

Sinclair Garages (Swansea) Limited
Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 December 2022

Haines Watts Wales LLP, Statutory Auditors
7 Neptune Court
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Cardiff
CF24 5PJ

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for the Year Ended 31 December 2022**

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Sinclair Garages (Swansea) Limited

**Company Information
for the Year Ended 31 December 2022**

Directors:	G S Sinclair A J Sinclair
Registered office:	Sinclair Group Old Field Road Bocam Park Pencoed CF35 5LJ
Registered number:	06141261 (England and Wales)
Auditors:	Haines Watts Wales LLP, Statutory Auditors 7 Neptune Court Vanguard Way Cardiff CF24 5PJ
Bankers:	Barclays Bank PLC P O Box 10 Windsor Court Cardiff CF11 3WP
Solicitors:	Acuity Legal 3 Assembly Square Britannia Quay Cardiff Bay Cardiff CF10 4PL

**Strategic Report
for the Year Ended 31 December 2022**

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

Sinclair Garages (Swansea) Limited operates its core functions of retailing new cars, used cars, servicing (including repairs), bodyshop repairs and parts sales.

Review of business

	31/12/2022	31/12/2021	31/12/2020	31/12/2019
Turnover	£113,443,935	£74,265,646	£49,124,402	£35,179,565
Profit/(loss) before tax	£3,107,927	£1,709,409	(£66,166)	£401,699
Shareholders funds	£8,982,098	£6,490,902	£5,139,633	£5,205,799

The year of 2022 has resulted in another impressive and successful result for our group, and a year that we are extremely proud of. Not only have we been able to grow the financial result of the group, we have also been able to grow the size of our group, with the acquisition of Shukers Ltd. Shukers was a business that represented Land Rover in Aberystwyth and Ludlow, and Hyundai in Aberystwyth. The Shukers business was a very successful privately owned business and represented a great opportunity for our further expansion. With the acquisition we were able to double the representation points of our Land Rover business, and in doing so strengthen a key part of our group. We were also able to launch our very first Hyundai business, which is a brand we are very excited to add to the group. The Hyundai brand is going from strength to strength in the UK and we are very proud to add this to our portfolio of strong brands. These new sites result in our geographical coverage extending in Wales further north to Aberystwyth, and in Ludlow having our first business across the border into England.

The new car supply challenge continued throughout 2022 with the ongoing worldwide shortage of semi-conductors. This shortage has had an ongoing impact for all our Manufacturer partners and has resulted in significant reductions in new car production and supply. Whilst all Manufacturers have been affected differently, all have witnessed a significant impact across all of 2022. The results of this on our group has meant that throughout 2022 we have received somewhat less cars than we would have budgeted to receive.

In normal times this would have had a significant impact on our retail site's new car profitability. However, due to a shortage of product supply, our unit profitability result was far ahead of expectations, and this uplift in unit profit more than compensated for the lack of volume. The result was our new car departments performed ahead of budgeted expectations and had a strong result in 2022.

The lack of new car production created a similar picture for our used car departments. Availability of used car stock has been a constant challenge, and as a result our stock holdings across the group have been lower than we would normally expect. However, again due to a scarcity of product, the profit retention per vehicle has been ahead of budgeted expectations, and our used car profitability has benefited from this. The result was a very strong used car performance across the group for 2022.

Likewise our after sales departments have had a strong 2022. The ongoing post covid return of our strong service customer base, in conjunction with a strong warranty volume across most brands, has resulted in full workshops and a very impressive service and parts return for 2022.

Clearly the Macro environment outside of our group has not been easy for 2022. The growth in inflation and interest rates has presented a challenge not just for our business, but also for all our loyal staff working within it. Fortunately, due to our strong profitability across 2022, and a constant management of cash flow, as a business we were able to financially assist all staff during the later stages of 2022. Almost all households have felt it increasingly difficult to keep pace with ever growing energy and food bills, and we have been able to assist our staff with additional financial payments leading up to Christmas, which hopefully went some way to assisting them at that costly time of year.

Whilst 2022 undoubtedly presented challenges to all businesses within the industry, our group has performed incredibly well. The passion and commitment of our team to be the best they can be, has driven us to a performance in 2022 that we are hugely proud of. Every site across the group has contributed to what ended as an exceptional year.

**Strategic Report
for the Year Ended 31 December 2022**

Principal risks and uncertainties

Sinclair Garages (Swansea) Limited benefits from the close commercial relationships with a number of key suppliers and customers. The loss of any of these key suppliers and customers or a significant worsening in commercial terms could have a material impact on the results.

Sinclair Garages (Swansea) Limited devotes significant resources to supporting these relationships to ensure that they continue to operate as well as in the future. From time to time the group undertakes surveys of customer satisfaction, which are reviewed by the board. The directors realise the importance of excellent customer service to remain ahead of the competition.

Price Risk:

The company operates in highly competitive markets. Significant product innovations, technical advances or the intensification of price competition could adversely affect the results for the company. The company invests in significant training of its staff to ensure that the company is well placed to provide a choice for customers, to ensure that they are aware of their options and are satisfied with the level of service we provide. The company also continually works to streamline its cost base to ensure that it remains competitive.

Credit risk:

The group has well established policies and procedures that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual customer is subject to a limit which is reassessed annually by the company.

Liquidity Risk:

Effective management of cash and working capital is a key ongoing priority. The company has an intercompany facility in place that is sufficient to ensure available funds for its operations.

**Strategic Report
for the Year Ended 31 December 2022**

Section 172(1) statement

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006.

The Board of Directors of Sinclair Garages (Swansea) Limited consider that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as whole (having regard to the stakeholders and matters set out in s172(1)(a)-(f) of the Act) in the decisions taken during for the Year Ended 31 December 2022.

The Sinclair Group was started by Bill Sinclair in 1945, and the company continues to be controlled and run by the Sinclair family. We are proud of the ways in which the company has provided employment, training, and financial reward for its owners and employees for over 70 years. We are the largest and most successful motor group in Wales, representing some of the most prestigious automotive brands. In a highly competitive market, we aim to stand out from our competitors by virtue of quality, reliability, and the great customer care that our reputation is build upon.

We make strategic decisions based on long-term objectives. In particular, this has meant significant investments in premises and people in the business. This investment is to continue in the future to provide customers with state-of-the-art facilities and the very finest expertise. We acknowledge that, in order to progress to the next phase in the company's future, it is likely that we will continue to expand our existing business and add to the prestige brand portfolio that we have. We continue to explore possibilities along these lines. Our aim continues to be to maximise the company's ability to grow profits to fund continued investment for the future of the business and job security for the employees.

Our Employees

We rely on the hard work, commitment, and enthusiasm of our staff which is fundamental to the delivery of our plan. We aim to be a responsible employer in our approach to the pay and benefits our team members receive. We provide comprehensive training and career development support. The health, safety, and well-being of our employees is one of our primary considerations in the way we do business.

Our suppliers and customers

We meet with our manufacturing partners regularly throughout the year and take the appropriate action to prevent involvement in modern slavery, corruption, bribery, and breaches of our competition law. Our business model priorities quality and customer satisfaction. We have built and will maintain a reputation for transparency and fair dealing with customers and suppliers.

Our Community and the Environment

We are a family-run company with roots in South Wales and have invested in our community through our charity donation scheme. From sponsoring sports kit of locals childrens' clubs, to having employees play and arrange charitable football matches. Our plan takes into account the impact of the Group's operation's on the community and environment and our wider social responsibilities, and in particular how we comply with environmental legislation and pursue waste-saving opportunities and react promptly to local community concerns.

Business conduct and Corporate Governance

As the Board of Directors, our intention is to behave responsibly and ensure that the management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours and in doing so, will contribute to the delivery of our plan. The intention is to nurture our reputation, though both the construction and delivery of our plan, that reflects our responsible behaviour. As the Board of Directors, our intention is to behave responsibly towards our shareholders and treat them fairly and equally, so they too may benefit from the successful delivery of our plan.

Employment of disabled persons

It is the policy that disabled persons shall be considered for employment, career development and promotion on the basis of their aptitude and abilities in common with all employees.

Employee involvement

The Directors recognise the importance of good communications and relations with employees and management is encouraged to adopt employee consultations.

On behalf of the board:

A J Sinclair - Director

29 April 2023

**Report of the Directors
for the Year Ended 31 December 2022**

The directors present their report with the financial statements of the company for the year ended 31 December 2022.

Principal activity

The principal activity of the company in the year under review was that of the retailing of motor vehicles and related activities in the motor trade.

Dividends

No dividends will be distributed for the year ended 31 December 2022.

Directors

The directors shown below have held office during the whole of the period from 1 January 2022 to the date of this report.

G S Sinclair
A J Sinclair

Streamlined energy and carbon reporting

We minimise the effects of motor retailing on the environment through adherence to your environment policy. We review and control key areas of our business that may have impact on the environment including asbestos, contamination, noise, recycled waste, tyre disposal, waste oil.

We continue to monitor energy consumption with the aim of reducing our carbon footprint. The Group undertakes the energy assessments of each of our businesses under the Energy Savings Opportunity Scheme (ESOS) regulations. We use the results of this assessment to identify potential energy saving opportunities. We have carried out site analysis and assessments to ascertain areas of inefficiencies in the use of resources such as energy, water, and fuel.

We have incorporated many energy savings initiatives such as solar panels, LED lighting, movement activated interior lights. We have adopted energy saving practices in the business such as fast hand dryers in washrooms, close external doors as much as we can, switch off equipment when not in use. We obtain our gas and electricity from green energy providers wherever possible.

We are keen to work with our manufacturing partners in the move to green technologies such as electric vehicles and the infrastructure to charge battery powered vehicles.

Current reporting year (January - December)

	2022	2021
Total emissions generated through combustion of gas (tCO ₂ e)	683	815
Total emissions generated through use of purchased electricity (tCO ₂ e)	1,071	1,052
Total emissions generated through use of other fuels (tCO ₂ e)	42	57
Total emissions generated through business travel (tCO ₂ e)	1,475	1,679
Total gross emissions (tCO ₂ e)	3,271	3,603
Intensity ratio/total gross emissions (kgCO ₂ e per sqft)	6.02	6.91

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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 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.

**Report of the Directors
for the Year Ended 31 December 2022**

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The auditors, Haines Watts Wales LLP, Statutory Auditors, will be proposed for re-appointment at the forthcoming Annual General Meeting.

On behalf of the board:

A J Sinclair - Director

29 April 2023

Report of the Independent Auditors to the Members of Sinclair Garages (Swansea) Limited

Opinion

We have audited the financial statements of Sinclair Garages (Swansea) Limited (the 'company') for the year ended 31 December 2022 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 Auditors' 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 in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors 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 Report of the Directors.

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

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

Report of the Independent Auditors to the Members of Sinclair Garages (Swansea) Limited

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page five, 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 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.

Auditors' 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 a Report of the Auditors 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our planning procedures identify the legal and regulatory frameworks applicable to the operations and financial statements of the company. These are reviewed internally with the audit team including relevant industry experience and expectations as well as externally with the client management. The key laws and regulations we considered in this context were the UK Companies Act 2006, UK GAAP, FRS 102, and relevant tax legislation.

Once identified, we assess the risks of material misstatements in relation to the laws and regulations, irregularities, including fraud, and adjust our testing accordingly. Our audit procedures include:

- discussing with Directors and management which areas of the business they believe to be more susceptible to fraud, and whether they have any knowledge or suspicion of fraudulent activities;
- obtaining an understanding of the key controls put in place by the company to address risks identified, assessing the effectiveness of those and discussing how these are maintained and monitored internally;
- assessing the risk of management override and review and testing of journal entries made into the system
- challenging assumptions and judgements made by the company in relation to the significant accounting estimates employed in the preparation of the financial statements;
- discussing with Directors and Management the legal and regulatory obligations of the business and whether they have any knowledge or suspicion of non compliance.

Despite the audit being planned and conducted in accordance with ISAs (UK) there remains an unavoidable risk that material misstatements in the financial statements may not be detected owing to inherent limitations of the audit, and that by their very nature, any such instances of fraud or irregularities likely involve collusion, forgery, intentional misrepresentation, or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

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

Clive Edwards (Senior Statutory Auditor)
for and on behalf of Haines Watts Wales LLP, Statutory Auditors
7 Neptune Court
Vanguard Way
Cardiff
CF24 5PJ

29 April 2023

Income Statement
for the Year Ended 31 December 2022

	Notes	2022 £	2021 £
Turnover	3	113,443,935	74,265,646
Cost of sales		<u>(105,288,730)</u>	<u>(69,224,203)</u>
Gross profit		8,155,205	5,041,443
Administrative expenses		<u>(4,786,501)</u>	<u>(3,333,664)</u>
		3,368,704	1,707,779
Other operating income		<u>40,460</u>	<u>124,921</u>
Operating profit	5	3,409,164	1,832,700
Interest payable and similar expenses	6	<u>(301,237)</u>	<u>(123,291)</u>
Profit before taxation		3,107,927	1,709,409
Tax on profit	7	<u>(616,731)</u>	<u>(358,140)</u>
Profit for the financial year		<u>2,491,196</u>	<u>1,351,269</u>

The notes form part of these financial statements

Sinclair Garages (Swansea) Limited (Registered number: 06141261)

**Other Comprehensive Income
for the Year Ended 31 December 2022**

	Notes	2022 £	2021 £
Profit for the year		2,491,196	1,351,269
Other comprehensive income		-	-
Total comprehensive income for the year		<u>2,491,196</u>	<u>1,351,269</u>

The notes form part of these financial statements

Sinclair Garages (Swansea) Limited (Registered number: 06141261)

**Balance Sheet
31 December 2022**

	Notes	2022 £	2021 £
Fixed assets			
Intangible assets	8	3,437,500	-
Tangible assets	9	809,579	562,304
Investments	10	8,690,874	-
		<u>12,937,953</u>	<u>562,304</u>
Current assets			
Stocks	11	27,030,872	12,357,610
Debtors	12	16,689,411	9,728,323
Cash at bank		1,126,769	365,805
		<u>44,847,052</u>	<u>22,451,738</u>
Creditors			
Amounts falling due within one year	13	(48,768,272)	(16,523,140)
Net current (liabilities)/assets		<u>(3,921,220)</u>	<u>5,928,598</u>
Total assets less current liabilities		9,016,733	6,490,902
Provisions for liabilities	15	(34,635)	-
Net assets		<u>8,982,098</u>	<u>6,490,902</u>
Capital and reserves			
Called up share capital	16	1	1
Retained earnings		8,982,097	6,490,901
Shareholders' funds		<u>8,982,098</u>	<u>6,490,902</u>

The financial statements were approved by the Board of Directors and authorised for issue on 29 April 2023 and were signed on its behalf by:

A J Sinclair - Director

**Statement of Changes in Equity
for the Year Ended 31 December 2022**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2021	1	5,139,632	5,139,633
Changes in equity			
Total comprehensive income	-	1,351,269	1,351,269
Balance at 31 December 2021	1	6,490,901	6,490,902
Changes in equity			
Total comprehensive income	-	2,491,196	2,491,196
Balance at 31 December 2022	1	8,982,097	8,982,098

**Notes to the Financial Statements
for the Year Ended 31 December 2022**

1. Statutory information

Sinclair Garages (Swansea) Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. Accounting policies

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Financial Reporting Standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirement of paragraph 33.7.

Preparation of consolidated financial statements

The financial statements contain information about Sinclair Garages (Swansea) Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent, Sinclair Motor Holdings Limited, Sinclair Motor Holdings, Sinclair Group, Old Field Road, Bocam Park, Pencoed, CF35 5LJ.

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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Stock valuation

The directors on a periodic basis will review the valuation of stock. This is performed on an individual vehicle basis when external factors, such as market trends, suggest the estimated retail price will be less than the cost price of the vehicle.

The Directors consider that there are no key sources of estimate uncertainty.

Turnover

Turnover represents amounts chargeable, net of value added tax, in respect of the sale and repair of motor vehicles, associated bonuses and commissions and the sale of vehicle parts.

Turnover from the sale of vehicles is recognised when the significant risks and rewards of ownership are transferred to the buyer. In most cases, the transfer of the risks and rewards of ownership coincides with the transfer of the legal title or the passing of the possession to the buyer.

Turnover from the sale of services is recognised by reference to the stage of completion of the transaction.

Turnover from commissions and bonuses are recognised on an accrual basis in accordance with the substance of the relevant agreement.

Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 2022, is being amortised evenly over its estimated useful life of five years.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

2. Accounting policies - continued

Tangible fixed assets

All tangible fixed assets are initially recorded at cost. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is shorter.

Freehold buildings - 2% on cost

Plant and machinery - 10% on cost

Motor vehicles - 20% on cost

Computer equipment - 33% on cost

Fixtures and fittings - 10% on cost

Government grants

Government grants represents income receivable in relation to the UK Government COVID-19 job retention scheme. This is recognised in the period in which it becomes receivable.

Investments in subsidiaries

Investments in subsidiary undertakings are recognised at cost.

Stocks

Stock and work in progress are valued at the lower of cost and estimated selling price less costs to complete and sell, after due regard for obsolete and slow moving stocks.

The ownership of consignment stock passes from the manufacturer to the company when full payment for vehicles is made.

The value of consignment stock is shown separately in the notes to the balance sheet as both current assets and as creditors due within one year.

Parts stocks are stated at the lower of cost and estimated selling price. Cost is determined using the first in, First out (FIFO) method.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligation is charged to profit or loss over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

2. Accounting policies - continued

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities, or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Financial liabilities are derecognised when the company's contractual obligations expire or are discharged & cancelled.

Trade Debtors

Trade debtors are amounts due from customers for merchandise sold in the ordinary course of business. Trade debtors are recognised initially at the transaction price. They are subsequently measure at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Account payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the company.

At acquisition date, the company recognises goodwill at the acquisition date as;

-the fair value of the consideration (excluding contingent consideration) transferred;plus

-estimated amount of contingent consideration(see below);plus

-the fair value of the equity instrument issued: plus

-directly attributable transaction costs;less

-the net recognised amount (generally fair value) of he identifiable assets acquired and liabilities and contingent liabilities assumed.

When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill. Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

3. Turnover

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by class of business is given below:

	2022	2021
	£	£
Sales of New Vehicles	54,126,711	31,444,466
Sales of Used Vehicles	51,278,537	37,074,006
Repairs and Other Sales	8,038,687	5,747,174
	<u>113,443,935</u>	<u>74,265,646</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

4. Employees and directors

	2022	2021
	£	£
Wages and salaries	3,474,352	2,436,769
Social security costs	300,784	185,136
Other pension costs	94,899	48,541
	<u>3,870,035</u>	<u>2,670,446</u>

The average number of employees during the year was as follows:

	2022	2021
Sales	29	26
Service	49	38
Parts	7	6
Administration	13	10
	<u>98</u>	<u>80</u>

Key management remuneration is disclosed in the consolidated financial statements of the parent entity, Sinclair Motor Holdings Limited (incorporated in England and Wales).

	2022	2021
	£	£
Directors' remuneration	<u>-</u>	<u>-</u>

5. Operating profit

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

	2022	2021
	£	£
Hire of plant and machinery	-	241
Depreciation - owned assets	193,763	145,303
Profit on disposal of fixed assets	-	(1,515)
Goodwill amortisation	312,500	25,000
Auditors' remuneration	7,500	5,000
Auditors' remuneration for non audit work	<u>2,500</u>	<u>2,000</u>

6. Interest payable and similar expenses

	2022	2021
	£	£
Bank loan interest	446	2,581
Stocking interest	300,791	120,710
	<u>301,237</u>	<u>123,291</u>

7. Taxation

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	2022	2021
	£	£
Current tax:		
UK corporation tax	567,992	358,140
Deferred tax	48,739	-
Tax on profit	<u>616,731</u>	<u>358,140</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

7. Taxation - continued**Reconciliation of total tax charge included in profit and loss**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2022 £	2021 £
Profit before tax	<u>3,107,927</u>	<u>1,709,409</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	590,506	324,788
Effects of:		
Expenses not deductible for tax purposes	676	192
Capital allowances in excess of depreciation	(23,174)	-
Depreciation in excess of capital allowances	-	33,448
Loss on disposal of fixed assets	-	(288)
Change in deferred tax	48,723	-
Total tax charge	<u>616,731</u>	<u>358,140</u>

8. Intangible fixed assets

	Goodwill £
Cost	
Additions	3,750,000
At 31 December 2022	<u>3,750,000</u>
Amortisation	
Amortisation for year	312,500
At 31 December 2022	<u>312,500</u>
Net book value	
At 31 December 2022	<u>3,437,500</u>

9. Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
Cost					
At 1 January 2022	556,961	540,761	5,893	243,391	1,347,006
Additions	107,343	24,433	-	49,220	180,996
Transfer to ownership	308,204	411,416	67,422	77,987	865,029
At 31 December 2022	<u>972,508</u>	<u>976,610</u>	<u>73,315</u>	<u>370,598</u>	<u>2,393,031</u>
Depreciation					
At 1 January 2022	315,970	297,485	5,893	165,354	784,702
Charge for year	64,388	61,711	8,123	59,541	193,763
Transfer to ownership	206,775	310,474	17,060	70,678	604,987
At 31 December 2022	<u>587,133</u>	<u>669,670</u>	<u>31,076</u>	<u>295,573</u>	<u>1,583,452</u>
Net book value					
At 31 December 2022	<u>385,375</u>	<u>306,940</u>	<u>42,239</u>	<u>75,025</u>	<u>809,579</u>
At 31 December 2021	<u>240,991</u>	<u>243,276</u>	<u>-</u>	<u>78,037</u>	<u>562,304</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

10. Fixed asset investments

	Shares in group undertaking £
Cost	
Additions	8,690,874
At 31 December 2022	<u>8,690,874</u>
Net book value	
At 31 December 2022	<u>8,690,874</u>

The company's investments at the Balance Sheet date in the share capital of companies include the following:

Shukers Limited

Registered office: UK

Nature of business: Retail of Motor vehicles and related activities

Class of shares:	% holding
Ordinary	100.00

Cambrian Garages Limited

Registered office: UK

Nature of business: Property Management

Class of shares:	% holding
Ordinary	100.00
Preference	100.00

The Shares of Shukers Limited and Cambrian Garages Limited were purchased during the year for a total consideration of £12,379,219 including goodwill value of £3,750,000. Upon acquisition a group reconstruction was carried out and the business was transferred into Sinclair Garages (Swansea) Limited. The net assets are including in the accounts as at the acquisition date which is the date on which control is transferred to the company.

11. Stocks

	2022 £	2021 £
Fully paid new vehicles	309,151	175,812
New vehicles on consignment	10,601,852	3,890,201
Used vehicles	15,298,807	7,931,045
Oil, fuel and spares	821,062	360,552
	<u>27,030,872</u>	<u>12,357,610</u>

12. Debtors: amounts falling due within one year

	2022 £	2021 £
Trade debtors	722,078	481,463
Amounts owed by group undertakings	14,494,583	8,338,897
Other debtors	1,179,902	493,328
VAT	165,259	291,861
Prepayments	127,589	122,774
	<u>16,689,411</u>	<u>9,728,323</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

13. Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	17,595,022	8,395,234
Due in respect of new vehicles	10,601,852	3,890,201
Amounts owed to group undertakings	19,691,100	3,793,776
Tax	567,992	358,140
Social security and other taxes	12,554	14,810
Accruals and deferred income	299,752	70,979
	<u>48,768,272</u>	<u>16,523,140</u>

14. Secured debts

The following secured debts are included within creditors:

	2022	2021
	£	£
Due in respect of new vehicles	<u>10,452,248</u>	<u>3,890,201</u>

The company has entered into a debenture and a cross guarantee with Barclays Bank Plc to secure the bank loans and overdraft and to guarantee the bank loans and overdrafts of group companies which at 31 December 2022 amounted to £5,646,105 (2021: £5,100,000). Bank borrowings are secured by charges on the group's assets, subject to deeds of priority.

The bank loan has the following guarantees attached to it:

Cross guarantees and debentures by and between the Sinclair Motor Holdings Group dated 29/04/2004.

Unlimited guarantee given by and between the Sinclair Motor Holdings Group dated 26/04/2012.

Charge over Likes LandRover Javel Industrial Estate Three Cocks Brecon, UK LD3 0SL dated 08/12/2020.

15. Provisions for liabilities

	2022	2021
	£	£
Deferred tax	<u>34,635</u>	<u>-</u>
		Deferred tax
		£
Accelerated capital allowances		<u>34,635</u>
Balance at 31 December 2022		<u>34,635</u>

16. Called up share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2022	2021
			£	£
1	Ordinary	£1	<u>1</u>	<u>1</u>

17. Pension commitments

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £94,899 (2021: £48,541).

18. Related party disclosures

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2022

18. **Related party disclosures - continued**

Entities over which the entity has control, joint control or significant influence

	2022	2021
	£	£
Sales	824,681	1,552,448
Purchases	339,832	354,782
Amount due to related party	<u>360</u>	<u>-</u>

19. **Ultimate controlling party**

The immediate and ultimate parent company is Sinclair Motor Holdings Limited, whose registered office is Old Field Road, Bocam Park, Pencoed, Bridgend, CF35 5LJ. Sinclair Motor Holdings Limited is the smallest and largest group 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 Mr G Sinclair, a director of the company and shareholder of Sinclair Motor Holdings Limited.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.