for issue on 14 December 2022 and are signed on its behalf by:

Mr D J L Lynch
Director

Company Registration No. 09323854

PENFOLD VERRALL HOLDINGS LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

	Share capital	Revaluation reserve	Capital redemption reserve	Other reserves	Retained earnings	Total non-controlling interest	controlling interest	Total
Notes	£	£	£	£	£	£	£	£
Balance at 1 July 2020	115	572,484	-	325,593	4,203,168	5,101,360	-	5,101,360
Year ended 30 June 2021:								
Profit for the year	-	-	-	-	426,494	426,494	16,337	442,831
Other comprehensive income:								
Tax relating to other comprehensive income	-	(42,000)	-	-	-	(42,000)	-	(42,000)
Total comprehensive income for the year	-	(42,000)	-	-	426,494	384,494	16,337	400,831
Dividends	10	-	-	-	(42,340)	(42,340)	-	(42,340)
Contribution to employee ownership trust	10	-	-	-	(160,000)	(160,000)	-	(160,000)
Redemption of shares	23	(15)	-	15	(6,000)	(6,000)	-	(6,000)
Transfer from revaluation reserve	-	(5,147)	-	-	5,147	-	-	-
Non-controlling interest share purchase in subsidiary	-	-	-	-	-	-	25	25
Balance at 30 June 2021	100	525,337	15	325,593	4,426,469	5,277,514	16,362	5,293,876
Year ended 30 June 2022:								
Profit and total comprehensive income for the year	-	-	-	-	87,412	87,412	25,556	112,968
Contribution to employee ownership trust	10	-	-	-	(363,498)	(363,498)	-	(363,498)
Transfer from revaluation reserve	-	(3,273)	-	-	3,273	-	-	-
Balance at 30 June 2022	100	522,064	15	325,593	4,153,656	5,001,428	41,918	5,043,346

PENFOLD VERRALL HOLDINGS LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Share capital	Revaluation reserve	Capital redemption reserve	Retained earnings	Total
Notes	£	£	£	£	£
Balance at 1 July 2020	115	577,428	-	3,513,273	4,090,816
Year ended 30 June 2021:					
Profit for the year	-	-	-	65,486	65,486
Other comprehensive income:					
Tax relating to other comprehensive income	-	(42,000)	-	-	(42,000)
Total comprehensive income for the year	-	(42,000)	-	65,486	23,486
Dividends	10	-	-	(42,340)	(42,340)
Contribution to employee ownership trust	10	-	-	(160,000)	(160,000)
Redemption of shares	23	(15)	15	(6,000)	(6,000)
Transfer from revaluation reserve	-	(1,636)	-	1,636	-
Balance at 30 June 2021	100	533,792	15	3,372,055	3,905,962
Year ended 30 June 2022:					
Profit and total comprehensive income for the year	10	-	-	65,869	65,869
Contribution to employee ownership trust	10	-	-	(363,498)	(363,498)
Transfer from revaluation reserve	-	(499)	-	499	-
Balance at 30 June 2022	100	533,293	15	3,074,925	3,608,333

PENFOLD VERRALL HOLDINGS LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2022

		2022	2021
	Notes	£	£
Cash flows from operating activities			
Cash generated from operations	27	1,380,411	1,463,145
Interest paid		(50,687)	(53,855)
Income taxes paid		(24,170)	-
Net cash inflow from operating activities		1,305,554	1,409,290
Investing activities			
Purchase of property, plant and equipment		(193,812)	(152,587)
Proceeds on disposal of property, plant and equipment		89,601	119,300
Interest received		221	590
Net cash used in investing activities		(103,990)	(32,697)
Financing activities			
Proceeds from issue of shares		-	15
Redemption of shares		-	(6,015)
Proceeds of new bank loans		-	50,000
Repayment of bank loans		(99,582)	(36,907)
Payment of finance leases obligations		(777,777)	(610,313)
Purchase of shares in subsidiary from non-controlling interest		-	25
Dividends paid to equity shareholders		-	(42,340)
Contribution to employee ownership trust		(363,498)	(160,000)
Net cash used in financing activities		(1,240,857)	(805,535)
Net (decrease)/increase in cash and cash equivalents		(39,293)	571,058
Cash and cash equivalents at beginning of year		921,960	350,902
Cash and cash equivalents at end of year		882,667	921,960

PENFOLD VERRALL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

1 Accounting policies

Company information

Penfold Verrall Holdings Limited ("the company") is a limited company domiciled and incorporated in England and Wales. The registered office is Amelia House, Crescent Road, Worthing, West Sussex, BN11 1RL.

1.1 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.

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 £1.

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

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

1.2 Basis of consolidation

The group consolidated financial statements include the financial statements of the company and its subsidiaries made up to 30 June 2022.

A subsidiary is an entity controlled by the group. control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Subsidiaries have been accounted for using the merger accounting method.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associates to the extent of the group's interest in the entity.

1.3 Going concern

The financial statements have been prepared on a going concern basis. The directors have considered relevant information, including the annual budget, forecast future cash flows and the impact of subsequent events in making their assessment. The rising prices in materials, lack of customer demand for their services and the general state of the UK economy has had a significant impact on the group's operations. In response to this, the directors have performed a robust analysis of forecast future cash flows taking into account the potential impact on the business. This analysis also considers the effectiveness of available measures to assist in mitigating the impact.

Based on these assessments and having regard to the resources available to the entity, the directors have concluded that there is no material uncertainty in relation to the appropriateness of continuing to adopt the going concern basis in preparing the annual report and accounts.

PENFOLD VERRALL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

1 Accounting policies

(Continued)

1.4 Revenue

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

The following criteria must also be met before revenue is recognised:

Construction contract income

Revenue from contracts for the provision of construction services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. Contract retentions are recognised on completion of the respective contracts when there is reasonable certainty that they are recoverable.

Haulage income

Revenue from contracts for the provision of services is recognised at the time the service is delivered, when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.5 Property, plant and equipment

Property, plant and equipment 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 remaining useful lives on the following bases:

Freehold land	Not depreciated
Leasehold property	10% to 20% Straight line per annum
Plant, machinery, fixtures and fittings	10% to 50% Straight line per annum
Heavy plant and vehicles	20% to 50% Straight line per annum
Motor vehicles	25% Diminishing value per annum

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Freehold land is stated in the statement of financial position at revalued amounts, being the fair value at the date of revaluation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

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 recognised in the income statement.

1.6 Non-current investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

PENFOLD VERRALL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

1 Accounting policies

(Continued)

1.7 Impairment of non-current assets

At each reporting period end date, the group 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.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

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.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of inventories over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.9 Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting end date. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

The "percentage of completion method" is used to determine the appropriate amount to recognise in a given period. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These costs are presented as stocks, prepayments or other assets depending on their nature, and provided it is probable they will be recovered.

PENFOLD VERRALL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

1 Accounting policies

(Continued)

1.10 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include deposits held at call with banks.

1.11 Financial instruments

The group 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 in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets

Basic financial assets, which include trade and other receivables 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 transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

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 liabilities

Basic financial liabilities, including trade and other payables, 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 receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

1.12 Equity instruments

Equity instruments issued by the group are recorded at the 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 group.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

PENFOLD VERRALL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

1 Accounting policies

(Continued)

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

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.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.16 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the discounted cash flow model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

The expense in relation to options over the parent company's shares granted to employees of a subsidiary is recognised by the company as a capital contribution, and presented as an increase in the company's investment in that subsidiary.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

1.17 Leases

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

Assets held under finance leases are initially recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets held under finance leases are depreciated over the shorter of the assets leased term and its useful life. If there is a reasonable certainty that ownership of the asset will be obtained by the end of the lease term, the asset is depreciated over its useful life.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

PENFOLD VERRALL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

1 Accounting policies

(Continued)

1.18 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Valuation of freehold land and buildings

The company and group's freehold land are stated at their revalued amounts, being the fair value at the date of revaluation. The director's assessment for determining fair value is disclosed in note 11.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Revenue recognition on construction contracts

Revenue derived from construction services include a judgement of the stage of completion at the year end. This judgement is used to determine the amount of revenue and profit to recognise in relation to each contract, which is still ongoing at the end of the reporting period. The stage of completion is calculated based on the assessment of qualified quantity surveyors of the costs incurred for work performed in conjunction with expected final contract costs and overall profitability.

The provisions for losses on contracts are included for expected losses made on contracts in progress at the reporting date.

3 Revenue

An analysis of the group's revenue is as follows:

	2022	2021
	£	£
Revenue analysed by class of business		
Rendering of services	8,621,728	7,588,575
Construction contracts	1,169,610	980,346
	<u>9,791,338</u>	<u>8,568,921</u>

PENFOLD VERRALL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

3 Revenue (Continued)

	2022 £	2021 £
Other significant revenue		
Interest income	221	590
Grants received	-	69,980
	<u> </u>	<u> </u>
	2022 £	2021 £
Revenue analysed by geographical market		
United Kingdom	9,791,338	8,568,921
	<u> </u>	<u> </u>

4 Operating profit

	2022 £	2021 £
Operating profit for the year is stated after charging/(crediting):		
Government grants	-	(69,980)
Depreciation of owned property, plant and equipment	213,522	228,609
Depreciation of property, plant and equipment held under finance leases	703,199	627,641
Profit on disposal of property, plant and equipment	(44,600)	(51,577)
	<u> </u>	<u> </u>

5 Auditor's remuneration

	2022 £	2021 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	6,300	6,000
Audit of the financial statements of the company's subsidiaries	18,375	17,000
	<u> </u>	<u> </u>
	24,675	23,000
	<u> </u>	<u> </u>

6 Employees

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

	Group 2022 Number	2021 Number	Company 2022 Number	2021 Number
Operatives	50	47	-	-
Administration	11	11	3	3
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	61	58	3	3
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

PENFOLD VERRALL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

6 Employees (Continued)

Their aggregate remuneration comprised:

	Group 2022 £	2021 £	Company 2022 £	2021 £
Wages and salaries	2,552,121	2,271,531	-	-
Social security costs	288,333	253,522	-	-
Pension costs	66,535	59,368	-	-
	<u>2,906,989</u>	<u>2,584,421</u>	<u>-</u>	<u>-</u>

Employees in the company were remunerated by way of salary from a subsidiary company.

7 Directors' remuneration

	2022 £	2021 £
Remuneration for qualifying services	160,673	132,941
Company pension contributions to defined contribution schemes	10,303	8,977
	<u>170,976</u>	<u>141,918</u>

The directors are considered to be the only key management personnel of the company and the group.

8 Finance costs

	2022 £	2021 £
Interest on bank overdrafts and loans	9,391	9,437
Interest on finance leases and hire purchase contracts	41,296	44,418
	<u>50,687</u>	<u>53,855</u>

9 Taxation

	2022 £	2021 £
Current tax		
UK corporation tax on profits for the current period	43,000	25,000
Adjustments in respect of prior periods	(916)	-
	<u>42,084</u>	<u>25,000</u>

PENFOLD VERRALL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

9 Taxation

(Continued)

	2022 £	2021 £
Deferred tax		
Origination and reversal of timing differences	(11,826)	72,366
Changes in tax rates	145,501	-
	<u>133,675</u>	<u>72,366</u>
Total deferred tax	<u>133,675</u>	<u>72,366</u>
 Total tax charge	 <u>175,759</u>	 <u>97,366</u>

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022 £	2021 £
Profit before taxation	<u>288,727</u>	<u>540,197</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	54,858	102,637
Tax effect of expenses that are not deductible in determining taxable profit	5,690	26,717
Change in unrecognised deferred tax assets	522	-
Depreciation on assets not qualifying for tax allowances	1,750	1,459
Under/(over) provided in prior years	(916)	(31,381)
Other tax adjustments	199	(2,066)
Enhanced capital allowances	(31,855)	-
Effect of change in local deferred tax rate	145,511	-
	<u>175,759</u>	<u>97,366</u>
Taxation charge	<u>175,759</u>	<u>97,366</u>

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2022 £	2021 £
Deferred tax arising on:		
Revaluation of land freehold	-	42,000
	<u>-</u>	<u>42,000</u>

PENFOLD VERRALL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

10 Dividends and contributions to employee ownership trust

	2022 £	2021 £
Recognised as distributions or contributions to equity holders:		
Final paid dividend	-	42,340
Contribution to employee ownership trust	363,498	160,000
	<u>363,498</u>	<u>202,340</u>

11 Property, plant and equipment

Group	Freehold land	Leasehold property	Plant, Heavy plant and machinery, fixtures and fittings	Motor vehicles	Total
	£	£	£	£	£
Cost or valuation					
At 1 July 2021	2,015,000	211,498	444,195	7,723,992	10,795,837
Additions	-	18,922	37,460	524,718	581,100
Disposals	-	-	(538)	(226,985)	(237,867)
At 30 June 2022	2,015,000	230,420	481,117	8,021,725	11,139,070
Depreciation and impairment					
At 1 July 2021	-	157,691	244,238	3,721,060	4,403,079
Depreciation charged in the year	-	8,266	34,679	842,046	916,721
Eliminated in respect of disposals	-	-	(538)	(181,984)	(192,866)
At 30 June 2022	-	165,957	278,379	4,381,122	5,126,934
Carrying amount					
At 30 June 2022	2,015,000	64,463	202,738	3,640,603	6,012,136
At 30 June 2021	2,015,000	53,807	199,957	4,002,932	6,392,758

PENFOLD VERRALL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

11 Property, plant and equipment

(Continued)

Company	Freehold land	Plant, machinery, fixtures and fittings	Heavy plant and vehicles	Motor vehicles	Total
	£	£	£	£	£
Cost or valuation					
At 1 July 2021	2,000,000	286,418	7,418,105	193,179	9,897,702
Additions	-	22,126	510,216	-	532,342
Disposals	-	-	(226,985)	-	(226,985)
At 30 June 2022	2,000,000	308,544	7,701,336	193,179	10,203,059
Depreciation and impairment					
At 1 July 2021	-	105,892	3,460,884	98,016	3,664,792
Depreciation charged in the year	-	24,497	838,202	23,790	886,489
Eliminated in respect of disposals	-	-	(181,984)	-	(181,984)
At 30 June 2022	-	130,389	4,117,102	121,806	4,369,297
Carrying amount					
At 30 June 2022	2,000,000	178,155	3,584,234	71,373	5,833,762
At 30 June 2021	2,000,000	180,526	3,957,221	95,163	6,232,910

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	Group 2022 £	2021 £	Company 2022 £	2021 £
Heavy plant and vehicles	3,108,138	3,305,287	3,108,138	3,305,287

The company and group's freehold land are stated at their revalued amounts, being the fair value at the date of revaluation. The valuation was carried out by Crickmay Chartered Surveyors (an independent valuer) on 29 September 2020. The valuation method used conforms to International Valuation Standards and was based on recent market transactions carried out on arm's length terms. There has been no change to the valuation technique during the year and the directors have not obtained a more recent valuation as they are not aware of any material change in value.

If the freehold land was measured using the historic cost basis rather than fair value, the carrying amounts for the group would have been £1,319,795 (2021 - £1,319,795) and for the company would have been £1,304,795 (2021 - £1,304,795).

12 Fixed asset investments

	Notes	Group 2022 £	2021 £	Company 2022 £	2021 £
Investments in subsidiaries	13	-	-	99	99

PENFOLD VERRALL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

12 Fixed asset investments (Continued)

Movements in non-current investments Company

Shares in
subsidiaries
£

Cost or valuation

At 1 July 2021 and 30 June 2022

99

Carrying amount

At 30 June 2022

99

At 30 June 2021

99

13 Subsidiaries

Details of the company's subsidiaries at 30 June 2022 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Penfold Verrall Limited	Amelia House, Crescent Road, Worthing, West Sussex, BN11 1QR	Haulage, plant hire and construction	Ordinary	100	
HGS Southern Limited	Amelia House, Crescent Road, Worthing, West Sussex, BN11 1QR	Haulage, plant hire and construction	Ordinary		75

14 Inventories

	Group 2022 £	2021 £	Company 2022 £	2021 £
Contract work in progress	33,217	48,173	-	-
Finished goods and goods for resale	132,949	41,356	-	-
	<u>166,166</u>	<u>89,529</u>	<u>-</u>	<u>-</u>

PENFOLD VERRALL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

15 Trade and other receivables

	Group 2022	2021	Company 2022	2021
Amounts falling due within one year:	£	£	£	£
Trade receivables	1,872,444	1,283,586	-	-
Other receivables	507,653	556,622	201,309	201,309
Prepayments and accrued income	90,666	32,649	-	-
	<u>2,470,763</u>	<u>1,872,857</u>	<u>201,309</u>	<u>201,309</u>

Included within other receivables is £108,716 (2021: £nil) available in respect of an invoice discounting facility at the reporting date. This facility is secured against the assets of the group.

16 Current liabilities

	Notes	Group 2022	2021	Company 2022	2021
		£	£	£	£
Bank loans	18	48,929	97,554	48,929	97,554
Obligations under finance leases	19	771,236	743,165	771,236	743,165
Trade payables		475,420	675,134	-	-
Amounts owed to group undertakings		-	-	150,000	250
Corporation tax payable		42,914	25,000	18,000	-
Other taxation and social security		255,041	140,845	-	-
Other payables		517,436	12,359	-	-
Accruals and deferred income		532,821	108,740	3,396	1,364
		<u>2,643,797</u>	<u>1,802,797</u>	<u>991,561</u>	<u>842,333</u>

Included within other payables is £nil (2021: £365,279) paid in advance to the group in respect of items included in trade receivables as part of an invoice finance facility at the reporting date. This facility is secured against the assets of the group.

17 Non-current liabilities

	Notes	Group 2022	2021	Company 2022	2021
		£	£	£	£
Bank loans and overdrafts	18	305,747	356,704	305,747	356,704
Obligations under finance leases	19	755,134	1,173,694	755,134	1,173,694
		<u>1,060,881</u>	<u>1,530,398</u>	<u>1,060,881</u>	<u>1,530,398</u>

Amounts included above which fall due after five years are as follows:

Payable by instalments	99,676	154,512	-	-
	<u>99,676</u>	<u>154,512</u>	<u>-</u>	<u>-</u>

PENFOLD VERRALL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

18 Borrowings

	Group 2022 £	2021 £	Company 2022 £	2021 £
Bank loans	354,676	454,258	354,676	454,258
Payable within one year	48,929	97,554	48,929	97,554
Payable after one year	305,747	356,704	305,747	356,704

Included within bank loans is a £nil (2021: £50,000) bounce back loan that is 100% guaranteed by the government. The remaining bank loan balance is secured by fixed charges over the assets of the company.

The bank loans are repayable over a period of 10 years from the date of acceptance with 7 years remaining, the rate of interest payable is at the Bank of England's Base rate plus 2.1%.

19 Finance lease obligations

	Group 2022 £	2021 £	Company 2022 £	2021 £
Future minimum lease payments due under finance leases:				
Within one year	771,236	743,165	771,236	743,165
In two to five years	755,134	1,173,694	755,134	1,173,694
	1,526,370	1,916,859	1,526,370	1,916,859

Finance lease payments represent rentals payable by the company or group for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Obligations under finance leases contracts are secured against the assets to which they relate.

20 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2022 £	Liabilities 2021 £
Group		
Accelerated capital allowances	608,800	475,000
Revaluations	174,908	175,033
	783,708	650,033

PENFOLD VERRALL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

20 Deferred taxation (Continued)

	Liabilities 2022 £	Liabilities 2021 £
Company		
Accelerated capital allowances	600,100	469,800
Revaluations	177,022	177,147
	<u>777,122</u>	<u>646,947</u>
	Group 2022 £	Company 2022 £
Movements in the year:		
Liability at 1 July 2021	650,033	646,947
Charge to profit or loss	133,675	130,175
	<u>783,708</u>	<u>777,122</u>

The directors have considered the deferred tax liabilities notes above and concluded that it is not possible to state the estimated liabilities which will reverse within the next 12 months. This is due to the level of reversal being dependant on events which are not yet known.

21 Retirement benefit schemes

	2022 £	2021 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	66,535	59,368

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

22 Share-based payment transactions

During the prior year the company issued equity-based share options under an Enterprise Management Incentives (EMI) scheme. The options can be exercised only after the 6 April 2022 and can only be granted to eligible employees, being those who are an employee or a director of any company in the group. If the options remain unexercised after a period of ten years from the date of the grant or if the option holder ceases employment the options lapses.

No share options were granted, forfeited or exercised in the year and none expired. The number of share options outstanding at the reporting date were 8,800 with a weighted average exercise price of £0.01 being £88 in aggregate. No charge has been made in the financial statements on the grounds of immateriality.

23 Share capital

	2022 Number	2021 Number	2022 £	2021 £
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	100	100	100	100

PENFOLD VERRALL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

23 Share capital

(Continued)

Ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights.

24 Reserves

Revaluation reserve

The revaluation reserve represents revaluation gains on land freehold, plant and equipment net of deferred tax.

Capital redemption reserve

The capital redemption reserve is a non-distributable reserve where amounts are transferred following the redemption of the company's own shares.

Other reserves

The other reserve relates to a merger reserve recognised when Penfold Verrall Limited was acquired under the merger accounting method. This reserve reflects other reserves included on the statement of financial position of Penfold Verrall Limited at the point of acquisition.

25 Related party transactions

Group and company

At the reporting date the group and company were owed £201,294 (2021: £201,294) from a connected entity.

Group

During the current year sales of £1,788 (2021: £17,300) were made to a connected entity. At the reporting date the connected entity owed £nil (2021: £2,562) to the group. At the reporting date the group was owed £193,301 (2021: £193,301) from a connected company.

26 Controlling party

Penfold Verrall Employee Trustee Limited holds the shares in the company in its capacity as corporate trustee for the Penfold Verrall Employee Ownership Trust. It does not produce consolidated accounts as there is no requirement to do so. The registered office of the entity is Amelia House, Crescent Road, Worthing, England, BN11 1QR.

There ultimate controlling parties are the trustees of the Penfold Verrall Employee Ownership Trust.

PENFOLD VERRALL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

27 Cash generated from group operations

	2022 £	2021 £
Profit for the year after tax	112,968	442,831
Adjustments for:		
Taxation charged	175,759	97,366
Finance costs	50,687	53,855
Investment income	(221)	(590)
Gain on disposal of property, plant and equipment	(44,600)	(51,577)
Depreciation and impairment of property, plant and equipment	916,721	856,250
Movements in working capital:		
(Increase)/decrease in inventories	(76,637)	28,213
(Increase)/decrease in trade and other receivables	(597,906)	159,376
Increase/(decrease) in trade and other payables	843,640	(122,579)
Cash generated from operations	1,380,411	1,463,145

28 Analysis of changes in net debt - group

	1 July 2021 £	Cash flows £	New finance leases £	30 June 2022 £
Cash at bank and in hand	921,960	(39,293)	-	882,667
Borrowings excluding overdrafts	(454,258)	99,582	-	(354,676)
Obligations under finance leases	(1,916,859)	777,777	(387,288)	(1,526,370)
	(1,449,157)	838,066	(387,288)	(998,379)

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