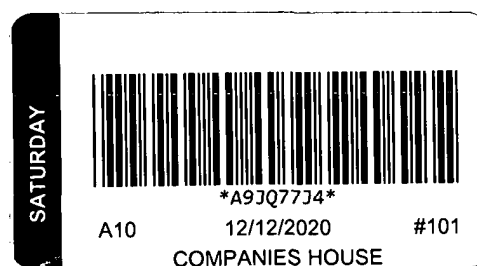


Company Registration No. 01055767 (England and Wales)

RICHARD HARDIE LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2019



RICHARD HARDIE LIMITED

COMPANY INFORMATION

Directors	R P Hardie B Hardie N R Hardie R Luke
Company number	01055767
Registered office	Trafford Road Southwick Sunderland Tyne & Wear SR5 2DA
Auditor	RSM UK Audit LLP Chartered Accountants 1 St. James' Gate Newcastle upon Tyne NE1 4AD
Bankers	Lloyds Bank 4th Floor 102 Grey Street Newcastle upon Tyne NE99 1SL

RICHARD HARDIE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the year ended 31 December 2019.

Fair review of the business

In 2019 the company recorded a loss of £557,266 (2019: £218,048) before tax.

In early 2019 the directors recognised the need to restructure the business into a more manageable size, reduce the dependence on bank borrowings and also remove the Jeep and Alfa Romeo franchises from its portfolio. In executing this plan following actions were taken during the year.

1. The Durham dealership was disposed of in February 2019.
2. In February 2019 the Silverlink premises were subject to a sale and leaseback arrangement and the sales proceeds were used to fully repay the commercial mortgages on the Ashington and Silverlink premises plus the company's overdraft was repaid.
3. The Newcastle dealership was disposed of in November 2019.
4. The MG franchise was added to the Ashington dealership in July 2019 and agreement was reached with MG to add the franchise to the Silverlink and Sunderland dealerships in Quarter 1 2020.
5. The Jeep franchise was terminated at the Sunderland dealership in December 2019.

Although the execution of these plans contributed to the losses incurred in 2019 the results have been beneficial in the performance in 2020.

Principal risks and uncertainties

The principal risks and uncertainties facing the company are outlined below. This is not intended to be an exhaustive list but represents the principal risks and uncertainties that the directors believe could have the most significant impact on the company's results.

- **Economic conditions**

A deterioration in the economic conditions in the UK, in particular with uncertainty around Brexit could result in reduced consumer confidence and spending, and therefore reduce demands for products.

- **Regulatory compliance**

The company is subject to a regulatory compliance risk which can arise from a failure to comply fully with the laws, regulations or codes applicable, for example those set out by the Financial Conduct Authority, Trading Standards, Vehicle Operators and Service agency (VOSA), local authorities and the manufacturers we represent. We operate in an environment for ever increasing regulatory scrutiny and non-compliance can lead to fines, or enforced suspension from sales of general insurance products and arranging consumer credit, or public reprimand, or in extreme cases closure of parts of the business.

- **Staff Retention**

The company relies on a number of key employees, both in its management and its operations, with specialised skills and extensive experience in their respective fields. The company needs to attract, recruit, replace, retain or motivate suitable qualified and experienced employees, and any failure in this could impact its growth or sales performance, increase its wage costs and adversely affect its business results and financial condition.

- **Manufacturer Targets**

The company is at risk from the performance targets set by the car manufacturers that it represents. Whilst these targets have a degree of negotiation, if agreement cannot be reached then the manufacturers impose targets. The company needs to achieve these targets to earn the returns available which contribute significantly towards profitability. Vulnerability to unreasonable and unachievable targets is more prevalent in a declining retail market.

RICHARD HARDIE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Principal risks and uncertainties (continued)

- **National Lockdowns**

The company is at risk of not being able to trade due to national lockdowns. In Spring 2020 the business was closed for approximately two months due to the Covid-19 pandemic. During the period of closure the company took advantage of the government furlough scheme to continue to pay eligible employees and of the commercial rates relief to reduce operating costs. When the company reopened for business in June 2020 business was good and the losses incurred due to the lockdown were quickly recovered. Similar controls and disciplines are being employed in the November lockdown.

Key performance indicators

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

	2019	2018	Change
	£'000	£'000	%
Turnover	35,853	51,574	-30.5%
Gross profit	3,987	5,332	-25.2%
Gross profit margin	11.1%	10.3%	0.8%
Distribution costs and admin expenses as a percentage of turnover	13.1%	10.7%	2.4%
EBITDA	(633)	(117)	-441%
Net loss before tax	(557)	(218)	-156%
Net loss before tax margin	(1.55%)	(0.42%)	-1.1%
Shareholder equity	3,053	3,503	-13%
Net current assets	713	605	18%

Turnover is reduced given the changes to number of operating branches as described above. This impacted on the other key metrics accordingly.

Financial risk management, objectives and policies

Financial risk

The use of financial derivatives is governed by the company's policies approved by the board of directors. The company does not use derivative financial instruments for speculative purposes.

The company uses various financial instruments and these include cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The main risks arising from the company's financial instruments are categorised as liquidity risk, market risk, credit risk and cashflow risk. The directors review and agree policies for managing each of these risks and they are summarised below:

Liquidity risk

Funds available to the company are above operating requirements, the board of directors assess the need for liquidity within the business with reference to the funding cycle most appropriate to the trading performance and the short term cash flow need of the business.

Market risk

The company has strong relationships with the brands that it represents, FCA (Fiat & Abarth) and MG but relies on these brands being competitive in a challenging market place. New and innovative products from both manufacturers assist but price and transaction competitiveness is crucial to the company's performance.

RICHARD HARDIE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Financial risk management, objectives and policies (continued)

Credit risk

The company's principal financial assets are cash and trade debtors. The credit risk associated with the cash is minimal. The principal credit risk therefore arises from its trade debtors.

In order to manage credit risk, the directors have implemented processes to ensure receipt of cleared funds for vehicle sales before the vehicle is released. The bonuses due from the manufacturer are paid by direct credit.


Other trade debtors require approved credit in advance which is supported by references and payment is required within the company's credit terms and hence the credit risk is minimised.

Cashflow risk

The company's activities primarily expose it to the financial risks of changes in its working capital, brought about by the seasonality of the industry and the stock holding requirements.

The board of directors monitor the working capital requirement and are able to assess the commercial rationale against the costs of raising capital through the company's bankers and primary funders.

On behalf of the board



R P Hardie

Director

Date: 23 November 2020

RICHARD HARDIE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and financial statements for the year ended 31 December 2019.

Principal activities

The principal activity of the company is that of retail motor dealers, operating three branches, all with facilities for new and used car sales, servicing and repairs and part sales.

Directors

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

R P Hardie
B Hardie
N R Hardie
R Luke

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid (2018: £nil). The directors do not recommend payment of a final dividend.

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Auditor

In accordance with the company's articles, a resolution proposing that RSM UK Audit LLP be reappointed as auditor of the company will be put at a General Meeting.

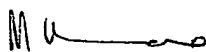
Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report.

Statement of disclosure to auditor

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

On behalf of the board



R P Hardie
Director

Date: 23 November 2020

RICHARD HARDIE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RICHARD HARDIE LIMITED

Opinion

We have audited the financial statements of Richard Hardie Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RICHARD HARDIE LIMITED (CONTINUED)

Matters on which we are required to report by exception

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://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.



Steven Cleugh FCCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
1 St. James' Gate
Newcastle upon Tyne
NE1 4AD
24/11/20

RICHARD HARDIE LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

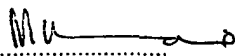
	Notes	2019 £	2018 £
Turnover	3	35,853,386	51,573,614
Cost of sales		(31,866,564)	(46,241,236)
Gross profit		3,986,822	5,332,378
Distribution costs		(1,863,873)	(2,321,829)
Administrative expenses		(2,815,761)	(3,183,874)
Operating loss	6	(692,812)	(173,325)
Interest payable and similar expenses	8	(19,032)	(44,723)
Other gains and losses	9	154,578	-
Loss before taxation		(557,266)	(218,048)
Tax on loss	10	107,253	2,023
Loss for the financial year		(450,013)	(216,025)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

RICHARD HARDIE LIMITED**BALANCE SHEET****AS AT 31 DECEMBER 2019**

	Notes	2019 £	£	2018 £	£
Fixed assets					
Tangible assets	11	1,739,255		3,494,706	
Investments	12	679,578		525,000	
		<u>2,418,833</u>		<u>4,019,706</u>	
Current assets					
Stocks	14	6,054,858		8,408,289	
Debtors	15	1,427,427		1,886,369	
Cash at bank and in hand		850		1,720	
		<u>7,483,135</u>		<u>10,296,378</u>	
Creditors: amounts falling due within one year	16	<u>(6,770,138)</u>		<u>(9,691,701)</u>	
Net current assets		<u>712,997</u>		<u>604,677</u>	
Total assets less current liabilities		<u>3,131,830</u>		<u>4,624,383</u>	
Creditors: amounts falling due after more than one year	17	-		(935,287)	
Provisions for liabilities	20	(79,054)		(186,307)	
Net assets		<u>3,052,776</u>		<u>3,502,789</u>	
Capital and reserves					
Called up share capital	23	5,000		5,000	
Revaluation reserve	24	100,000		100,000	
Profit and loss reserves	24	2,947,776		3,397,789	
Total equity		<u>3,052,776</u>		<u>3,502,789</u>	

The financial statements were approved by the board of directors and authorised for issue on 23/11/20...
and are signed on its behalf by:


.....
R P Hardie
Director

RICHARD HARDIE LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Revaluation reserve	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 January 2018	5,000	100,000	3,613,814	3,718,814
Year ended 31 December 2018:				
Loss and total comprehensive income for the year	-	-	(216,025)	(216,025)
Balance at 31 December 2018	5,000	100,000	3,397,789	3,502,789
Year ended 31 December 2019:				
Loss and total comprehensive income for the year	-	-	(450,013)	(450,013)
Balance at 31 December 2019	5,000	100,000	2,947,776	3,052,776

RICHARD HARDIE LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	25		(302,000)		353,540
Interest paid			(19,032)		(44,723)
Income taxes (paid)/refunded			-		57,442
Net cash (outflow)/inflow from operating activities			(321,032)		366,259
Investing activities					
Purchase of tangible fixed assets		(26,939)		(31,405)	
Proceeds on disposal of tangible fixed assets		1,722,639		-	
Net cash generated from/(used in) investing activities			1,695,700		(31,405)
Financing activities					
Repayment of bank loans		(1,050,000)		(150,000)	
Payment of finance leases obligations		(10,989)		(78,685)	
Net cash used in financing activities			(1,060,989)		(228,685)
Net increase in cash and cash equivalents			313,679		106,169
Cash and cash equivalents at beginning of year			(399,657)		(505,826)
Cash and cash equivalents at end of year			(85,978)		(399,657)
Relating to:					
Cash at bank and in hand			850		1,720
Bank overdrafts included in creditors payable within one year			(86,828)		(401,377)

RICHARD HARDIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

Richard Hardie Limited (the 'company') is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Trafford Road, Southwick, Sunderland, Tyne & Wear, SR5 2DA.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

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, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention, modified to include the revaluation of freehold properties.

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

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

The financial statements contain information about Richard Hardie Limited as a single entity company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption under section 405 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the directors consider that the company's subsidiary, Hailsham LLC, should be excluded from consolidation as it is not material for the purposes of giving a true and fair view.

Change in accounting policy

The company has adopted the amendments to FRS 102 published in the Triennial Review 2017. This has resulted in no change in accounting policy and no changes in the current or prior year figures presented in the financial statements.

Going concern

The directors have prepared detailed forecasts which have been updated to consider the impact of the Covid-19 pandemic on revenues and working capital.

The directors, with reference to these forecasts, consider that the company has adequate resources to continue in operational existence for the 12 months from approval of financial statements. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Turnover

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, 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. i.e. sale of new and used cars are recognised at invoice and the sale of parts are recognised when the goods have been distributed to the customer.

Revenue from workshop and body shop repairs is recognised when the service has been carried out.

Bonuses and commissions are recognised when entitlement is established.

RICHARD HARDIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

Tangible fixed assets

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

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

Land and buildings Freehold	2% straight line
Land and buildings Leasehold	5% straight line
Plant and machinery	20% reducing balance
Fixtures, fittings and equipment	20% reducing balance

Subsequent costs, including replacement parts and major inspections, are capitalised only when it is probable that such costs will generate future economic benefits. Any replacement parts or remaining carrying amounts of previous inspections are then derecognised. All other costs of repairs and maintenance are charged to the statement of comprehensive income as incurred.

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

Freehold property is depreciated to write down the cost less estimated residual value over their remaining useful life by equal annual instalments. Where buildings are maintained to such a standard that their residual value is not less than their cost or valuation, no depreciation has been recognised in the financial statements as the amount is not significant.

Fixed asset investments

Interests in subsidiaries are measured at valuation. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in the statement of comprehensive income.

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

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Stocks

Stocks are valued at the lower of cost and estimated selling price less costs to complete and sell. Cost incurred in bringing each product to its present location and condition is based on purchase price including handling costs less trade discounts.

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

With regard to the consignment stocks, where supply agreements do not transfer the risks and rewards to the company until such time as the legal title actually passes at the end of the consignment period or the vehicle is registered, consignment stock is not included in the balance sheet.

RICHARD HARDIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Financial instruments

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

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

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

Basic financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

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

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

Equity instruments

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

Taxation

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

Current tax is based on taxable profit for the year. Taxable profit differs from the profit for the year because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

RICHARD HARDIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

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

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

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

Employee benefits

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

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

Retirement benefits

For defined contribution schemes the amount charged to the statement of comprehensive income is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments. The assets of the scheme are held separately from those of the company in an independently administered fund.

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 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 balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income 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 lease asset are consumed.

RICHARD HARDIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Judgements and key 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 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.

Lease categorisation

In categorising leases as either finance leases or operating leases, the directors make judgements as to whether significant risks and rewards of ownership have transferred to the company as lessee.

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.

National lockdowns

The company is at risk of not being able to trade due to national lockdowns. In Spring 2020 the business was closed for approximately two months due to the Covid-19 pandemic. During the period of closure the company took advantage of the government furlough scheme to continue to pay eligible employees and of the commercial rates relief to reduce operating costs. When the company reopened for business in June 2020 business was good and the losses incurred due to the lockdown were quickly recovered. Similar controls and disciplines are being employed in the November lockdown.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2019	2018
	£	£
Turnover analysed by class of business		
Sale of goods and services	35,853,386	51,573,614

All turnover is generated within the United Kingdom.

RICHARD HARDIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

4 Employees

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

	2019 Number	2018 Number
Office and management staff	49	67
Service staff	30	41
Parts staff	10	13
Directors	4	4
	<u>93</u>	<u>125</u>

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	2,283,684	3,244,585
Social security costs	297,047	348,507
Pension costs	57,592	77,984
	<u>2,638,323</u>	<u>3,671,076</u>

5 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	<u>391,216</u>	<u>496,254</u>

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2019 £	2018 £
Remuneration for qualifying services	<u>159,900</u>	<u>201,171</u>

6 Operating loss

	2019 £	2018 £
Operating loss for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	59,751	56,816
Cost of stocks recognised as an expense	31,176,937	45,021,438
Operating lease charges	511,534	474,750

RICHARD HARDIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

7 Auditor's remuneration

	2019 £	2018 £
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the company	17,000	12,950
For other services		
All other non-audit services	6,750	7,500

8 Interest payable and similar expenses

	2019 £	2018 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	9,166	41,335
Other finance costs:		
Interest on finance leases and hire purchase contracts	9,866	3,388
	19,032	44,723

9 Other gains and losses on fixed asset investments

	2019 £	2018 £
Gain on revaluation of investment in subsidiary	154,578	-

10 Taxation

	2019 £	2018 £
Current tax		
Adjustments in respect of prior periods	-	(12,066)
Deferred tax		
Origination and reversal of timing differences	(107,253)	375
Adjustment in respect of prior periods	-	9,668
Total deferred tax	(107,253)	10,043
Total tax credit	(107,253)	(2,023)

RICHARD HARDIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

10 Taxation (Continued)

The total tax credit for the year included in the profit and loss account can be reconciled to the loss before tax multiplied by the standard rate of tax as follows:

	2019 £	2018 £
Loss before taxation	(557,266)	(218,048)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(105,881)	(41,429)
Tax effect of expenses that are not deductible in determining taxable profit	436	3,331
Change in unrecognised deferred tax assets	(30,412)	30,412
Adjustments in respect of prior years	-	(12,066)
Effect of revaluations of investments	(29,369)	-
Other non-reversing timing differences	46,737	-
Other permanent differences	-	1,558
Deferred tax adjustments in respect of prior years	-	9,668
Tax at marginal rate	9,041	(9,683)
Adjustment to deferred tax rate	-	13,216
Fixed asset differences	2,195	2,970
Taxation credit for the year	(107,253)	(2,023)

11 Tangible fixed assets

	Land and buildings Freehold £	Land and buildings Leasehold £	Plant and machinery £	Fixtures, fittings and equipment £	Total £
Cost or valuation					
At 1 January 2019	3,016,570	326,580	544,376	867,518	4,755,044
Additions	-	-	6,088	20,851	26,939
Disposals	(1,616,570)	(104,167)	(174,754)	(5,770)	(1,901,261)
At 31 December 2019	1,400,000	222,413	375,710	882,599	2,880,722
Depreciation and impairment					
At 1 January 2019	-	91,573	444,491	724,274	1,260,338
Depreciation charged in the year	-	11,555	18,403	29,793	59,751
Eliminated in respect of disposals	-	(15,832)	(159,934)	(2,856)	(178,622)
At 31 December 2019	-	87,296	302,960	751,211	1,141,467
Carrying amount					
At 31 December 2019	1,400,000	135,117	72,750	131,388	1,739,255
At 31 December 2018	3,016,570	235,007	99,885	143,244	3,494,706

RICHARD HARDIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

11 Tangible fixed assets (Continued)

Freehold land and buildings with a carrying value of £3,000,000 were revalued during the year ended 31 December 2014 by Knight Frank LLP, chartered surveyors, on an existing use open market value basis, in accordance with the guidance notes of the Royal Institution of Chartered Surveyors. Knight Frank LLP are not connected to the company.

In the opinion of the directors, who have many years' expertise in the motor trade, the values of the properties at the balance sheet date have not significantly changed since the date of the above valuation.

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	2019	2018
	£	£
Cost	1,300,000	2,916,570
Accumulated depreciation	-	-
	<hr/>	<hr/>
Carrying value	1,300,000	2,916,570
	<hr/>	<hr/>

Freehold land and buildings with a carrying amount of £1,400,000 (2018: £3,016,570) have been pledged to secure borrowings of the company. The company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

RICHARD HARDIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

12 Fixed asset investments

	Notes	2019 £	2018 £
Investments in subsidiaries	13	679,578	525,000

Movements in fixed asset investments

	Shares £
Cost or valuation	
At 1 January 2019	525,000
Valuation changes	154,578
At 31 December 2019	679,578
Carrying amount	
At 31 December 2019	679,578
At 31 December 2018	525,000

13 Subsidiaries

These financial statements are separate company financial statements for Richard Hardie Limited.

The company has taken advantage of the exemption under section 405 of the Companies Act 2006 from the requirement to prepare consolidated financial statements, as the directors do not believe that the subsidiary is material for the purposes of giving a true and fair view.

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct Indirect
Hailsham LLC (dormant)	USA	Property investment	Ordinary	100.00 -

14 Stocks

	2019 £	2018 £
Spares and accessories	198,262	199,306
Motor vehicles	5,856,596	8,208,983
	6,054,858	8,408,289

RICHARD HARDIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

15 Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	539,177	764,087
Other debtors	826,903	964,749
Prepayments and accrued income	61,347	157,533
	<u>1,427,427</u>	<u>1,886,369</u>

16 Creditors: amounts falling due within one year

	Notes	2019 £	2018 £
Loans and overdrafts	18	86,828	551,377
Obligations under finance leases	19	73,826	49,528
Trade creditors		1,470,982	3,629,793
Other taxation and social security		222,751	81,664
Other creditors		4,876,983	5,347,426
Accruals and deferred income		38,768	31,913
		<u>6,770,138</u>	<u>9,691,701</u>

Included within loans and overdrafts are bank loans of £nil (2018: £150,000) which are secured against the freehold land and buildings of the company and an unlimited debenture. Bank overdrafts of £86,828 (2018: £401,377) are secured by a first legal charge over the freehold land and buildings of the company and an unlimited debenture.

Included within other creditors are amounts relating to manufacturer funding facilities of £4,242,586 (2018: £4,620,805) which are secured over the vehicles to which they relate.

Hire purchase creditors of £73,826 (2018: £49,528) are secured on the vehicles to which they relate.

17 Creditors: amounts falling due after more than one year

	Notes	2019 £	2018 £
Loans and overdrafts	18	-	900,000
Obligations under finance leases	19	-	35,287
		<u>-</u>	<u>935,287</u>

Included within loans and overdrafts is a bank loan of £nil (2018: £900,000) secured over the freehold land and buildings of the company.

Loans of £nil (2018: £300,000) are due for repayment after more than five years from the balance sheet date and are payable by way of quarterly instalments and bear interest at a rate of 2.5% above LIBOR.

The hire purchase creditors of £nil (2018: £35,287) are secured on the vehicles to which they relate.

RICHARD HARDIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

18 Borrowings

	2019 £	2018 £
Bank loans	-	1,050,000
Bank overdrafts	86,828	401,377
	<u>86,828</u>	<u>1,451,377</u>
Payable within one year	86,828	551,377
Payable after one year	-	900,000
	<u>-</u>	<u>900,000</u>

Overdrafts of £86,828 (2018: £401,377) are secured by a first legal charge over the freehold land and buildings of the company and an unlimited debenture. Bank overdrafts are annual facilities and are repayable on demand. Interest is payable on amounts owing at 2.25% per annum over base rate.

Bank borrowings of £nil (2018: £1,050,000) were secured against the freehold land and buildings of the company and an unlimited debenture. The rate of interest payable on the loan is LIBOR plus an interest margin of 2.5% per annum.

19 Finance lease obligations

	2019 £	2018 £
Future minimum lease payments due under finance leases:		
Less than one year	73,826	49,528
Between one and five years	-	35,287
	<u>73,826</u>	<u>84,815</u>

Finance lease payments represent rentals payable by the company for certain vehicles. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

20 Provisions for liabilities

	Notes	2019 £	2018 £
Deferred tax liabilities	21	<u>79,054</u>	<u>186,307</u>

RICHARD HARDIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

21 Deferred taxation

Deferred tax assets and liabilities are offset where the 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 2019 £	Liabilities 2018 £
Balances:		
Accelerated capital allowances	187,287	188,085
Short term timing differences	(896)	(1,778)
Losses and other deductions	(107,337)	-
	<u>79,054</u>	<u>186,307</u>
Movements in the year:		2019 £
Liability at 1 January 2019		186,307
Credit to profit or loss		(107,253)
Liability at 31 December 2019		<u>79,054</u>

The amount of deferred tax not provided on tax losses amounted to £nil (2018: £30,412).

22 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>57,592</u>	<u>77,984</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

Contributions totalling £4,894 (2018: £4,546) were payable to the fund at the year end and are included in creditors.

RICHARD HARDIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

23 Share capital

	2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
5,000 Ordinary shares of £1 each	5,000	5,000
	<u>5,000</u>	<u>5,000</u>

The company's Ordinary shares give the right to a share in the profits of the company and to vote at general meetings of the company.

24 Reserves

Revaluation reserve

The cumulative revaluation gains and losses in respect of land and buildings are recognised in profit or loss.

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

25 Cash generated from operations

	2019 £	2018 £
Loss for the year after tax	(450,013)	(216,025)
Adjustments for:		
Taxation credited	(107,253)	(2,023)
Finance costs	19,032	44,723
Depreciation and impairment of tangible fixed assets	59,751	56,816
Gain on revaluation of fixed asset investment	(154,578)	-
Movements in working capital:		
Decrease/(increase) in stocks	2,353,431	(2,082,639)
Decrease/(increase) in debtors	458,942	(240,043)
(Decrease)/increase in creditors	(2,481,312)	2,792,731
Cash (absorbed by)/generated from operations	<u>(302,000)</u>	<u>353,540</u>

RICHARD HARDIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

26 Analysis of changes in net debt

	1 January 2019 £	Cash flows £	31 December 2019 £
Cash at bank and in hand	1,720	(870)	850
Bank overdrafts	(401,377)	314,549	(86,828)
	(399,657)	313,679	(85,978)
Borrowings excluding overdrafts	(1,050,000)	1,050,000	-
Obligations under finance leases	(84,815)	10,989	(73,826)
	(1,534,472)	1,374,668	(159,804)

27 Operating lease commitments

Lessee

The company's operating lease commitments are made up from the rent of the company's premises.

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £	2018 £
Within one year	140,000	391,250
Between one and five years	560,000	1,285,000
In over five years	2,006,667	1,773,815
	2,706,667	3,450,065

28 Events after the reporting date

Following the year end, the Company's activities have been impacted by the global Covid-19 pandemic. Whilst the precise impact of the pandemic is uncertain the Directors' have re-forecast cashflows for the foreseeable future to take into account expected outcomes. Further details are provided in the Going Concern accounting policy and the Strategic Report.

29 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, who are also directors, is as follows.

	2019 £	2018 £
Aggregate compensation	436,756	547,966

RICHARD HARDIE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

29 Related party transactions (Continued)

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Rental payments	
	2019 £	2018 £
Entities under common control	252,000	252,000

The following amounts were outstanding at the reporting end date:

	2019 £	2018 £
Amounts due to related parties		
Key management personnel	15,000	35,000

No guarantees have been given or received.

30 Ultimate controlling party

The company was under the control of R P Hardie and N R Hardie throughout the current and previous year by virtue of their majority shareholding.