

Registered number: 00534618

Jardine Luxury Vehicles Limited Report and Financial Statements

31 DECEMBER 2021

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Jardine Luxury Vehicles Limited
Report and Financial Statements

COMPANY INFORMATION

DIRECTORS	D N Williamson D J Muir
COMPANY SECRETARY	M Finch
REGISTERED NUMBER	00534618
REGISTERED OFFICE	770 The Crescent Colchester Business Park Colchester CO4 9YQ
BANKERS	HSBC Bank plc Midland House 26 North Station Road Colchester CO1 1SY
SOLICITORS	Eversheds Sutherland LLP Kett House Station Road Cambridge CB1 2JY

**Jardine Luxury Vehicles Limited
Report and Financial Statements**

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their Strategic report for Jardine Luxury Vehicles Limited (the 'company') for the year ended 31 December 2021.

Principal activity

The company's principal activity is the retail distribution of new and used motor vehicles and related activities in the motor trade. The company operates Mercedes-Benz and smart dealerships in Essex and Suffolk.

Business review

The company entered the year under lockdown conditions which ran from 6 January to 12 April 2021 as caused by the COVID-19 pandemic. During this period, the company was able to continue trading through its on-line sales channels and also continued to service customers through its aftersales operations.

Upon full re-opening of all its dealerships, the company has traded strongly against a back-drop of new car supply issues that have resulted in strong margin retention for the company in both its new and used car sales. These market dynamics, of strong margins in both new and used car sales, persisted throughout 2021.

The company is well placed to continue to benefit from these continuing market conditions during 2022 due to its own position in the market, a well-funded buying team and its ability to acquire used car stock through the wider group's dealerships part-exchanges.

The company reduced its cost base during 2020, as a result of the COVID-19 pandemic, and the directors believe this to be currently right-sized for the levels of business in the market.

The company has posted strong results for 2021 with turnover up 21.7%, gross profit margins up by 3.3 percentage points and costs held in line with the second half of 2020. The resulting profit before tax of £5.8m compares to a prior year loss before tax of £0.8m.

The company is very focussed on being the best premium and luxury motor retailer in the UK, a goal that is shared by the wider group and supported by the group's very strong portfolio of premium and luxury brands. Investment in colleagues and systems has continued despite the pandemic to ensure that the company is able to achieve its goal. The directors are confident that this, together with its quality network of dealerships, will enable the company to continue to grow both its turnover and profitability during the forthcoming year.

The company's results in the first quarter of 2022 have remained strong, above both the equivalent quarter in 2021 and also ahead of internal budgets. The directors believe the outlook for the year is positive subject to further impacts of semiconductor chip shortages and any economic shocks caused by the Russian invasion of Ukraine.

Future developments

The company will continue to consolidate and grow its existing businesses and actively seeks further opportunities in line with the growth aspirations of its franchise partner.

During the first quarter in 2022, the company has closed its stand-alone bodyshop in Witham where the lease expired.

The company is committed to its investments in both colleague and digital solutions to provide customers with a seamless online/offline experience.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

Key Performance Indicators (KPIs) and principal risks and uncertainties

The company measures performance of each dealership throughout the year against certain pre-determined KPIs including return on sales and investment, as well as operating metrics based on sales volumes and profit margins.

The company's principal financial KPIs during the year were:

	2021	2020
Return on sales %	2.9	(0.5)
Gross profit %	10.7	7.4
Operating profit/(loss) £'000	5,492	(541)
New car sales units	2,488	2,236
Used retail car sales units	<u>3,815</u>	<u>3,577</u>

The directors manage the group's risks and those of its fellow subsidiaries at a group level. For these reasons the company's directors do not believe that a discussion of the principal risks facing the company is appropriate for an understanding of its development. The principal business risks it faces are discussed in the Directors' report of Jardine Motors Group UK Limited's Annual report, which does not form part of this report.

Section 172 statement

The directors are fully aware of their responsibilities to promote the success of the company in accordance with section 172 of the Companies Act 2006.

During the financial year the directors have acted in a manner that they believe has the best interests of the company, and all its stakeholders, as the main driving force behind all decisions taken. This includes the interests of the company's employees, shareholders, customers, suppliers and business partners and also the wider community and the environment. The company's reputation is core when making decisions. Acting in good faith and fairly between stakeholders, the directors, at all times, consider what is most likely to promote the success of the company for its members in the long term.

Employees

The company aims to be a responsible and fair employer, treating all colleagues equally and with respect and to provide fair remuneration and benefits. We aim to create an inclusive environment where all colleagues feel valued, have a sense of belonging and are supported to develop and grow with us regardless of gender, race, sexuality, disability, or background. Health and safety of all our colleagues is of the highest priority and the directors continually invest to ensure the highest of standards are maintained throughout the businesses. The wellbeing and mental health of all colleagues is of paramount importance to the company with investments made in the provision of trained mental health first aiders throughout the business.

Shareholders

The directors work very closely with the group's shareholders, informing them of key business initiatives and investments throughout the year and through regular monthly financial updates. All actions of the directors are taken with the long-term benefit of the shareholders in mind.

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

Section 172 statement (continued)

Customers

The satisfaction and welfare of our customers is paramount to the company culture that the directors instil throughout the business. Continuous training and communication of, and to, our colleagues aims to ensure the highest possible level of customer satisfaction and engagement is made with every single customer interaction.

Suppliers and business partners

Regular meetings are held with our manufacturer partners to ensure the company adheres to brand requirements. The company monitors its suppliers to ensure that all relevant regulations are met within their own manufacturing and employment frameworks.

Wider community and environment

The directors are aware of the impact of the company's operations within the local community and on the environment and consider these factors when taking decisions and making investments.

On behalf of the Board

David Muir

D Muir
Company Director
4 July 2022

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their Annual report and the financial statements for the company for the year ended 31 December 2021.

Principal activity

The principal activity of the business is discussed in the Strategic report on page 1.

Business review and future developments

The review of the business and future developments are discussed in the Strategic report on page 1.

Principal risks and uncertainties

The principal risks and uncertainties are discussed in the Strategic report on page 2.

Financial risk management

The company is part of the Jardine Motors Group UK Limited group of companies (referred to as 'group'). The directors manage the company's risks and those of its fellow subsidiaries on a group basis.

a) Funding and liquidity risk

The group's policy is to ensure that the funding requirements forecast by the group can be met within available bank and manufacturer funding facilities.

b) Interest rate risk

The group's interest rate practice is to manage the risk of interest rate fluctuations on the cash flows payable on the group's debt and manufacturer funding facilities.

c) Credit risk

An external credit risk company is used to check the credit ratings of corporate customers and limit the group's exposure to credit risk. Credit ratings are updated both throughout the year and also upon credit alerts received from the credit risk company.

d) Market risk

The directors monitor and consider, at all times, any events that may have an impact on macro-economic conditions and the potential effect caused to the UK new and used car retail markets.

Corporate governance

The measures taken to ensure a strong framework of corporate governance are fully disclosed in the Directors' report of Jardine Motors Group UK Limited.

Results and dividends

The results for the year are set out in the profit and loss account on page 7.

During the year, the directors recommended and paid a final dividend of £10,000,000 (2020: £7,500,000).

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

Directors

The directors of the company who were in the office during the year and up to the date of signing the financial statements were:

D N Williamson
D J Muir

Qualifying third party indemnity provisions

No qualifying third party indemnity provision was in force during the financial year ended 31 December 2021 or at the date of this report.

Going concern

The directors of the company and the wider group have adopted the going concern basis in preparing these financial statements after assessing the wider group's principal risks including those arising from COVID-19.

The wider group meets its day-to-day working capital requirements through a mixture of its banking facilities and manufacturer stock funding lines. The directors have assessed the wider group's ability to continue trading for the twelve months following the approval of these financial statements by preparing detailed cash flow and profit forecasts, including considering a "severe but plausible" downside scenario which considers a slow down in the economy in general (reflecting the current global economic uncertainty and increasing inflation) and models the impact on the trading results for the wider group.

The directors have concluded that they have a reasonable expectation that the wider group and company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Employees and equal opportunities

The company is committed to an active equal opportunities policy from recruitment and selection, through training and development, appraisal and promotion to retirement.

It is the company's policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sex and sexual orientation. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion opportunities of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through internal newsletters, briefing groups and various electronic communications.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

Political donations

During the year, the company made no political contributions (2020: £nil).

Streamlined Energy & Carbon Reporting (SECR)

Full reporting of SECR covering Jardine Luxury Vehicles Limited is included in the Directors' report of Jardine Motors Group UK Limited.

Statement of directors' responsibilities in respect of the financial statements

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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' 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 the 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, comprising FRS 102, 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

They are also 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.

On behalf of the Board

D Muir
Company Director
4 July 2022

Jardine Luxury Vehicles Limited
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PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Turnover	5	200,188	164,493
Cost of sales		(178,769)	(152,398)
Gross profit		21,419	12,095
Selling and distribution costs		(11,175)	(9,568)
Administrative expenses		(5,000)	(4,773)
Other operating income	6	248	1,705
Operating profit/(loss)	6	5,492	(541)
Exceptional items	7	-	(295)
Interest receivable and similar income	10	572	230
Interest payable and similar charges	10	(312)	(203)
Profit/(loss) before taxation		5,752	(809)
Tax on profit/(loss)	11	(881)	280
Profit/(loss) and total comprehensive income/(expense) for the financial year		4,871	(529)

There are no difference between the profit/(loss) before taxation and the profit/(loss) for the financial year stated above and their historical cost equivalents.

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Fixed assets			
Tangible assets	13	4,322	4,603
		<u>4,322</u>	<u>4,603</u>
Current assets			
Stocks	14	25,400	33,005
Debtors: Amounts falling due within one year	15	15,409	21,031
Cash at bank and in hand		-	2
		<u>40,809</u>	<u>54,038</u>
Creditors: Amounts falling due within one year	16	(24,481)	(32,862)
Net current assets		<u>16,328</u>	<u>21,176</u>
Total assets less current liabilities		<u>20,650</u>	<u>25,779</u>
Net assets		<u>20,650</u>	<u>25,779</u>
Capital and reserves			
Called-up share capital	18	1,500	1,500
Retained earnings		19,150	24,279
Total equity		<u>20,650</u>	<u>25,779</u>

The directors consider that the company is entitled to exemption from the requirement to have an audit under the provisions of section 479A of the Companies Act 2006 ("the Act") and the members have not required the company to obtain an audit for the year in question in accordance with section 476 of the Act.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements on pages 7 to 27 were approved by the board on 4 July 2022 and were signed on its behalf by:

D Muir
Company Director

Jardine Luxury Vehicles Limited
Report and Financial Statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called-up share capital £000	Retained earnings £000	Total equity £000
At 1 January 2021	1,500	21,279	25,779
Comprehensive income/(expense) for the year			
Profit for the year	-	4,871	4,871
Dividends paid (note 18)	-	(10,000)	(10,000)
At 31 December 2021	<u>1,500</u>	<u>19,150</u>	<u>20,650</u>

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital £000	Retained earnings £000	Total equity £000
At 1 January 2020	1,500	32,308	33,808
Comprehensive expense for the year			
Loss for the year	-	(529)	(529)
Dividends paid (note 18)	-	(7,500)	(7,500)
At 31 December 2020	<u>1,500</u>	<u>24,279</u>	<u>25,779</u>

The notes on pages 10 to 27 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. General information

The principal activity of Jardine Luxury Vehicles Limited (the 'company') is the retail distribution of motor vehicles and related activities in the motor trade.

The company is a private company limited by shares and is incorporated in England. The address of its registered office is 770 The Crescent, Colchester Business Park, Colchester, CO4 9YQ.

2. Statement of compliance

The financial statements of Jardine Luxury Vehicles Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Summary of significant accounting policies

The principal accounting policies applied 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.

Basis of preparation

The financial statements are prepared on a going concern basis under the historical cost convention.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Going concern

The directors of the company and the wider group have adopted the going concern basis in preparing these financial statements after assessing the wider group's principal risks including those arising from COVID-19.

The wider group meets its day-to-day working capital requirements through a mixture of its banking facilities and manufacturer stock funding lines. The directors have assessed the wider group's ability to continue trading for the twelve months following the approval of these financial statements by preparing detailed cash flow and profit forecasts, including considering a "severe but plausible" downside scenario which considers a slow down in the economy in general (reflecting the current global economic uncertainty and increasing inflation) and models the impact on the trading results for the wider group.

The directors have concluded that they have a reasonable expectation that the wider group and company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Exemptions for qualifying entities under FRS102

FRS 102 allows a qualifying entity certain disclosure exemptions subject to certain conditions. The company has taken advantage of the following exemption in its financial statements:

- from preparing a statement of cash flows, it is a wholly owned subsidiary of Lancaster Public Limited Company and it is included in the consolidated financial statements of that company, which are publicly available; and
- from disclosing the company key management personnel compensation, as required by FRS 102, paragraph 33.7.

Functional and presentation currency

The financial statements are presented in pound sterling and rounded to thousands. The company's functional and presentation currency is pound sterling.

Revenue recognition

Turnover comprises the value of sales of motor vehicles and parts, income from financing agreements and income from servicing and repairing of vehicles. Value added tax and discounts are excluded.

Turnover from the sale of goods is recognised upon transfer to a third party of economic benefits arising from the use of an asset or completion of service work. In practice this means that turnover is recognised when vehicles are invoiced and physically dispatched or when the service or repair has been undertaken.

Rebates

Any rebates received from suppliers for achievement of set targets are recognised in the profit and loss account only when the target has been achieved and the amount of rebate payable confirmed by the supplier.

Government grants

The company recognises any government grants, including receipts under the Coronavirus Job Retention Scheme, as they are received and only when there is reasonable assurance that the company has complied with conditions relating to the grants. Such grants are recognised in the profit and loss account in the periods during which the costs for which they are intended to compensate are incurred. The grants are presented in other operating income.

Exceptional items

The company classifies certain one-off charges or credits that are of a non-recurring nature and that have a material impact on the company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the company.

Pensions

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and pension plans. The company also provides a car purchase and loan scheme to certain employees; the related vehicles are available for sale by the wider group and therefore reflected as stock.

Taxation

Current tax is the amount of corporation tax payable provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

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 at the balance sheet date.

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 assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

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 at the balance sheet date.

Goodwill

Goodwill arising on acquisition, being the difference between the fair value of net assets acquired and the consideration paid, is recognised in the balance sheet as an intangible fixed asset and amortised over the directors estimate of its useful life. As the directors expect the useful life of the goodwill to be greater than ten years, the company amortises goodwill over ten years as required by FRS 102.

On acquisition goodwill is allocated to cash generating units (CGU) on a franchise basis. This is the level at which goodwill is monitored for internal purposes.

On a subsequent disposal or termination of a previously acquired business, the profit or loss on disposals or termination is calculated after charging the amount of any related goodwill not written off through the profit and loss account.

Goodwill is tested annually for impairment. This is based on value-in-use calculations for each CGU to derive a recoverable amount. These calculations require the use of estimates regarding expected future cashflows.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on tangible fixed assets in equal annual instalments over their expected useful economic lives as follows:

Short-term leasehold land and buildings	-over term of lease
Plant and machinery	-10% - 33% per annum
Computer equipment	-20% - 33% per annum
Furniture, equipment and motor vehicles	-10% - 33% per annum

The profit or loss on disposal of tangible fixed assets is recognised by reference to their carrying amount.

Leased assets

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Where assets are financed by leasing arrangements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Stocks

Stock is valued at the lower of cost and net realisable value. Cost is actual purchase price, excluding value added tax. Stock includes interest-bearing consignment stock, the corresponding liabilities of which are included in creditors. The interest cost related to consignment stock is disclosed as stocking loan interest within interest payable and similar charges. Consignment stock that is non-interest bearing is not considered an asset of the company and is excluded. Net realisable value is based on estimated selling price less further costs to be incurred to completion and disposal. Provision is made where necessary for obsolete, slow moving and defective stocks.

Trade and other debtors

Trade and other debtors are recognised and measured at their original invoiced amount less provision for any uncollectable amounts. An estimate for doubtful debts is made when the collection of the full amount is no longer probable. Bad debts are written off when they are identified.

Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Provisions

The company provides in full for liabilities when it has a legal or constructive obligation arising from a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated

Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, 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. Such assets are subsequently carried at amortised cost using the effective interest rate method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. 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 the profit and loss account.

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 the profit and loss account.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies, 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 receipts discounted at a market rate of interest.

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts 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 payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Distributions to equity holders

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders and paid. These amounts are recognised in the statement of changes in equity.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Related party transactions

The company is exempt from disclosing related party transactions with entities that are part of the group as the company is a wholly owned subsidiary of Jardine Motors Group UK Limited.

4. Critical accounting judgements and estimation uncertainty

Critical accounting judgements

Exceptional items

The company classifies certain one-off charges or credits that are of a non-recurring nature as exceptional. This can involve management judgement in determining whether an item is a one-off and/or non-recurring in nature as well as the materiality of the relevant items.

Estimation uncertainty

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Estimated useful lives of goodwill and other fixed assets

The company estimates the useful life of goodwill and tangible fixed assets and reviews these at each financial year end.

Impairment of goodwill and other fixed assets

The company tests for impairment annually by applying procedures to ensure that its assets are carried at no more than their recoverable amount. The procedures require estimates and assumptions to be made.

Stock

As stocks are carried at the lower of cost and net realisable value this requires the estimation of the eventual sales price of goods to customers in the future. A degree of judgement is applied when estimating the impact on the carrying value of stock of factors such as obsolete, slow moving and defective stocks. The quantity, age and condition of stocks are regularly measured and assessed as part of a range of reviews and stock counts undertaken throughout the year and across the company.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

Tax estimates

The calculation of the company's total tax charge for the year necessarily involves a degree of estimation in respect of certain items whose tax treatment cannot be finally determined at the reporting date. The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits, based on the latest available profit forecasts, will be available in the future against which the reversal of timing differences can be deducted.

5. Turnover

All turnover is derived from retail and commercial motor trade activities transacted from dealerships within the United Kingdom.

An analysis of turnover by category is as follows:

	2021 £000	2020 £000
New car sales	58,375	44,604
Used car sales	119,196	99,820
Aftersales	22,617	20,069
	<u>200,188</u>	<u>164,493</u>

6. Operating profit/(loss)

The operating profit/(loss) is stated after charging/(crediting):

	2021 £000	2020 £000
Management charge payable to group undertakings	1,069	947
Depreciation of tangible fixed assets (note 13)	922	878
Stock recognised as an expense	169,389	143,693
Impairment of trade debtors (note 15)	48	142
Operating lease charges - land and buildings	1,278	1,253
Operating lease charges - plant and machinery	214	224
Government grants received	<u>(248)</u>	<u>(1,705)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

7. Exceptional items

	2021 £000	2020 £000
Exceptional restructure costs	<u>-</u>	<u>295</u>

8. Employees

Staff costs were as follows:

	2021 £000	2020 £000
Wages and salaries	11,793	11,954
Social security costs	1,342	1,358
Other pension costs (note 22)	255	277
	<u>13,390</u>	<u>13,589</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2021	2020
Sales	82	96
Aftersales	219	197
Administration	57	64
	<u>358</u>	<u>357</u>

9. Directors

No emoluments or fees were paid to directors during the year (2020: £nil) in respect of their services to the company. The costs of the key management personnel are borne by Jardine Motors Group UK Limited and disclosed in the financial statements of Jardine Motors Group UK Limited.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

10. Interest

	2021 £000	2020 £000
Interest receivable and similar income		
Bank interest receivable	<u>572</u>	<u>230</u>

	2021 £000	2020 £000
Interest payable and similar charges		
Stocking loan interest	<u>312</u>	<u>203</u>

11. Tax on profit/(loss)

	2021 £000	2020 £000
Current tax		
UK corporation tax at 19.00% (2020 - 19.00%)	988	(173)
Adjustments in respect of prior years	-	(98)
Total current tax	<u>988</u>	<u>(271)</u>
Deferred tax		
Accelerated capital allowances	(106)	(14)
Adjustment in respect of prior years	(1)	5
Total deferred tax (note 17)	<u>(107)</u>	<u>(9)</u>
Tax on profit/(loss)	<u>881</u>	<u>(280)</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

11. Tax on profit/(loss) (continued)

Reconciliation of tax charge/(credit)

The tax assessed for the year is lower than (2020 - lower than) the standard rate of corporation tax in the UK of 19.00% (2020 - 19.00%). The differences are explained below:

	2021	2020
	£000	£000
Profit/(loss) before taxation	<u>5,752</u>	<u>(809)</u>
Profit/(loss) before taxation multiplied by effective standard corporation tax rate in the UK of 19.00% (2020 - 19.00%)	1,093	(154)
Effects of:		
Adjustment to taxable profit - group recharges	(171)	(65)
Expenses not deductible for tax purposes	48	81
Net temporary differences: effect of change in tax rates	(88)	(49)
Adjustment in respect of prior years	(1)	(93)
Total tax charge/(credit) for the year	<u>881</u>	<u>(280)</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

12. Intangible assets

	Goodwill £000
Cost	
At 1 January 2021	1,703
At 31 December 2021	1,703
Accumulated amortisation	
At 1 January 2021	1,703
At 31 December 2021	1,703
Net book value	
At 31 December 2021	-
At 31 December 2020	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

13. Tangible assets

	Short-term leasehold property £000	Plant and machinery £000	Computer equipment £000	Furniture, equipment and motor vehicles £000	Total £000
Cost					
At 1 January 2021	2,910	3,168	1,327	3,609	11,014
Additions	273	110	148	118	649
Disposals	-	(149)	(128)	(321)	(598)
At 31 December 2021	3,183	3,129	1,347	3,406	11,065
Accumulated depreciation					
At 1 January 2021	985	2,172	798	2,456	6,411
Charge for the year	265	206	157	294	922
Disposals	-	(149)	(123)	(318)	(590)
At 31 December 2021	1,250	2,229	832	2,432	6,743
Net book amount					
At 31 December 2021	1,933	900	515	974	4,322
At 31 December 2020	1,925	996	529	1,153	4,603

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

14. Stocks

	2021 £000	2020 £000
Consignment vehicles	3,119	16,962
Motor vehicles	20,917	14,805
Parts and other stocks	1,364	1,238
	<u>25,400</u>	<u>33,005</u>

Stock held on consignment includes interest-bearing stock which has a corresponding liability included in trade creditors. Vehicles adopted out of consignment stock are generally invoiced at the price ruling at the date of adoption.

There is no significant difference between the replacement cost of the stock and its carrying amount.

15. Debtors

	2021 £000	2020 £000
Due within one year		
Trade debtors	1,578	1,329
Amounts owed by group undertakings	11,554	17,034
Other debtors	1,276	1,399
Prepayments and accrued income	630	1,005
Deferred tax asset (note 17)	371	264
	<u>15,409</u>	<u>21,031</u>

The amounts owed by group undertakings are unsecured, interest free, have no fixed repayment terms and are repayable on demand.

Trade debtors are stated after provisions for impairment of £48,000 (2020: £142,000).

Other debtors includes corporation tax recoverable of £nil (2020: £271,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

16. Creditors: Amounts falling due within one year

	2021	2020
	£000	£000
Bank overdrafts	221	217
Trade creditors	18,484	28,271
Corporation tax	988	-
Other creditors	2,917	3,413
Other tax and social security	231	-
Accruals and deferred income	1,640	961
	<u>24,481</u>	<u>32,862</u>

The company utilises funding provided by finance companies associated with its brand partner to finance some of its vehicle stocks. All funding is secured against the respective vehicles. The amounts are repaid upon sale of the related vehicles or generally within 90 days. The facilities are uncommitted and subject to Bank of England Base Rate based interest rates. The interest charged is disclosed within interest payable and similar charges as stocking loan interest (note 10).

At 31 December 2021, the amount of stock funded through the finance company was £16,675,000 (2020: £24,100,000) and is disclosed within trade and other creditors.

The bank overdrafts of the company are guaranteed under the terms of the UK group unlimited cross-guarantee agreement. Interest is charged on the bank overdrafts at rates linked to bank base rate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

17. Deferred tax assets

	2021 £000	2020 £000
At beginning of year	264	255
Credited to profit or loss (note 11)	107	9
At end of year	<u>371</u>	<u>264</u>

The deferred tax asset is made up as follows:

	2021 £000	2020 £000
Accelerated capital allowances	<u>371</u>	<u>264</u>

The directors consider there will be sufficient taxable profits in the future such as to realise the deferred tax asset.

In addition to the deferred tax asset above, the company has unutilised ACT tax credits of £3,607,000 (2020: £2,471,000) measured at 25% and 19% respectively. The ACT tax credits have no expiry date and are available indefinitely against qualifying income or tax charges. The directors consider there to be insufficient certainty over the ability of the company to offset the available losses or tax credits for the foreseeable future in order to recognise a deferred tax asset at the balance sheet date.

The Finance Act 2016 had included legislation to reduce the main rate of UK corporation tax to 19% from 1 April 2017 and to 17% from 1 April 2020. However, legislation was enacted during the prior financial year to repeal the reduction of the main corporation tax rate thereby maintaining the current rate of corporation tax at 19%. Temporary differences were therefore remeasured using 19% and a credit of £30,000 for the rate change impact from remeasuring opening temporary differences was recognised in the company's accounts for the financial year ending 31 December 2020.

On 3 March 2021, the UK Government further announced its intention to increase the UK corporation tax rate from 19% to 25% from 1 April 2023, which was substantively enacted on the 24 May 2021. Timing differences have been assessed as medium to long term and have therefore been remeasured using 25% and a credit of £88,000 for the rate change impact has been recognised in the financial statements for the financial year ending 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

18. Share capital

	2021 £000	2020 £000
Allotted, called-up and fully paid		
1,500,000 (2020 - 1,500,000) ordinary shares of £1 each	<u>1,500</u>	<u>1,500</u>

A dividend of £10,000,000 (2020: £7,500,000) was proposed and approved and paid by members on 31 December 2021.

19. Financial instruments

	2021 £000	2020 £000
Financial assets that are debt instruments measured at amortised cost:		
Trade debtors	1,578	1,329
Amounts owed by group undertakings	11,554	17,034
Other debtors	1,276	1,399
	<u>14,408</u>	<u>19,762</u>

Financial liabilities measured at amortised cost:

Trade creditors	(18,484)	(28,271)
Other creditors	(2,917)	(3,413)
Other tax and social security	(231)	-
Accruals and deferred income	(1,640)	(961)
	<u>(23,272)</u>	<u>(32,645)</u>

20. Related party transactions

The company is exempt from disclosing related party transactions with entities that are part of the group as the company is a wholly owned subsidiary of Jardine Motors Group UK Limited, who prepare consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

21. Commitments under operating leases

At 31 December the company had total future minimum lease payments under non-cancellable land and buildings operating leases which expire as follows:

	2021	2020
	£000	£000
Within one year	1,078	1,253
Within two to five years	3,782	3,808
After five years	3,390	4,152
	<u>8,250</u>	<u>9,213</u>

The company also has future minimum lease payments of £139,000 (2020: £224,000) due within one year in respect of plant and machinery.

22. Pension schemes

The ultimate United Kingdom parent undertaking, Jardine Motors Group UK Limited, operates one principal scheme, which is in part defined benefit and in part defined contribution, and one principal defined contribution pension scheme that the company participates in. The principal scheme closed to future accrual on 1 December 2009, at which point all remaining members were able to join the defined contribution scheme.

During the year the company has made no contributions (2020: £nil) to the defined benefit scheme and £255,000 (2020: £277,000) to the defined contribution scheme.

23. Contingent liabilities

The company is subject to cross guarantees covering overdrafts in Jardine Motors Group UK Limited and fellow subsidiaries.

24. Post balance sheet events

Subsequent to the year end the conflict in Ukraine commenced. The directors are mindful of the potential impacts to general economic conditions and further risks of disruption to the supply chain. As at the date of signing these financial statements, the above has not had any adverse impact on the company's profitability due to higher margins attained from lower supply of new cars.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

25. Ultimate parent undertaking

The immediate parent undertaking is Lancaster Public Limited Company.

The ultimate parent undertaking and controlling party is Jardine Matheson Holdings Limited, a company incorporated in Bermuda. The full address is Jardine House, 33-35 Reid Street, Hamilton, Pembroke, Bermuda.

Jardine Matheson Holdings Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements.

Lancaster Public Limited Company is the parent undertaking of the smallest group of undertakings to consolidate these financial statements.

The consolidated financial statements of Lancaster Public Limited Company and Jardine Matheson Holdings Limited can be obtained from the address below:

M Finch
Jardine Motors Group UK Limited
770 The Crescent
Colchester Business Park
Colchester
CO4 9YQ