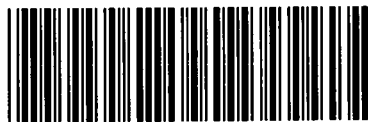


Company registration number 03820911 (England and Wales)

RICHMOND CARS (SOUTHAMPTON) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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RICHMOND CARS (SOUTHAMPTON) LIMITED

COMPANY INFORMATION

Directors	Mr M R Nobes Mr S J Nobes
Secretary	Ms C Brown
Company number	03820911
Registered office	The Quay 30 Channel Way Ocean Village Southampton Hampshire SO14 3TG
Auditor	Moore (South) LLP The Quay, 30 Channel Way Ocean Village Southampton Hampshire SO14 3TG
Business address	Richmond Hyundai West Quay Road Southampton Hampshire SO15 1GY

RICHMOND CARS (SOUTHAMPTON) LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3
Directors' responsibilities statement	4
Independent auditor's report	5 - 8
Income statement	9
Statement of comprehensive income	10
Statement of financial position	11
Statement of changes in equity	12
Statement of cash flows	13
Notes to the financial statements	14 - 26

RICHMOND CARS (SOUTHAMPTON) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report for the year ended 31 December 2021.

Fair review of the business

As a result of trading from all of the company sites, the result for the year is considered very satisfactory and in line with expectations. Revenue for the year has increased by 36.8%, gross profit has increased to 6.15% (2020: 4.28%). Profit before tax of £1,371,334 (2020: £705,800) has increased to 2.56% (2020: 1.80%). Net assets have increased to £3,747,243 from £2,649,390.

Principal risks and uncertainties

The company is subject to a number of risks, but the company is well placed to realise its full growth and profit potential. In this respect, the directors constantly monitor market conditions and modify stocking and pricing policies to manage and reflect the prevailing economic conditions.

Product cycle risk

As new vehicles move through their natural life cycle, the company's ability to maintain adequate margins can be impaired. In order to minimise the impact of this, the directors have developed a broad base of income sources from its franchised operations, including used vehicle sales, accident repair, service repair and component sales.

Competition risk

The markets in which the company operates are highly competitive and there is a risk that the company's customers will look to alternative sources for the products and services offered by the company. The directors have mitigated this risk by building a strong reputation for customer service, expanding its manufacturer representation, constantly monitoring quality of work and value for money.

The company continues to monitor competitor activity, customers views and their level of satisfaction and invests significantly in staff training and skills development, from full apprenticeships to continual improvement of all managers.

Stock value risk

The company is exposed as are all businesses in this industry to the risk of the value of its stock in trade falling due to general economic or industry specific factors. The directors mitigate this risk through a two-fold policy of ensuring that the company only carries stock of a suitable profile and price range that is appropriately aged and by a strict monthly write-down policy that immediately recognises any fall in value through its profit and loss account.

Interest rate risk

The company is exposed to changes in rates of interest. The directors review the risks of fluctuations in interest rates on a regular basis whilst analysing general economic conditions. Various sources of funding are used to mitigate risks of fluctuations.

Liquidity risk

This is managed by ensuring that stock levels are carefully controlled and adequate financing arrangements are in place to meet the company's on-going needs by fostering strong relationships with its bankers and franchisor.

Development and performance

The directors plan to grow the Southampton franchise to ensure that the company continues to go from strength to strength. The company continues to exhibit a strong balance sheet and the directors consider the period end financial position to be very satisfactory.

Key performance indicators

	31/12/2021	31/12/2020	Method of calculation
Return on sales (%)	2.56	1.8	Profit before tax divided by turnover
Gross margin (%)	6.15	4.28	Gross profit divided by turnover
Capital expenditure (£'000)	19	21	Investment in capital items in the year
Average number of staff	60	68	Average number taken from payroll records

RICHMOND CARS (SOUTHAMPTON) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Impact of COVID19 and new vehicle supply issues

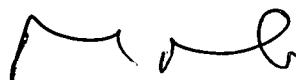
During the first quarter of 2021 the business was required to comply with lockdown restrictions which impacted on-going trading activities. It benefited from the government's job retention scheme grants, local authority discretionary grants, and business rates holiday. Consequently, there has been little impact on financial results and no redundancies took place. The company had no need for government CBILS loans or other financing as cash reserves remained strong throughout of lockdown during the subsequent strong trading performance.

The company had established processes to allow distance selling during 2020 and these proved useful during the 2021 lockdown as it also continued to service vehicles in its workshops throughout this time.

In early 2022 the shortage of semiconductors which had been impacting the supply of new vehicles for some brands was showing signs of easing. However, conflict in Ukraine caused further challenges for new vehicle supply as some components are sourced from there.

Despite a shortage of new vehicles the business performed well with used vehicles and has built up a large order book for new vehicles due for delivery in 2022. Used vehicle values have been strong throughout the year and have continued to hold up well in the first half of 2022 although the business has taken steps to mitigate the risk of a decline used stock value.

On behalf of the board



.....
Mr M R Nobes
Director

Date: 26.9.2022

RICHMOND CARS (SOUTHAMPTON) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Principal activities

The principal activity of the company continued to be that of a franchised retail motor dealership.

Directors

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

Mr M R Nobes

Mr S J Nobes

Results and dividends

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

The directors do not recommend the payment of a dividend.

Market value of land and buildings

The directors are satisfied that the current value of the company's property on the balance sheet is not significantly different to the carrying value.

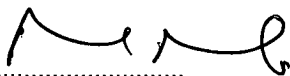
Auditor

In accordance with the company's articles, a resolution proposing that Moore (South) LLP be reappointed as auditor of the company will be put at a General Meeting.

Statement of disclosure to auditor

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

On behalf of the board



Mr M R Nobes

Director

31.11.22

RICHMOND CARS (SOUTHAMPTON) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

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

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

RICHMOND CARS (SOUTHAMPTON) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF RICHMOND CARS (SOUTHAMPTON) LIMITED

Opinion

We have audited the financial statements of Richmond Cars (Southampton) Limited (the 'company') for the year ended 31 December 2021 which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the 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 Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The 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.

Opinions on other matters prescribed by the Companies Act 2006

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

RICHMOND CARS (SOUTHAMPTON) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF RICHMOND CARS (SOUTHAMPTON) LIMITED

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, 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.

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

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.

RICHMOND CARS (SOUTHAMPTON) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF RICHMOND CARS (SOUTHAMPTON) LIMITED

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit in respect of fraud, are; to identify and assess the risks 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 to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the company.

Our approach was as follows:

- The engagement partner selected a team for the audit, led by persons who had the required competence and skills to be able to identify or recognise non-compliance with laws and regulations, having previous experience in similar assignments.
- We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant from the perspective of the financial statements are the Companies Act 2006, UK financial reporting standards as issued by the Financial Reporting Council, and UK taxation legislation.
- We obtained an understanding of how the company complies with these requirements through discussions with management and those charged with governance. We also reviewed available correspondence with regulators to identify any known instances of non-compliance or suspected non-compliance with laws and regulations.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with responsibility for ensuring legal and regulatory compliance is adhered to and considered the internal controls in place to mitigate identified risks. Management override was identified as a significant risk from our assessment.
- Revenue recognition was also identified as a significant risk due to the timing of the revenue sources and the recognition criteria which could give rise to revenue being recorded other than in accordance with suitable accounting policies
- We assessed the control environment, documenting the systems, controls and processes adopted and undertook an assessment of risks identified in designing our audit approach, which incorporated a combination of tests of controls, analytical review and substantive procedures involving tests of transactions and balances. Any irregularities noted were discussed with management and those charged with governance and we obtained additional corroborative evidence as required.
- We obtained an understanding and assessed the impact of the Covid 19 pandemic on the operations of the business and adapted our audit approach accordingly. We enquired and obtained evidence to support the going concern assumption in the preparation of the financial statements and dovetailed this with knowledge gained from our audit work.

RICHMOND CARS (SOUTHAMPTON) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF RICHMOND CARS (SOUTHAMPTON) LIMITED

To address the risk of fraud through management override we:

- performed analytical procedures to identify any unusual or unexpected variances;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of bias;
- tested journal entries to identify any unusual transactions;
- reviewed transactions with related parties, in particular the management charges and transactions with connected companies entities;
- reviewed the disclosures within the financial statements to ascertain whether they meet the requirements of the accounting standards and relevant legislation.

To consider whether revenue has been recorded correctly, we:

- reviewed the accounting policies adopted for consistency of application and compliance with acceptable practices;
- undertook analytical procedures including comparisons with prior years and budgets, and considered the results in association with industry trends;
- tested transactions and balances with reference to invoices;
- tested cut off procedures including a review of transactions before and after the balance sheet date

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

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



Sue Lucas (Senior Statutory Auditor)
For and on behalf of Moore (South) LLP

Date: 31/11/22

Chartered Accountants
Statutory Auditor

The Quay, 30 Channel Way
Ocean Village
Southampton
Hampshire
SO14 3TG

RICHMOND CARS (SOUTHAMPTON) LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Revenue	3	53,601,451	39,181,234
Cost of sales		(50,306,977)	(37,504,205)
Gross profit		<u>3,294,474</u>	<u>1,677,029</u>
Administrative expenses		(1,869,384)	(1,262,904)
Other operating income		148,087	378,299
Operating profit	4	<u>1,573,177</u>	<u>792,424</u>
Finance costs	7	(201,843)	(86,624)
Profit before taxation		<u>1,371,334</u>	<u>705,800</u>
Tax on profit	8	(273,481)	(147,433)
Profit for the financial year		<u><u>1,097,853</u></u>	<u><u>558,367</u></u>

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

RICHMOND CARS (SOUTHAMPTON) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	£	£
Profit for the year	1,097,853	558,367
Other comprehensive income	-	-
Total comprehensive income for the year	<u>1,097,853</u>	<u>558,367</u>

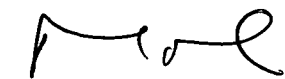
RICHMOND CARS (SOUTHAMPTON) LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 £	£	2020 £	£
Non-current assets					
Property, plant and equipment	9		3,493,389		3,647,071
Current assets					
Inventories	11	2,662,651		3,563,999	
Trade and other receivables	12	6,237,303		6,685,244	
Cash and cash equivalents		343,852		822,990	
		9,243,806		11,072,233	
Current liabilities	13	(8,954,974)		(9,249,735)	
Net current assets			288,832		1,822,498
Total assets less current liabilities			3,782,221		5,469,569
Non-current liabilities	14		-		(2,783,207)
Provisions for liabilities					
Deferred tax liability	16	34,978		36,972	
			(34,978)		(36,972)
Net assets			3,747,243		2,649,390
Equity					
Called up share capital	19		100		100
Retained earnings			3,747,143		2,649,290
Total equity			3,747,243		2,649,390

The financial statements were approved by the board of directors and authorised for issue on 31/11/22 and are signed on its behalf by:



Mr M R Nobes
Director

Company Registration No. 03820911

RICHMOND CARS (SOUTHAMPTON) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £	Retained earnings £	Total £
Balance at 1 January 2020	100	2,090,923	2,091,023
Year ended 31 December 2020:			
Profit and total comprehensive income for the year	-	558,367	558,367
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020	100	2,649,290	2,649,390
Year ended 31 December 2021:			
Profit and total comprehensive income for the year	-	1,097,853	1,097,853
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2021	100	3,747,143	3,747,243
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RICHMOND CARS (SOUTHAMPTON) LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	£	2020 £	£
Cash flows from operating activities					
Cash generated from operations	24	2,882,836		1,063,953	
Interest paid		(201,843)		(86,624)	
Income taxes paid		(156,626)		(63,468)	
Net cash inflow from operating activities		<u>2,524,367</u>		<u>913,861</u>	
Investing activities					
Purchase of property, plant and equipment		(18,597)		(21,278)	
Proceeds on disposal of property, plant and equipment		-		20,513	
Net cash used in investing activities		<u>(18,597)</u>		<u>(765)</u>	
Financing activities					
Repayment of bank loans		(2,984,908)		(52,231)	
Net cash used in financing activities		<u>(2,984,908)</u>		<u>(52,231)</u>	
Net (decrease)/increase in cash and cash equivalents		<u>(479,138)</u>		<u>860,865</u>	
Cash and cash equivalents at beginning of year		822,990		(37,875)	
Cash and cash equivalents at end of year		<u><u>343,852</u></u>		<u><u>822,990</u></u>	

RICHMOND CARS (SOUTHAMPTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

Richmond Cars (Southampton) Limited is a private company limited by shares incorporated in England and Wales. The registered office is Moore (South) LLP, The Quay, 30 Channel Way, Ocean Village, Southampton, Hampshire, SO14 3TG.

1.1 Accounting convention

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

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

The financial statements have been prepared under the historical cost convention modified to include the revaluation of certain freehold properties. The principal accounting policies adopted are set out below.

1.2 Going concern

At the balance sheet date, the company made a profit for the year of £1,098k and had net assets at that date of £3,747k. Subsequent to the year end, the business continues to trade profitably and above budgeted expectations, despite ongoing new vehicle supply issues. Supply was originally impacted by global semiconductor shortages, but has subsequently been further effected by the Ukraine war and global material logistics challenges.

Management continue to investigate new ways to conduct business and develop manufacturer relationships, which combined with ongoing capital investments result in the company trading profitably. We continue to enjoy the full support of the bank and our franchise partners, all of whom are kept fully informed on the ongoing cashflow forecasts and financial performance projections.

As a result, the directors believe that the company will be able to continue in business and meet its liabilities as they fall due for a period of at least twelve months from the date of approval of the financial statements.

1.3 Revenue

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Vehicles sales are recognised at the point at which vehicles are delivered to or collected by customers and the DVLA change of ownership is done.

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

Revenue from contracts for the provision of services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

1.4 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

RICHMOND CARS (SOUTHAMPTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

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

Leasehold land and buildings	2% straight line
Plant and machinery	1-10 years straight line
Fixtures, fittings & equipment	1-5 years straight line

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

1.5 Impairment of non-current assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). All of the company's tangible assets have an ascertainable market value which is simple to estimate.

Recoverable amount is the higher of fair value less costs to sell and value in use.

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

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

1.6 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Inventories held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

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

1.7 Cash and cash equivalents

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

RICHMOND CARS (SOUTHAMPTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.8 Financial instruments

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

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

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

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs. Financial assets classified as receivable within one year are not amortised.

Other financial assets

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

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

Classification of financial liabilities

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

RICHMOND CARS (SOUTHAMPTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from connected companies are initially recognised at transaction price. Financial liabilities classified as payable within one year are not amortised.

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

Other financial liabilities

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

Derecognition of financial liabilities

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

1.9 Equity instruments

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

1.10 Taxation

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

Current tax

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

Deferred tax

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

1.11 Employee benefits

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

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

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

RICHMOND CARS (SOUTHAMPTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.12 Retirement benefits

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

1.13 Leases

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

1.14 Government grants

Government grants are recognised at the 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.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.15 Foreign exchange

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

2 Judgements and key sources of estimation uncertainty

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

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

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Stock

Consideration has been given by the directors to the level of provision against vehicle stocks. In determining the provision required the directors have used guidance from independent valuation tools and their knowledge of the industry.

RICHMOND CARS (SOUTHAMPTON) LIMITED

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

3 Revenue

An analysis of the company's revenue is as follows:

	2021	2020
	£	£
Revenue analysed by class of business		
Sales	50,931,286	36,794,710
Aftersales	2,670,165	2,386,524
	<u>53,601,451</u>	<u>39,181,234</u>

	2021	2020
	£	£
Revenue analysed by geographical market		
UK	<u>53,601,451</u>	<u>39,181,234</u>

	2021	2020
	£	£
Other revenue		
Grants received	<u>148,087</u>	<u>378,299</u>

4 Operating profit

	2021	2020
	£	£
Operating profit for the year is stated after charging/(crediting):		
Government grants	(148,087)	(378,299)
Depreciation of owned property, plant and equipment	172,279	205,891
Operating lease charges	<u>59,188</u>	<u>67,618</u>

5 Auditor's remuneration

	2021	2020
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	<u>16,800</u>	<u>16,000</u>
For other services		
Taxation compliance services	2,000	2,000
All other non-audit services	<u>11,200</u>	<u>12,265</u>
	<u>13,200</u>	<u>14,265</u>

RICHMOND CARS (SOUTHAMPTON) LIMITED

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

6 Employees

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

	2021	2020
	Number	Number
Selling and distribution	48	61
Administrative	12	7
Total	60	68

Their aggregate remuneration comprised:

	2021	2020
	£	£
Wages and salaries	1,727,282	1,735,813
Social security costs	193,234	170,375
Pension costs	43,047	46,208
	1,963,563	1,952,396

7 Finance costs

	2021	2020
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	97,631	54,786
Other finance costs:		
Other interest	104,212	31,838
	201,843	86,624

RICHMOND CARS (SOUTHAMPTON) LIMITED

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

8 Taxation

	2021	2020
	£	£
Current tax		
UK corporation tax on profits for the current period	275,475	156,625
	<u> </u>	<u> </u>
Deferred tax		
Origination and reversal of timing differences	(1,994)	(9,192)
	<u> </u>	<u> </u>
 Total tax charge	 273,481	 147,433
	<u> </u>	<u> </u>

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

	2021	2020
	£	£
Profit before taxation	1,371,334	705,800
	<u> </u>	<u> </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	260,553	134,102
Tax effect of expenses that are not deductible in determining taxable profit	211	73
Permanent capital allowances in excess of depreciation	14,711	22,450
Deferred tax movement	(1,994)	(9,192)
	<u> </u>	<u> </u>
Taxation charge for the year	273,481	147,433
	<u> </u>	<u> </u>

RICHMOND CARS (SOUTHAMPTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

9 Property, plant and equipment

	Leasehold land and buildings £	Plant and machinery £	Fixtures, fittings & equipment £	Total £
Cost or valuation				
At 1 January 2021	3,571,399	722,172	197,294	4,490,865
Additions	-	5,696	12,901	18,597
At 31 December 2021	3,571,399	727,868	210,195	4,509,462
Depreciation and impairment				
At 1 January 2021	423,784	264,397	155,613	843,794
Depreciation charged in the year	74,570	78,646	19,063	172,279
At 31 December 2021	498,354	343,043	174,676	1,016,073
Carrying amount				
At 31 December 2021	3,073,045	384,825	35,519	3,493,389
At 31 December 2020	3,147,615	457,775	41,681	3,647,071

The carrying value of land and buildings comprises:

	2021 £	2020 £
Long leasehold	3,073,045	3,147,615

Leasehold land and buildings with a carrying amount of £3,073,045 (2020 - £3,147,615) have been pledged to secure borrowings of the company. The company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	2021 £	2020 £
Cost	3,571,399	3,571,399
Accumulated depreciation	(498,354)	(423,784)
Carrying value	3,073,045	3,147,615

RICHMOND CARS (SOUTHAMPTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

11 Inventories

	2021 £	2020 £
Work in progress	11,405	4,331
Finished goods and goods for resale	2,651,246	3,559,668
	<u>2,662,651</u>	<u>3,563,999</u>

The carrying amount of inventories includes £2,529,496 (2020 - £3,463,017) pledged as security for liabilities.

12 Trade and other receivables

	2021 £	2020 £
Amounts falling due within one year:		
Trade receivables	580,827	697,635
Other receivables	5,553,449	5,870,895
Prepayments and accrued income	103,027	116,714
	<u>6,237,303</u>	<u>6,685,244</u>

13 Current liabilities

	Notes	2021 £	2020 £
Bank loans	15	-	201,701
Trade payables		2,946,399	5,341,889
Corporation tax		275,474	156,625
Other taxation and social security		566,219	217,333
Deferred income	17	200,000	200,000
Other payables		4,667,151	2,907,866
Accruals		299,731	224,321
		<u>8,954,974</u>	<u>9,249,735</u>

Included in trade creditors is the sum of £2,550,365 (2020: £3,811,206) in respect of vehicle stock funding which is secured against the consignment vehicle stock.

14 Non-current liabilities

	Notes	2021 £	2020 £
Bank loans and overdrafts	15	-	2,783,207
		<u>-</u>	<u>2,783,207</u>
Amounts included above which fall due after five years are as follows:			
Payable by instalments		-	1,840,759
		<u>-</u>	<u>1,840,759</u>

RICHMOND CARS (SOUTHAMPTON) LIMITED

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

15 Borrowings

	2021	2020
	£	£
Bank loans	-	2,984,908
Payable within one year	-	201,701
Payable after one year	-	2,783,207

The bank loan was repaid on 31 March 2021.

16 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities	Liabilities
	2021	2020
	£	£
Balances:		
Accelerated capital allowances	34,978	36,972
Movements in the year:		2021
		£
Liability at 1 January 2021		36,972
Credit to profit or loss		(1,994)
Liability at 31 December 2021		34,978

The deferred tax liability set out above is expected to reverse and relates to accelerated capital allowances that are expected to mature within the same period.

17 Deferred income

	2021	2020
	£	£
Other deferred income	200,000	200,000

Deferred income represents an advance of commissions due for the period 1 January 2022 to 31 March 2022 by Hyundai. This advance is secured by the joint guarantee from Richmond Cars (Guildford) Limited and Richmond Cars Limited and a director Mr M R Nobes. The advance is interest free and repayable on demand.

RICHMOND CARS (SOUTHAMPTON) LIMITED

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

18 Retirement benefit schemes

	2021	2020
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>43,047</u>	<u>46,208</u>

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

19 Share capital

	2021	2020	2021	2020
	Number	Number	£	£
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

20 Financial commitments, guarantees and contingent liabilities

As part of the Richmond Cars group's banking arrangements the company has given a corporate guarantee for the bank borrowings of Richmond Cars Limited and Richmond Cars (Guildford) Limited. At 31 December 2021, the potential liability under this guarantee was £23,421,385 (2020: £18,081,397).

21 Operating lease commitments

Lessee

Operating lease payments represent rentals payable by the company for its long leasehold properties. These leases are negotiated for a period of 101 and 60 years and rentals are fixed at £63,750 per annum. Other rentals are in respect of equipment which range from 2 to 5 years.

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

	2021	2020
	£	£
Within one year	131,118	140,875
Between two and five years	408,534	441,902
In over five years	<u>3,536,500</u>	<u>3,625,750</u>
	<u>4,076,152</u>	<u>4,208,527</u>

RICHMOND CARS (SOUTHAMPTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

22 Related party transactions

During the year the company entered into trading transactions with Richmond Cars Limited and Richmond Cars (Guildford) Limited, companies controlled by the directors. These transactions are conducted in accordance with accepted dealer transfer arrangements. The company made net sales of £6,075,096 (2020: £6,795,934) and net purchases of £6,260,168 (2020: £28,055,651) to and from these companies in the year. As at the year end the company was owed £5,552,962 (2020: £5,662,412) by Richmond Cars (Guildford) Limited, owed £4,666,334 (2020: £2,910,792) to Richmond Cars Limited, owed £2,817 (2020: £Nil) to Newmans (Southampton) Limited, owed £487 (2020: £339 to) by Richmond Cars (Botley) Limited and was owed £Nil (2020: £208,483) by Richmond Cars (Fareham) Limited.

Management charges of £559,096 (2020: £150,000) were paid to Richmond Cars Limited for management services.

An unlimited multilateral guarantee has been given to the company's bankers to secure all liabilities of Richmond Cars Limited and Richmond Cars (Guildford) Limited.

In addition, Mr M R Nobes, a director and shareholder, has given a personal guarantee to secure the company's bank facilities and the Hyundai stocking funding plan.

23 Ultimate controlling party

The ultimate controlling party is Mr M R Nobes, a director and sole shareholder.

24 Cash generated from operations

	2021 £	2020 £
Profit for the year after tax	1,097,853	558,367
Adjustments for:		
Taxation charged	273,481	147,433
Finance costs	201,843	86,624
Depreciation and impairment of property, plant and equipment	172,279	205,891
Movements in working capital:		
Decrease/(increase) in inventories	901,348	(949,594)
Decrease in trade and other receivables	447,941	798,178
(Decrease)/increase in trade and other payables	(211,909)	217,054
Cash generated from operations	2,882,836	1,063,953

25 Analysis of changes in net funds/(debt)

	1 January 2021 £	Cash flows £	31 December 2021 £
Cash at bank and in hand	822,990	(479,138)	343,852
Borrowings excluding overdrafts	(2,984,908)	2,984,908	-
	(2,161,918)	2,505,770	343,852