

# **Sandal Motors (Bayern) Limited**

## **Reports and Financial Statements**

31 December 2019



## Sandal Motors (Bayern) Limited

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Registered No. 01381018

### **Directors**

D Bosomworth

T J Simons

J Carter

### **Secretary**

T J Simons

### **Auditors**

Ernst & Young LLP

1 Bridgewater Place

Water Lane

Leeds

LS11 5QR

### **Bankers**

Yorkshire Bank plc

4 Victoria Place

Manor Road

Leeds

LS11 5AE

### **Registered Office**

Dewsbury Road

Wakefield

WF2 9BE

## Strategic report

The Directors present their strategic report for the year ended 31 December 2019.

### Review of the business

The principal activity of the Company during the year was within the motor industry, operating authorised BMW and MINI centres, including the sale of new and used vehicles, parts and undertaking servicing and bodyshop crash repairs.

### 2019 performance, strategy and key performance indicators

The Company's key financial performance indicators during the year were as follows:

	2019	2018	Change
	£	£	%
Turnover	85,913,546	80,985,335	6.08%
Gross Profit	3,301,380	3,024,611	9.15%

The Directors consider the 2019 result to be satisfactory given the wider economic uncertainty resulting from the ongoing Brexit discussions and a total UK New vehicles market that fell by 2.4% in 2019 to its lowest level since 2013. Despite this background in 2019 growth in turnover of £4.93M, 6.08%, and gross profit £277K, 9.15%, was achieved.

The principal reason for the increase in turnover was a 12 % growth in Service business and an 8% growth in Used BMW retail vehicles sold, both of which contributed to increases in gross profit. As a consequence of weaker consumer demand, fewer new car sales were achieved which coupled with increased margin pressure as competitors resorted to increased discount levels and a 50% increase in advertising costs lead to reduced new car profit levels.

Despite those challenges, the sales and margin improvements achieved in other areas of the business contributed to a decrease in loss before tax of £83K compared to 2018.

Strong control and management of the working capital of the business enabled the sound cash position to continue, with positive cash reserves and low gearing.

Average employee numbers increased by 1.5% compared with 2018 with training costs remaining at a similar level to 2018 to further improve and develop standards and strategies appropriate for the long-term success of the company.

## Strategic Report (continued)

### Principal risks and uncertainties

The principal risks and uncertainties affecting the Company's trading activity surround the general demand within the new car market and the impact of any political changes thereon, product availability and model changes and the impact of the economic environment. The Directors seek to manage the uncertainties and cyclical changes to the business through robust processes and a proactive management culture, focusing on all aspects of the business to mitigate these risks wherever possible.

### Financial Risks

The key financial risks relate to the ongoing availability of the funding facilities available to the Company, the principal ones of which are the manufacturer funding facilities utilised to fund the purchase of new and used vehicles and the bank overdraft facility. The manufacturer funding facilities for such purposes are prevalent and commonplace throughout the retail motor industry and these are expected to continue in the foreseeable future. The Company continues to operate well within the facilities available and the Directors are not aware of any reason to suggest any of these will be withdrawn.

### Business interruption and IT systems

The business is reliant on access to our computer systems and information technology which could be adversely affected by power loss, vandalism, and telecommunication failure or similar. To mitigate such risks the company has in place contingency and energy plans, which include offsite back up of the data and business interruption insurance.

### Regulatory Compliance Risk

The Company is required to meet various regulatory standards and compliance, including those set out by VOSA (Vehicle Operations and Services Agency), GDPR (General Data Protection Regulations) the FCA (Financial Conduct Authority), Trading and Health and Safety Executive. Failure to meet these standards could result in fines or sales of certain products being suspended for a short time.

### COVID-19

Following the outbreak of the Worldwide Coronavirus pandemic that hit the UK in early 2020, the Government imposed strict lockdown periods with measures necessary to contain the pandemic. This affected the business significantly in Q2 and to a lesser extent in November 2020 when the second lockdown occurred. As a direct result of the first lockdown, the business had no income streams for nearly 3 months, however to mitigate the worst of the financial impact of these extreme circumstances the business adapted very quickly and ensured the business was on a sound footing and ready to return to successful trading once the lockdown ceased.

The strategies deployed in both 2019 and 2020 have resulted in a very positive results in 2020, notwithstanding the major impact the Coronavirus pandemic has had, with a return to strong profitability and an increase in cash reserves.

Whilst the Coronavirus pandemic remains a threat, the development of vaccines to help prevent against COVID 19 has gained approval and its successful rollout should help prevent further extensive lockdowns in the future.

The Directors are confident that the balance sheet strength of the company and the policies and actions deployed will ensure the business operates on a sound financial and operational footing. With the actions and measures taken to improve operational efficiency, management policies, marketing initiatives and a continuing control of costs, the Directors anticipate and are optimistic about profitable operations in 2020 and beyond.

## Strategic Report (continued)

### Principal risks and uncertainties (continued)

#### COVID-19 (continued)

The company is well aware of these risks and to mitigate such all members of staff are made aware of the risks and the business utilises external advisers to audit the business and to uphold high standards.

### Section 172 (1) Statement

The Directors consider they have acted in good faith to promote the success of the Company, have overall responsibility for delivering the company's strategy, and have adhered to the requirements of section 172 (1) (a) to (f) of the Companies Act 2006.

#### Stakeholder relationships

In addition to the shareholders who are all directors, the stakeholders of the business include the principal supplier BMW, employees, customers and the finance facility providers and these are at the forefront of the Directors' minds when making decisions to promote the Company.

The Company operates franchised BMW and MINI motor retail centres. These franchises are vital to source new stock, perform warranty repairs and display the manufacturer trademarks and logos. They also provide programmes to promote vehicle sales and ensure employees are trained to the latest standards and with the latest products. The Directors consider that excellent working relations with our franchise partners is of crucial importance and this is maintained by regular and constructive interactions at both director and senior management levels and by ensuring that the company communicates and aligns their goals within the business to deliver optimal and mutually acceptable performance.

The underlying principle for high business standards and conduct translates to a fair and transparent approach to all interactions with employees, customers and suppliers. This is reflected in the length of service of employees, the management teams and the longevity of relationships with customers and suppliers.

#### Long-term Strategy

The Company's long-term strategy is to provide the BMW and MINI brands with first class product presentation and to provide a one stop shop operation for all retail motoring requirements within a customer focussed, privately owned and professionally run organisation.

Through the provision of excellent customer service and the continual reinvestment of profit and cash generated within the business into facilities, the directors aim to deliver long term stability and to increase revenues and profits.

The Company puts the customer at the centre of its activities and embedded within our strategy and marketing is "privately owned and putting the customer first". This philosophy has continued throughout the operation of the business and translates to treating customers fairly, with integrity and within a relaxed, professional environment and without high pressure sales techniques. The Company seeks to engage with customers in a consistent manner with all interaction whether face to face, by telephone or increasingly across all digital formats. Employees are encouraged to develop long term customer relationships, provide suitable advice having due regards to customers circumstances and requirements and to build loyalty to both the company and the brands it represents. Evidence of high customer satisfaction is monitored by regular reviews of manufacturer customer surveys.

The directors regard a reputation for high business standards and conduct is essential and takes due consideration for the financial performance, funding, health and safety, human resource and efficiency of all operations to ensure appropriate decisions are taken assessing the implications for the business and all its stakeholders.

## Strategic Report (continued)

### Section 172 (1) Statement (continued)

#### Employees and Equal Opportunities

The Directors understand that recruiting, training, motivating and retaining the best team members is essential to maintain excellent customer service and the Company invests significantly in providing appropriate training and offering good working environments and remuneration.

The Company deploys an equal opportunities policy and is committed to the principles within the policy in respect of all stakeholders. Relevant and current legislation and procedures are followed in relation to all aspects of the relationship with employees.

#### Community and the Environment

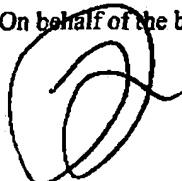
The Directors' always have regard for the impact its operations have in relation to health, safety, the environment and community and utilise external advisers to uphold high standards. The Company does whatever it can within its resources to promote better community relations and engagement and foster good environmental credentials.

The BMW and MINI brands we represent are at the forefront of development of both hybrid and fully electric vehicles and new engine technology to enhance efficiency and reduce emissions. The business continues to promote and see growth in these areas and invests in technology and training to maintain these vehicles

#### Decision Making and Principal Decisions

The Directors understand the importance of considering all stakeholders when making decisions and acknowledges that in discharging their duty to promote the success of the company they do so to benefit the stakeholders as a whole.

On behalf of the board



T J Simons  
Director

26 February 2021

## Directors' report

The directors present their report for the year ended 31 December 2019.

### Directors

The directors who served the company during the year were as follows:

D Bosomworth  
T J Simons  
J Carter

### Results and dividends

The loss for the year after taxation amounted to £248,795 (2018 - loss of £353,210). The directors do not recommend a final dividend (2018 - £Nil).

### Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are presented in the Strategic report on pages 2 to 5.

The Company is part of a Group headed up by the ultimate parent undertaking, Findpath Limited, whereby cash and cashflows are managed centrally across the Group. Consequently, the Company has obtained a letter of financial support from Findpath Limited which confirms that Findpath Limited will provide financial support to the Company to assist in meeting its liabilities to the extent that money is not otherwise available to the Company to meet such liabilities, for a period until 31 March 2022.

The Company shares common Directors with Findpath Limited, who in their assessment of going concern considered the ability of Findpath Limited, to provide financial support.

The Group's banking facilities consist of a term loan expiring 2033 and an on-demand overdraft facility of £1.5M which is due for renewal in March 2021 which the Directors expect to be renewed for one year to March 2022 based upon ongoing discussions with the bank. In addition, the Group has vehicle stocking finance through the manufacturers funding facilities for new and used cars, the limits of which are reviewed and agreed annually. The Directors consider there are no reason why such renewals or limits will not be agreed at a level acceptable to the Group based upon its relationship with the funding provider, when the time arises.

The Group also has directors' loan accounts of £800k which are not due to be repaid before September 2022.

The activities of the Group and Company have been affected by the Coronavirus pandemic and the resulting strict lockdown measures imposed by the government to contain the pandemic. However, the financial results have recovered well after the lockdown periods and the company has adapted its operations to facilitate the ongoing controls in place and also taken the opportunity to streamline its operations, improve efficiency and enhance digital communications with customers.

The Directors have prepared detailed cash flow forecast for the Group for a period to 31 March 2022 that are based on their current expectations, concluding it can meet cash flow and working capital needs for the forecast period. These forecasts reflect and consider the

- Current trading activities coupled with those experienced during the lockdowns in 2020,
- Working Capital Requirements, including seasonal increases in working capital requirements to reflect the peak registration months and fluctuations in stock levels.
- Planned extent of capital expenditure and future investment.
- The availability of stock financing, overdraft and committed facilities
- Covenant compliance under the term loan agreement.
- Amounts of discretionary, variable spend or staff recruitment in forecast periods that could be reduced or eliminated to increase cash flow if needed.

## **Directors' report (continued)**

### **Going Concern (continued)**

As part of the assessment, due to the current economic and business uncertainty precipitated by the spread of the Covid-19 virus, the Directors have modelled a reasonable worse-case scenario of performance and related cash requirements which includes a 3 month lockdown with no customers allowed to physically attend the premises. In that scenario, the forecasts illustrate that an annual profit can still be achieved and finance covenant compliance maintained, as well as operating within the current banking facilities without utilising the bank overdraft facility. In addition the Group has available to it mitigating actions which provide additional headroom should the need arise. The Directors believe they have sufficient ability to operate within its current funding facilities and covenants, through the period of the forecasts.

The Group has a positive cash position and several funding lines available, which are currently under-utilised and can be drawn down as required, coupled with the very low gearing. The main properties are all fully paid for and the directors believe that the company is well placed to manage its business risks successfully.

Based upon the forecasts and factors above, the Directors are satisfied that Findpath Limited is able to provide support to the Company for the period to March 2022

Accordingly, the Directors have concluded that the Group has adequate resources to continue to meet its liabilities as they fall due for the period to 31 March 2022. Therefore, the Directors are satisfied they have a reasonable basis upon which to conclude that it remains appropriate to prepare the financial statements on a going concern basis.

### **Future Developments**

The Directors aim to maintain and enhance the management policies that have resulted in significant growth in recent years and which have enabled the business to remain robust despite the variable economic trading conditions.

### **Directors' qualifying third party indemnity provisions**

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity provisions remain in force as at the date of approving the director's report.

### **Disabled Employees**

The Company gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately covered by a handicapped or disabled person.

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, career development and promotion is available where appropriate.

### **Events after the reporting period**

COVID-19 has impacted on all areas of the UK economy and the business experienced significant disruption as a result of the Governments' lockdown measures designed to reduce the spread of the virus. In particular from late March to June 2020 and during November 2020 our showrooms were closed to customers. However, whilst the initial lockdown resulted in the business suffering losses the company managed to maintain profitable trading in November and during both periods enhanced the digital sales channels and despite all the difficulties the directors are pleased to report a return to profit in 2020.



## **Directors' report (continued)**

### **Events after the reporting period (continued)**

During the lockdowns several key actions were taken to mitigate the financial position

- Utilisation of the Government Coronavirus Job Retention Scheme
- Deferral of VAT due for the quarter to 31 March 2020, a concession offered by HMRC during the first lockdown
- Control of costs and tight working capital management
- Utilisation of the Governments Expanded Rates Relief discount for the 2020/21 rates assessments

The directors believe the company has adapted very well to the Coronavirus pandemic and will continue to do so in the future. The Directors do not expect any impairment to the carrying value of any assets of the Company or revaluation of liabilities, as a result of COVID-19.

The financial statements have been prepared based upon conditions existing at 31 December 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and, accordingly, no adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19.

### **Disclosure of information to the auditors**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### **Auditors**

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board



T J Simons  
Director

26 February 2021

## Statement of directors' responsibilities

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

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

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

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

# **Independent auditors' report**

**to the members of Sandal Motors (Bayern) Limited**

## **Opinion**

We have audited the financial statements of Sandal Motors (Bayern) Limited for the year ended 31 December 2019 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, and the related notes 1 to 18, 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 FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. 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.

## **Emphasis of matter – Effects of COVID-19**

We draw attention to Note 18 of the financial statements, which describes the economic and social consequences the Company is facing as a result of COVID-19 which is impacting supply chains, consumer demand, financial markets, personnel available for work and or being able to access offices. Our opinion is not modified in respect of this matter.

## **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Independent auditors' report**

**to the members of Sandal Motors (Bayern) Limited**

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of 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 directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

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

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

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Independent auditors' report**

**to the members of Sandal Motors (Bayern) Limited**

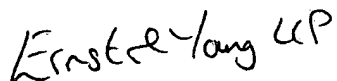
### **Auditor's responsibilities for the audit of the financial statements**

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.

A further description of our responsibilities for the audit of the financial statements is located 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.

Handwritten signature of Tim Helm in black ink, reading "Ernst & Young LLP".

Tim Helm (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Leeds  
26 February 2021

## Income statement

for the year ended 31 December 2019

	Notes	2019 £	2018 £
<b>Turnover</b>	2	85,913,546	80,985,335
Cost of sales		(82,612,166)	(77,960,724)
<b>Gross profit</b>		3,301,380	3,024,611
Administrative expenses		(3,245,847)	(3,097,263)
<b>Operating profit/(loss)</b>	3	55,533	(72,652)
Interest payable and similar charges	6	(334,759)	(289,448)
<b>Loss on ordinary activities before taxation</b>		(279,226)	(362,100)
Tax	7	30,431	8,890
<b>Loss for the financial year</b>		(248,795)	(353,210)

All amounts relate to continuing activities.

## Statement of comprehensive income

for the year ended 31 December 2019

	2019 £	2018 £
Loss for the financial year	(248,795)	(353,210)
Deferred tax associated with revaluation reserve	4,425	4,444
<b>Total comprehensive income for the year</b>	(244,370)	(348,766)

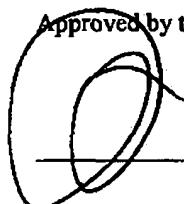
## Statement of financial position

at 31 December 2019

Registration No.: 01381018

	Notes	2019 £	2018 £
<b>Fixed assets</b>			
Tangible assets	8	9,316,056	9,530,956
<b>Current assets</b>			
Stock	9	13,805,573	10,787,915
Debtors	10	2,544,823	2,868,097
Cash at bank and in hand		714,653	666,848
		17,065,049	14,322,860
<b>Creditors: amounts falling due within one year</b>	11	(17,248,468)	(13,916,805)
<b>Net current (liabilities) / assets</b>		(183,419)	406,055
<b>Total assets less current liabilities</b>		9,132,637	9,937,011
<b>Creditors: amounts falling due after more than one year</b>	12	(3,668,245)	(4,193,393)
<b>Provisions for liabilities</b>			
Deferred taxation	7(c)	(56,358)	(91,214)
<b>Net assets</b>		5,408,034	5,652,404
<b>Capital and reserves</b>			
Called up share capital	14	50,000	50,000
Revaluation reserve		1,169,024	1,195,056
Profit and loss account		4,189,010	4,407,348
<b>Shareholders' funds</b>		5,408,034	5,652,404

Approved by the Board of Directors on 26 February 2021 and signed on its behalf by:



T J Simons  
Director

## Statement of changes in equity

at 31 December 2019

	Share capital £	Revaluation reserve	Profit and loss account £	Total shareholders' funds £
At 1 January 2018	50,000	1,221,188	4,729,982	6,001,170
Loss for the year	-	-	(353,210)	(353,210)
Other comprehensive income	-	-	4,444	4,444
Total comprehensive income for the year	-	-	(348,766)	(348,766)
Depreciation transfer for land and buildings	-	(26,132)	26,132	-
At 31 December 2018 and 1 January 2019 (restated)	50,000	1,195,056	4,407,348	5,652,404
Loss for the year	-	-	(248,795)	(248,795)
Other comprehensive income	-	-	4,425	4,425
Total comprehensive income for the year	-	-	(244,370)	(244,370)
Depreciation transfer for land and buildings	-	(26,032)	26,032	-
At 31 December 2019	50,000	1,169,024	4,189,010	5,408,034



## Notes to the financial statements

at 31 December 2019

### 1. Accounting policies

#### **Statement of compliance**

Sandal Motors (Bayern) Limited is a private company limited by shares incorporated in England. The registered office is Dewsbury Road, Wakefield, WF2 9BE.

The company's financial statements have been prepared in compliance with FRS 102.

#### **Basis of preparation**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The financial statements are prepared in sterling which is the functional currency of the company.

The following disclosure exemptions have been adopted:

- The requirement to present a statement of cash flows and related notes
- The requirements relating to certain disclosures in respect of related party transactions.
- The requirements relating to certain disclosures in respect of key management personnel

#### **Going Concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are presented in the Strategic report on pages 2 to 5.

The Company is part of a Group headed up by the ultimate parent undertaking, Findpath Limited, whereby cash and cashflows are managed centrally across the Group. Consequently, the Company has obtained a letter of financial support from Findpath Limited which confirms that Findpath Limited will provide financial support to the Company to assist in meeting its liabilities to the extent that money is not otherwise available to the Company to meet such liabilities, for a period until 31 March 2022.

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The activities of the Group and Company have been affected by the Coronavirus pandemic and the resulting strict lockdown measures imposed by the government to contain the pandemic. However, the financial results have recovered well after the lockdown periods and the company has adapted its operations to facilitate the ongoing controls in place and also taken the opportunity to streamline its operations, improve efficiency and enhance digital communications with customers.

The Directors have prepared detailed cash flow forecast for the Group for a period to 31 March 2022 that are based on their current expectations, concluding it can meet cash flow and working capital needs for the forecast period. These forecasts reflect and consider the

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- Amounts of discretionary, variable spend or staff recruitment in forecast periods that could be reduced or eliminated to increase cash flow if needed.

## Notes to the financial statements

at 31 December 2019

### 1. Accounting policies (continued)

#### Going Concern (continued)

As part of the assessment, due to the current economic and business uncertainty precipitated by the spread of the Covid-19 virus, the Directors have modelled a reasonable worse-case scenario of performance and related cash requirements which includes a 3 month lockdown with no customers allowed to physically attend the premises. In that scenario, the forecasts illustrate that an annual profit can still be achieved and finance covenant compliance maintained, as well as operating within the current banking facilities without utilising the bank overdraft facility. In addition the Group has available to it mitigating actions which provide additional headroom should the need arise. The Directors believe they have sufficient ability to operate within its current funding facilities and covenants, through the period of the forecasts.

The Group has a positive cash position and several funding lines available, which are currently under-utilised and can be drawn down as required, coupled with the very low gearing. The main properties are all fully paid for and the directors believe that the company is well placed to manage its business risks successfully.

Based upon the forecasts and factors above, the Directors are satisfied that Findpath Limited is able to provide support to the Company for the period to March 2022.

Accordingly, the Directors have concluded that the Group has adequate resources to continue to meet its liabilities as they fall due for the period to 31 March 2022. Therefore, the Directors are satisfied they have a reasonable basis upon which to conclude that it remains appropriate to prepare the financial statements on a going concern basis.

#### Revenue recognition

Turnover from the sale of goods is recognised in the profit and loss account, net of discounts, when the significant risks and rewards of ownership have been transferred to the buyer. In general, this occurs when vehicles or parts have been supplied or when the customer has signed for the goods.

#### Related party transactions

The company has taken advantage of the exemption provided by paragraph 33.1A of FRS 102, from disclosing transactions entered into between two or more members of a group where all members are wholly owned.

#### Tangible fixed assets

All fixed assets are initially recorded at cost.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Freehold property	–	over 50 years
Leasehold property	–	over the lease term
Machinery and equipment	–	8½% - 50% on cost
Motor vehicles	–	25% - 33⅓% on cost
Office equipment	–	25% - 50% on cost

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Fixed assets are periodically revalued to ensure the correct carrying value is maintained in the accounts. A formal revaluation will take place at least every 5 years.

## Notes to the financial statements

at 31 December 2019

### 1. Accounting policies (continued)

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Vehicles held on consignment from the manufacturer are included in the balance sheet as it is considered that the company enjoys the benefits and carries the risk of ownership. The associated liability is included in trade creditors.

#### **Current taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid, using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

#### **Deferred taxation**

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- 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 taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

#### **Leasing and hire purchase commitments**

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

#### **Pensions**

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

#### **Group relief payments**

The group takes advantage of provisions within the Taxes Act which enable certain tax benefits available in one group company to be transferred to another group company. Consideration is passed for this benefit based on the cash tax saving of the receiving entity.

## Notes to the financial statements

at 31 December 2019

### 1. Accounting policies (continued)

#### *Judgements and estimates*

The entity makes estimates and judgements concerning the future. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

#### *Used vehicle stock valuation*

Vehicle inventories are stated at the lower of cost and net realisable value (fair value less costs to sell). Fair values are assessed using third party industry valuation data supplemented as appropriate by the market intelligence of the management team.

### 2. Turnover

Turnover represents the amounts receivable from the provision of goods and services, including finance commission, stated net of value added tax.

The turnover and pre-tax loss is wholly attributable to the main activity, as described in the directors' report, and has been generated in the United Kingdom.

Turnover is analysed as follows:

	2019	2018
	£	£
Sales of vehicles	77,818,330	73,480,819
Aftersales & other	8,095,216	7,504,516
	<u>85,913,546</u>	<u>80,985,335</u>

### 3. Operating profit/(loss)

This is stated after charging:

	2019	2018
	£	£
Auditors' remuneration – audit services (company only)	24,000	13,000
– audit services (parent undertaking)	3,000	2,000
– taxation services	23,000	33,500
Depreciation of owned fixed assets	328,524	333,252
Depreciation of assets held under finance leases and hire purchase contracts	11,085	10,395
Operating lease rentals – land and buildings	<u>-</u>	<u>48,750</u>

## Notes to the financial statements

at 31 December 2019

### 4. Directors' remuneration

	2019	2018
	£	£
Remuneration	262,174	256,270
Contributions paid to defined contribution pension schemes	17,314	17,020
	No.	No.
Members of defined contribution pension schemes	3	3

The remuneration, excluding pension contributions, of the highest paid director was £97,358 (2018 – £111,028). The amount of contributions paid into a money purchase scheme on behalf of the highest paid director was £13,200 (2018 – £13,200).

The Directors' are paid by and perform services for other companies within the Group alongside their services to this Company. The Directors' costs have been apportioned to the principle companies they serve within the Group.

### 5. Staff costs

	2019	2018
	£	£
Wages and salaries	3,747,224	3,635,964
Social security costs	351,794	356,967
Other pension costs	96,244	80,220
	4,195,262	4,073,151

The average monthly number of employees during the year was made up as follows:

	No.	No.
Management, office, sales and workshop	131	129

### 6. Interest payable and similar charges

	2019	2018
	£	£
Other loans	151,592	124,718
Finance charges payable under finance leases	183,167	164,730
	334,759	289,448

## Notes to the financial statements

at 31 December 2019

### 7. Tax

(a) Tax on loss on ordinary activities

The tax on loss is made up as follows:

	2019	2018
	£	£
<b>Current tax:</b>		
UK corporation tax on the loss for the year	-	-
Adjustments in respect of previous periods	-	26,188
Total current tax	-	26,188
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(31,663)	(38,734)
Adjustment in respect of previous years	(2,100)	(421)
Change in rate of deferred tax	3,332	4,077
Total deferred tax	(30,431)	(35,078)
Tax on loss on ordinary activities	(30,431)	(8,890)

(b) Factors affecting the total tax charge

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19.00% (2018 – 19.00%). The differences are explained below:

	2019	2018
	£	£
Loss on ordinary activities before tax	(279,226)	(362,100)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018 – 19.00%)	(53,053)	(68,799)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	21,264	19,236
Effects of group relief/other reliefs	126	10,829
Adjustments in respect of previous periods	(2,100)	25,767
Change in rate of deferred tax	3,332	4,077
Total tax expense	(30,431)	(8,890)

## Notes to the financial statements

at 31 December 2019

### 7. Tax (continued)

#### (a) Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2019 £	2018 £
Fixed asset timing differences	100,937	109,654
Trading losses	(117,822)	(96,110)
Revaluations	73,243	77,670
Provision for deferred tax	<u>56,358</u>	<u>91,214</u>

The movement in deferred tax during the year is as follows:

	£
At 1 January 2019	91,214
Profit and loss account movement arising during the year	(28,331)
Adjustments in respect of previous periods	(2,100)
Deferred tax charge in equity for the period	<u>(4,425)</u>
At 31 December 2019	<u>56,358</u>

#### (d) Factors that may affect future tax charges

The 2015 Summer Finance Bill, which was substantively enacted in October 2015, included provisions to reduce the main rate of UK corporation tax to 19% effective from 1 April 2019 and 18% with effect from 1 April 2020. The 2016 Finance Act then superseded this, introducing a reduction in the UK corporation tax rate to 17% from 1 April 2020.

Accordingly, these rates have been applied in the measurements of the deferred tax assets and liabilities at 31 December 2019.

## Notes to the financial statements

at 31 December 2019

### 8. Tangible fixed assets

	<i>Freehold land and buildings</i>	<i>Leasehold land and property</i>	<i>Plant and machinery</i>	<i>Motor vehicles</i>	<i>Total</i>
	£	£	£	£	£
<i>Cost:</i>					
At 1 January 2019	8,768,428	340,200	3,198,793	156,752	12,464,173
Additions	34,741	-	77,576	12,392	124,709
Disposals					
At 31 December 2019	8,803,169	340,200	3,276,369	169,144	12,588,882
<i>Depreciation:</i>					
At 1 January 2019	196,856	40,200	2,600,060	96,101	2,933,217
Charge for the year	111,915	-	216,609	11,085	339,609
Disposals					
At 31 December 2019	308,771	40,200	2,816,669	107,186	3,272,826
<i>Net book value:</i>					
At 31 December 2019	8,494,398	300,000	459,700	61,958	9,316,056
At 1 January 2019	8,571,572	300,000	598,733	60,651	9,530,956

The net book value of machinery and equipment and motor vehicles above includes an amount of £61,958 (2018 – £60,651) in respect of assets held under finance leases.

The freehold land and buildings at the Wakefield site was revalued on 1 January 2017 by the Directors on the basis of professional advice. The carrying value of the revalued freehold land and buildings is £5.72m (2018: £5.86m). Had the assets been carried at cost the carrying value would have been £4.08m (2018: £4.51m).

### 9. Stock

	2019	2018
	£	£
Vehicles on consignment	1,080,168	1,124,630
Other vehicles	12,357,185	9,334,202
Other stocks	368,220	329,083
	<u>13,805,573</u>	<u>10,787,915</u>

Stocks recognised as an expense in the period were £71,169,514 (2018: £ 64,931,680)



## Notes to the financial statements

at 31 December 2019

### 10. Debtors

	2019	2018
	£	£
Trade debtors	934,335	1,027,584
Amounts owed by group undertakings	980,453	1,357,387
Corporation tax	-	5,129
Taxes and social security	-	97,289
Other debtors	11,226	56,989
Prepayments and accrued income	618,809	323,719
	<u>2,544,823</u>	<u>2,868,097</u>

### 11. Creditors: amounts falling due within one year

	2019	2018
	£	£
Other loan	226,800	226,800
Obligations under finance leases (note 14)	10,026,659	7,888,572
Trade creditors	6,232,931	4,694,324
Taxes and social security costs	55,077	-
Other creditors	177,930	114,394
Accruals and deferred income	529,071	992,715
	<u>17,248,468</u>	<u>13,916,805</u>

Included within trade creditors are amounts totalling £1,080,168 (2018 – £1,124,630) due to BMW Finance (GB) Limited in respect of consignment stock. These are secured by fixed and floating charges on the assets of the company. These loans are principally stocking loans.

### 12. Creditors: amounts falling due after more than one year

	2019	2018
	£	£
Directors' loans	810,034	1,094,000
Obligations under finance leases (note 13)	42,111	56,493
Other loan	2,816,100	3,042,900
	<u>3,668,245</u>	<u>4,193,393</u>

## Notes to the financial statements

at 31 December 2019

### 12. Creditors: amounts falling due after more than one year (continued)

The Other loan is secured by a debenture creating a fixed and floating charge over freehold property. This balance is analysed as follows:

	2019 £	2018 £
Wholly repayable within one year	226,800	226,800
Wholly repayable between one to five	1,134,000	1,134,000
Not wholly repayable within five years	1,682,100	1,908,900
	<u>3,042,900</u>	<u>3,269,700</u>

The term loan was entered into during 2018 at a variable interest rate and is repayable by 2032.

### 13. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows:

	2019 £	2018 £
Amounts payable:		
Within one year	10,026,659	7,888,572
In one to five years	42,111	56,493
	<u>10,068,770</u>	<u>7,945,065</u>

The total balance of £10,026,659 (2018 – £7,888,572) is secured on specific stock vehicles.

### 14. Issued share capital

		2019 £		2018 £
<i>Allotted, called up and fully paid</i>	<i>No.</i>		<i>No.</i>	
Ordinary shares of £1 each	50,000	<u>50,000</u>	50,000	<u>50,000</u>

### 15. Reserves

#### Revaluation reserve

This reserve records the difference between the purchase price of tangible fixed assets and the valuation undertaken by an industry expert. This reserve is transferred to the profit and loss reserve in line with the excess depreciation charged on the revalued assets

## Notes to the financial statements

at 31 December 2019

### 16. Related party transactions

Transactions with directors:

Included within creditors due after more than one year are loans made by the directors, D Bosomworth and T J Simons and by a close family member of a director, D Bosomworth. Interest is charged at the Bank of England base rate plus a commercial interest premium. There are no fixed terms for repayment.

In addition, there is an amount owed from a director, D Bosomworth, of £ 2,850 (2018 – £8,416). Movements on the loan account are as follows:

	£
Amount owing at 1 January 2019	(8,416)
Movements during the year	<u>11,266</u>
Amount owing at 31 December 2019	<u>2,850</u>

Other related party balances are analysed as follows:

	2019	2018
	£	£
Amounts due from parent	811,087	811,750
Amounts due from fellow group undertakings	<u>169,366</u>	<u>545,637</u>
	<u>980,453</u>	<u>1,357,387</u>

### 17. Ultimate parent undertaking and controlling party

The company's ultimate parent undertaking and controlling party is Findpath Limited, a company incorporated in England and Wales. Copies of the group financial statements are available from Sandal Motors, Dewsbury Road, Wakefield, WF2 9BE

### 18. Events after the reporting period

COVID-19 has impacted on all areas of the UK economy and the business experienced significant disruption as a result of the Governments' lockdown measures designed to reduce the spread of the virus. In particular from late March to June 2020 and during November 2020 our showrooms were closed to customers. However, whilst the initial lockdown resulted in the business suffering losses the company managed to maintain profitable trading in November and during both periods enhanced the digital sales channels and despite all the difficulties the directors are pleased to report a return to profit in 2020.

During the lockdowns several key actions were taken to mitigate the financial position

- Utilisation of the Government Coronavirus Job Retention Scheme
- Deferral of VAT due for the quarter to 31 March 2020, a concession offered by HMRC during the first lockdown
- Control of costs and tight working capital management
- Utilisation of the Governments Expanded Rates Relief discount for the 2020/21 rates assessments

The directors believe the company has adapted very well to the Coronavirus pandemic and will continue to do so in the future. The Directors do not expect any impairment to the carrying value of any assets of the Company or revaluation of liabilities, as a result of COVID-19.

The financial statements have been prepared based upon conditions existing at 31 December 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and, accordingly, no adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19.