EVANS HALSHAW LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

Registered Number : 01994002

EVANS HALSHAW LIMITED

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YEAR ENDED 31 DECEMBER 2021

PAGE

The Company is a wholly-owned subsidiary of Pendragon PLC and operates as part of the UK Motor Group division.

Principal activities
The Company's principal activity is that of motor retailers and parts distributors in the UK. The business consists of the sale of new and used vehicles and the service and repair of vehicles. Evans Halshaw Limited will be an acquiring company into which further businesses will be moved into from around the Pendragon group as it seeks to rationalise its structure. To this end on 1 January 2022 the Company acquired from Bramall Quicks Dealerships Limited, the trade and assets of it's motor vehicle dealerships representing the Citroen and Peugeot brands and the Quickco parts distribution business for a consideration of £26.6m, which was satisfied by an intra group loan.

There have not been any significant changes in the Company's principal activities in the year under review. The Directors are not, at the date of this report, aware of any likely major changes in the Company's activities in the next year other than that referred to above.

Review of the business
As shown in the Company's profit and loss account on page 7, turnover increased by 34.2% from £1,103.4 million in the prior year to £1,480.9 million in the current year. Overall, 2021 was a good year for the Company, despite continued significant disruption from Covid 19 during the first quarter, with the mandatory physical closure of showrooms from 1 January through to 12 April. The Company was able to largely mitigate this disruption as a result of the significant adaptations made to the Company's omnichannel capabilities. Performance during the rest of 2021, particularly during the second half was very strong, driven firstly by the implementation of strategic initiatives and secondly the strength of market conditions. As we emerged from the lockdowns of both 2020 and early 2021, there were high levels of pent up demand for both new and used cars, which combined with well-publicised supply constraints in both new and used cars, resulted in an increase in sales.

The result for the financial year has increased from a loss of £5,490,000 in the prior year to a profit of £22,952,000 in the current year, driven by the increase in activity whilst being able to maintain a steady cost base..

The shortage of new cars is expected to continue during 2022. The Board are conscious of inflationary cost pressures in labour and utilities in particular, which combined with the impact of business rates reverting to full levels will result in higher costs in 2022. We are mindful of the further impact that the conflict in Ukraine may have on both supply and costs.

The balance sheet on page 8 of the financial statements shows that the net assets of the Company have increased by £22,952,000 to £25,505,000 as a result of the profit in the year.

Key performance indicators
Pendragon PLC manages its operations on a divisional basis. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the UK Motor Group division, which includes the Company, is discussed in the 2021 financial statements of Pendragon PLC.

Principal risks and uncertainties
Risks to the business include a potential decline in new car registrations in the United Kingdom. This risk is partly mitigated by the sale of used vehicles and aftersales service. Other risks include fluctuations in general economic conditions, such as interest rate increases, environmental and climate change concerns, legislation, the loss of key personnel, failure of our IT infrastructure or key systems and more recently in 2022 the impact of the war in Ukraine on supply chains and global energy and commodity prices. The Risk Control Group of Pendragon PLC has met to consider these risks and uncertainties and will continue to monitor how these risks evolve. These risks are significant to the group and are also detailed in the group financial statements.

Corporate governance
Evans Halshaw Limited is a wholly owned subsidiary of Pendragon PLC and its governance and business decisions are integrated with Pendragon PLC and its subsidiaries (the 'Group'). Pendragon PLC complied in full with the UK Corporate Governance Code 2018 for the year ending 31 December 2021 and has applied corporate governance principals as set out below.

Purpose & Leadership
During the year, the Board of Evans Halshaw Limited developed and implemented the Group's purpose and strategy and ensured the culture of the business was maintained and cultivated. The Board reviewed progress against plans and evaluated new opportunities, taking into account stakeholder views and feedback and regularly reported to the Pendragon PLC Board. Details can be found in the Strategic Report on pages 4 to 64 of the Group's Annual Report and Accounts 2021.

Board Composition
At the end of the financial year ended 31 December 2021, the Board comprised four directors, of which 3 were male and the other, Pendragon Management Services Limited, was a corporate director. Biographical details of the three directors, who are also directors of Pendragon PLC, can be found on pages 66 and 67 of the Group's Annual Report and Accounts 2021.

We strongly believe that diversity, inclusion and equality of opportunity for all our associates, no matter who they are, will be essential to our future success. People are the heart of our business and we remain committed to fostering a culture that is representative of the societies in which we live. More information on Inclusion and Diversity can be found on pages 60 to 62 of the Group's Annual Report and Accounts 2021 as is our gender pay gap reporting.

As the Company is a wholly owned subsidiary, the Board focuses on the day to day operation and management of the business including the implementation of the strategy set by the Board of Pendragon PLC. As well las the three individual directors of Evans Halshaw Limited, the Group Board includes independent non-executive directors that oversee and provide constructive challenge to ensure effective decision making by the Board of Evans Halshaw Limited. Full details on the composition of the Group Board can be found on can be found on pages 66 and 67 of the Group's Annual Report and Accounts 2021.

Environment
The Group's Environment Policy has recently been refreshed, in order to provide further specific oversight and direction from the Board of directors as to the impact of the Company's activities on climate change, nature loss, solid waste (including single use plastics) and resource availability. We continue to develop, enhance and monitor our operational standards, ensuring that environmental priorities are accounted for appropriately in planning and decision making, and where possible, the impact of our activities on the environment is reduced or minimised.

Our Environmental Report, which includes our carbon emission report and initiatives to reduce our impact on the environment can be found on pages 55 to 59 of the Group's Annual Report and Accounts 2021 and our Environment Policy can be found at *www.pendragonplc.com/investors/corporate-responsibility*

s172 Statement

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The Board of directors of Evans Halshaw Limited consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a)-(f) of the Act) in the decisions taken during the year ended 31 December 2021.

• Our plan was designed to have a long-term beneficial impact on the company and to contribute to its success in delivering a high quality of service across all of our business activities.
• Our team members are fundamental to the delivery of our plan. We aim to be responsible employer in our approach to the pay and benefits our team members receive. The health, safety and well-being of our team members is one of our primary considerations in the way we do business.
• Engagement with suppliers and customers is key to our success. We meet with our major franchise partners regularly throughout the year and take the appropriate action, when necessary, to prevent involvement in modern slavery, corruption, bribery and breaches of competition law.
• Our plan took into account the impact of the Group's operations on the community and environment and our wider social responsibilities, and in particular how we comply with environmental legislation and pursue waste-saving opportunities and react promptly to local community concerns.
• As the Board of Directors, our intention is to behave responsibly and ensure that the management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours and in doing so, will contribute to the delivery of our plan. The intention is to nurture our reputation, through both the construction and delivery of our plan, that reflects our responsible behaviour.
• As the Board of Directors, our intention is to behave responsibly towards our shareholders and treat them fairly and equally, so they too may benefit from the successful delivery of our plan.

Directors' Responsibilities

Each Director has a range of responsibilities which are clearly defined. The Board meets formally every month in addition to a number of weekly, monthly and quarterly senior leadership meetings relating to specific areas of the business including trading; people; customers; IT and property at which relevant Board members are present.

Going Concern

The directors are of the opinion that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts.

The directors are satisfied that the Company is well positioned to take advantage of future opportunities.

By order of the Board

M S Willis
Director

29 September 2022

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2021

The directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 31 December 2021.

RESULTS AND DIVIDENDS

The results for the year are shown in the profit and loss account on page 7.

The directors do not recommend the payment of a dividend (2020 : £nil).

DIRECTORS

The directors who held office during the year were as follows:

W Berman
M S Willis
M S Casha
Pendragon Management Services Limited

EMPLOYEES

Details of the number of employees and related costs can be found in note 4 to the financial statements.

EMPLOYMENT OF DISABLED PERSONS

The Company recognises its responsibilities in employing and training disabled persons. If any employee becomes disabled it is standard practice, in all but the most extreme circumstances, to offer an alternative job and provide retraining where necessary.

EMPLOYEE INVOLVEMENT

Regular contact and exchanges of information are maintained to keep employees informed of the progress of the business.

The Company participates in policies and practices to keep employees informed on matters relevant to them as employees through appropriate means, such as employee meetings and newsletters.

DISCLOSURE OF INFORMATION TO AUDITOR

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

RE-APPOINTMENT OF AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the Board

Richard Maloney

R J Maloney
Secretary

Loxley House
Little Oak Drive
Annesley
Nottinghamshire
NG15 0DR
29 September 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Opinion

We have audited the financial statements of Evans Halshaw Limited ("the Company") for the year ended 31 December 2021 which comprise the profit and loss account, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:
• give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
• have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
• have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

• we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
• we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

• Enquiring of directors, the audit committee, and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
• Reading Board minutes.
• Considering remuneration incentive schemes and performance targets for management/ directors/ sales staff
• Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that sales are recorded in the wrong period and the risk that Company management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as valuation of used vehicle inventory.

We did not identify any additional fraud risks.

We performed procedures including:
• Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unexpected accounts such as sales and cash.
• Assessing when revenue was recognised, particularly focusing on revenue recognised in the days before and after the year end date, and whether it was recognised in the correct year.
• Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, antibribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Fraud and breaches of laws and regulations – ability to detect - continued

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

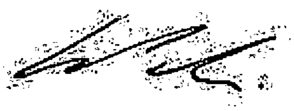
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Craig Parkin (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

29 September 2022

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2021

Note		2021 £000	2020 £000
2	**TURNOVER**	**1,480,861**	1,103,371
	Cost of sales	**(1,319,391)**	(975,513)
	GROSS PROFIT	**161,470**	127,858
	Distribution costs	**(68,010)**	(64,507)
	Administrative expenses	**(61,818)**	(63,496)
3	**OPERATING PROFIT/(LOSS)**	**31,642**	(145)
5	Interest payable	**(4,261)**	(7,182)
	PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	**27,381**	(7,327)
6	Taxation on profit/(loss) on ordinary activities	**(4,429)**	1,837
	PROFIT/(LOSS) FOR THE FINANCIAL YEAR	**22,952**	(5,490)

There are no amounts to be recognised in a Statement of Other Comprehensive Income and as such no separate statement has been presented. The profit/(loss) for the financial year represents total comprehensive income/(expense) for the period.

Movements in reserves are shown in the Statement of Changes in Equity on page 9.

The notes on pages 10 to 19 form part of these financial statements.

BALANCE SHEET

AT 31 DECEMBER 2021

Note		2021 £000	2020 £000
	FIXED ASSETS		
7	Intangible assets - Goodwill	**17,907**	17,907
7	Intangible assets - Other intangible assets	**124**	156
8	Tangible assets	**8,382**	14,869
		26,413	32,932
	CURRENT ASSETS		
9	Stocks	**193,412**	250,380
10	Debtors (due in over 1 year £3,622,000)	**33,245**	23,482
	Cash at bank and in hand	**133,068**	64,798
		359,725	338,660
11	**CREDITORS**: amounts falling due within one year	**(360,542)**	(368,919)
	NET CURRENT LIABILITIES	**(817)**	(30,259)
12	**CREDITORS**: amounts falling due in more than one year	**(1)**	(30)
	NET ASSETS	**25,595**	2,643
	CAPITAL AND RESERVES		
14	Called up share capital	**10,000**	10,000
	Profit and loss account	**15,595**	(7,357)
	SHAREHOLDERS' FUNDS	**25,595**	2,643

Approved by the Board of Directors on 29 September 2022 and signed on its behalf by :

M S Willis
Director

Registered Company Number : 01994002

The notes on pages 10 to 19 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2021

	Called up share capital £000	Profit and loss account £000	**Total equity £000**
Balance at 1 January 2020	*10,000*	*(1,867)*	**8,133**
Total comprehensive expense for 2020			
Loss for the year	-	(5,490)	**(5,490)**
Total comprehensive expense for the year	-	(5,490)	**(5,490)**
Balance at 31 December 2020	10,000	(7,357)	**2,643**
Balance at 1 January 2021	10,000	(7,357)	**2,643**
Total comprehensive income for 2021			
Profit for the year	-	22,952	**22,952**
Total comprehensive income for the year	-	22,952	**22,952**
Balance at 31 December 2021	10,000	15,595	**25,595**

The notes on pages 10 to 19 form part of these financial statements.

1 ACCOUNTING POLICIES

(a) Basis of preparation.

Evans Halshaw Limited is a company incorporated, domiciled and registered in England in the UK. The Company's registered number is 01994002 and the registered address is Loxley House, Little Oak Drive, Annesley, Nottinghamshire, NG15 0DR.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101').

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ("Adopted IFRSs"), but makes amendments where necessary in order to comply Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The financial statements are presented in thousands of UK pounds, rounded to the nearest £1,000. They have been prepared under the historical cost convention and where other bases are applied these are identified in the relevant accounting policy in the notes below.

The Company's ultimate parent undertaking, Pendragon PLC, includes the Company in its consolidated financial statements. The consolidated financial statements of Pendragon PLC are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the Company Secretary, Pendragon PLC, Loxley House, Little Oak Drive, Annesley, Nottinghamshire, NG15 0DR.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:
• a Cash Flow Statement and related notes;
• Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
• Disclosures in respect of transactions with wholly owned subsidiaries ;
• Disclosures in respect of capital management;
• The effects of new but not yet effective IFRSs;
• Disclosures in respect of the compensation of Key Management Personnel.
• Disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the consolidated financial statements of Pendragon PLC include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:
• Disclosures required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations;
• Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company;
• *Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.*

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

Accounting estimates

The preparation of financial statements in conformity with FRS 101 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The directors consider the following to be the key estimates applicable to the financial statements, which have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year or in the long-term:

Key estimate area	Key assumption	Potential impact within the next financial year	Potential impact in the longer term	Note reference
Goodwill impairment	Within the Goodwill calculation we undertake an exercise to estimate future cashflows from each Cash Generating Unit (CGU). We have key assumptions on the growth rates of revenue and gross margin in each of new, used and aftersales which impacts the profit assumed and hence cashflow generation in each CGU. These assumptions are key to calculation of the net present value of cashflows. The further key assumptions are the perpetuity growth rate and discount rate. Full details of these rates and their application can be found in the consolidated financial statements of Pendragon PLC	✓	✓	7
Stock fair value (used vehicles)	The Company's assessment of fair values of used stock involves an element of estimation. The key assumption is estimating the likely sale period and the expected profit or loss on sale for each of our inventory items that are held at the year end point. We conduct this analysis by looking at stock by age category and comparing historical trends and our forward expectations on these assumptions	✓		9

1 ACCOUNTING POLICIES (continued)

Going concern

Notwithstanding net current liabilities of £817,000 as at 31 December 2021 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have performed a going concern assessment until December 2023 which indicate that, taking account of reasonably possible downsides and the potential impact of further Covid-19 lockdowns, a macro-economic downturn, a market correction in used car pricing and shortfalls in new car supply resulting from shortages in microchips impacting manufacturing that may affect the company's lessees, its financial resources and the company's ability to access funding through the group's centralised treasury arrangements, the Company will have sufficient funds to meet its liabilities as they fall due for that period.

The assessment is dependent on Pendragon PLC providing additional financial support during that period. Pendragon PLC has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the assessment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The Company participates in the Pendragon group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries, and as a result is dependent on the Pendragon group. As a result, the directors have considered the wider impact on the Pendragon PLC group ("the Group") in their going concern assessment.

The Pendragon group has seen an improved trading position during 2021 as reported in its Annual Report for the year ending 31 December 2021. Despite this, the directors consider that the current economic outlook presents significant uncertainty in terms of sales volume and pricing for the reasons referred to above and the further risk of disruption to supply chains that the conflict in Ukraine presents, but after assessing the risks the directors do not believe there to be a material risk to going concern.

Whilst the Group directors have instituted measures to preserve cash there is uncertainty over future trading results and cash flows. The Group meets its day-to-day working capital requirements from a revolving credit facility of £75m and senior note of £100m together with cash balances and a requirement for on going access to rolling vehicle credit stocking facilities. The senior note is due for renewal in March 2027 and the revolving credit facility is due for renewal in March 2025, with a further two, one year options (available at the election of lenders). The senior note and revolving credit facility have quarterly leverage and fixed charge covenants, as well as an absolute EBITDA covenant, a breach of which would result in the amounts drawn becoming repayable on demand. The Group did not make use of government backed borrowing facilities such as the Coronavirus large business interruption loan scheme. The Group remained compliant with its banking covenants throughout the year to 31 December 2021.

In the context of the above, the Group Directors have prepared cash flow forecasts for the period to 31 December 2023 which indicate that, taking account of reasonably possible downsides, the Group will have sufficient funds to meet its liabilities as they fall due for that period.

The Directors of the Company have assessed the conclusions reached by the Group directors and agree with their conclusions.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on page 1.

(b) Turnover. Turnover from the sale of goods is recognised in the profit and loss account, net of discounts, on satisfaction of the Company's performance obligations under the sale contracts, which is when the Company has satisfied its performance obligations to the customer and the customer has obtained control of the goods or services being transferred. In general this occurs when vehicles or parts have been supplied or when service has been completed. Turnover from aftersales services rendered is recognised in the profit and loss account in proportion to the stage of completion of the transaction at the reporting date. Usually these services are completed within one day. The stage of completion is assessed by surveys of work performed or by reference to time expended on services that are charged on a labour basis.

(c) Intangible assets. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure.

Other intangible assets are stated at cost less accumulated amortisation and any impairment losses. This category of asset, which includes purchased computer software, are amortised by equal instalments over four years.

1 ACCOUNTING POLICIES (continued)

(d) Tangible fixed assets and depreciation. Depreciation is provided to write off the cost less the estimated residual value of other tangible fixed assets by equal instalments over their estimated useful economic life as follows:

Short leasehold property - owned - over the lease term
Plant and equipment - owned - 10 to 33% per annum
Motor vehicles - owned - 20 to 25% per annum

(e) Stocks.
(i) Motor vehicle stocks are stated at the lower of cost and net realisable value. Cost is net of incentives received from manufacturers in respect of target achievements. Fair values of motor vehicle stocks are determined by assessing the estimated sales point and sales price using historical trends for vehicles categorised by their time in stock and stock classification. The assessment of fair values involves an element of judgement and estimation, examples of which include assessing the current state of the market in a given segment, assessing the impact of the age and condition of the vehicle on its fair value and consideration of macro-economic factors as discussed in the risk overview. Whilst this data is deemed representative of current values it is possible that ultimate sales values can vary from those applied.
(ii) Consignment vehicles are new unregistered vehicles owned by the manufacturers, mainly located at the Company's premises, and insured by the Company.
(iii) Parts inventories are based on an average purchase cost principle and are written down to net realisable value by providing for obsolescence on a time in stock based formula approach.
New consignment vehicles in respect of which finance charges are levied are regarded as being effectively under the control of the Company and are included within stocks on the balance sheet even though legal title has not yet passed to the Company. The corresponding liability is included in creditors.

(f) Trade and other debtors .Trade and other debtors are recognised initially at fair value and are subsequently stated at amortised cost using the effective interest method, less any impairment losses.

(g)Trade and other creditors. Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

(h) Cash and cash equivalents. Cash and cash equivalents comprise cash balances and call deposits.

(i) Impairment excluding stocks and deferred tax assets.
Financial assets (including trade and other debtors)
A financial asset not carried at fair value through profit or loss is measured for impairment losses in accordance with IFRS 9 using an expected credit loss (ECL) model. The impairment model applies to financial assets measured at amortised cost. The calculation of ECLs are a probability-weighted estimate of credit losses. For trade receivables, the Company applies the simplified approach set out in IFRS 9 to measure expected credit losses using a lifetime expected credit loss allowance. The Company considered a trade or other receivables, including intercompany receivables, to be in default when the borrower is unlikely to pay its credit obligations to the Company in full after all reasonable actions have been taken to recover the debt.

Non-financial assets
The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit).

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is reversed if and only if the reasons for the impairment have ceased to apply.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Interest receivable and Interest payable. Interest payable and similar charges include interest payable and finance charges on shares classified as liabilities. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

1 ACCOUNTING POLICIES (continued)

(k) Taxation. Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not recognised: initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred income tax assets and liabilities are offset when there is a legally enforceable rights to offset current tax assets against current tax liabilities.

(l) The Company participates in a group wide 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 to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The Company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by IAS 19 'Employee benefits (2011)', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

(m) Accounting for acquisitions. The results of companies and businesses acquired are included from the effective date of acquisition. The purchase consideration is allocated to assets and liabilities on the basis of fair value at the date of acquisition. Costs related to the acquisition are expensed as incurred.

(n) Leases.
At inception of a contract, the Company assesses 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 to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

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, and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. Cost comprises the initial amount of the lease liability adjusted for any initial direct costs incurred less any lease incentives received. Depreciation is recognised on a straight line basis over the period of the lease the right of use asset is expected to be utilised.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease or when this is not readily attainable, the Company's incremental borrowing rate. Lease payments include fixed rental payments and amounts expected to be payable under a residual value guarantee. Generally the Company uses it's incremental borrowing rate as the discount rate. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The lease liability is subsequently increased by the interest cost on the lease liability and reduced by payments made. It is remeasured when there is a change in future lease payments arising from a change of index or rate, a variation in amounts payable following contractual rent reviews and changes in the assessment of whether an extension/termination option is reasonably certain to be exercised. When the lease liability is remeasured in this way, 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.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(o) Government grants are recognised when there is reasonable assurance the grants will be received and the conditions of the grant will be complied with. Income from Government grants during 2021 of £588,000 (2020: £17,370,000), being the Coronavirus Job Retention Scheme, is included within payroll expenses. A further benefit has been received by way of business rates relief during 2021 and 2020 by way of waivers to these charges.

2 TURNOVER

The Company principally generates turnover from the sale of new and used motor vehicles, together with the supply of motor vehicle parts, servicing and repair activates, collectively referred to as aftersales. Products and services may be sold separately or in bundled packages. Examples of a bundled package will include the supply of a vehicle with an extended warranty or a servicing plan. For bundled packages, the Company accounts for individual products and services separately as they are distinct items, as each performance obligation within that contract is separately identifiable from other items in the bundled package. The consideration is proportionately allocated between separate products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Company sells these items and are separately identified on the customer's invoice. Full details of these elements of the Company's turnover are provided in the consolidated financial statements of Pendragon PLC for the year ended 31 December 2021.

Turnover by major products/service lines

	2021 £000	2020 £000
New vehicle revenue	**504,889**	462,722
Used vehicle revenue	**887,610**	581,704
Aftersales revenue	**88,362**	58,945
Turnover from external customers	**1,480,861**	1,103,371

Timing of turnover recognition

At point in time	**1,476,976**	1,099,196
Over time	**3,885**	4,175
Turnover from external customers	**1,480,861**	1,103,371

All turnover arises in the United Kingdom.

Contract balances	2021 £000	2020 £000
Contract liabilities	**(9,872)**	(6,180)

Contract liabilities relate to the unearned proportion of warranty policies sold by the Company on which revenue is recognised over time and payments received on account for contracts to supplied goods at a future date.

3 OPERATING PROFIT/(LOSS)

Operating profit(/loss) has been arrived at after charging :

	2021 £000	2020 £000
Depreciation of tangible fixed assets - owned	**2,738**	5,268
Depreciation of tangible fixed assets - leased	**144**	154
Amortisation of intangible fixed assets	**47**	53
Auditor's remuneration- audit	**72**	4
Operating lease charges - Plant and equipment	**85**	2,174
Operating lease charges - Land & Buildings	**15,394**	16,490

Amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Pendragon PLC.

4 EMPLOYEES

The average number employed by the Company in the following areas was:

	2021 Number	2020 Number
Sales	**517**	731
Aftersales	**935**	1,320
Administration	**612**	865
	2,064	2,916

Costs incurred in respect of these employees were :

	2021 £000	2020 £000
Wages and salaries	**67,034**	78,824
Less - receipts from the Government Coronavirus Job Retention Scheme	**(588)**	(17,370)
Social security costs	**6,601**	6,845
Other pension costs	**2,556**	2,851
	75,603	71,150

No director of the Company received or waived any remuneration for services to the Company during the year (2020 : £nil).

The directors are employed by Pendragon PLC and full details of their remuneration can be found in the Directors Remuneration Report section of that company's annual report. A management charge is levied on the Company which incorporates an element of recharge for the remuneration of the directors amounting to £1,317,000 (2020 : £1,108,000).

5 INTEREST PAYABLE

	2021 £000	2020 £000
Interest payable on loans wholly repayable within five years :		
Bank interest payable	-	1
Lease interest	2	3
Intra group interest payable	2,960	3,740
Stocking loan interest payable	1,299	3,438
Total interest payable	4,261	7,182

Stocking loan interest is paid on amounts payable to vehicle manufacturers through their related finance arms at commercial rates of interest and to third party stock finance providers at a LIBOR plus a commercial margin.

6 TAXATION

	2021 £000	2020 £000
UK corporation tax at the UK average statutory rate of 19.00% (2020: 19.00%)		
Current tax on result for the year	2,909	-
Adjustments in respect of prior periods	(143)	44
Total current tax	2,766	44
Deferred taxation		
Origination and reversal of temporary differences	1,538	(1,780)
Adjustments in respect of prior periods	125	(101)
Total deferred tax	1,663	(1,881)
Total tax charge/(credit) in the profit and loss account	4,429	(1,837)

Factors affecting the tax charge/(credit) for the period:
The tax charge/(credit) assessed is lower (2020: higher) than the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%). The differences are explained below:

	2021 £000	2020 £000
Profit/(loss) on ordinary activities before tax	27,381	(7,327)
Tax on profit/(loss) at the UK average statutory rate of 19.00% (2020: 19.00%)	5,202	(1,392)
Effects of:		
Permanent differences arising in respect of fixed assets	(68)	9
Expenses not deductible in determining taxable profit	6	15
Impact of corporation tax rate change	(693)	(412)
Adjustments to tax charge in respect of previous periods	(18)	(57)
Total tax charge/(credit) in the profit and loss account	4,429	(1,837)

The UK tax rate applying throughout 2021 was 19%, this rate is set to increase to 25% on 1 April 2023. The rate change to 25% was substantively enacted on 24 May 2021 and as such the deferred tax assets and liabilities forecast to remain at 31 March 2023 have been revalued to 25%. The remeasurement of a portion of the deferred tax asset gives a tax credit to the income statement of £693,000.

On 23 September 2022 the Chancellor of the Exchequer announced that the corporation tax rate will remain at 19% from 1 April 2023, reversing a previously enacted measure to increase the rate to 25%. This reversal in the tax rate from 1 April 2023 has not been enacted or substantively enacted and accordingly has no impact on the tax balances at 31 December 2021. The potential impact of this change on the deferred tax balances at 31 December 2021 would be a tax charge of £693,000.

7 INTANGIBLE ASSETS

	Goodwill £000	Software £000	Total £000
Cost			
At 31 December 2020	18,915	292	19,207
Additions	-	15	15
Disposals	-	(16)	(16)
At 31 December 2021	18,915	291	19,206
Amortisation			
At 31 December 2020	1,008	136	1,144
Charge for the year	-	47	47
Disposals	-	(16)	(16)
At 31 December 2021	1,008	167	1,175
Net book value			
At 31 December 2021	17,907	124	18,031
At 31 December 2020	17,907	156	18,063

Intangible assets amortisation and impairment charges are recorded in administrative expenses in the profit and loss account.

7 INTANGIBLE ASSETS *continued*

Impairment testing

Goodwill considered significant in comparison to the Company's total carrying amount of such assets have been allocated to cash generating units or groups of cash generating units as follows:

	Ford franchise £000	Vauxhall franchise £000	Total £000
At 31 December 2020 and at 31 December 2021	1,547	16,360	**17,907**

As a result of the annual impairment review no goodwill was impaired during the year (2020: £nil).

An annual impairment test to assess the carrying value of investments amount is undertaken. This value was determined by discounting the future cash flows generated from the continuing use of the investment and was based on the following key assumptions:

Future cash flows were projected into perpetuity with reference to the Company's forecasts for 2022. The 2022 forecast was derived from the corporate plan, approved by the Board and compiled on a bottom up basis. Used car and Contract Hire revenue and gross profit growth has been based on latest run rates for the CGU. The 2023 to 2026 forecast represents a projection from the 2022 bottom up forecast and is a short term income growth of 1.9% and short term cost growth of 2.2% based on short term market inflation assumptions.

Fair value less costs of disposal has been calculated using transaction and trading multiples. The multiples are based on median EV / LTM EBITDA for relevant transactions post 2010.

It is anticipated that the units will grow revenues in the future. For the purpose of the impairment testing, a long-term growth rate of 2.0% (2020: 1.9%) has been assumed beyond 2026. The growth rate of 2.0% that has been used in the impairment calculations is based on long-term inflation. The results of the impairment review indicated that the carrying values of the Company's investments did not exceed the higher of the fair value and value in use and therefore no impairment charge has been recognised (2020: £nil).

The discount rates are estimated to reflect current market estimates of the time value of money and is calculated after consideration of market information and risk adjusted for individual circumstances. The pre-tax discount rate used was 12.3% to 10.6% (2020: 8.0%).

The Directors of the Company consider, on the basis of existing knowledge, that there are no reasonably possible changes in assumptions that would have a significant risk of resulting in a material adjustment to the carrying value of investments within the next financial year.
The recoverable amount of the Vauxhall and Ford franchises has been calculated with reference to its value in use.

8 FIXED ASSETS - TANGIBLE ASSETS

	Short leasehold property owned £000	Plant & equipment owned £000	Plant & equipment right of use £000	Motor vehicles owned £000	Motor vehicles right of use £000	Total £000
Cost						
At 31 December 2020	461	14,736	21	6,230	299	**21,747**
Reclassify to inventory	-	-	-	(6,014)	-	**(6,014)**
Additions	38	1,945	-	-	13	**1,996**
Disposals	(62)	(609)	(21)	(127)	(151)	**(970)**
At 31 December 2021	437	16,072	-	89	161	**16,759**
Depreciation						
At 31 December 2020	101	5,410	13	1,217	137	**6,878**
Reclassify to inventory	-	-	-	(1,039)	-	**(1,039)**
Charge for the year	65	2,666	8	7	136	**2,882**
Disposals	(23)	(52)	(21)	(97)	(151)	**(344)**
At 31 December 2021	143	8,024	-	88	122	**8,377**
Net book value						
At 31 December 2021	**294**	**8,048**	**-**	**1**	**39**	**8,382**
At 31 December 2020	360	9,326	8	5,013	162	14,869

Included within motor vehicles were cars used as employee cars and as service loan vehicles. These vehicles are turned several times during the year and are made available for sale either immediately or not long after purchase as part of the Company's normal business activities. Considering the short life span of these assets it was decided that as at 1 January 2021 those vehicles would be reclassified as inventory to better reflect their current asset nature. Vehicles that remain classified as tangible fixed assets are those that are retained for periods in excess of one year and will include for example delivery, transporter and recovery vehicles.

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2021

9 STOCKS

	2021 £000	2020 £000
New and used vehicles	187,547	243,358
Consignment vehicles	725	847
Vehicle parts and other stocks	5,140	6,175
	193,412	250,380

The key assumptions underpinning the net realisable value of the used vehicle inventory are (i) the time to sell each vehicle; (ii) the expected sales price at the date of sale. If the average time to sell a vehicle is increased by 30 days then it would reduce the value of the used vehicle inventory by £74,000 (2020: £741,000). If the expected sales prices at the date of sale were to decrease by £500 per vehicle then it would reduce the value of the used vehicle inventory by £1,525,000 (2020: £1,389,000) at the balance sheet date. Whereas if the average time to sell a vehicle is decreased by 30 days then it would increase the value of the used vehicle inventory by £484,000. Also if the expected sales prices at the date of sale were to increase by £500 per vehicle then it would increase the value of the used vehicle inventory by £1,153,000 at the balance sheet date.

During the year £504,000 was recognised as an expense in respect of the write down of stocks (2020 : £774,000 credit).

Consignment stock is held by the Company though legal title remains with the supplier. The balance of the consignment stock is subject to interest at commercial rates with an initial interest free period, typically 30 days, being granted. In most cases, if the stock remains unsold after a set period, typically 180 days then the stock is invoiced to the Company. These terms can be varied at any time and certain stock lines may be subject to different terms to others. No deposits are paid in respect of consignment stock.

10 DEBTORS

	2021 £000	2020 £000
Trade debtors	11,277	5,464
Deferred taxation (see note 13)	3,622	5,285
Other debtors	17,146	12,477
Prepayments	1,200	256
	33,245	23,482

All amounts are due within one year with the exception of deferred tax.

11 CREDITORS : amounts falling due within one year

	2021 £000	2020 £000
Lease liabilities	38	141
Payments received on account	5,336	2,205
Amounts owed to group undertakings	230,393	137,921
Trade creditors	11,390	46,838
Stocking loans	52,235	137,648
Consignment vehicle liabilities - see note 10	725	847
Corporation tax	527	-
Other taxation and social security	19,480	9,362
Accruals and deferred income	40,418	33,957
	360,542	368,919

Stocking loans relate to the provision of vehicle and parts stocking credit lines, provided by the vehicle manufacturers' funding arms. These Manufacturer facility agreements are tied to the franchise agreement. Interest is payable in respect of unpaid invoices for vehicles though there is typically an interest free period followed by commercial rates of interest.

Amounts owed to group undertakings are repayable on demand. The intercompany loan bears interest on variable rate terms of LIBOR + variable amount dependent on Group leverage ratio.

12 CREDITORS : amounts falling due in more than one year

	2021 £000	2020 £000
Lease liabilities	1	30
	1	30

13 DEFERRED TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2021 £000	2020 £000
Deferred tax assets	**3,622**	5,285

The movement in the deferred tax assets for the year is as follows:

	Accelerated capital allowances £000	Other short term temporary differences £000	Losses £000	**Total £000**
At 1 January 2020	2,907	152	345	**3,404**
Credited to profit and loss account	350	67	1,464	**1,881**
At 31 December 2020	3,257	219	1,809	**5,285**
At 1 January 2021	3,257	219	1,809	**5,285**
Credited/(charged) to profit and loss account	78	68	(1,809)	**(1,663)**
At 31 December 2021	3,335	287	-	**3,622**

The directors believe that the deferred tax asset recognised is recoverable as they expect taxable profits to arise in the foreseeable future.

Deferred tax assets are shown in debtors (see note 10).

14 CALLED UP SHARE CAPITAL

	2021 £000	2020 £000
Allotted, called up and fully paid :		
10,000,000 (2020 : 10,000,000) ordinary shares of £1 each	**10,000**	10,000

15 LEASING

Lease liabilities	2021 £000	2020 £000
Balance at 1 January	**171**	171
New lease liabilities during the year	**13**	258
Interest expense related to lease liabilities	**2**	3
Repayment of lease liabilities (including interest element)	**(147)**	(261)
Balance at 31 December	**39**	171
Non-current	**1**	30
Current	**38**	141
	39	171

Amounts recognised in profit or loss	2021 £000	2020 £000
Depreciation of right of use assets	**144**	154
Interest on lease liabilities	**2**	3
Expenses in respect of payments made to Pendragon Property Holdings Limited in respect of property	**15,394**	16,490
Expenses relating to low value leases	**-**	62
Expenses relating to short-term leases	**85**	2,112
	15,625	18,821

The Company leases a property from Pendragon Property Holdings Limited on terms allowing immediate termination by either party. As such no lease commitment is shown in respect of this property. There are the no contingent rentals in this lease.

16 CONTINGENT LIABILITIES

The Company is party to multi-lateral cross guarantees in respect of the indebtedness of Pendragon PLC and its UK subsidiaries in favour of certain lenders to the group.

Under those arrangements, the company participates in the following arrangements.

An arrangement with Lloyds Bank PLC in which the aggregate of all bank balances cannot be overdrawn and the aggregate of all overdrawn accounts with the lender cannot exceed £5 million. The Company has a net cash balance of £455,000 at 31 December 2021 that guarantees the overdrafts of other companies party to the same arrangement.

An arrangement with National Westminster Bank plc in which the aggregate of all bank balances cannot be overdrawn and the aggregate all overdrawn accounts with the lender cannot exceed £195 million. The Company has a net cash balance of £41,059,000 at 31 December 2021 that guarantees the overdrafts of other companies party to the same arrangement.

An arrangement with Barclays Bank PLC in which the net overdraft across the group cannot exceed £15 million. As at 31 December 2021 the group is in a net overdraft position of £1,156,000. The Company has a net cash balance of £91,554,000 at 31 December 2021 that guarantees the overdrafts of other companies party to the same arrangement.

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2021

17 PENSIONS

The Company is a member of a funded group wide pension scheme, the Pendragon Group Pension Scheme providing benefits based on final pensionable pay. There is no stated policy for allocating assets and liabilities in relation to the scheme and therefore the Company accounts for its contributions on a straight line basis. At 31 December 2021 the scheme had a deficit on an IAS 19 basis of £23,600,000 (2020 : £75,500,000).

The Pendragon Group Pension Scheme is a funded defined benefit scheme that was set up during 2012 to receive the assets and liabilities of the Pendragon Group's previous six defined benefit schemes. The Scheme's actuarial valuation was carried out as at 31 December 2018 using the defined accrued benefits funding credit method. At this date the market value of the Scheme's assets was £418.1m; these assets represented 78% of the value of the technical provisions of £535.2m (excluding any defined contribution assets). The main assumptions used for this valuation were that the annual rate of return on existing investments would be 2.47% and the annual rate of pension increases would be between 2.65% - 3.45%. The employer contributions paid to the Scheme during the year was based upon actuarial advice.

The triennial valuation of the pension scheme reflecting the position as at 31 December 2018 was agreed by the Trustees on 17 March 2020. This has resulted in the Pendragon group raising its annual contribution to the pension scheme to £12.5m from 1 January 2020 from £7.0m in the prior year and will increase by 2.25% per annum. The next triennial valuation of the pension scheme will reflect the position as at 31 December 2021.

To comply with the Government's automatic enrolment legislation, the Company chose to participate in the People's Pension Scheme in April 2013. This is a defined contribution occupational pension scheme provided by B&CE.

The pension charge cost in respect of the group stakeholder arrangement and the People's Pension Scheme for the year was £2,556,000 (2020 : £2,851,000).

18 ULTIMATE PARENT COMPANY

The Company is a subsidiary undertaking of Pendragon PLC which is the ultimate parent company incorporated in the UK.

No other group financial statements include the results of the Company

19 POST BALANCE SHEET EVENTS

on 1 January 2022 the Company acquired from Bramall Quicks Dealerships Limited, the trade and assets of it's motor vehicle dealerships representing the Citroen and Peugeot brands and the Quickco parts distribution business for a consideration of £24.1m, which was satisfied by an intra group loan.