

Halse South West Limited
Annual Report and Financial Statements
Year Ended 31 December 2021

Registration number: 10231695

Halse South West Limited

Contents

Company Information	<u>1</u>
Strategic Report	<u>2</u>
Directors' Report	<u>3 to 4</u>
Statement of Directors' Responsibilities	<u>5</u>
Independent Auditor's Report	<u>6 to 9</u>
Profit and Loss Account	<u>10</u>
Balance Sheet	<u>11</u>
Statement of Changes in Equity	<u>12</u>
Statement of Cash Flows	<u>13</u>
Notes to the Financial Statements	<u>14 to 29</u>

Halse South West Limited

Company Information

Directors	Mr P J Halse Mr J P Halse
Registered office	West Hill Brickyard Road Ottery St Mary Devon EX11 1GN
Solicitors	Foot Anstey Senate Court Southernhay Gardens Exeter Devon EX1 1NT
Bankers	Bardays Bank PLC 3 Bedford Street Exeter Devon EX1 1NT
Auditors	PKF Francis Clark Statutory Auditor Ground Floor Blackbrook Gate 1 Blackbrook Business Park Taunton Somerset TA1 2PX

Halse South West Limited

Strategic Report for the Year Ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021.

Principal activity

The principal activity of the company is that of sale of agricultural machinery, equipment and supplies.

Review of the business

During the year the directors continued with the strategy of maintaining high levels of both new and used stock, despite supply chain challenges, such that the business has been able to meet customer demand across its wide variety of equipment types. The business has also benefited from a stable and engaged workforce, complimenting the delivery of excellence to customers in the agricultural retail sector and the directors are delighted that this is reflected in the performance of the business.

The financial position of the company as at year end has improved in light of the profitable performance with net assets of £3,954,495 (2020 - £2,836,528) and net current assets of £1,865,789 (2020 - £525,392) demonstrating considerable improvement in the liquidity of the balance sheet despite the net cash out flow in the year resulting, in particular from further investment in stocks of new and used machinery. During the year £350,000 of preference shares were redeemed at par £1 per share.

The current challenges faced by the UK economy, compounded by conflict in Ukraine, as well as the general pressures on the supply chain, has driven inflationary pressures that the business is well positioned to deal with as it continues to benefit from stable workforce, strong stock-holding and excellent customer service.

The company's key financial and other performance indicators during the year were as follows:

	Unit	2021	2020
Turnover	£	28,633,120	24,128,197
Gross profit margin	%	11	11
Net cash flow for the year	£	(257,890)	1,819,238
Net profit	£	1,984,516	772,751
Net current assets	£	1,865,789	525,392

Principal risks and uncertainties

The principal risks and uncertainties that face the company are considered to be the state of the agricultural industry as a whole within the country and the competition within that market.

Approved by the Board on 15 July 2022 and signed on its behalf by:

.....
Mr J P Halse
Director

Halse South West Limited

Directors' Report for the Year Ended 31 December 2021

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

Directors of the company

The directors who held office during the year were as follows:

Mr P J Halse

Mr J P Halse

Financial instruments

Objectives and policies

The company has exposure to three main types of risk, being liquidity risk and customer credit exposure. The company does not enter into any hedging transactions. The use, and nature, of finance instruments are determined by the directors, in context of trading terms made available to the company by the customers and suppliers, with the objective of securing the liquid and profitability of the company.

Price risk, credit risk, liquidity risk and cash flow risk

Due to the nature of the financial instruments used by the company, there is no exposure to price risk. The company's approach to managing other risks applicable to the financial instruments concerned is shown below.

In respect of bank balances, the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the availability of overdraft facilities at floating rates of interest and stocking loans.

Trade debtors are managed in respect of credit and cash flow risk policies concerning the credit offered to customers, and the regular monitoring of amounts outstanding for both time and limits.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due. Trade creditors are paid in line with agreed credit terms and conditions, subject to correct invoicing.

Future developments

With the sixth generation of the Halse family now actively engaged in the business, robust management and the ongoing commitment to the development of staff, the directors are confident of the future progression of the company, and its continued support for the agricultural sector in the South West of England.

Halse South West Limited

Directors' Report for the Year Ended 31 December 2021

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Approved by the Board on 15 July 2022 and signed on its behalf by:

.....
Mr J P Halse
Director

Halse South West Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities 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 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

Halse South West Limited

Independent Auditor's Report to the Members of Halse South West Limited

Opinion

We have audited the financial statements of Halse South West Limited (the 'company') for the year ended 31 December 2021, which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's 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 original financial statements were 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 directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Halse South West Limited

Independent Auditor's Report to the Members of Halse South West Limited

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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.

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:

Halse South West Limited

Independent Auditor's Report to the Members of Halse South West Limited

As part of our audit planning we obtained an understanding of the legal and regulatory framework that is applicable to the entity and the industry/sector in which it operates to identify the key laws and regulations affecting the entity. As part of this assessment process we discussed with management the laws and regulations applicable to the company, reviewed certification identified on the company website and other communications and considered findings from previous audits.

The key laws and regulations we identified were Health & Safety at Work legislation, General Data Protection Regulations (GDPR), and Financial Conduct Authority (FCA) regulations.

We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, primarily Companies Act 2006, Corporation Taxes Acts 2009 & 2010, and the Capital Allowances Act 2001.

We discussed with management how the compliance with these laws and regulations is monitored and discussed policies and procedures in place.

We also identified the individuals who have responsibility for ensuring that the entity complies with laws and regulations and deal with reporting any issues if they arise.

As part of our planning procedures, we assessed the risk of any non-compliance with laws and regulations on the entity's ability to continue trading and the risk of material misstatement to the financial statements.

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved the following:

- Enquiries of management regarding their knowledge of any non-compliance with laws and regulations that could affect the financial statements;
- Reviewed legal and professional costs to identify any possible non-compliance or legal costs in respect of non-compliance;
- Reviewed Board minutes; and
- Reviewed returns to the FCA for consistency with the financial records of the company and any non-compliance.

As part of our enquiries we discussed with management whether there have been any known instances, allegations or suspicions of fraud, of which management confirmed there had been none during or after the period.

We also evaluated the risk of fraud through management override. The key risks we identified were to meet compliance with financial loan covenants and minimise tax liabilities, and we determined that the principal risks were related to cut-off in respect of revenue recognition, management override of controls and stock valuation.

In response to the identified risk, as part of our audit work we:

- Used data analytics to test journal entries throughout the year, for appropriateness;
- Reviewed estimates and judgements made in the accounts for any indication of bias and challenged assumptions used by management in making the estimates; and
- Undertook specific cut-off procedures in respect of revenue recognition.

Halse South West Limited

Independent Auditor's Report to the Members of Halse South West Limited

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements. This risk increases the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements as we are less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: 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.

.....
Nicholas Farrant BA MSc FCA (Senior Statutory Auditor)
PKF Francis Clark, Statutory Auditor
Ground Floor
Blackbrook Gate 1
Blackbrook Business Park
Taunton
Somerset
TA1 2PX

15 July 2022

Halse South West Limited

Profit and Loss Account

Year Ended 31 December 2021

	Note	2021 £	2020 £
Turnover	<u>3</u>	28,633,120	24,128,197
Cost of sales		<u>(25,181,778)</u>	<u>(21,518,909)</u>
Gross profit		3,451,342	2,609,288
Administrative expenses		(1,264,355)	(1,635,055)
Other operating income	<u>4</u>	<u>-</u>	<u>11,481</u>
Operating profit	<u>5</u>	<u>2,186,987</u>	<u>985,714</u>
Other interest receivable and similar income	<u>9</u>	606	7,756
Interest payable and similar expenses	<u>10</u>	<u>(203,077)</u>	<u>(220,719)</u>
		<u>(202,471)</u>	<u>(212,963)</u>
Profit before tax		1,984,516	772,751
Tax on profit	<u>11</u>	<u>(466,549)</u>	<u>(182,356)</u>
Profit for the financial year		<u><u>1,517,967</u></u>	<u><u>590,395</u></u>

The above results were derived from continuing operations.

Halse South West Limited

Balance Sheet

31 December 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	<u>12</u>	813,750	971,250
Tangible assets	<u>13</u>	4,050,203	4,390,216
		<u>4,863,953</u>	<u>5,361,466</u>
Current assets			
Stocks	<u>14</u>	9,701,862	6,650,835
Debtors	<u>15</u>	4,134,285	2,644,996
Cash at bank and in hand		9,598	26,803
		<u>13,845,745</u>	<u>9,322,634</u>
Creditors: Amounts falling due within one year	<u>18</u>	<u>(11,979,956)</u>	<u>(8,797,242)</u>
Net current assets		<u>1,865,789</u>	<u>525,392</u>
Total assets less current liabilities		<u>6,729,742</u>	<u>5,886,858</u>
Creditors: Amounts falling due after more than one year	<u>18</u>	<u>(2,589,604)</u>	<u>(2,900,339)</u>
Provisions for liabilities	<u>21</u>	<u>(185,643)</u>	<u>(149,991)</u>
Net assets		<u>3,954,495</u>	<u>2,836,528</u>
Capital and reserves			
Called up share capital		1,150,100	1,500,100
Capital redemption reserve		850,000	500,000
Profit and loss account		<u>1,954,395</u>	<u>836,428</u>
Shareholders' funds		<u>3,954,495</u>	<u>2,836,528</u>

Approved and authorised by the Board on 15 July 2022 and signed on its behalf by:

.....
Mr P J Halse
Director

.....
Mr J P Halse
Director

Company Registration Number: 10231695

Halse South West Limited

Statement of Changes in Equity

Year Ended 31 December 2021

	Share capital £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 January 2021	1,500,100	500,000	836,428	2,836,528
Profit for the year	-	-	1,517,967	1,517,967
Total comprehensive income	-	-	1,517,967	1,517,967
Dividends	-	-	(50,000)	(50,000)
Purchase of own share capital	(350,000)	350,000	(350,000)	(350,000)
At 31 December 2021	1,150,100	850,000	1,954,395	3,954,495

	Share capital £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 January 2020	2,000,100	-	794,033	2,794,133
Profit for the year	-	-	590,395	590,395
Total comprehensive income	-	-	590,395	590,395
Dividends	-	-	(48,000)	(48,000)
Purchase of own share capital	(500,000)	500,000	(500,000)	(500,000)
At 31 December 2020	1,500,100	500,000	836,428	2,836,528

Halse South West Limited

Statement of Cash Flows

Year Ended 31 December 2021

	Note	2021 £	2020 £
Cash flows from operating activities			
Profit for the year		1,517,967	590,395
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	<u>5</u>	329,046	371,271
Loss on disposal of tangible assets		473	10,100
Finance income	<u>9</u>	(606)	(7,756)
Finance costs	<u>10</u>	203,077	220,719
Corporation tax	<u>11</u>	466,549	182,356
		2,516,506	1,367,085
Working capital adjustments			
Increase in stocks	<u>14</u>	(3,051,027)	(167,128)
Increase in debtors	<u>15</u>	(1,489,289)	(87,788)
Increase in creditors	<u>18</u>	2,239,123	990,062
Cash generated from operations		215,313	2,102,231
Corporation tax paid	<u>11</u>	(193,866)	(96,983)
Net cash flow from operating activities		<u>21,447</u>	<u>2,005,248</u>
Cash flows from investing activities			
Interest received		606	7,756
Acquisitions of tangible assets		(161,590)	(70,837)
Proceeds from sale of tangible assets		330,057	147,966
Net cash flows from investing activities		<u>169,073</u>	<u>84,885</u>
Cash flows from financing activities			
Interest paid		(179,927)	(182,407)
Proceeds from bank borrowing draw downs		207,471	503,750
Repayment of bank borrowing		(204,502)	(241,331)
Payments to finance lease creditors		(221,452)	(302,907)
Dividends paid	<u>24</u>	(50,000)	(48,000)
Net cash flows from financing activities		<u>(448,410)</u>	<u>(270,895)</u>
Net (decrease)/increase in cash and cash equivalents		(257,890)	1,819,238
Cash and cash equivalents at 1 January		<u>(1,767,709)</u>	<u>(3,586,947)</u>
Cash and cash equivalents at 31 December	<u>16</u>	<u>(2,025,599)</u>	<u>(1,767,709)</u>

Halse South West Limited

Notes to the Financial Statements

Year Ended 31 December 2021

1 General information

The company is a private company limited by share capital, incorporated in England & Wales.

The address of its registered office is:

West Hill
Brickyard Road
Ottery St Mary
Devon
EX11 1GN
England

These financial statements were authorised for issue by the Board on 15 July 2022.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Going concern

The financial statements have been prepared on a going concern basis. As at 31 December 2021 the company had net current assets of £1,865,789 (2020 - £525,392). The directors are satisfied that the going concern basis of preparation remains appropriate. In forming this opinion, and having made all necessary enquiries and considered a period of no less than 12 months from the date of approval of these financial statements the directors have considered the following key matters:

Profit and Loss and cash flow forecasts have been prepared for a period of 12 months following the date of approval of these financial statements on a prudent basis and the directors are satisfied that the company will continue to generate cash and profit and to meet its liabilities as they fall due and any bank covenant requirements.

The directors are also satisfied with the profitable trading performance subsequent to the year end and their assessment is that the company will continue to be able to meet its liabilities as they fall due for the foreseeable future.

Halse South West Limited

Notes to the Financial Statements

Year Ended 31 December 2021

Key judgements and sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are as follows:

Tangible fixed assets are carried at cost, less accumulated depreciation and any subsequent accumulated impairment loss. This requires an estimation in the depreciation rates used and residual values attainable when the assets are sold, as well as an assessment of the ongoing economic contribution of the assets of the company as to whether an indicator of impairment has occurred. The carrying amount is £4,050,203 (2020 - £4,390,216).

Goodwill is considered to have a finite useful life, the directors believe goodwill should be amortised over 10 years. This estimate is based upon the economic climate and no reliable estimate being able to be achieved as required under FRS 102 to amortise over a longer period. The carrying amount is £813,750 (2020 - £971,250).

Stock is measured at the lower of cost and net realisable value. This requires estimation as to the net realisable value of each stock line, as to whether a provision is required. The carrying amount is £9,701,862 (2020 - £6,650,835).

Trade debtors are constantly being managed and are reviewed throughout the year. A provision for doubtful debt is made where recovery of debt is uncertain, this is on a case by case basis. The carrying amount is £3,742,057 (2020 - £2,366,288).

Included within Other Debtors is a loan due from a related party of £336,899 (2020 - £204,583). The directors have considered the recoverability of the loan in light of the trading performance and position of, and expectations for, the underlying business..

Halse South West Limited

Notes to the Financial Statements

Year Ended 31 December 2021

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the company.

Revenue relating to the sale of goods is recognised in the profit and loss account on delivery or collection. Where customers are invoiced prior to delivery of goods a deferred income balance arises which is included within accruals and deferred income within current liabilities.

Revenue relating to the sale of services is recognised in the profit and loss account when the service has been provided.

Tax

Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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

Deferred tax is recognised on all timing differences at the balance sheet date unless indicated below. Timing differences are differences between taxable profits and the results as stated in the profit and loss account and other comprehensive income. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Freehold buildings	2% straight line
Plant and equipment	8% reducing balance
Office equipment	8 - 15% reducing balance
Motor vehicles	15% reducing balance

Goodwill

Goodwill is amortised over its useful life, which shall not exceed ten years if a reliable estimate of the useful life cannot be made.

Halse South West Limited

Notes to the Financial Statements

Year Ended 31 December 2021

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Goodwill	10% straight line

Stocks

Stock is valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. New realisable value is based on selling price less anticipated costs to completion and selling costs. Cost represents the purchase price of goods for resale, new any discounts receivable.

Leases

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

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the Profit and Loss Account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Defined contribution pension obligation

Retirement benefits to employees are provided by a money purchase scheme which is funded by the company. Payments are made to pension trusts which are financially separate from the company. The payments are charged against profit in the year in which they become payable.

Halse South West Limited

Notes to the Financial Statements

Year Ended 31 December 2021

Financial instruments

Classification

The company holds the following financial instruments:

- Short term trade and other debtors and creditors;
- Bank loans; and
- Cash and bank balances.

All financial instruments are classified as basic.

Recognition and measurement

The company has chosen to apply the recognition and measurement principles in FRS102.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument and derecognised when in the case of assets, the contractual rights to cash flows from the assets expire or substantially all the risks and rewards of ownership are transferred to another party, or in the case of liabilities, when the company's obligations are discharged, expire or are cancelled.

Except for bank loans, such instruments are initially measured at transaction price, including transaction costs, and are subsequently carried at the undiscounted amount of the cash or other consideration expected to be paid or received, after taking account of impairment adjustments.

Bank loans are initially measured at transaction price, including transaction costs, and are subsequently carried at amortised cost using the effective interest method.

3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2021 £	2020 £
Sale of goods	27,811,230	23,257,291
Rendering of services	821,890	870,906
	<u>28,633,120</u>	<u>24,128,197</u>

The analysis of the company's turnover for the year by market is as follows:

	2021 £	2020 £
UK	<u>28,633,120</u>	<u>24,128,197</u>

Halse South West Limited

Notes to the Financial Statements

Year Ended 31 December 2021

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2021 £	2020 £
Government grants	-	11,481

5 Operating profit

Arrived at after charging/(crediting)

	2021 £	2020 £
Depreciation expense	171,546	213,771
Amortisation expense	157,500	157,500
Foreign exchange (gains)/losses	(21,240)	18,898
Loss on disposal of property, plant and equipment	473	10,100

6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2021 £	2020 £
Wages and salaries	1,474,210	1,544,856
Social security costs	159,315	160,538
Pension costs, defined contribution scheme	51,592	55,237
	1,685,117	1,760,631

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2021 No.	2020 No.
Sales	7	7
Parts	4	4
Workshop	26	25
Administrative	4	4
	41	40

Halse South West Limited

Notes to the Financial Statements

Year Ended 31 December 2021

7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021 £	2020 £
Remuneration	17,680	17,576

8 Auditor's remuneration

	2021 £	2020 £
Audit of the financial statements	12,100	11,750

9 Other interest receivable and similar income

	2021 £	2020 £
Other interest received	606	7,756

10 Interest payable and similar expenses

	2021 £	2020 £
Interest on bank overdrafts and borrowings	137,563	144,898
Interest on obligations under finance leases and hire purchase contracts	23,150	38,312
Interest expense on other finance liabilities	42,364	37,509
	203,077	220,719

Halse South West Limited

Notes to the Financial Statements

Year Ended 31 December 2021

11 Taxation

Tax charged/(credited) in the income statement

	2021 £	2020 £
Current taxation		
UK corporation tax	424,684	193,902
UK corporation tax adjustment to prior periods	6,213	(6,269)
	<u>430,897</u>	<u>187,633</u>
Deferred taxation		
Arising from origination and reversal of timing differences	35,652	(5,277)
	<u>466,549</u>	<u>182,356</u>
Tax expense in the income statement		

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2020 - higher than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021 £	2020 £
Profit before tax	<u>1,984,516</u>	<u>772,751</u>
Corporation tax at standard rate	377,058	146,823
Effect of expenses not deductible for tax purposes	38,871	41,606
UK deferred tax expense relating to changes in tax rates or laws	44,554	-
Tax increase from effect of capital allowances and depreciation	-	196
Tax increase/(decrease) from other short-term timing differences	6,066	(6,269)
Total tax charge	<u>466,549</u>	<u>182,356</u>

Halse South West Limited

Notes to the Financial Statements

Year Ended 31 December 2021

12 Intangible assets

	Goodwill £	Total £
Cost or valuation		
At 1 January 2021	<u>1,575,000</u>	<u>1,575,000</u>
At 31 December 2021	<u>1,575,000</u>	<u>1,575,000</u>
Amortisation		
At 1 January 2021	603,750	603,750
Amortisation charge	<u>157,500</u>	<u>157,500</u>
At 31 December 2021	<u>761,250</u>	<u>761,250</u>
Carrying amount		
At 31 December 2021	<u>813,750</u>	<u>813,750</u>
At 31 December 2020	<u>971,250</u>	<u>971,250</u>

Halse South West Limited

Notes to the Financial Statements

Year Ended 31 December 2021

13 Tangible assets

	Freehold land and buildings £	Plant and equipment £	Office equipment £	Motor vehicles £	Total £
Cost or valuation					
At 1 January 2021	3,315,664	1,084,791	115,213	688,115	5,203,783
Additions	3,176	10,519	32,212	115,683	161,590
Disposals	-	(250,305)	-	(188,232)	(438,537)
At 31 December 2021	3,318,840	845,005	147,425	615,566	4,926,836
Depreciation					
At 1 January 2021	241,805	262,363	36,122	273,277	813,567
Charge for the year	57,914	49,628	9,463	54,541	171,546
Eliminated on disposal	-	(46,122)	-	(62,358)	(108,480)
At 31 December 2021	299,719	265,869	45,585	265,460	876,633
Carrying amount					
At 31 December 2021	3,019,121	579,136	101,840	350,106	4,050,203
At 31 December 2020	3,073,859	822,428	79,091	414,838	4,390,216

Included within the net book value of freehold land and buildings above is £3,019,121 (2020 - £3,073,859) in respect of freehold land and buildings of which £313,750 (2020 - £313,750) is land which is not depreciated.

Halse South West Limited

Notes to the Financial Statements

Year Ended 31 December 2021

Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2021 £	2020 £
Plant and equipment	163,001	320,118
Motor vehicles	27,460	158,179
	<u>190,461</u>	<u>478,297</u>

14 Stocks

	2021 £	2020 £
Finished goods and goods for resale	<u>9,701,862</u>	<u>6,650,835</u>

15 Debtors

	2021 £	2020 £
Trade debtors	3,742,057	2,366,288
Other debtors	336,899	211,197
Prepayments and accrued income	55,329	67,511
	<u>4,134,285</u>	<u>2,644,996</u>

16 Cash and cash equivalents

	2021 £	2020 £
Cash on hand	206	454
Cash at bank	<u>9,392</u>	<u>26,349</u>
	9,598	26,803
Bank overdrafts	<u>(2,035,197)</u>	<u>(1,794,512)</u>
Cash and cash equivalents in statement of cash flows	<u>(2,025,599)</u>	<u>(1,767,709)</u>

Halse South West Limited

Notes to the Financial Statements

Year Ended 31 December 2021

17 Analysis of cash and cash equivalents and net debt

	At 1 January 2021	Cash flow	Non-cash movement	At 31 December 2021
	£	£	£	£
Cash at bank and on hand	26,803	(17,205)	-	9,598
Bank overdrafts	(1,794,512)	(240,685)	-	(2,035,197)
Cash and cash equivalents	<u>(1,767,709)</u>	<u>(257,890)</u>	<u>-</u>	<u>(2,025,599)</u>
Finance lease obligations due within one year	(116,721)	(185,803)	266,172	(36,352)
Finance lease obligations due after one year	(145,678)		117,933	(27,745)
Bank loans due within one year	(845,663)	(2,969)	(211,594)	(1,060,226)
Bank loans due after one year	<u>(2,439,661)</u>		<u>211,595</u>	<u>(2,228,066)</u>
Net debt	<u>(5,315,432)</u>	<u>(446,662)</u>	<u>384,106</u>	<u>(5,377,988)</u>

18 Creditors

	Note	2021 £	2020 £
Due within one year			
Loans and borrowings	<u>19</u>	3,112,982	2,756,896
Trade creditors		7,951,166	4,875,480
Corporation tax		424,685	187,654
Social security and other taxes		95,691	746,561
Other creditors		224,403	42,574
Accruals and deferred income		<u>171,029</u>	<u>188,077</u>
		<u>11,979,956</u>	<u>8,797,242</u>
Due after one year			
Loans and borrowings	<u>19</u>	<u>2,589,604</u>	<u>2,900,339</u>

Halse South West Limited

Notes to the Financial Statements

Year Ended 31 December 2021

19 Loans and borrowings

	2021 £	2020 £
Current loans and borrowings		
Bank borrowings	1,041,433	845,663
Bank overdrafts	2,035,197	1,794,512
Finance lease liabilities	36,352	116,721
	<u>3,112,982</u>	<u>2,756,896</u>

	2021 £	2020 £
Non-current loans and borrowings		
Bank borrowings	2,246,859	2,439,661
Finance lease liabilities	27,745	145,678
Other borrowings	315,000	315,000
	<u>2,589,604</u>	<u>2,900,339</u>

Bank borrowings

The bank loan is denominated in sterling with a nominal interest rate of 2.25% above the bank of England base rate, and the final instalment is due on 9 August 2025. The carrying amount at year end is £1,924,946 (2020 - £2,022,996).

A further bank loan is denominated in sterling with a nominal interest rate of 2.45% above the bank of England base rate, and the final instalment is due on 3 January 2026. The carrying amount at year end is £459,546 (2020 - £503,750).

A final bank loan is denominated in sterling with a nominal interest rate of 2.6% above the bank of England base rate, and the final instalment is due on 14 January 2023. The carrying amount at year end is £69,096 (2020 - £131,344).

Bank loans and overdrafts are secured by way of a debenture over the assets of the company and a first legal charge over the freehold property belonging to the company.

Halse South West Limited

Notes to the Financial Statements

Year Ended 31 December 2021

20 Obligations under leases and hire purchase contracts

Finance leases

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed upon the use of the assets. The average lease term is 4 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The total of future minimum lease payments is as follows:

	2021 £	2020 £
Not later than one year	36,352	116,721
Later than one year and not later than five years	27,745	145,678
	<u>64,097</u>	<u>262,399</u>

21 Deferred tax provision

	Deferred tax £	Total £
At 1 January 2021	149,991	149,991
Decrease in existing provisions	35,652	35,652
At 31 December 2021	<u>185,643</u>	<u>185,643</u>

22 Pension scheme

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £51,592 (2020 - £55,237).

Halse South West Limited

Notes to the Financial Statements

Year Ended 31 December 2021

23 Share capital

Allotted, called up and fully paid shares

	No.	2021 £	No.	2020 £
Ordinary A shares of £1 each	75	75	75	75
Ordinary B shares of £1 each	25	25	25	25
Redeemable preference shares of £1 each	1,150,000	1,150,000	1,500,000	1,500,000
	1,150,100	1,150,100	1,500,100	1,500,100

Redeemable preference shares

The Redeemable preference shares are redeemable at the option of the company. They are redeemable at £1 per share and carry full voting rights.

On 29 September 2021 the company redeemed 350,000 preference shares at par.

Rights, preferences and restrictions

Ordinary A and B shares have the following rights, preferences and restrictions:

Full voting right, equity and dividend rights and are non redeemable.

24 Dividends

Interim dividends paid

	2021 £	2020 £
Interim dividend of £427 (2020 - £400) per each Ordinary A shares	32,000	30,000
Interim dividend of £720 per each Ordinary B shares	18,000	18,000
	50,000	48,000

After the balance sheet date an interim dividend of £nil (2020 - £426.67) per each Ordinary A share totalling £nil (2020 - £32,000) and £nil (2020 - £720) per each Ordinary B share totalling £nil (2020 - £18,000) were paid. This dividend has not been accrued in the Balance Sheet.

Halse South West Limited

Notes to the Financial Statements

Year Ended 31 December 2021

25 Related party transactions

Transactions with directors

	At 1 January 2021 £	Advances to directors £	Repayments by director £	At 31 December 2021 £
2021				
The Directors				
Director A	6,423	79,692	(150,000)	(63,885)
Director B	(42,563)	117,068	(235,024)	(160,519)
	<u>(36,140)</u>	<u>196,760</u>	<u>(385,024)</u>	<u>(224,404)</u>
	At 1 January 2020 £	Advances to directors £	Repayments by director £	At 31 December 2020 £
2020				
The Directors				
Director A	97,840	58,583	(150,000)	6,423
Director B	203,067	130,431	(376,061)	(42,563)
	<u>300,907</u>	<u>189,014</u>	<u>(526,061)</u>	<u>(36,140)</u>

Summary of transactions with other related parties

An amount of £60,000 (2020 - £60,000) is repayable to a related party, interest of 7.75% is payable on this. This individual is considered to be a related party due to being a close family member of the directors.

An amount of £180,000 (2020 - £180,000) is repayable to a related party, interest of 7.75% is payable on this. This individual is considered to be a related party due to being a close family member of the directors.

An amount of £75,000 (2020 - £Nil) is repayable to a related party, interest of 7.75% is payable on this. This individual is considered to be a related party due to being a close family member of the directors.

An amount of £560,692 (2020 - £413,641), made up of trade debtors of £223,793 (2020 - £208,788) and loans receivable of £336,899 (2020 - £204,583), is due from a related party. During the year sales were made to the related party of £15,401 (2020 - £43,438) and purchases made from the related party of £Nil (2020 - £Nil). The company is considered to be a related party by virtue of having a director and shareholder in common.

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