Company Registration No. 00414098 (England and Wales)

Dick Lovett Limited

Annual report and financial statements
for the year ended 31 December 2022

Dick Lovett Limited

Company information

Directors	Peter Lovett Lynn Campbell Julian Winterburn
Secretary	Julian Winterburn
Company number	00414098
Registered office	The Copse Frankland Road Swindon Wiltshire SN5 8YW
Independent auditor	Saffery Champness LLP St Catherine's Court Berkeley Place Clifton Bristol BS8 1BQ

Dick Lovett Limited

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Strategic report
For the year ended 31 December 2022

The directors present the strategic report for the year ended 31 December 2022.

Business review

The principal activity of the company during the year was the sale and maintenance of Porsche vehicles in the United Kingdom. 2022 saw the Company achieve a record turnover at over £255 million and a record profit before tax of £15.9 million.

Trading was not without its difficulties with the supply of new cars still unpredictable and increasing interest rates also having an impact on finance rates of new and used vehicles. In line with many businesses, resource was also a challenge given the limited labour market and therefore it has been essential that the group continues to invest significantly in training. Despite the challenges in the year the business performed very strongly due to the excellent team and the strength and resilience of the business.

Principal risks and uncertainties

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 manufacturers with whom the group deals.

Key Performance Indicators ("KPIs")

The directors are of the opinion that, given the 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 KPIs in the business review sufficient to enable a considered view of the company's performance to be undertaken.

Financial risk management

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

Credit risk

The Company's principal financial assets are bank balances, cash, trade and other receivables.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by the international credit-rating agencies. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Cash flow risk

Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operation and future developments, the company uses a mixture of long-term and short-term debt finance. Further details regarding liquidity can be found in the statement of accounting policies in the financial statements.

Future developments

The directors expect the current level of activity to continue for the foreseeable future.

Section 172 statement

The Directors have carefully considered their duties under section 172 reporting.

In 2022 the business has continued to make significant investments in a number of areas including IT, property and EV charging.

It is of key importance to the company to maintain a reputation of supplying high quality products and services to customers and this can be seen with the high-quality brands in the company's portfolio. To ensure the continuation of high-quality services in 2022 there has been a significant investment in training with the establishment of an in-house training team to work alongside external providers to cover all departments. In addition, the company continues to believe having an established apprentice programme is essential for long term success.

The Directors recognise that our employees are fundamental to our business and the delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees. From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment. The Directors factor and communicate the implications of decisions on employees where relevant and feasible.

Delivering our strategy requires strong mutually beneficial relationships with suppliers, customers, and government bodies. The Board continually assess the priorities related to customers and engages with them to ensure the relevance of our business strategy and investment policies. We monitor our suppliers to ensure our product and service supply is maintained to our documented standard whilst also adhering to the required payment practices.

This year the company has continued to work with a number of local charities particularly focused around our dealerships primarily through the Lovett Foundation charity.

The Directors are satisfied that all section 172 matters are given appropriate and effective consideration with the necessary structures, policies and processes in place to promote a successful company.

On behalf of the board

Julian Winterburn
Director
16 May 2023

Dick Lovett Limited

Directors' report
For the year ended 31 December 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of the company continued to be that of the sale and maintenance of Porsche vehicles in the United Kingdom.

Results and dividends

The results for the year are set out on page 9.

Ordinary dividends were paid amounting to £8,000,000 (2021: £4,000,000). The directors do not recommend payment of a final dividend.

Directors

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

Peter Lovett
Lynn Campbell
Julian Winterburn

Auditor

Saffery Champness LLP have expressed their willingness to continue in office.

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of business review, principal risk and uncertainties and key performance indicators.

Statement of disclosure to auditor

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

On behalf of the board

Julian Winterburn
Director

16 May 2023

Directors' responsibilities statement
For the year ended 31 December 2022

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 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;
- 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 member of Dick Lovett Limited

Opinion

We have audited the financial statements of Dick Lovett Limited (the 'company') for the year ended 31 December 2022 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 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.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report 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 remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Identifying and assessing risks related to irregularities:
We assessed the susceptibility of the company's financial statements to material misstatement and how fraud might occur, including through discussions with the directors, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the company by discussions with directors and by updating our understanding of the sector in which the company operates.

Laws and regulations of direct significance in the context of the company include The Companies Act 2006 and UK Tax legislation.

Audit response to risks identified
We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above 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 would become aware of it. Also, 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 or intentional misrepresentations, or through collusion.

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 member, 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 member 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

Neil Davies
Senior Statutory Auditor
For and on behalf of Saffery Champness LLP

16 May 2023

Chartered Accountants
Statutory Auditors

St Catherine's Court
Berkeley Place
Clifton
Bristol
BS8 1BQ

Dick Lovett Limited

Statement of comprehensive income
For the year ended 31 December 2022

	Notes	2022 £000	2021 £000
Turnover	3	255,914	193,544
Cost of sales		(227,656)	(173,259)
Gross profit		28,258	20,285
Distribution costs		(5,927)	(4,552)
Administrative expenses		(6,582)	(5,426)
Other operating income		206	149
Operating profit	4	15,955	10,456
Interest receivable and similar income	6	191	131
Interest payable and similar expenses	7	(262)	(157)
Profit before taxation		15,884	10,430
Tax on profit	8	(3,023)	(1,979)
Profit for the financial year		12,861	8,451

The income statement has been prepared on the basis that all operations are continuing operations.

Dick Lovett Limited

Statement of financial position
As at 31 December 2022

	Notes	£000	2022 £000	£000	2021 £000
Fixed assets					
Tangible assets	**10**		1,012		1,314
Current assets					
Stocks	**11**	24,602		18,404	
Debtors	**12**	9,257		6,906	
Cash at bank and in hand		16,784		16,588	
		50,643		41,898	
Creditors: amounts falling due within one year	**13**	(23,189)		(19,566)	
Net current assets			27,454		22,332
Total assets less current liabilities			28,466		23,646
Provisions for liabilities					
Deferred tax liability	**14**	93		134	
			(93)		(134)
Net assets			28,373		23,512
Capital and reserves					
Called up share capital	**16**		250		250
Profit and loss reserves			28,123		23,262
Total equity			28,373		23,512

The financial statements were approved by the board of directors and authorised for issue on 16 May 2023 and are signed on its behalf by:

Peter Lovett
Director

Company Registration No. 00414098 (England and Wales)

Dick Lovett Limited

Statement of changes in equity
For the year ended 31 December 2022

	Notes	Share capital	Profit and loss reserves	Total
		£000	£000	£000
Balance at 1 January 2021		250	18,811	19,061
Year ended 31 December 2021:				
Profit and total comprehensive income for the year		-	8,451	8,451
Dividends	**9**	-	(4,000)	(4,000)
Balance at 31 December 2021		250	23,262	23,512
Year ended 31 December 2022:				
Profit and total comprehensive income for the year		-	12,861	12,861
Dividends	**9**	-	(8,000)	(8,000)
Balance at 31 December 2022		250	28,123	28,373

1 Accounting policies

Company information

Dick Lovett Limited is a private company limited by shares incorporated in England and Wales. The registered office is The Copse, Frankland Road, Swindon, Wiltshire, SN5 8YW.

1.1 Accounting convention

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

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary a mounts in these financial statements are rounded to the nearest £1,000.

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

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. T he company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Dick Lovett Companies Limited. These consolidated financial statements are available from its registered office.

1 Accounting policies (continued)

1.2 Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The directors' report further describes the financial position of the company, its cash flows, liquidity position and borrowing facilities, the company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities if any and its exposure to credit risk and liquidity risk.

The company meets its day to day working capital requirements through an overdraft facility which continues at its present level unless and until amended or withdrawn. The current economic conditions create uncertainty particularly over the level of demand for the company's products, the exchange rate between sterling and the euro and thus the consequence for the cost of the company's purchases of new cars and the availability of bank finance in the foreseeable future.
The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current facility. The company will open renewal negotiations with the bank in due course and has at this stage not sought any written confirmation that the facility will be renewed. However, the company has held discussion with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided including finance commission earned, in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts and settlement discounts.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on full payment of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the rendering of services is recognised when the service has been completed. All trading income received or receivable from the manufacturer has been included within revenue or cost of sales depending on the contractual arrangement. This income is recognised when the group has fulfilled its related contractual obligations.

1 Accounting policies (continued)

1.4 Tangible fixed assets

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

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

Leasehold improvements	50 years or the life of the lease if shorter
Plant and equipment	3 to 10 years

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

1.5 Impairment of fixed assets

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

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

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

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

1 Accounting policies (continued)

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. Cost is calculated using the FIFO (first-in, first-out) method.

Consignment stock is considered to be under control of the company and is included in stock as the company has the significant risk and rewards of ownership even though legal title has not yet passed to the company. A corresponding liability is recognised in creditors.

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

1.7 Cash and cash equivalents

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

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

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

Basic financial assets

Basic financial assets, which include debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

1 Accounting policies (continued)

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

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

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

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

1 Accounting policies (continued)

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

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

1.9 Equity instruments

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

1.10 Taxation

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

Current 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 reporting end date.

1 Accounting policies (continued)

Deferred tax

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

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Employee benefits

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

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

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

1.12 Retirement benefits

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

1.13 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Critical accounting judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Stock provision

Stock is valued at the lower of cost and net realisable value. Calculation of these provisions requires judgements to be made, which include forecast consumer demand, the promotional, competitive and economic environment and inventory loss trends.

3 Turnover and other revenue

	2022	2021
	£000	£000
Turnover analysed by class of business		
Sale of goods	245,654	185,381
Provision of services	6,645	5,587
Commission	3,615	2,576
	255,914	193,544

	2022	2021
	£000	£000
Other significant revenue		
Interest income	191	131
Grants received	-	122

4 Operating profit

	2022	2021
Operating profit for the year is stated after charging/(crediting):	£000	£000
Government grants	-	(122)
Fees payable to the company's auditor for the audit of the company's financial statements	31	27
Depreciation of owned tangible fixed assets	410	353
Operating lease charges	1,233	1,239

5 Employees

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

	2022	2021
	Number	Number
Sales	70	58
Parts	12	11
Servicing	84	77
Admin	20	18
Total	186	164

Their aggregate remuneration comprised:

	2022	2021
	£000	£000
Wages and salaries	6,324	5,293
Social security costs	713	560
Pension costs	622	532
	7,659	6,385

6 Interest receivable and similar income

	2022	2021
	£000	£000
Interest income		
Interest on bank deposits	191	131

7 Interest payable and similar expenses

	2022	2021
	£000	£000
Interest on financial liabilities measured at amortised cost:		
Stock finance	262	157

8 Taxation

	2022	2021
	£000	£000
Current tax		
UK corporation tax on profits for the current period	3,064	1,818
Deferred tax		
Origination and reversal of timing differences	(41)	161
Total tax charge	3,023	1,979

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

	2022	2021
	£000	£000
Profit before taxation	15,884	10,430
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	3,018	1,982
Tax effect of expenses that are not deductible in determining taxable profit	21	13
Permanent capital allowances in excess of depreciation	(6)	(48)
Change in deferred tax rates	(10)	32
Taxation charge for the year	3,023	1,979

9 Dividends

	2022	2021
	£000	£000
Interim paid	8,000	4,000

10 Tangible fixed assets

	Leasehold improvements	Plant and equipment	Total
	£000	£000	£000
Cost			
At 1 January 2022	118	4,635	4,753
Additions	18	90	108
At 31 December 2022	136	4,725	4,861
Depreciation and impairment			
At 1 January 2022	110	3,329	3,439
Depreciation charged in the year	7	403	410
At 31 December 2022	117	3,732	3,849
Carrying amount			
At 31 December 2022	19	993	1,012
At 31 December 2021	8	1,306	1,314

11 Stocks

	2022	2021
	£000	£000
Vehicles for resale	17,522	12,387
Vehicles on consignment	5,416	4,836
Parts and other stocks	1,427	1,044
Work in progress	237	137
	24,602	18,404

12 Debtors

	2022	2021
Amounts falling due within one year:	**£000**	**£000**
Trade debtors	5,451	3,310
Corporation tax recoverable	36	53
Amounts owed by group undertakings	-	537
Other debtors	3,218	2,585
Prepayments and accrued income	552	421
	9,257	6,906

13 Creditors: amounts falling due within one year

	2022	2021
	£000	**£000**
Consignment vehicle liabilities	5,416	4,836
Trade creditors	7,419	4,977
Amounts due to group undertakings	766	1,132
Other taxation and social security	861	966
Other creditors	7,351	6,862
Accruals and deferred income	1,376	793
	23,189	19,566

14 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities	Liabilities
	2022	**2021**
Balances:	**£000**	**£000**
Accelerated capital allowances	93	134

14 Deferred taxation (continued)

	2022
Movements in the year:	**£000**
Liability at 1 January 2022	134
Credit to profit or loss	(41)
Liability at 31 December 2022	93

The deferred tax asset set out above is expected to reverse within 12 months.

15 Retirement benefit schemes

	2022	2021
Defined contribution schemes	**£000**	**£000**
Charge to profit or loss in respect of defined contribution schemes	622	532

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

16 Share capital

	2022	2021	2022	2021
Ordinary share capital	**Number**	**Number**	**£000**	**£000**
Issued and fully paid				
Ordinary shares of £1 each	250,000	250,000	250	250

All Ordinary shares have equal voting and participation rights in the company.

17 Financial commitments, guarantees and contingent liabilities

The company has given guarantees to the group's bankers in respect of loans and overdraft of group companies which at 31 December 2022 amounted to £17,529,000 (2021: £8,679,000).

18 Operating lease commitments

Lessee

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

	2022	2021
	£000	£000
Within one year	1,232	1,232
Between two and five years	1,526	1,526
In over five years	2,289	2,671
	5,047	5,429

19 Related party transactions

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

The company has taken advantage of the exemptions available under Section 33 of Financial Reporting Standard 102 ("FRS102") "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 self-administered pension scheme of the ultimate parent company charges rental costs for the use of land and buildings off Shannon Way, Tewkesbury. The property is leased to Dick Lovett Limited under a 20 year lease which commenced on 27 June 2014. The rental charge in the year was £382,000 (2021: £382,000). This transaction is at arm's length.

20 Ultimate controlling party

The company's parent undertaking is Western Counties Automobile Company Limited and the ultimate parent undertaking is Dick Lovett Companies Limited whose registered office is The Copse, Frankland Road, Swindon, Wiltshire SN5 8YW. 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.