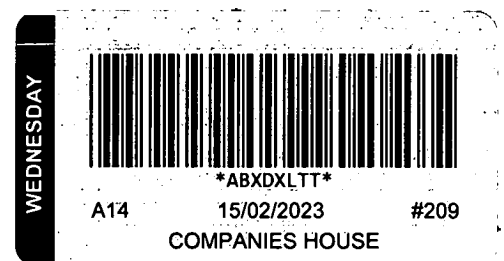


Mitchell North West Limited

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

Company number 2416390



COMPANY INFORMATION

For the year ended 31 December 2022

DIRECTORS

Mr M S Mitchell DL
Mrs A L Mitchell
Mr N G Crowden

REGISTERED OFFICE:

Stanney Mill Lane
Cheshire Oaks
Chester
CH2 4RG

REGISTERED NUMBER:

2416390 (England and Wales)

AUDITORS:

RSM UK Audit LLP
Chartered Accountants
One City Place
Queens Road
Chester
CH1 3BQ

Strategic Report

For the year ended 31 December 2022

The Directors present their Strategic Report and Financial Statements for the year ended 31 December 2022.

Review of the Business

For reasons other than Covid, we have continued to experience challenges throughout the year. Supply of new cars from all three motor manufacturer partners, Lexus, Mazda and Skoda, has been delayed due to component availability and disruption in supply chains.

During the later part of the year, consumer confidence has been challenged by interest rate movements and the real impact the Cost of Living crisis. Against this backdrop, the UK motor industry has delivered the lowest number of new car sales for forty years at just 1.61 million vehicles. As a consequence, our Company turnover has reduced by almost 7% and gross profit by over 8%. Expense control has been difficult as we have increased colleague salaries significantly and adjusted to marked increases in energy costs.

We are pleased to report a profit of £2,586,940.

In summary, our results for 2022 are as follows:-

	2022	2021	% change
Turnover	£53,568,083	£57,428,155	-6.7%
Gross Profit	£4,346,892	£4,727,490	-8.5%
Profit Before Tax	£2,586,940	£3,745,378	-29.0%
Return on Sales	4.8%	6.5%	-1.5%
Gearing	Zero	Zero	
New Car Sales Volume	781	877	-11.0%
Used Car Sales Volume	1202	1,474	-18.5%
Service Hours	32,203	32,853	-2.0%
Service Sales	£2,333,703	£2,266,143	+3.0%
Parts Sales	£1,602,779	£1,507,822	+6.3%

Balance Sheet

Our Net Current Assets position has increased by 27%.

Stocks have increased by £1,575,164

Total Net Assets have increased by 15%

Strategic Report

For the year ended 31 December 2022

Culture

As ever, we are totally committed to the professional and pastoral well-being of our three brand teams and are pleased to report that our colleague turnover for the year continues to remain low at just 15% although this is higher than normal due to some people retiring during the year. Despite this increase in colleague turnover, the overall number of colleagues has remained constant during the year with some successful and pleasing appointments being made. We remain deeply appreciative of the enthusiasm, long hours and camaraderie which account for the principal reasons behind our industry-leading customer and colleague retention levels. Both summer and winter "one-off" bonuses were much appreciated and in particular, the £1,000 winter Cost of Living support payment.

Principal Risks and Uncertainties

The main risks faced by the Company relate to the continuing economic impact of war in Ukraine, residual challenges of Brexit, new car supply restrictions and the environmental impacts of a move from the internal combustion engine to alternative fuel vehicles. Restrictions of new car supply due to the international shortage of semi-conductors have been challenging and continue to be so but with this, we have seen the closing levels of forward customer orders for 2022 at a significantly higher than normal level. The Government has announced the ban on the sale of petrol and diesel engine cars from 2030, reduced from 2040. This will undoubtedly focus the minds of all Motor Manufacturers as it becomes a seismic shift for the industry.

Tax

The Company believes in transparency over tax disclosures and is pleased with the amount it pays.

We are committed to: -

- Pay all the tax we owe
- Pay the right amount at the right rate at the right time
- Not undertaking business that would need to be reported to HMRC under the Disclosure of Tax Avoidance Scheme regulations

During the year, the Company collected and has payable the following tax: -

VAT	£1,043,904
Business Rates	£ 136,114
Corporation Tax	£ 495,459
PAYE and National Insurance Contributions	<u>£1,140,440</u>
Total	<u>£2,815,917</u>

Going Concern Review

We have undertaken a review of our cash position going forward through 2023. The year-end position shows a strong position with £3,143,454 in hand. Budgets have been prepared in line with our Manufacturer Partners' expectations which show the cash balance remaining in an extraordinarily strong position.

Future Developments

As previously indicated, the retail motor industry model continues to change. We look forward to the continuing improvement in new vehicle supply, this bringing with it an improved level of pre-owned vehicles being brought to market for sale. Demand for electric vehicles continues to increase as does the range variety offered by our Manufacturer Partners, strengthening our transition moving forward to meet the previously-mentioned Government targets.

ON BEHALF OF THE BOARD

Mark Mitchell

Mr M S Mitchell DL
Managing Director

Date: 10/02/23

REPORT OF THE DIRECTORS

For the year ended 31 December 2022

The Directors present their Report and Financial Statements of the Company for the year ended 31 December 2022.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of franchised motor retailers.

DIVIDENDS

The total distribution of dividends for the year ended 31 December 2022 is £573,146 (2021 - £4,186,522).

DIRECTORS

The Directors during the year under review and to the date of this report were:

Mr M S Mitchell DL
Mrs A L Mitchell
Mr N G Crowden

CHARITABLE DONATIONS

During the year ended 31 December 2022, donations totalling £8,570 (2021 - £15,794) were made to charitable organisations. We continue to support projects locally, nationally and overseas which have captured our imagination as worthwhile initiatives.

STRATEGIC REPORT

The review of the business, future developments, key performance indicators and principal risks and uncertainties are included in the Strategic Report, in accordance with S414(c) of the Companies Act.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report and Directors' Report and the Financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit and loss account of the company for that period.

In preparing these Financial Statements, Directors are required to: -

- a. Select suitable accounting policies and then apply them consistently;
- b. Make judgements and estimates that are reasonable and prudent;
- c. Prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

REPORT OF THE DIRECTORS

For the year ended 31 December 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITORS

RSM UK Audit LLP have indicated their willingness to continue in office.

ON BEHALF OF THE BOARD:

Mark Mitchell

Mr M S Mitchell DL
Managing Director

Date: 10/02/23

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MITCHELL NORTH WEST LIMITED

For the year ended 31 December 2022

Opinion

We have audited the financial statements of Mitchell North West Limited (the 'company') for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the Financial Statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the Financial Statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MITCHELL NORTH WEST LIMITED

For the year ended 31 December 2022

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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 set out on pages 5 and 6, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MITCHELL NORTH WEST LIMITED

For the year ended 31 December 2022

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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the company operates in and how the company is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the Financial Statements may be susceptible to fraud.

As a result of these procedures, we consider the most significant laws and regulations that have a direct impact on the Financial Statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing Financial Statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from external tax advisors.

The audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included, but were not limited to, testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions, assessing whether judgements and estimates made in making accounting estimates are indicative of potential bias and testing a sample of transactions recognised either side of the reporting date to determine whether revenue was recorded in the correct period.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MITCHELL NORTH WEST LIMITED

For the year ended 31 December 2022

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at: <http://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.

Alison Ashley

Alison Ashley (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

One City Place

Queens Road

Chester

CH1 3BQ

Date: 10/02/23

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

		2022	2021
	Notes	£	£
Turnover	2	53,568,083	57,428,155
Cost of sales		<u>(49,221,191)</u>	<u>(52,700,665)</u>
GROSS PROFIT		4,346,892	4,727,490
Administrative expenses		<u>(1,774,722)</u>	<u>(1,158,503)</u>
OPERATING PROFIT		2,572,170	3,568,987
Other operating income	3	-	176,391
Interest receivable		14,770	-
Interest payable and similar charges		<u>-</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	2,586,940	3,745,378
Taxation	6	<u>(484,722)</u>	<u>(801,731)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>2,102,218</u>	<u>2,943,647</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>2,102,218</u>	<u>2,943,647</u>

STATEMENT OF FINANCIAL POSITION

At 31 December 2022

		Company registration number 2416390	
	Notes	2022	2021
		£	£
FIXED ASSETS			
Tangible assets	8	3,682,608	3,775,396
CURRENT ASSETS			
Stocks	9	7,036,408	5,461,244
Debtors due within one year	10	1,233,090	1,029,629
Cash at bank and in hand		3,143,454	2,975,082
		<u>11,412,952</u>	<u>9,465,955</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	11	(3,923,178)	(3,587,303)
NET CURRENT ASSETS		<u>7,489,773</u>	<u>5,878,652</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>11,172,381</u>	<u>9,654,048</u>
Provisions for liabilities	12	(392,000)	(402,737)
NET ASSETS		<u>10,780,381</u>	<u>9,251,311</u>
CAPITAL AND RESERVES			
Called up share capital	13	95,000	95,000
Capital redemption reserve		5,000	5,000
Profit and loss account		<u>10,680,381</u>	<u>9,151,311</u>
TOTAL EQUITY		<u>10,780,381</u>	<u>9,251,311</u>

The Financial Statements on pages 12 to 27 were approved by the Board of Directors and authorised for issue on 31st January 2023 and are signed on their behalf by:

Mark Mitchell

Mr M S Mitchell DL
Managing Director

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Notes	Share Capital	Capital Redemption	Profit and loss account	Total
		£	£	£	£
Balance at 1 January 2021		100,000		11,266,024	11,366,024
Profit and total comprehensive income for the year				2,943,647	2,943,647
Transactions with owners in their capacity as owners:-					
Dividends	7			(4,186,522)	(4,186,522)
Purchase of own shares		(5,000)	5,000	(871,838)	(871,838)
Balance at 31 December 2021		<u>95,000</u>	<u>5,000</u>	<u>9,151,311</u>	<u>9,251,311</u>
Profit and total comprehensive income for the year				2,102,218	2,102,218
Transactions with owners in their capacity as owners:-					
Dividends	7			(573,146)	(573,146)
Balance at 31 December 2022		<u>95,000</u>	<u>5,000</u>	<u>10,680,383</u>	<u>10,780,383</u>

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022	2021
		£	£
OPERATING ACTIVITIES			
Cash generated from operations	14	1,346,160	4,182,297
Interest receivable		-	-
Income taxes paid		(585,421)	(937,368)
NET CASH FROM OPERATING ACTIVITIES		<u>760,739</u>	<u>3,244,929</u>
INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(74,888)	(58,025)
Proceeds on disposal of tangible fixed assets		55,666	-
NET USED IN INVESTING ACTIVITIES		<u>(19,222)</u>	<u>(58,025)</u>
FINANCING ACTIVITIES			
Dividends paid		(573,146)	(4,006,522)
Purchase of own shares		-	(871,838)
NET USED IN FINANCING ACTIVITIES		<u>(573,146)</u>	<u>(4,878,360)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		168,371	(1,691,456)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	14	<u>2,975,082</u>	<u>4,666,538</u>
NET CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>3,143,453</u></u>	<u><u>2,975,082</u></u>
Relating to: -			
Bank balances and short- term deposits included in cash at bank and in hand		3,143,453	2,975,082

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

ACCOUNTING POLICIES

GENERAL INFORMATION

Mitchell North West Limited ("the Company") is a private company limited by shares registered, domiciled and incorporated in England.

The address of the Company's registered office and principal place of business is Stanney Mill Lane, Cheshire Oaks, Chester CH2 4RG.

The Company's principal activities are franchised motor retailers. The nature of the Company's operations is the sale and maintenance of motor vehicles.

BASIS OF ACCOUNTING

These Financial Statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102) and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention. Monetary amounts in these Financial Statements are rounded to the nearest whole £1.

GOING CONCERN

In the opinion of the Directors and having taken into account all relevant factors, the Company continues to operate as a "going concern". We continue to enjoy strong relationships with our Motor Manufacturers. In spite of the increased rate on inflation and the continuing effects of the war in Ukraine, which has affected our new vehicle supply, we are in a strong position financially. Cashflow forecasts have been produced to 31 December 2023 and consideration given to the period to 12 months from sign-off after this which show the business has sufficient cash reserves. New car supply continues to be restricted primarily due to the international shortage of semi-conductors. However, sales rates remain high and forward order banks are at the highest level for many years. Aftersales operations have continued to perform well during the period and are expected to continue to do so. On this basis, the Directors have concluded that adopting the ongoing concern basis of accounting in preparing the Financial Statements is appropriate.

FUNCTIONAL AND PRESENTATIONAL CURRENCIES

The Financial Statements are presented in sterling which is the functional currency of the Company

· TURNOVER

· Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales.

Sales of motor vehicles, parts and accessories are recognised at the earlier of full payment or delivery to the customer. Service work is recognised at the completion of the agreed work.

GOVERNMENT GRANTS

Income from government grants is presented within other income. Government grants are recognised at fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

TANGIBLE FIXED ASSETS

Tangible fixed assets are measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of each asset to its estimated residual value on a "straight line" basis over its expected useful life, as follows:-

Land	Nil
Freehold buildings	Over 50 years
Leasehold property	Over the term of the lease
Fixtures, fittings and equipment	Between 4 and 5 years
Computer equipment	Between 3 and 4 years
Motor and other items	4 years

IMPAIRMENTS OF FIXED ASSETS

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Company estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairment losses are recognised in the Statement of Comprehensive Income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in the statement of comprehensive income. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

STOCKS

Stocks are valued at the lower of cost and estimated selling price, less costs to complete and sell. Cost represents the purchase price of the item, plus any additional costs to bring it to a saleable state.

At each reporting date, the Company assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell, is recognised as an impairment loss in the statement of comprehensive income.

Reversals of impairment losses are also recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

CONSIGNMENT STOCK

New vehicle consignment stocks are included in the financial statements which require the substance of the transaction to take precedence over the legal form. Where the terms of consignment stock agreements are such that the stock meets the definition of an asset of the company then it is recognised in the financial statements. The stocks note in the Financial Statements quantifies the consignment stocks held at the year end.

TAXATION

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different period from their recognition in the Financial Statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Current and deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

EMPLOYEE BENEFITS

The costs of short-term employee benefits are recognised as a liability and an expense.

The holiday year for Mitchell North West Limited ends at the reporting date and colleagues are not entitled to carry forward unused holiday.

RETIREMENT BENEFITS

Defined contribution plans

For defined contribution schemes, the amount charged to the Statement of Comprehensive Income is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

FINANCIAL INSTRUMENTS

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

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Trade debtors and other debtors

Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in the statement of comprehensive income for the excess of the carrying value of the trade debtor over the estimated recoverable amount. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in the Statement of Comprehensive Income.

Financial liabilities and equity

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

Trade creditors and other creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Dividends

Dividends are recognised as liabilities once they are no longer at the discretion of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom exactly equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are the year-end stock provisions. Stock valuation is monitored against age profile and market demand, using CAP valuation guides. A monthly review of provisions is performed. In categorising stock as consigned stock, management makes judgements as to whether significant risk and rewards of ownership have transferred to the company.

2. TURNOVER

An analysis of the Company's turnover by class of business is as follows:

	2022	2021
	£	£
Sale of Motor Vehicles and Servicing and Parts	53,568,083	57,428,155

All of the Company's turnover is within the United Kingdom

3. OTHER OPERATING INCOME

	2022	2021
	£	£
Government grant	-	176,391
	-	176,391

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2022 £	2021 £
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	118,396	152,715
Stock (note 9):		
- impairment losses / (gains) recognised in cost of sales (See note 1)	-	(157,878)
(Profit) / loss and on disposal of assets	(6,386)	-

Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows:

	2022 £	2021 £
Audit services - statutory audit of the company	25,000	23,000

5. EMPLOYEES

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

	2022	2021
Selling and related occupations	85	89
Administration	19	18
Total	104	107

	2022 £	2021 £
Staff costs for the above persons:		
Wages and salaries	3,276,247	3,293,603
Social security costs	349,509	333,949
Pension costs	460,901	64,366
	4,086,657	3,691,918

DIRECTORS

	2022 £	2021 £
In respect of the Directors of Mitchell North West Limited		
Emoluments	10,721	8,313
Company contributions to money purchase pension schemes	395,200	2,000
	405,921	10,313

The number of Directors to whom retirement benefits are accruing under money purchase schemes was:

	3	2
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Highest paid Director received £166,634

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. TAXATION

	2022 £	2021 £
Current tax		
UK corporation tax	495,459	737,561
Adjustment in respect of prior year	-	-
Total current tax	<u>495,459</u>	<u>737,561</u>
Deferred tax		
Effect of increased tax rate on opening balance	100,684	84,642
Origination and reversal of timing differences	(111,422)	(20,472)
Total deferred tax	<u>(10,738)</u>	<u>64,170</u>
Total tax charge	<u>484,721</u>	<u>801,731</u>

6. TAXATION (continued)

Factors affecting the tax charge for the year

The tax assessment for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2022 £	2021 £
Company profit on ordinary activities before tax	<u>2,586,940</u>	<u>3,745,378</u>
Company profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2021 : 19%).	491,519	711,622
Effects of:		
Expenses that are not deductible in determining taxable profit	322	357
Adjustment to tax charge in respect of previous years	22,305	84,642
Other timing differences – Capital Allowances	(30,638)	5,110
Profit on sale of fixed assets	1,213	-
Tax expense	<u>484,721</u>	<u>801,731</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

7. DIVIDENDS

	2022 £	2021 £
Ordinary shares of £1 each:		
Final paid - £12.12 (2021 :- £47.11)	573,146	4,186,522
	<u>573,146</u>	<u>4,186,522</u>

M S Mitchell DL and A L Mitchell have waived their entitlement to certain dividends during the course of the year.

8. TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £	Leasehold property £	Fixtures, Fittings & Equipment £	Motor/ other £	Computers £	Total £
Cost						
At 1 January 2022	4,631,487	100,000	1,152,486	97,521	122,470	6,103,964
Additions			63,958	1,500	9,430	74,888
Disposal				(49,280)	(5740)	(55,020)
At 31 December 2022	<u>4,631,487</u>	<u>100,000</u>	<u>1,216,444</u>	<u>49,741</u>	<u>126,160</u>	<u>6,123,832</u>
Depreciation						
At 1 January 2022	1,120,673		1,080,931	7,156	119,808	2,328,568
Provided in year	66,734		50,172		1,490	118,396
Disposals					(5,740)	(5,740)
At 31 December 2022	<u>1,187,407</u>		<u>1,131,103</u>	<u>7,156</u>	<u>115,558</u>	<u>2,441,224</u>
Net book value						
31 December 2022	<u>3,444,080</u>	<u>100,000</u>	<u>85,341</u>	<u>42,585</u>	<u>10,602</u>	<u>3,682,608</u>
31 December 2021	<u>3,510,814</u>	<u>100,000</u>	<u>71,555</u>	<u>90,365</u>	<u>2,662</u>	<u>3,775,396</u>

Security against land and buildings

The Company has pledged Land and Buildings (having a net book value of £3,444,080), to secure all monies due or to become due to Barclays Bank plc by way of a fixed charge. Included in cost of land and buildings is land of £1,317,304 (2021 - £1,317,304) which is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

9. STOCKS

	2022 £	2021 £
Stock of goods for resale	7,036,408	5,461,244

The Company holds consignment stock which is legally owned by Lexus (GB) Limited and Škoda UK Limited, on terms that give the Company the right to sell the stock in the normal course of business or, at the Company's option, to return if unsold. The value of the consignment stock included in stocks and current liabilities at the 31 December 2022 is £581,545 (2021 - £520,395)

10. DEBTORS

	2022 £	2021 £
Amounts falling due within one year:		
Trade debtors	890,140	755,068
Other debtors	205,110	171,161
Prepayments and accrued income	137,840	103,400
	<u>1,233,090</u>	<u>1,029,629</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £	2021 £
Trade creditors	2,323,831	1,728,196
Consignment creditors	581,545	520,395
Other taxation and social security costs	351,010	415,929
Corporation tax	(13,045)	79,061
Accruals and deferred income	679,837	843,722
	<u>3,923,178</u>	<u>3,587,303</u>

Debentures dated 14 December 2004 and 26 July 2010 were created by the Company for securing all monies due or to become due to Toyota Financial Services (UK) Plc and Santander Consumer (UK) Plc. The debentures are secured on the freehold property and fixtures of the company with deed of priority in place over each asset of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

12. PROVISIONS FOR LIABILITIES

	Deferred Taxation
	£
1 January 2022	402,737
Utilised in the year/additional provision in year	(10,737)
31 December 2022	<u>392,000</u>

The major deferred tax liabilities and assets recognised by the Company are:

Deferred tax liabilities:	2022	2021
	£	£
Accelerated capital allowances	226,000	236,889
Rolled-over gain	166,000	165,848
	<u>392,000</u>	<u>402,737</u>

13. SHARE CAPITAL AND RESERVES

SHARE CAPITAL

	Ordinary shares of £1 each
	Number
Allotted, issued and fully paid:	
1 January 2022	95,000
31 December 2022	<u>95,000</u>

Ordinary share rights

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

Purchase of own shares

The Company's authority to purchase its own shares is set out in its Articles of Association and approved by the shareholders at the Annual General Meeting.

The maximum number of own shares held during the year was 5000, having a nominal value of £1 and representing 5% of the called-up capital.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

13. SHARE CAPITAL AND RESERVES (continued)

RESERVES

Reserves of the Company represent the following:

Retained earnings

Cumulative comprehensive income net of distributions to owners.

Capital Redemption Reserve

Nominal value of repurchased share capital.

14. RECONCILIATION OF PROFIT AFTER TAX TO NET CASH GENERATED FROM OPERATIONS

	2022 £	2021 £
Profit after tax	2,102,218	2,943,647
Adjustments for:		
Depreciation of tangible fixed assets	118,396	152,714
(Gain)/loss on disposal of tangible fixed assets	(6,386)	
Interest receivable	(14,770)	
Interest payable		
Taxation	484,722	801,731
Decrease/(increase) in stock	(1,575,164)	1,470,627
Decrease/(increase) in trade and other debtors	(188,691)	(540,619)
Increase/(decrease) in trade and other creditors	425,836	(645,803)
Cash generated from operations	<u>1,346,160</u>	<u>4,182,297</u>

CASH AND CASH EQUIVALENTS

	2022 £	2021 £
Cash and cash equivalents represent:-		
Cash at bank	<u>3,143,054</u>	<u>2,975,082</u>

Changes in net debt have not been presented as these are identical to movement in cash as company has no debt

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

15. RELATED PARTY TRANSACTIONS

Transactions between the Company and its related parties are disclosed below:

	2022	2021
	£	£
Dividends paid to Directors	<u>573,146</u>	<u>4,186,522</u>

The Directors are the shareholders of Company and total dividends received by them during the year were £573,146 (2021 - £4,186,522). M S Mitchell DL and A L Mitchell waived their entitlement to certain dividends during the course of the year.

The Company made sales to related parties of £74,610 during the year.

16. ULTIMATE CONTROLLING PARTY

The majority shareholders and ultimate controlling parties are Mr M S and Mrs A L Mitchell.