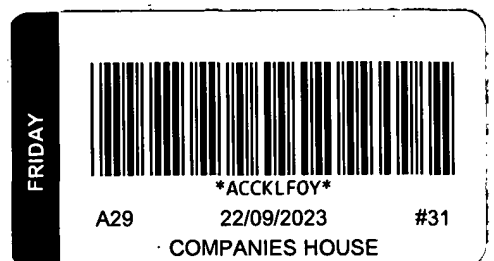


**EVANS HALSHAW LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2022**

Registered Number : 01994002



**EVANS HALSHAW LIMITED**

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**STRATEGIC REPORT****YEAR ENDED 31 DECEMBER 2022**

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 and Reg Vardy Limited, the trade and assets of Bramall Quicks Dealerships Limited's motor vehicle dealerships representing the Citroen and Peugeot brands and from both the Quickco parts distribution business for a consideration of £25.9m, 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 21.1% from £1,480.9 million in the prior year to £1,793.8 million in the current year. This increase has been largely driven by the acquisition referred to above which contributed turnover of £291.9 million. Overall, 2022 was a good year for the Company driven firstly by the implementation of strategic initiatives and secondly the strength of market conditions. There remained 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 decreased from a profit of £22,952,000 in the prior year to a profit of £11,118,000 in the current year, due to gross margins falling from the exceptional levels experienced in 2021 and increases in costs due to inflationary pressures.

The shortage of new cars is expected to continue during 2023 though this is showing signs of easing. 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 2023. 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 £11,118,000 to £36,713,000 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 2022 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 2023 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 2023 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 50 of the Group's Annual Report and Accounts 2023.

**Board Composition**

At the end of the financial year ended 31 December 2022, 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 2023.

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 2023 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 as 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 pages 66 and 67 of the Group's Annual Report and Accounts 2022.

**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 52 to 59 of the Group's Annual Report and Accounts 2023 and our Environment Policy can be found at [www.pendragonplc.com/investors/corporate-responsibility](http://www.pendragonplc.com/investors/corporate-responsibility)

**STRATEGIC REPORT - continued****YEAR ENDED 31 DECEMBER 2022****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 2022.

- 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**

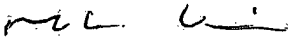
Each Director has a range of responsibilities which are clearly defined. The Board meets formally every month in addition to a number of weekly, monthly and quarterly senior leadership meetings relating to specific areas of the business including trading; people; customers; IT and property at which relevant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

20 September 2023

**DIRECTORS' REPORT**

**YEAR ENDED 31 DECEMBER 2022**

The directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 31 December 2022.

**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 (2021 : £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.

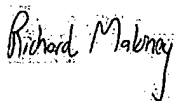
**DISCLOSURE OF INFORMATION TO AUDITOR**

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



R J Maloney  
Secretary

Loxley House  
Little Oak Drive  
Annesley  
Nottinghamshire  
NG15 0DR  
20 September 2023

**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 2022 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 2022 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.

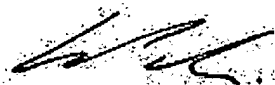
**Auditor's responsibilities**

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](http://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

20 September 2023



**PROFIT AND LOSS ACCOUNT****YEAR ENDED 31 DECEMBER 2022**

Note		2022 £000	2021 £000
2	<b>TURNOVER</b>	<b>1,793,759</b>	<b>1,480,861</b>
	Cost of sales	(1,604,148)	(1,319,391)
	<b>GROSS PROFIT</b>	<b>189,611</b>	<b>161,470</b>
	Distribution costs	(85,943)	(68,010)
	Administrative expenses	(84,871)	(61,818)
3	<b>OPERATING PROFIT</b>	<b>18,797</b>	<b>31,642</b>
5	Interest payable	(4,929)	(4,261)
	<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>13,868</b>	<b>27,381</b>
6	Taxation on profit on ordinary activities	(2,750)	(4,429)
	<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>11,118</b>	<b>22,952</b>

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 for the financial year represents total comprehensive income for the period.

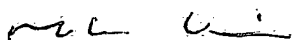
Movements in reserves are shown in the Statement of Changes in Equity on page 9.

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

**BALANCE SHEET****AT 31 DECEMBER 2022**

Note		2022	restated -see note 1
		£000	2021 £000
	<b>FIXED ASSETS</b>		
7	Intangible assets - Goodwill	17,907	17,907
7	Intangible assets - Other intangible assets	178	124
8	Tangible assets	9,985	8,382
		<b>28,070</b>	<b>26,413</b>
	<b>CURRENT ASSETS</b>		
9	Stocks	264,406	193,412
10	Debtors	314,211	121,177
13	Deferred tax asset (due in over 1 year: £3,783,000)	3,783	3,622
	Cash and cash equivalents	107,944	41,514
		<b>690,344</b>	<b>359,725</b>
11	<b>CREDITORS:</b> amounts falling due within one year	<b>(681,701)</b>	<b>(360,542)</b>
	<b>NET CURRENT ASSETS/(LIABILITIES)</b>	<b>8,643</b>	<b>(817)</b>
12	<b>CREDITORS:</b> amounts falling due in more than one year	-	(1)
	<b>NET ASSETS</b>	<b>36,713</b>	<b>25,595</b>
	<b>CAPITAL AND RESERVES</b>		
14	Called up share capital	10,000	10,000
	Profit and loss account	26,713	15,595
	<b>SHAREHOLDERS' FUNDS</b>	<b>36,713</b>	<b>25,595</b>

Approved by the Board of Directors on 20 September 2023 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 2022**

	Called up share capital £000	Profit and loss account £000	Total equity £000
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
Balance at 1 January 2022	10,000	15,595	25,595
Total comprehensive income for 2022			
Profit for the year	-	11,118	11,118
Total comprehensive income for the year	-	11,118	11,118
Balance at 31 December 2022	10,000	26,713	36,713

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

**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2022****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

**NOTES TO THE FINANCIAL STATEMENTS continued****YEAR ENDED 31 DECEMBER 2022****1 ACCOUNTING POLICIES (continued)****Going concern**

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 2024 which indicate that, taking account of reasonably possible downsides, a macro-economic downturn, a market correction in used car pricing and shortfalls in new car supply resulting from shortages in microchips impacting manufacturing, 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 a strong position during 2022 as reported in its Annual Report for the year ending 31 December 2022. 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.

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 2022.

In the context of the above, the Group Directors have prepared cash flow forecasts for the period to 31 December 2024 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.

**Prior year adjustment**

The Company contributes to the Pendragon group's cash pooling arrangement and balances are domiciled with Barclays Bank PLC. During the year, the directors performed a detailed review of the group's cash pooling arrangements and identified that cash balances contributed by the subsidiaries to the pool were incorrectly classified as cash and cash equivalents rather than inter-group receivable – cash pooling accounts. As a result, the 2021 balance sheet has been restated to correctly present the balances as inter-group receivable.

In addition deferred tax balances were previously disclosed within debtors. In accordance with IAS 1 these should be separately disclosed on the face of the balance sheet therefore the 2021 balance sheet has been further restated to correctly present the deferred tax asset balances as such.

The adjustments restating the balance sheet for these two adjustments are as follows:

	2021 as reported £000	restatement £000	2021 restated £000
<b>Current Assets</b>			
Cash at bank and in hand	133,068	(91,554)	41,514
Deferred tax asset	-	3,622	3,622
<b>Debtors</b>	<b>33,245</b>	<b>87,932</b>	<b>121,177</b>
	<b>166,313</b>	<b>-</b>	<b>166,313</b>

The restatement did not result in any change to reported profit and net assets reported in 2021.

The impact on the opening Balance Sheet as at 31 December 2020 is as follows:

	2020 as reported £000	restatement £000	2020 restated £000
<b>Current Assets</b>			
Cash at bank and in hand	64,798	(28,091)	36,707
Deferred tax asset	-	5,285	5,285
<b>Debtors</b>	<b>23,482</b>	<b>22,806</b>	<b>46,288</b>
	<b>88,280</b>	<b>-</b>	<b>88,280</b>

The restatement did not result in any change to reported profit and net assets reported in 2020.

NOTES TO THE FINANCIAL STATEMENTS continuedYEAR ENDED 31 DECEMBER 2022**1 ACCOUNTING POLICIES (continued)**

(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.

(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:

Leasehold property improvements - 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.

NOTES TO THE FINANCIAL STATEMENTS continuedYEAR ENDED 31 DECEMBER 2022**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 its 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 received during the previous year 2021 of £588,000, being the Coronavirus Job Retention Scheme, was included within payroll expenses. A further benefit was received by way of business rates relief during 2021 by way of waivers to these charges. No Government grants were received in 2022.

## NOTES TO THE FINANCIAL STATEMENTS continued

## YEAR ENDED 31 DECEMBER 2022

## 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 activities, 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 2022.

Turnover by major products/service lines

	2022 £000	2021 £000
New vehicle revenue	600,726	504,889
Used vehicle revenue	1,040,606	887,610
Aftersales revenue	152,427	88,362
Turnover from external customers	1,793,759	1,480,861

Timing of turnover recognition

At point in time	1,789,364	1,476,976
Over time	4,395	3,885
Turnover from external customers	1,793,759	1,480,861

All turnover arises in the United Kingdom.

	2022 £000	2021 £000
Contract balances		
Contract liabilities	(12,100)	(9,872)

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

Operating profit has been arrived at after charging :

	2022 £000	2021 £000
Depreciation of tangible fixed assets - owned	3,063	2,738
Depreciation of tangible fixed assets - leased	82	144
Amortisation of intangible fixed assets	69	47
Auditor's remuneration- audit	80	72
Operating lease charges - Plant and equipment (short term and low value leases)	4,248	85
Operating lease charges - Land & Buildings (short term leases - see note 11)	18,713	15,394

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:

	2022 Number	2021 Number
Sales	605	517
Aftersales	1,094	935
Administration	717	612
	2,416	2,064

Costs incurred in respect of these employees were :

	2022 £000	2021 £000
Wages and salaries	79,483	67,034
Less - receipts from the Government Coronavirus Job Retention Scheme	-	(588)
Social security costs	8,295	6,601
Other pension costs	4,821	2,556
	92,599	75,603

No director of the Company received or waived any remuneration for services to the Company during the year (2021 : £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 £2,025,000 (2021 : £1,317,000).



**NOTES TO THE FINANCIAL STATEMENTS continued****YEAR ENDED 31 DECEMBER 2022****5 INTEREST PAYABLE**

	2022 £000	2021 £000
Interest payable on loans wholly repayable within five years :		
Lease interest	1	2
Intra group interest payable	4,086	2,960
Stocking loan interest payable	842	1,299
<b>Total interest payable</b>	<b>4,929</b>	<b>4,261</b>

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**

	2022 £000	2021 £000
UK corporation tax at the UK average statutory rate of 19.00% (2021: 19.00%)		
Current tax on result for the year	1,865	2,909
Adjustments in respect of prior periods	168	(143)
<b>Total current tax</b>	<b>2,033</b>	<b>2,766</b>

Deferred taxation		
Origination and reversal of temporary differences	742	1,538
Adjustments in respect of prior periods	(25)	125
<b>Total deferred tax</b>	<b>717</b>	<b>1,663</b>
<b>Total tax charge in the profit and loss account</b>	<b>2,750</b>	<b>4,429</b>

Factors affecting the tax charge for the period:

The tax charge assessed is higher (2021: lower) than the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%). The differences are explained below:

	2022 £000	2021 £000
Profit on ordinary activities before tax	13,868	27,381
Tax on profit at the UK average statutory rate of 19.00% (2021: 19.00%)	2,635	5,202
Effects of:		
Expenses not deductible in determining taxable profit	60	6
Permanent differences arising in respect of fixed assets	(88)	(68)
Impact of corporation tax rate change	-	(693)
Adjustments to tax charge in respect of previous periods	143	(18)
<b>Total tax charge in the profit and loss account</b>	<b>2,750</b>	<b>4,429</b>

The UK tax rate applying throughout 2022 was 19%, this rate increased to 25% on 1 April 2023. The rate change to 25% was substantively enacted on 24 May 2021 and as such in the prior year the portion of the deferred tax assets forecast to remain at 31 March 2023 were revalued to 25% which gave a tax credit to the 2021 income statement of £693,000.

**7 INTANGIBLE ASSETS**

	Goodwill £000	Software £000	Total £000
<b>Cost</b>			
At 31 December 2021	18,915	291	19,206
Business acquisitions	-	41	41
Other additions	-	82	82
<b>At 31 December 2022</b>	<b>18,915</b>	<b>414</b>	<b>19,329</b>
<b>Amortisation</b>			
At 31 December 2021	1,008	167	1,175
Charge for the year	-	69	69
<b>At 31 December 2022</b>	<b>1,008</b>	<b>236</b>	<b>1,244</b>
<b>Net book value</b>			
At 31 December 2022	17,907	178	18,085
At 31 December 2021	17,907	124	18,031

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

## NOTES TO THE FINANCIAL STATEMENTS continued

## YEAR ENDED 31 DECEMBER 2022

## 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 2021 and at 31 December 2022	1,547	16,360	17,907

As a result of the annual impairment review no goodwill was impaired during the year (2021: £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 Group's forecasts for 2023. The 2023 forecast was derived from the corporate plan, approved by the Board and compiled on a bottom up basis. New car volume growth was based on the latest SMMT forecasts. Used car and aftersales revenue and gross profit growth has been based on latest run-rates for the CGUs. The 2024 to 2027 forecast represents a projection from the 2023 bottom up forecast with new volume growth based on the latest market projections and run-rates applied to determine used volume growth, with associated gross profits calculated from adjusted GPUs. Short term income and costs growth have been applied at 2.0% and 2.5% respectively. These have been applied based on short term market inflation assumptions. Future cash flows also include any climate related risks and opportunities, such as the HM Government's decision to move to plug-in hybrid electric vehicles and battery electric vehicles by 2030.

All goodwill CGUs carrying values have been based on their respective value in use.

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% (2021: 2.0%) 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 (2021: £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 13.8% to 12.8% (2022: 12.3% to 10.6%).

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 with the exception of the Vauxhall CGU. The downside sensitivities applied to that CGU would result in an impairment charge of £7.5m. The breakeven point for the impairment would require a reduction in both new and used units of 2.8% into perpetuity or a reduction in both new and used GPU of 1.2% into perpetuity.

The recoverable amount of the Vauxhall and Ford franchises has been calculated with reference to their value in use.

## 8 FIXED ASSETS - TANGIBLE ASSETS

	Leasehold property improvements owned £000	Plant & equipment owned £000	Motor vehicles owned £000	Motor vehicles right of use £000	Total £000
<b>Cost</b>					
At 31 December 2021	437	16,072	89	161	16,759
Business acquisitions	57	1,329	94	46	1,526
Other additions	157	3,036	191	-	3,384
Disposals	(13)	(525)	(23)	(190)	(751)
At 31 December 2022	638	19,912	351	17	20,918
<b>Depreciation</b>					
At 31 December 2021	143	8,024	88	122	8,377
Charge for the year	85	2,890	88	82	3,145
Disposals	(1)	(381)	(17)	(190)	(589)
At 31 December 2022	227	10,533	159	14	10,933
<b>Net book value</b>					
At 31 December 2022	411	9,379	192	3	9,985
At 31 December 2021	294	8,048	1	39	8,382

## NOTES TO THE FINANCIAL STATEMENTS continued

## YEAR ENDED 31 DECEMBER 2022

9	STOCKS	2022 £000	2021 £000
	New and used vehicles	247,074	187,547
	Consignment vehicles	4,789	725
	Vehicle parts and other stocks	12,543	5,140
		<b>264,406</b>	<b>193,412</b>

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 £1,041,000 (2021: £74,000). 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 £1,540,000 (2021: £1,525,000) 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 £958,000 (2021: £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 £999,000 (2021: £1,153,000) at the balance sheet date.

During the year £612,000 was recognised as an expense in respect of the write down of stocks (2021 : £504,000 expense).

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	2022 £000	2021 £000
	Trade debtors	14,768	11,277
	Amounts owed by group undertakings - cash pooling account	284,776	91,554
	Other debtors	12,863	17,146
	Prepayments	1,804	1,200
		<b>314,211</b>	<b>121,177</b>

restated -see note 1

The Company contributes to the Pendragon group's cash pooling arrangement and balances are domiciled with Barclays Bank PLC. These balances are presented as Amounts owed by group undertakings - cash pooling account.

All amounts are due within one year.

11	CREDITORS : amounts falling due within one year	2022 £000	2021 £000
	Lease liabilities	3	38
	Payments received on account	4,450	5,336
	Amounts owed to group undertakings	509,187	230,393
	Trade creditors	34,798	11,390
	Stocking loans	66,839	52,235
	Consignment vehicle liabilities - see note 9	4,789	725
	Corporation tax	909	527
	Other taxation and social security	19,993	19,480
	Accruals and deferred income	40,733	40,418
		<b>681,701</b>	<b>360,542</b>

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	2022 £000	2021 £000
	Lease liabilities	-	1
		<b>-</b>	<b>1</b>

## NOTES TO THE FINANCIAL STATEMENTS continued

## YEAR ENDED 31 DECEMBER 2022

## 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:

	2022 £000	2021 £000
Deferred tax assets	3,783	3,622

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 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
At 1 January 2022	3,335	287	-	3,622
Business acquisition	595	283	-	878
(Charged) to profit and loss account	(510)	(207)	-	(717)
At 31 December 2022	3,420	363	-	3,783

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

## 14 CALLED UP SHARE CAPITAL

	2022 £000	2021 £000
Allotted, called up and fully paid : 10,000,000 (2021 : 10,000,000) ordinary shares of £1 each	10,000	10,000

## 15 LEASING

Lease liabilities	2022 £000	2021 £000
Balance at 1 January	39	171
New lease liabilities during the year	-	-
Lease liability acquired through business acquisition	47	13
Interest expense related to lease liabilities	1	2
Repayment of lease liabilities (including interest element)	(84)	(147)
Balance at 31 December	3	39
Non-current	-	1
Current	3	38
	3	39
Amounts recognised in profit or loss	2022 £000	2021 £000
Depreciation of right of use assets	82	144
Interest on lease liabilities	1	2
Expenses in respect of payments made to Pendragon Property Holdings Limited in respect of property	18,713	15,394
Expenses relating to low value leases	3,590	-
Expenses relating to short-term leases	658	85
	23,044	15,625

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 no contingent rentals in this lease.

**NOTES TO THE FINANCIAL STATEMENTS continued****YEAR ENDED 31 DECEMBER 2022****16 ACQUISITIONS**

On 1 January 2022 the Company acquired the entire trade and assets of the businesses of Bramall Quicks Dealerships Limited for a total consideration of £24,216,000. In addition the trade and assets of a parts distribution business were acquired from Reg Vardy Limited, for a total consideration of £1,702,000. Both Bramall Quicks Dealerships Limited and Reg Vardy Limited are companies within the Pendragon PLC group and all consideration was settled by way of an intra group loan.

The amounts recognised in the 2022 financial statements in respect of identifiable assets acquired and liabilities assumed are:

	Fair value £000
Other intangible assets	41
Tangible fixed assets	1,480
Right of Use fixed assets	46
Stocks	31,011
Debtors	4,124
Deferred tax asset	878
Cash at bank and in hand	39,226
Amounts owed to group undertakings - cash pooling account	(33,734)
Lease liabilities	(47)
Creditors	(17,107)
<b>Total consideration - satisfied by way of intra group balance</b>	<b>25,918</b>

The acquired businesses contributed revenue of £291,917,000 and a profit before taxation of £3,233,000 in the period since acquisition which represented a full years activity.

**17 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 £359,000 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 £107,585,000 at 31 December 2022 that guarantees the overdrafts of other companies party to the same arrangement.

**18 PENSIONS**

The defined contribution pension scheme was closed at the end of April 2006 and replaced by an alternative defined contribution scheme (group stakeholder arrangement). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

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 2022 the scheme had a deficit on an IAS 19 basis of £2,600,000 (2021 : £23,600,000).

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 2021 using the defined accrued benefits funding credit method. At this date the market value of the Scheme's assets was £545.6m; these assets represented 94% of the value of the technical provisions of £578.7m (excluding any defined contribution assets). The main assumptions used for this valuation were that the annual rate of return on existing investments would be 0.75% above the Nominal Gilt Yield Curve at each term and the annual rate of pension increases would be based on the Gilt Inflation curve, with a reduction of 0.70% for each term up until 2030 in respect of pensions subject to CPI increases. 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 2021 was agreed by the Trustees on 2 November 2022. The Pendragon Group has agreed with the trustees that it will aim to eliminate the deficit over a period of 2 years from December 2021 until December 2023 by the payment of deficit recovery contributions of £13.06m each year, increasing at 2.25% p.a. These contributions include the expected quarterly distributions from the Central Asset Reserve (CAR) over the recovery period. Recognising that both the Trustee and the Pendragon Group aim to achieve full funding on a long term funding target, contributions will continue beyond 31 December 2023, but only in respect of the quarterly distributions from the CAR. On this basis, contributions will reduce to £3.45m p.a. from 1 January 2024, increasing at a rate of 2.25% p.a. and will be paid until 31 December 2026. The next triennial valuation of the pension scheme will reflect the position as at 31 December 2024.

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 £4,821,000 (2021 : £2,556,000).

**19 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

**20 POST BALANCE SHEET EVENTS**

On 18 September 2023, Pendragon PLC (the ultimate parent company) unanimously recommended an offer from Lithia Motors, Inc. to acquire the entire UK Motor and Leasing business of Pendragon PLC, for a gross aggregate consideration of £250 million (subject to certain financial adjustments). Furthermore, Pendragon PLC and Lithia Motors, Inc. have agreed terms of a strategic partnership for an aggregate subscription price of £30 million to accelerate Pinewood's, the Group's dealer management software business, entry into the North American market. The proposed transaction is subject to shareholder approval and other conditions precedent. This transaction will include the acquisition of Evans Halshaw Limited which will result in a change of its ultimate parent to Lithia Motors, Inc upon successful completion.