

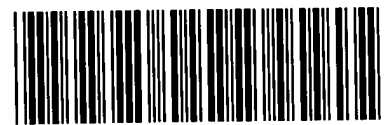
Registered number: 00158447

Hartwell Automotive Group Limited

Annual report and financial statements

For the year ended 30 November 2020

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Hartwell Automotive Group Limited

Company Information

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

Hartwell Automotive Group Limited

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Hartwell Automotive Group Limited

Strategic report For the year ended 30 November 2020

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 2020.

Principal activities

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

Business review

In common with much of UK industry and particularly the motor trade the trading results of the company for the year have been significantly impacted by the COVID-19 pandemic. All showrooms were closed during each of the two lockdown periods in the financial year, click and collect vehicle sales were only permitted late in the first lockdown period, and aftersales departments operated for the most part at a significantly reduced capacity in these two lockdown periods.

Whilst the pandemic and its immediate and long-term impact could not and still cannot be foreseen the directors felt it necessary to review all costs and reduce them where possible to safeguard the future of the company for its employees and customers alike.

Comparisons with prior year results are therefore difficult especially in relation to vehicle sales numbers and turnover figures which in turn create the profitability of the company. Instead the directors continue to track performance against the UK Ford Dealer Network which have been similarly affected to those of the company. Despite the reduced trading volumes the directors are encouraged by the improvement in gross margin to 11.7% (2019: 11.3%). A renewed focus on used car strategy and a new low rate finance offering towards the end of the year has enabled additional add on product sales to be made and greater margins to be secured. The directors expect to see margins improve further in 2021.

Distribution costs and administrative expenses fell by a combined £5.3m in 2020 due to temporary savings resulting from the pandemic and government assistance and permanent savings derived from business restructuring in the year, the full benefit of which will be seen in 2021 and beyond.

A thorough review of job functions and business processes commenced in the year and will continue in 2021 with the aim of automating or digitising processes and generating efficiencies. Centralisation of the Vehicle Sales Administration and Accounts Functions was completed midway through the year as was a similar exercise with the Parts department operations. These decisions along with similar reviews of all departments at all locations has ultimately resulted in sizeable numbers of redundancies, a decision not taken lightly, the full benefit of the costs savings of which will be seen in future years whilst the cost of such redundancies is included in administrative expenses.

Whilst the benefits of many decisions taken during the year will not be seen until 2021 the company has implemented a number projects during the year which have improved our customer experience and offering. Many of these are as a result of the inability of or limited face to face interaction with customers due to Covid and include the launch of a new website with greater functionality including a vehicle on-line deposit and purchasing facility, mygarage a mobile application enabling customers engage in many sales and service activities with the company including e-signing of documents and payment for servicing.

The enforced closure of all dealership sites in the first lockdown meant that the company placed sizeable numbers of group employees on furlough for varying lengths of time during the year. The company itself has no employees as all service contracts are held with Hartwell plc, the company's immediate parent undertaking (see note 8). Whilst distribution costs and administrative expenses for the year include reduced employment costs, due to the furloughing of staff, income received from Coronavirus Job Retention Scheme grants is shown in the group consolidated financial statements of Hartwell plc as are the gross employment costs.

Hartwell Automotive Group Limited

Strategic report (continued) For the year ended 30 November 2020

Business review (continued)

Administrative expenses in 2020 are lower when compared to 2019 predominantly due to Business Rates relief for the 2020/21 Business Rates year which straddles the company's financial year end. This benefit will be in excess of £1m in 2021 due to an extension of business rates relief by the Chancellor.

In common with many other Ford dealers the company started the year with very high levels of consignment stock with the Ford network as a whole suffering from surplus stock notably Light Commercial Vehicles. The length of the first lockdown period hindered the sale of these vehicles with the result that the company held this consignment stock for significantly longer than would normally be the case. Interest charges on consignment stock were 46% higher in the year at £1,058,000. The company was successful however later in the year in selling significant levels of this surplus stock to retail customers or in transferring to other dealers. A combination of these sales efforts and reduced production volumes by Ford places the company at the start of the 2021 year with the lowest levels of consignment, and therefore interest bearing, stock than at any time in the previous five years. Interest charges are expected to be much lower in 2021.

Operating profit at £2,724,000 represents a level of a little more than 50% of the level in 2019 however the impact of COVID-19 in April and May alone saw the company lose nearly £2m, a position from which it recovered strongly in the second half of the year.

At the statement of financial position date, the company operated from 10 sites (2019: 10 sites). These sites represent FIAT and Ford. In addition the Dunstable site is an authorised Vauxhall, Peugeot and Citroen Parts distributor. The company purchased a dealership site in Reading in December 2019. The plan was for, following site improvements and development work, the dealership to open at the end of 2020. Delays due to Covid mean that the Reading site will now open in Spring 2021.

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 the company has over recent years terminated its relationships with various manufacturers in order to focus on its relationship with Ford.

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.

The Reading site, purchased in December 2019, will open as a fully franchised Ford Car and Light Commercial centre in April 2021.

Hartwell Automotive Group Limited

Strategic report (continued) For the year ended 30 November 2020

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 2020 and 30 November 2019 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.

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.

Regulatory risk

The company's operations are subject to applicable laws and regulations including those set out by government agencies, Financial Conduct Authority, Trading Standards, Vehicle Operator and Service Agency and local authorities. Failure of compliance could lead to fines, enforced suspension of availability to sell insurance or finance and potentially closure of part of our business.

The company trains its staff and has developed policies and procedures to ensure that regulatory risks are mitigated to the greatest extent possible.

COVID-19

During the year a new risk of the Coronavirus has emerged. This 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.

Hartwell Automotive Group Limited

**Strategic report (continued)
For the year ended 30 November 2020**

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: 11.7 % (2019: 11.3%)
Distribution costs to turnover: 5.7% (2019: 5.6%)
Administration costs to turnover: 4.6% (2019: 4.1%)
Profit pre-taxation to turnover: 0.9% (2019: 1.3%)
Return on funds employed* 9.1% (2019: 38.2%)
Debtor days: 4.9 (2019: 5.7)
Stock turn: 34.4 (2019: 38.5)

*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.

Section 172 statement

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders and other matters in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, the impact of its activities on the community, the environment and the Company's reputation for good business conduct, when making decisions. In this context, acting in good faith and fairly, the Directors consider what is most likely to promote the success of the Company for its members in the long term. We explain below how the Board engages with stakeholders.

- The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006. As required, the Company Secretary will provide support to the Board to help ensure that sufficient consideration is given to issues relating to the matters set out in s172(1)(a)-(f).
- The Board regularly reviews the Company's principal stakeholders and how it engages with them. This is achieved through information provided by management and also by direct engagement with stakeholders themselves.
- We aim to work responsibly with our stakeholders, including suppliers. The Board routinely reviews its anti-corruption and anti-bribery, equal opportunities and whistleblowing policies.

Hartwell Automotive Group Limited

Strategic report (continued)
For the year ended 30 November 2020

Section 172 statement (continued)

The key Board decisions made in the year are set out below including details of the stakeholders affected, actions taken, and the impact.

Acquisition of Reading site

Affecting shareholders and employees

- Shareholder consultation took place to obtain approval to acquire the site for the future profitability of the business.
- Existing employee pool was reviewed for capabilities to take on additional responsibilities.

Restructuring including centralisation of Sales Administration and Accounts functions

Affecting shareholders and employees

- Decisions were made by the executive team in consultation with the Board after carefully considering employee impact.
- Impacted departments were consulted in respect of changes to job descriptions or alternative employment.

Coronavirus response

Affecting customers and employees

- Customers have been consulted in relation to how the Company mitigated the risk of transmission of COVID-19 within customer areas.
- Enforced lockdown of car showrooms and reduced workshop activity required the company to consult with and place significant numbers of employees on furlough.

Termination of Fiat franchise

Affecting shareholders and suppliers

- The decision was made by the executive team in consultation with the board and shareholders with the aim of focussing efforts of strengthening the relationship with Ford and increasing long term profitability.

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



A M Lemon
Director

Date: 28/4/21

Hartwell Automotive Group Limited

**Directors' report
For the year ended 30 November 2020**

The directors present their report and the financial statements for the year ended 30 November 2020.

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 5.

Results and dividends

The profit for the year, after taxation, amounted to £1,668,000 (2019 - £2,728,000).

The directors do not recommend the payment of a dividend (2019: £nil).

Directors

The Directors who served during the year were:

K P Godfrey
A M Lemon
A Rehman
N J Tucker

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

Hartwell Automotive Group Limited

**Directors' report (continued)
For the year ended 30 November 2020**

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.

Business relationships

The board recognises that it is essential for the ongoing success and reputation of the business to foster strong relationships across its customer, supplier, vehicle manufacturer and wider stakeholder community. There is regular engagement with vehicle manufacturers and other suppliers at many levels including senior directors. Customer feedback is encouraged at many points of contact and action is taken to address issues identified in order to make the customer experience a memorable one. The board considers the interests of all shareholders and stakeholders at its regular board meetings and ensures that all stakeholders' interests are considered when it is appropriate to do so.

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 auditors are 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 auditors are aware of that information.

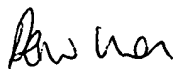
Post balance sheet events

There have been no significant events affecting the company since the year end.

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.



A M Lemon
Director

Date: 28/4/21

Hartwell Automotive Group Limited

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

Opinion

We have audited the financial statements of Hartwell Automotive Group Limited ("the Company") for the year ended 30 November 2020 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 2020 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 Auditors' 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 United Kingdom, 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.

Hartwell Automotive Group Limited

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual 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.

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

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.

Hartwell Automotive Group Limited

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

Responsibilities of Directors

As explained more fully in the Statement of Directors Responsibilities, 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 auditors' 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. This description forms part of our auditors' 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.



Stephen Le Bas (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton
United Kingdom

Date: 29/4/2021

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

Hartwell Automotive Group Limited

**Statement of comprehensive income
For the year ended 30 November 2020**

	Note	Continuing operations 2020 £000	Discontinued operations 2020 £000	Total 2020 £000	Continuing operations 2019 £000	Discontinued operations 2019 £000	Total 2019 £000
Turnover	4	180,522	-	180,522	243,742	1,180	244,922
Cost of sales		(159,440)	-	(159,440)	(216,242)	(1,036)	(217,278)
Gross profit		21,082	-	21,082	27,500	144	27,644
Distribution costs		(10,236)	-	(10,236)	(13,454)	(221)	(13,675)
Administrative expenses		(8,275)	-	(8,275)	(9,700)	(416)	(10,116)
Other operating income	5	153	-	153	-	-	-
Operating profit	6	2,724	-	2,724	4,346	(493)	3,853
Interest payable and expenses	9	(1,058)	-	(1,058)	(724)	-	(724)
Profit before tax		1,666	-	1,666	3,622	(493)	3,129
Tax on profit	10	2	-	2	(401)	-	(401)
Profit for the financial year		1,668	-	1,668	3,221	(493)	2,728
Other comprehensive income				-			-
Total comprehensive income for the year				1,668			2,728


The notes on pages 14 to 29 form part of these financial statements.

Hartwell Automotive Group Limited
Registered number: 00158447

Statement of financial position
As at 30 November 2020

	Note	2020 £000	2019 £000
Fixed assets			
Tangible Assets	11	11,010	4,747
		<u>11,010</u>	<u>4,747</u>
Current assets			
Stocks	12	41,843	69,504
Debtors: amounts falling due within one year	13	57,852	70,008
Cash at bank and in hand		722	1,129
		<u>100,417</u>	<u>140,641</u>
Creditors: amounts falling due within one year	14	(42,092)	(77,335)
Net current assets		<u>58,325</u>	63,306
Total assets less current liabilities		<u>69,335</u>	68,053
Creditors: amounts falling due after more than one year	15	(31)	(31)
Provisions for liabilities			
Deferred tax	16	(74)	(76)
Other provisions	17	(2,011)	(2,395)
		<u>(2,085)</u>	<u>(2,471)</u>
Net assets		<u>67,219</u>	<u>65,551</u>
Capital and reserves			
Called up share capital	18,19	95	95
Profit and loss account	19	67,124	65,456
Shareholder's funds		<u>67,219</u>	<u>65,551</u>

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



A M Lemon
Director

Date:

28/11/21

The notes on pages 14 to 29 form part of these financial statements.

Hartwell Automotive Group Limited

Statement of changes in equity
For the year ended 30 November 2020

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 December 2019	95	65,456	65,551
Comprehensive income for the year			
Profit for the financial year	-	1,668	1,668
At 30 November 2020	95	67,124	67,219

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

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

The notes on pages 14 to 29 form part of these financial statements.

Hartwell Automotive Group Limited

Notes to the financial statements For the year ended 30 November 2020

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; 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 2020 and these financial statements may be obtained from Companies House, Cardiff, CF14 3UZ.

The following principal accounting policies have been applied:

Hartwell Automotive Group Limited

Notes to the financial statements For the year ended 30 November 2020

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 a period of twelve months from the date of signing these financial statements. 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 of which the company is a part was in a significant net asset and net current asset position and held cash reserves of £13.7m. As of mid March 2021 the cash position has improved to £18m and based upon forecasts for a period of twelve months from the date of signing these financial statements significant levels of cash are forecast to remain in the business. The strong cash position is due to a combination of strong cost control and also the decision to suspend new lending from sister company Hartwell Finance Limited.

The group made losses in April and May 2020 due to the lockdown imposed but saw a strong return to normal trading conditions in the second half of the year. 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.

The company has significantly lower levels of consignment stock at the year end than at the start of the first lockdown period and therefore lower future requirements for cash to pay for stock should further lockdowns prevent or hinder the sale of stock.

Based upon the cash reserves available, 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.

Hartwell Automotive Group Limited

**Notes to the financial statements
For the year ended 30 November 2020**

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:

The estimated useful lives range as follows:

Leasehold property	- 10 - 40 years
Plant and machinery	- 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.

Hartwell Automotive Group Limited

**Notes to the financial statements
For the year ended 30 November 2020**

2. Accounting policies (continued)

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.

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.

Hartwell Automotive Group Limited

**Notes to the financial statements
For the year ended 30 November 2020**

2. Accounting policies (continued)

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.

Termination payments

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.

Hartwell Automotive Group Limited

Notes to the financial statements For the year ended 30 November 2020

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. No further claims were received during the year and the directors have therefore decided to release the balance of the provision.
- Provisions for future claims against warranty policies sold to customers require a 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.

4. Turnover

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

	2020 £000	2019 £000
Vehicles	172,684	234,122
Aftersales	7,838	10,800
	<u>180,522</u>	<u>244,922</u>

All turnover arose within the United Kingdom.

Hartwell Automotive Group Limited

Notes to the financial statements
For the year ended 30 November 2020

5. Other operating income

	2020 £000	2019 £000
Rent receivable	153	-

6. Operating profit

The operating profit is stated after charging:

	2020 £000	2019 £000
Depreciation of fixed assets	548	604
Impairments recognised on stock	1,174	1,508
Loss on disposal of fixed assets	5	33
Operating lease rentals	2,235	2,246
Impairments of trade debtors	178	48

Impairments of trade debtors are included in distribution costs within the statement of comprehensive income.

7. Auditors' remuneration

	2020 £000	2019 £000
Fees payable to the company's auditor for the audit of the company's annual financial statements	50	49

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.

8. Employees and directors remuneration

The average monthly number of employees during the year was nil (2019: 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 £371,000 (2019: £365,000), which included pension contributions of £42,000 (2019: £41,000). The highest paid director received remuneration of £311,000 (2019: £302,000), which included pension contributions of £40,000 (2019: £40,000).

Hartwell Automotive Group Limited

Notes to the financial statements
For the year ended 30 November 2020

9. Interest payable and similar expenses

	2020 £000	2019 £000
Stock finance charges	1,058	724

10. Taxation

	2020 £000	2019 £000
Current tax		
Current tax on profits for the year	-	356
Adjustments in respect of previous periods	-	(1)
Total current tax	-	355
Deferred tax		
Origination and reversal of timing differences	33	50
Adjustment in respect of prior periods	(39)	(4)
Effect of tax rate change on opening balance	4	-
Total deferred tax (see note 16)	(2)	46
Taxation on profit	(2)	401

Hartwell Automotive Group Limited

Notes to the financial statements
For the year ended 30 November 2020

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £000	2019 £000
Profit before taxation	1,666	3,129
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	317	595
Effects of:		
Expenses not deductible for tax purposes	32	49
Group relief	(316)	(232)
Adjustments to tax charge in respect of prior periods	(39)	(5)
Change in deferred tax to average rate	-	(6)
Remeasurement of deferred tax for changes in tax rates	4	-
Total tax charge for the year	(2)	401

Factors that may affect future tax charges

The company has capital losses carried forward totaling £2.4m (2019 - £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 2020**

11. Tangible fixed assets

	Leasehold property £000	Equipment and vehicles £000	Total £000
Cost			
At 1 December 2019	3,566	4,413	7,979
Additions	6,399	425	6,824
Disposals	-	(128)	(128)
At 30 November 2020	<u>9,965</u>	<u>4,710</u>	<u>14,675</u>
Depreciation			
At 1 December 2019	148	3,084	3,232
Charge for the year	103	445	548
Disposals	-	(115)	(115)
At 30 November 2020	<u>251</u>	<u>3,414</u>	<u>3,665</u>
Net book value			
At 30 November 2020	<u>9,714</u>	<u>1,296</u>	<u>11,010</u>
At 30 November 2019	<u>3,418</u>	<u>1,329</u>	<u>4,747</u>

All leasehold is considered to be short leasehold.

12. Stocks

	2020 £000	2019 £000
Consignment stock	21,884	50,878
Finished goods and goods for resale	19,959	18,626
	<u>41,843</u>	<u>69,504</u>

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

Hartwell Automotive Group Limited

Notes to the financial statements
For the year ended 30 November 2020

13. Debtors

	2020 £000	2019 £000
Due within one year		
Trade debtors	2,437	4,332
Amounts owed by group undertakings	54,776	64,867
Other debtors	229	341
Prepayments and accrued income	410	468
	<u>57,852</u>	<u>70,008</u>

Trade debtors are stated after provision for doubtful debtors of £124,000 (2019: £45,000).

14. Creditors: Amounts falling due within one year

	2020 £000	2019 £000
Payments received on account	1,058	1,533
Trade creditors	5,244	7,425
Amounts owed to group undertakings	5,876	6,348
Corporation tax	-	116
Other taxation and social security	407	229
Consignment stock creditor	21,884	50,878
Other creditors	386	315
Accruals and deferred income	7,237	10,491
	<u>42,092</u>	<u>77,335</u>

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

15. Creditors: Amounts falling due after more than one year

	2020 £000	2019 £000
Share capital treated as debt (note 18)	<u>31</u>	<u>31</u>

Disclosure of the terms and conditions attached to the non-equity shares is made in note 18.

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 2020

16. Deferred taxation

	2020	2019
	£000	£000
At beginning of year	(76)	(30)
Credited/(charged) to profit or loss	2	(46)
At end of year	<u>(74)</u>	<u>(76)</u>

The provision for deferred taxation is made up as follows:

	2020	2019
	£000	£000
Accelerated capital allowances	(193)	(177)
Short term timing differences	119	101
	<u>(74)</u>	<u>(76)</u>

Hartwell Automotive Group Limited

Notes to the financial statements
For the year ended 30 November 2020

17. Provisions

	Sales provision £000	Warranty provision £000	Total £000
At 1 December 2019	100	2,295	2,395
Credited to profit or loss	(100)	(654)	(754)
Additions	-	645	645
Utilised in year	-	(275)	(275)
At 30 November 2020	-	2,011	2,011

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. No new claims were registered in 2020 and the directors have taken the decision to release the remaining provision of £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.

Hartwell Automotive Group Limited

Notes to the financial statements
For the year ended 30 November 2020

18. Share capital

	2020 £000	2019 £000
Shares classified as equity		
Authorised, allotted, called up and fully paid		
1,905,300 (2019 - 1,905,300) Ordinary shares of £0.05 each	95	95
	<u>95</u>	<u>95</u>
	2020 £000	2019 £000
Shares classified as debt		
Authorised, allotted, called up and fully paid		
18,235 (2019 - 18,235) 6% Cumulative preference shares of £1.00 each	18	18
12,500 (2019 - 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 have the right to attend and vote at any general meeting of the company.

The holders of the 6% Cumulative preference shares and the 5% Redeemable cumulative preference shares 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 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.

Hartwell Automotive Group Limited

Notes to the financial statements
For the year ended 30 November 2020

19. 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.

20. Discontinued operations

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

21. 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.

22. Capital commitments

At 30 November 2020 the company had capital commitments as follows:

	2020 £000	2019 £000
Contracted for but not provided in these financial statements	<u>1,577</u>	<u>-</u>

Capital commitments relate to building and site improvements to the Reading dealership due to open in early Spring 2021.

23. Commitments under operating leases

At 30 November 2020 the company had future minimum lease payments due under non-cancellable operating leases as follows:

	2020 £000	2019 £000
Not later than 1 year	796	1,714
Between 1 and 5 years	1,441	647
Later than 5 years	277	393
	<u>2,514</u>	<u>2,754</u>

Hartwell Automotive Group Limited

**Notes to the financial statements
For the year ended 30 November 2020**

24. 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.

25. 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 Victoria Place, 5th Floor, 31 Victoria Street, Hamilton, HM10, 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.