

Registered number: 00534618

Jardine Luxury Vehicles Limited Report and Financial Statements

31 DECEMBER 2022



Jardine Luxury Vehicles Limited
Report and Financial Statements

COMPANY INFORMATION

DIRECTORS	D N Williamson D J Muir
COMPANY SECRETARY	M Finch
REGISTERED NUMBER	00534618
REGISTERED OFFICE	C/O Porsche Centre Colchester Auto Way Ipswich Road Colchester Essex United Kingdom CO4 9HA
BANKERS	HSBC Bank plc Midland House 26 North Station Road Colchester CO1 1SY
SOLICITORS	Eversheds Sutherland LLP Kett House Station Road Cambridge CB1 2JY



Jardine Luxury Vehicles Limited
Report and Financial Statements

CONTENTS

	Page
Strategic Report	1 - 3
Directors' Report	4 - 6
Profit and Loss Account	7
Balance Sheet	8
Statement of Changes in Equity	9
Notes to the Financial Statements	10 - 26

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their Strategic report for Jardine Luxury Vehicles Limited (the 'company') for the year ended 31 December 2022.

Principal activity

The company's principal activity is the retail distribution of new and used motor vehicles and related activities in the motor trade. The company operates Mercedes-Benz and smart dealerships in Essex and Suffolk.

Review of the business and developments during the year

As part of the Jardine Motors Group UK group of companies, the group's mission is to be the best motor retail group in the UK by delivering an unparalleled level of customer service. It aims to achieve this by retaining existing and adding new customers, improving its operational effectiveness and growing sales volumes profitably whilst investing in the development and retention of its employees.

The 2022 UK new car market was 1,614,063 units which was 2.0% lower than the 2021 level, mainly a result of the on-going supply chain issues for new cars.

As the UK became free of COVID restrictions and returned to a more normalised way of living, the economy in general faced a number of economic challenges during 2022, which impacted the motor retail sector:

- Supply chain issues – the world-wide lockdowns experienced in 2021 and 2022 together with the Russia/Ukraine conflict since February 2022 resulted in many inter-related supply chain issues. Motor manufacturers were impacted by lack of semi-conductor chips, a key component in all new cars and supply of Ukrainian manufactured wiring harnesses.
- Post COVID related demand spikes. Within the motor retail sector many customers delayed or extended their personal replacement cycle for new car purchases resulting in a high level of pent-up demand.
- Rising inflationary pressures creating the 'cost of living' crisis in the UK.
- Continuing impact on UK imports and exports caused by Brexit.

The main impact to our business of these factors in 2022 has been a significant increase in per unit new and used car prices.

The company posted an operating profit of £5.8m (2021: £5.5m). On a like for like 'continuing operations' basis, turnover has increased by 1.6%. The general conditions outlined above resulted in a lack of supply of new cars increasing sales prices.

During the year the company closed its loss making bodyshop operation in Witham, Essex.

From 1 January 2023, Mercedes has moved to the Agency sales model for new cars. The company has worked towards this sales change and is ready to maximise the opportunities and sales potential arising from this change. As the company will receive an Agency fee for each new car sale that it delivers it will experience a significant fall in turnover in 2023 but the directors consider the change to be overall profit beneficial for the company.

Future developments

The company will continue to consolidate and grow the level of business with its brand partners and invest in its facilities to match their UK market aspirations.

The company is committed to its investments in digital solutions to provide customers with a seamless online/offline experience.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Future developments (continued)

Following the change in control of the company's ultimate UK parent undertaking, Jardine Motors Group UK Limited, on 15 March 2023 to Lithia UK Holding Limited, as detailed in Note 23, the company will continue with its operational focus, as detailed above, and actively seek acquisition targets within the UK with both existing and new franchise partners.

Key Performance Indicators (KPIs) and principal risks and uncertainties

The company measures performance of each dealership throughout the year against certain pre-determined KPIs including return on sales and investment, as well as operating metrics based on sales volumes and profit margins.

The company's principal financial KPIs during the year were:

	2022	2021
Return on sales % (continuing operations)	2.8	3.1
Gross profit % (continuing operations)	10.3	10.7
Operating profit £'000 (continuing operations)	5,796	5,694
New car sales units	1,995	2,488
Used retail car sales units	<u>3,006</u>	<u>3,815</u>

The directors manage the group's risks and those of its fellow subsidiaries at a group level. For these reasons the company's directors do not believe that a discussion of the principal risks facing the company is appropriate for an understanding of its development. The principal business risks it faces are discussed in the Directors' report of Jardine Motors Group UK Limited's Annual report, which does not form part of this report.

Section 172 (1) statement

The directors are fully aware of their responsibilities to promote the success of the company in accordance with section 172 (1) of the Companies Act 2006.

During the financial year the directors have acted in a manner that they believe has the best interests of the company, and all its stakeholders, as the main driving force behind all decisions taken. This includes the interests of the company's employees, shareholders, customers, suppliers and business partners and also the wider community and the environment. The company's reputation is core when making decisions. Acting in good faith and fairly between stakeholders, the directors, at all times, consider what is most likely to promote the success of the company for its members in the long term.

Employees

The company aims to be a responsible and fair employer, treating all colleagues equally and with respect and to provide fair remuneration and benefits. We aim to create an inclusive environment where all colleagues feel valued, have a sense of belonging and are supported to develop and grow with us regardless of gender, race, sexuality, disability, or background. Health and safety of all our colleagues is of the highest priority and the directors continually invest to ensure the highest of standards are maintained throughout the businesses. The wellbeing and mental health of all colleagues is of paramount importance to the company with investments made in the provision of trained mental health first aiders throughout the business.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Section 172 (1) statement (continued)

Shareholders

The directors work very closely with the group's shareholders, informing them of key business initiatives and investments throughout the year and through regular monthly financial updates. All actions of the directors are taken with the long-term benefit of the shareholders in mind.

Customers

The satisfaction and welfare of our customers is paramount to the company culture that the directors instil throughout the business. Continuous training and communication of, and to, our colleagues aims to ensure the highest possible level of customer satisfaction and engagement is made with every single customer interaction.

Suppliers and business partners

Regular meetings are held with our manufacturer partners to ensure the company adheres to brand requirements. The company monitors its suppliers to ensure that all relevant regulations are met within their own manufacturing and employment frameworks.

Wider community and environment

The directors are aware of the impact of the company's operations within the local community and on the environment and consider these factors when taking decisions and making investments.

On behalf of the Board

D Muir

D Muir
Company Director
27 June 2023

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

D N Williamson
D J Muir
P D Wilbraham (appointed 21 June 2023)

Qualifying third party indemnity provisions

No qualifying third party indemnity provision was in force during the financial year ended 31 December 2022 or at the date of this report.

Post balance sheet events

On 15 March 2023, the entire share capital of the ultimate UK parent undertaking, Jardine Motors Group UK Limited, was acquired by Lithia UK Holding Limited, a company that is wholly owned by Lithia Motors, Inc. Lithia Motors, Inc has a service address of 150 North Bartlett Street, Medford, USA.

Going concern

The directors of the company and the wider group have adopted the going concern basis in preparing these financial statements after assessing the wider group's principal risks.

The wider group meets its day-to-day working capital requirements through a mixture of its banking facilities, manufacturer stock funding lines and shareholder support. The directors have assessed the wider group's ability to continue trading for the twelve months following the approval of these financial statements by preparing detailed cash flow and profit forecasts, including considering a "severe but plausible" downside scenario and models the impact on the trading results for the wider group.

The directors have concluded that they have a reasonable expectation that the wider group and company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Employees and equal opportunities

The company is committed to an active equal opportunities policy from recruitment and selection, through training and development, appraisal and promotion to retirement.

It is the company's policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sex and sexual orientation. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion opportunities of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Employees and equal opportunities (continued)

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through internal newsletters, briefing groups and various electronic communications.

Political donations

During the year, the company made no political contributions (2021: £nil).

Streamlined Energy & Carbon Reporting (SECR)

Full reporting of SECR covering Jardine Luxury Vehicles Limited is included in the Directors' report of Jardine Motors Group UK Limited.

Statement of directors' responsibilities in respect of the financial statements

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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' 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 the 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 United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

On behalf of the Board



D Muir
Company Director
27 June 2023

**BALANCE SHEET
AS AT 31 DECEMBER 2022**

	Note	2022 £000	2021 £000
Fixed assets			
Tangible assets	12	3,998	4,322
		<u>3,998</u>	<u>4,322</u>
Current assets			
Stocks	13	21,586	25,400
Debtors: Amounts falling due within one year	14	15,337	15,409
		<u>36,923</u>	<u>40,809</u>
Creditors: Amounts falling due within one year	15	(25,361)	(24,481)
Net current assets		<u>11,562</u>	<u>16,328</u>
Total assets less current liabilities		<u>15,560</u>	<u>20,650</u>
Net assets		<u>15,560</u>	<u>20,650</u>
Capital and reserves			
Called-up share capital	17	1,500	1,500
Retained earnings		14,060	19,150
Total equity		<u>15,560</u>	<u>20,650</u>

The directors consider that the company is entitled to exemption from the requirement to have an audit under the provisions of section 479A of the Companies Act 2006 ("the Act") and the members have not required the company to obtain an audit for the year in question in accordance with section 476 of the Act.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements on pages 7 to 26 were approved by the board on 27 June 2023 and were signed on its behalf by:

D Muir

D Muir
Company Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called-up share capital £000	Retained earnings £000	Total equity £000
At 1 January 2022	1,500	19,150	20,650
Comprehensive income/(expense) for the year			
Profit for the year	-	4,910	4,910
Dividends paid (note 17)	-	(10,000)	(10,000)
At 31 December 2022	<u>1,500</u>	<u>14,060</u>	<u>15,560</u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital £000	Retained earnings £000	Total equity £000
At 1 January 2021	1,500	24,279	25,779
Comprehensive income/(expense) for the year			
Profit for the year	-	4,871	4,871
Dividends paid (note 17)	-	(10,000)	(10,000)
At 31 December 2021	<u>1,500</u>	<u>19,150</u>	<u>20,650</u>

The notes on pages 10 to 26 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. General information

The principal activity of Jardine Luxury Vehicles Limited (the 'company') is the retail distribution of motor vehicles and related activities in the motor trade.

The company is a private company limited by shares and is incorporated in England, United Kingdom. The address of its registered office is C/O Porsche Centre Colchester, Auto Way, Ipswich Road, Colchester, Essex, United Kingdom, CO4 9HA.

2. Statement of compliance

The financial statements of Jardine Luxury Vehicles Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Summary of significant accounting policies

The principal accounting policies applied 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.

Basis of preparation

The financial statements are prepared on a going concern basis under the historical cost convention.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Going concern

The directors of the company and the wider group have adopted the going concern basis in preparing these financial statements after assessing the wider group's principal risks.

The wider group meets its day-to-day working capital requirements through a mixture of its banking facilities, manufacturer stock funding lines and shareholder support. The directors have assessed the wider group's ability to continue trading for the twelve months following the approval of these financial statements by preparing detailed cash flow and profit forecasts, including considering a "severe but plausible" downside scenario and models the impact on the trading results for the wider group.

The directors have concluded that they have a reasonable expectation that the wider group and company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Exemptions for qualifying entities under FRS102

FRS 102 allows a qualifying entity certain disclosure exemption subject to certain conditions. The company has taken advantage of the following exemption in its financial statements:

- *from preparing a statement of cash flows, it is a wholly owned subsidiary of Lancaster Public Limited Company and it is included in the consolidated financial statements of that company, which are publicly available; and*
- *from disclosing the company key management personnel compensation, as required by FRS 102, paragraph 33.7.*

Functional and presentation currency

The financial statements are presented in pound sterling and rounded to thousands. The company's functional and presentation currency is pound sterling.

Revenue recognition

Turnover comprises the value of sales of motor vehicles and parts, income from financing agreements and income from servicing and repairing of vehicles. Value added tax and discounts are excluded.

Turnover from the sale of goods is recognised upon transfer to a third party of economic benefits arising from the use of an asset or completion of service work. In practice this means that turnover is recognised when vehicles are invoiced and physically dispatched or when the service or repair has been undertaken. In respect of income from financing agreements, the revenue is recognised in the period in which the related product is sold and receipt of payment assured.

Rebates

Any rebates received from suppliers for achievement of set targets are recognised in the profit and loss account only when the target has been achieved and the amount of rebate payable confirmed by the supplier.

Government grants

The company recognises any government grants, including receipts under the Coronavirus Job Retention Scheme, *as they are received and only when there is reasonable assurance that the company has complied with conditions relating to the grants.* Such grants are recognised in the profit and loss account in the periods during which the costs for which they are intended to compensate are incurred. The grants are presented in other operating income.

Pensions

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. *Once the contributions have been paid the company has no further payment obligations.* The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and pension plans. The company also provides a car purchase and loan scheme to certain employees; the related vehicles are available for sale by the wider group and therefore reflected as stock.

Taxation

Current tax is the amount of corporation tax payable provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Goodwill

Goodwill arising on acquisition, being the difference between the fair value of net assets acquired and the consideration paid, is recognised in the balance sheet as an intangible fixed asset and amortised over the directors' estimate of its useful life. As the directors expect the useful life to be greater than ten years, the company amortises goodwill over ten years as required by FRS 102.

On acquisition, goodwill is allocated to cash generating units (CGU) on a franchise basis. This is the level at which goodwill is monitored for internal purposes. On a subsequent disposal or termination of a previously acquired business, the profit or loss on disposal or termination is calculated after charging the amount of any related goodwill not written off through the profit and loss account.

Goodwill is tested annually for impairment. This is based on value-in-use calculations for each CGU to derive a recoverable amount. These calculations require the use of estimates regarding the expected future cashflows.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on tangible fixed assets in equal annual instalments over their expected useful economic lives as follows:

Short-term leasehold land and buildings	- over term of lease
Plant and machinery	- 10% - 33% per annum
Computer equipment	- 20% - 33% per annum
Furniture, equipment and motor vehicles	- 10% - 33% per annum

The profit or loss on disposal of tangible fixed assets is recognised by reference to their carrying amount.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Leased assets

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Where assets are financed by leasing arrangements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Stock

Stock is valued at the lower of cost and net realisable value. Cost is actual purchase price, excluding value added tax. Stock includes interest-bearing consignment stock, the corresponding liabilities of which are included in creditors. The interest cost related to consignment stock is disclosed as stocking loan interest within interest payable and similar charges. Consignment stock that is non-interest bearing is not considered an asset of the company and is excluded. Net realisable value is based on estimated selling price less further costs to be incurred to completion and disposal. Provision is made where necessary for obsolete, slow moving and defective stocks.

Trade and other debtors

Trade and other debtors are recognised and measured at their original invoiced amount less provision for any uncollectable amounts. An estimate for doubtful debts is made when the collection of the full amount is no longer probable. Bad debts are written off when they are identified.

Cash and cash equivalents

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

Provisions

The company provides in full for liabilities when it has a legal or constructive obligation arising from a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated

Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Financial assets (continued)

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. 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 the profit and loss account.

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 the profit and loss account.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts 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 and subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Distributions to equity holders

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders and paid. These amounts are recognised in the statement of changes in equity.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Related party transactions

The company is exempt from disclosing related party transactions with entities that are part of the group as the company is a wholly owned subsidiary of Jardine Motors Group UK Limited.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

4. Critical accounting judgements and estimation uncertainty

Critical accounting judgements

Exceptional items

The company classifies certain one-off charges or credits that are of a non-recurring nature as exceptional. This can involve management judgement in determining whether an item is a one-off and/or non-recurring in nature as well as the materiality of the relevant items.

Estimation uncertainty

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below.

Estimated useful lives of goodwill and other fixed assets

The company estimates the useful life of goodwill and tangible fixed assets and reviews these at each financial year end.

Impairment of goodwill and other fixed assets

The company tests for impairment annually by applying procedures to ensure that its assets are carried at no more than their recoverable amount. The procedures require estimates and assumptions to be made.

Stock

As stocks are carried at the lower of cost and net realisable value this requires the estimation of the eventual sales price of goods to customers in the future. A degree of judgement is applied when estimating the impact on the carrying value of stock of factors such as obsolete, slow moving and defective stocks. The quantity, age and condition of stocks are regularly measured and assessed as part of a range of reviews and stock counts undertaken throughout the year and across the company.

Tax estimates

The calculation of the company's total tax charge for the year necessarily involves a degree of estimation in respect of certain items whose tax treatment cannot be finally determined at the reporting date. The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits, based on the latest available profit forecasts, will be available in the future against which the reversal of timing differences can be deducted.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

5. Turnover

All turnover is derived from retail and commercial motor trade activities transacted from dealerships within the United Kingdom.

An analysis of turnover by category is as follows:

	2022 £000	2021 £000
New car sales	63,761	58,375
Used car sales	113,241	119,196
Aftersales	21,505	22,617
	<u>198,507</u>	<u>200,188</u>

6. Operating profit

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

	2022 £000	2021 £000
Management charge payable to group undertakings	1,461	1,069
Depreciation of tangible fixed assets (note 12)	866	922
Stock recognised as an expense	168,378	169,389
Impairment of stocks (note 13)	145	310
Impairment of trade debtors (note 14)	74	48
Operating lease charges - land and buildings	1,132	1,278
Operating lease charges - plant and machinery	126	214
Government grants received (other operating income)	<u>-</u>	<u>(248)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

7. Employees

Staff costs were as follows:

	2022	2021
	£000	£000
Wages and salaries	12,384	11,793
Social security costs	1,397	1,342
Other pension costs (note 21)	260	255
	<u>14,041</u>	<u>13,390</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2022	2021
	No.	No.
Sales	90	82
Aftersales	195	219
Administration	41	57
	<u>326</u>	<u>358</u>

8. Directors

No emoluments or fees were paid to directors during the year (2021: £nil) in respect of their services to the company. The costs of the key management personnel are borne by Jardine Motors Group UK Limited and disclosed in the financial statements of Jardine Motors Group UK Limited.

9. Interest

	2022	2021
	£000	£000
Interest receivable and similar income		
Other interest receivable	<u>98</u>	<u>572</u>
	2022	2021
	£000	£000
Interest payable and similar charges		
Other interest payable	16	-
Stocking loan interest	247	312
	<u>263</u>	<u>312</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

10. Tax on profit

	2022 £000	2021 £000
Current tax		
UK corporation tax at 19.00% (2021 - 19.00%)	540	988
Adjustment in respect of prior years	44	-
Total current tax	<u>584</u>	<u>988</u>
Deferred tax		
Accelerated capital allowances	379	(106)
Adjustment in respect of prior years	(240)	(1)
Total deferred tax (note 16)	<u>139</u>	<u>(107)</u>
Tax on profit	<u>723</u>	<u>881</u>

Reconciliation of tax charge

The tax assessed for the year is lower than (2021 - lower than) the standard rate of corporation tax in the UK of 19.00% (2021 - 19.00%). The differences are explained below:

	2022 £000	2021 £000
Profit before taxation	<u>5,633</u>	<u>5,752</u>
Profit before taxation multiplied by standard corporation tax rate in the UK of 19.00% (2021 - 19.00%)	1,070	1,093
Effects of:		
Adjustment to taxable profit - group recharges	(248)	(171)
Expenses not deductible for tax purposes	107	48
Net temporary differences: effect of change in tax rates	(10)	(88)
Adjustment in respect of prior years	(196)	(1)
Total tax charge for the year	<u>723</u>	<u>881</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Goodwill
£000

1,703

1,703

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

12. Tangible assets

	Short-term leasehold property £000	Plant and machinery £000	Computer equipment £000	Furniture, equipment and motor vehicles £000	Total £000
Cost					
At 1 January 2022	3,183	3,129	1,347	3,406	11,065
Additions	-	333	72	429	834
Disposals	(36)	(1,061)	(185)	(404)	(1,686)
At 31 December 2022	3,147	2,401	1,234	3,431	10,213
Accumulated depreciation					
At 1 January 2022	1,250	2,229	832	2,432	6,743
Charge for the year	274	163	139	290	866
Disposals	(31)	(885)	(98)	(380)	(1,394)
At 31 December 2022	1,493	1,507	873	2,342	6,215
Net book amount					
At 31 December 2022	1,654	894	361	1,089	3,998
At 31 December 2021	1,933	900	515	974	4,322

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

13. Stocks

	2022 £000	2021 £000
Consignment vehicles	632	3,119
Motor vehicles	19,478	20,917
Parts and other stocks	1,476	1,364
	<u>21,586</u>	<u>25,400</u>

Stock held on consignment includes interest-bearing stock which has a corresponding liability included in trade creditors. Vehicles adopted out of consignment stock are generally invoiced at the price ruling at the date of adoption.

Motor vehicles includes stock that is financed through captive finance companies associated with brand partners.

There is no significant difference between the replacement cost of the stock and its carrying amount.

Motor vehicles are stated after provision for impairment of £145,000 (2021: £310,000).

14. Debtors

	2022 £000	2021 £000
Due within one year		
Trade debtors	1,646	1,578
Amounts owed by group undertakings	11,700	11,554
Other debtors	1,050	1,276
Deferred tax asset (note 16)	232	371
Other taxation and social security	100	-
Prepayments and accrued income	609	630
	<u>15,337</u>	<u>15,409</u>

The amounts owed by group undertakings are unsecured, interest free, have no fixed repayment terms and are repayable on demand.

Trade debtors are stated after provisions for impairment of £74,000 (2021: £48,000).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

15. Creditors: Amounts falling due within one year

	2022	2021
	£000	£000
Bank overdrafts	221	221
Trade creditors	20,385	18,484
Corporation tax	540	988
Other taxation and social security	118	231
Other creditors	2,884	2,917
Accruals and deferred income	1,213	1,640
	<u>25,361</u>	<u>24,481</u>

The company utilises funding provided by finance companies associated with its brand partner to finance some of its vehicle stocks. All funding is secured against the respective vehicles. The amounts are repaid upon sale of the related vehicles or generally within 90 days. The facilities are uncommitted and subject to Bank of England Base Rate based interest rates. The interest charged is disclosed within interest payable and similar charges as stocking loan interest (note 9).

At 31 December 2022, the amount of stock funded through the finance company was £18,216,000 (2021: £16,675,000) and is disclosed within trade creditors.

The bank overdrafts of the company are guaranteed under the terms of the UK group unlimited cross-guarantee agreement. Interest is charged on the bank overdrafts at rates linked to bank base rate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

16. Deferred tax assets

	2022 £000	2021 £000
At beginning of year	371	264
(Charged)/credited to profit or loss (note 10)	(139)	107
At end of year	232	371

The deferred tax asset is made up as follows:

	2022 £000	2021 £000
Accelerated capital allowances	227	371
Other short term timing differences	5	-
	232	371

The directors consider there will be sufficient taxable profits in the future such as to realise the deferred tax assets.

In addition to the deferred tax assets above, the company has unutilised historic ACT tax credits of £2,453,000 (2021: £3,607,000). The ACT tax credits have no expiry date and are available indefinitely against qualifying tax charges. The directors consider there to be insufficient certainty over the ability of the company to offset the available tax credits for the foreseeable future in order to recognise a deferred tax asset at the balance sheet date.

On 3 March 2021, the UK Government announced its intention to increase the UK corporation tax rate from 19% to 25% from 1 April 2023 which was substantively enacted on 24 May 2021. On 23 September 2022, the UK Government announced it had cancelled the planned increase to 25% and that the UK corporation tax rate would remain at 19%. On 17 October 2022, the UK Government reversed its decision meaning the originally planned increase of the UK corporation tax rate to 25% would proceed.

Medium to long term temporary differences were therefore remeasured using 25% in the prior period and a credit of £88,000 for the rate change impact of remeasuring opening temporary differences was recognised in the group financial statements for the year ended 31 December 2021. There was no rate change impact for the year ended 31 December 2022.

Other short term timing differences were recognised at 19% in the prior period as the future reversal of the underlying timing difference was anticipated to take place prior to 1 April 2023. Other short-term differences were remeasured at a rate of 23.5% and a credit of £64,000 for the rate change impact of remeasuring temporary differences has been recognised in the financial statements for the year ended 31 December 2022.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

17. Share capital

	2022	2021
	£000	£000
Allotted, called-up and fully paid		
1,500,000 (2021 - 1,500,000) ordinary shares of £1 each	<u>1,500</u>	<u>1,500</u>
A dividend of £10,000,000 (2021: £10,000,000) was proposed and approved and paid by members on 23 December 2022.		

18. Financial instruments

	2022	2021
	£000	£000
Financial assets that are debt instruments measured at amortised cost:		
Trade debtors	1,646	1,578
Amounts owed by group undertakings	11,700	11,554
Other debtors	1,050	1,276
	<u>14,396</u>	<u>14,408</u>
Financial liabilities measured at amortised cost:		
Bank overdrafts	(221)	(221)
Trade creditors	(20,385)	(18,484)
Other creditors	(2,884)	(2,917)
Accruals and deferred income	(1,213)	(1,640)
	<u>(24,703)</u>	<u>(23,262)</u>

19. Related party transactions

The company is exempt from disclosing related party transactions with entities that are part of the group as the company is a wholly owned subsidiary of Jardine Motors Group UK Limited, who prepare consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

20. Commitments under operating leases

At 31 December the company had total future minimum lease payments under non-cancellable land and buildings operating leases which expire as follows:

	2022	2021
	£000	£000
Within one year	1,103	1,078
Within two to five years	3,845	3,782
After five years	2,958	3,390
	<u>7,906</u>	<u>8,250</u>

The company also has future minimum lease payments of £nil (2021: £139,000) due within one year in respect of plant and machinery.

21. Pension schemes

The ultimate United Kingdom parent undertaking, Jardine Motors Group UK Limited, operates one principal scheme, which is in part defined benefit and in part defined contribution, and one principal defined contribution pension scheme that the company participates in. The principal scheme closed to future accrual on 1 December 2009, at which point all remaining members were able to join the defined contribution scheme.

During the year the company has made no contributions (2021: £nil) to the defined benefit scheme and £260,000 (2021: £255,000) to the defined contribution scheme.

22. Contingent liabilities

The company is subject to cross guarantees covering overdrafts in Jardine Motors Group UK Limited and fellow subsidiaries. These overdrafts amounted to £nil at 31 December 2022 (2021: £nil).

Disclosure relating to claims made by claims management companies against the wider group in relation to discretionary finance commission structures are disclosed in the financial statements of Jardine Motors Group UK Limited.

23. Post balance sheet events

On 15 March 2023, the entire share capital of the company was acquired by Lithia UK Holding Limited, a company that is wholly owned by Lithia Motors, Inc. Lithia Motors, Inc has a service address of 150 North Bartlett Street, Medford, USA.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

24. Ultimate parent undertaking

The immediate parent undertaking is Lancaster Public Limited Company.

During the year the ultimate parent undertaking and controlling party was Jardine Matheson Holdings Limited, a company incorporated at Jardine House, 33-35 Reid Street, Hamilton, Pembroke, Bermuda.

Jardine Matheson Holdings Limited was the parent undertaking of the largest group of undertakings to consolidate these financial statements.

Lancaster Public Limited Company is the parent undertaking of the smallest group of undertakings to consolidate these financial statements.

The consolidated financial statements of Lancaster Public Limited Company and Jardine Matheson Holdings Limited can be obtained from the address below:

M Finch
Jardine Motors Group UK Limited
C/O Porsche Centre Colchester
Auto Way, Ipswich Road
Colchester
Essex
United Kingdom
CO4 9HA