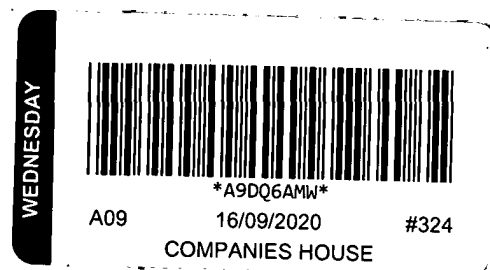


**Hartwell Automotive Group Limited**

**Annual report and financial statements**

**For the year ended 30 November 2019**



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**Hartwell Automotive Group Limited**

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**Company Information**

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<b>Directors</b>	K P Godfrey A Rehman N J Tucker A M Lemon
<b>Company secretary</b>	G S Forbes
<b>Registered number</b>	00158447
<b>Registered office</b>	Wootton Business Park Besselsleigh Road Wootton Oxford Oxfordshire OX13 6FD
<b>Independent auditor</b>	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton Hampshire SO14 3TL

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## Hartwell Automotive Group Limited

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## Hartwell Automotive Group Limited

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### Strategic report For the year ended 30 November 2019

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#### Introduction

The directors present their strategic report together with the audited financial statements of Hartwell Automotive Group Limited ("the company") for the year ended 30 November 2019.

#### Principal activities

The company's principal activities continued to be vehicle distribution, sales, service and associated activities.

#### Business review

The turnover of the company decreased to £244,922,000 (2018: increased to £269,465,000) due to a combination of factors affecting the industry and strategic decisions made by the company in 2018 and 2019.

New vehicle sales volumes decreased by 15.7% against a level of 2.4% recorded by the Society of Motor Manufacturers ("SMMT") for the calendar year 2019. The relinquishing of several Peugeot and Citroen franchises in 2018, of Renault, Dacia, MG and FIAT franchises in 2019 together with the closure of the Bath site in February 2019 all had an impact on registration numbers. On a like for like basis of Ford only registrations new vehicle sales volumes decreased by 11.2% with 4% of this decrease being fleet sales, an area the company has decided to place less reliance on due to tighter margins.

As witnessed in 2018 political and economic uncertainty together with confusing messages on clean air zones continued to take their toll on consumer confidence. The switch to World Harmonised Light Vehicle Test Procedure (WLTP) regulations in 2018 further continued to affect the supply of vehicles and in turn on new vehicle volumes.

Used vehicle volumes were similarly affected by consumer confidence and the closure of the Bath site. Like for like used volumes, excluding Bath, were down 7.4%.

Gross profit decreased to £27,644,000 (2018: increased to £30,342,000) as a result of the reduced new vehicle registrations and used volumes together with the closure of the Bath site referred to above. Despite the reduction in vehicle sales volumes and the closure of Bath, which incorporated a profitable body shop operation, the company maintained overall gross profit margin at 11.3%.

Operating profit decreased to £3,853,000 (2018: increased to £4,760,000) due to the reasons referred to above. The company continues to strive to reduce operating costs through the use of software to drive improvements in efficiencies. Savings of £1,791,000 were achieved in the year through a combination of savings achieved by the closure of Bath, reductions achieved by reducing franchises and the costs associated with manufacturer compliance and the introduction of software to improve working practices.

At the statement of financial position date, the company operated from 10 sites (2018: 11 sites) with the Bath site closing during the year. These sites represent FIAT, Ford and SEAT. In addition to this the Dunstable site is an authorised Peugeot and Citroen Parts distributor.

The directors aim to promote growth by driving sales, whilst at the same time, controlling all costs and following processes and procedures to manage working capital. The company is susceptible to seasonal demands on working capital due to fluctuations in new vehicle registrations and strong processes need to be exercised to avoid a deterioration in cash position. In keeping with other motor dealerships the business will from time to time pre-register vehicles to secure additional manufacturer bonuses and in such instances decisions to pre-register vehicles will be made giving due consideration to the bonus which can be earned, the impact on working capital and length of time pre-registered stock may be held before a future sale.

The directors see the main risk in this strategy as that of maintaining margins whilst exerting strong procedures. The directors are constantly seeking to improve procedures and implement additional controls. The directors consider that by maintaining their current strategy, they can maintain the profitability of the company. In accordance with this strategy where opportunity exists to exit less profitable franchises at multi-franchise locations in order to focus on the more profitable franchises any such opportunities will be taken by the directors.

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## Hartwell Automotive Group Limited

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### Strategic report (continued) For the year ended 30 November 2019

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#### Future developments

The directors of the company are constantly alert to opportunities to expand its existing dealer network. There is a clear development strategy in place which provides for a measured expansion via the acquisition of profitable dealerships representing brands and locations that would strengthen the group's existing portfolio. Alongside the development strategy, the directors are committed to increasing profitability through the constant improvement and refinement of practices and procedures within its existing dealerships. This is done through a combination of internal audit and compliance management and seeking to use software to improve efficiency and profitability.

#### Principal risks and uncertainties

##### Financial risk management

The identification and evaluation on a day-to-day basis is delegated to operational management.

Each part of the business faces risk from various sources and it is the intention of the directors to minimise the effect of these risks by following best practices and by staff development and training. The identified risks and actions being taken to mitigate them are shown below.

The company has strict policies in relation to limits of authority which are applied to each level of management up to Board level.

The following areas are identified as needing strong control:

##### Debtors

Strict policies are applied in respect of the level of credit and payment terms available to all customers. Regular meetings are held at each business to monitor the collection of debts. No credit is given without first carrying out third party credit checks.

As at 30 November 2019 and 30 November 2018 the credit risk was spread over a large number of customers.

##### Stock

The company operates strong procedures over both the ordering of stock and the monitoring of stock levels. Regular reports are produced and reviewed to highlight old and slow moving stock. The continuing uncertainty surrounding the date of Brexit and implications for stock importation to the UK has required the company to put further controls in place to ensure the company is not exposed to additional and unnecessary import duty and VAT.

##### Liquidity

The company monitors all cash balances and loans on a daily basis to ensure that all foreseeable future needs can be met.

##### Price

Fluctuations in exchange rates impact the profitability of the company's manufacturer partners which may affect their prices or support packages to the dealer network. The company has a portfolio of manufacturer partners and in doing so spreads any potential risk. The company does not directly undertake material foreign exchange transactions.

##### Covid-19

In the period prior to approving the financial statements a new risk of the Coronavirus has emerged. This will and has impacted all businesses in the UK (and globally). The directors have already implemented actions to take account of this risk to ensure the company can continue to trade and remain profitable for the foreseeable future. We are also working with our staff to ensure their continuing welfare and with customers to ensure their requirements can be met. Finally we have significant levels of cash reserves and facilities available as required to the group to which the company belongs.

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**Hartwell Automotive Group Limited**

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**Strategic report (continued)  
For the year ended 30 November 2019**

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**Financial key performance indicators ("KPIs")**

The directors consider that the following KPIs are important indicators of the financial performance of the company:

Gross profit to turnover: 11.3% (2018: 11.3%)  
Distribution costs to turnover: 5.6% (2018: 5.4%)  
Administration costs to turnover: 4.1% (2018: 4.1%)  
Profit pre-taxation to turnover: 1.3% (2018: 1.6%)  
Return on funds employed\*: 38.2% (2018: 22.5%)  
Debtor days: 5.7 (2018: 5.6)  
Stock turn: 38.5 (2018: 52.3)

\*Return on funds employed being profit after taxation to net assets excluding amounts owed by group undertakings.

**Other key performance indicators**

In addition to the company's financial KPIs the Board values feedback on customer satisfaction. Customer satisfaction is regularly monitored by manufacturer and company generated feedback and the Board remains satisfied by the manufacturer's rankings whilst always seeking further improvements.

This report was approved by the board and signed on its behalf by:



**A M Lemon**  
Director

Date: 3/9/20

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## Hartwell Automotive Group Limited

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### Directors' report For the year ended 30 November 2019

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The directors present their report and the financial statements for the year ended 30 November 2019.

#### Information covered in the strategic report

In accordance with the Companies Act 2006 s414C(11), information in respect of business activities, financial risk management and future developments are shown in the strategic report on pages 1 to 3.

#### Results and dividends

The profit for the year, after taxation, amounted to £2,728,000 (2018 - £3,504,000).

The directors do not recommend the payment of a dividend (2018: £nil)

#### Directors

The directors who served during the year were:

K P Godfrey  
A Rehman  
N J Tucker  
A M Lemon

#### Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 to 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.

#### Qualifying third party indemnity provisions

The company has indemnified the directors of the company 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 provision was in force during the year and is in force at the date of approving the directors' report.

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**Hartwell Automotive Group Limited**

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**Directors' report (continued)  
For the year ended 30 November 2019**

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**Disclosure of information to auditor**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**Post balance sheet events**

On 18 December 2019 the company relinquished its SEAT franchises at its Oxford and Hereford locations.


On 30 December 2019 the company purchased a dealership site in Reading. The company plans to develop the site and make modifications to the workshop and showroom areas and is aiming to open the site for business in late 2020.

In March 2020 the company saw the emergence of Covid-19 and the impact of the subsequent lockdown on the company's onsite operations. This is a non-adjusting post balance sheet event and has had no impact on the assets or the liabilities reported at year end. The business reopened for trading on 1 June 2020 and is trading ahead of budget since that date.

**Auditor**

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf by:



A M Lemon  
Director

Date: 3/9/20

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## Hartwell Automotive Group Limited

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### Independent auditors' report to the members of Hartwell Automotive Group Limited

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#### Opinion

We have audited the financial statements of Hartwell Automotive Group Limited ("the company") for the year ended 30 November 2019 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

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

#### Conclusions relating to going concern

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.

#### Other information

The directors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 this other information, we are required to report that fact.

We have nothing to report in this regard.

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## Hartwell Automotive Group Limited

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### Independent auditors' report to the members of Hartwell Automotive Group Limited (continued)

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#### Opinion 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 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 the Directors' report.

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

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

#### Responsibilities of directors

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

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

#### Auditors' 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: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' report.

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**Hartwell Automotive Group Limited**

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**Independent auditors' report to the members of Hartwell Automotive Group Limited (continued)**

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**Use of our report**

This report is made solely to the company's member in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to 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 member, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

**Stephen Le Bas** (Senior statutory auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Southampton

Date: 4/9/2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OCS305127).

**Hartwell Automotive Group Limited**

**Statement of comprehensive income  
For the year ended 30 November 2019**

	Note	Continuing operations 2019 £000	Discontinued operations 2019 £000	Total 2019 £000	Continuing operations 2018 £000	Discontinued operations 2018 £000	Total 2018 £000
Turnover	4	243,742	1,180	244,922	260,975	8,490	269,465
Cost of sales		(216,242)	(1,036)	(217,278)	(232,147)	(6,976)	(239,123)
<b>Gross profit</b>		<b>27,500</b>	<b>144</b>	<b>27,644</b>	<b>28,828</b>	<b>1,514</b>	<b>30,342</b>
Distribution costs		(13,454)	(221)	(13,675)	(13,643)	(988)	(14,631)
Administrative expenses		(9,700)	(416)	(10,116)	(10,377)	(574)	(10,951)
<b>Operating profit</b>	5	<b>4,346</b>	<b>(493)</b>	<b>3,853</b>	<b>4,808</b>	<b>(48)</b>	<b>4,760</b>
Interest payable and expenses	8	(724)	-	(724)	(487)	(7)	(494)
<b>Profit before tax</b>		<b>3,622</b>	<b>(493)</b>	<b>3,129</b>	<b>4,321</b>	<b>(55)</b>	<b>4,266</b>
Tax on profit	9	(401)	-	(401)	(762)	-	(762)
<b>Profit for the financial year</b>		<b>3,221</b>	<b>(493)</b>	<b>2,728</b>	<b>3,559</b>	<b>(55)</b>	<b>3,504</b>
Other comprehensive income				-			-
<b>Total comprehensive income for the year</b>				<b>2,728</b>			<b>3,504</b>

The notes on pages 12 to 25 form part of these financial statements.

**Hartwell Automotive Group Limited**  
Registered number: 00158447

**Statement of financial position**  
As at 30 November 2019

	Note	2019 £000	2018 £000
<b>Fixed assets</b>			
Tangible assets	10	4,747	5,112
		4,747	5,112
<b>Current assets</b>			
Stocks	11	69,504	54,349
Debtors: amounts falling due within one year	12	70,008	57,957
Cash at bank and in hand		1,129	723
		140,641	113,029
Creditors: amounts falling due within one year	13	(77,335)	(52,765)
<b>Net current assets</b>		63,306	60,264
<b>Total assets less current liabilities</b>		68,053	65,376
Creditors: amounts falling due after one year	14	(31)	(31)
<b>Provisions for liabilities</b>			
Deferred tax	15	(76)	(30)
Other provisions	16	(2,395)	(2,492)
		(2,471)	(2,522)
<b>Net assets</b>		65,551	62,823
<b>Capital and reserves</b>			
Called up share capital	17,18	95	95
Profit and loss account	18	65,456	62,728
		65,551	62,823

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

  
A M Lemon  
Director

Date: 31/12/20

The notes on pages 12 to 25 form part of these financial statements.

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Hartwell Automotive Group Limited

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**Statement of changes in equity  
For the year ended 30 November 2019**

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	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 December 2018	95	62,728	62,823
<b>Comprehensive income for the year</b>			
Profit for the financial year	-	2,728	2,728
<b>At 30 November 2019</b>	<b>95</b>	<b>65,456</b>	<b>65,551</b>

**Statement of changes in equity  
For the year ended 30 November 2018**

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	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 December 2017	95	59,224	59,319
<b>Comprehensive income for the year</b>			
Profit for the financial year	-	3,504	3,504
<b>At 30 November 2018</b>	<b>95</b>	<b>62,728</b>	<b>62,823</b>

The notes on pages 12 to 25 form part of these financial statements.

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## Hartwell Automotive Group Limited

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### Notes to the financial statements For the year ended 30 November 2019

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#### 1. Company information

Hartwell Automotive Group Limited ("the company") is a private company limited by shares, incorporated and domiciled in England and Wales under the Companies Act. The address of the registered office is given on the company information page at the beginning of these financial statements and the nature of the company's operations and its principal activities is set out in the strategic report on page 1.

#### 2. Accounting policies

##### **Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102 ("FRS102"), the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

##### **Financial reporting standard 102 - reduced disclosure exemptions**

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 for qualifying entities:

- Section 3 Financial Statement Presentation paragraph 3.17(d) and Section 7 Statement of Cash Flows not to prepare a statement of cash flows;
- Section 4 Statement of Financial Position paragraph 4.12(a)(iv) not to prepare a reconciliation of number of shares at the beginning and end of the year;
- Section 11 Basic Financial Instruments paragraphs 11.41(b) and 11.41(e) not to disclose the carrying amounts of financial assets and liabilities at amortised cost; and
- Section 33 Related Party Disclosures paragraph 33.7 not to disclose key management personnel compensation in total.

The company is a qualifying entity because this information is included in the consolidated financial statements of Hartwell plc as at 30 November 2019 and these financial statements may be obtained from Companies House, Cardiff, CF14 3UZ.

The following principal accounting policies have been applied:

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## Hartwell Automotive Group Limited

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### Notes to the financial statements For the year ended 30 November 2019

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#### 2. Accounting policies (continued)

##### Going concern

The financial statements have been prepared on a going concern basis which the directors consider appropriate for the reasons set out below.

The directors have considered the going concern basis and have undertaken a detailed review of trading and cash flow forecasts for the period to 30 November 2021. Apart from consignment stock funding which is secured directly against the consignment stock vehicles the wider group has no external debt funding and hence no covenants to comply with. At year end the group was in a significant net asset and net current asset position and held cash reserves of £ 13.9m. As of mid-July 2020 the cash position has remained at similar levels and based upon forecasts to 30 November 2021 significant levels of cash are forecast to remain in the business.

The group has made losses in April and May 2020 due to the lockdown imposed but has experienced a strong return to normal trading conditions since reopening. The group is carefully reviewing all costs in the business and to date have initiated a number of cost saving measures across the business which will have both an immediate and longer term benefit to the group's monthly cost base and cashflow. The most significant liability in the parent company's balance sheet remains the defined benefit pension scheme liability and as disclosed in note 27 of the parent company's financial statements the group expected to contribute £ 2.8m in to the scheme in the 2019/20 year. However, in agreement with the Trustees, contributions were deferred for 3 months. Other cash deferrals such as rent, extended payment terms for vehicles and spare parts have also been agreed and implemented and in addition to government backed Business Rates relief and Coronavirus Job Retention Scheme are having a positive impact on cashflow.

External market commentary provided by the Society of Motor Manufacturers and Traders ("SMMT") indicate that new vehicle registrations will reduce by 9% compared with the six month period to December 2019 with increases into 2021 whilst the use car market has remained stable over the past four years. Since re-opening on 1 June 2020 demand and financial results have both been stronger than had been anticipated and the Group has the cash reserves to meet this forecast reduction in registrations for the rest of the year.

Based upon the cash reserves available and forecast for the Group, together with the forecasts prepared by the Group the directors have a reasonable expectation that the Group has adequate resources and cash headroom to be able to continue in operational existence for the foreseeable future and for at least twelve months from the date of approval of the Financial Statements. For those reasons, they continue to adopt the going concern basis in preparing these Financial Statements.

##### Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. In practical terms this means that turnover is recognised when vehicles, parts or forecourt sales have been invoiced and physically released or when a service has been undertaken.

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## Hartwell Automotive Group Limited

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### Notes to the financial statements For the year ended 30 November 2019

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#### 2. Accounting policies (continued)

##### Manufacturer rebates

Vehicle specific rebates from manufacturers are recognised when it is probable that the economic benefit will flow to the company and the value can be reliably measured. In practice, this means that vehicle specific manufacturer rebates are recognised when the vehicle to which it relates, has been invoiced and physically released. In the case of non-vehicle specific related rebates from manufacturers and other suppliers these are recognised upon achievement of the specific supplier agreed criteria.

##### Operating lease rentals

Rentals paid under operating lease rentals are charged to the statement of comprehensive income on a straight line basis over the lease term.

##### Group service charge

A group service charge is levied by the parent undertaking, the charge varying from year to year, having regard for the company's operations.

##### Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives using the straight line basis:

Leasehold property	-	40 years
Equipment and vehicles	-	4 - 12 years

Assets under construction are stated at cost less impairment losses and are not depreciated. Cost comprises direct cost of construction, such as materials, staff costs and overheads, together with the interest expense capitalised during the period of construction. Capitalisation of these costs ceases and the asset concerned is transferred to the appropriate fixed asset category when substantially all the activities necessary to prepare the asset for its intended use are completed.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

##### Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell, after making due allowance for obsolete and slow-moving stocks. Cost is based on the cost of purchase on a first in, first out basis. Cost includes all direct costs.

When the nature of the agreement with the manufacturer confers the benefit and associated risk of ownership to the company on consignment, such stocks and the corresponding creditor are included on the balance sheet although legal title remains with the supplier until sold.

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## Hartwell Automotive Group Limited

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### Notes to the financial statements For the year ended 30 November 2019

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#### 2. Accounting policies (continued)

##### Financial instruments

Financial instruments and equity are classified according to the substance of the financial instrument's contractual objectives, rather than its legal form.

The company's cash at bank and in hand, trade and other debtors and its trade and other creditors are measured initially at the transaction price, including transaction costs, and subsequently at amortised cost. Debt instruments that are payable or receivable within one year are measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

##### Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

##### Share capital

In accordance with FRS102 Section 22 - Liabilities and Equity, the company has classified its preference shares as debt rather than equity.

##### Taxation

Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Notes to the financial statements  
For the year ended 30 November 2019

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**2. Accounting policies (continued)**

**Pensions**

The parent company, Hartwell plc, operated a defined benefit pension scheme until 31 October 2017 when accrual of future benefits ceased. There is no policy for charging the net defined benefit scheme between group companies and therefore no portion of the scheme is recognised in these company financial statements.

**Termination benefits**

Termination benefits are payable when employment is terminated by the company before the normal retirement date. The company recognises termination benefits when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal.

**3. Judgements in applying accounting policies and key sources of estimation uncertainty**

The directors make estimates and assumptions concerning the future for the company. The resulting accounting estimates will, by definition, seldom equate to actual results. The critical adjustments that have been made in arriving at the amounts recognised in the company's financial statements and the key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying values of the assets and liabilities are discussed below.

In preparing these financial statements, the directors have had to make the following judgements:

- Determine whether leases entered into by the company either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the company's fixed assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimate uncertainty:

- Provisions for liabilities to past customers in respect of disputes on historical sales contracts requires an estimate of the number of customers involved, the percentage who may raise a claim and the average value of any such claim. Independent advice was obtained by the directors to support the original estimate included within the financial statements. The directors continue to monitor the number of claims raised and the average value to assess the adequacy of the provision.
- Provisions for future claims against warranty policies sold to customers require an review of the total number of policies, the level of maturity of each group of policies and the loss ratio of each group of policies. The directors monitor the fund balances for each group of policies by year of sale and the number and value of claims raised to assess the adequacy of the provision.
- Provision for impairment of used car values and parts inventories requires an assessment of the fair values of such stocks. Fair values are assessed using market research data which is based upon recent industry activity. Whilst this data is deemed to be representative of current values it is possible that ultimate sales values can differ from those applied.

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**Hartwell Automotive Group Limited**

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**Notes to the financial statements  
For the year ended 30 November 2019**

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**4. Turnover**

An analysis of turnover by class of business is as follows:

	2019 £000	2018 £000
Vehicles	234,122	257,899
Aftersales	10,800	11,566
	<u>244,922</u>	<u>269,465</u>

All turnover arose within the United Kingdom.

**5. Operating profit**

The operating profit is stated after charging:

	2019 £000	2018 £000
Depreciation of tangible fixed assets	604	559
Impairments recognised on stock	1,508	1,508
Loss on disposal of fixed assets	33	21
Operating lease rentals	2,246	2,548
Impairments of trade debtors	48	57
Stock recognised as an expense	<u>212,127</u>	<u>233,719</u>

Impairments recognised on stock are included in cost of sales within the statement of comprehensive income. Impairments of trade debtors are included in distribution costs within the statement of comprehensive income.

**6. Auditors' remuneration**

	2019 £000	2018 £000
Fees payable to the company's auditor for the audit of the company's annual financial statements	<u>49</u>	<u>48</u>

The company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent company.

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## Hartwell Automotive Group Limited

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### Notes to the financial statements For the year ended 30 November 2019

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#### 7. Employees and directors' remuneration

The average monthly number of employees during the year was nil (2018: nil)

The service contracts of all employees are held with Hartwell plc, the company's immediate parent undertaking.

Although the service contracts, and hence the employment costs, of the directors are held by other group companies, the directors estimate that the aggregate value of emoluments relating to their service as directors of the company amounted to £365,000 (2018: £393,000), which included pension contributions of £41,000 (2018: £32,000). The highest paid director received remuneration of £302,000 (2018: £335,000), which included pension contributions of £40,000 (2018: £32,000).

#### 8. Interest payable and similar expenses

	2019 £000	2018 £000
Stock finance charges	724	494

#### 9. Taxation on profits

	2019 £000	2018 £000
<b>Current tax</b>		
Current tax on profits for the year	356	677
Adjustments in respect of prior periods	(1)	(20)
<b>Total current tax</b>	<b>355</b>	<b>657</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	50	44
Adjustment in respect of prior periods	(4)	61
<b>Total deferred tax (see note 15)</b>	<b>46</b>	<b>105</b>
<b>Taxation on profit</b>	<b>401</b>	<b>762</b>

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## Hartwell Automotive Group Limited

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### Notes to the financial statements For the year ended 30 November 2019

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#### 9. Taxation on profits (continued)

##### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19.0% (2018 - 19.0%). The differences are explained below:

	2019 £000	2018 £000
Profit before taxation	3,129	4,266
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2018 - 19.0%)	595	811
Effects of:		
Expenses not deductible for tax purposes	49	62
Group relief	(232)	(147)
Adjustments to tax charge in respect of prior periods	(5)	41
Change in deferred tax to average rate	(6)	(5)
<b>Total tax charge for the year</b>	<b>401</b>	<b>762</b>

##### Factors that may affect future tax charges

The tax rate for the current year is the same as the prior year.

The effects of changes to the corporation tax rates substantively enacted as part of the Finance Bill 2016 (on 7 September 2016) includes reductions to the main rate to 17% from 1 April 2020. Deferred taxes at the reporting date have been measured using these substantively enacted tax rates and reflected in these financial statements.

The company has capital losses carried forward totalling £2.4m (2018 - £2.4m). No deferred tax has been recognised in relation to these balances as it is uncertain when they will be used.

There were no other factors that may affect future tax charges.

**Hartwell Automotive Group Limited**

**Notes to the financial statements  
For the year ended 30 November 2019**

**10. Tangible fixed assets**

	Leasehold property £000	Equipment and vehicles £000	Total £000
<b>Cost</b>			
At 1 December 2018	3,566	9,302	12,868
Additions	-	305	305
Disposals	-	(5,194)	(5,194)
At 30 November 2019	<u>3,566</u>	<u>4,413</u>	<u>7,979</u>
<b>Depreciation</b>			
At 1 December 2018	48	7,708	7,756
Charge for the year	100	504	604
Disposals	-	(5,128)	(5,128)
At 30 November 2019	<u>148</u>	<u>3,084</u>	<u>3,232</u>
<b>Net book value</b>			
At 30 November 2019	<u>3,418</u>	<u>1,329</u>	<u>4,747</u>
At 30 November 2018	<u>3,518</u>	<u>1,594</u>	<u>5,112</u>

All leasehold property is considered to be short leasehold.

**11. Stocks**

	2019 £000	2018 £000
Consignment stock	50,878	31,229
Finished goods and goods for resale	18,626	23,120
	<u>69,504</u>	<u>54,349</u>

There is no material difference between the replacement cost of stock and the amount stated above.

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Hartwell Automotive Group Limited

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Notes to the financial statements  
For the year ended 30 November 2019

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**12. Debtors**

	2019 £000	2018 £000
Trade debtors	4,332	4,167
Amounts owed by group undertakings	64,867	52,918
Other debtors	341	504
Prepayments and accrued income	468	368
	<u>70,008</u>	<u>57,957</u>

Trade debtors are stated after provision for doubtful debtors of £45,000 (2018: £69,000).

**13. Creditors: Amounts falling due within one year**

	2019 £000	2018 £000
Payments received on account	1,533	1,431
Trade creditors	7,425	6,451
Amounts owed to group undertakings	6,348	5,668
Corporation tax	116	-
Other taxation and social security	229	-
Consignment stock creditor	50,878	31,229
Other creditors	315	483
Accruals and deferred income	10,491	7,503
	<u>77,335</u>	<u>52,765</u>

Consignment stock creditors are secured against the vehicles to which they relate.

**14. Creditors: amounts falling due after more than one year**

	2019 £000	2018 £000
Share capital treated as debt (note 17)	<u>31</u>	<u>31</u>

Disclosure of the terms and conditions attached to the non-equity shares is made in note 17.

All amounts falling due after more than one year are not wholly repayable within five years.

**Hartwell Automotive Group Limited**

**Notes to the financial statements  
For the year ended 30 November 2019**

**15. Deferred taxation**

	2019 £000	2018 £000
At beginning of year	(30)	75
Charged to profit or loss	(46)	(105)
<b>At end of year</b>	<b>(76)</b>	<b>(30)</b>

The provision for deferred taxation is made up as follows:

	2019 £000	2018 £000
Accelerated capital allowances	(177)	(143)
Short term timing differences	101	113
	<b>(76)</b>	<b>(30)</b>

**16. Provisions**

	Sales contract provision £000	Warranty policy provision £000	Total £000
At 1 December 2018	449	2,043	2,492
Utilised in the year	(13)	(359)	(372)
Credited to profit or loss	(336)	(261)	(597)
Additions	-	872	872
<b>At 30 November 2019</b>	<b>100</b>	<b>2,295</b>	<b>2,395</b>

**Sales Contract provision**

The company made provision during the year ended 30 November 2015 for a potential liability to past customers in respect of disputes on sales contracts. At the time the provision was created it was expected that the liability would unwind over a period of three years. Significantly fewer claims were registered in 2019 than in previous years and the directors have taken the decision to reduce the provision to £100,000 at year end.

**Warranty Policy provision**

The company offers to and sells to customers third party warranty policies on used cars sold by the company. The provision reflects the balance on policies sold set aside for future claims against such policies. At each year end the directors estimate the level of anticipated costs based on third party data and their knowledge of previous scheme performance.

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**Hartwell Automotive Group Limited**

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**Notes to the financial statements  
For the year ended 30 November 2019**

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**17. Called up share capital**

	2019 £000	2018 £000
<b>Shares classified as capital</b>		
<b>Allotted, called up and fully paid</b>		
1,905,300 (2018 - 1,905,300) Ordinary shares of £0.05 each	95	95
	<u>95</u>	<u>95</u>
	2019 £000	2018 £000
<b>Shares classified as debt</b>		
<b>Allotted, called up and fully paid</b>		
18,235 (2018 - 18,235) 6% Cumulative preference shares of £1.00 each	18	18
12,500 (2018 - 12,500) 5% Redeemable cumulative preference shares of £1.00 each	13	13
	<u>31</u>	<u>31</u>

The holders of the Ordinary shares of £0.05 each have the right to attend and vote at any general meeting of the company.

The holders of the 6% Cumulative preference shares of £1 each and the 5% Redeemable cumulative preference shares of £1 each have formally waived their dividend rights in both the current and prior years.

The 5% Redeemable cumulative preference shares can be redeemed by the company at par at any time, since more than ten years have passed from the date of allotment, but redemption is not mandatory. The company must give the shareholder six months notice and redemption would be at par value. The 5% Redeemable cumulative preference shares have the right, in priority to the other classes of share, to repayment of their paid up capital on a return of assets or liquidation of the company. The 5% Redeemable cumulative preference shares confer no further rights to participate in either the profits or assets of the company.

The 6% Cumulative preference shares have the right, in priority to the Ordinary shares of £0.05 but behind the 5% Redeemable cumulative preference shares, to repayment of their paid up capital on a return of assets or liquidation of the company.

The holders of the 5% Redeemable cumulative preference shares are not entitled to vote at any general meeting of the company unless it has been convened to reduce the share capital, wind up or sell the undertaking of the company or consider any resolution that directly affects their preferential rights.

The holders of the 6% Cumulative preference shares enjoy similar voting rights to the holders of the Ordinary shares of £0.05 each.

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**Hartwell Automotive Group Limited**

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**Notes to the financial statements  
For the year ended 30 November 2019**

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**18. Reserves**

**Called up share capital**

Called up share capital represents the nominal value of the shares issued.

**Profit and loss account**

The profit and loss account represents cumulative profits or losses and total other comprehensive income made by the company, including distributions to, and from, the parent company.

**19. Discontinued operations**

On 31 December 2018 the company relinquished its Citroen franchise at its Bath dealership and the site closed on 28 February 2019.

**20. Contingent liabilities**

The company has a guarantee dated 16 October 2013 in favour of Volkswagen Bank GmbH for £400,000. This was cancelled in December 2019 following the relinquishment of the SEAT franchise at the company's Oxford and Hereford locations.

**21. Commitments under operating leases**

At 30 November 2019 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £000	2018 £000
Not later than 1 year	1,714	1,941
Between 1 and 5 years	647	603
Later than 5 years	393	507
	<u>2,754</u>	<u>3,051</u>

**22. Related party transactions**

As permitted by FRS 102 Section 33.1A, the financial statements do not disclose transactions entered into by two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member.

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## Hartwell Automotive Group Limited

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### Notes to the financial statements For the year ended 30 November 2019

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#### 23. Post balance sheet events

On 18 December 2019 the company relinquished its SEAT franchise at its Hereford and Oxford locations. The Hereford site continues to hold a Ford franchise.

On 30 December 2019 the company purchased a dealership site in Berkshire. The company plans to develop the site and make modifications to the workshop and showroom areas and is aiming to open the site for business in late 2020.

In March 2020 the company saw the emergence of Covid-19 and the impact of the subsequent lockdown on the company's onsite operations. This is a non-adjusting post balance sheet event and has had no impact on the assets or the liabilities reported at year end. The business reopened for trading on 1 June 2020 and is trading ahead of budget since that date.

#### 24. Ultimate parent undertaking, controlling party and immediate parent undertaking

The immediate parent company and the smallest group for whom group consolidated financial statements are drawn up is Hartwell plc, which has a registered office of Wootton Business Park, Besselsleigh Road, Wootton, Oxfordshire, OX13 6FD. The largest group of undertakings for whom publicly available group financial statements are drawn up is Oakhill Group Limited, which has a registered office of Wootton Business Park, Besselsleigh Road, Wootton, Oxfordshire, OX13 6FD. Both of these financial statements may be obtained from Companies House, Cardiff, CF14 3UZ.

The largest group of undertakings for whom group financial statements are drawn up is Bishopsgate Investments Limited which has a registered office address of Canon's Court, 22 Victoria Street, PO Box HM 1179, Hamilton, Bermuda. These financial statements are not publicly available.

The directors consider the ultimate parent and controlling party to be Fairview Anstalt, an anstalt incorporated in Liechtenstein.