

Company Registration No. 05672914 (England and Wales)

**HOUSTON MOTOR CARS LIMITED**

**ANNUAL REPORT AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2020**



# HOUSTON MOTOR CARS LIMITED

## COMPANY INFORMATION

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<b>Director</b>	S P Gregg
<b>Company number</b>	05672914
<b>Registered office</b>	The Foundry 26 High Street Bramley Guildford Surrey GU5 0HB
<b>Auditor</b>	UHY Hacker Young Manchester LLP St James Building 79 Oxford Street Manchester M1 6HT
<b>Business address</b>	The Foundry 26 High Street Bramley Guildford Surrey GU5 0HB

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# HOUSTON MOTOR CARS LIMITED

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# HOUSTON MOTOR CARS LIMITED

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 MARCH 2020**

The director presents the strategic report for the year ended 31 March 2020.

### Fair Review of the Business

Houston Motor Cars Limited is a leading "supercar Dealer" in which customers are at the heart of everything the company does. The director believes that the company's long-term sustainability is driven by understanding the customer needs and acting in their best interests. Part of the ethos throughout the business is to continue meeting the customer's expectations in delivering a first-class service.

The business has had a difficult trading time when you compare the 2019 result verses current performance of 2020. It has been increasingly difficult to source prestige stock at a favourable cost which has put pressure on retaining profit margins. The strategy implemented from 2019 has been a success in achieving a reduction in running costs, which now allows a good foundation for growth in line with profitability.

### Principal Risks and Uncertainties

As with all industry sectors, general economic conditions, customer preference and competitors may have an adverse effect on the company's result, however the growth from our increasing customer base should mitigate any volatility.

### Key Performance indicators

The management team analyse various key performance indicators as part of their overall strategic review however have identified the following as important.

Sales performance versus budget and prior years along with quality statistics. Alongside this is sales performance versus main competitors in the supercar sector.

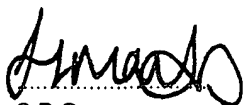
The key financial and performance indicators during the year were:-

	2020	2019
	£	£
Turnover	9,469,566	13,775,109
Gross Profit	279,069	580,088
Operating (loss/profit)	(399,612)	151,213
EBITDA	(350,434)	216,640

### Future developments

The strategy moving forward into 2020/21 is to ensure that the business maintains liquidity. It will look at changing the stock profile to add a middle prestige mix which will deliver growth and compliment the luxury supercars. Long term sustainability with the continued emphasis on cost control will ensure the business is profitable at the end of 2021.

On behalf of the board



S P Gregg  
Director

Date: 26 07 21

# HOUSTON MOTOR CARS LIMITED

## DIRECTOR'S REPORT

### FOR THE YEAR ENDED 31 MARCH 2020

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The director presents his annual report and financial statements for the year ended 31 March 2020.

#### **Principal activities**

The principal activity of the company continued to be that of the sale of prestige motor vehicles.

#### **Results and dividends**

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

No ordinary dividends were paid. The director does not recommend payment of a final dividend.

#### **Director**

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

S P Gregg

#### **Financial instruments**

##### ***Liquidity risk***

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

##### ***Interest rate risk***

The company is exposed to fair value interest rate risk on its fixed rate borrowings and cash flow interest rate risk on floating rate deposits, bank overdrafts and loans.

##### ***Credit risk***

Investments of cash surpluses and borrowings are made through banks and companies which must fulfil credit rating criteria approved by the Board.

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

#### **Auditor**

UHY Hacker Young Manchester LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

# HOUSTON MOTOR CARS LIMITED

## DIRECTOR'S REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

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#### Statement of director's responsibilities

The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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. He is 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.

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

#### Going concern

During the year the company recorded a loss of £656,843 which includes a notional interest cost of £163,143 re the measurement of the director's loan at amortised cost. The company had net assets of £364,994. The director has continued to support the company, and he has confirmed his willingness and commitment to continue to provide support as required to enable the company to meet its liabilities as they fall due and to continue as a going concern.

The company is operating within its agreed overdraft facility. The director has received confirmation that the overdraft facility is renewed until 31 July 2021. The bank has confirmed that the overdraft facility will continue after the renewal date. The director is satisfied that the company will be able to continue to trade within the facilities available.

In addition, the company is looking to reduce the level of vehicles that are financed through the stocking facilities that are available, in order to reduce the associated cost to the business.

The risks related to the COVID-19 pandemic have been assessed by management and the company has experienced no real impact on its financial performance due to COVID -19. The director is taking all available steps to efficiently manage cash flow, to reduce costs and to plan appropriate commercial actions to take during the period of instability across the UK economy. This includes exploring all available support being made available from the UK government.

On the basis that the director will continue to provide sufficient working capital for the company to meet its liabilities as they fall due and the renewal of the bank overdraft facility, these financial statements are prepared on a going concern basis.

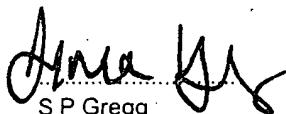
# HOUSTON MOTOR CARS LIMITED

## DIRECTOR'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

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On behalf of the board



S P Gregg  
Director

Date: 26 07 21.

# HOUSTON MOTOR CARS LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF HOUSTON MOTOR CARS LIMITED

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#### Qualified opinion

We have audited the financial statements of Houston Motor Cars Limited (the 'company') for the year ended 31 March 2020 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, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 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 qualified opinion

We were appointed as auditor in the year and the evidence available to us, in respect of the opening balances was limited. We were subsequently unable to satisfy ourselves by alternative means concerning the carrying amount of stock, debtors and creditors at 1 April 2019. Since the opening position of these enters into the determination of financial performance and cash flows, we were unable to determine whether adjustment might have been necessary in respect of the profit and loss for the year reported and the net cash from operating activities reported as part of the cash flow statement.

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 qualified 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 director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has 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 director is 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.



# HOUSTON MOTOR CARS LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF HOUSTON MOTOR CARS LIMITED

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#### **Qualified opinion on other matters prescribed by the Companies Act 2006**

Except for the matters described in the basis for qualified opinion, in our opinion, based on the work undertaken in the course of our audit:

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

#### **Matters on which we are required to report by exception**

Except for the matters described in the Basis for qualified opinion, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

In respect solely of the limitation on our work relating to opening balances:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records had been maintained.

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:

- 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.

#### **Responsibilities of director**

As explained more fully in the director's responsibilities statement, the director is 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 director determines 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 director is 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 director either intends to liquidate the company or to cease operations, or has 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: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

# HOUSTON MOTOR CARS LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF HOUSTON MOTOR CARS LIMITED

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#### 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 him 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.

*UHY Hacker Young Manchester LLP*

Paul Daly BEng FCA (Senior Statutory Auditor)  
For and on behalf of UHY Hacker Young Manchester LLP

*26/07/2021*

Chartered Accountants  
Statutory Auditor

St James Building  
79 Oxford Street  
Manchester  
M1 6HT

# HOUSTON MOTOR CARS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	2019 £
Turnover	3	9,469,566	13,775,109
Cost of sales		(9,190,497)	(13,195,021)
<b>Gross profit</b>		<b>279,069</b>	<b>580,088</b>
Administrative expenses		(680,393)	(427,941)
Other operating income/(expenses)		1,712	(934)
<b>Operating (loss)/profit</b>	4	<b>(399,612)</b>	<b>151,213</b>
Interest payable and similar expenses	7	(257,231)	(96,809)
<b>(Loss)/profit before taxation</b>		<b>(656,843)</b>	<b>54,404</b>
Tax on (loss)/profit	8	-	3,577
<b>(Loss)/profit for the financial year</b>		<b>(656,843)</b>	<b>57,981</b>

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

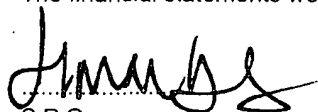
# HOUSTON MOTOR CARS LIMITED

## BALANCE SHEET

AS AT 31 MARCH 2020

	Notes	2020 £	£	2019 £	£
<b>Fixed assets</b>					
Intangible assets	9		5,626		19,876
Tangible assets	10		1,894,955		1,944,017
			<u>1,900,581</u>		<u>1,963,893</u>
<b>Current assets</b>					
Stocks	11	3,177,701		4,314,360	
Debtors	12	28,789		318,124	
Cash at bank and in hand		-		3,741	
			<u>3,206,490</u>	<u>4,636,225</u>	
<b>Creditors: amounts falling due within one year</b>	13	(3,255,478)		(4,524,101)	
<b>Net current (liabilities)/assets</b>			<u>(48,988)</u>		<u>112,124</u>
<b>Total assets less current liabilities</b>			<u>1,851,593</u>		<u>2,076,017</u>
<b>Creditors: amounts falling due after more than one year</b>	14		(1,486,600)		(1,201,543)
<b>Net assets</b>			<u>364,993</u>		<u>874,474</u>
<b>Capital and reserves</b>					
Called up share capital	18		3,422,377		3,422,377
Other reserves			336,141		351,922
Profit and loss reserves			(3,393,525)		(2,899,825)
<b>Total equity</b>			<u>364,993</u>		<u>874,474</u>

The financial statements were approved and signed by the director and authorised for issue on 26/07/2021



S P Gregg  
Director

Company Registration No. 05672914

# HOUSTON MOTOR CARS LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

	Share capital	Other reserves	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 April 2018	3,422,377	475,819	(2,957,806)	940,390
<b>Year ended 31 March 2019:</b>				
Profit and total comprehensive income for the year	-	-	57,981	57,981
Other movements	-	(123,897)	-	(123,897)
<b>Balance at 31 March 2019</b>	<b>3,422,377</b>	<b>351,922</b>	<b>(2,899,825)</b>	<b>874,474</b>
<b>Year ended 31 March 2020:</b>				
Loss and total comprehensive income for the year	-	-	(656,843)	(656,843)
Transfers	-	(163,143)	163,143	-
Other movements	-	147,362	-	147,362
<b>Balance at 31 March 2020</b>	<b>3,422,377</b>	<b>336,141</b>	<b>(3,393,525)</b>	<b>364,993</b>

# HOUSTON MOTOR CARS LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	£	2019 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	23	899,276		723,580	
Interest paid		(94,088)		(96,809)	
Income taxes (paid)/refunded		-		3,577	
<b>Net cash inflow from operating activities</b>		<b>805,188</b>		<b>630,348</b>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(15,724)		(47,453)	
Proceeds on disposal of tangible fixed assets		-		595,471	
<b>Net cash (used in)/generated from investing activities</b>		<b>(15,724)</b>		<b>548,018</b>	
<b>Financing activities</b>					
Increase/(decrease) in stock financing loan		(1,536,352)		(156,837)	
Proceeds/(repayment) of borrowings		291,634		(493,218)	
Proceeds/(repayment) of other borrowings		(6,577)		17,102	
<b>Net cash used in financing activities</b>		<b>(1,251,295)</b>		<b>(632,953)</b>	
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(461,831)</b>		<b>545,413</b>	
Cash and cash equivalents at beginning of year		(22,313)		(567,726)	
<b>Cash and cash equivalents at end of year</b>		<b>(484,144)</b>		<b>(22,313)</b>	
<b>Relating to:</b>					
Cash at bank and in hand		-		3,741	
Bank overdrafts included in creditors payable within one year		(484,144)		(26,054)	

# HOUSTON MOTOR CARS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2020

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#### 1 Accounting policies

##### Company information

Houston Motor Cars Limited is a private company limited by shares incorporated in England and Wales. The registered office is The Foundry, 26 High Street, Bramley, Guildford, Surrey, GU5 0HB.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

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

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

#### 1.2 Going concern

During the year the company recorded a loss of £656,843 which includes a notional interest cost of £163,143 re the measurement of the director's loan at amortised cost. The company had net assets of £364,994. The director has continued to support the company, and he has confirmed his willingness and commitment to continue to provide support as required to enable the company to meet its liabilities as they fall due and to continue as a going concern.

The company is operating within its agreed overdraft facility. The director has received confirmation that the overdraft facility is renewed until 31 July 2021. The bank has confirmed that the overdraft facility will continue after the renewal date. The director is satisfied that the company will be able to continue to trade within the facilities available.

In addition, the company is looking to reduce the level of vehicles that are financed through the stocking facilities that are available, in order to reduce the associated cost to the business.

The risks related to the COVID-19 pandemic have been assessed by management and the company has experienced no real impact on its financial performance due to COVID -19. The director is taking all available steps to efficiently manage cash flow, to reduce costs and to plan appropriate commercial actions to take during the period of instability across the UK economy. This includes exploring all available support being made available from the UK government.

On the basis that the director will continue to provide sufficient working capital for the company to meet its liabilities as they fall due and the renewal of the bank overdraft facility, these financial statements are prepared on a going concern basis.

#### 1.3 Turnover

Turnover is measured at fair value of the consideration received for vehicles sold during the financial period, net of trade discounts and VAT. Turnover is recognised at the point that the title is passed.

# HOUSTON MOTOR CARS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

#### 1 Accounting policies

(Continued)

##### 1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

##### 1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation 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:

Website	Over 3 years
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##### 1.6 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:

Freehold land and buildings	Buildings 2% on cost
Equipment	10% on cost
Motor vehicles	20% on cost

Freehold land is not depreciated.

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

##### 1.7 Impairment of fixed assets

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



# HOUSTON MOTOR CARS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

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#### 1 Accounting policies

(Continued)

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

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

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

#### 1.8 Stocks

Stock comprises finished goods and goods for resale and is stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined on a first in first out basis. Cost includes the original purchase price and any costs attributable to bringing the stock to its present location and condition.

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

#### 1.9 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.10 Financial instruments

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

Financial instruments are recognised in the company's balance sheet 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 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 transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

# HOUSTON MOTOR CARS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

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#### 1 Accounting policies

(Continued)

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

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

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

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

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

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

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

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

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

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

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

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

#### 1.11 Equity instruments

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

#### 1.12 Taxation

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

# HOUSTON MOTOR CARS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

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### 1 Accounting policies

(Continued)

#### **Current tax**

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

#### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### **1.13 Employee benefits**

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

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

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

#### **1.14 Retirement benefits**

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

#### **1.15 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.

# HOUSTON MOTOR CARS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

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#### 2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the director is 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.

##### **Critical judgements**

The significant judgements and sources of key accounting estimates that have been applied in the preparation of these financial statements are set out below. These have been deemed appropriate and consistently applied to all the years presented.

##### ***Future value of long term director's loan***

In accordance with FRS 102 paragraph 11.13, the long term loan payable to the director is measured at amortised cost, being recognised at the present value of all future repayments, discounted at an appropriate rate. At the year end, it is considered that the loan will be repaid in 5 years and that, given the Company's current level of gearing, an appropriate market rate of interest for a comparable loan is 7.5%.

##### **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.

##### ***Useful lives of tangible fixed assets***

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

##### **Stock valuation**

The estimated selling price is reviewed for each individual stock item and the director assesses the need for any specific provisions depending on the market conditions or condition of the individual stock item.

#### 3 Turnover and other revenue

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

	2020	2019
	£	£
<b>Turnover analysed by class of business</b>		
Sales of goods	9,469,566	13,775,109

# HOUSTON MOTOR CARS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 3 Turnover and other revenue (Continued)

	2020 £	2019 £
Turnover analysed by geographical market		
UK	9,309,018	13,775,109
Europe	160,548	-
	<u>9,469,566</u>	<u>13,775,109</u>

### 4 Operating (loss)/profit

	2020 £	2019 £
Operating (loss)/profit for the year is stated after charging/(crediting):		
Fees payable to the company's auditor for the audit of the company's financial statements	15,450	11,500
Depreciation of owned tangible fixed assets	34,928	36,312
Depreciation of tangible fixed assets held under finance leases	-	13,078
Profit on disposal of tangible fixed assets	-	(226,945)
Amortisation of intangible assets	14,250	16,037
	<u>159,628</u>	<u>(149,018)</u>

### 5 Employees

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

	2020 Number	2019 Number
Administration and support	<u>6</u>	<u>7</u>

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	173,963	211,246
Social security costs	13,777	20,602
Pension costs	4,592	4,388
	<u>192,332</u>	<u>236,236</u>

### 6 Director's remuneration

	2020 £	2019 £
Remuneration for qualifying services	<u>7,956</u>	<u>7,956</u>

# HOUSTON MOTOR CARS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

#### 7 Interest payable and similar expenses

	2020	2019
	£	£
<b>Interest on financial liabilities measured at amortised cost:</b>		
Other interest on financial liabilities	163,143	-
<b>Other finance costs:</b>		
Interest on finance leases and hire purchase contracts	720	1,072
Other interest	93,368	95,737
	<u>257,231</u>	<u>96,809</u>

#### 8 Taxation

	2020	2019
	£	£
<b>Current tax</b>		
Adjustments in respect of prior periods	-	(3,577)
	<u>-</u>	<u>(3,577)</u>

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

	2020	2019
	£	£
(Loss)/profit before taxation	<u>(656,843)</u>	<u>54,404</u>
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(124,800)	10,337
Tax effect of expenses that are not deductible in determining taxable profit	31,725	348
Permanent capital allowances in excess of depreciation	3,627	(32,191)
Other tax adjustments	-	(3,577)
Tax losses	89,448	21,506
Taxation charge/(credit) for the year	<u>-</u>	<u>(3,577)</u>

Carried forward losses totalling £2,888,822 are available for use against future profits.

# HOUSTON MOTOR CARS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

### 9 Intangible fixed assets

	Goodwill £	Website £	Total £
<b>Cost</b>			
At 1 April 2019 and 31 March 2020	666,475	64,151	730,626
<b>Amortisation and impairment</b>			
At 1 April 2019	666,475	44,275	710,750
Amortisation charged for the year	-	14,250	14,250
At 31 March 2020	666,475	58,525	725,000
<b>Carrying amount</b>			
At 31 March 2020	-	5,626	5,626
At 31 March 2019	-	19,876	19,876

### 10 Tangible fixed assets

	Freehold land and buildings £	Equipment £	Motor vehicles £	Total £
<b>Cost</b>				
At 1 April 2019	2,267,851	173,621	84,563	2,526,035
Additions	-	15,724	-	15,724
Transfers	-	-	(42,936)	(42,936)
At 31 March 2020	2,267,851	189,345	41,627	2,498,823
<b>Depreciation and impairment</b>				
At 1 April 2019	361,279	166,034	54,705	582,018
Depreciation charged in the year	29,071	5,857	-	34,928
Transfers	-	-	(13,078)	(13,078)
At 31 March 2020	390,350	171,891	41,627	603,868
<b>Carrying amount</b>				
At 31 March 2020	1,877,501	17,454	-	1,894,955
At 31 March 2019	1,906,572	7,587	29,858	1,944,017

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

	2020 £	2019 £
Motor vehicles	-	29,858

# HOUSTON MOTOR CARS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 11 Stocks

	2020 £	2019 £
Work in progress	355,445	339,868
Finished goods and goods for resale	2,822,256	3,974,492
	<u>3,177,701</u>	<u>4,314,360</u>

During the year stock impairment was £Nil (2019: £Nil).

Included in stock is £2,078,048 (2019: £3,669,323) secured by funding and included within creditors.

### 12 Debtors

	2020 £	2019 £
<b>Amounts falling due within one year:</b>		
Trade debtors	9,242	197,633
Other debtors	-	62,842
Prepayments and accrued income	19,547	57,649
	<u>28,789</u>	<u>318,124</u>

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

	Notes	2020 £	2019 £
Bank loans and overdrafts	15	484,144	26,054
Obligations under finance leases	16	8,398	8,398
Other borrowings	15	2,067,523	3,603,875
Trade creditors		400,697	514,385
Taxation and social security		39,384	56,759
Other creditors		224,000	231,805
Accruals and deferred income		31,332	82,825
		<u>3,255,478</u>	<u>4,524,101</u>

The bank overdraft is secured by a first legal mortgage over the two properties owned by the company, a mortgage debenture incorporating a specific charge over book debts, and a personal guarantee of £300,000 provided by the director S P Gregg.

Other borrowings represents a stock financing loan which is secured on the related motor vehicles held in stock. The loan is repayable on demand.



# HOUSTON MOTOR CARS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2020

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

	Notes	2020 £	2019 £
Obligations under finance leases	16	2,127	8,704
Other borrowings	15	1,484,473	1,192,839
		<u>1,486,600</u>	<u>1,201,543</u>

Other borrowings represent a loan provided by the director falling due after more than one year is interest-free, and has no fixed repayment terms. In accordance with the company's accounting policies, the loan is discounted at a rate of 7.5% per annum over a period of 5 years.

#### 15 Loans and overdrafts

	2020 £	2019 £
Bank overdrafts	484,144	26,054
Other loans	3,551,996	4,796,714
	<u>4,036,140</u>	<u>4,822,768</u>
Payable within one year	2,551,667	3,629,929
Payable after one year	<u>1,484,473</u>	<u>1,192,839</u>

#### 16 Finance lease obligations

	2020 £	2019 £
Future minimum lease payments due under finance leases:		
Within one year	8,398	8,398
In two to five years	2,127	8,704
	<u>10,525</u>	<u>17,102</u>

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 on the use of the assets. The average lease term is 5 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

# HOUSTON MOTOR CARS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 17 Retirement benefit schemes

	2020	2019
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	4,592	4,388

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.

### 18 Share capital

	2020	2019	2020	2019
	Number	Number	£	£
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	3,422,377	3,422,377	3,422,377	3,422,377

Each share is entitled to one vote in any circumstance and has equal rights to dividends.

### 19 Other reserves

Other reserves represent imputed interest recognised under FRS 102 paragraph 11.13. This reserve unwinds as the loan matures.

### 20 Related party transactions

By virtue of common control Houston Securities Limited is a related party.

As at the year end £Nil (2019: £32,496) was due from Houston Securities Limited.

### 21 Directors' transactions

During the year the company sold goods to S Gregg of £297,151 (2019: £528,347) and purchased goods from S Gregg of £1,817,722 (2019: £1,974,997).

At the year end S Gregg is owed £1,880,994 (2019: £1,973,991) by the company.

### 22 Control

As at the year end the company was under the control of S P Gregg due to his holding of 100% of the share capital of the company.

# HOUSTON MOTOR CARS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

### 23 Cash generated from operations

	2020 £	2019 £
(Loss)/profit for the year after tax	(656,843)	57,981
<b>Adjustments for:</b>		
Taxation charged/(credited)	-	(3,577)
Finance costs	257,231	96,809
Notional interest on directors loan account	(163,143)	-
Gain on disposal of tangible fixed assets	-	(226,945)
Amortisation and impairment of intangible assets	14,250	16,037
Depreciation and impairment of tangible fixed assets	34,928	49,390
<b>Movements in working capital:</b>		
Decrease in stocks	1,166,517	1,120,139
Decrease/(increase) in debtors	289,335	(170,817)
Decrease in creditors	(42,999)	(215,437)
<b>Cash generated from operations</b>	<b>899,276</b>	<b>723,580</b>

### 24 Analysis of changes in net debt

	1 April 2019 £	Cash flows £	31 March 2020 £
Cash at bank and in hand	3,741	(3,741)	-
Bank overdrafts	(26,054)	(458,090)	(484,144)
	(22,313)	(461,831)	(484,144)
Borrowings excluding overdrafts	(4,796,714)	1,244,718	(3,551,996)
Obligations under finance leases	(17,102)	6,577	(10,525)
	(4,836,129)	789,464	(4,046,665)