Dick Lovett Limited

Annual Report and Financial Statements

For the year ended 31 December 2014

Registered number 00414098

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2014.

Dividends and transfers to reserves

An interim ordinary dividend of £800,000 (*2013: £500,000*) was paid during the year. The directors do not recommend the payment of a final ordinary dividend for the year *(2013: £nil*). The result for the year after the interim ordinary dividend was transferred to reserves.

Directors

The directors who served throughout the financial year and subsequently were as follows:

PC Lovett
LR Campbell
JC Moulton

Supplier payment policy

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment.

Employees

It is the group's belief that its objectives will only be achieved if employees understand and support the aims of the business. To this end it is the group's policy to maintain and develop a programme of involvement in the business which is meaningful to all employees. It is also the group's policy to employ disabled persons whenever suitable vacancies arise, and to provide for such employees the appropriate level of training and career progression within the group. If an employee should become disabled during employment within the group the board would use its best endeavours to provide suitable continuing employment.

Auditor

In the case of each of the persons who are directors of the company at the date when this report is approved:

- so far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware; and
- each of the directors has taken all 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 s418 of the Companies Act 2006.

A resolution for the reappointment of Deloitte LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

JC Moulton
Company Secretary

Ashworth Road
Bridgemead
Swindon
Wilts
SN5 7UR

22 April 2015

Strategic report
For the year ended 31 December 2014

Principal activities

The principal activity of the company during the year was the sale and maintenance of Porsche vehicles.

Business review

Turnover in the year was £96,366,495 *(2013: £81,665,578)*. The profit after tax for the year was £1,513,881 *(2013: £1,067,009)*. The directors are satisfied with the performance of the business for the year, and expect the current level of activity to continue for the foreseeable future.

Key Performance Indicators ("KPIs")

The directors are of the opinion that, given the straightforward nature of the business, analysis using non financial KPIs is not necessary or appropriate for an understanding of the development and performance of the company. The directors consider the data within the financial statements sufficient to enable a considered view of the company's performance to be undertaken.

Going concern basis

Having reviewed the company's future cash requirements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Risks facing the business

The management of the business and the execution of the company's strategy are subject to a number of risks. These include major changes in the general economic climate and the supply of new cars from the manufacturer with whom the company deals.

Financial Risk Management

The company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set out by the board of directors are implemented by the company's finance department. The department has a policies and procedures manual that sets out specific guidelines to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

Credit Risk
The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board.

Liquidity Risk
The company actively maintains a mixture of long term and short term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions.

Strategic report (continued)

Financial Risk Management (continued)

Interest Rate Cash Flow Risk
The company has interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances, all of which earn interest at a floating rate. The company has a policy of maintaining debt at both fixed and variable rates. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

JC Moulton

JC Moulton
Company Secretary

Ashworth Road
Bridgemead
Swindon
Wilts
SN5 7UR

22 April 2015

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). 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 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 United Kingdom Accounting Standards have been followed; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company with 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 member of Dick Lovett Limited

We have audited the financial statements of Dick Lovett Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's member 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 member those matters we are required to state to it 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 member, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on 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 2014 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.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

M Hill

Mark Hill (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Bristol, United Kingdom
22 April 2015

Profit and loss account

for the year ended 31 December 2014

	Note	2014	2013
		£	£
Turnover	*1*	**96,366,495**	81,665,578
Cost of sales		**(88,345,159)**	(75,229,414)
Gross profit		**8,021,336**	6,436,164
Distribution costs		**(2,465,229)**	(1,980,320)
Administrative expenses		**(3,472,893)**	(2,951,827)
Operating profit		**2,083,214**	1,504,017
Net finance charges	*5*	**(128,386)**	(82,734)
Profit on ordinary activities before taxation	*2*	**1,954,828**	1,421,283
Tax on profit on ordinary activities	*6*	**(440,947)**	(354,274)
Profit for the financial year	*15*	**1,513,881**	1,067,009

All activities derive from continuing operations.

No other gains or losses have been recognised during the year.

A statement of movements on reserves is given in note 14.

Notes to these financial statements are provided on pages 8 to 15.

Balance sheet
As at 31 December 2014

	Note	2014 £	2014 £	2013 £	2013 £
Fixed assets					
Tangible assets	8		**854,760**		153,405
Current assets					
Stocks	9	**13,297,157**		9,120,249	
Debtors	*10*	**2,442,170**		1,650,141	
Cash at bank and in hand		**1,650**		1,418,147	
		15,740,977		12,188,537	
Creditors: amounts falling due within one year	*11*	**(9,478,840)**		(5,938,926)	
Net current assets			**6,262,137**		6,249,611
Net assets			**7,116,897**		6,403,016
Capital and reserves					
Called up share capital	*13*		**250,000**		250,000
Profit and loss account	*14*		**6,866,897**		6,153,016
Shareholder's funds	*15*		**7,116,897**		6,403,016

The financial statements of Dick Lovett Limited, registered number 00414098, were approved by the board of directors and authorised for issue on 22 April 2015 and were signed on its behalf by:

PC Lovett
Director

Notes to these financial statements are provided on pages 8 to 15.

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Going concern

The financial statements have been prepared under the going concern basis as discussed on page 2.

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost accounting rules.

Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard No. 1 (Revised 1996) to prepare a cash flow statement on the grounds that its parent undertaking, Dick Lovett Companies Limited, includes the company in its own published consolidated financial statements.

Fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.
Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Short leasehold property	-	the life of lease
Plant, equipment & vehicles	-	3 to 10 years

Hire purchase contracts

Items purchased under hire purchase contracts are capitalised from the contract date. Obligations under hire purchase contracts are shown net of potential future interest payments.

Interest payable on hire purchase contracts is taken to the profit and loss account on a straight line basis as the payments fall due.

Pension costs

The pension cost charged against profits is the amount of contributions payable to the pension schemes in respect of the accounting year.

Stocks

Stocks are stated at the lower of cost and net realisable value after making due allowances for obsolete and slow moving items.

New vehicles on consignment are included in stock as if purchased outright and the related finance thereon is included within trade creditors.

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Notes *(continued)*

Accounting policies (continued)

Borrowings

Interest bearing loans and bank overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accruals basis in the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers plus finance commissions earned as a result of the company's retail activities in the UK.

2 Profit on ordinary activities before taxation

	2014	2013
	£	£
Profit on ordinary activities before taxation is stated after charging:		
Auditor's remuneration:		
Audit	**8,300**	7,600
Other services	**5,900**	4,475
Depreciation	**145,708**	106,345
Payments under operating leases:		
Plant and machinery	**742**	2,602
Land and buildings	**845,500**	659,000

3 Remuneration of directors

The directors are directors of all the trading subsidiary companies of the holding company Dick Lovett Companies Limited. PC Lovett received total remuneration of £355,000 from Dick Lovett Companies Limited during the year and is accruing benefits under the Dick Lovett Group Executive Pension Scheme. JC Moulton and LR Campbell received total remuneration of £443,000 from Dick Lovett (Specialist Cars) Limited during the year and are both accruing benefits under defined contribution personal pension schemes in respect of their services to all group companies. It is not practicable to allocate the remuneration of the directors between the services provided to the different companies in the group.

Notes *(continued)*

4 Staff numbers and costs

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

	Number of employees 2014	2013
Sales	**32**	27
Parts	**8**	6
Servicing	**53**	48
Accounts and administration	**17**	15
	110	96

The aggregate payroll costs of these persons were as follows:

	2014 £	2013 £
Wages and salaries	**3,080,238**	2,887,803
Social security costs	**319,445**	299,286
Other pension costs (see note 18)	**210,815**	91,130
	3,610,498	3,278,219

As from April 2014 the company introduced a "salary sacrifice" scheme under which the majority of staff opted to be paid a lower salary in exchange for a corresponding increase in company pension contributions.

5 Net finance charges

	2014 £	2013 £
Interest payable - stock finance	**145,453**	118,749
Interest receivable	**(17,067)**	(36,015)
	128,386	82,734

Notes *(continued)*

6 Tax on profit on ordinary activities

	2014	2013
	£	£
Current tax:		
United Kingdom corporation tax charge at the average rate for the year of 21.5% *(2013: 23.25%)*:		
Current year	**420,000**	338,000
Prior year adjustment	**18,947**	(726)
	438,947	337,274
Deferred tax:		
Current year	**(16,000)**	12,000
Prior year adjustment	**18,000**	5,000
Tax on profit on ordinary activities	**440,947**	354,274

Factors affecting tax charge for the year:

The tax assessed for the year differs from the standard average rate of corporation tax in the UK for the year of 21.5% (*2013: 23.25%*). The differences are explained below.

	2014	2013
	£	£
Profit on ordinary activities before tax	**1,954,828**	1,421,283
Profit on ordinary activities at the average UK tax rate for the year 21.5% (*2013: 23.25%*)	**420,288**	330,448
Effects of:		
Expenses not deductible for tax purposes	**13,339**	12,584
Depreciation in excess of capital allowances	**(13,627)**	(5,032)
Adjustments in respect of previous years	**18,947**	(726)
Current year tax charge	**438,947**	337,274

The forthcoming change in the corporation tax rate from 21% to 20% from 6 April 2015 will not materially affect the future tax charge.

7 Dividends

	2014	2013
	£	£
Ordinary shares:		
Interim paid £3.20 (*2013: £2.00)* per ordinary share	**800,000**	500,000

Notes *(continued)*

8 Tangible fixed assets

	Short Leasehold Property £	*Plant equipment & vehicles* £	Total £
Cost			
At 1 January 2014	106,797	1,807,167	1,913,964
Additions	---	847,063	847,063
At 31 December 2014	106,797	2,654,230	2,761,027
Depreciation			
At 1 January 2014	102,234	1,658,325	1,760,559
Charge for year	1,837	143,871	145,708
At 31 December 2014	104,071	1,802,196	1,906,267
Net book value			
At 31 December 2014	**2,726**	**852,034**	**854,760**
At 31 December 2013	4,563	148,842	153,405

9 Stocks

	2014 £	2013 £
Vehicles for resale	**7,400,124**	5,443,681
Vehicles on consignment	**5,248,397**	3,242,060
Parts and other stocks	**624,475**	409,133
Work in progress	**24,161**	25,375
	13,297,157	9,120,249

Notes *(continued)*

10 Debtors

	2014 Due within one year £	2013 Due within one year £
Trade debtors	**1,120,246**	683,632
Deferred tax asset (see note 12)	**22,000**	24,000
Other debtors	**995,010**	751,629
Prepayments and accrued income	**304,914**	190,880
	2,442,170	1,650,141

11 Creditors: amounts falling due within one year

	2014 £	2014 £	2013 £	2013 £
Bank overdraft		**170,113**		---
Consignment vehicle liabilities		**5,248,397**		3,242,060
Payments received on account		**1,395,348**		802,792
Trade creditors		**1,522,680**		959,589
Amounts owed to group undertakings		**371,172**		297,237
Other creditors including taxation and social security:				
Corporation tax	**183,000**		174,274	
Other taxes and social security	**122,334**		21,356	
		305,334		195,630
Accruals and deferred income		**465,796**		441,618
		9,478,840		5,938,926

The bank overdraft is secured by a floating charge over the assets of the company and a cross guarantee from other group companies.

12 Deferred tax asset

	2014 £	2013 £
Deferred tax asset	**22,000**	24,000
Deferred tax asset:		
Accelerated capital allowances	**22,000**	24,000
Provision at 1 January	**24,000**	41,000
Deferred tax charge in profit and loss account for year (note 6)	**(2,000)**	(17,000)
Deferred tax asset at 31 December	**22,000**	24,000

Notes *(continued)*

13 Called up share capital

	2014	2013
	£	£
Allotted, called up and fully paid		
Ordinary shares of £1 each	**250,000**	250,000

14 Reserves

	Profit and loss account
	£
At 1 January 2014	**6,153,016**
Retained profit for the financial year	**713,881**
At 31 December 2014	**6,866,897**

15 Reconciliation of movement in shareholder's funds

	2014	2013
	£	£
Profit for the financial year	**1,513,881**	1,067,009
Dividends	**(800,000)**	(500,000)
Net addition to shareholder's funds	**713,881**	567,009
Opening shareholder's funds	**6,403,016**	5,836,007
Closing shareholder's funds	**7,116,897**	6,403,016

Notes *(continued)*

16 Contingent liabilities

The company has given guarantees to the group bankers in respect of the overdrafts of other group companies which at 31 December 2014 amounted to £8,607,779 *(2013: £9,791,448).*

17 Commitments

At the balance sheet date the company had capital commitments which were contracted but not provided for in these accounts amounting to £nil *(2013: £8,000).*

The company rents its land and buildings under operating leases. The total amount payable under these leases in the next year at 31 December 2014 amounted to £1,024,000 (*2013: £659,000*). The rents payable under these leases are subject to renegotiation at various intervals. The group pays all insurance, maintenance and repair costs of these properties.

18 Pension scheme

The company is a participating company in the Dick Lovett Group Executive Self-Administered Pension Scheme and also participates in the group defined contribution pension schemes. The assets of all these schemes are held separately from those of the company in independently administered funds. The pension cost charged represents contributions payable by the company to the respective funds and amounted to £210,815 *(2013: £91,130).* There were no outstanding or prepaid contributions at either the beginning or the end of the year.

19 Related party disclosures

The company is controlled by its parent undertaking, Dick Lovett Companies Limited.

The company has taken advantage of the exemptions available under Financial Reporting Standard No. 8 "Related Party Disclosures", and has not disclosed transactions with companies that are wholly owned subsidiaries of the Dick Lovett Companies Limited group of companies.

The following related party transaction is outside the scope of the exemption:

The Dick Lovett Group Executive Self-Administered Pension Scheme owns the land and buildings at Shannon Way, Tewkesbury which are used by the company. The rental charged during the year was £186,500 (*2013: £nil*).

20 Ultimate parent undertaking

The company's ultimate parent undertaking is Dick Lovett Companies Limited whose registered office is Ashworth Road, Bridgemead, Swindon, Wilts. Dick Lovett Companies Limited is the parent of both the smallest and largest group of which the company is a member and for which consolidated financial statements are prepared. Copies of the financial statements of both companies are available from Companies House, Crown Way, Cardiff CF14 3UZ.

The ultimate controlling party is Peter Lovett, a director of the company, and the sole shareholder in Dick Lovett Companies Limited.