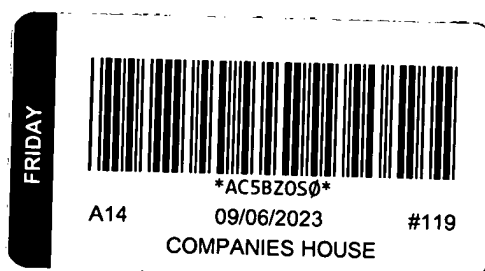


REGISTERED NUMBER: 01009184

Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 March 2022
for
Kwik-Fit (GB) Limited



Kwik-Fit (GB) Limited (Registered number: 01009184)

Contents of the Financial Statements
for the Year Ended 31 March 2022

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Kwik-Fit (GB) Limited

Company Information
for the Year Ended 31 March 2022

DIRECTORS:

P Boulton
M Slade
M Lynott

SECRETARY:

N B Pabani

REGISTERED OFFICE:

ETEL House
Avenue One
Letchworth Garden City
Hertfordshire
SG6 2HU

REGISTERED NUMBER:

01009184

STATUTORY AUDITORS:

Deloitte LLP
1 New Street Square
London
United Kingdom
EC4A 3HQ

Kwik-Fit (GB) Limited (Registered number: 01009184)

Strategic Report
for the Year Ended 31 March 2022

The directors present their strategic report for the year ended 31 March 2022.

PRINCIPAL ACTIVITY

The company's principal activities are the operation of automotive repair centres for tyres, exhausts, brakes, suspension, MOT, Servicing and a fleet of mobile tyre fitting vehicles. The company operates from over 600 specialist fitting centres and 200 mobile fitting vehicles in the UK.

REVIEW OF BUSINESS

The directors consider the underlying operational performance rather than the position of the Company as at balance sheet date in monitoring the strength of the business.

The company continues to play an essential role in keeping drivers in the UK safe on the road. The accelerated shift to online ordering triggered by Covid-19 has stabilised during the year, demonstrating that large numbers of customers continue to value face-to-face advice alongside the digital customer journey. Making further improvements to the end-to-end customer experience continues to be a key focus for the company which has included the roll out of new customer experience monitoring platforms during the year.

Continued development of the product ranges and service offering, through centres and mobile fitting vans, provides choice to customers whilst ensuring the peace of mind that the business can continue to support the motoring needs of all drivers including ICE, Hybrid and EV vehicles.

The company continues to invest in staff training and its apprenticeship program to strengthen customer service and to support new products and services.

Following the relaxation of the COVID-19 restrictions the company's trading performance started to return to normal levels with turnover exceeding prior year by 15.41% and pre COVID-19 turnover by 2.15%. Gross profits reached 21.46% compared to the prior year at 16.1% and pre COVID-19 25.52%. The directors consider that this reflects the strong service provided to customers and resilience of the market position.

The company continues to invest in its retail centres and developing retail offerings, incurring £12,261,000 in capital expenditure during the year.

The company's strategy will remain unchanged in the coming year; to focus on the customer experience and employee experience. In doing so continue to develop the businesses market leading position by adapting to the changing product and service requirements of the evolving car park.

KEY PERFORMANCE INDICATORS

The business uses various financial and operational KPIs at a centre level to monitor the performance of individual areas of the business. The operational KPIs include centre tyre sales volumes (increased by 15.2% in the year), gross profit (increased by 53.8% in the year) and operating profit (increased by 324.1% in the year), the number of customer contacts versus complaints upheld, seeing a reduction of 11.8% in the year compared to prior year, employee turnover rates, which are up 21.8% in the current year. The directors consider the key company level KPI's used to monitor performance to be:

Turnover: Current year - £507,865,000 (2021 - £440,035,000).

Gross profit: Current year - £109,006,000 (2021 - £70,867,000).

Operating profit: Current year - £28,069,000 (2021 - £6,619,000).

The number of automotive repair centres as at the 31 March 2022 was 606 (2021 - 609).

The key influences on the company's KPIs relate to a more compelling online offer, enhancement in the customers journey, strong availability and investment in technology and training of staff.

Strategic Report
for the Year Ended 31 March 2022

CURRENT TRADING UPDATE

The year ending 31 March 2023 has started in uncertain economic circumstances. Whilst the Covid-19 pandemic appears to have receded to a manageable state in the UK following the successful vaccination campaign, rising inflation, in part driven by sharp rises in energy prices, in turn fuelled by the Russian invasion of Ukraine, presents a new challenge.

Input costs including labour, utilities and rents, together with the costs of goods to be sold, have all risen and show no signs of abating.

In that context, the performance of the Company is strong, again reflecting the underlying resilience of its business model. For example, B2C tyre volumes in the first quarter of the year to March 2023 are in line with those in the same period of the previous year, and MOT volumes were up 14%.

Although the outlook is uncertain, the Directors consider that the Company is well placed to succeed through ensuring that its customers stay safe on the road.

FUTURE DEVELOPMENTS

It is expected that the company will continue to follow the current long-term strategy during the year ending March 2023, namely:

- Further expansion on new products and services
- Continuation of technology investment in retail centres
- Rollout of training in staff to work on hybrid and electric vehicles

SECTION 172(1) STATEMENT

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interest of stakeholders and other matters in their decision making and their duty to promote the success of the company. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the company.

Section 172 requires the directors to have regard, amongst other matters, to:

- The likely consequences of any decision in the long term
- The interests of the company's employees
- The need to foster the company's business relationships with suppliers, customers and others
- The impact of the company's operations on the community and the environment
- The desirability of the company maintaining a reputation for high standards of business conduct
- The need to act fairly between members of the company

The directors consider that the key stakeholders of the Company are its customers, employees, suppliers, communities, shareholders and the Government.

Key decisions made by the Board in the year

The overriding focus for the Board during the financial year has been to ensure that the right decisions have been made in the long term interests of all of the stakeholders, in particular:

- Customers
The Board undertook detailed data analysis to understand the parts of the country not sufficiently served by the Company's existing retail network.
- Employees
Consultation took place with relevant employees to obtain their "buy in" to the proposed site openings, in order to maximise the chance of success.

CORPORATE GOVERNANCE STATEMENT

For the year ended 31 March 2022, under The Companies (Miscellaneous Reporting) Regulations 2018, the company has applied the Wates Corporate Governance Principles for Large Companies (published by the Financial Reporting Council (FRC) in December 2018 and available on the FRC website.

Strategic Report
for the Year Ended 31 March 2022

Good corporate governance is fundamental to the company success and we have in place a strong and effective governance framework and practices to ensure that high standards of governance, values and behaviours are consistently applied throughout the company. We have adopted the disclosure in our 2021 Report and Accounts and set out below is how we have applied the Principles over the past year throughout our work.

Purpose and Leadership;

Our vision is to make a positive contribution to meeting society's transports needs as the leading UK independent fast fit operation. We aim to create sustainable value for our stakeholders through a focused programme that is balanced as to risk and reward.

Our values of excellence in Health and Safety, accountability, integrity and teamwork are a core component of our business and help to guide all our actions. These values form a key component of our drivers for success and provide a strong platform from which to ensure all of our activities are geared towards sustainable value. We are committed to achieving best-in-class standards, maintaining safe and reliable operations.

Board Composition;

The composition of the Board and changes during the year is as set out in the Report of the Directors. The Board believes it has an appropriate balance in regards to the size and nature of the business. Although there are no independent directors on the Board, the Directors are highly experienced business leaders and frequently consider the interests of a broad range of stakeholders (including employees) in their decision-making processes. Having led and held senior executive positions in other leading organisations, the Directors bring many years of experience to the company.

Board Responsibilities;

The Board is committed to ensuring that it provides leadership to the company as a whole, having regard to the interests and views of its shareholders and other stakeholders. It is also responsible for setting the company's strategy, values and standards. The Board is responsible for the effective leadership, operation and governance of the company. Directors contribute effectively in the development and implementation of the Company's strategy whilst ensuring that the nature and extent of the significant risks the Company is willing to embrace in the implementation of its strategy are determined and challenged.

The Directors, together, act in the best interests of the Company devoting sufficient time and consideration as necessary to fulfil their duties. Each Director brings different skills, experience and knowledge to the Company.

Opportunity and risk;

Through regular engagement with the wider leadership team, the Directors continuously evaluate new and emerging opportunities, such as new products and strategic partnerships, to maximise value whilst mitigating the accompanying risks.

Remuneration;

The Directors develop, maintain and implement remuneration policies. The overriding objective of such policies is to attract and retain high-calibre individuals with a competitive reward package based on the achievement of corporate performance targets. These are linked to individual performance and accountability, and supports the company's commitment to high values while rewarding long-term value creation. The Directors ensure that levels of compensation across the company are sufficiently competitive to retain talent.

Stakeholders;

The Board is committed to effective communications with its shareholders and engagement with stakeholders is discussed this within the stakeholder disclosure of Section of S172 (1) statement.

PRINCIPAL RISKS AND UNCERTAINTIES

The company's activities expose it to a number of financial risks, principally liquidity, and credit risk. In particular, the company is a contributor to the servicing of debt held by European Tyre Enterprise Limited, an intermediate parent company of the company.

Strategic Report
for the Year Ended 31 March 2022

The company manages business and supply chain risks to minimise the impact on the continuity of its business. It is particularly important for the Company to be able to maintain high levels of service quality and to recruit and retain a highly skilled workforce. To this end, the Company invests heavily in staff training and development, operates an established quality control system, and incorporates appropriate KPIs into staff remuneration.

Technological risk

As the uptake of new economic models and new technological platforms increases such as vehicle sharing, connected, autonomous, electric vehicles accelerate it is likely that the demand for the company products will change and if the company does not stay abreast of these development this presents a threat to future profitability. To counteract this the directors continue to review the range of products and services offered to ensure the company stay relevant.

Interest rate risk

The company's operations expose it to interest rate risk. The company has both interest-bearing assets and interest-bearing liabilities that are mainly intercompany. Financial risk management is carried out by the ETEL Group finance function under guidance from the board of directors. Group finance identifies and evaluates financial risks in close co-operation with the management teams of the operating companies within the group. These risks are highlighted to the board of directors and actions taken to seek to minimise the potential adverse effects on the company's financial performance.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before credit sales are made.

Employment of disabled persons

It is the policy of the company that disabled people, whether registered or not, should receive full and fair consideration for all job vacancies for which they are suitable applicants. Employees who become disabled during their employment will be retained in employment wherever possible and will be given help with any necessary retraining.

Employment, training and development

The Company ensures that employees are recruited, trained and developed in accordance with individual and business needs to achieve maximum business and personal potential. As part of this process, all employees have an annual appraisal, which enables both the Company and the employee to assess performance, provide feedback and identify any future training/development requirements.

The Company is committed to learning and career development for all staff and we will endeavour to support teams and individuals wherever we can. Our People Development team offer a broad range of development courses and programmes to support the development of technical, management and leadership skills and where appropriate we consider further education programmes that are relevant to individuals who work in specialist areas.

We are committed to continually developing our employees and keeping them abreast of key developments and requirements, we do this through regular meetings and updates from management. The People Development Team liaise with departmental directors/heads to identify departmental requirements and develop learning interventions to support individuals and teams, with a focus on improving overall performance of the organisation.

Regulatory matters

The company continuously monitors changes in legislation and the regulatory framework to ensure that its operations are amended as appropriate. Close links are maintained with bodies which influence policy through liaison with the appropriate government departments and trade organisations to ensure that the company has an opportunity to comment at an early stage of proposed regulatory changes.

APPROVED ON BEHALF OF THE BOARD:



.....
M Lynott - Director
Date: 07/06/2023

Kwik-Fit (GB) Limited (Registered number: 01009184)

Report of the Directors
for the Year Ended 31 March 2022

The directors present their report with the audited financial statements of the company for the year to 31 March 2022.

GOING CONCERN

The Directors have adopted the Going Concern basis in preparing these financial statements.

This is on the basis that the Directors have a reasonable expectation that the business will continue in operational existence for a period of at least 12 months from the date of the signing of these financial statements.

In coming to this conclusion, the Directors have considered the current trading conditions, the Group's performance against budget and prior years, and the committed funding made available to the Group by its ultimate parent, Itochu Corporation, via its subsidiary Itochu Treasury Centre Europe PLC.

The Directors have prepared a number of conservative scenarios, reflecting limited sales growth paired with sustained levels of cost inflation. Under each of these scenarios, there remains significant headroom within the Group's existing funding facilities as set out below.

As at 31 March 2022, the Group had access to loans totalling £428,572,250 expiring on 30 September 2024, in addition to a short term funding facility of £201m which expired on the 31st March 2023. This facility was renewed on the same day until 31st March 2024 for a total of £150m.

All of these facilities were provided by Itochu Corporation via its subsidiary Itochu Treasury Centre Europe PLC. Itochu Corporation has indicated it will provide adequate financial support to enable the intermediary holding company, European Tyre Enterprise Limited, to continue its operations and fulfil its financial obligations for a period of at least 12 months from the signing of its financial statements.

Similarly, European Tyre Enterprise Limited has provided the Company with a letter of support indicating that it will provide adequate financial support to enable the Company to continue its operations and fulfil its financial obligations for a period of at least 12 months from the signing of the Company's financial statements.

The Directors therefore consider it appropriate for these financial statements to be prepared on a Going Concern basis.

DIVIDENDS

During the year ended 31 March 2022 no dividends were received (2021: £nil) and no dividends were paid during the year (2021: £nil).

IDENTIFICATION OF THE INFORMATION INCLUDED IN THE STRATEGIC REPORT

Please refer to the Strategic Report for the following information:

- likely future development in the business of the company;
- policy regarding the employment of disabled persons;
- description of employee involvement process;
- the company's management of principal risks and uncertainties;
- information regarding the Company's engagement with employees, suppliers, customers and others; and
- corporate Governance Statement in accordance with the Wates Principles.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 April 2021 to the date of this report.

P Boulton
M Slade
M Lynott

Kwik-Fit (GB) Limited (Registered number: 01009184)

Report of the Directors
for the Year Ended 31 March 2022

ULTIMATE PARENT COMPANY

The company's immediate parent company is Kwik-Fit Holdings Limited, registered in the United Kingdom.

The company's ultimate holding and controlling parent company is Itochu Corporation, which is incorporated in Japan, its registered office address is 5-1, 2 Chome, Kita Aoyama, Minato-ku, Tokyo, Japan.

The largest and smallest group into which the activities of the company are consolidated is that headed by Itochu Corporation.

QUALIFYING THIRD PARTY INDEMNITY

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. A fellow company also purchased and maintained throughout the financial period directors' and officers' liability insurance in respect of the company and its directors.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware at the date of this report, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditor are unaware, and one director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Kwik-Fit (GB) Limited (Registered number: 01009184)

Report of the Directors
for the Year Ended 31 March 2022

STREAMLINED ENERGY & CARBON REPORTING (SECR)

We know that our work has an impact on the environment and that we have a duty to manage that impact in a responsible and ethical manner.

We do this through identifying all significant environmental impacts and putting processes into place to prevent, reduce and mitigate them.

To meet our commitment of protecting the environment we aim to:

- comply with all relevant environmental legislation;
- operate our business in a way that protects the environment; promote environmental awareness to colleagues and enlist their support in improving the Company's performance with training and instruction;
- minimise waste by making sure processes are as efficient as possible; look to reduce energy and water usage;
- promote recycling internally and with our suppliers and customers; minimise the environmental impact of our logistics activities; and
- continually develop our environmental management system.

Reducing the size of our carbon footprint remains a priority. A roll-out of energy-saving LED lighting across our estate is now contributing positively to our ongoing aspirations in this area.

We have followed the 2019 UK Government environmental reporting guidance. The data used is adequate to support the disclosures below and sourced from primary data points such as gas and electricity meters.

Our base year is April 2020 - March 2021 in line with our financial year.

The figures relate to the required elements of scope 1 (direct energy) for gas, fuel for company cars & vans, scope 2 (indirect energy) for electricity and scope 3 (indirect other) for business travel in personal cars and rental cars.

We have used UK Government GHG Conversion Factors for Company Reporting.

The company replaces over three and a half million tyres a year and it ensures that none of these tyres are sent for landfill seeking alternative uses to ensure a lasting benefit for the environment.

The company operates a reverse logistics system where used tyres are returned from centres in the same vehicles used to deliver new tyres.

These tyres are then recycled within a subsidiary company, Murfitts Industries, which is the UK's largest end-of-life tyre recycling company.

The company continuously strives to increase the volume of scrap parts returned to suppliers for recycling. This is from catalytic convertors, batteries and other items of scrap metal. The catalytic convertors are crushed and eventually the precious metals within them are extracted and reused. Batteries are recycled to predominantly recover the lead content for reuse.

In addition to these logistics activities, there is an ongoing focus to reduce environmental impact throughout the business. All retail outlets are continuously reviewed from the perspective of energy usage.

The main source of energy within retail outlets is electricity which powers equipment, heating and lighting.

Electricity usage is continually monitored using live data from Smart meters installed in each retail outlet. Any excessive use of electricity during non-trading hours will be flagged to Head Office and Operations with reason for usage and aim to reduce.

Energy efficient lighting and heating is being installed in a sample of centres to monitor reduction in usage compared to the current lighting and heating. The company will look to install this in all retail outlets dependent on results of the sample showing reduction in usage.

Kwik-Fit (GB) Limited (Registered number: 01009184)

Report of the Directors
for the Year Ended 31 March 2022

The UK Government has indicated that it intends to ban the sale of all petrol and diesel engine vehicles by 2030 - including hybrids. This is likely to accelerate the adoption of fully electric vehicles.

In addition, employees have recently opted for electric/hybrid vehicles due to the tax benefits that arise from it. This should lead to reduced fuel consumption in the near future.

The data used in these calculations is extracted directly from utility billing information and fuel card downloads and is also the basis of the Company's energy efficiency initiatives. For example, energy usage data from properties used by the Company are analysed to understand the nature of variations within the portfolio, in order to understand how to bring outliers into line with the best-performing locations. Similar logic is applied to vehicles.

Energy Source	2021/2022	tCo2e	2020/2021	tCo2e
	kWh		kWh	
Directly Purchased Electricity	23,553,468	5,001.1	23,766,650	5,541.0
Combustion of Gas	1,165,118	213.4	1,194,977	219.7
Fuel - Commercial Vehicles	6,244,510	1,901.5	6,544,342	2,204.7
Fuel - Other Vehicles	<u>2,023,877</u>	<u>611.4</u>	<u>2,757,985</u>	<u>787.2</u>
Total	32,986,973	7,727.4	34,263,954	8,752.6
Company's Chosen Intensity Measurement: tCO2E				
per £1m Group Revenue		7.2		9.5

AUDITORS

Pursuant to section 485(3) of Companies Act 2006, following a competitive tendering process, the Directors appointed Deloitte LLP as the Company's auditors for the year end 31 March 2022. A resolution concerning their appointment was approved by the Directors on 4 January 2022. The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

APPROVED ON BEHALF OF THE BOARD:



.....
M Lynott - Director

Date: 07/06/2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KWIK-FIT (GB) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Kwik-Fit (GB) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework".

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 Financial Reporting Council's (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 directors' 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 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 directors 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 directors are 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.

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 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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KWIK-FIT (GB) LIMITED

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.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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 Report of the Auditors.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

We presume a risk of fraud relating to supplier rebates. This has been pinpointed to the valuation & allocation and completeness of the supplier rebates recognised on the purchase and sale of inventories during the year. To address this particular risk, we performed the following procedures:

- Performed a test of details on supplier rebate tracing our samples back third party goods shipment and cash payments where applicable; and
- Sent a supplier rebate confirmation to randomly selected supplier and confirmed the supplier rebate rate is accurate.
- Performed a retrospective analysis on the accrued balance to confirm that the management estimates are reasonably accurate.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KWIK-FIT (GB) LIMITED

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

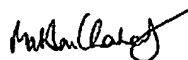
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

We have nothing to report in respect of these matters.

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.



Makhan Chahal, FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK

Date: 07 June 2023

Deloitte LLP is a limited liability partnership registered in England and Wales
(with registered number OC303675).

Kwik-Fit (GB) Limited (Registered number: 01009184)

Statement of Comprehensive Income
for the Year Ended 31 March 2022

	Notes	2022 £'000	Restated 2021 £'000
TURNOVER	2	507,866	440,035
Cost of sales		<u>(398,859)</u>	<u>(369,168)</u>
GROSS PROFIT		109,006	70,867
Administrative expenses		<u>(81,851)</u>	<u>(71,660)</u>
		27,155	(793)
Other operating income		<u>914</u>	<u>7,412</u>
OPERATING PROFIT		28,069	6,619
Interest receivable and similar income	4	<u>135</u>	<u>45</u>
		28,204	6,664
Amounts written off investments	5	<u>-</u>	<u>(2,100)</u>
		28,204	4,564
Interest payable and similar expenses	6	<u>(5,489)</u>	<u>(5,107)</u>
PROFIT/(LOSS) BEFORE TAXATION	7	22,715	(543)
Taxation on profit/(loss)	8	<u>(11,051)</u>	<u>(1,559)</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		11,664	(2,102)
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR		<u>11,664</u>	<u>(2,102)</u>

The notes on pages 16 to 44 form part of these financial statements

Kwik-Fit (GB) Limited (Registered number: 01009184)

Statement of Financial Position

As at 31 March 2022

	Notes	2022 £'000	Restated 2021 £'000
FIXED ASSETS			
Owned			
Intangible assets	9	6,322	6,291
Tangible assets	10	50,282	51,325
Right-of-use			
Tangible assets	10, 17	183,418	185,054
Investments	11	752	752
		<u>240,774</u>	<u>243,422</u>
CURRENT ASSETS			
Stocks	12	33,958	29,579
Debtors: amounts falling due within one year	13	111,980	90,222
Debtors: amounts falling due after more than one year	13	835	2,191
Cash at bank		<u>3,612</u>	<u>3,335</u>
		150,385	125,327
CREDITORS			
Amounts falling due within one year	14	<u>(104,984)</u>	<u>(94,580)</u>
NET CURRENT ASSETS		<u>45,401</u>	<u>30,747</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		286,175	274,169
CREDITORS			
Amounts falling due after more than one year	15	(195,766)	(195,316)
PROVISIONS FOR LIABILITIES	18	<u>(7,443)</u>	<u>(7,551)</u>
NET ASSETS		<u>82,966</u>	<u>71,302</u>
CAPITAL AND RESERVES			
Called up share capital	19	110	110
Retained earnings	20	<u>82,856</u>	<u>71,192</u>
SHAREHOLDERS' FUNDS		<u>82,966</u>	<u>71,302</u>

The financial statements were approved and authorised for issue by the Board of Directors and authorised for issue on 07 June 2023 and were signed on its behalf by:



.....
M Lynott - Director

The notes on pages 16 to 44 form part of these financial statements

Kwik-Fit (GB) Limited (Registered number: 01009184)

Statement of Changes in Equity
for the Year Ended 31 March 2022

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2020 (restated)	110	73,294	73,404
Changes in equity			
Total comprehensive expense (restated)	<u>-</u>	<u>(2,102)</u>	<u>(2,102)</u>
Balance at 31 March 2021 (restated)	<u>110</u>	<u>71,192</u>	<u>71,302</u>
Changes in equity			
Total comprehensive income	<u>-</u>	<u>11,664</u>	<u>11,664</u>
Balance at 31 March 2022	<u>110</u>	<u>82,856</u>	<u>82,966</u>

The notes on pages 16 to 44 form part of these financial statements

1. ACCOUNTING POLICIES

General information

Kwik-Fit (GB) Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act 2006. The Address of the registered office is ETEL House, Avenue One, Letchworth Garden City, Hertfordshire, SG6 2HU. The principal activity is set out in the strategic report and the ultimate parent company is set out in the report of the directors.

Basis of preparation

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- a Statement of Cash Flows;
- a statement of compliance with IFRS (a statement of compliance with FRS 101 is provided instead);
- additional comparative information for narrative disclosures and information, beyond IFRS requirements;
- disclosures in relation to the objectives, policies and process for managing capital;
- disclosure of the effect of standards in issue not yet effective;
- the remuneration of key management personnel;
- related party transactions with wholly owned members of the group;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127, and 129 of IFRS 15 'Revenue from Contracts with Customers';
- financial instrument disclosures as required by IFRS 7 Financial Instruments: Disclosures; and
- fair value measurements - details of the valuation techniques and inputs used for fair value measurement of assets and liabilities as per paragraphs 91 to 99 of IFRS 13 Fair Value Measurement.

Where relevant, equivalent disclosures can be found in the consolidated financial statements of Itochu Corporation as at 31 March 2022 and these financial statements may be obtained from their company's website which is www.Itochu.co.jp.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

1. **ACCOUNTING POLICIES - continued**

Going concern

The Directors have adopted the Going Concern basis in preparing these financial statements.

This is on the basis that the Directors have a reasonable expectation that the business will continue in operational existence for a period of at least 12 months from the date of the signing of these financial statements.

In coming to this conclusion, the Directors have considered the current trading conditions, the Group's performance against budget and prior years, and the committed funding made available to the Group by its ultimate parent, Itochu Corporation, via its subsidiary Itochu Treasury Centre Europe PLC.

The Directors have prepared a number of conservative scenarios, reflecting limited sales growth paired with sustained levels of cost inflation. Under each of these scenarios, there remains significant headroom within the Group's existing funding facilities as set out below.

As at 31 March 2022, the Group had access to loans totalling £428,572,250 expiring on 30 September 2024, in addition to a short term funding facility of £201m which is currently due to expire, unless both parties agree to extend, on 31 March 2023.

All of these facilities were provided by Itochu Corporation via its subsidiary Itochu Treasury Centre Europe PLC. Itochu Corporation has indicated it will provide adequate financial support to enable the intermediary holding company, European Tyre Enterprise Limited, to continue its operations and fulfil its financial obligations for a period of at least 12 months from the signing of its financial statements.

Similarly, European Tyre Enterprise Limited has provided the Company with a letter of support indicating that it will provide adequate financial support to enable the Company to continue its operations and fulfil its financial obligations for a period of at least 12 months from the signing of the Company's financial statements.

The Directors therefore consider it appropriate for these financial statements to be prepared on a Going Concern basis.

Exemption from preparation of consolidated financial statements

This financial statement is prepared as an individual company and do not contain consolidated financial information as the parent of the group. The company has taken advantage of the exemption conferred by s401 of the Companies Act 2006 not to produce consolidated financial statements as it is included in the accounts of Itochu Corporation.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

1. **ACCOUNTING POLICIES** - continued

Critical accounting estimate and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Recoverability of receivables (see note 13)

In assessing the recoverability of receivables, factors such as rate and extent of repayments including any payment plans in place are considered. - IFRS 9 forms the base for the group in assessing an expected loss to include forward-looking. The company applies the simplified approach that expected credit losses on trade receivables are calculated using a provision matrix. The receivables have no significant financing component.

The company's provision matrix is supplemented by a series of qualitative assessments and probabilities of default measurement as summarised below:

- 60-89 days overdue 75% provision
- 90 days + overdue 100% provision
- Debtors sent to 3rd party collection 100% provision

When considering intercompany balances the liquidity of the company is considered and enquiries of the company's directors are made in assessing recoverability.

In terms of other receivables which mainly relate to rebates receivable from suppliers these are individually reviewed to understand any expected credit loss, to determine the appropriate level of provision.

Rebates receivable

Rebates are calculated based on the contract terms agreed with the supplier, and is typically based on purchase volumes. These rebates are earned once the various performance obligations (i.e. achieving the targeted volumes) have been met by the Company and therefore recognised as "Debtors" in the Statement of financial position. Revenue is recognised within the Statement of Comprehensive Income once the stock has been sold as a reduction of cost of sales.

Rebates earned are then recognised to the Statement of Comprehensive Income within the cost of sales when the stock to which the rebates were earned are sold in the period. Where the stock remains unsold those rebates are retained as Debtors and deducted from the cost of stock in the statement of financial position.

Intangible fixed assets (see note 9)

Computer software is amortised over their useful life 5 years.

Tangible fixed assets (see note 10)

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Impairment of tangible fixed assets (see note 10)

When determining whether there are indicators of impairment of the company's tangible 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.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

1. ACCOUNTING POLICIES - continued

Incremental Borrowing Rate (IBR) used to measure lease liabilities

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate (IBR). The IBR is intended to reflect the theoretical cost to borrow money to buy the Right of Use asset for the term of the lease. It is built up, lease by lease, using an appropriate Risk Free Rate, adjusting for the creditworthiness of the lessee (the better the credit, the lower the increment) and the quality of the asset (lower quality assets result in a higher borrowing rate).

Dilapidation

Provision, discounted at the risk-free rate to net present value, is made for dilapidation costs for leasehold properties which are expected to crystallise in most cases at the end of the period of occupancy, based on regular individual assessments of the properties. The provisions for each property were based on detailed judgements specific to the size of the properties and historical information. During the year the directors performed an assessment on the company's dilapidation requirements which resulted with £149,113 (2021 restated nil) being charged to the accounts. Property costs, being directly attributable to operations, are included in cost of sales.

Uncertain tax treatment

The Company is subject to significant judgement in determining the provision for corporate taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Company recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when, despite the company's belief that its tax return positions are supportable, the company believes it is more likely than not that a taxation authority would not accept its filing position. In these cases, the Company records its tax balances based on either the most likely amount or the expected value, which weights multiple potential scenarios. The company believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. The Company is carrying uncertain tax positions as at 31 March 2022, most significantly a balance in respect of Corporation Tax which HMRC considers to be due following a group reorganization which took place in 2013. The matter is subject to litigation with the Company, together with several of its fellow group companies, losing its case in the First-tier Tribunal in most regards. The decision is subject to an appeal, however a provision has been recognised in the current year, the valuation of which is based on management's estimates of the eventual outcome of this case. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made. The provision recognised for uncertain tax at 31 March 2022 is £5,360,438 and forms part of the corporation tax creditor as disclosed within note 13.

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Foreign currency translation

The financial statements are presented in pounds sterling, which is the currency of the economic environment in which the Company operates (its functional currency). Amounts have been presented in round thousands ("£'000s"). Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange gains and losses are recognised in the Statement of Comprehensive Income.

Dividends receivable

Dividend income is recognised when the right to receive the dividend payment is established.

Dividends payable

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when they are paid. In the case of final dividends, this is when approved by the shareholders at the AGM.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

1. **ACCOUNTING POLICIES - continued**

Revenue

The company recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised under the five core principles of IFRS 15 and at an amount that reflects the consideration to which the company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the company:

1. identifies the contract with a customer;
2. identifies the performance obligations in the contract;
3. determines the transaction price which takes into account estimates of variable consideration and the time value of money;
4. allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
5. recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised. As such, revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery. Revenue from a fleet services contract is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Rental income

Income received is recognised as detailed in note 24.

Rebates payable

A large number of the Company's corporate customers are eligible for rebates; the value of rebates earned is calculated and as reported as a reduction of revenue. The calculation is based on the contract terms agreed with the customer, and is typically based on purchase volumes.

Investments

Investments in subsidiaries are carried at cost less any provision for impairment.

Tangible fixed assets

Freehold buildings, leasehold property improvements and plant and equipment are stated at cost to the company less accumulated depreciation and less provision for any impairment.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

1. **ACCOUNTING POLICIES - continued**

Depreciation is provided at rates calculated to write-off the assets over their estimated useful economic lives using the straight-line method, as follows:

Land - does not depreciate

Freehold property – over 50 years

Leasehold - the shorter of the economic life and the remaining term of the lease

Plant and machinery - 10% to 25% straight line

Fixtures and fittings - 10% to 25% straight line Computer equipment - 25% straight line

Motor vehicles - between 20% and 50% straight line

Financial instruments

A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest.

Impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For trade receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The company has applied the simplified approach to measuring ECL, which uses a lifetime expected loss allowance. To measure the ECL, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for ECL.

Impairment of financial assets

The company recognises a loss allowance for ECL on financial assets which are measured at amortised cost. The measurement of the loss allowance depends upon the company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month ECL allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime ECL. The amount of ECL recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Impairment of non-financial assets (excluding stocks and deferred tax assets)

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable, or annually for goodwill. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs'). In this context, individual centres are treated as CGUs, and assessed accordingly.

1. ACCOUNTING POLICIES - continued

Impairment charges are included in statement of comprehensive income, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised (except for goodwill) is reversed in a subsequent period if, and only if, the reasons for the impairment loss have ceased to apply. Any impairment of goodwill is not reversed.

Share capital

Financial instruments issued by the company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The company's ordinary shares are classified as equity instruments.

Stocks

Stock is stated at the lower of cost or net realisable value. Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete or slow moving items where appropriate. At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss 2022 - nil (2021 - nil).

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantively enacted by the statement of financial position date.

Deferred tax is the tax expected to be payable or recoverable on taxable temporary differences, arising from differences between carrying amounts and the tax base, unless it arises from the initial recognition of goodwill or from assets and liabilities where differences will not impact on accounting profits or taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Uncertain tax

When there is uncertainty concerning the Company's filing position regarding the tax bases of assets or liabilities, the taxability of certain transactions or other tax-related assumptions, then the Company:

- Considers whether uncertain tax treatments should be considered separately, or together as a wider Group, based on which approach provides better predictions of the resolution;
- Determines if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

1. ACCOUNTING POLICIES - continued

Leases

As a lessor

The Company accounted for its leases in accordance with IFRS 16 from the date of initial application.

The Company concluded the basis of a finance lease are:

- the lease transfers substantially all of the risks and rewards of the asset to the lessee by the end of the lease term; or
- the lease term is for the major part of the economic life of the underlying asset, even if title is not transferred; or
- risks and rewards incidental to ownership of the underlying assets are substantially transferred to the lessee.

When the Company is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

At inception of a contract, the Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right of control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the Company has the right to direct the use of the asset.

- the Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:

- the Company has the right to operate the asset; or

- the Company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

As a Lessee

All leases are accounted for by recognising a right of use asset and a lease liability except for:

- leases of low value assets; and
- leases with a term of 12 months or less.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

1. ACCOUNTING POLICIES - continued

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the contractual lease payments due to the lessor over the lease term, that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot readily be determined, the Company calculates an incremental borrowing rate for the lease. The incremental borrowing rate for the lease is intended to reflect the theoretical cost to borrow money to buy the Right of Use asset for the term of the lease.

It is built up, lease by lease, using an appropriate Risk Free Rate adjusting for the creditworthiness of the lessee (the better the credit, the lower the increment) and the quality of the asset (lower quality assets result in a higher borrowing rate).

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term and other variable lease payments are expensed in the period to which they relate;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

When the lease liability is re-measured to reflect a change in the estimate of the lease term, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. When the carrying value is re-measured to reflect any of the instances in the paragraph above, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount; and
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss.

1. ACCOUNTING POLICIES - continued

The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the company to use an identified asset and require services to be provided to the company by the lessor, the group has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Break clauses

The Company sometimes negotiates break clauses in its property leases. On a case-by-case basis, the Company will consider whether the absence of a break clause would expose the Company to excessive risk. Typically factors considered in deciding to negotiate a break clause include:

- the length of the lease term;
- the economic stability of the environment in which the property is located; and
- whether the location represents a new area of operations for the Company.

At commencement date the Company considers all relevant factors and circumstances that create economic incentives for the Company to exercise, or not to exercise, the option, including expected changes in facts and circumstances from the commencement date until the exercise date of the option.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Defined contribution schemes

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits and losses represents the contributions payable to the scheme in respect of the accounting period.

Cost of sales

Cost of sales comprises of all costs directly attributable to operations including distribution and property cost for the comparative period.

Government grants and government assistance

Government grants are recognised in the financial statements when there is reasonable assurance that the company will comply with the conditions attached to the grant and that the grant will be received. The grant is recognised on a systematic basis, over the periods in which the company recognises as expenses the related costs for which the grant is intended to compensate.

Government grants are reported in the statement of comprehensive income as other income in the same period as the related expenditure.

During the period the company benefited from £78,222 (2021 - £4,288,493) of government grants in the form of the Coronavirus Job Retention Scheme, plus further grants in respect of properties with a rateable value of less than £51,000 amounting to £Nil (2021 - £765,000) (see note 8).

The company also received government assistance in regards to the One-Year Business Rate Suspension amounting to £2,929,000 (2021 - £11,980,000).

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

2. **TURNOVER**

The company has one trading activity from which it derives its turnover and profits. It operates solely within the United Kingdom.

3. **EMPLOYEES AND DIRECTORS**

	2022	2021
	£'000	£'000
Wages and salaries	115,353	112,279
Social security costs	10,433	10,119
Other pension costs	2,437	2,350
	<u>128,223</u>	<u>124,748</u>

The average monthly number of employees during the current period and previous period was as follows:

	2022	2021
Sales and distribution	<u>4,881</u>	<u>5,030</u>

	2022	2021
	£'000	£'000
Directors' emoluments	219	254
Company contributions to money purchase pension schemes	32	41
Directors' Benefit in kind	<u>6</u>	<u>23</u>

Information regarding the highest paid director is as follows:

	2022	2021
	£'000	£'000
Directors' emoluments	219	254
Company contributions to money purchase pension schemes	32	41
Directors' Benefit in kind	<u>6</u>	<u>23</u>
	<u>257</u>	<u>318</u>

One director is accruing benefits under money purchase pension schemes (2021 - 1 director).

The remuneration of the other directors is paid by European Tyre Enterprise Limited, a group company, which makes no recharge to the company. The directors of Kwik-Fit (GB) Limited are also the directors of the parent company and a number of fellow subsidiaries, and it is not possible to make an accurate apportionment of their remuneration in respect of each of the subsidiaries. Accordingly, the above details include no remuneration in respect of the directors. The total remuneration is included in the aggregate of directors' remuneration disclosed in the financial statements of the parent company.

4. **INTEREST RECEIVABLE AND SIMILAR INCOME**

	2022	2021
	£'000	£'000
Interest receivable - intercompany	130	45
Foreign exchange gain	<u>5</u>	<u>-</u>
	<u>135</u>	<u>45</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

5. **AMOUNTS WRITTEN OFF INVESTMENTS**

	2022	2021
	£'000	£'000
Impairment of investment	-	2,100

6. **INTEREST PAYABLE AND SIMILAR EXPENSES**

	2022	Restated 2021
	£'000	£'000
Unwinding of discount	52	156
Interest on lease liabilities	4,697	4,951
Interest payable on uncertain tax	740	-
	5,489	5,107

The comparatives have been restated due to a prior period adjustment as explained in Note 26.

7. **PROFIT/(LOSS) BEFORE TAXATION**

The (loss)/profit before taxation is stated after charging:

	2022	Restated 2021
	£'000	£'000
Cost of inventories recognised as expense	281,728	268,751
Depreciation - owned assets	12,534	14,001
Depreciation - right of use assets	14,037	14,228
Amortisation - Computer Software	803	677
Dilapidations expense (note 18)	149	-
Provision for intercompany	-	1,063
Right of use disposal - loss	402	1,077
Variable lease payments not included in the measurement of lease liabilities	1,983	3,078
Coronavirus Job Retention Scheme	(78)	(4,288)
Rateable value grant	-	(765)
Income from sub-leasing right-of-use assets	(361)	(343)
Expenses relating to short-term leases & low-value assets	128	252
Loss/gain on disposal of fixed assets	657	814
Credit in respect of fixed assets (note 12)	-	(1,783)
Right of use impairment	47	1,522
Impairment on investment	-	2,100
Service fee rental expense	18,157	17,573
Other adjustments on lease liabilities (note 26)	(1,081)	(605)
Penalties on uncertain tax	3,033	-

During the current and prior year, the auditors' remuneration for the Company was paid by a fellow group undertaking amounting to £340,000 (2021: £216,000).

The comparatives have been restated due to a prior period adjustment as explained in Note 26.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

8. **TAXATION**

Analysis of tax expense

	2022 £'000	2021 £'000
Current tax:		
Corporation tax payable – current year	4,410	1,748
Prior year adjustment – provision for uncertain tax	<u>5,252</u>	<u>-</u>
	9,662	1,748
Deferred tax:		
Origination and reversal of timing differences	1,950	(189)
Effect of tax rate change on opening balance	<u>(560)</u>	<u>-</u>
	1,390	(189)
Total tax expense in statement of comprehensive income	<u>11,052</u>	<u>1,559</u>

Factors affecting the tax expense

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2022 £'000	2021 £'000
Profit/(loss) before income tax	<u>22,715</u>	<u>(544)</u>
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	4,316	(103)
Effects of:		
Fixed asset differences	572	920
Expenses not deductible for tax purposes	910	749
Remeasurement of deferred tax for change in UK tax rate	(92)	-
Movement in deferred tax not recognised	94	(7)
Prior year adjustment - provision for uncertain tax	<u>5,252</u>	<u>-</u>
Tax expense	<u>11,052</u>	<u>1,559</u>

Factors that may affect future tax charges

The Finance Bill 2021, which was granted Royal Assent on 10 June 2021, provided that the main rate of corporation tax for the financial years 2022 and 2023 was to be 19% and 25% respectively. The Finance Act 2022 did not make any further amendments to these rates. Deferred tax assets and liabilities in the balance sheet, where applicable, have been provided for at the rate of 25%.

Deferred tax

Deferred tax has been shown in note 13. As at 31 March 2022 there are no unrecognised deferred tax items (2021 - £nil).

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

9. INTANGIBLE FIXED ASSETS

	Computer Software £'000
COST	
At 1 April 2021	8,476
Additions	834
At 31 March 2022	<u>9,310</u>
AMORTISATION	
At 1 April 2021	2,184
Charge for year	805
At 31 March 2022	<u>2,989</u>
NET BOOK VALUE	
At 31 March 2022	<u>6,321</u>
At 31 March 2021	<u>6,292</u>

10. TANGIBLE FIXED ASSETS

	Freehold property & land £'000	Leasehold £'000	Plant and machinery £'000
COST			
At 1 April 2021 (restated)	-	78,187	39,896
Additions	854	4,702	4,525
Disposals	-	(2,626)	(2,527)
Reclassification/transfer	-	-	40
At 31 March 2022	<u>854</u>	<u>80,263</u>	<u>41,934</u>
DEPRECIATION			
At 1 April 2021 (restated)	-	47,916	29,035
Charge for year	-	4,962	4,194
Eliminated on disposal	-	(2,288)	(2,438)
Reclassification/transfer	-	-	38
At 31 March 2022	<u>-</u>	<u>50,590</u>	<u>30,829</u>
NET BOOK VALUE			
At 31 March 2022	<u>854</u>	<u>29,673</u>	<u>11,105</u>
At 31 March 2021 (restated)	<u>-</u>	<u>30,271</u>	<u>10,861</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Totals £'000
COST				
At 1 April 2021 (restated)	17,892	1,438	655	138,068
Additions	246	16	1,918	12,261
Disposals	(284)	(253)	(549)	(6,239)
Reclassification/transfer	-	-	4	44
At 31 March 2022	<u>17,854</u>	<u>1,201</u>	<u>2,028</u>	<u>144,134</u>
DEPRECIATION				
At 1 April 2021 (restated)	8,831	356	606	86,744
Charge for year	1,800	247	1,331	12,534
Eliminated on disposal	(226)	(14)	(499)	(5,465)
Reclassification/transfer	-	-	-	38
At 31 March 2022	<u>10,405</u>	<u>589</u>	<u>1,438</u>	<u>93,851</u>
NET BOOK VALUE				
At 31 March 2022	<u>7,449</u>	<u>612</u>	<u>590</u>	<u>50,283</u>
At 31 March 2021 (restated)	<u>9,061</u>	<u>1,082</u>	<u>49</u>	<u>51,324</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

10. **TANGIBLE FIXED ASSETS** - continued

During the year certain fixed assets were transferred at Net Book Value to/from other group companies, these are shown as transfer to/from fellow group undertaking above.

Analysis of net book value of Leasehold properties and right-of-use assets:

	ROU Asset		Leasehold properties	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Over 50 years unexpired	-	-	-	-
Less than 50 years unexpired	176,703	180,130	29,671	30,272
	176,703	180,130	29,671	30,272

As a Lessee

The Company leases many assets including land and buildings and vehicles. An extract from the table below for which the Company is a lessee is presented below:

Lease payment changes represent modifications to existing leases under IFRS16.

Right-of-use Assets:

	Leasehold	Motor Vehicle	Equipment	Total
	£'000	£'000	£'000	£'000
COST				
Balance at 1st April 2021 (restated)	206,780	8,265	-	215,045
Addition	4,973	1,514	2,864	9,351
Lease payment change	3,510	-	-	3,510
Transfer	-	-	-	-
Disposal	(280)	(284)	-	(564)
At 31 March 2022	214,983	9,495	2,864	227,342
DEPRECIATION				
At 1st April 2021 (restated)	26,649	3,342	-	29,991
Charge for year	11,561	2,160	317	14,038
Impairment	132	-	-	132
Disposal	(62)	(175)	-	(237)
At 31 March 2022	38,280	5,327	317	43,924
NET BOOK VALUE				
At 31 March 2021 (restated)	180,131	4,923	-	185,054
At 31 March 2022	176,703	4,168	2,547	183,418

Kwik-Fit (GB) Limited (Registered number: 01009184)

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

11. INVESTMENTS

	£'000
Shares in group undertakings	
As at 31 March 2021	<u>752</u>
As at 31 March 2022	<u><u>752</u></u>

The directors consider that the carrying value of the fixed asset investments are supported by their underlying net assets.

The investment in subsidiaries are held at cost less accumulated impairment losses.

The following company's investments are holdings of 100% of the ordinary share capital:

Name	Country of incorporation or registration	Nature of business
Kwik-Fit Properties Limited	UK*	Holding and managing of properties
TPAS (UK) Limited	UK*	Operation of automotive repair centres
Central Tyre (Commercial) Limited	UK*	Operation of automotive repair centres

* Registered address: ETEL House, Avenue One, Letchworth Garden City, Hertfordshire, SG6 2HU

All investments are held directly by the company.

12. STOCKS

	2022	2021
	£'000	£'000
Stock for resale	<u><u>33,958</u></u>	<u><u>29,579</u></u>

The estimated replacement cost of stock is not materially different from the balance sheet value.

Total stock expense during the year was £281,728,000 (2021 - £268,751,000).

13. DEBTORS

	2022	Restated 2021
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	17,467	15,654
Amounts owed by group undertakings	77,334	60,905
Amounts receivable in respect of finance leases	161	156
Prepayments and accrued income	9,789	7,012
Other debtors	705	511
Corporation tax	<u><u>6,524</u></u>	<u><u>5,984</u></u>
	<u><u>111,980</u></u>	<u><u>90,222</u></u>

The comparatives have been restated due to a prior period adjustment as explained in Note 26.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

13. **DEBTORS - continued**

	2022 £'000	2021 £'000
Amounts falling due after more than one year:		
Amounts receivable in respect of finance leases	454	419
Deferred tax	<u>381</u>	<u>1,772</u>
	<u>835</u>	<u>2,191</u>
Aggregate amounts	<u>112,815</u>	<u>92,413</u>

Deferred tax

	2022 £'000	Restated 2021 £'000
Accelerated capital allowances	(4,663)	(2,266)
Other timing differences	<u>5,044</u>	<u>4,038</u>
Total deferred tax	<u>381</u>	<u>1,772</u>

Deferred tax reconciliation

	2022 £'000	Restated 2021 £'000
Opening balance	1,772	1,583
Current year charge to the Statement of Comprehensive Income (note 8)	<u>(1,391)</u>	<u>189</u>
Closing balance	<u>381</u>	<u>1,772</u>

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days, and the receivables have no significant financing component.

As at 31 March 2022, the lifetime expected loss provision for trade receivables is as follows:

	59 days or less	60-89	90 days+	Total
Expected loss rate	0%	75%	100%	
Gross carrying amount	17,691	187	421	18,299
Loss provision	(24)	(140)	(421)	(585)
Net balance	17,667	47	-	17,714

As at 31 March 2021, the lifetime expected loss provision for trade receivables was as follows:

	59 days or less	60-89	90 days+	Total
Expected loss rate	0%	75%	100%	
Gross carrying amount	15,615	135	311	16,061
Loss provision	5	(101)	(311)	(407)
Net balance	15,620	34	-	15,654

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

13. **DEBTORS - continued**

The Company has found that the vast majority of receivables are settled by 60 days, after which the default rate increases sharply.

Amounts owed by group undertakings are considered to be a low credit risk. Credit risk for these assets has not increased significantly since their initial recognition.

The company considers the provision against these intercompany receivables to be immaterial.

14. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2022	Restated 2021
	£'000	£'000
Leases (see note 16)	14,366	13,119
Trade creditors	16,511	18,473
Amounts owed to group undertakings	25,072	8,769
Taxation and social security	2,508	2,377
VAT	15,272	29,505
Other creditors	5,776	4,787
Accruals and deferred income	25,479	17,550
	<u>104,984</u>	<u>94,580</u>

The amounts owed to group undertakings are unsecured and repayable on demand.

The comparatives have been restated due to a prior period adjustment as explained in Note 26.

15. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2022	Restated 2021
	£'000	£'000
Leases (see note 16)	<u>195,766</u>	<u>195,316</u>

The comparatives have been restated due to a prior period adjustment as explained in Note 26.

16. **FINANCIAL LIABILITIES - BORROWINGS**

	2022	Restated 2021
	£'000	£'000
Current:		
Leases (note 17)	<u>14,366</u>	<u>13,119</u>
Non-current:		
Leases (note 17)	<u>195,766</u>	<u>195,316</u>

The comparatives have been restated due to a prior period adjustment as explained in Note 26.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

17. LEASES

	2022	Restated 2021
	£'000	£'000
1 year or less	14,366	13,119
1-2 years	13,389	12,418
2-5 years	33,796	32,535
More than 5 years	148,581	150,363
	<hr/>	<hr/>
Total	210,132	208,435
	<hr/>	<hr/>

	Leasehold £'000	Motor Vehicle £'000	Plant & Machinery £'000	Total £'000
Lease Liability				
Balance at 1st April 2021	203,562	4,873	-	208,435
Addition	4,834	1,553	2,864	9,251
Lease payment change	6,661	(9)	-	6,652
Disposal	(244)	(109)	-	(353)
Interest Charge	4,632	48	17	4,697
Lease Payment	(15,923)	(2,220)	(407)	(18,550)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31st March 2022	203,522	4,136	2,474	210,132
	<hr/>	<hr/>	<hr/>	<hr/>

Lease payment changes represent modifications to existing leases under IFRS16.

The comparatives have been restated due to a prior period adjustment as explained in Note 26.

The total cash outflow for leases during prior year was £18,578,233, with interest charge on lease liabilities being £4,950,625.

18. PROVISIONS FOR LIABILITIES

Dilapidation	Total £000
31 March 2021	7,551
Additional provision	155
Unwinding of discount	52
Transfer (to)/from group companies	(315)
	<hr/>
31 March 2022	7,443
	<hr/>

Dilapidations

The dilapidations provision represents the assessment of contractual repair liabilities relating to certain leasehold properties. The timing of the utilisation of this provision will vary according to the individual properties concerned.

The comparatives have been restated due to a prior period adjustment as explained in Note 26.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

19. CALLED UP SHARE CAPITAL

Authorised, issued and fully paid

Number	Class	Nominal Value	2022 £'000	2021 £'000
1,000,001 (2021 : 1,000,001)	Ordinary Shares	1p	10	10
1,000,000 (2021 : 1,000,000)	Deferred Shares	10p	100	100
			<u>110</u>	<u>110</u>

All of the ordinary shares rank pari passu as regards distributions of profits and voting rights. The deferred shares do not carry voting rights, nor do they carry the right to participate in any distribution of profits. They do carry certain rights to a distribution on a return of assets or winding up of the company.

20. RESERVES

The company capital and reserves are as follows:

Share Premium

The amount in the account represents the additional amount shareholders paid for their issued shares that was in excess of the par value of those shares, in the prior year this was transferred to distributable reserves.

Retained earnings

The retained earnings represents cumulative profits or losses, net of dividends paid and other adjustments.

21. PENSION COMMITMENTS

Defined Contribution Schemes:

The amount recognised in the Statement of Comprehensive Income as an expense in relation to defined contribution scheme is £2,437,000 (2021: £2,350,000). The amount owing at the year-end was £178,629 (2021: £200,978).

Defined Benefit Schemes:

The company has a small defined benefit scheme which was closed in 1989 and no contributions are made to the scheme. The date of the last actuarial valuation was 1 July 2019 and the amount of the surplus was £324,000.

The Scheme provides members with pension benefits relating to two bulk transfers. The benefits in relation to 'Eastern' members are governed by a Transfer Agreement dated 6 March 2000. The benefits in relation to 'Grp' or 'Ex-Euro Exhaust' members are governed by a Deed of Amendment dated November 2007. Members' benefits are bought out on retirement with an insurance company.

The Scheme is legally separate from the company and is administered by a board of Trustees. The Trustees are legally required to act in the best interests of members of the Scheme.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

21. PENSION COMMITMENTS (continued)

The Scheme is exposed to a number of risks, including:

- Interest rate risk: on the LDI investments comprising bonds and interest rate swaps held through pooled investment vehicles and cash
- Currency risk: subject to indirect currency risk because some of the Scheme's investments are held in overseas markets via pooled investment vehicles.
- Credit risk: The Scheme invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles
- Other price risk: arises principally in relation to the Scheme's return seeking portfolio which includes equities held in pooled vehicles, equity futures, hedge funds, private equity and investment properties.

The valuation has been rolled forward from 1 July 2019 to 31 March 2022 for IAS 19 valuation purposes, adjusting for known member movements.

The information disclosed below is in respect of the whole of the plans for which the Company is the sponsoring employer.

	31.3.22	31.3.21
	£'000	£'000
Defined benefit asset	2,001	1,836
Effect of net asset ceiling (see explanation below)	(1,076)	(728)
Total defined benefit asset	925	1,108
Total defined benefit liability	(925)	(1,108)
Net asset/liability for defined benefit obligations (see following table)	-	-

Movements in net defined benefit liability/asset (excluding asset restriction)

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset)	
	31.3.22	31.3.21	31.3.22	31.3.21	31.3.22	31.3.21
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March	(1,108)	(1,205)	1,836	2,001	728	796
Inc. in profit or loss						
Interest cost/(income)	(19)	(26)	34	46	15	20

Net asset ceiling

The fair value of the scheme assets and the present value of the projected benefit obligation (PBO) are volatile numbers. Therefore, at certain points in time, it is possible that the value of the scheme assets will exceed the value of the PBO. As the company does not have an automatic right to the surplus in the scheme, an asset ceiling adjustment is required to prevent the company recognising a pension asset on the balance sheet. After taking account of this ceiling, the figures indicate that the assets of the scheme equate to the projected benefit obligations.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

21. **PENSION COMMITMENTS – continued**

Inc. in OCI

Remeasurements loss/(gains)						
Actuarial loss/(gain) arising	(14)	(143)	347	-	347	(143)
Change in financial assumptions	-	-	-	-	-	-
Experience adjustments	-	(8)	-	-	(14)	(8)
Return on plan assets excluding interest income	-	-	-	63	-	63
Other						
Benefit paid	216	274	(216)	(274)	-	-
Balance at 31 March	(925)	(1,108)	2,001	1,836	1,076	728

The above table summarises the movement in the gross plan assets and defined benefit obligation before any asset restriction. The asset restriction removes the impact in the profit and loss account and OCI to a £nil position.

Plan assets

	31.3.22	31.3.21
	£'000	£'000
Cash and cash equivalents	262	174
Equity instruments	878	833
Debt instrument e.g. Government bonds	861	829
Total	2,001	1,836

Actuarial assumptions

	31.3.22	31.3.21
Discount rate at 31 March	2.65% pa	1.95% pa
Retail Price Inflation (CPI) - Pre-retirement	4.80% pa	3.75% pa
Consumer Price Inflation (CPI) - Pre-retirement	3.80% pa	2.75% pa
Future salary increases	4.80% pa	3.75% pa
Deferred Revaluation	3.80% pa	2.75% pa
Retail Price Inflation (RPI) - Post Retirement	3.85% pa	3.65% pa
Future pension increases	3.85% pa	3.65% pa
Expected return on assets	2.65% pa	1.95% pa

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 21.8 years (male), 24.1 years (female).
- Future retiree upon reaching 65 in 2041: 22.8 years (male), 25.3 years (female)

The mortality assumptions use 100% of the S3PxA base table, which was published by the Actuarial Profession in December 2018 and represents the experience of occupational pension schemes in the period 2009-2016, with improvements in line with the CMI_2020 projection table published by the Actuarial Profession in March 2021. The model assumes that recently observed mortality improvements will converge to a long-term improvement rate of 1.00% per annum. Unless otherwise stated, the core model assumptions have been used.

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by one percent.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

21. PENSION COMMITMENTS - continued

	31.3.22
	£'000
Discount rate	
Plus 1% pa	819
Less 1% pa	1,058
Inflation (RPI.CPI)	
Plus 1% pa	1,052
Less 1% pa	822

In valuing the liabilities of the pension fund at 31 March 2022, mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the defined benefit obligation at 31 March 2022 would have increased by £43,000 before deferred tax. The above sensitivities have been calculated consistently with the core defined benefit obligations, by amending the 30 June 2019 valuation data for membership movements and re-calculating on the appropriate basis.

Funding

The Company expects to pay £nil in contributions to its defined benefit plans in 2022/23 i.e. the next annual reporting period. The weighted average duration of the defined benefit obligation at the end of the reporting period is 14 years (2021: 14 years).

22. OTHER FINANCIAL COMMITMENTS

The company is party to the group banking arrangements which allows the company the facility for borrowing and depositing funds with European Tyre Enterprise Ltd, a fellow group company.

Facilities with Barclays Bank plc:

BACS Facility of £38,000,000 and Company Barclaycard Facility of £398,000.

The company hold unlimited guarantees given by:

- Central Tyre (Commercial) Limited
- Kwik-fit Group Limited
- Kwik-fit Finance Limited
- Kwik-fit Properties Limited
- Stapleton's (Tyre Services) Limited
- Detailagent Limited
- Kwik-fit Euro Limited
- Kwik-fit Holdings Limited
- Kwik-fit Nederland BV
- Kwik-fit Netherlands Cooperatief WA
- Speedy 1 Limited
- TPAS (UK) Limited

23. RELATED PARTY DISCLOSURES

All related party transactions and balances relate to companies wholly owned within the group.

Information about the company's immediate parent and ultimate holding and controlling parent company is provided in the Report of the Directors.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

24. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is short-term to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

Lease liabilities

	2022
	£'000
Maturity analysis - contractual undiscounted cash flows	
Less than one year	21,182
One to five years	71,588
More than five years	187,872
Total undiscounted lease liabilities as at 31 March 2022	280,642

Lease liabilities included in statement of financial position at 31 March 2022:

Current	14,366
Non-current	195,766
	<u>210,132</u>

i) Real Estate Leases

The Company leases land and buildings for its retail stores. The leases of retail store space typically run for a period of 30 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

The Company leases a number of properties. It is customary for lease contracts to provide for payments to increase each year by inflation or and in others to be reset periodically to market rental rates. In some property leases the periodic rent is fixed over the lease term. The Company sub-leases some of its properties under operating and finance leases (see note 12).

The Company sub-leases some of its properties under operating and finance leases (see note 12).

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

24. GUARANTEES AND OTHER FINANCIAL COMMITMENTS - continued

Extension options

Some leases contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

ii) Other leases

The Company leases vehicles and equipment, with lease terms of 4 to 7 years. In some cases, the Company has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the lease assets as the end of the contract term.

iii) Surplus leases

Some of the properties that the Company leases have been vacant during the period. The Company expects to be able to sub-let these properties or surrender the leases within 3 years.

As a Lessor

Lease income from lease contracts in which the Company acts as a lessor is £294,000.

i) Operating lease

The Company leases out property. The Company has classified leases as operating leases where they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. The note below sets out information about the operating leases.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

	2022 £'000
Less than one year	157
One to two years	153
Two to three years	151
Three to four years	142
Four to five years	98
More than five years	<u>294</u>
Total undiscounted lease payments	995

ii) Finance lease

The Company also sub-leases properties. The Company has classified the sub-leases as finance leases, because the sub-leases are for the more than 75% of the lease term of the head term.

The following table sets out a maturity analysis of the lease receivables, showing the undiscounted lease payments to be received after the reporting date.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

24. GUARANTEES AND OTHER FINANCIAL COMMITMENTS - continued

	2022
	£'000
Less than one year	178
One to two years	150
Two to three years	86
Three to four years	86
Four to five years	86
More than five years	<u>73</u>
Total undiscounted lease payments	659
Current	14,981
Non-current	<u>203,332</u>
	218,313

25. ULTIMATE PARENT COMPANY

The company's immediate parent company is Kwik-Fit Holdings Limited, registered in the United Kingdom.

The company's ultimate holding and controlling parent company is Itochu Corporation, which is incorporated in Japan, its registered office address is 5-1, 2 Chome, Kita Aoyama, Minato-ku, Tokyo, Japan.

The largest and smallest group into which the activities of the company are consolidated is that headed by Itochu Corporation.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

26. PRIOR PERIOD ADJUSTMENT

	As at April 2020			As at March 2021		
Note:	Previously reported £	Adjustment £	As restated £	Previously reported £	Adjustment £	As restated £
Non-current assets	371,778	(96,775)	275,003	352,563	(109,141)	243,422
Intangible	-	6,245	6,245	-	6,292	6,292
Tangible	67,999	(6,245)	61,754	57,614	(6,292)	51,322
Right-of-use: Tangible assets	300,927	(96,775)	204,152	294,197	(109,141)	185,056
	-	-	-	-	-	-
Current assets	146,505	(21,059)	125,446	175,285	(49,959)	125,326
<i>Debtors: amounts falling due within one year</i>	<i>141,318</i>	<i>(17,970)</i>	<i>123,349</i>	<i>172,375</i>	<i>(47,239)</i>	<i>123,136</i>
Cash in Bank	8,445	(6,524)	1,921	45,982	(42,647)	3,335
Stock	28,748	(1,277)	27,471	23,020	6,559	29,579
Trade debtors	16,394	(17)	16,377	15,654	-	15,654
Amounts owed by group undertakings	56,432	(10,117)	46,315	66,743	(5,838)	60,905
Prepayment and accrued income	13,777	13	13,790	14,417	(7,405)	7,012
Other debtors	372	(13)	359	511	-	511
Corporation tax	16,917	(35)	16,882	3,892	2,092	5,984
Amounts receivable in respect of finance leases	234	-	234	156	-	156
<i>Debtors: amounts falling due after more than one year</i>	<i>5,186</i>	<i>(3,089)</i>	<i>2,097</i>	<i>4,318</i>	<i>(2,720)</i>	<i>2,190</i>
Deferred tax asset	4,672	(3,089)	1,583	4,491	(2,720)	1,771
	-	-	-	-	-	-
Creditors	442,671	(120,557)	322,114	458,972	(169,077)	289,895
<i>Amounts falling due within one year</i>	<i>128,468</i>	<i>(19,771)</i>	<i>108,698</i>	<i>152,676</i>	<i>(58,037)</i>	<i>94,639</i>
Leases	24,464	(10,208)	14,256	25,167	(12,048)	13,119
Trade creditors	14,732	2,038	16,770	19,623	(1,150)	18,473
Amounts due to group undertakings	34,414	(9,519)	24,895	51,242	(42,473)	8,769
Corporation tax	5,389	-	5,389	-	-	-
Other creditors	5,126	(136)	4,990	4,786	-	4,786
Accruals and deferred income	20,345	(1,946)	18,399	19,976	(2,426)	17,550
<i>Amounts falling due after more than one year</i>	<i>313,282</i>	<i>(100,786)</i>	<i>212,416</i>	<i>306,296</i>	<i>(110,980)</i>	<i>195,316</i>
Bank loan	-	-	-	-	-	-
Leases	313,202	(100,786)	212,416	306,296	(110,980)	195,316
	-	-	-	-	-	-
Provisions	16,688	(11,756)	4,932	17,592	(10,041)	7,551
Dilapidations	16,688	(11,756)	4,932	17,592	(10,041)	7,551
	-	-	-	-	-	-
Retained earnings	(58,814)	(14,479)	(73,293)	(51,174)	(20,018)	(71,192)
	977,642	(250,147)	727,495	1,004,412	(338,218)	666,194
Changes to the income statement						
Turnover				440,032	3	440,035
Cost of Sales				(352,904)	(16,264)	(369,168)
Administrative expenses				(86,962)	15,302	(71,660)
Other operating income				7,412	-	7,412
Amounts written off investments				(2,100)	-	(2,100)
Interest receivable and similar income				45	-	45
Interest payable and similar expenses				(9,127)	4,020	(5,107)
Tax on profit				(4,036)	2,477	(1,559)
Profit for the financial period				(7,640)	5,538	(2,102)

Cash pooling

The Company's bank overdrafts and certain cash balances are subject to cash pooling arrangements under which all cash or overdraft amounts are transferred to another entity at the end of each day, with a corresponding intergroup receivable or payable being recorded. The Company has previously presented this intergroup position as "cash and cash equivalent" or "bank borrowings" within creditors. Within this year, it was determined that the balances do not meet the definition of cash and overdraft balances and instead should be presented as intercompany debtors or creditors.

This resulted in the incorrect presentation of the physical cash pooling arrangements on the balance sheet. Therefore, there has been a restatement of the year ended 31 March 2021. The impact of this change is to decrease cash at bank by £42.6 million, decrease intercompany creditors by £25.2 million and increase intercompany debtors by £13.5 million for the year ended 31 March 2021. This has had no impact on net assets or net profit.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2022

26. PRIOR PERIOD ADJUSTMENT – continued

Uncertain tax

Within the period, it was determined that company's accounting of uncertain tax position did not meet the requirements of IFRIC 23 read with IAS 12 whereby if an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income-tax filings. As of 31 March 2021, the estimated probability of non-acceptance from taxing authorities was 45% and as such an outflow was not considered to be probable. Furthermore, where the outcome is binary a probable outflow should be measured by reference to the single most likely amount, rather than a probability weighted amount. Therefore, the impact of this adjustment is to decrease Note 4 "interest payable and similar expenses" by £347,120, decrease "administrative expenses" by £508,220 and decreased "tax on profit" by £3,054,626 for the year ended 31 March 2021. Accordingly retained earnings as of 31 March 2021 increased by £3,909,966.

IFRS 16 / Dilapidations

It was identified during the year that certain property leases were being reflected in the incorrect group legal entity as a result of lease novations over recent years. The restatement above transfers the lease carrying amounts to the correct group entity as at the modification dates. The corresponding dilapidation provisions have also been transferred to the appropriate legal entity on the same date.

In addition to this, several informal lease arrangements in the group were previously recognised under IFRS 16 with corresponding right of use assets and lease liabilities recognised despite their informal nature. A restatement has also been recognised to account for such leases from the Statement of Financial Position as at their inception dates and a service fee rental expense charged to the group legal entity using the right of use asset.

Intangible assets

It was highlighted during the year that an amount of intangible fixed assets relating to software, had incorrectly been allocated as tangible fixed assets in previous years. A restatement has therefore been recognised to reallocate such carrying amounts within the above table.

Rebates

Following a review of the Group's stock purchasing arrangements, rebate receivables previously presented on a fellow Group company's Balance Sheet have been presented instead on the Balance Sheet of the Company, along with the related inventories. Additional a review of the Group's stock purchasing arrangements, a portion of deferred rebate income previously presented on a fellow Group company's Balance Sheet has been presented instead on the Balance Sheet of the Company, along with the related inventories.

27. POST BALANCE SHEET EVENT

As at 25 November 2022, the Upper Tier Tribunal released a judgement in the corporation tax case of Kwik-Fit group against HMRC in which the group's appeal grounds were dismissed and as a result of which the decision by First Tier Tribunal was upheld. As the conditions of this case existed as at the balance sheet date, this is considered an adjusting event as per IAS 10 and so the company recognised provisions inclusive of interests and penalties of £8,993,033 in respect of such uncertain tax position. The group has filed an appeal at the court of appeal therefore whilst the ultimate liability for such matters may vary from the amounts provided and is dependent on the final outcome, the group believes it has made appropriate provision in relation this case which is not yet agreed by tax authorities.