Company Registration No. 00120996

S.JENNINGS LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2022

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M D Raban
D A McPhee
O W Laird

COMPANY SECRETARY

P J Kenny

REGISTERED OFFICE

Lookers House
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WA14 5XS
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AUDITOR

BDO LLP
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STRATEGIC REPORT
For the year ended 31 December 2022

The Directors present their Strategic Report for the financial year ended 31 December 2022.

Principal activities

The main activities of the Company during the year were the sale and maintenance of vehicles. The Company is part of the Lookers plc group of companies (the Group) which operates a significant number of franchised vehicle dealerships within the UK and Ireland. Where referred to, the 'Group' relates to 'Lookers plc'. The Directors do not foresee any significant changes to the future prospects of the business or its main activities.

Business review and KPIs

	2022 £'000	2021 restated £'000
Revenue	122,817	120,129
Gross profit margin	11.3%	11.0%
Profit before tax	1,936	652

Revenue has increased by 2% year on year mainly from both selling price and volume increases. The increase in gross profit margin by 0.3 percentage points is due to the selling price per unit increasing in line with the continued buoyancy of consumer demand. Net operating expenses have increased as the result of the Company facing significant cost pressures including salaries, utilities, and maintenance costs.

Principal risks and uncertainties

As part of the normal course of business the Group is exposed to a wide range of risks, both internal and external. The identification and management of those risks is integral to the achievement of our strategic goals which rely on our ability to identify and control those things that can hurt us and exploit opportunities that arise, both within our business and the wider market. Management identify risks and assess the effectiveness of our control environment on an ongoing basis through robust risk management processes and reporting. To assist, we have developed an Enterprise Risk Management Framework (ERMF) designed to deliver a common language that helps us define and categorise the risks that we face. It sets the high-level principles and underpinning minimum requirements for the identification, assessment, management and monitoring of each of those risk categories in line with the Group's defined risk appetite.

The design of this framework is laid out in our Risk Management Framework Policy that is subject to Board review and approval on an annual basis. This document sets out how we categorise our risks. The risks are set in a hierarchy with 6 Level 1 risks that are then sub-divided into an additional 16 Level 2 risks. For example, Operational Risk is a level 1 risk, and it has a further 12 Level 2 risks beneath it, including, inter alia, Health & Safety, Information Technology, and Business Continuity. This enables us to record our risks at a more granular level that can be aggregated to an Enterprise view of the risk profile. Each of these Level 1 risks and the Level 2 risks has their own risk policy that we use to define what they mean to us, set our appetite for that particular risk, and help the business understand how we expect the risk to be managed and reported on. Further details on the ERMF are disclosed in the 2022 Annual Report and Accounts for Lookers plc.

The following tables give and overview of the principal risks affecting the business. These risks are considered to be those that could cause the greatest damage if not effectively evaluated, understood and managed. Due to the inherent linkage between this entity and Group's operations, risks applicable to this entity are consistent with those as described in the consolidated financial statements of Lookers plc.

STRATEGIC REPORT (continued)
For the year ended 31 December 2022

Principal risks and uncertainties (continued)

Strategic Risk: "The risk of not meeting strategic and business objectives caused by poor decision making including a failure to adapt to external considerations such as economic, competitor, regulatory and environmental factors; and/or caused by suboptimal strategic implementation and internal management".			
No.	**Risk Summary**	**Impact**	**Mitigation**
1	**External risks include:** • Pressure on the supply chain as a result of COVID (lockdowns in China) and the Ukraine conflict. • Inflationary pressure and the subsequent increase in interest rates and cost challenges. • Cost of living increases and the increase in energy cost. • The adoption of electric vehicles is likely to accelerate, challenging the existing business model. • OEMs may accelerate moving away from a full service dealership model to agency models as they seek to retain distribution margin.	• Strains on the supply of new vehicles and vehicle parts could impact the ability to convert orders taken and maximise aftersales opportunities. • Inflationary pressure on the cost of living could impact consumer confidence and subsequently their propensity to buy. • Product mix that fails to reflect consumer demand for greener vehicles and lower demand for ICE vehicles could impact revenue and profits. • The evolving needs of the manufacturers as they explore alternate routes to market, including a switch from franchise to agency could impact revenue and operating models.	• We closely manage the delivery of our strategic priorities and organisational change programmes. This includes dedicated oversight via an Executive Change Committee and the Board. • We mitigate economic risk by managing a balanced portfolio of new vehicle sales, used vehicle sales, and aftersales; continually optimising our dealerships and operating model. • We continually work on improving existing day-to-day business relationships with manufacturers and consider their needs when setting our own business objectives. This includes proactively working with them on the opportunities that a switch to an agency model presents. • We closely track our performance against strategic objectives allowing dynamic adjustments to be made to inventories, pricing, and procurement processes, in order to respond to market forces.
	The execution of the strategy by its very nature will ask the Group to heighten its change and transformation risk profile: • Competing priorities and demand for investment because of the aggressive change programme may result in the failure to implement the organisational change and operational optimisation that was set out in our strategic priorities.	• The pursuit of an ambitious strategic change programme could place strain on delivery capability and capacity, which if not carefully managed could adversely impact core activities.	• We closely manage the delivery of our strategic priorities and organisational change programmes. This includes dedicated oversight via an Executive Change Committee and the Board. • We have continued to develop our internal change management capability, growing an in-house specialist team. The change delivery function consists of a dedicated pool of portfolio and project managers who operate an approved change management methodology in line with Lookers Change Risk Policy.

STRATEGIC REPORT (continued)
For the year ended 31 December 2022

Principal risks and uncertainties (continued)

Financial Risk: "The risk of unexpected monetary loss, asset impairment, insufficient financial liquidity, failure to meet external reporting obligations and potential for material misstatement in the financial statements of Lookers. Such risks may affect the valuation of the business and impact the ability of the business to meet its liabilities as they fall due".			
No.	**Risk Summary**	**Impact**	**Mitigation**
2	**Financial risks include:** • **Liquidity & Funding Risk:** the risk that Lookers is unable to meet its objectives as a result of a lack of funding availability.	• Failure of cash management to ensure all financial obligations are met when they fall due or failure to fund the future needs and growth of the business. • Failure of the Group to secure bank funding and vehicle financing arrangements leading to a reduction in profitability. • Reputational damage with external stakeholders.	• The main bank facility (a £100m RCF) was renegotiated at the end of June 2022 and is in place until to 30 September 2025. • Of the four bank lenders, ABN AMRO is a new banking counterparty. In comparison to the previous version, the new RCF facility has improved pricing and less onerous undertakings & reporting requirements. • Furthermore, we have continued open dialogue with our vehicle financing providers to ensure sufficient facilities are available to support the working capital needs of the Group. • We prepare regular financial forecasts to evaluate our funding and liquidity requirements for the foreseeable future. Compliance with covenants is also considered on a regular basis.
	• **Financial Control Risk:** the risk that Lookers operates sub-optimal financial processes that do not deliver consistent outcomes.	• Inconsistent processes could impact Lookers' ability to meet reporting deadlines. • Potential for financial misstatement. • Reputational damage with external stakeholders.	• Significant work was undertaken as part of the restoration of our share listing. • A set of clear finance policies has been developed setting the minimum standards in line with the Board approved appetite. • Mandates have been defined and issued. • The finance function has been redesigned to further enhance capability, oversight, and challenge. • The financial controls and DMS harmonisation projects have rolled out system and process standardisation, further improving control and reducing risk. • Finance risks & controls are subject to independent review and testing in line with the "three lines of defence" governance model.
	• **Pension Risk:** the risk that Lookers does not adequately manage the defined benefit pension liabilities or fails to manage the funding of its pension schemes.	• Failure to manage the defined benefit pension deficit leading to an increase in the deficit which impacts on the level of additional contributions we are required to make to the scheme. Indirectly it may also have an adverse implication on share price and credit rating.	• We maintain a good relationship with the pension trustees and keep both the trustees and regulator informed regarding any relevant business updates. • We regularly review investment performance and the defined benefit pension liability. The investment strategy is designed to ensure that assets move in sympathy with liabilities given changing market conditions (interest rates and inflation expectations). The assets held are also well diversified reducing the impact of market volatility.

STRATEGIC REPORT (continued)
For the year ended 31 December 2022

Principal risks and uncertainties (continued)

Operational Risk: "*The risk of loss as a result of inadequate or failed internal processes, people, systems, or from an external event*". Operational Risk is the risk that occurs when running an operational business, as such it is divided into a number of Level 2 Risks:			
No.	**Risk Summary**	**Impact**	**Mitigation**
3	• **Health & Safety Risk:** the risk to the health, safety or wellbeing of any person, or non-compliance with health and safety legislative requirements, caused by a lack of governance, risk management, or application of appropriately defined safe working processes and procedures.	• Lookers fails to meet Health and Safety Executive (HSE) legislation leading to the risk of personal injury and/or fines and legal action.	• We operate a robust health and safety system to ensure compliance with HSE legislation. • We ensure that incident reporting including lessons learnt exercises take place to meet health and safety obligations. • We undertake independent health and safety audits with Board oversight of the findings.
	• **Data Privacy Risk:** the risk that Lookers operates ineffective and non-compliant data processing activities.	• The potential for unlawful processing/handling of customer data and the increased risk of poor customer outcomes, increased complaints, regulatory intrusion and ICO fines.	• The internal data privacy function has continued to mature in 2022; this team oversees the internal controls and associated data risks. • The data management project has further enhanced Lookers' data control environment. The project has driven internal control improvements to further enhance the controls over data and monitoring of the internal and external environment. • Robust processes are in place to identify and react to potential data breaches and data complaints and requests.
	• **Information Security Risk:** the risk that operations are susceptible to disruption following unforeseen events such as cyber incidents or extreme business continuity scenarios.	• A cyber-attack could result in operational disruption, customer and colleague impacts, unforeseen costs, regulatory intervention, and reputational damage with external stakeholders.	• Lookers has a dedicated information & cyber security function overseeing Lookers' information security controls and their effectiveness. • Control maturity is measured against the NIST Cyber framework and reported to the Audit & Risk Committee. • NCCs' Managed Detect & Respond service is fully operational, providing continuous cyber defences; supplemented by their Cyber Security incident response service to support our reaction to a significant event. • We have a package of cyber insurance in place. • Backups are ransomware proof, enhancing resilience. It is the Boards agreed policy not to pay ransom demands. • We ensure controls are commensurate with evolving external threats through a process of ongoing review. • Lookers maintains Cyber Essentials certification.

STRATEGIC REPORT (continued)
For the year ended 31 December 2022

Principal risks and uncertainties (continued)

Operational Risk: "The risk of loss as a result of inadequate or failed internal processes, people, systems, or from an external event". Operational Risk is the risk that occurs when running an operational business, as such it is divided into a number of Level 2 Risks (continued):

No.	Risk Summary	Impact	Mitigation
3	• **Change Risk:** the risk that a significant volume of organisational change programmes create a burden on the Group's operations, or that the change programmes fail to be implemented.	• This could result in management and resource stretch. • Project activity is not delivered to budget. • Projects, if not closely governed, could fail to deliver the anticipated benefits or introduce additional risk into the business.	• Dedicated change delivery function in place. • Executive Change Committee oversees the organisational change programmes. This is supported by an embedded change governance structure.
	• **Information Technology Risk:** the risk that Lookers fails to develop, deploy, and maintain technology solutions that are stable, reliable and that deliver to business need.	• A failure to identify, manage and report on our IT risk could result in being unable to meet our current and future business objectives, or keep pace with technological change. • It could also result in a logistical crisis or an inability to recover from a significant failure.	• Lookers operates a dedicated IT Directorate; comprising of a number of dedicated departments who operate Lookers' IT systems. • The transfer to a new disaster recovery data centre has improved resilience. • Significant operational improvements achieved by the IT Service Desk in 2022. • Dedicated IT Risk Manager monitoring the risks and controls.

Regulatory & Conduct Risk: "The risk that Lookers fails to identify all applicable regulatory rules and requirements and does not implement and monitor the systems and controls to adequately manage the associated risks on an ongoing basis".

No.	Risk Summary	Impact	Mitigation
4	• **Regulatory Risk:** the risk that Lookers fails to identify all applicable regulatory rules and requirements and does not implement and monitor the systems and controls to adequately manage the associated risks on an ongoing basis.	• A failure to effectively manage this risk could result in regulatory sanction, financial loss or restriction of the Group's regulatory permissions.	• Lookers has a dedicated independent risk and compliance function and Secretariat function; monitoring and overseeing Lookers' regulatory and customer risks. • All regulatory risks are overseen by the Lookers Motor Group Limited Board. • Robust monitoring in place to ensure regulatory requirements are met. • Proactive horizon scanning of regulatory requirements. • Independent regulatory monitoring reviews are undertaken by the compliance team. • The Lookers' sales process is subject to robust oversight and independent checks: – Established first line of defence quality assurance teams. – Independent mystery shopping. – Independent second line of defence monitoring. – Embedded sales and product governance forum. – *Regular conduct risk assessments.*
	• **Conduct Risk**: the risk that Lookers, both as an organisation and individuals, fails through its actions and behaviours to deliver fair customer outcomes.	• A culture that does not put the customer at the heart of everything we do. Ineffective governance and monitoring arrangements leading to unfair customer outcomes. • We fail to protect our customers and our business from breaching obligations designed to prevent and deter the risk of financial crime, including internal and external fraud against the Group or its customers.	

Section 172 statement

The Directors are accountable for the management, performance and long-term success of the Company. The Directors have regard to their duty under Section 172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, consider (amongst other matters):

(i) the likely consequences of any decision in the long term;

(ii) the interests of the Company's employees;

(iii) the need to foster the Company's business relationships with suppliers, customers and others;

(iv) the impact of the Company's operations on the community and the environment;

(v) the desirability of the Company maintaining a reputation for high standards of business conduct; and

(vi) the need to act fairly as between members of the Company.

Section 172 requires Directors to have regard to wider stakeholder interests when discharging their duty to promote the success of the Company. The Directors understand that the long-term prosperity and success of the Company is dependent on understanding and respecting the views and needs of our stakeholders including Shareholders, customers, employees, and the wider communities in which we operate.

It is the Directors' view that our ability to engage effectively with our stakeholders is critical to the success of the Company. Details of our stakeholder engagement in relation to Workforce Engagement, Corporate Social Responsibility, our Modern Slavery policy and Relations with Shareholders are detailed in the Non-Financial Information Statement in the Annual Report and Accounts of our ultimate parent, Lookers plc (the Group ARA) and are also covered in part in this statement. The Directors are also cognisant of the impact of economic and political uncertainties, the war in Ukraine, and global factors such as the shortage of semiconductors and the impact on new car supply, all of which have a direct impact on certain key risks identified within the Risk Overview as discussed above. Medium to longer-term matters related to climate change, including the proposed Government ban on the sale of new petrol and diesel powertrains are also driving the Company's governance, strategy, risk management and targets in order to meet longer-term legislative goals.

Reputation, culture and ethics

The Directors consider that the fostering and promotion of a culture of treating customers fairly and behaving ethically in all our interactions is of paramount importance. We appreciate that our reputation for excellent customer service is key to our success, and that retaining the trust of our customers is crucial to our business.

Our colleagues

Our people are central to our business. We strive to create a culture of diversity and inclusion. We provide a workplace with attractive benefits and opportunities for career progression. We undertake regular employee surveys to obtain feedback from our colleagues. Further details on involvement with our colleagues is disclosed in the Directors' Report.

Our customers

Ensuring a fantastic customer experience is fundamental to the success of the Company. We take on board our customers' feedback, using it to improve the customer experience. We obtain the views of our customers in a number of different ways, including from manufacturer, in-house and online surveys.

We benchmark our performance in relation to customers using research including net promoter scores and manufacturer balanced scorecard metrics. We undertake mystery shopping exercises to gain insights into the sales process and ensure that we are obtaining good customer outcomes.

STRATEGIC REPORT (continued)
For the year ended 31 December 2022

Section 172 statement (continued)

Our customers (continued)

Customer complaints metrics are reviewed at Board of Directors' meetings with updates given on numbers of complaints, speed with which complaints are resolved, complaint themes, and root cause analysis undertaken to improve customer outcomes. If we identify instances where the Company may not have acted appropriately when interacting with our customers, we seek to remedy this as quickly as possible by addressing the customer loss, identifying the root cause of the problem and improving our training, processes and systems to ensure the issues do not reoccur. We view this as a continual improvement process.

Our suppliers

The Company is fortunate to have as its key suppliers the leading automotive manufacturers in the world. The executive and senior management engage with our brand partners on a regular basis. Almost all of our manufacturer partners use a variety of ways to measure the performance of our dealerships such as balanced scorecards, customer feedback surveys and dealership audits. We engage fully with these assessments and use the data to improve our processes, reviewing dealership KPIs on a monthly basis and sharing best practice across divisions to improve processes and performance.

Our communities

We, as part of Lookers, support our communities through a number of different initiatives including supporting colleagues to volunteer in our communities, creating an award-winning apprenticeship programme which creates routes into work for young people, and charitable giving. More information on the way we engage with our people and our diversity policies can be found in the Group ARA.

The environment

The Group recognises that its activities have an impact on the environment and is therefore keen to promote and support initiatives that minimise the effect of such activities through adherence to its environmental risk policy.

We monitor the areas of our business that may negatively impact on the environment including contamination, asbestos, waste oil and waste recycling, together with energy, water and fuel efficiency.

The reduction of carbon emissions and energy consumption is a high priority for the Group. We have partnered with Autotrader and the Carbon Literacy Project to develop and launch a new Automotive Carbon Literacy Toolkit to support us in reducing our carbon footprint and in April 2022 we launched carbon literacy training for all of our colleagues. We provided 23 training sessions in 2022 and trained over 120 employees.

During 2022, we rolled out a building management system (BMS) trial at three of our sites to reduce their energy usage and plan to extend this to a further ten sites in 2023. We are also exploring the potential for renewable energy generation at our sites and have developed plans to install solar panels at some of our sites in 2023 to reduce our reliance on the National Grid, help mitigate any potential carbon pricing mechanisms and reduce our Scope 1 and 2 emissions.

At the end of 2021, we launched 'The Big Switch Off', an initiative to reduce our carbon footprint by switching off all non-essential equipment over the Christmas break. The success of this scheme led us to launch 'The Big Switch Off 2.0' in February 2022 to encourage our employees to save energy by turning off all energy-consuming equipment between working hours when our sites were dormant helping us save over £500,000 in energy costs.

STRATEGIC REPORT (continued)
For the year ended 31 December 2022

Section 172 statement (continued)

The environment (continued)

We will launch 'The Big Switch Off 3.0' in 2023, with an added site-focused approach and create a network of site-based "Energy Champions" to lead in identifying and implementing energy reduction initiatives at a local level.

The Group is committed to become Net Zero carbon by 2050 or sooner in line with UK legislation.

There are no decisions made by the Directors that require separate disclosure within this report.

This report was approved by the Board of Directors and is signed on its behalf by:

O W Laird
Director
27 September 2023

DIRECTORS' REPORT (continued)
For the year ended 31 December 2022

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2022.

Dividends

An interim dividend of £nil (2021: £nil) was paid to shareholders in the year. The Directors do not recommend the payment of a final dividend (2021: £nil).

Directors

The Directors who served during the financial year and thereafter are set out on page 1. The Company has made qualifying third-party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Corporate governance statement

The Directors are responsible for the culture and values of the Company, and the system for internal controls. Good governance supports the Directors' decision-making and ensures risks are identified and appropriately managed to enable the long-term sustainable success of the Company. The Company is part of the of the Lookers plc group which in 2022 complied with the provisions of the UK Corporate Governance Code published by the Financial Reporting Council in July 2018 (the Code). Details of the Group's corporate governance practices and demonstration of how the Group complies with the Code are given on pages 68 to 77 of the 2022 Annual Report and Account (the Group ARA) for Lookers plc.

Future developments

Details of the Group strategy are provided in the Group's 2022 Annual Report & Accounts. The Company's future direction will mirror this strategy, as it continues to target business growth opportunities. However, the Directors remain cognisant of the current challenges in both the sector and wider economy, including supply challenges relating to the ongoing semiconductor shortage, impacts of the conflict in Ukraine and other issues on consumer confidence, and significant levels of inflation impacting both consumer demand and the Company's cost base.

The shareholders of Lookers plc have approved an all-cash offer of 130p per share from Global Auto Holdings Limited for the issued and to be issued share capital of Lookers plc. It is intended that the offer be implemented by way of a Court-sanctioned scheme of arrangement (the "Scheme") under Part 26 of the Companies Act. If this transaction completes, the change in ownership may alter the Group's strategy and consequently the future direction of the Company.

Financial instruments

At 31 December 2022 the Company has net current assets of £0.2m (2021: net current liabilities of £1.5m) which is inclusive of net amounts receivable from fellow group undertakings of £0.6m (2021: £nil).

The Company has cash and cash equivalents of £2.3m at year end (2021: £1.7m), current lease liabilities of £0.9m (2021: £0.9m) and non-current lease liabilities of £2.7m (2021: £3.5m).

In June 2022, the Group was pleased to renegotiate and extend its RCF, including a refreshment of our banking club (The Bank of Ireland, HSBC, NatWest, and ABN Amro). The updated RCF provides £100.0m of credit with the agreement running until at least 30 September 2025. The new facility offers improved interest rates which are now charged at a margin of 2.5% (above SONIA) (2021: margin between 3.25% and 3.75% (above SONIA)). The facility is subject to less stringent quarterly covenant tests on leverage and interest cover, which is representative of the Group's much improved financial position and outlook. The facility has remained undrawn since April 2022.

Detailed disclosures regarding the Group's exposures to such instruments and the Group's policies and procedures regarding risk management are made within the consolidated financial statements of Lookers plc.

Going concern

The Company has net current assets of £0.2m (2021: net current liabilities of £1.5m) and is therefore not dependent upon funding from its ultimate parent Company, Lookers plc (the parent). However, the Directors have received confirmation via a letter of support from Lookers plc that it will provide financial support as is necessary to enable the Company to meet its liabilities as they fall due for a period of at least 12 months from the date of signing these financial statements. Lookers plc has both the ability and intent to provide this support if required.

DIRECTORS' REPORT (continued)
For the year ended 31 December 2022

Going concern (continued)

The Group Annual Report and Accounts for the year ended 31 December 2022 and issued on 4 April 2023 were prepared on a going concern basis, and the going concern note on pages 44 to 45 of those accounts described the factors that were taken into consideration in arriving at this conclusion.

The Directors have therefore concluded that preparing these accounts on a going concern basis is appropriate.

Material uncertainty in relation to going concern

The Group is the subject of an all-cash offer from Global Auto Holdings Limited (the "Offeror") that, if successful, is expected to complete in H2 2023. The Directors note the intentions of the Offeror as set out in the Scheme circular, however while they do not have any reason to believe that the Offeror would not continue to support the Company or would materially change their activities in the next 12 months, they are not party to the detailed intentions of the acquirer. Although this does not change the Directors' conclusion as to the appropriateness of preparing the financial statements of the Company on a going concern basis, it is considered to create a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Accordingly, the financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

Employee involvement

Employees are encouraged to discuss with management any matters which they are concerned about and factors affecting the Company. In addition, the Board takes account of employees' interests when making decisions. Suggestions from employees aimed at improving the Company's performance are welcomed. A significant number of employees are remunerated partly by profit-related bonus schemes. Lookers has a dedicated intranet site which keeps employees up to date with Group and Company developments and activities. Communicating in this manner ensures a consistent message. Long service awards were made during the year to those staff in the Group with 25 years' continuous service. Special awards were also made to those staff reaching 40 and 50 years' service. All employment policies have been upgraded to conform to current legislation. It is the Company's policy to encourage career development for all employees to help staff achieve job satisfaction and increase personal motivation.

Employment of disabled persons

We offer equal opportunities to disabled persons applying for vacancies and provide them with the same opportunities for employment, training, career development and promotion as are available to all employees, within the limitations of their aptitude and abilities. In the event of a member of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and appropriate arrangements are made.

Prior period restatement

During the year we implemented a new software application to simplify lease management and improve compliance with IFRS 16. Migration to the new system highlighted several errors previously reported for the year ended 31 December 2021. The Directors have therefore restated the prior period accounts to rectify these errors.

Adjustments have been made to the Statement of Financial Position as at 31 December 2021 to decrease property, plant and equipment (£760k), increase right of use assets (£363k), decrease non-current lease liabilities (£12k), and decrease retained earnings (£385k). These adjustments had no impact on previously reported profit for the year ended 31 December 2021.

As part of the transition to operating under an agency model with certain OEMs, a review of the accounting treatment for agency income has been undertaken. As a result of this, it has been identified that in the prior year some agency income was incorrectly netted off against costs of sales, rather than recognised within revenue. Consequently, revenue and costs of sales were both understated by £1.3m in the Income Statement for the year ended 31 December 2021. There was no impact on the Statement of Financial Position at 31 December 2021 as a result of this correction.

DIRECTORS' REPORT (continued)
For the year ended 31 December 2022

Auditor

In the case of each of the persons who are Directors of the Company at the date when this report was approved:

- so far as each is aware, there is no relevant audit information (as defined by the Companies Act 2006) of which the Company's auditor is unaware; and
- each of the Directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Strategic report

The Company has chosen in accordance with Companies Act 2006 2.414C(11) to set out in the Group'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 which includes presentation of a fair review of the Company's business and a description of the principal risks and uncertainties it faces.

This report was approved by the Board of Directors and is signed on its behalf by:

O W Laird
Director
27 September 2023

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF S.JENNINGS LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of S.Jennings Limited ("the Company") for the year ended 31 December 2022 which comprise Income Statement, Statement of Financial Position, Statement of Changes in Equity, , and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Material uncertainty related to going concern

We draw attention to the matter disclosed in the basis of preparation section of this report, which indicate that there is some doubt as to whether the Group will continue to operate in its current form following the receipt of a cash offer made by Global Auto Holdings Limited, which may lead to a renegotiation of funding facilities currently available and the impact this may have on compliance with existing covenants.

As stated in the basis of preparation section, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern in its current form. Our opinion is not modified in respect of this matter.
Based on our audit procedures, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the interim report is appropriate.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF S.JENNINGS LIMITED (continued)

Other Companies Act 2006 reporting

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.

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 or the Directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' Report, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

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

Based on our understanding and accumulated knowledge of the Company and the sector in which it operates we considered the risks of acts by the Company which were contrary to applicable laws and regulations, including fraud, and whether such actions or non-compliance might have a material effect on the non-statutory financial statements. These included but are not limited to those that relate to the form and content of the financial statements, such as accounting policies, FRS 101 (UK GAAP), the Companies Act 2006, relevant taxation legislation, Health and Safety and the Bribery Act 2010.

We determined that the principal risks were related to posting inappropriate journal entries, management bias in accounting estimates, the margin recognised on bookings that drives revenue and revenue cut off. Our audit procedures included, but were not limited to:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF S.JENNINGS LIMITED (continued)

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements .made by management in their significant accounting estimates, in particular in relation to the recognition of commercial income and valuation of used car inventory;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or including specific keywords;
- Testing a sample of revenue transactions within a specified cut off window to determine if they have been recorded in the correct period;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of minutes of Board meetings throughout the period; and
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Malcolm Thixton
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Malcolm Thixton (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton, UK
26 September 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

INCOME STATEMENT
For the year ended 31 December 2022 and 31 December 2021

	Note	2022 £'000	2021 restated £'000
REVENUE	2	122,817	120,129
Cost of sales		(108,999)	(106,896)
GROSS PROFIT		13,818	13,233
Net operating expenses		(11,505)	(11,761)
Loss on disposal of assets held for sale		-	(423)
OPERATING PROFIT		2,313	1,049
Interest	3	(377)	(397)
PROFIT BEFORE TAX	4	1,936	652
Tax	5	(136)	(444)
PROFIT FOR THE YEAR		1,800	208

All results above are from the continuing operations of the Company.

The Company has no other comprehensive income or expense in either year other than those included in the results above, and therefore no separate statement of comprehensive income has been presented.

The notes on pages 20 to 36 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2022 and 31 December 2021

	Note	2022 £'000	2021 restated £'000
NON-CURRENT ASSETS			
Property, plant and equipment	7	5,039	5,287
Right of use assets	8	3,370	3,917
		8,409	9,204
CURRENT ASSETS			
Inventories	10	23,501	11,714
Corporation tax receivable from fellow group company		-	532
Trade and other receivables	11	9,733	9,732
Cash and cash equivalents		2,303	1,743
Assets held for sale	9	242	-
		35,779	23,721
TOTAL ASSETS		44,188	32,925
CURRENT LIABILITIES			
Trade and other payables	12	(34,347)	(24,269)
Corporation tax payable to fellow group company		(329)	-
Lease liabilities	13	(917)	(919)
		(35,593)	(25,188)
NET CURRENT ASSETS/(LIABILITIES)		186	(1,467)
TOTAL ASSETS LESS CURRENT LIABILITIES		8,595	7,737
NON-CURRENT LIABILITIES			
Deferred tax	14	(304)	(496)
Lease liabilities	13	(2,738)	(3,488)
		(3,042)	(3,996)
TOTAL LIABILITIES		(38,635)	(29,172)
NET ASSETS		5,553	3,753
CAPITAL AND RESERVES			
Share capital	15	659	659
Share premium		26	26
Capital reserve		16	16
Retained earnings		4,852	3,052
SHAREHOLDER'S EQUITY		5,553	3,753

The financial statements of S.Jennings Limited, registered number 00120996, were approved by the Board of Directors and were signed on its behalf by:

O W Laird
Director
27 September 2023

The notes on pages 20 to 36 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
As at 1 January 2021, 31 December 2021 and 31 December 2022

	Share capital	Share premium	Capital reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
As at 1 January 2021	659	26	16	3,229	3,930
Correction of errors*	-	-	-	(385)	(385)
As at 1 January 2021 (restated)	659	26	16	2,844	3,545
Total comprehensive income for the year	-	-	-	208	208
As at 31 December 2021	659	26	16	3,052	3,753
Total comprehensive income for the year	-	-	-	1,800	1,800
As at 31 December 2022	659	26	16	4,852	5,553

*see Note 18 for correction of errors

The notes on pages 20 to 36 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

1) ACCOUNTING POLICIES

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

General information

S.Jennings Limited is a private Company limited by shares incorporated in England and Wales, under the Companies Act 2006. The address of the registered office is 3 Etchells Road, West Timperley, Altrincham,. WA14 5XS, United Kingdom.

The functional currency of the Company is considered to be pounds sterling as that is the currency of the primary economic environment in which the Company operates. The nature of the Company's operations and its principal activities are set out in the Strategic Report.

The Company is a wholly owned subsidiary of Lookers plc, a Company registered in England and Wales (registered office address: Lookers House, 3 Etchells Road, West Timperley, Altrincham, WA14 5XS, United Kingdom), and in accordance with Section 400 of the Companies Act 2006, consolidated financial statements are not required to be prepared by the Company. Accordingly, the financial statements present information about the Company as an individual undertaking.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101: Reduced Disclosure Framework (FRS 101) and under the historical cost convention.

In preparing these financial statements, the Company applies the recognition and measurement requirements of International Financial Reporting Standards (IFRS), amended where necessary in order to comply with Companies Act 2006.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements and, where relevant, equivalent disclosures have been made in the Group accounts of the ultimate controlling party, in accordance with FRS 101:

- additional comparative information as per IAS 1 Presentation of Financial Statements paragraph 38 in respect of:
  - a reconciliation of the number of shares outstanding at the start and end of the prior period; and
  - reconciliations of the carrying amounts of property, plant and equipment, intangibles assets and investment property at the start and the end of the prior period.
  - presentation of a third statement of financial position.
- presentation of a Statement of Cash Flows and related notes;
- disclosure of the objectives, policies and processes for managing capital;
- disclosure of key management personnel compensation;
- the requirements in IAS 24 (Related Party Disclosures) to disclose related party transactions entered into between two or more members of a group;
- disclosure of the categories of financial instrument and the nature and extent of risks arising on these financial instruments;
- the effect of financial instruments on the Income Statement;
- information about financial instruments that have been reclassified or derecognised, transfers of financial assets, credit losses recorded in a separate account, netting arrangements, loan defaults or breaches and collateral;

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

1) ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

- certain disclosures required under IFRS 15 Revenue from Contracts with Customers, including disaggregation of revenue, details of changes in contract assets and liabilities, and details of incomplete performance obligations;
- the maturity analysis of lease liabilities, as required by paragraph 58 of IFRS 16 Leases, has not been disclosed separately as details of indebtedness required by Companies Act has been presented separately for lease liabilities in the notes to the accounts;
- the amount of lease income recognised on operating leases as lessor;
- disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date; and
- comparative narrative information.

Adoption of new and revised standards

The Company has applied the following standards and amendments for the first time in the current year and their application has had no material impact on Company's financial statements.

- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract;
- Amendments to IFRS 3 (May 2020) – Reference to the Conceptual Framework;
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current;
- Annual Improvements to IFRS Standards 2018–2020; and
- Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use.

The accounting policies have been applied consistently throughout the reporting period. The standards that became applicable for the current period did not have any impact on the Company's accounting policies and did not require adjustments.

The Company has not early adopted other standards, amendments to standards or interpretations that have been issued but are not yet effective.

Going concern

The Company has net current assets of £0.2m (2021: liabilities of £1.5m) and is therefore not dependent upon funding from its ultimate parent Company, Lookers plc (the parent). However, the Directors have received confirmation via a letter of support from Lookers plc that it will provide financial support as is necessary to enable the Company to meet its liabilities as they fall due for a period of at least 12 months from the date of signing these financial statements. Lookers plc has both the ability and intent to provide this support if required.

The Group Annual Report and Accounts for the year ended 31 December 2022 and issued on 4 April 2023 were prepared on a going concern basis, and the going concern note on pages 44 to 45 of those accounts described the factors that were taken into consideration in arriving at this conclusion.

The Directors have therefore concluded that preparing these accounts on a going concern basis is appropriate.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

1) ACCOUNTING POLICIES (continued)

Material uncertainty in relation to going concern

The Group is the subject of an all-cash offer from Global Auto Holdings Limited (the "Offeror") that, if successful, is expected to complete in H2 2023. The Directors note the intentions of the Offeror as set out in the Scheme circular, however while they do not have any reason to believe that the Offeror would not continue to support the Company or would materially change their activities in the next 12 months, they are not party to the detailed intentions of the acquirer. Further, if successful, the offer may lead to a renegotiation of current funding facilities which may impact on compliance with existing covenants. Although this does not change the Directors' conclusion as to the appropriateness of preparing the financial statements of the Company on a going concern basis, it is considered to create a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Accordingly, the financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

Revenue

Revenue is measured based on the consideration specified in a contract with a customer. Amounts collected on behalf of third parties are excluded. Revenue is recognised by the Company when it transfers control over a product or service to a customer.

Revenue is measured at invoice price, excluding value added taxes, and principally comprises external vehicle sales, parts, servicing and bodyshop sales. Vehicle and parts sales are recognised when control over the vehicles or parts have been transferred to the customer. This is generally at the time of delivery to the customer. Service and bodyshop sales are recognised when the work has been completed.

Revenue also comprises commissions receivable for arranging vehicle financing and related insurance products. Commissions are based on agreed rates and income is recognised at the time of approval of the vehicle finance by the finance provider.

Where the Company is acting as agent on behalf of a principal (e.g. assigning finance), the commission earned is also recorded at an agreed rate when the transaction has occurred. The income received in respect of service plans sold and administered by the Company is recognised over the period of the policy on a straight-line basis.

Commercial income

Commercial income, including manufacturer bonuses, is credited to cost of sales. Volume related and vehicle specific rebates from suppliers are credited to the carrying value of inventory to which they relate. Once the inventory is sold, the rebate amount is then recognised in the income statement.

Finance costs and interest income

Finance costs comprises interest payable on borrowings, consignment, repurchase liabilities, stocking loans, lease liabilities, interest on pension scheme obligations and debt issue costs, and are recognised using the effective interest method. Interest income is recognised in the Income Statement as it accrues.

Taxation

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

1) ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is provided in full, using the liability method, on taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is not provided on temporary differences arising on investments in subsidiaries, as the Company controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Property, plant and equipment

Freehold land is not depreciated. Depreciation is provided to write off the cost less the estimated residual value of other assets by equal instalments over their estimated useful economic lives. On transition to IFRS as at 1 January 2004, all land and buildings were restated to fair value as permitted by IFRS 1, which is then treated as the deemed cost. All other assets are initially measured at cost.

Freehold buildings and properties constructed on long leasehold plots are depreciated over 50 years on a straight-line basis to their estimated residual values. Leasehold improvements are amortised by equal instalments over the periods of the respective leases.

Other property, plant and equipment disclosed in Note 7 includes plant and machinery, fixtures, fittings, tools and equipment (including computer equipment and terminals) and assets in the course of construction. These assets (excluding assets in the course of construction) are depreciated on a straight-line basis at rates varying between 10% and 33% per annum over their estimated useful lives. Assets in the course of construction are initially measured at cost and are depreciated when they are brought into economic use.

The residual value of all assets, depreciation methods and useful economic lives, if significant, are reassessed annually.

All costs in relation to the maintenance of property, plant and equipment are recognised in the income statement as an expense as incurred.

Leases (as a lessee)

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and

1) ACCOUNTING POLICIES (continued)

Leases (as a lessee) continued)

- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the Statement of Financial Position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

In accordance with the amendment to IFRS 16 COVID-19 Related Rent Concession the Company took the optional exemption from assessing whether a rent concession related to COVID-19, and that meets certain conditions, is a lease modification. In applying the practical expedient, adjustments to the lease liabilities have been made to derecognise the part of the liability that has been forgiven or waived in the period.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, any initial direct costs and an estimate of the dismantling, removal and reinstatement costs required in the terms of the lease. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the Statement of Financial Position. The Company applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Impairment of assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets with indefinite lives are tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

1) ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less disposal costs, and value in use.

Impairment losses are recognised in the Income Statement. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories

Motor vehicle inventories are stated at the lower of net purchase price and net realisable value. A review of the net realisable values of inventories is conducted on a regular basis and values are adjusted to prevailing market value. The market value is assessed with reference to external benchmarking publications and applying historical industry knowledge on the pricing of those vehicles by reference to make and specific models. We also ensure inventories that exist at the year-end are valued correctly by sampling against further post year-end actual sales data. Whilst this data is deemed representative of current values it is possible that ultimate sales valusurees can vary from those applied.

Parts inventories are valued on a first-in, first-out basis and are written down to net realisable value by providing for obsolescence on a time in stock-based formula approach.

Consignment vehicle inventories are regarded as being effectively under the control of the Company and are included within inventories on the balance sheet as the Company has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset even though legal title has not yet passed. The corresponding liability is included in trade payables.

Vehicle financing

Stocking loans are financing arrangements provided by various lenders including OEM Brand Partners and third party asset finance funders which are used to fund the purchase of new and used vehicles prior to re-sale.

Each agreement entered into has its own terms and conditions and determining whether a new or renewed arrangement should be classified within trade and other payables, rather than as an additional component of the Company's net debt within borrowings, requires significant management judgement.

However these financing arrangements are generally: uncommitted facilities; for specific, separately identifiable vehicles held as inventory; which have a maturity of 180 days or less; and the Company is normally required to repay amounts outstanding on the earlier of the sale of the vehicles that have been funded under the facilities or the stated maturity date. Based on these factors management deem it appropriate that such arrangements are recognised as financial liabilities within trade and other payables.

Consignment vehicle creditors are recorded for any vehicles recognised as consignment vehicle inventory. Repurchase commitment liabilities are recognised when the Company enters into repurchase commitments as part of the operation of its Company staff car schemes. Liabilities are disclosed as vehicle rental finance liabilities if they are incurred by the Company's leasing operations in order to procure vehicles.

1) ACCOUNTING POLICIES (continued)

Pensions

The Company provides pension arrangements for employees under defined contribution schemes. Contributions for these schemes are charged to the income statement in the year in which they are payable.

Financial instruments

Recognition of financial instruments

Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the instrument.

Initial and subsequent measurement of financial assets

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and other short-term deposits held by the Company with maturities of less than three months.

Trade, group and other receivables

Trade receivables, group and other receivables, are initially measured at their transaction price. Trade receivables and other receivables are held to collect the contractual cash flows which are solely payments of principal and interest. Therefore, these receivables are subsequently measured at amortised cost using the effective interest rate method. Group receivables have no credit terms. Amortised cost is the amount initially recognised less repayments of principal, plus or minus the 'effective interest' which amortises any difference between the amount initially recognised and the maturity amount over the expected life of the instrument.

Effective interest rate method

The 'effective interest' is calculated using the rate that exactly discounts estimated future cash payments or receipts (considering all contractual terms) through the expected life of the financial asset or financial liability to its carrying amount before any loss allowance.

The 'effective interest rate' is applied to the carrying amount of a financial asset before any loss allowance, unless the financial assets becomes credit-impaired, (i.e. an event has occurred which has a detrimental impact on the estimated future cash flows), in which case the 'effective interest rate' is applied to the carrying amount of the financial asset net of any loss allowance. If a financial asset is no longer credit-impaired due to an improvement in credit risk that objectively relates to a subsequent event, the 'effective interest rate' reverts to being applied to the carrying amount before any loss allowance.

Impairment of financial assets

A provision for impairment is established on an expected credit loss model under IFRS9. The amount of the provision is the difference between the asset's carrying amount and the expected value of the amounts recovered.

The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is a probability-weighted amount determined from a range of outcomes (including assessments made using forward-looking information) and takes into account the time value of money. Credit losses are measured on a collective basis and all instalments have been grouped based on their similar collective characteristics. Some financial assets are written off because there is no reasonable expectation of recovery (e.g. where the counterparty enters formal administration proceedings) or are subject to enforcement activity. For trade receivables expected credit losses are measured by applying an expected loss rate to the gross carrying amount. The expected loss rate comprises the risk of a default occurring and the expected cash flows on default based on the ageing of the receivable. The risk of a default occurring always takes into consideration all possible default events over the expected life of those receivables ("the lifetime expected credit losses"). Group receivables are considered under the two-stage expected credit loss model.

1) ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity

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.

Initial and subsequent measurement of financial liabilities

Trade, group and other payables

Trade, group and other payables (which include repurchase commitments, stocking loans and consignment creditors) are initially recognised at fair value, net of transaction costs and subsequently at amortised cost using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at fair value on initial recognition net of transaction costs.

Critical accounting estimates

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

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

Inventory valuation

The fair value of inventories is reviewed by management regularly, applying a mix of standard and judgemental provisions to adjust values, where appropriate, down to prevailing market values.

The key area for estimation uncertainty is the assessment of net realisable value of vehicle inventory, which can fluctuate as a result of market factors and the condition of vehicles.

The Company is party to a number of commercial arrangements with its OEM Brand Partners that result in manufacturer bonus credits being earned. In the prior year, the estimation uncertainty as to whether bonus targets had been met was deemed a key estimate area. The Directors have reconsidered this and concluded that, given the volume of arrangements the Company enters into and number of conditions included within each arrangement, that there are no specific estimates that can have a material impact on the Company's results and therefore this no longer represents a key estimate area.

Judgements

The Directors consider that there are no significant judgements in the application of the Company's accounting policies.

2) REVENUE

All revenue, derived from the principal activities of the Company, relates to trading within the United Kingdom. There is only one class of business, being motor franchises.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

3) INTEREST

	2022 £'000	2021 £'000
Interest on consignment vehicle finance	210	201
Interest on lease liabilities	167	196
	377	397

4) PROFIT BEFORE TAX

Profit before tax is calculated after taking into account the following items:

	Note	2022 £'000	2021 restated £'000
Depreciation - property, plant and equipment	7	360	377
Depreciation - right of use assets	8	547	535
Loss on disposal of assets held for sale		-	423
Cost of stocks recognised as an expense		91,436	91,850
Staff costs	6	7,932	7,647
Utilities and rates		943	597
Other		19,286	17,651
Total cost of sales and operating expenses		120,504	119,080

The auditor's remuneration for the statutory audit of the Company is £27,653 (2021: £29,500) and is borne by another group undertaking and not recharged. There were no non-audit related services provided by the auditor to the Company in the year.

5) TAX

	2022 £'000	2021 £'000
Current tax		
Current year	354	178
Adjustment in respect to prior years	(26)	149
	328	327
Deferred tax		
Origination and reversal of temporary differences	(33)	53
Difference between current and deferred tax rates	(10)	-
Change in UK tax rate	-	119
Adjustment in respect to prior years	(149)	(55)
	(192)	117
Tax charge for the year	136	444

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

5) TAX (continued)

	2022 £'000	2021 £'000
Reconciliation of total tax		
Profit before tax	1,936	652
Standard rate of corporation tax at 19% (2021: 19%)	368	124
Items not allowable for tax	(57)	107
Adjustment in respect to prior years	(175)	94
Difference between current and deferred tax rates	(10)	-
Change in UK tax rate	-	119
Total tax	136	444

A UK corporation tax rate of 25% was substantially enacted on 24 May 2021. The 25% rate will apply from 1 April 2023 and the carry-back of losses is expected to apply to years ended 31 December 2020 and 31 December 2021.

6) INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The emoluments of those Directors who are also Directors of the ultimate parent Company, Lookers plc were borne by Lookers plc and not recharged. This is because fair apportionment is not possible as services are provided to multiple entities (2021:same).

	2022 No.	2021 No.
Average number of persons employed		
Aftersales	76	88
Sales	56	55
Administration	79	76
	211	219

Staff costs	2022 £'000	2021 £'000
Wages and salaries	7,017	6,794
Social security costs	762	713
Pension costs	153	140
	7,932	7,647

There were no outstanding pension contributions at the year end (2021: £nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

7) PROPERTY, PLANT AND EQUIPMENT

	Note	Land and buildings £'000	Other £'000	Total £'000
Cost				
At 1 January 2022		5,751	1,301	7,052
Correction of errors	18	(743)	-	(743)
At 1 January 2022 (restated)		5,008	1,301	6,309
Additions		288	77	365
Disposals		-	(27)	(27)
Transfers to assets held for sale		(259)	-	(259)
At 31 December 2022		5,037	1,351	6,388
Accumulated depreciation				
At 1 January 2022		365	640	1,005
Correction of errors	18	17		17
At 1 January 2022 (restated)		382	640	1,022
Charge for the year		168	192	360
Disposals		-	(16)	(16)
Transfers to assets held for sale		(17)	-	(17)
At 31 December 2022		533	816	1,349
Net book value				
At 31 December 2021 (restated)		4,626	661	5,287
At 31 December 2022		4,504	535	5,039

Freehold property includes the value of land which is not depreciated.

Other includes plant and equipment, fixtures and fittings, and motor vehicles.

At 31 December 2022 there is an amount of £nil committed (2021: £nil) for future capital expenditure.

The ultimate parent undertaking's revolving credit facility is secured via a debenture over certain assets of the Company.

8) RIGHT OF USE ASSETS

	Note	Property £'000
Net book value		
At 1 January 2022		3,554
Correction of errors	18	363
At 1 January 2022 (restated)		3,917
Depreciation charge for the year		(547)
At 31 December 2022		3,370

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

9) ASSETS HELD FOR SALE

	2022 £'000	2021 £'000
At 1 January	-	2,397
Transfers from property, plant and equipment	242	-
Disposals	-	(2,397)
At 31 December	242	-

Assets held for sale at 31 December 2022 relate to a property held by the company which has been transferred to assets held for sale following cessation of trade and the subsequent commencement of procedures to dispose of the vacant property. The property is being actively marketed for disposal and there is an expectation that the property will be disposed of within 12 months of the balance sheet date.

10) INVENTORIES

	2022 £'000	2021 £'000
Goods for resale	6,791	6,388
Consignment vehicles	16,710	5,326
	23,501	11,714

Stocking loans provided by third party finance houses are secured over the vehicles used for the provision of such finance.

Included within goods for resale are vehicles leased to staff employees on short-term lease arrangements via a third party but are still actively marketed for immediate sale to third parties by the Company as the Company has not relinquished control of these vehicles.

11) TRADE AND OTHER RECEIVABLES

	2022 £'000	2021 £'000
Trade receivables	1,361	1,457
Amounts due from group undertakings	8,062	8,049
Other debtors	125	117
Prepayments and accrued income	185	109
	9,733	9,732

Amounts due from group undertakings are unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

12) TRADE AND OTHER PAYABLES

	2022	2021
	£'000	£'000
Trade payables	1,531	1,641
Repurchase commitments and stocking loans	6,179	5,192
Consigment vehicle creditors	16,710	5,326
Amounts due to group undertakings	7,097	8,573
Other tax and social security	1,423	1,716
Other creditors	370	385
Accruals and deferred income	1,037	1,436
	34,347	24,269

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

13) LEASE LIABILTIES

	2022	2021 restated
	£'000	£'000
Total lease liabilities		
Current	917	919
Non-current	2,738	3,488
	3,655	4,407
Lease liabilities payable		
Less than one year	917	919
More than one year and not more than two years	899	917
More than two years and not more than five years	730	1,500
More than five years	1,939	2,068
(Less): interest allocated to future years	(830)	(997)
	3,655	4,407

The Company is party to a number of lease arrangements as a lessee, primarily leasehold property leases for a number of dealerships, workshops and office spaces. The Company also holds a number of lower value leases for motor vehicles and IT equipment used to support the Company's operations.

The Company is not materially exposed to variable lease payments however a number of the property leases have contractual clauses including rent reviews, contract extension and contract termination options which, dependent upon any significant business reorganisation activities, may affect the future cashflows of the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

14) DEFERRED TAX

Deferred tax is calculated in full on temporary timing differences under the liability method using a tax rate of 25% (2021: 25%). The movement in the deferred tax account is as shown below:

	2022	2021
	£'000	£'000
Deferred tax liability at 1 January	496	379
Charged to income statement	(192)	117
Deferred tax liability at 31 December	304	496
Deferred tax liabilities		
Accelerated tax depreciation	549	704
Leases	(234)	(156)
Other timing differences	(11)	(52)
	304	496

15) SHARE CAPITAL

	2022	2021
	£'000	£'000
Called up, allotted and fully paid		
658,827 ordinary shares of £1 each	659	659

16) CONTINGENT LIABILTIES

The Company is jointly and severally liable under cross-guarantees within the Lookers plc Group for borrowings. The total group borrowings at the statement of financial position date amounted to £45.3m (2021: £100.9m).

17) ULTIMATE CONTROLLING PARTY

In the opinion of the Directors, the Company's ultimate controlling party is Lookers plc. Lookers plc is a Company registered in England and Wales (registered office address: Lookers House, 3 Etchells Road, West Timperley, Altrincham, WA14 5XS, United Kingdom). The largest and smallest group of undertakings of which the Company is a member that produces publicly available consolidated financial statements is Lookers plc. Their group financial statements are available on our website www.lookersplc.co.uk.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

18) EFFECT OF CORRECTION OF ERRORS

STATEMENT OF FINANCIAL POSITION (RESTATED)

	As previously stated at 2021	Correction of errors	2021 restated
	£'000	£'000	£'000
NON-CURRENT ASSETS			
Property, plant and equipment	6,047	(760)	5,287
Right of use assets	3,554	363	3,917
	9,601	(397)	9,204
CURRENT ASSETS			
Inventories	11,714	-	11,714
Corporation tax receivable from fellow group company	532	-	532
Trade and other receivables	9,732	-	9,732
Cash and cash equivalents	1,743	-	1,743
Assets held for sale	-	-	-
	23,721	-	23,721
TOTAL ASSETS	33,322	(397)	32,925
CURRENT LIABILITIES		-	
Trade and other payables	(24,269)	-	(24,269)
Lease liabilities	(919)	-	(919)
	(25,188)	-	(25,188)
NET CURRENT LIABILITIES	(1,467)	-	(1,467)
TOTAL ASSETS LESS CURRENT LIABILITIES	8,134	(397)	7,737
NON-CURRENT LIABILITIES		-	
Deferred tax	(496)	-	(496)
Lease liabilities	(3,500)	12	(3,488)
	(3,996)	-	(3,996)
TOTAL LIABILITIES	(29,184)	12	(29,172)
NET ASSETS	4,138	(385)	3,753
CAPITAL AND RESERVES			
Share capital	659	-	659
Share premium	26	-	26
Capital reserve	16	-	16
Retained earnings	3,437	(385)	3,052
SHAREHOLDER'S EQUITY	4,138	(385)	3,753

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

18) EFFECT OF CORRECTION OF ERRORS (continued)

Correction of errors:

During the year we have implemented a new software application to simplify lease management and improve compliance with IFRS 16. Migration to the new system highlighted the following errors previously reported for the year ended 31 December 2021:

- It became evident during the software implementation process that some initial direct costs incurred to acquire long leasehold properties were incorrectly classified as land and buildings within property, plant and equipment. Reclassification of these costs increased right of use assets by £760k and decreased property, plant and equipment of £760k.
- Whilst held within property, plant and equipment, these initial direct costs had incorrectly been classified as land and not depreciated at an appropriate rate. Accelerating historical depreciation resulted in a decrease in right of use assets of £407k and a decrease in retained earnings of £407k as at 31 December 2021.
- As at 31 December 2021 correcting for a combination of other errors resulted in an increase in right of use assets of £10k, a decrease in non-current lease liabilities of £12k and an increase in retained earnings by £22k.

The combined impact of the errors noted above on the Statement of Financial Position at 31 December 2021 is decrease property, plant and equipment (£760k), increase right of use assets (£363k), decrease non-current lease liabilities (£12k), and decrease retained earnings (£385k). These adjustments had no impact on previously reported profit for the year ended 31 December 2021.

INCOME STATEMENT (restated)

	As previously stated in 2021	Correction of errors	2021 restated
	£'000	£'000	£'000
REVENUE	118,823	1,306	120,129
Cost of sales	(105,590)	(1,306)	(106,896)
GROSS PROFIT	13,233	-	13,233
Net operating expenses	(11,761)	-	(11,761)
Loss on disposal of assets held for sale	(423)	-	(423)
OPERATING PROFIT	1,049	-	1,049
Interest	(397)	-	(397)
PROFIT BEFORE TAX	652	-	652
Tax	(444)	-	(444)
PROFIT FOR THE YEAR	208	-	208

Correction of errors:

As part of the transition to operating under an agency model with certain OEMs, a review of the accounting treatment for agency income has been undertaken. As a result of this, it has been identified that in the prior year some agency income was incorrectly netted off against costs of sales, rather than recognised within revenue. Consequently, revenue and costs of sales were both understated by £1.3m in the Income Statement for the year ended 31 December 2021. There was no impact on the Statement of Financial Position at 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

19) SUBSEQUENT EVENTS

On 20 June 2023, the boards of directors of Global Auto Holdings Limited (the "Offeror") and Lookers plc (the Company's ultimate controlling party) announced the recommended proposed cash offer by the Offeror for the entire issued and to be issued share capital of Lookers plc which was to be effected by way of a scheme arrangement under Part 26 of the Companies Act 2006.

On 27 July 2023, the boards of directors of the Offeror and Lookers plc announced that they had reached agreement on the terms of an increased recommended cash offer by the Offeror for the entire issued and to be issued share capital of Lookers plc at a price of 130 pence per Lookers plc share and a switch from a Scheme to a takeover offer.

On 4 August 2023, it was announced that the increased offer would revert to being implemented by way of a scheme arrangement under Part 26 of the Companies Act 2006.
On 5 September 2023, the Board of Directors of Lookers plc approved an all-cash offer of 130p per share from Global Auto Holdings Limited for the issued and to be issued share capital of Lookers plc.

On 15 September 2023, the change of control that would occur on completion of the scheme was approved by the Financial Conduct Authority. The scheme remains subject to sanction by the Court, however it is anticipated that the transaction will complete by the end of the year.