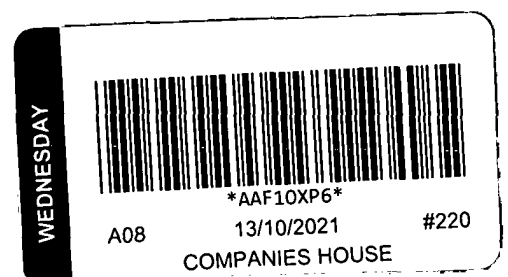


ADDISON TPS LIMITED

Annual Report and Financial Statements

for the year ended 31 December 2020



OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M D Raban

R S Walker (Resigned 29 June 2020)

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

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

D A McPhee (Appointed 19 February 2021)

COMPANY SECRETARY

P J Kenny

REGISTERED OFFICE

Lookers House
3 Etchells Road
West Timperley
Altrincham
WA14 5XS
United Kingdom

AUDITOR

BDO LLP
Statutory Auditor
Arcadia House
Maritime Walk - Ocean Village
Southampton
SO14 3TL
United Kingdom

DIRECTORS REPORT

For the year ended 31 December 2020

The Directors present the annual report and audited financial statements for the year ended 31 December 2020.

Principal activities

The Company acts on an agency basis, selling trade parts on behalf of the principal, the Volkswagen Group (VW). Under the terms of the agreement the Company recognizes both commission on the sale of trade parts - the commission earned being recorded at an agreed rate when the transaction has occurred - and the recharge of costs incurred in operating the business as revenue.

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

Business review and KPI's

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Revenue	1,736	1,785
Gross profit margin	30.9%	28.3%
Profit before tax	153	153

Revenue has broadly remained consistent year on year. Profit before tax has remained the same as prior year as the slight increase in gross profit margin during the year has been compensated by the slight increase in operating cost.

Dividends

An interim dividend of £nil (2019: £550k) was paid to shareholders in the year. The Directors do not recommend the payment of a final dividend (2019: £nil).

Principal risks and uncertainties

Due to its simplistic nature of business activities, the Company is not exposed to any significant risks or uncertainties.

Directors

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

Corporate Governance Statement

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

DIRECTORS REPORT (continued)
For the year ended 31 December 2020**Future developments**

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

Financial instruments

At 31 December 2020 the Company had net current assets of £1,318k (2019: £1,201k) which is inclusive of net amounts due from group undertakings (2020: £635k 2019: £554k).

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

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

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

Going concern

The Company has net current assets of £1,318k (2019: £1,201k) and is therefore not dependent upon funding from its ultimate parent Company, Lookers plc (the parent). However, the Directors have received confirmation via a letter of support from Lookers plc that it will provide financial support as is necessary to enable the Company to meet its liabilities as they fall due for a period of at least 12 months from the date of signing these financial statements. Lookers plc has both the ability and intent to provide this support if required.

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

As noted above, subsequent to the end of the year the Group has renegotiated a revised revolving credit facility.

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

Employee involvement

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

DIRECTORS REPORT (continued)
For the year ended 31 December 2020

Employment of disabled persons

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

Auditor

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

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

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

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

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



M D Raban
Director
7 October 2021

DIRECTORS' RESPONSIBILITIES STATEMENT
For the year ended 31 December 2020

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF ADDISON TPS LIMITED

Opinion on the financial statements

In our opinion the financial statements:

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

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

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF ADDISON TPS LIMITED (continued)

Other Companies Act 2006 reporting (continued)

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF ADDISON TPS LIMITED (continued)

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

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

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

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

Use of our report

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

DocuSigned by:

Malcolm Thixton

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

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

INCOME STATEMENT

For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
REVENUE	2	1,736	1,785
Cost of sales		(1,199)	(1,279)
		<hr/>	<hr/>
GROSS PROFIT		537	506
Net operating expenses		(372)	(343)
		<hr/>	<hr/>
OPERATING PROFIT		165	163
Interest	3	(12)	(10)
		<hr/>	<hr/>
PROFIT BEFORE TAX	4	153	153
Tax	5	(30)	(25)
		<hr/>	<hr/>
PROFIT FOR THE YEAR		<hr/> 123 <hr/>	<hr/> 128 <hr/>

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

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

The notes on pages 12 to 22 for part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
Year ended 31 DECEMBER 2020

	Note	Share capital £'000	Retained earnings £'000	Total £'000
As at 1 January 2019		-	1,725	1,725
Profit and total comprehensive income for the year		-	128	128
Dividends paid	7	-	(550)	(550)
		<hr/>	<hr/>	<hr/>
As at 31 December 2019		-	1,303	1,303
Profit and total comprehensive income for the year		-	123	123
		<hr/>	<hr/>	<hr/>
As at 31 December 2020		<hr/>	<hr/>	<hr/>

The notes on pages 12 to 22 for part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Note	2020 £'000	2019 £'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	34	57
Right of use assets	9	271	152
Deferred tax	13	8	6
		<u>313</u>	<u>215</u>
CURRENT ASSETS			
Trade and other receivables	10	1,414	1,388
Cash and cash equivalents		773	736
		<u>2,187</u>	<u>2,124</u>
TOTAL ASSETS		<u>2,500</u>	<u>2,339</u>
CURRENT LIABILITIES			
Trade and other payables	11	(738)	(858)
Lease liabilities	12	(95)	(61)
Corporation tax payable to fellow group company		(36)	(4)
		<u>(869)</u>	<u>(923)</u>
NET CURRENT ASSETS		<u>1,318</u>	<u>1,201</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,631</u>	<u>1,416</u>
NON-CURRENT LIABILITIES			
Lease liabilities	12	(205)	(113)
		<u>(205)</u>	<u>(113)</u>
TOTAL LIABILITIES		<u>(1,074)</u>	<u>(1,036)</u>
NET ASSETS		<u>1,426</u>	<u>1,303</u>
CAPITAL AND RESERVES			
Share capital	14	-	-
Retained earnings		1,426	1,303
SHAREHOLDER'S EQUITY		<u>1,426</u>	<u>1,303</u>

The financial statements of Addison TPS Limited, (registered number: 06261220), were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

M. D. Raban

M D Raban
 Director
 7 October 2021

The notes on pages 12 to 22 for part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

General information

Addison TPS Limited is a private Company limited by shares incorporated in England and Wales under the Companies Act 2006. The address of the registered office is Lookers House, 3 Etchells Road, West Timperley, Altrincham WA14 5XS.

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

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

Basis of preparation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)**1. ACCOUNTING POLICIES (continued)****Basis of preparation (continued)**

Certain disclosures required under IFRS 15 Revenue from Contracts with Customers, including disaggregation of revenue, details of changes in contract assets and liabilities, and details of incomplete performance obligations;

- Disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date; and
- Comparative narrative information.

Adoption of new and revised standards

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

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

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

Going concern

The Company has net current assets of £1,318k (2019: £1,201k) and is therefore not dependent upon funding from its ultimate parent Company, Lookers plc (the parent). However, the Directors have received confirmation via a letter of support from Lookers plc that it will provide financial support as is necessary to enable the Company to meet its liabilities as they fall due for a period of at least 12 months from the date of signing these financial statements. Lookers plc has both the ability and intent to provide this support if required.

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

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

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

Financial instruments*Recognition of financial instruments*

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

*Initial and subsequent measurement of financial assets**Cash and cash equivalents*

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Trade, group and other receivables

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

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

Effective interest rate method

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

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

Impairment of financial assets

An impairment loss is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle the instruments contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both. The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is a probability-weighted amount determined from a range of outcomes (including assessments made using forward looking information) and takes into account the time value of money.

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

For trade receivables, expected credit losses are measured by applying an expected loss rate to the gross carrying amount. The expected loss rate comprises the risk of a default occurring and the expected cash flows on default based on the aging of the receivable. The risk of a default occurring always takes into consideration all possible default events over the expected life of those receivables ("the lifetime expected credit losses"). Expected credit losses are considered over the maximum contractual period during which the entity is exposed to credit risk by extrapolating expectations beyond periods covered by reasonable and supportable forecasts. For trade receivables and contract assets, differences between the contractual and expected cash flows are discounted at the original effective interest rate used in the amortised cost measurement.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)**1. ACCOUNTING POLICIES (continued)****Financial instruments (continued)***Financial liabilities and equity*

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

*Initial and subsequent measurement of financial liabilities**Trade, group and other payables*

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

Equity instruments

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

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is provided in full, using the liability method, on taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is not provided on temporary differences arising on investments in subsidiaries, as the Company controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Revenue

The Company acts on an agency basis, selling trade parts on behalf of the principal, the Volkswagen Group. Under the terms of the agreement the Company recognizes both commission on the sale of trade parts - the commission earned being recorded at an agreed rate when the transaction has occurred - and the recharge of costs incurred in operating the business as revenue.

Property, plant and equipment

Depreciation is provided to write off the cost less the estimated residual value of other assets by equal instalments over their estimated useful economic lives. Freehold buildings and long leasehold properties are depreciated over 50 years on a straight-line basis to their estimated residual values. Short leasehold properties are amortised by equal instalments over the periods of the respective leases. All property, plant and equipment acquired is recorded at cost. Plant and machinery (including motor vehicles), fixtures, fittings, tools and equipment (including computer equipment and terminals), are depreciated on a straight-line basis at rates varying between 10% and 33% per annum over their estimated useful lives. The residual value of all assets, depreciation methods and useful economic lives, if significant, are reassessed annually. The depreciation charge in respect of property, plant and equipment is recognised within administrative expenses within the income statement.

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

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right of use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis. Under IFRS 16, right of use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low value assets (such as personal computers and office furniture), The Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within net operating expenses in the Income Statement.

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

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

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

The lease liability is presented as a separate line in the Statement of Financial Position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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

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

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

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms

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

and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that The Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the

commencement date of the lease. The right-of use assets are presented as a separate line in the Statement of Financial Position. The Company applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Critical accounting estimates

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

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

The Directors consider that there are no key estimates or assumptions made in preparation of these financial statements.

Judgments

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

2. REVENUE

All revenue relates to trading within the United Kingdom. The Company acts on an agency basis, selling trade parts on behalf of the principal, the Volkswagen Group. Under the terms of the agreement the Company recognizes both commission on the sale of trade parts - the commission earned being recorded at an agreed rate when the transaction has occurred - and the recharge of costs incurred in operating the business as revenue.

3. INTEREST

	2020 £'000	2019 £'000
Interest on lease liabilities	12	10
	<u>12</u>	<u>10</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. PROFIT BEFORE TAX

Profit before tax is stated after charging:

	2020 £'000	2019 £'000
Depreciation – property, plant and equipment	23	29
Depreciation – right of use assets	78	75

The auditor's remuneration for the statutory audit of the Company is £8,750 (2019: £8,500) and is borne by another group undertaking and not recharged. There were no non-audit related services provided by the auditor to the Company in the year.

The emoluments of those Directors who are also Directors of the ultimate parent Company, Lookers plc were borne by Lookers plc and not recharged. This is because fair apportionment is not possible as services are provided to multiple entities. There were no employees other than directors (2019: same).

5. TAX

	2020 £'000	2019 £'000
Current tax		
Current year	32	33
Deferred tax		
Origination and reversal of temporary differences	(2)	(3)
Adjustment in respect of prior years	-	(5)
	(2)	(8)
Tax charge for the year	30	25
Reconciliation of total tax		
Profit before tax	153	153
Standard rate of corporation tax at 19% (2019: 19%)	29	29
Items not allowable for tax	1	1
Adjustments in respect of prior years	-	(5)
Total tax	30	25

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

A UK corporation tax rate of 25% was announced in the Chancellor's budget of 3 March 2021 along with a temporary extension to the loss carry-back rules allowing up to £2.0m of tax losses to be carried back to the preceding three periods. The 25% rate will apply from 1 April 2023 and the carry-back of losses is expected to apply to years ended 31 December 2020 and 31 December 2021. If these two measures had been substantively enacted at the balance sheet date the Company's deferred tax asset would have increased by £4k.

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

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

	2020 No.	2019 No.
Average number of persons employed		
Sales	17	17
Administration	31	33
	<u>48</u>	<u>50</u>
	£'000	£'000
Staff costs		
Wages and salaries	984	1,089
Social security costs	94	87
Pension costs	40	36
	<u>1,118</u>	<u>1,212</u>

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

7. DIVIDENDS

	2020 £'000	2019 £'000
Dividend paid of £nil per share (2019: £550,000)	<u>-</u>	<u>550</u>

8. PROPERTY, PLANT AND EQUIPMENT

	Leasehold property £'000	Other £'000	Total £'000
Cost			
At 1 January 2020 and 31 December 2020	<u>127</u>	<u>199</u>	<u>326</u>
Accumulated depreciation			
At 1 January 2020	118	151	269
Charge for the year	9	14	23
At 31 December 2020	<u>127</u>	<u>165</u>	<u>292</u>
Net book value			
At 31 December 2020	<u>-</u>	<u>34</u>	<u>34</u>
At 31 December 2019	<u>9</u>	<u>48</u>	<u>57</u>

- Other includes plant and equipment, and fixture and fittings.
- At 31 December 2020 there is no amount committed (2019: nil) for future capital expenditure.
- The ultimate parent undertaking's revolving credit facility is secured via a debenture over certain assets of the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. RIGHT OF USE ASSETS

	Property on lease £'000
Cost	
At 1 January 2020	302
Additions	197
	<hr/>
At 31 December 2020	499
	<hr/>
Accumulated depreciation	
At 1 January 2020	150
Charge for the year	78
	<hr/>
At 31 December 2020	228
	<hr/>
Net book value	
At 31 December 2020	271
	<hr/>
At 31 December 2019	152
	<hr/>

10. TRADE AND OTHER RECEIVABLES

	2020 £'000	2019 £'000
Trade receivables	152	132
Amounts due from group undertakings	1,185	1,200
Other debtors	48	-
Prepayments and accrued income	29	56
	<hr/>	<hr/>
	1,414	1,388
	<hr/>	<hr/>

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

11. TRADE AND OTHER PAYABLES

	2020 £'000	2019 £'000
Trade creditors	-	67
Amounts due to group undertakings	550	646
Other tax and social security	77	72
Other creditors	21	37
Accruals and deferred income	90	36
	<hr/>	<hr/>
	738	858
	<hr/>	<hr/>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. LEASE LIABILITIES

	2020 £'000	2019 £'000
Total lease liabilities		
Current	95	61
Non-current	205	113
	<u>300</u>	<u>174</u>
Lease liabilities payable:	£'000	£'000
Less than one year	95	61
More than one year and not more than two years	95	50
More than two years and not more than five years	135	76
(Less): interest allocated to future years	(25)	(13)
	<u>300</u>	<u>174</u>

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

13. DEFERRED TAX

Deferred tax is calculated in full on temporary timing differences under the liability method using a tax rate of 19% (2019: 17%). The movement in the deferred tax account is as shown below:

	2020 £'000	2019 £'000
Deferred tax (asset) / liability at 1 January	(6)	2
Charged to income statement	(2)	(2)
Adjustments in respect of prior years	-	(6)
Deferred tax asset at 31 December	<u>(8)</u>	<u>(6)</u>

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets because the Directors deem it is probable that these assets will be recovered. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and the intention is to settle the balances net.

	2020 £'000	2019 £'000
Deferred tax assets:		
Accelerated tax depreciation	(4)	(2)
Leases	(4)	(4)
	<u>(8)</u>	<u>(6)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. SHARE CAPITAL

	2020 £	2019 £
Called up, allotted and fully paid		
1 ordinary share of £1	1	1

15. CONTINGENT LIABILITIES

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

16. SUBSEQUENT EVENTS

On 5 January 2021 a third national lockdown was implemented as a result of the ongoing COVID-19 pandemic. However as predominantly a supplier to the motor trade the Company continued to trade normally throughout the lockdown period which ended on 12 April 2021.

There are no other subsequent events to report.

17. ULTIMATE CONTROLLING PARTY

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

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