

CHARLES HURST LIMITED
Annual Report and Financial Statements
for the year ended 31 December 2020

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COMPANIES HOUSE

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

H K Surgenor (Resigned 8 December 2020)

M D Raban

R S Walker (Resigned 29 June 2020)

J M Perrie (Appointed 13 July 2020, resigned 22 January 2021)

A C Bielby (Appointed 19 February 2021, resigned 30 June 2021)

D A McPhee (Appointed 19 February 2021)

COMPANY SECRETARY

P J Kenny

REGISTERED OFFICE

62 Boucher Road

Belfast

County Antrim

BT12 6LR

Northern Ireland

AUDITOR

BDO LLP

Statutory Auditor

Arcadia House

Maritime Walk - Ocean Village

Southampton

SO14 3TL

United Kingdom

STRATEGIC REPORT

For the year ended 31 December 2020

The Directors present their Strategic report for the financial year ended 31 December 2020.

Principal activities

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

Business review and KPI's

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 restated £'000
Revenue	550,506	660,537
Gross profit margin	8.7%	9.5%
Profit before tax	2,329	5,434

Revenue has declined significantly by 17% year on year mainly due to the impact of the COVID-19 pandemic. Gross margin has also declined slightly. Net operating expenses have reduced as a result of the lower revenue, and have benefitted from government COVID related support. Prior year profit before tax was partly boosted by the investment income of £500k (2020: £nil) received from a fully owned subsidiary company.

Principal risks and uncertainties

During 2020 the Directors have undertaken a reassessment exercise of the principal risks affecting the business. These risks are considered to be those that could cause the greatest damage if not effectively evaluated, understood and managed. Due to the inherent linkage between this entity and the Groups' operations, risks applicable to this entity are consistent with those as described in the consolidated financial statements of Lookers plc.

No.	Principal risk and description	Impact	Mitigating activity
1	Liquidity and funding risk <ul style="list-style-type: none"> The risk that Lookers does not hold enough liquid assets to meet our financial obligations. Funding risk is the risk that Lookers is unable to meet its strategic and business objectives due to lack of funding availability. Liquidity risk is the shorter-term risk that Lookers may be unable to access cash, or bank facilities such as deposits, overdrafts or loans, required to meet its day-to-day business requirements. 	<ul style="list-style-type: none"> A failure of cash management to ensure all financial obligations are met when they fall due or failure to fund the future needs and growth of the business. Reputational damage with external stakeholders. Failure of the Group to secure Bank funding, leading to a dramatic reduction in profitability which may adversely change the lending decision by banks. Failure of the Group to secure Bank funding, leading to lack of cash to meet short term funding needs owing to banking covenants being breached. 	<ul style="list-style-type: none"> We ensure that this risk is managed by preparing regular financial forecasts to evaluate our funding and liquidity requirements for the foreseeable future. These forecasts are reviewed and approved, and appropriate solutions are put in place. We ensure that monthly budget management accounts are monitored. We ensure that debt to equity ratios remain in line with policies. We ensure that the position with our Bank Club is kept under continual review including compliance of our covenants. We ensure that cash, or short term, deposits exceed short term liabilities.

1	Liquidity and funding risk (continued)	<ul style="list-style-type: none"> Failure of the Group to secure Bank funding, leading to lack of cash to meet short term funding needs owing to banking covenants being breached. 	<ul style="list-style-type: none"> The management of this risk has been under close daily review throughout the period of the COVID-19 outbreak and tactical measures put in place as appropriate to ensure an appropriate level of liquidity and funding until such time as the business returns to our normal trading environment. The Group applied for and received support from the Government's emergency measures for business, notably the Coronavirus Job Retention Scheme. We strive to achieve optimal working capital efficiency and debt repayment forecasting. We continually maintain open dialogue with the Banking Club.
2	Pension risk <ul style="list-style-type: none"> The risk that Lookers does not adequately manage pension liabilities. The risk that Lookers fails to manage funding of its pension schemes. 	<ul style="list-style-type: none"> Failure to manage the pension deficit leading to an increase in the deficit which impacts on the level of deficit payments we are required to make to the scheme. Indirectly it may also have an adverse implication on share price and credit rating. 	<ul style="list-style-type: none"> We maintain relationships with pension trustees and deliver against pension investment plan. We have kept both the trustees and regulator informed as we have managed the threats posed by the business being temporarily closed as a result of COVID-19. We regularly review investment performance and liability. The investment strategy aims to partly mitigate the impact of increases in liabilities, for example by investing in assets that will increase in value if future inflation expectations rise. The assets held are also well diversified reducing the impact.
3	Regulatory compliance risk <ul style="list-style-type: none"> Where the Group's activities are subject to regulatory compliance there is risk that there will be failure to comply with applicable laws, regulations, and codes. 	<ul style="list-style-type: none"> Potential poor customer outcomes, loss or imposition of penalties, damages or fines. Failure to address forthcoming regulatory developments. Failure to maintain appropriate regulatory permissions for Lookers activities. Failure to manage regulatory relationships effectively. Failure to comply with appropriate reporting disclosure and associated requirements. 	<ul style="list-style-type: none"> We have continued to invest in capability and capacity of the Risk and Compliance function to support the business and manage our relationship with regulators and other stakeholders. We have a Legal function which supports colleagues in identifying and limiting Legal risks. We have undertaken a regulatory rule mapping risk assessment exercise to ensure applicable regulations are caught and built appropriate compliance frameworks. We conduct horizon scanning processes to identify changes in regulatory expectations. These include any changes that may be required as a result of the FCA supervisory review and enforcement process. We ensure that we maintain open and transparent relationships with our regulator. In the period we have continued to work closely not only with our Supervisory Team but also the Enforcement Team who have now closed their investigation into our historic sales practices without sanction and the Primary Market Oversight division who ended their active interest following the publication of the 2019
3	Regulatory compliance risk		

	(continued)		<p>year-end accounts and restoration of our shares.</p> <ul style="list-style-type: none"> We have also engaged appropriate external advisors to provide knowledge and assurance to enable the Board to assess its compliance with its legal and regulatory obligations as and when appropriate. We have identified a number of gaps in our financial reporting and financial control processes which we have and are continuing to address and enhance by formalising procedures, training staff, recruiting additional staff and implementing compliance reviews.
4	<p>Conduct risk</p> <ul style="list-style-type: none"> Conduct risk is a risk that our behaviours, attitudes, motivations and actions lead to unfair customer outcomes or poor standards of customer conduct in our trading activities. 	<ul style="list-style-type: none"> Ineffective governance and monitoring arrangements leading to unfair customer outcomes. A culture that does not put the customer at the heart of everything we do. Failure to securely maintain and monitor our customer data. Failure to have procedures in place to identify and treat vulnerable customers appropriately. Failure to design products in accordance with the firm's values or to meet customer needs. Failure to manage and investigate complaints appropriately. 	<ul style="list-style-type: none"> We ensure that fair customer outcomes are embedded within our corporate strategy. We ensure that identification and fair treatment of vulnerable customers is integral to the Lookers' way of doing business. We ensure new financial promotions, sales process and products design processes are based on robust market research and deliver clear and simple products that meet the needs of our customers. We deliver effective training to help our people understand how they can deliver the best customer outcomes. We have invested considerably during the year in capability and capacity within the Compliance function to support the business and manage our relationship with the regulators and other stakeholders. Our remuneration incentives, commissions and performance management practices are being designed to drive the right behaviours helping to deliver fair customer outcomes. We continually work towards ensuring the accuracy, security and consistency of the customer data that we hold.
5	<p>Financial crime risk</p> <ul style="list-style-type: none"> The risk that Lookers is used to launder the proceeds of crime, finance terrorist activities, commit fraud or evade financial sanctions. This includes any actions perpetrated against Lookers involving fraud, theft, 	<ul style="list-style-type: none"> We fail to protect our customers and our business from breaching obligations designed to prevent and deter the risk of financial crime, including internal and external fraud against the Group or its customers. Failure to comply with the Group's obligations under the Corporate Criminal Offence legislation and the subsequent consequences. 	<ul style="list-style-type: none"> We continue to embed the financial crime policies and procedures that we put into place over 2019 and have trained our colleagues accordingly to ensure that they understand their obligations to report all anti money laundering-related suspicions or concerns. We ensure that colleagues understand their obligations and put in place processes that allow them to report all suspicions of internal fraud/malpractice by colleagues, contractors, customers or suppliers. We ensure that anonymous reporting processes are in place via the whistleblowing process.
5	<p>Financial crime risk (continued)</p> <p>dishonesty (including bribery and corruption), internal or</p>		

	external, misconduct or misuse of information relating to a financial market.		<ul style="list-style-type: none"> We have in place an Anti-bribery and Corruption Policy and the appropriate underpinning processes and procedures. Where instances of financial crimes arise, they are thoroughly investigated and where appropriate criminal prosecution is pursued.
6	<p>Strategic and business risk</p> <p>The risk that insufficient strategic planning and/or poor execution result in a failure to deliver our strategy and create shareholder value, including to:</p> <ul style="list-style-type: none"> Adequately manage relationships with the manufacturers. Adapt to changing market demands including autonomous driving, EVs and shared mobility demands. Adequately monitor and react to changes following the UK's departure from the EU. Monitor and react to any potential new COVID-19 variants that lead to additional restrictions and/or interruption to the supply chain. <p>The risk that developments in the wider market, including the worldwide shortage in microchips, impacts on the ability of the firm to execute its strategy.</p>	<ul style="list-style-type: none"> Failure to demonstrate the value-add of the franchise model resulting in manufacturers moving to direct to customer sales model. Failure to meet customers' demand for greener vehicles and adapt the business model to potentially lower demand of diesel vehicles resulting in revenue and profits suffering damage. Failure to create or protect shareholder value. Failure to proactively monitor and react to issues following the departure of the UK from the EU. General economic uncertainty or downturn in consumer confidence arising from Brexit or other macro-economic issues e.g. COVID-19 resulting in loss of revenue and operating profit. 	<ul style="list-style-type: none"> We have comprehensive management information which tracks performance against strategic objectives and allows dynamic adjustments to be made to inventories, pricing and procurement processes in order to respond to market forces. We maintain manufacturer and brand diversity in order to reduce risk. We continually work on improving existing day-to-day business relationships with manufacturers. We consider our manufacturers when setting our own business objectives and strategies. We ensure that research is conducted, and industry leading advice is sought when setting the strategic objectives. The impact on our market of the COVID-19 outbreak is being carefully managed so that the firm is best placed when the restrictions are relaxed. We have worked hard on digital and contactless journeys, ensuring that we can meet the needs of our OEM Brand Partners and customers whilst ensuring safety, compliance and confidence in a COVID-19 environment. We are working closely with our OEM Brand Partners who manage the global automotive supply chain to develop the necessary mitigating actions to address the eventual form that Brexit takes. We mitigate economic risk by managing a balanced portfolio of new vehicle sales, used vehicle sales and after sales and continually optimising our dealerships and operating model.
7	<p>Operational risk</p> <ul style="list-style-type: none"> Operational risk is defined as a failure of our people, policies or procedures and is divided into a number of subcategories (Level 2 Risks) including: 		
7	<p>Operational risk (continued)</p> <p>Information, IT and Cyber security and business continuity risk</p>	<ul style="list-style-type: none"> The Group is unable to meet its current and 	

<ul style="list-style-type: none"> • The risk of ineffective underlying IT infrastructure supporting the Group's day-to-day operations and generating timely management information. • The Group processes personal information which leads to a risk of failure to protect confidential or sensitive data which could result in significant operational and reputational damage. • The Group is responsible for the safeguarding of data, in accordance with the Data Protection Act 2018 (DPA) and related legislation. • As the Group clearly defines its digital presence it is also mindful of the additional Cyber risks that require identification from management. <p>Health, safety and wellbeing risk</p> <ul style="list-style-type: none"> • The risk that the Group does not have adequate learning and development, resource and succession planning arrangements in place. • The risk that Lookers is unable to meet its business objective including legal and regulatory compliance owing to poor health and safety management and failures to comply with legal obligations. <p>Third-party supplier and outsourcing risk</p> <ul style="list-style-type: none"> • The risk that third-party suppliers and /or critical outsourcing provider are not appropriately managed on an ongoing basis, including the impacts in the event of supplier failure. 	<p>future business objectives because of Information Technology systems failures, failing to keep pace with technological change, or logistical crisis and inadequate investment in systems and controls.</p> <ul style="list-style-type: none"> • Business interruption without robust business continuity provisions could materially impact the ability to service customers and clients, resulting in reputational damage and associated financial loss. • The Group could be subject to Cyber-attack resulting in business interruption, theft of data or ransom. <p>Failure of the Group to develop, retain and motivate highly skilled employees, in a safe working environment that are necessary to support operations.</p> <ul style="list-style-type: none"> • The Group fails to meet HSE legislation leading to the risk of personal injury and/or fines and legal action. <p>The Group fails to meet its legal and regulatory compliance, because of inappropriate sourcing decisions including outsourcing, errors or omissions in supplier contracts, and / or supplier failure.</p>	<ul style="list-style-type: none"> • We have established Operational Risk policies which are regularly reviewed. • We have implemented incident management processing to ensure major incidents are dealt with appropriately and problems are logged and actively progressed to resolution. • We undertake risk and control assessments to monitor compliance. • We continually monitor our mandatory regulatory training to ensure that all colleagues are kept informed. • We continually invest in our IT infrastructure. • We are making risk management improvements involving people, processes and technology as well as prioritising the work according to our assessments of security and resilience exposure. • We have continued to tighten our control of personal data in accordance with the Data Protection Act 2018 requirements. • We are undertaking a wide-ranging programme of work to enhance our Cyber and information security controls. <p>We operate a robust Health and Safety system to ensure compliance with HSE legislation. In addition, we have developed detailed health and safety protocols to ensure social distancing and safe working practices as we begin to reopen after the COVID-19 lockdown. This includes ensuring the right level of personal protective equipment (PPE) is available at all of our sites.</p> <ul style="list-style-type: none"> • We ensure that incident reporting including lessons learnt exercises take place to meet health and safety obligations. <p>We have established Third Party Supplier and critical outsourcing policies which are regularly reviewed.</p> <ul style="list-style-type: none"> • We ensure where relevant, that all suppliers are subject to audits to ensure our suppliers are compliant with legal and regulatory requirements.
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Section 172 statement

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

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

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- (ii) the interests of the Company's employees;
- (iii) the need to foster the Company's business relationships with suppliers, customers and others;
- (iv) the impact of the Company's operations on the community and the environment; and
- (v) the desirability of the Company maintaining a reputation for high standards of business conduct.

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

It is the Directors' view that our ability to engage effectively with our stakeholders is critical to the success of the Company. Details of our stakeholder engagement in relation to Workforce Engagement, Corporate Social Responsibility, our Modern Slavery policy and Relations with Shareholders are detailed in the Non-Financial Information Statement in the Annual Report and Account of our ultimate parent, Lookers plc ("the Group ARA") and are also covered in part in this statement. The Directors are also cognisant of the ongoing impact of the country's departure from the EU which has a direct impact on the risks identified within the principal risks and uncertainties as discussed above. Medium to longer-term matters related to climate change, including the proposed Government ban on the sale of new petrol and diesel powertrains are also driving the Company's governance, strategy, risk management and targets in order to meet longer-term legislative goals.

Reputation, culture and ethics

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

Our colleagues

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

Our customers

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

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

Customer complaints metrics are reviewed at Board of Directors' meetings with updates given on numbers of complaints, speed with which complaints are resolved, complaint themes, and root cause analysis undertaken to improve customer outcomes.

If we identify instances where the Company may not have acted appropriately when interacting with our customers, we seek to remedy this as quickly as possible by addressing the customer loss, identifying the root cause of the problem and improving our training, processes and systems to ensure the issues do not reoccur. We view this as a continual improvement process.

Section 172 statement (continued)

Our suppliers

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

Our communities

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

The environment

We recognise that our activities have an impact on the environment and are therefore keen to promote and support initiatives that minimise the effect of such activities through adherence to our Group's environment policy. We continue to monitor the areas of our business that may impact on the environment including contamination, asbestos, waste oil, waste recycling together with energy, water and fuel efficiency. We monitor our energy consumption and continue to implement energy saving initiatives. We work to review our use of resources and the emissions of the products that we sell with the goal of improving our carbon footprint and reducing our emissions.

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



M D Raban
Director
27 September 2021

DIRECTORS' REPORT

For the year ended 31 December 2020

The Directors present the Annual Report and the audited financial statements for the year ended 31 December 2020.

Dividends

An interim dividend of £nil (2019: £3,500k) was paid to shareholders in the year. The Directors do not recommend the payment of a final dividend (2019: £nil).

Directors

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

Corporate Governance Statement

The Directors are responsible for the culture and values of the Company, and the system for internal controls. Good governance supports the Directors' decision-making and ensures risks are identified and appropriately managed to enable the long-term sustainable success of the Company. The Company is part of the of the Lookers plc group which in 2020 complied with the provisions of the UK Corporate Governance Code (published by the Financial Reporting Council in July 2018). Details of the Group's corporate governance practices and demonstration of how the Group complies with the Code are given on pages 60-68 of the 2020 Annual Report and Account for Lookers plc.

Future developments

The Company has had to contend with significant uncertainties and disruption chiefly as a result of Brexit and the COVID-19 pandemic. However, with the expected negative impact from Brexit being less than feared to date, and with good trading as the COVID-19 restrictions continue to ease, the Directors look forward with cautious optimism. No major changes in the operation or shape of the business are likely in the short-term following the Company's sites fully reopening after the easing of COVID-19 restrictions.

Financial instruments

At 31 December 2020 the Company had net current liabilities of £3.9m (2019: £7.5m) which is inclusive of net amounts due to group undertakings (2020: £6.9m, 2019: £15.0m).

Inventory decreased in value from £135.8m to £95.1m. The Directors have reviewed in detail the recoverability of the inventory and consider that the value of inventory appropriately reflects its realisable value.

The Company had cash and cash equivalents of £11.1m (2019: £1.4m), current bank borrowings and leases of £0.3m (2019: £4.0m) and non-current leases of £2.9m (2019: £2.5m).

Additional funding and borrowing are available from a Group bank facility which the Company can access. At 31 December 2020 the Group has a revolving facility of £238.0m with a further of £50.0m available for future acquisitions. The revolving credit facility expires on 31 March 2022 and has an option for a further one-year extension subject to syndicated approval. The facility is secured via a debenture over certain assets of the Group. The Company has a number of different financial instruments recognised on its statement of financial position.

In May 2021 the Group renegotiated its revolving credit facilities with its existing Banking Club for an initial amount of £150m with an extension to September 2023. The amended facilities include core leverage, interest cover and EBITDA covenants which are tested on a quarterly basis commencing 30 June 2021.

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

In consideration of the net current liability position, the Directors have considered the ongoing availability of funding within the Group and the recoverability and likelihood of demand for payment from the intra Group balances held, including the factors noted in the going concern section below.

DIRECTORS' REPORT (continued)

For the year ended 31 December 2020

Going concern

The Company has net current liabilities of £3.9m (2019: £7.5m) and is therefore dependent upon funding from its ultimate parent Company, Lookers plc (the parent). The Directors have received confirmation via a letter of support from Lookers plc that it will provide financial support as is necessary to enable the Company to meet its liabilities as they fall due for a period of at least 12 months from the date of signing these financial statements. Lookers plc has both the ability and intent to provide this support if required.

The Group Annual Report and Accounts for the year ended 31 December 2020 and issued on 30 June 2021 were prepared on a going concern basis, and the going concern note on page 125 of those accounts described the factors that were taken into consideration in arriving at this conclusion.

As noted above, subsequent to the end of the year the Group has renegotiated a revised revolving credit facility. The Directors have therefore concluded that preparing these accounts on a going concern basis is appropriate.

Employee involvement

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

Employment of disabled persons

The Company's recruitment policy sympathetically considers applications for employment from the disabled where they have the necessary abilities and skills to perform the job. If any employee becomes disabled during employment with the Company every effort is made to retrain that employee to perform a job appropriate to his/her abilities and skills. It is the Company's policy to encourage career development for its employees, including the disabled for whom further training is arranged, if necessary, to allow for special needs.

Prior period restatement

In preparing the IFRS16 adjustments for the year ended 31 December 2020 the Directors identified that there were some errors in the underlying calculation at the point of initial adoption of the new accounting standard which overstated the value of right of use assets and lease liabilities. The Directors also identified that some property leases which were in scope of IFRS16 had not been included. The Directors have therefore restated the prior period accounts to rectify these errors.

Adjustments have been made to the statement of financial position at 31 December 2019 to increase the amount recorded within right of use assets by £383k, to increase total lease liabilities by £449k and to decrease retained earnings by £66k. The impact of these adjustments to the income statement is to decrease the profit for the year ended 31 December 2019 by £20k, being the net impact of a £24k increase in finance cost and a £4k decrease in net operating expenses.

Auditor

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

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

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

DIRECTORS' REPORT (continued)

For the year ended 31 December 2020

COVID-19 impact

The Company had to furlough a number of employees during the pandemic. These were predominately operational roles, with a small number of aftersales employees returning to the business to support with emergency/key worker aftersales requirements early in April 2020. We maintained between 90-100% of earnings during April 2020 for all employees. In May, furloughed workers were paid in line with CJRS guidelines, with the exception of managers who received 80% of basic pay uncapped. In June, all employees who remained furloughed were paid in line with the CJRS. A monthly update was emailed to all employees to highlight any changes to pay/mandated holidays and included contact details for queries. A selection matrix was used to determine those employees that were to be unfurloughed and requested to return to the business. This was to ensure we were fair and transparent during the process of furlough/unfurlough of our employees.

During the pandemic, those who were at work and were in variable paid roles continued to receive their average pay, capped at £3,500. This was to compensate for their missed opportunity to earn bonus due to business trading conditions. Those who were in management or salaried roles received 100% of basic pay. In July 2020, all pay plans were re-instated, including operational management bonus plans. Employees who were shielding were furloughed, and were paid in line with all other colleagues.


All employees were made aware of the whistleblowing policy, and provided with the details for the Employee Assistance Programme to support with any financial or wellbeing concerns. The HR team worked closely with managers to ensure that contact was maintained with those furloughed to have continuous dialogue about wellbeing and support available and that regular reviews took place with employees who continued to work to ensure we were operating in COVID safe environment. The Health and Safety team worked closely with the operational team to ensure the safety of employees and customers throughout the period.

The Company accessed the Government's Coronavirus Job Retention Scheme (CJRS) and other Government initiatives to protect cash flow. The Company benefited during the year from £4,003k of receipts under the CJRS arrangements, and a £1,237k business rates holiday.

Strategic report

The Company has chosen in accordance with Companies Act 2006 2.414C(11) to set out in the Group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch .7 to be contained in the directors' report which includes presentation of a fair review of the Company's business and a description of the principal risks and uncertainties it faces.

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



M D Raban
Director
27 September 2021

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF CHARLES HURST LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of the Company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Charles Hurst Limited ("the Company") for the year ended 31 December 2020 which comprise the Income statement, Statement of changes in equity, Statement of financial position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF CHARLES HURST LIMITED

Other Companies Act 2006 reporting (continued)

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the recognition of commercial income and valuation of used car inventory;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or including specific keywords;
- Testing a sample of revenue transactions within a specified cut off window to determine if they have been recorded in the correct period;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF CHARLES HURST LIMITED

Auditor's responsibilities for the audit of the financial statements (continued)

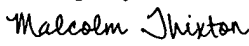
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of minutes of Board meetings throughout the period; and
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

DocuSigned by:

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Malcolm Thixton (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Southampton, UK
27 September 2021

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

INCOME STATEMENT
For the year ended 31 December 2020

	Note	2020 £'000	2019 restated* £'000
REVENUE	2	550,506	660,537
Cost of sales		(502,812)	(598,012)
GROSS PROFIT		47,694	62,525
Net operating expenses		(47,645)	(54,296)
Investments impairment		-	(717)
Other income	6	4,003	-
Investment income		-	500
OPERATING PROFIT		4,052	8,012
Interest	3	(1,723)	(2,578)
PROFIT BEFORE TAX	4	2,329	5,434
Tax	5	(881)	(1,173)
PROFIT FOR THE YEAR		1,448	4,261

*Details of the restatements due to correction of errors are given in Note 23.

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

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020


	Note	Share capital £'000	Other reserves £'000	Retained earnings £'000	Total £'000
As at 1 January 2019		96	65	65,956	66,117
Correction of errors		-	-	(46)	(46)
As at 1 January 2019 (restated)		96	65	65,910	66,071
Profit and total comprehensive income for the year (restated)		-	-	4,261	4,261
Dividends	7	-	-	(3,500)	(3,500)
As at 31 December 2019 (restated)		96	65	66,671	66,832
Profit and total comprehensive income for the year		-	-	1,448	1,448
As at 31 December 2020		96	65	68,119	68,280

The notes on pages 19 to 36 form part of these financial statements..

STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Note	2020 £'000	2019 restated £'000
NON-CURRENT ASSETS			
Goodwill	8	286	286
Property, plant and equipment	9	68,956	70,759
Right of use assets	10	1,941	1,629
Investments in subsidiaries	11	7,495	7,495
		<u>78,678</u>	<u>80,169</u>
CURRENT ASSETS			
Inventories	12	95,140	135,799
Corporation tax group relief receivable from fellow group company		-	119
Trade and other receivables	13	43,144	47,687
Cash and cash equivalents		11,077	1,421
Assets held for sale	14	2,329	2,329
		<u>151,690</u>	<u>187,355</u>
TOTAL ASSETS		<u>230,368</u>	<u>267,524</u>
CURRENT LIABILITIES			
Bank overdrafts	15	-	(3,654)
Corporation tax payable to fellow group company		(431)	-
Trade and other payables	16	(154,842)	(190,875)
Lease liabilities	17	(287)	(330)
		<u>(155,560)</u>	<u>(194,859)</u>
NET CURRENT LIABILITIES		<u>(3,870)</u>	<u>(7,504)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>74,808</u>	<u>72,665</u>
NON-CURRENT LIABILITIES			
Deferred taxation	18	(3,677)	(3,346)
Lease liabilities	17	(2,851)	(2,487)
		<u>(6,528)</u>	<u>(5,833)</u>
TOTAL LIABILITIES		<u>(162,088)</u>	<u>(200,692)</u>
NET ASSETS		<u>68,280</u>	<u>66,832</u>
CAPITAL AND RESERVES			
Share capital	19	96	96
Other reserves		65	65
Retained earnings		68,119	66,671
SHAREHOLDER'S EQUITY		<u>68,280</u>	<u>66,832</u>

The financial statements of Charles Hurst Limited, registered number NI004882, were approved and authorised for issue by the Board of Directors and were signed on its behalf by:



M D Raban
 Director
 27 September 2021

The notes on pages 19 to 36 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied during the financial year and prior year presented, unless otherwise stated.

General information

Charles Hurst Limited is a private company limited by shares incorporated in Northern Ireland under the Companies Act 2006. The address of the registered office is 62 Boucher Road, Belfast, County Antrim, BT12 6LR, Northern Ireland.

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

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

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101: Reduced Disclosure Framework ("FRS 101") and under the historical cost convention. In preparing these financial statements, the Company applies the recognition and measurement requirements of International Financial Reporting Standards ("IFRS"), amended where necessary in order to comply with Companies Act 2006. The Company has used a true and fair view override in respect of the non-amortisation of goodwill.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

- Certain disclosures required under IFRS 15 Revenue from Contracts with Customers, including disaggregation of revenue, details of changes in contract assets and liabilities, and details of incomplete performance obligations;
- Disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date;
- Comparative narrative information.

Adoption of new and revised standards

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

- Amendments to References to the Conceptual Framework in IFRS Standards;
- Amendments to IAS 1 and IAS 8 – Definition of Material;
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform; and
- Amendment to IFRS 16 in relation to COVID-19 Related Rent Concessions

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

Going concern

The Company has net current liabilities of £3.9m (2019: £7.5m) and is therefore dependent upon funding from its ultimate parent Company, Lookers plc (the parent). The Directors have received confirmation via a letter of support from Lookers plc that it will provide financial support as is necessary to enable the Company to meet its liabilities as they fall due for a period of at least 12 months from the date of signing these financial statements. Lookers plc has both the ability and intent to provide this support if required.

The Group Annual Report and Accounts for the year ended 31 December 2020 and issued on 30 June 2021 were prepared on a going concern basis, and the going concern note on page 125 of those accounts described the factors that were taken into consideration in arriving at this conclusion.

As noted in the Directors' Report, subsequent to the end of the year the Group has renegotiated a revised revolving credit facility.

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

Financial instruments

Recognition of financial instruments

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

Initial and subsequent measurement of financial assets

Cash and cash equivalents

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

Trade, group and other receivables

Trade receivables, other than those with extended credit terms, are initially measured at their transaction price. Trade receivables on extended credit terms, group and other receivables are initially measured at fair value plus transaction costs.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Receivables and contract assets are held to collect the contractual cash flows which are solely payments of principal and interest. Therefore, these receivables are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is the amount initially recognised less repayments of principal, plus or minus the 'effective interest' which amortises any difference between the amount initially recognised and the maturity amount over the expected life of the instrument.

Effective interest rate method

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

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

Impairment of financial assets

An impairment loss is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle the instruments contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both.

The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is a probability-weighted amount determined from a range of outcomes (including assessments made using forward looking information) and takes into account the time value of money.

Credit losses are measured on a collective basis and all instalments have been grouped based on their similar collective characteristics. There are some financial assets that have been written off that are still subject to enforcement activity.

For trade receivables, expected credit losses are measured by applying an expected loss rate to the gross carrying amount. The expected loss rate comprises the risk of a default occurring and the expected cash flows on default based on the aging of the receivable. The risk of a default occurring always takes into consideration all possible default events over the expected life of those receivables ("the lifetime expected credit losses").

Expected credit losses are considered over the maximum contractual period during which the entity is exposed to credit risk by extrapolating expectations beyond periods covered by reasonable and supportable forecasts. For trade receivables and contract assets, differences between the contractual and expected cash flows are discounted at the original effective interest rate used in the amortised cost measurement. For amounts due from group undertakings, the Directors have concluded that it

would require undue cost and effort to determine the credit risk of each loan on their respective dates of initial recognition. These loans are also assessed to have credit risk other than low. Accordingly, the Company recognises lifetime expected credit loss for these loans until they are derecognised. Impairment losses and subsequent reversals of impairment losses are adjusted against the carrying amount of the receivable and recognised in profit or loss.

Financial liabilities and equity

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Initial and subsequent measurement of financial liabilities

Trade, group and other payables

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

Equity instruments

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

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. The grant is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. The grant income is included within either cost of sales or net operating expenses depending on where the related costs are accounted for. All grants relate to expense items.

Taxation

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

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

Goodwill and impairment

All business combinations are accounted for by applying the purchase method. Goodwill represents the excess of the cost of an acquisition over the fair value of the share of the net identifiable assets of the acquired entity at the date of the acquisition. Goodwill is allocated to cash generating units (CGUs), which are franchise groups and other business units. An impairment test is performed annually as detailed below. Goodwill is then held in the balance sheet at cost less any accumulated impairment losses. For the purposes of impairment testing of goodwill, the Directors assess the value in use for each cash generating unit.

Value in use is calculated by applying the Board approved budget for the next financial year and projecting this budget for a further four years and then applying a suitable cost of capital to discount cash flows to perpetuity. Assets that have an indefinite life are not subject to amortisation and are tested at least annually for impairment. Assets subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Goodwill and impairment (continued)

exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less disposal costs, and value in use.

Particulars of UK Companies Act departure - non-amortisation of goodwill

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the Directors, its useful economic life. However, under IFRS 3 Business Combinations, goodwill is not amortised. Consequently, the Company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. The Company is not able to reliably estimate the impact on the financial statements of the true and fair override on the basis that the useful life of goodwill cannot be predicted with a satisfactory level of reliability, nor can the pattern in which goodwill diminishes be known.

Property, plant and equipment

Freehold land is not depreciated. Depreciation is provided to write off the cost less the estimated residual value of other assets by equal instalments over their estimated useful economic lives. Freehold buildings and long leasehold properties are depreciated over 50 years on a straight-line basis to their estimated residual values. Short leasehold properties are amortised by equal instalments over the periods of the respective leases.

All property, plant and equipment acquired is recorded at cost. Plant and machinery (including motor vehicles), fixtures, fittings, tools and equipment (including computer equipment and terminals), are depreciated on a straight line basis at rates varying between 10% and 33% per annum over their estimated useful lives. The residual value of all assets, depreciation methods and useful economic lives, if significant, are reassessed annually. The depreciation charge in respect of property, plant and equipment is recognised within administrative expenses within the income statement.

Inventories

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

Parts inventories are written down to net realisable value by providing for obsolescence on a time in stock-based formula approach.

Consignment vehicle inventories are regarded as being effectively under the control of the Group and are included within inventories on the balance sheet as the Group has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset even though legal title has not yet passed. The corresponding liability is included in trade payables. Motor vehicles are transferred from contract hire activities at the end of their lease term to inventory at their book value. No cash flow arises from these transfers.

Investment income

Investment income relates to dividends received from subsidiaries and are recognised when approved.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Revenue

Revenue is measured based on the consideration specified in a contract with a customer. Amounts collected on behalf of third parties are excluded. Revenue is recognised by the Company when it transfers control over a product or service to a customer. Revenue is measured at invoice price, excluding value added taxes, and principally comprises external vehicle sales, parts, servicing and bodyshop sales. Vehicle and parts sales are recognised when control over the vehicles or parts have been transferred to the customer. This is generally at the time of delivery to the customer. Service and bodyshop sales are recognised in line with the work performed. Revenue also comprises commissions receivable for arranging vehicle financing and related insurance products. Commissions are based on agreed rates and income is recognised at the time of approval of the vehicle finance by the finance provider. Where the Company is acting as agent on behalf of a principal, the commission earned is also recorded at an agreed rate when the transaction has occurred. The income received in respect of warranty policies sold and administered by the Company is recognised over the period of the policy on a straight-line basis. The unrecognised income is held within deferred income.

Commercial income

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

Vehicle financing

Consistent with industry practices, repurchase commitments are treated as financial liabilities where the liability only crystallises at the point where the related vehicle is sold by the Company to a customer. The cash inflow received from a sale is then used to settle the financial liability attached to the vehicle.

Stocking loans are finance arrangements to fund new and used vehicles before sale with repayment periods set by the finance house. Consistent with industry practices balances relating to consignment stock and stocking loans are treated as financial liabilities where the liability crystallises when the related vehicle is adopted by the Group. Adoption usually occurs at the point where the related vehicle is sold by the Group to a customer. The cash inflow received from a sale is then used to settle the financial liability attached to the vehicle.

Pensions

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

Investments in subsidiaries

Investments in subsidiaries are held at cost, less provision for impairment.

Leases (as a lessee)

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The weighted average incremental borrowing rate applied to lease liabilities is 4.2% (2019: 4.5%).

NOTES TO THE FINANCIAL STATEMENTS (continued)**1. ACCOUNTING POLICIES (continued)****Leases (as a lessee) (continued)**

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- And payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the Statement of Financial Position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. Payments of lease liabilities are disclosed within financing activities and the associated interest cost is disclosed within operating activities within the Consolidated Statement of Cash Flows.

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)**1. ACCOUNTING POLICIES (continued)****Critical accounting estimates**

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

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

- **Estimates - Recognition of commercial income**

The Company is party to a number of commercial arrangements with its brand partners that results in manufacturer bonus credits being earned. The key area for estimation uncertainty in relation to these arrangements surrounds the interpretation of whether the commercial income bonus targets have been met and are therefore appropriate to be recognised as income and accruals at the balance sheet date.

- **Estimates – Goodwill and Investment impairment review**

We undertake an exercise to estimate future cashflows from each Cash Generating Unit (CGU) when we undertake our annual impairment review. We have key assumptions on the growth rates of revenue and operating margin which impacts the profit assumed and hence cashflow generation in each CGU. These assumptions along with the perpetuity growth rate and discount factor are key to calculation of the value in use for each CGU.

- **Estimates - Inventory valuation**

The fair value of inventories is reviewed by management regularly, applying a mix of standard and judgemental provisions to adjust values, where appropriate, down to prevailing market values. The key area for estimation uncertainty is the assessment of net realisable value of vehicle inventory, which can fluctuate as a result of market factors and the condition of vehicles.

Judgements

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

2. REVENUE

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

3. INTEREST

	2020 £'000	2019 restated £'000
Interest on stocking loans	1,569	1,739
Bank interest	-	694
Interest on lease liabilities	154	145
	<u>1,723</u>	<u>2,578</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. PROFIT BEFORE TAX

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

	2020 £'000	2019 £'000
Depreciation – property, plant and equipment	1,756	1,536
Depreciation – right of use asset	267	295
Impairment – assets held for sale	-	171
Cost of stocks recognised as an expense	487,478	580,518

The auditor's remuneration for the statutory audit of the Company is £100,500 (2019: £97,400) and is borne by another group undertaking and not recharged. There were no non-audit related services provided by the auditor to the Company in the year (2019: nil).

5. TAX

	2020 £'000	2019 restated £'000
Current tax		
Current year	550	1,155
Adjustment in respect of prior years	-	(101)
	<u>550</u>	<u>1,054</u>
Deferred tax		
Origination and reversal of temporary differences	29	56
Deferred tax rate adjustment	384	-
Adjustment in respect of prior years	(82)	63
	<u>331</u>	<u>119</u>
Tax expense for the year	<u>881</u>	<u>1,173</u>
Reconciliation of total tax		
Profit before tax	2,329	5,434
Standard rate of corporation tax at 19% (2019: 19%)	443	1,032
Items not allowable for tax	160	179
Revaluation reserve movement	(24)	-
Deferred tax rate adjustment	384	-
Adjustments in respect of prior years	(82)	(38)
Total tax	<u>881</u>	<u>1,173</u>

In the 11 March 2020 budget, it was announced that the UK tax rate will remain at the current rate of 19% and not reduce to 17% from 1 April 2020. Deferred tax and assets have been recalculated based on a rate of 19% as at 31 December 2020 which has given rise to an overall increase in the Company's deferred tax base and an increased charge in the current period.

A UK corporation tax rate of 25% was announced in the Chancellor's budget of 3 March 2021 along with a temporary extension to the loss carry-back rules allowing up to £2.0m of tax losses to be carried back to the proceeding three periods. The 25% rate will apply from 1 April 2023 and the carry-back of losses is expected to apply to years ended 31 December 2020 and 31 December 2021. If these two measures had been substantively enacted at the balance sheet date the Company's deferred tax liability would have increased by £1,730k.

NOTES TO THE FINANCIAL STATEMENTS (continued)**6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

The Directors emoluments were borne by Lookers plc and not recharged. This is because fair apportionment is not possible as services are provided to multiple entities (2019: same).

	2020	2019
	No.	No.
Average number of persons employed		
Aftersales	218	221
Sales	248	256
Administration	484	546
	<u>950</u>	<u>1,023</u>
	£'000	£'000
Staff costs		
Wages and salaries	28,948	31,136
Social security costs	546	707
Pension costs	579	683
	<u>30,073</u>	<u>32,526</u>
Gross staff costs	30,073	32,526
Less: Furlough scheme (CJRS) income	(4,003)	-
	<u>26,070</u>	<u>32,526</u>

During the year ended 31 December 2020 the Company received Government funds of £4,003k in relation to assistance with the COVID-19 pandemic which has been disclosed under "Other income" in the statement of total comprehensive income.

There were no outstanding pension contributions at the year end (2019: same).

7. DIVIDENDS

	2020	2019
	£'000	£'000
Dividend paid of £nil per share (2018: £36.65)	<u>-</u>	<u>3,500</u>

8. GOODWILL

	Goodwill
	£'000
Cost	
At 1 January 2020 and 31 December 2020	<u>1,993</u>
Impairment	
At 1 January 2020 and 31 December 2020	<u>(1,707)</u>
Net book value	
At 1 January 2020 and 31 December 2020	<u>286</u>

Goodwill impairment review assumptions:

Assumption	2020	2019
Two to five year revenue growth	0.0% to 1.4%	0.0% to 1.0%
Two to five year operating expenses growth	0.0% to 2.0%	0.0% to 2.0%
Post five year growth rates	0.0%	0.0%
Discount rate	9.9%	8.5%

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. PROPERTY, PLANT AND EQUIPMENT

	Freehold property £'000	Leasehold property £'000	Other £'000	Total £'000
Cost				
At 1 January 2020	51,690	25,257	9,298	86,245
Additions	176	299	453	928
Disposals	(667)	(458)	(1,747)	(2,872)
Reclassifications	29	-	(29)	-
At 31 December 2020	51,228	25,098	7,975	84,301
Accumulated depreciation				
At 1 January 2020	3,704	5,345	6,437	15,486
Charge for the year	586	230	940	1,756
Disposals	(85)	(95)	(1,717)	(1,897)
At 31 December 2020	4,205	5,480	5,660	15,345
Net book value				
At 31 December 2020	47,023	19,618	2,315	68,956
At 31 December 2019	47,986	19,912	2,861	70,759

- Freehold property includes the value of land which is not depreciated.
- Other includes plant and equipment, fixtures and fittings and tools.
- At 31 December 2020 there is an amount of £nil committed (2019: £549,000) for future capital expenditure.
- The ultimate parent undertaking's revolving credit facility is secured via a debenture over certain assets of the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. RIGHT OF USE ASSETS

	Properties on lease £'000
Cost	
At 1 January 2020	1,959
Correction of errors	250
	<hr/>
At 1 January 2020 (restated)	2,209
Additions	579
	<hr/>
At 31 December 2020	2,788
	<hr/>
Accumulated depreciation	
At 1 January 2020	713
Correction of errors	(133)
	<hr/>
At 1 January 2020 (restated)	580
Charge for the year	267
	<hr/>
At 31 December 2020	847
	<hr/>
Net book value	
At 31 December 2020	1,941
	<hr/>
At 31 December 2019	1,629
	<hr/>

*Details of the correction of errors is shown in Note 23.

11. INVESTMENTS IN SUBSIDIARIES

	2020 £'000	2019 £'000
Cost		
At 1 January	8,212	8,212
Additions	-	-
	<hr/>	<hr/>
At 31 December	8,212	8,212
	<hr/>	<hr/>
Impairment		
At 1 January	717	-
Charge during the year	-	717
	<hr/>	<hr/>
At 31 December	717	717
	<hr/>	<hr/>
Net book value		
	7,495	7,495
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. INVESTMENTS IN SUBSIDIARIES (continued)

The subsidiaries are set out below. All were incorporated in Northern Ireland and have the same registered office as on page 1, with the exception of Charles Hurst Dublin Limited, which was incorporated in the Republic of Ireland (registered address: 6th Floor, South Bank House, Barrow Street, Dublin 4, Ireland).

Held by the Company	Percent of ordinary shares held	Nature of business
Charles Hurst Dublin Limited	100%	Motor franchises
JN Holdings Limited	100%	Dormant
Charles Hurst Motors Limited	100%	Motor franchises
Fleet Financial Limited	100%	Leasing
Bairds Cars Limited	100%	Dormant
Held by subsidiary companies	Percent of ordinary shares held	Nature of business
Taggarts Motor Group Limited	100%	Dormant
Ballcop (No.1) Limited	100%	Dormant (dissolved on 20 April 2021)
Ballcop (No.2) Limited	100%	Dormant (dissolved on 20 April 2021)
Ballcop (No.3) Limited	100%	Dormant
Ballcop (No.4) Limited	100%	Dormant
Ballcop (No.5) Limited	100%	Dormant
Ballcop (No.7) Limited	100%	Dormant
Ballcop (No.8) Limited	100%	Dormant
Ballcop (No.9) Limited	100%	Dormant
Ballcop (No.10) Limited	100%	Dormant
Ballcop (No.11) Limited	100%	Dormant

12. INVENTORIES

	2020	2019
	£'000	£'000
Goods for resale	32,106	50,757
Consignment vehicles	63,034	85,042
	<u>95,140</u>	<u>135,799</u>

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

13. TRADE AND OTHER RECEIVABLES

	2020	2019
	£'000	£'000
Trade receivables	11,928	18,250
Amounts due from group undertakings	27,719	16,393
Other taxation and social security	-	6,662
Other debtors	3,036	2,379
Prepayments and accrued income	461	4,003
	<u>43,144</u>	<u>47,687</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. ASSETS HELD FOR SALE

During the prior year the Company began to market a vacant property for sale. As such this has now been disclosed as an asset held for sale as follows:

	2020 £'000	2019 £'000
At 1 January	2,329	2,500
Impairment	-	(171)
At 31 December	<u>2,329</u>	<u>2,329</u>

This property is held at its expected realisable value and is expected to be disposed within the next 12 months, subject to agreement of commercial terms and conditions.

15. BORROWINGS

	2020 £'000	2019 £'000
Current:		
Bank overdrafts	-	3,654

The bank overdrafts are unsecured, carry a variable rate of interest and are repayable on demand.

16. TRADE AND OTHER PAYABLES

	2020 £'000	2019 £'000
Trade payables	20,891	30,077
Stocking loans	24,178	36,133
Consignment vehicle creditors	63,034	85,042
Amounts due to group undertakings	34,636	31,347
Other taxation and social security	1,484	-
Other creditors	7,632	-
Accruals and deferred income	2,987	8,276
	<u>154,842</u>	<u>190,875</u>

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

17. LEASE LIABILITIES

	2020 £'000	2019 restated* £'000
Total lease liabilities		
Current	287	330
Non-current	<u>2,851</u>	<u>2,487</u>
	<u>3,138</u>	<u>2,817</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. LEASE LIABILITIES (continued)

	2020 £'000	2019 restated* £'000
Lease liabilities payable:		
Less than one year	287	330
More than one year and not more than two years	287	250
More than two years and not more than five years	863	753
More than five years	7,786	6,792
(Less): interest allocated to future years	(6,085)	(5,308)
	<u>3,138</u>	<u>2,817</u>

*See Note 23 for details of the restatement.

The Company is party to a number of lease arrangements as a lessee and are primarily long leasehold property leases for a number of dealerships, workshops and office spaces. The Company also holds a number of lower value leases for motor vehicles and IT equipment used to support the Company's operations. The Company is not materially exposed to variable lease payments however a number of the property leases have contractual clauses including rent reviews, contract extension and contract termination options which, dependent upon any significant business reorganisation activities, may affect the future cashflows of the Company.

18. DEFERRED TAX

Deferred tax is calculated in full on temporary timing differences under the liability method using a tax rate of 19% (2019: 19%). The movement in the deferred tax account is as shown below:

	2020 £'000	2019 £'000
Deferred tax liability at 1 January	3,346	3,227
Charged to income statement	331	56
Adjustments in respect of prior years	-	63
Deferred tax liability at 31 December	<u>3,677</u>	<u>3,346</u>
	2020 £'000	2019 £'000
Deferred tax liabilities:		
Accelerated capital allowances	3,100	2,752
Capital gains	727	754
Leased assets	(159)	(165)
Short-term timing differences	(17)	(15)
Intangible assets	26	20
	<u>3,677</u>	<u>3,346</u>

19. SHARE CAPITAL

	2020 £'000	2019 £'000
Called-up, allotted and fully paid		
95,500 ordinary shares of £1 each	<u>96</u>	<u>96</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. CONTINGENT LIABILITIES

The Company is jointly and severally liable under cross-guarantees within the Lookers plc Group for borrowings. The total group borrowings at the statement of financial position date amounted to £283.7m (2019: £209.8m).

21. SUBSEQUENT EVENTS

On 5 January 2021 a third national lockdown was implemented as a result of the ongoing COVID-19 pandemic. This resulted in the closure of the Company's showrooms, though customers were still able to buy both new and used vehicles in the online "click and Drive" facility. Pre-booked aftersales service continued to be available throughout the lockdown. The showrooms fully reopened and returned to normal trading on 30 April 2021.

In its 2021 interim results announcement Lookers plc announced that it would be voluntarily repaying all CJRS grants received for the first six months of 2021 before the end of the year.

There are no other subsequent events to report.

22. ULTIMATE CONTROLLING PARTY

In the opinion of the Directors, the Company's ultimate controlling company is Lookers plc, Lookers plc is a company registered in England and Wales. The largest and smallest group of undertakings of which the Company is a member that produces publicly available consolidated financial statements is Lookers plc. Their group financial statements are available from:

The Company Secretary
Lookers plc
Lookers House
3 Etchells Road
West Timperley
Altrincham
WA14 5XS

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. EFFECT OF CORRECTION OF ERRORS

STATEMENT OF FINANCIAL POSITION (RESTATED)

	As previously stated at 2019 £'000	Correction of errors £'000	2019 as restated £'000
NON-CURRENT ASSETS			
Goodwill	286	-	286
Property, plant and equipment	70,759	-	70,759
Right of use assets	1,246	383	1,629
Investments in subsidiaries	7,495	-	7,495
	<u>79,786</u>	<u>383</u>	<u>80,169</u>
CURRENT ASSETS			
Inventories	135,799	-	135,799
Current tax receivable	119	-	119
Trade and other receivables	47,687	-	47,687
Cash and cash equivalents	1,421	-	1,421
Assets held for sale	2,329	-	2,329
	<u>187,355</u>	<u>-</u>	<u>187,355</u>
TOTAL ASSETS	<u>267,141</u>	<u>383</u>	<u>267,524</u>
CURRENT LIABILITIES			
Bank loans and overdrafts	(3,654)	-	(3,654)
Trade and other payables	(190,875)	-	(190,875)
Lease liabilities	(345)	15	(330)
	<u>(194,874)</u>	<u>15</u>	<u>(194,859)</u>
NET CURRENT LIABILITIES	<u>(7,519)</u>	<u>15</u>	<u>(7,504)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>72,267</u>	<u>398</u>	<u>72,665</u>
NON-CURRENT LIABILITIES			
Deferred tax	(3,346)	-	(3,346)
Lease liabilities	(2,023)	(464)	(2,487)
	<u>(5,369)</u>	<u>(464)</u>	<u>(5,833)</u>
TOTAL LIABILITIES	<u>(200,243)</u>	<u>(449)</u>	<u>(200,692)</u>
NET ASSETS	<u>66,898</u>	<u>(66)</u>	<u>66,832</u>
CAPITAL AND RESERVES			
Share capital	96	-	96
Other reserves	65	-	65
Retained earnings	66,737	(66)	66,671
SHAREHOLDER'S EQUITY	<u>66,898</u>	<u>(66)</u>	<u>66,832</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. EFFECT OF CORRECTION OF ERRORS (continued)

INCOME STATEMENT (RESTATED)

	As previously stated in 2019 £'000	Correction of errors £'000	2019 as restated £'000
REVENUE	660,537	-	660,537
Cost of sales	(598,012)	-	(598,012)
GROSS PROFIT	62,525	-	62,525
Net operating expenses	(54,300)	4	(54,296)
Investment impairment	(717)	-	(717)
Investment income	500	-	500
OPERATING PROFIT	8,008	4	8,012
Interest	(2,554)	(24)	(2,578)
PROFIT BEFORE TAX	5,454	(20)	5,434
Tax	(1,173)	-	(1,173)
PROFIT FOR THE YEAR	4,281	(20)	4,261

Correction of errors:

In preparing the IFRS16 adjustments for the year ended 31 December 2020 the Directors identified that there were some errors in the underlying calculation at the point of initial adoption of the new accounting standard which overstated the value of right of use assets and lease liabilities. The Directors also identified that some property leases which were in scope of IFRS16 had not been included. The Directors have therefore restated the prior period accounts to rectify these errors.

Adjustments have been made to the statement of financial position at 31 December 2019 to increase the amount recorded within right of use assets by £383k, to increase total lease liabilities by £449k and to decrease retained earnings by £66k. The impact of these adjustments to the income statement is to decrease the profit for the year ended 31 December 2019 by £20k, being the net impact of a £24k increase in finance cost and a £4k decrease in net operating expenses.