

Breeze Motor Company Limited

Registered number: 03943216

Annual report

For the year ended 31 December 2021

BREEZE MOTOR COMPANY LIMITED

COMPANY INFORMATION

Director	J E Corderoy
Registered number	03943216
Registered office	5th Floor Merck House Seldown Lane Poole Dorset BH15 1TW
Independent auditor	Mazars LLP Chartered Accountants & Statutory Auditor 5th Floor Merck House Seldown Lane Poole Dorset BH15 1TW
Bankers	Barclays Bank PLC Barclays House Ocean Village Southampton SO14 2ZP
Solicitors	Denton Wilde Sapte LLP The Pinnacle 170 Midsummer Boulevard Milton Keynes MK9 1FE

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**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

Introduction

The Director presents his Strategic Report for the year ended 31 December 2021.

Business review and strategy**New Sales**

New vehicle car sales volumes were heavily impacted by a global shortage of semi-conductors (computer chips) across the whole range of both Volkswagen passenger car and commercial vehicle product. Whilst this led to extended lead times, margins improved significantly in what was a supply/demand market.

Q1 2021 saw showroom closures due to COVID-19 restrictions, this saw improvements to the digital selling model that was implemented during the re-opening of the businesses after the first lockdown of 2020. Whilst a frustration, this style of retailing led to a further improved transactional quality through both unit and F+I profitability.

Used Sales

Due to supply shortages in new vehicles, used sales were an area of significant improvement during 2021 with all sites outperforming their individual budgets. Across the market, used vehicle values showed consistent improvement throughout the year which posed some challenges with re-stocking to match a strong rate of sale. This was managed through the use of market intelligence, effective stock profiling and a dynamic pricing strategy to ensure a maximised profit opportunity.

Future Developments

New Suzuki franchise will be opening in Q1 2022 after an extensive refurbishment. This diversifies the Breeze group and we continue to look to grow the business where the management team identifies a strategic fit.

Electrification continues to be an area of exceptional growth across the Volkswagen passenger car franchise. This model line-up is to be joined by the ID5, the 3rd model in the ID family due in spring 2022. Built on the same MEB platform, the commercial franchise will see the launch of the eagerly anticipated ID Buzz in both cargo and passenger carrying derivatives during late 2022. This is an exceptionally important product along with the new Multi-Van as a Caravelle replacement.

Coronavirus

The Breeze Management Team continue to react to government guidelines regarding COVID-19, there is an ongoing focus to ensure the businesses are correctly resourced in line with showroom closures and subsequent pent-up demand for those wishing for a physical transaction upon re-opening.

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

Principal risks and uncertainties

The management of the business and the nature of the Group's strategy are subject to a number of risks. The main risks arising are manufacturer product, competition, interest rate risk, credit risk and liquidity risk. The Director reviews and agrees policies for managing each of these risks and they are summarised below.

The Director is of the opinion that a thorough risk management process is adopted which involves the formal review of all the risks identified below. Where possible, processes are in place to monitor and mitigate such risks.

Manufacturer product

We are reliant on our new vehicle product from Volkswagen which continues to be strong, despite a lack of physical supply. Whilst we are exposed to risks, we believe that the new product in future years from Volkswagen will be of a continued high quality. We mitigate this risk by focusing on our other core business areas including vehicle sales, parts sales and service sales.

Competition

The motor retail market in which the group operates is highly competitive. As a result there is constant downwards pressure on margins and the additional risk of being unable to meet customer's expectations. Policies of transparency in negotiations, constant price monitoring and continuing to focus on our high level of service are in place to mitigate such risks.

Interest rate risk

The Group finances its operations through a mixture of retained profits and the cash at bank. The Group's exposure to interest rate fluctuations on its borrowings is managed by the use of effective working capital management keeping borrowings within the agreed facilities limit.

The interest rate exposure of the financial assets and liability of the Group as at 31 December 2021 is shown in the balance sheet. The Group policy throughout the year has been to achieve an effective working capital management through the day to day involvement of management in business decisions.

Credit risk

The Group's principal financial assets are freehold property, stock, cash and trade debtors. The credit risk associated with cash is limited as the counter parties have high credit ratings assigned by international credit rating agencies. The principal credit risk arises therefore from its trade debtors.

In order to manage credit risk the Director sets limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group policy throughout the year has been to achieve this objective through the day to day involvement of management in business decisions rather than through setting maximum or minimum liquidity ratios. Short term flexibility is achieved by overdraft facilities. The Group is encompassed in the Group facility.

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

BREXIT

New trading arrangements between the United Kingdom and the European Union took effect on 31 December 2020. In general, tariffs and quotas on trade have not been introduced, although administrative complications and regulatory restrictions have reduced the freedom of cross-border trade. The effect on the Group has been minimised due to the Volkswagen Group UK importing the vehicles into the UK for the network. The business is continually monitoring the supply chain to understand any delays due to BREXIT and the COVID-19 pandemic.

Financial key performance indicators

The Director has monitored the progress of the overall Group strategy and the individual strategic elements by reference to certain financial and non-financial key performance indicators.

2021 2020

Gross profit margin % 8.9 6.9 The ratio of gross profit to sales.

Operating profit margin % 3.3 1.6 The ratio of operating profit to sales.

Capital expenditure (£'000) 1,000 183 Investment made in respect of capital items.

Non-financial key performance indicators

New Customer Satisfaction 4.90/5

Used Customer Satisfaction 4.91/5

Aftersales Customer Satisfaction 4.62/5

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

Energy and emissions reporting

This section includes our mandatory reporting of energy and greenhouse gas emissions for the period 1 January 2021 to 31 December 2021, pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, implementing the government's Streamlined Energy and Carbon Reporting (SECR) policy.

Our methodology to calculate our greenhouse gas emissions is based on the 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance (March 2019)' issued by DEFRA, using DEFRA's 2020 and 2021 conversion factors as appropriate. In some cases, consumption has been extrapolated from available data or direct comparison made to a comparable period.

We report using a financial control approach to define our organisational boundary. We have reported all material emission sources required by the regulations for which we deem ourselves to be responsible and have maintained records of all source data and calculations.

During the reporting period, no energy efficiency actions have been taken. The table below includes total energy consumption (reported as kWh) and greenhouse gas emissions for the sources required by the regulations, along with our intensity ratio.

UK & Offshore	01/01/2021 – 31/12/2021	01/01/2020 – 31/12/2020
Total Energy Consumption – Used for Emissions Calculation (kWh)	929.650	718.883
Gas Combustion Emissions, Scope 1 (tCO ₂ e)	43	45
Purchased Electricity Emissions, Scope 2 (tCO ₂ e)	83	80
Vehicle Fuel Combustion Emissions, Scope 1 (tCO ₂ e)	70	31
Vehicle Fuel Combustion Emissions, Scope 3 (tCO ₂ e)	3	0
Total Gross Reported Emissions (tCO ₂ e)	199	156
Turnover (£m)	72.9	55.7
Intensity Ratio: Turnover (tCO ₂ e / £m)	2.7	2.8

Director's statement of compliance with duty to promote the success of the Group

Corporate governance within the Group provides a framework to not only demonstrate how the board makes decisions for the long term success of the Group and its stakeholders, but also has regard to how the board ensures the Group complies with the requirements of Section 172 of Companies Act 2006.

During 2021 the key decisions taken by the board included:

Manufacture Partners

- Sustained relationship with Volkswagen, Volkswagen Commercial Vehicles and Suzuki GB to improve business performance. We continue to engage in brand initiatives and systems to future proof the business.
- Regular dialogue between the Director and manufacturer partners to ensure a cohesive approach in driving progression through the business.
- Attendance to manufacturer conferences as required.
- Seek out additional opportunities with new or existing brands.

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

Director's statement of compliance with duty to promote the success of the Group (continued)

Financial Stakeholders

- Actively reporting strategic decisions, financial performance and controls to financial stakeholders.
- Continued communication with financial stakeholders through quarterly meetings to encourage sufficient financial reporting between stakeholders.

Employees

- Senior Management team provides monthly video updates to include business performance, strategy and other company news.
- Company specific management training provided to key managers within the Group.
- Regular performance reviews and performance related bonuses.
- Introduction of enhanced benefit package to include health and wellbeing benefits.

Environment/Regulation

- Continued roll out of the all-electric carbon neutral Volkswagen ID range.
- Work towards compliance of the 2030 ban on internal combustion engines as set out by the government.
- Initiated energy management initiative to proactively reduce the Group's energy usage and invest energy saving hardware for the future.
- Remaining up to date with government COVID-19 guidelines.
- Investment in energy efficient heating/cooling and lighting across the sites.

Customers/Community

- Ensure our customers get the very best experience measured by customer satisfaction surveys and acting on a feedback received.
- Various sponsorships within local community and continued support of local charities.
- Adopting a successful apprenticeship programme for young people.

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

J E Corderoy
Director

Date: 31 May 2022

**DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

The director presents his report and the audited consolidated financial statements for the year ended 31 December 2021.

Results and dividends

The profit for the year, after taxation, amounted to £2,162,526 (2020: profit of £722,705).

The director recommended the payment of a dividend for the year of £335,000 (2020: £nil).

Principal activity

The principal activity of the Group and Company in the year under review was that of a motor retailer.

Director

The director who served during the year and to the date of this report was:

J E Corderoy

Director's responsibilities statement

The director is responsible for preparing the Group Strategic Report, the Director's Report and the consolidated financial statements in accordance with applicable laws and regulations.

Company laws require the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the director is required to:

- select suitable accounting policies for the Group'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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

**DIRECTOR'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Going concern

The financial statements have been prepared on a going concern basis. In considering going concern, management has reviewed the financial information of the Group and the Company for a period of at least 12 months from the date of approval of the accounts. Having reviewed this information, management has a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Breeze continue to have the support of our financial stakeholders Barclays Bank, Lombard and Volkswagen Bank for the overdraft facility and stocking facility.

As at 31 December 2021 the Group reported a profit of £2,162,526 (2020: profit of £722,705) and a net asset position of £3,012,674 (2020: £1,110,148). The director has applied the going concern basis in preparing the financial statements.

Qualifying third party indemnity provisions

The Director benefits from a qualifying third party indemnity provision in the form permitted by the Section 234 of the Companies Act 2006 in respect of certain third party actions against the Director. No claim or notice of claim in respect of these indemnities has been received in the period. The qualifying indemnity provision was in force throughout the financial period and up to the date of approval of the Director's Report.

Matters covered in the Group Strategic Report

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the strategic report on pages 1 to 6. These matters relate to business review, future development and principal risks and uncertainties.

Provision of information to auditor

The director at the time when this Director's Report is approved has confirmed that:

- so far as he is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware; and
- he 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 and the Group's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the Company and the Group since the year end.

DIRECTOR'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

Auditor

The auditor, Mazars 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.

J E Corderoy

Director

Date: 31 May 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BREEZE MOTOR COMPANY LIMITED

Opinion

We have audited the financial statements of Breeze Motor Company Limited (the 'Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Positions, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group and the Company's affairs as at 31 December 2021 and of the Group's 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 Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The director is responsible for the other information contained within the annual report. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BREEZE MOTOR COMPANY LIMITED

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Director's 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BREEZE MOTOR COMPANY LIMITED

Responsibilities of Director

As explained more fully in the Director's Responsibilities Statement set out on page 6, the director is 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 director determines 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 director is responsible for assessing the Group and 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 director intends either to liquidate the Group and the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Group and Company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: pension legislation, employment regulation, health and safety regulation, anti-money laundering regulation, non-compliance with implementation of government support schemes relating to COVID-19, VW standards and WLTP.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the Group and the Company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Group and the Company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BREEZE MOTOR COMPANY LIMITED

In addition, we evaluated the director's and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to loss reserves, revenue recognition (which we pinpointed to the cut-off assertion, and significant one-off or unusual transactions).

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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 auditor's report.

Use of the audit 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 Group and the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Lesley Fox (Senior statutory auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

5th Floor Merck House

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Poole

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BH15 1TW

31 May 2022