PERRYS EAST MIDLANDS LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2022

Company Registration No. 02086705

PERRYS EAST MIDLANDS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

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PERRYS EAST MIDLANDS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The Board of Directors	R Ingram (Chairman) D Millard K Savage D Ardron C Thexton R Millard P O'Brien
Company Secretary	L Anstiss
Registered Office	Suite 1 500 Pavilion Drive Northampton Business Park Brackmills Northampton NN4 7YJ
Auditors	Jackson Stephen LLP James House Stonecross Business Park Yew Tree Way Warrington Cheshire WA3 3JD

The Directors present their strategic report on the affairs of the Company for the year ended 31 December 2022.

Principal Activity and Business Review

The Company's principal activity during the year was the sale, repair and service of new and used motor vehicles and the supply of replacement parts.

Overview

The Company was pleased with the final result for 2022 in what was a tough trading period. During a year of rising interest rates, new and used car supply issues and limited resource availability the Company performed well to deliver an operating profit, before exceptional items, ahead of prior year.

The Company revenue for the year was £176m, 3% down on 2021. Gross margin of 12.0% was up versus 11.2% achieved in 2021. The Company did not have the same government support benefit that was available in 2021 and had an increased cost base due to inflationary pressures and increasing pressure to meet manufacturer demonstrator and loan car requirements. Operating profit (before exceptional items) was £3.2m, up from £2.8m in 2021. This represented a return on sales of 1.8% versus 1.6% in 2021. The Company also incurred exceptional one off costs due to site closure costs and business re organisation.

The Company continues to focus on key manufacturer relationships and strong regional representation. These are constantly reviewed by the Board to ensure they are delivering value to the Company. With a trusted brand and a strong balance sheet the Company is well placed to take advantage as the industry shift to electric product takes place and also the move towards an agency sales model by some of the manufacturer partners in the next few yew years. The Company is also in a good position to take advantage of any opportunities that may come up as a result. The Company continues its focus on expanding areas of the business that are reasonably ancillary to its current activities.

Financial Performance

The results for the Company are shown on page 17 of the financial statements.

The trading performance of the Company was impacted in the the year by limitations on new car supply and the availability of used cars. The limited supply of new vehicles affected the availability of used cars through part exchange and manufacturer used car programmes. In recent years the Company has supported the manufacturer programmes and taken advantage of the bonuses related to these schemes. As a result of the limited supply of used vehicles available through these schemes and via part exchange the Company has had to find alternative sources of acquiring used vehicles. This affected volume whilst new supply sources were being established. A reduced and competitive labour market also affected the recruitment and retention of technicians, affecting the sale of hours through the workshops.

The ongoing conflict in Ukraine and continued supply chain issues affecting manufacturers created supply issues on replacement vehicle parts. This has led to significant backlog in the repair of vehicles, particularly product recalls. The Company has had to increase its investment in loan vehicles as a result of this in order to keep customers mobile.

New cars

The new car market in 2022 continued to be impacted by production and supply issues, total registrations finishing 2% down on 2021. Franchises represented by the Company increased registrations year on year by 8%. The Company was able to capitalise on this with new retail sales volumes increasing by 8% year on year, up from 1,379 in 2021 to 1,483 in 2022 and new fleet sales volumes increasing by 7%, up from 546 in 2021 to 584 in 2022.

New light commercial registrations also reduced year on year. The total market in light commercial vehicles was down by 21%. Company volume was down 33% from 2,452 in 2021 to 1,637 in 2022.

The Company continued to retain strong margins in the new vehicles that were supplied during the year. The increase in new car volume, together with manufacturer price increases, meant new car revenue increased by 28% in the year to £51m (2021: £40m). The reduction in new commercial volume noted above resulted in revenue dropping by 36% to £43m (2021: £66m). The strong margins together with the increase in overall volume resulted in consolidated new vehicle direct profit of £2.6m, up 30% on the 2021 profit of £2.0m.

Used cars

SMMT data showed that the total recorded volume of used car transactions reduced by 9% compared to 2021. Company volumes decreased by 10% over the same period, down to 3,313 from 3,698 in 2021. However, like for like volumes, excluding businesses that were closed during the year, were only down 8% year on year. Used Commercial volumes increased year on year by 12% to 365 units invoiced (2021: 327 units). Used revenue increased by 5% year on year, up to £62m (2021: £59m) as average transaction values for used cars increased. Used margins reduced year on year by 3% which together with the reduction in volume resulted in direct profit from used vehicles in 2022 reducing to £2.4 million compared to £3.1 million in 2021.

Aftersales

Combined aftersales revenues increased by 34% to £17.1 million, up from £12.8 million in 2021. Direct profit from aftersales increased by 12% to £2.8 million from £2.5 million. Gross margin remained the same year on year but increased expenses as a result of increased headcount and wage pressure resulted in the overall reduction in profit from the aftersales departments.

Exceptional items

The Company incurred exceptional costs of £246k during the year as the result of site closures and costs incurred on a strategic review of the defined benefit pension scheme.

Current Trading and Outlook

The Company has traded ahead of budget up to the end of March 2023. New car performance has been strong with the Company continuing to achieve good margins. The supply of new commercial vehicles has affected the commercial departments, but this is expected to improve in quarter 2. Used volumes have improved year on year as the sourcing of used vehicles has improved and the Company continues to achieve good margins on these. Aftersales continues to be challenging due to the shortage of technicians but has improved year on year. Cost control is a key area of focus, particularly energy consumption and working capital control, due to ongoing high energy prices, increasing interest rates and an increase in the volume of new vehicles now being supplied from manufacturer partners resulting in high stocking charges. The Company remains on track to achieve the 2023 budget.

Locations

The Company operates from 4 full service locations with 8 franchise points. Detailed below are the franchised dealerships.

Dealership Car Franchises

Ford	4	Alfreton, Chesterfield, Mansfield, and Worksop
Mazda	1	Mansfield
Kia	1	Worksop
Ford Transit Centre	2	Chesterfield and Mansfield
	8	

In addition the Company also operates one parts distribution centre and one bodyshop and one used car operation from an additional two locations.

Company Strategy

The Company has a strategy of achieving sustainable growth and increased shareholder value which is aligned with its aim of becoming a regional dealer of choice. This strategy is achieved by:

- driving operational efficiencies whilst maintaining investment in assets.
- making customer experience and satisfaction an integral part of the Company
- establishing brand recognition in the regions in which it has chosen to operate.
- preparing the Company for the sales and servicing of electric vehicles as these are now taking an increasing share of the new vehicle market.

The Company recognises the changing market environment and the need to drive down costs. It is a central part of the Company's strategy to take advantage of multi-franchising opportunities where they arise so that the Company can achieve economies without prejudicing quality or service.

Financing

At December 2022 the Company had a cash balance of £0.3m compared to a cash balance of £1.9m in December 2021.

The Company enjoys sufficient committed bank facilities to enable it to provide adequate working capital to fund its operations. The Company is funded through facilities which are shared across the Group and are detailed in the accounts of Perrys Group Limited.

Computer Systems and Other Capital additions

Digital Marketing remains a key focus, ensuring that the Company is well positioned to respond to the evolution of customer behaviour. Having substantially updated its web site in April 2019, as part of the key strategic objective to improve customer satisfaction and the user experience, the development of the web site remains an ongoing process as new opportunities for improvement are identified so that the Company continues to benefit from this investment.

Building brand awareness continues to be an important element of the marketing strategy and it supports our digital marketing objectives of generating more traffic and achieving better conversion rates.

The Company continues to invest in the development of its Management Information Systems to ensure tight control of working capital, improved efficiencies and identify opportunities for improved performance.

Customer and Employee Focus

The Company was an early adopter of centralised key customer service functions to ensure that our customers and manufacturer partners experience the high service levels expected of the Perrys brand. Our Business Development Centre (BDC) and Aftersales Contact Centre (ACC) enable the Company to develop centres of excellence, improve accessibility and ensure consistency when engaging with customers. They enhance the end to end customer journey, enabling the Dealerships to focus on providing a high level of personal service.

The BDC and ACC utilise resources efficiently whilst enabling the Company to deliver the high standards of service expected of our franchises and embedded in our commitments to our manufacturer partners.

Balancing this centralisation of certain key services, the Company recognises that there are advantages to maintaining a regional focus to ensure that employee and customer views and preferences are represented. Accordingly, although many of the core support functions are managed on a central basis there are General Managers for each Dealership, reporting to the Regional Director. Their local knowledge and insights provide the optimum balance between efficiency and expert service delivery.

People First

People First, the Group's employee engagement programme, is designed to foster both employee and customer satisfaction. The Group continues to invest in this programme to embed the principles of People First in the culture of the Group. As a result of the people first programme and the employee feedback survey it was highlighted that employees wanted a better work life balance and the Group took the decision in 2022 to close the business on Sundays. This has been welcomed by colleagues and, as a result of improved customer service and productivity during our six day opening, we have seen no adverse impact on sales levels.

The Group actively supports the mental wellbeing of all colleagues and has launched an initiative to train and put in place Mental Wellness Champions to provide readily accessible information throughout the business.

Principal risks and uncertainties

The main risk factors are set out below but are not an exhaustive list of risks and uncertainties that could adversely impact on the Company's performance.

Economic Conditions

Profitability is strongly influenced by the prevailing economic conditions in the UK economy. The level of consumer confidence impacts discretionary spending including vehicle purchases, servicing and repair. The Company monitors this by considering internal and external indicators and takes appropriate action.

The principal risks for 2023 are the uncertainty surrounding the economy and consumer demand, continuing supply issues with new and used vehicles, cost control, particularly wage inflation and utility costs and high interest rates putting added pressure on working capital control. The Company's strategy is to develop and maintain revenues from other segments which reduces reliance on new vehicle franchises.

Key Management

The Company is dependent on the experience, knowledge and performance of its senior management team. Recruitment procedures, training and development and remuneration packages are regularly reviewed to ensure that the Company attracts and retains management of the required calibre.

Manufacturer Dependency

Franchised dealership performance is significantly influenced by the performance of the manufacturers they represent. The product and the reputation of the manufacturer can determine dealership profitability and the full impact of Brexit on these relationships has yet to be determined. In order to mitigate this risk the Company currently represents ten manufacturers thereby reducing over-reliance on individual manufacturers. Relationships are developed and maintained with existing and potential manufacturer partners and the Company monitors franchise performance over time.

A number of manufacturers have announced their intention to move to an agency supply model. The Company will monitor and assess the implications when the final terms of these agreements are communicated but we have already taken steps to familiarise ourselves with possible scenarios in preparation.

Liquidity

The Company finances its operations through a mix of retained profits, bank borrowings and trade credit from both suppliers and manufacturer partners. High inflation and movements in interest rates can impact profitability. In addition a withdrawal of financing facilities or failure to renew them as they expire could lead to an inability to finance trading. The utilisation of working capital is closely monitored and regular cash flow forecasts are prepared. The Company maintains relationships with several providers of finance to ensure that a comprehensive range of funding is available.

Information Systems

The Company is dependent upon a number of business critical computer systems which, if interrupted for any length of time, could impact on the efficient running of the Company's business. The Company has in place a business continuity plan to ensure that the Company can continue to operate should the systems be compromised. The Company also has an appropriate level of cyber liability insurance in place.

Section 172(1) statement

In discharging their duty to promote the interests of the Company, as set out under section 172 (1)(a)-(f) Companies Act 2006, the Directors of the Company have regard to a number of factors and stakeholder interests. The Board believe they have acted in the way they consider would be most likely to promote the success of the company in the decisions taken during the year ended 31 December 2022, having regard to those factors, as described below.

The Company is a wholly owned subsidiary. Accordingly, the Directors do not consider the factors listed in section 172(1)(d) (the impact of the Company's operations on the community and the environment) or section 172(1)(f) (need to act fairly between the members of the Company) are relevant to the proper discharge of their duty under section 172.

Each of these factors are considered in relation to the Group's broader operations as explained in the section 172(1) statement within the financial Statements of Perrys Group Limited (the ultimate parent of Perrys East Midlands Limited) for the year ended 31 December 2022.

PERRYS EAST MIDLANDS LIMITED
STRATEGIC REPORT
YEAR ENDED 31 DECEMBER 2022

Interests' of the Company's employees

The Company recognises that a diverse workforce is critical to the future of the business and strives to create an environment where its employees can thrive personally and professionally. Long term success depends upon the recruitment, development, wellbeing and retention of high quality people that share the right core values and culture. Integral to this approach is communication. The Company adopts the following principal methods of engagement with its employees:

- Staff satisfaction survey: the Company runs an annual staff survey to understand ways in which it can improve the working environment.
- Town hall meetings: All employees meetings are held with members of the main board annually.
- Group wide training: Comprehensive training is given where appropriate to all employees relevant to functional and compliance matters.

Long term consequences of business decisions and maintaining reputation for high standards of business conduct

The Company operates in accordance with the strategic plan and direction set out by the Group which is designed to have a long-term beneficial impact on the Company and to contribute to its success in delivering a high quality of service. It is the intention of the board of directors to ensure all employees behave in a responsible manner and uphold high standards of business conduct and good governance.

Identification of, and engagement with, stakeholder groups

The Company recognises the importance of maintaining strong relationships with its stakeholders in order to create sustainable long term value and the Board encourages active dialogue with all its stakeholder groups. The Board believes it has acted to promote the success of the Company and foster its reputation for high standards of business conduct. The Board believes that the main stakeholder groups which are relevant to the proper discharge of the duties of the Directors of the Company under section 172(1) are:-

- The Group's external lenders;
- The Group's owners;
- The Group's suppliers;
- The Company's employees.

Details of these groups, and the main methods the Directors have used to engage with those stakeholders during the course of the year, are set out in the strategic report within the financial statements of Perrys Group Limited for the year ended 31 December 2022.

The strategic report was approved on 25 April 2023 on behalf of the board by

C Thexton
Director

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2022.

Dividends

No dividends have been paid or declared in the year (2021: £Nil).

Directors

The directors that served during the year were as follows:

R Ingram (Chairman)
D Millard
K Savage
D Ardron
P O'Brien
R Millard
C Thexton

Future Developments

Future developments are considered in the Strategic Report on pages 3 to 8.

Corporate and Social Responsibility

Corporate and Social Responsibility are important to the Company.

Health and Safety

Health and Safety is of prime importance to the Company. The Company has a consistent framework for Health and Safety applied to all operations.

The Company has a Health and Safety policy approved by the board. The General Manager at each business is responsible for all Health and Safety matters supported by a site Health and Safety representative. In addition a Group Health and Safety manager is responsible for providing support and advice and also monitoring compliance. Regular audits are performed at each site by independent advisors. All staff receive an appropriate level of training.

Each month Health and Safety is considered by the main board and the Operations board as an agenda item.

Environmental matters

The Company's strategy on environmental matters is to ensure legal and regulatory compliance as well as seeking to reduce costs through effective resource management.

Community Support

The Company is proud to work with a diverse range of national and local charities and local community based organisations.

Employment of Disabled Persons

The Company gives full and fair consideration to applicants for employment received from disabled persons, having regard to their particular aptitudes and wherever possible, the Company continues the employment and arranges for appropriate training of employees that become disabled persons while employed by the Company. Disabled employees are treated no differently from any other employees as regards training, career development and promotion opportunities. This policy was operated by the Company throughout the year.

Strategic Report

Some information required by Schedules 7 & 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 has been included in the separate Strategic Report in accordance with sections 414c(11) and 172(1) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Employee Involvement

The directors recognise the importance of good communications with employees at every level and regular Management and Staff Consultative and Health and Safety Committee meetings are held in each dealership.

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 steps that they ought to have taken as a director to make themself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Labour Standards and Human Rights

In 2015 the UK Government published the Modern Slavery Act (MSA) which places a duty on companies to make a public statement on the steps to minimise the possibility that slavery or human trafficking is happening in their own business or in their supply chain. This statement can be found on the Group's website at www.perrys.co.uk.

Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018

The 2018 Regulations introduce requirements for large unquoted companies and limited liability partnerships to disclose their annual energy use and greenhouse gas emissions, and related information.

The above information is disclosed in the Directors' Report in the financial statements of Perrys Group Limited.

Auditors

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

Registered Office:
Suite 1
500 Pavilion Drive
Northampton Business Park
Brackmills
Northampton
NN4 7YJ

Signed by order of the directors

Chris Thext

C Thexton
Director

Approved by the directors on 25 April 2023

STATEMENT OF DIRECTORS' RESPONSIBILITES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2022

The directors are responsible for preparing the Strategic Report and 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PERRYS EAST MIDLANDS LIMITED

Opinion

We have audited the financial statements of Perrys East Midlands Limited (the 'company') for the year ended 31 December 2022 which comprise the Income Statement, the Statement of Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of the profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

Irregularities and fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities including fraud is detailed below.

Based on our understanding of the company and sector, we identified that the principal risks of non-compliance with laws and regulations related to, but were not limited to, the Companies Act 2006, UK tax, employment, pension and health and safety legislation and Financial Conduct Authority regulation and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to management bias in accounting estimates and judgements and risk of fraudulent revenue recognition.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management about actual and potential litigation and claims, their policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing regulatory correspondence with the Financial Conduct Authority;

- obtaining an understanding of provisions and holding discussions with management to understand the basis of recognition or non-recognition of tax provisions; and
- in addressing the risk of fraud through management override of controls: testing the appropriateness of journal entries; assessing whether the accounting estimates, judgements and decisions made by management are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of directors and other management and the inspection of regulatory and legal correspondence, if any. Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Christopher Moss BSc F.C.A. (Senior Statutory Auditor)
for and on behalf of Jackson Stephen LLP

Chartered Accountants
Statutory Auditor
James House
Stonecross Business Park
Yew Tree Way
Warrington
Cheshire
WA3 3JD

Date: Apr 26, 2023

PERRYS EAST MIDLANDS LIMITED
INCOME STATEMENT
YEAR ENDED 31 DECEMBER 2022

	Note	2022 £'000	2021 £'000
Revenue	7	175,896	181,116
Cost of sales		(154,822)	(160,902)
Gross profit		21,074	20,214
Other Operating Income before exceptional items		-	495
Operating expenses before exceptional items	8	(17,847)	(17,863)
Operating profit before exceptional items		3,227	2,846
Exceptional income	10	-	1,061
Exceptional costs	10	(246)	-
Operating profit		2,981	3,907
Finance income	11	137	73
Profit on ordinary activities before tax		3,118	3,980
Taxation on profit on ordinary activities	12	(493)	(707)
Profit on ordinary activities after tax		2,625	3,273

The notes on pages 21 to 52
form part of the financial statements

PERRYS EAST MIDLANDS LIMITED
STATEMENT OF OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2022

	Note	2022 £'000	2021 £'000
Profit for the year		2,625	3,273
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Actuarial (loss)/gain	29	(171)	472
Deferred tax movement on actuarial loss/(gain) recognised in year	12	23	(102)
Deferred tax movement on IFRS 16	12	(5)	8
Other comprehensive (expense)/income for the year net of tax		(153)	378
Total comprehensive income for the year attributable to the owners of the company		2,472	3,651

The notes on pages 21 to 52
form part of the financial statements

PERRYS EAST MIDLANDS LIMITED
Company Registration Number 02086705
BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Property, plant and equipment	**14**	1,279	1,408
Right of use assets	**15**	1,161	1,459
		2,440	2,867
Deferred tax asset	**17**	68	102
Total non-current assets		2,508	2,969
Current assets			
Inventories	**18**	55,074	28,283
Amounts due from group undertakings	**27**	23,629	20,460
Trade and other receivables	**19**	2,711	2,330
Current tax receivable	**13**	41	-
Cash and cash equivalents		311	1,935
Total current assets		81,766	53,008
Creditors: amounts falling due within one year			
Lease liabilities	**22**	175	195
Trade and other payables	**23**	51,230	24,337
Contract liabilities	**24**	1,161	1,330
Current tax liabilities	**13**	-	699
Provisions	**25**	540	343
Total current liabilities		53,106	26,904
Net current assets		28,660	26,104
Total assets less current liabilities		31,168	29,073
Creditors: amounts falling due after more than one year			
Lease liabilities	**22**	1,268	1,588
Trade and other payables	**23**	8,184	8,308
Provisions	**25**	-	3
Employee benefit liability	**29**	78	8
Total non-current liabilities		9,530	9,907
Net assets		21,638	19,166
Capital and reserves			
Share capital	**20**	936	936
Other reserves		5,326	5,326
Retained earnings		15,376	12,904
Shareholders' funds		21,638	19,166

These financial statements were approved on 25 April 2023 on behalf of the board by

Chris Thexton

C Thexton
Director

The notes on pages 21 to 52
form part of the financial statements

PERRYS EAST MIDLANDS LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2022

Year ended 31 December 2022	Share capital £'000	Revaluation reserve(1) £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2022	936	5,326	12,904	19,166
Profit for the year	-	-	2,625	2,625
Remeasurement of net defined benefit liability	-	-	(171)	(171)
Tax on items taken directly to equity	-	-	18	18
Total comprehensive income for the year	-	-	2,472	2,472
Balance at 31 December 2022	936	5,326	15,376	21,638

Year ended 31 December 2021	Share capital £'000	Revaluation reserve (1) £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2021	936	5,326	9,253	15,515
Profit for the year	-	-	3,273	3,273
Remeasurement of net defined benefit liability	-	-	472	472
Tax on items taken directly to equity	-	-	(94)	(94)
Total comprehensive income for the year	-	-	3,651	3,651
Balance at 31 December 2021	936	5,326	12,904	19,166

(1) Non-distributable balance sheet reserve.

The notes on pages 21 to 52
form part of the financial statements

1 Significant accounting policies

Perrys East Midlands Limited (the "Company") is a company domiciled in the United Kingdom.

2 Statement of compliance

The Company's financial statements have been prepared and approved by the directors in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice). The amendments to FRS 101 (2016/17 cycle issued in July 2017, amendment issued in December 2017 and 2020/21 cycle issued May 2021), have been applied.

3 Basis of preparation

The financial statements are presented in sterling, rounded to the nearest thousand. The financial statements have been prepared on the going concern basis under the historic cost convention.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK adopted international accounting standards and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

The Company's ultimate parent undertaking (Perrys Group Limited) includes the Company in its consolidated financial statements. The consolidated financial statements of Perrys Group Limited are prepared in accordance with International Accounting Standards in conformity with the Companies Act 2006 and are available to the public and may be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.

Consolidated accounts are not prepared because the Company is a wholly owned subsidiary of Perrys Group Limited which prepares consolidated accounts. These are the separate financial statements of the Company.

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;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- Disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements of Perrys Group Limited include the equivalent disclosures, the Company has also taken exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 'Share Based Payments' in respect of Company settled share based payments;
- Certain disclosures required by IAS 36 'Impairment of assets' in respect of the impairment of goodwill;
- Certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instrument Disclosures'.

3 Basis of preparation *(continued)*

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 3 to 8.

In order to prepare the financial statements on a going concern basis, the directors have considered detailed financial projections (conducted by the parent company) for a period of 12 months from the date of signing the financial statements. These projections are based on the Group's annual business plan for the year ending 31 December 2023 as well as the actual performance of the Company in the period to the date of signing the financial statements, projected forward to cover the period under review. The directors have considered these financial projections in conjunction with the financial support available to the Group.

The key assumptions used in generating the forecasts include:

1. Prudent trading assumptions reflecting current expectations and trading experience.
2. Performance of supply chain remains consistent, i.e. no significant deterioration or improvement to the supply of new vehicles

The directors have also considered sensitivity analysis performed on these forecasts to model the impact of potential reductions in margins and reduced performance due to external factors.

Both the original forecast and the sensitivity analysis indicate that the Group can continue to operate for at least the next 12 months from the date of approval of these financial statements with the existing facilities. The forecasts indicate that the Group will remain in compliance with its covenants and daily funding requirements.

Based on the forecast information and the sensitivity analysis performed, as set out above, the directors believe it is appropriate to prepare these financial statements on a going concern basis.

4 New accounting standards

A number of new standards are effective from 1 January 2022 but they do not have a material effect on the Company's financial statements.

Standards issued but not yet effective

A number of new standards are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

None of the standards not yet effective are expected to have a material impact on the Company's financial statements in the period of initial application.

5 Significant accounting policies

Property, plant and equipment

i) Property

Short leasehold property is stated at cost less accumulated depreciation and any recognised impairment loss. Cost includes any directly attributable costs.

ii) Plant and equipment

Plant and equipment consists of motor vehicles, plant and machinery, fixtures and computer equipment. These are held at cost less accumulated depreciation and any recognised impairment loss.

iii) Depreciation

The cost or deemed cost of each freehold and long leasehold building less its residual value is depreciated on a straight-line basis over its estimated useful economic life of 50 years.

The cost or deemed cost of property held under a short lease less its residual value is depreciated on a straight-line basis over the shorter of the estimated useful economic life of the property and the period to the expiry of the lease.

The cost of vehicles, plant, fixtures and equipment less its residual value is depreciated on a straight-line basis at the following annual rates:

Motor vehicles	10%-33%
Plant and machinery	10%-33%
Fixtures and fittings	7.5%-25%
Computer equipment	15%-33%

The Directors have made a change to accounting policy with the useful economic life of plant and machinery now being based on a range of 15% - 33% (previously 15% to 20%). The Directors believe the new accounting policy provides more reliable and relevant information as the previous policy was not broad enough to provide a meaningful and useful economic life for all types of plant and machinery.

Asset lives and residual values are reviewed at least annually.

iv) Capitalisation of borrowing costs

The Company capitalises borrowing costs which are directly attributable to the acquisition, construction or production of qualifying assets. Borrowing costs which do not meet this criteria are expensed.

v) Disposals

The gain or loss arising on the disposal or retirement on an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value of the asset and is recognised in the income statement.

5 Significant accounting policies *(continued)*

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently at amortised cost less provision for impairment. Provision is made when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Vehicle inventories, parts and other stocks are valued at purchase invoice cost which, for parts and other stock, is on a weighted average basis. Provisions are made against obsolete or surplus stock.

Vehicles on consignment from manufacturers, subject to interest or other charges, are included at purchase invoice cost. Consignment vehicles are regarded as being effectively under the control of the Company and are included within inventories on the balance sheet as the Company has the significant risks and rewards of ownership even though legal title has not yet passed. The corresponding liability is included in trade and other payables.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

Impairment

The carrying amount of the Company's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, the recoverable amount is estimated at each balance sheet date. The recoverable amount is calculated as the higher of fair value less costs to sell and value in use. In assessing value in use the estimated future cash flows from operations 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 which the estimates of future cash flows have not been adjusted.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then to reduce the carrying amounts of other assets in the unit. An impairment loss in respect of goodwill is not reversed.

5 Significant accounting policies *(continued)*

Impairment *(continued)*

The recoverable amount of assets other than goodwill is the greater of their fair value less costs to sell and value in use. 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

In respect of assets other than goodwill, 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.

Share capital

Ordinary shares are classed as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Interim dividends on equity shares are recognised as a liability in the period in which they are declared.

Final dividends on equity shares are recognised as a liability in the period in which they are declared and ratified by the members.

Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings. Finance charges associated with arranging a bank facility are recognised in the income statement over the life of the facility. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions are recognised as an expense in the income statement as incurred.

5 Significant accounting policies *(continued)*

Employee Benefits *(continued)*

The defined contribution pension schemes are run by third party suppliers and the assets of the schemes are held separately from the Company. For the defined contribution schemes, an amount of £234,000 (2021: £252,000) was charged in the profit and loss account. Contributions of £Nil (2021: £13,000) were outstanding at the balance sheet date.

Defined benefit pension plan

The Company operates a trust based defined benefit pension scheme, GK Group Pension Scheme, which is closed to new entrants. Typically, defined benefit schemes define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The assets of the defined benefit scheme are held separately from the assets of the Company. The asset or liability recognised in the balance sheet in respect of the defined benefit pension scheme is the present value of the defined benefit obligations at the balance sheet date less the fair value of plan assets. Defined benefit obligations are calculated annually by independent actuaries using the projected unit credit method. The present value of defined benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Differences between the actual and expected return on assets, changes in retirement benefit obligations due to experience and changes in actuarial assumptions are included in the statement of comprehensive income in full for the year in which they arise.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently amortised at cost.

Included within the category of trade payables is financing of vehicles, which is secured on the vehicles to which they relate and bear interest related to finance house base rates.

Revenue

Sale of motor vehicles, parts and aftersales services

For the sale of motor vehicles, parts and aftersales services revenue is recognised when vehicles or parts have been supplied or when service has been completed which is when the performance obligation occurs. The Company has a number of manufacturer partners who will provide goods / services to customers e.g. free servicing when purchasing a new vehicle. Such items do not have a contractual obligation on the Company as the obligation lies with the manufacturer.

Vehicles are usually paid for prior to delivery. Some fleet vehicle customers have credit terms. Parts are either paid for on delivery or on agreed credit terms, depending upon whether the customer is retail or has a trade account. Payments for service and repairs are upon completion of the service for retail customers and on agreed credit terms for trade customers.

5 Significant accounting policies *(continued)*

Revenue *(continued)*

Deposits received from customers relating to future purchases are included in contract liabilities.

Service plans

The Company sells service plans to customers so that customers can fix the price of their services in the future. The sale is recognised when the service has been completed, which is when the performance obligation occurs.

Service plans are paid for prior to the commencement of the policy. Some budget plans allow for monthly instalments to be made prior to the service being completed.

Balances carried forward are included in contract liabilities.

Sale of warranty products

The income received in respect of warranty policies sold and administered by the Company is recognised over the period of the policy on a straight line basis. The performance obligation of the Company, being the rectification of the mechanical faults on vehicles sold, will be the period over which the customer can exercise their rights under the warranty and therefore revenue should be recognised over the period of the warranty. Warranties are paid for prior to the commencement of the policy.

Balances carried forward are included in contract liabilities.

Commissions received

The Company receives commissions when it arranges finance and insurance packages for its customers to purchase its products and services, acting as agent on behalf of various finance and insurance companies. Commissions receivable are typically paid in the month after the finance is drawn down.

Revenue is recognised when a customer obtains the benefit of financing which is on delivery and when the customer signs the vehicle finance document.

Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Company. They are items that are material either because of their size or their nature and are nonrecurring.

Finance income

Finance income is earned on intergroup loan balances.

5 Significant accounting policies *(continued)*

Finance costs

Finance costs comprise interest payable on borrowings.

Costs of raising finance are initially offset against proceeds of the finance raised and then amortised over the life of the instrument.

Interest expense is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest expense, the effective interest rate is applied to the amortised cost of the liability.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement 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 income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment for tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided 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.

Deferred tax assets are provided to the extent that it is probable that taxable profits will be available against which deductible timing differences can be utilised. The carrying values of deferred tax assets are reviewed at each balance sheet date and recognised to the extent that it is probable that the related tax benefit will be realised.

Leases

At inception of a contract, the Company assesses whether the 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 assesses whether:

- the contract involves the use of an identified asset;
- the Company has the right to obtain substantially all of the economic benefits for the use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset.

5 Significant accounting policies *(continued)*

Leases *(continued)*

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

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

As a lessee

The Company recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

Termination options are included in a number of the vehicle leases allowing the lease to be terminated after the initial 6 month period and are used to maximise flexibility to respond to the changing retail environment.

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 and loss if the carrying amount of the right of use asset has been reduced to zero. Adjustments to lease liabilities in the year amounted to £134,000 (2021: £736,000).

5 Significant accounting policies *(continued)*

Leases *(continued)*

Short term leases and leases of low value assets

The Company has elected not to recognise right of use assets and lease liabilities for short term leases that have a lease term of 12 months or less. The Group recognises the lease payments associated with these leases as an expense (2022: £657,000, 2021: £436,000) on a straight line basis over the lease term.

As a lessor

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

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

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

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

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

Investments

Investments are stated at cost less provision for any impairment.

Financial instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Company has also adopted consequential amendments to IAS 1 Presentation of Financial Statements. Impairment losses on trade receivables are not presented separately in the income statement due to materiality considerations.

5 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Classification and measurement of financial assets and liabilities

Financial assets - IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial liabilities - classified as measured at amortised cost of FVTPL

The following table shows the measurement category under IFRS 9 for each class of the Company's financial assets and financial liabilities:

Financial assets / liabilities	**Classification under IFRS 9**
Financial assets	
Trade and other receivables	Amortised cost
Cash and cash equivalents	Amortised cost
Financial liabilities	
Trade payables	Other financial liabilities

Initial recognition - financial assets and liabilties

Financial assets (unless it is a trade receivable without a significant financing component) and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (except those at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. A trade receivable without a significant financing component is initially measured at the transaction price.

Subsequent measurement - financial assets

Financial assets at amortised cost are subsequently measured at amortised cost reduced by impairment losses.

5 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Subsequent measurement - financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Provisions

A provision is recognised if as a result of a past event the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that the company will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

5 Significant accounting policies *(continued)*

Government Grants

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

6 Critical judgements and estimations

The Company applies judgement in how it applies its accounting policies which could materially affect the numbers disclosed in the financial statements. The judgement made in applying accounting policies that has the most significant effects on the amount recognised in the financial statements relates to lessee accounting under IFRS 16, which is described in Note 5.

The preparation of financial statements 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 and experience, actual results ultimately may differ from those estimates. 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.

i) Impairment

In testing for impairment, the directors have made certain assumptions concerning the future development of the business that are consistent with its annual budget. Whilst the directors consider these assumptions are realistic should these assumptions regarding profitability be unfounded then it is possible that goodwill and other assets included in the balance sheet could be impaired.

ii) Pension benefits

The Group operates a defined benefit scheme as at 31 December 2022. The obligation under the defined benefit scheme is recognised in the balance sheet and represents the present value of the obligations calculated by independent actuaries, with input from management. The actuarial valuation includes assumptions such as discount rates, annual rates of return and mortality rates. These assumptions vary from time to time according to prevailing economic conditions. Details of the assumptions used for the year ended 31 December 2022 are included in note 29.

iii) Provisions

In calculating provisions, the directors have made certain assumptions concerning the calculation of the future liability. Whilst the directors consider these assumptions are realistic should these assumptions be incorrect the provisions could be under or over stated. Details of the provisions are in note 25.

7 Revenue

Revenue is the value of goods and related services invoiced, less trade discount recognised in accordance with the Company's accounting policy on revenue. In general this occurs when vehicles or parts have been supplied or when a service has been completed. Sales of used vehicles to the trade, inter-dealership sales within the Company and value added tax are excluded. All revenue is derived from the United Kingdom and from the business of operating motor dealerships.

	2022	2021
	£'000	£'000
Revenue from Contracts with Customers	175,896	181,116

Disaggregation of revenue from contracts with customers

In the following tables, revenue from contracts with customers is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition.

	2022	2021
Timing of revenue recognition	**£'000**	£'000
Products transferred at a point in time	174,703	180,073
Products and services transferred over time	1,193	1,043
	175,896	181,116

	2022	2021
	£'000	£'000
Primary geographic markets		
East Midlands	175,896	181,116

Major products and service lines	**2022**	2021
	£'000	£'000
New cars	51,130	39,901
New commercials	42,728	66,385
Used vehicles	62,406	59,496
Aftersales	17,113	12,843
Other	2,519	2,491
	175,896	181,116

The following table provides information about receivables and contract liabilities from contracts with customers:

7 Revenue *(continued)*

	2022	2021
	£'000	£'000
Receivables which are included in		
Trade and other receivables	1,236	841
Contract liabilities	1,161	1,330

The contract liabilities primarily relate to the advance consideration received from customers for warranty and service plans for which revenue is recognised over time.

The amount of £1,162,000 (2021: £2,305,000) recognised in contract liabilities at the beginning of the period has been recognised as revenue for the period ended 31 December 2022.

The amount of revenue recognised in the period ended 31 December 2022 from performance obligations satisfied (or partially satisfied) in previous periods is £Nil (2021 : £Nil).

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good or service to a customer.

8 Operating income and expenses

	2022	2021
	£'000	£'000
Operating costs		
Wages and salaries	8,885	9,186
Auditor's remuneration	36	33
Depreciation on property plant and equipment	327	339
Loss on disposal of plant and equipment	1	-
Depreciation on right of use assets - property	148	148
Depreciation on right of use assets - motor vehicles	16	175
Expenses relating to short term leases	657	436
Recovered amounts on trade receivables	-	(7)
Other expenses	7,777	7,553
	17,847	17,863

	2022	2021
	£'000	£'000
Operating income		
Government Grants	-	495
	-	495

9 Personnel expenses

	2022	2021
	£'000	£'000
Wages and salaries	9,674	9,792
Social security contributions	1,058	981
Cost of defined benefit pension plan	78	75
Contributions to defined contribution plans	234	252
	11,044	11,100

Employee benefit expense included in:	2022	2021
	£'000	£'000
Operating expenses	8,885	9,186
Cost of sales	2,159	1,914
	11,044	11,100

The average monthly number of employees, including directors, during the period was as follows:

	2022	2021
	Number	Number
Management, sales, technicians and support	317	321

The Company has received services to the value of £498,000 (2021: £560,000) relating to Directors who are paid by fellow subsidiaries.

No director has exercised any share options or received any shares under long term incentive schemes during the year.

10 Exceptional items

	2022	2021
Exceptional income	£'000	£'000
Receipt of insurance claim	-	1,061
	-	1,061

	2022	2021
Exceptional costs	£'000	£'000
Pension review	52	-
Closure of business	194	-
	246	-

£52,000 was incurrred in the year in relation to a strategic review of the defined benefit pension scheme.

The closure of Retford and Dronfield used car operations during 2022 resulted in dilapidation and other closure related costs of £194,000.

During the prior year the Company received a £1,061,000 insurance payment for business interruption cover following the national lockdown and closure of the business.

11 Finance (income)/costs

	2022	2021
	£'000	£'000
Vehicle financing interest	215	108
Other loans	(500)	(271)
Interest on lease liabilities	143	83
Other interest	5	-
Interest expense on defined benefit scheme (amortised cost)	-	7
	(137)	(73)

12 Income tax expense

Recognised in the income statement

	2022	2021
	£'000	£'000
Current tax expense		
Current year	354	699
Adjustments for prior years	110	(7)
Total current tax expense	464	692
Deferred tax expense		
Current year (origination and reversal of timing differences)	29	15
Adjustments for prior years	-	-
Total deferred tax expense	29	15
Total income tax charge in the income statement	493	707

Recognised in other comprehensive income

	2022	2021
	£'000	£'000
Deferred tax on actuarial (gain) / loss	(23)	102
	(23)	102

12 Income tax expense *(continued)*

Reconciliation of effective tax rate

	2022 %	**2022 £'000**	2021 %	2021 £'000
Profit before tax		3,118		3,980
Income tax using the domestic corporation tax rate	19.0%	592	19.0%	756
Non-deductible expenses	(0.3%)	(9)	(0.1%)	(5)
Capital allowances in deficit of depreciation	(1.0%)	(32)	(0.8%)	(33)
Transfer pricing	2.7%	83	2.3%	91
Group relief	(9.0%)	(280)	(2.8%)	(110)
Change in tax rate	0.0%	-	1.7%	(67)
Adjustments for prior years current tax	3.5%	110	(0.2%)	(7)
Other adjustments for deferred tax	0.9%	29	2.1%	82
	15.8%	493	17.8%	707

Deferred tax recognised directly in equity

	2022 £'000	2021 £'000
Relating to property lease spreading adjustment on transition to IFRS 16	5	(8)
	5	(8)

An increase to the main rate of Corporation Tax from 19% to 25% (effective from 1 April 2023) was substantively enacted on 24 May 2021. The directors have therefore decided to account for Deferred Tax on all timing differences existing on 31 December 2021 and 31 December 2022 at a rate of 25%.

13 Current tax liabilities

The current tax receivable of £41,000 (2021: liability of £699,000) represents the amount of income taxes payable in respect of the current period less payments on account.

14 Property, plant and equipment

2022	Short leasehold £'000	Plant and equipment £'000	Total £'000
Cost			
Balance at 1 January 2022	205	3,745	3,950
Additions	-	200	200
Disposals	-	(145)	(145)
Balance at 31 December 2022	205	3,800	4,005
Depreciation and impairment losses			
Balance at 1 January 2022	96	2,446	2,542
Depreciation charge for the year	9	318	327
Disposals	-	(143)	(143)
Balance at 31 December 2022	105	2,621	2,726
Carrying amounts			
At 31 December 2022	100	1,179	1,279

2021	Short leasehold £'000	Plant and equipment £'000	Total £'000
Cost			
Balance at 1 January 2021	183	3,901	4,084
Additions	22	214	236
Disposals	-	(368)	(368)
Intra-group transfers - disposals	-	(2)	(2)
Balance at 31 December 2021	205	3,745	3,950
Depreciation and impairment losses			
Balance at 1 January 2021	88	2,452	2,540
Depreciation charge for the year	8	331	339
Disposals	-	(337)	(337)
Balance at 31 December 2021	96	2,446	2,542
Carrying amounts			
Balance at 31 December 2021	109	1,299	1,408

Security

Property loans and bank overdrafts are secured over the property, plant and equipment of the Company.

15 Right of use assets

The Company leases many assets including property and vehicles. Information about leases for which the Company is a lessee are presented below.

	Property £'000	Vehicles £'000	Total £'000
2022			
Balance at 1 January 2022	1,438	21	1,459
Depreciation charge for the year	(148)	(16)	(164)
Adjustments	(134)	-	(134)
Balance at 31 December 2022	1,156	5	1,161

	Property £'000	Vehicles £'000	Total £'000
2021			
Balance at 1 January 2021	1,586	932	2,518
Depreciation charge for the year	(148)	(175)	(323)
Adjustments	-	(736)	(736)
Balance at 31 December 2021	1,438	21	1,459

Property leases

The Company leases land and buildings for its retail dealerships. The leases typically run for a period of 10 years.

As a lessor

The Company leases out one property which is surplus to its operational requirements. The lease of this property substantially transfers all the risks and rewards incidental to the ownership to the lessee. Accordingly the right of use asset for this property has been derecognised and the net investment in the finance sublease is recognised. The difference between the value of the right-of-use asset and the net investment in the sublease is recognised in the income statement.

16 Investments

	2022	2021
	£'000	£'000
Cost and net book value		
Balance at 1 January	147	147
Disposals	(147)	-
Balance at 31 December	-	147
Depreciation and impairment losses		
Balance at 1 January	(147)	(147)
Disposals	147	-
Balance at 31 December	-	(147)
Carrying amounts	-	-

During 2017 the Company provided against its investments in dormant subsidiary companies. These companies were dissolved during the year.

The subsidiaries of the Company at 31 December 2022 are as follows:-

Subsidiary	**Aggregate Capital and Reserves**	**Nature of Business**
2022	**£**	
PEM 2000 Limited	2,814,080	Property

The subsidiaries of the Company at 31 December 2021 were as follows:-

Subsidiary	**Aggregate Capital and**	**Nature of Business**
2021	**£**	
PEM County Garage Company Limited	-	Dormant
PEM (1931) Limited*	-	Dormant
PEM Southern Limited**	-	Dormant
PEM G. Marshall (Holdings) Limited	-	Dormant
PEM 2000 Limited	2,145,831	Property
PEM Northern Limited	-	Dormant

During 2022, 5 of the Company's dormant subsidiaries were dissolved.

All subsidiaries are 100% owned. Each company is registered and incorporated in England and Wales at Suite 1, 500 Pavilion Drive, Northampton, NN4 7YJ. All companies have the same year end as Perrys East Midlands Limited.

* Direct subsidiary of PEM Northern Limited
** Direct subsidiary of PEM G. Marshall Holdings Limited

All investments are stated at cost.

17 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022	2021	**2022**	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Accelerated capital allowances	(23)	(52)	-	-	(23)	(52)
IFRS 16	(45)	(50)	-	-	(45)	(50)
Tax (assets)/liabilities	(68)	(102)	-	-	(68)	(102)

Movement in temporary differences during the year

	Balance 1 January 2022 £'000	Recognised in income £'000	Recognised in equity £'000	Balance 31 December 2022 £'000
Accelerated capital allowances	(52)	29	-	(23)
IFRS 16	(50)	-	5	(45)
	(102)	29	5	(68)

	Balance 1 January 2021 £'000	Recognised in income £'000	Recognised in equity £'000	Balance 31 December 2021 £'000
Accelerated capital allowances	(67)	15	-	(52)
IFRS 16	(42)	-	(8)	(50)
	(109)	15	(8)	(102)

The Company has measured its Deferred Tax liability at the end of the reporting period at 25% (2021: 25%). The level of Deferred Tax is not expected to change significantly in the next year.

18 Inventories

	2022 £'000	2021 £'000
Vehicles (new, used and demonstrator)	54,256	27,715
Parts and Sundry stocks	818	568
	55,074	28,283

Inventories are shown net of impairment provisions amounting to £7,000 (2021: £31,000). Impairment losses excludes vehicle write downs to net realisable values which are deducted from gross goods for resale. There is no difference between the carrying value of inventories and their replacement cost.

The cost of inventories recognised as an expense was £152,663,000 (2021: £158,991,000).

Inventories are pledged as security for the vehicle financing (note 23).

19 Trade and other receivables

	2022 £'000	2021 £'000
Trade receivables	1,236	841
Sub-Let Right of Use Asset	20	58
Other receivables	1,050	1,110
Prepayments	405	321
	2,711	2,330

Trade receivables are shown net of impairment losses amounting to £12,000 (2021: £11,000). The Company has reviewed trade receivables and has provided for debts where recoverability is considered remote.

The Company reviews all past due debtors to ensure that it is confident of recovery. Full provision is made against all debts not considered recoverable. Before accepting any new customers, the Company uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly.

19 Trade and other receivables *(continued)*

Movement in allowance for doubtful debts

	2022 **£'000**	2021 £'000
Balance at the beginning of the period	11	18
(Credit)/Charge to income statement	-	(7)
Written off as uncollectable	1	-
	12	11

Included in the Company's trade receivable balance are debtors with a carrying value of £5,000 (2021: £52,000) which are past due at the reporting date for which the Company has not provided as there has not been a significant change in credit quality and the amounts are still considered to be recoverable.

Ageing of past due but not impaired receivables	**2022** **£'000**	2021 £'000
30 to 60 days	2	33
60 to 90 days	-	1
Over 90 days	3	18
	5	52

The directors consider the carrying amount of trade and other receivables approximates their fair value.

The other asset classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security.

The Company writes off a debt when it considers the borrower is unlikely to pay its credit obligations in full after all reasonable actions have been taken to recover the debt.

20 Capital and reserves

Share capital	**2022** **£'000**	2021 £'000
Issued and fully paid		
936,134 Ordinary A shares of £1 each	936	936

21 Interest bearing loans and borrowings

The Company has no interest bearing loans and borrowings.

22 Lease liabilities

Maturity analysis - contractual undiscounted cash flows

	2022 £'000	2021 £'000
Less than one year	233	271
One to five years	712	884
More than five years	804	1,042
Total undiscounted lease liabilities at 31 December	1,749	2,197
Lease liabilities included in the balance sheet at 31 December	1,443	1,783
Current	175	195
Non-current	1,268	1,588

23 Trade and other payables

	2022 £'000	2021 £'000
Non-current liabilities		
Vehicle financing	8,184	8,308
Current liabilities		
Trade payables	48,905	21,092
Social security and other taxes	422	1,160
Accruals	1,294	1,536
Deferred income	609	549
	51,230	24,337

Trade and other payables, excluding social security and other taxes, are designated as financial liabilities carried at amortised cost. Their fair value is determined to be equal to their carrying value.

Vehicle financing loans are secured on the vehicles to which they relate and bear interest related to finance house base rates. The facility is a group facility and details are disclosed in the accounts of Perrys Group Limited.

24 Contract liabilities

	2022 £'000	2021 £'000
Warranty	-	142
Service plans	547	499
Customer deposits	614	689
	1,161	1,330

25 Provisions

	Property	VAT	Total
	£'000	£'000	**£'000**
2022			
Balance at 1 January 2022	346	-	**346**
Provisions made during the year	197	-	**197**
Release of provision to exceptional items	(3)	-	**(3)**
Balance at 31 December 2022	540	-	**540**
Non-current	-	-	-
Current	540	-	**540**
	540	-	**540**

	Property	VAT	Total
	£'000	£'000	**£'000**
2021			
Balance at 1 January 2021	28	24	**52**
Provisions made during the year	324	-	**324**
Release of provision to exceptional income	-	-	-
Provisions used during the year	(6)	(24)	**(30)**
Balance at 31 December 2021	346	-	**346**
Non-current	3	-	**3**
Current	343	-	**343**
	346	-	**346**

Property

At year end 2022 provisions include £47,000 (2021: £36,000) against uncompleted rent reviews and a £493,000 (2021: £307,000) provision for rates bills not yet received. A £3,000 provision for vacant property has been released to exceptional items in the year.

VAT assessment

In 2020 the Company was in negotiation with HMRC in connection with historic VAT issues regarding the supply of vehicles from Motability. The balance of the provision was paid to HMRC in the prior year.

26 Capital commitments

Future capital expenditure authorised is as follows:

	2022	2021
	£'000	£'000
Contracted for but not provided in the financial statements	3	37

The capital commitment in 2022 relates to a lighting upgrade. In 2021 it related to installation of electric vehicle charging stations at site, road repairs and office equipment.

27 Related parties

Transactions and balances with group companies

During the year the Company sold £8,498,000 (2021: £5,403,000) and purchased £1,199,000 (2021: £7,792,000) of goods from Perrys Motor Sales Limited, a fellow subsidiary of Perrys Group Limited.

The Company also purchased services such as marketing from Perrys Motor Sales Limited and during the year £1,192,000 (2021: £1,135,000) was recharged for marketing and £892,000 (2021: £813,000) for other services. The Company also purchased management services from Perrys Motor Sales Limited and during the year £576,000 (2021: £658,000) was charged for these services.

The Company informally rents dealerships from its subsidiary, PEM 2000 Limited. During the year the rent payable by the Company was £1,130,000 (2021 : £1,160,000).

During the year the Company provided funds to Perrys Motor Sales Limited at a commercial interest rate. During the year £500,000 (2021: £271,000) in interest was charged. At the year end there was a balance of £13,255,000 (2021: £8,803,000) of advances which were interest bearing.

At the year end the Company had a net trading balance receivable from Perrys Motor Sales Limited of £13,296,000 (2021: £8,963,000). The Company also had a balance receivable from PEM 2000 Limited (its subsidiary) of £10,333,000 (2021: £11,497,000). These intercompany balances are repayable on demand and classed as current. With the exception of the balances stated above they are not interest bearing.

Transactions with key management personnel

Key management personnel are considered to be the directors. Some key management personnel hold positions in other companies that result in them having control or significant influence over those companies. Some of these companies transacted with the Company during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on an arms length basis.

28 Ultimate Parent Company and Control of the Company

The Company is a wholly owned subsidiary of Perrys Group Limited which is the ultimate parent company. Control of Perrys Group Limited is exercised by D Millard, one of its directors and shareholders.

Perrys Group Limited, which is incorporated in England and Wales, is the only undertaking which prepares group accounts including the financial statements of the Company. Copies of these accounts are available from Companies House, Crown Way, Cardiff CF14 3UZ.

29 Retirement benefit obligations

The Company sponsors a plan, "GK Group Limited Pension Scheme" which is a funded defined benefit arrangement.

The Company sponsors the plan which is a funded defined benefit arrangement. This is a separate trustee administered fund holding the pension plan assets to meet long term pension liabilities for some 106 past and present employees as at 5 April 2019. The level of retirement benefit is principally based on salary earned in the last three years of employment prior to leaving active service and is linked to changes in inflation up to retirement.

The plan is subject to the funding legislation, which came into force on 30 December 2005, outlined in the Pensions Act 2004. This, together with documents issued by the Pensions Regulator, and Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK.

The trustees of the plan are required to act in the best interests of the plan's beneficiaries. The appointment of the trustees is determined by the scheme's trust documentation. It is policy that one third of all trustees should be nominated by the members.

A full actuarial valuation was carried out as at 5 April 2019 in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of the plan is agreed between the Company and the trustees in line with those requirements. These in particular require the surplus / deficit to be calculated using prudent, as opposed to best estimate, actuarial assumptions. A more recent actuarial valuation was carried out at April 2022 but is still in preliminary format only.

The 2019 actuarial valuation showed a deficit of £842,000. The company has agreed with the trustees that it will aim to eliminate the deficit over a period of 5 years from 5 June 2020 by the payment of annual contributions of £74,000 increasing by 3% pa. In addition and in accordance with the actuarial valuation, the company has agreed with the trustees that it will meet expenses of the plan and levies to the Pension Protection Fund.

For the purposes of IAS 19 a preliminary actuarial valuation as at 5 April 2022, has been updated on an approximate basis to 31 December 2022. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures.

Amounts Included in Balance Sheet

	2022	**2021**
	£'000	**£'000**
Fair value of plan assets	5,928	9,184
Present value of defined benefit obligation	(6,032)	(9,195)
(Deficit) in scheme	(104)	(11)
Deferred tax	26	3
Net (liability) to be recognised	**(78)**	**(8)**

29 Retirement benefit obligations *(continued)*

The present value of plan liabilities is measured by discounting the best estimate of future cash flows to be paid out by the plan using the projected unit credit method. The value calculated in this way is reflected in the net liability in the balance sheet as shown above.

All actuarial gains and losses will be recognised in the year in which they occur in Other Comprehensive Income (OCI).

Reconciliation of the impact of the asset ceiling

The Company has reviewed implications of the guidance provided by IFRIC 14 and has concluded that it is not necessary to make any adjustments to the IAS 19 figures in respect of an asset ceiling or Minimum Funding Requirement as at 31 December 2022.

Reconciliation of opening and closing present value of the defined benefit obligation

	2022 £'000	2021 £'000
Defined benefit obligation at start of year	9,195	9,798
Interest expense	161	125
Actuarial gains due to scheme experience	(195)	(83)
Actuarial losses due to changes in demographic assumptions	80	191
Actuarial gains due to changes in financial assumptions	(2,655)	(416)
Benefits paid and death in service premiums	(554)	(420)
Defined benefit obligation at end of year	**6,032**	**9,195**

There have been no plan amendments, curtailments or settlements in the accounting period.

Reconciliation of opening and closing values of the fair value of scheme assets

	2022 £'000	2021 £'000
Fair value of plan assets at start of the year	9,184	9,247
Interest income	161	118
(Loss)/return on plan assets (excluding amounts included in interest income)	(2,941)	164
Contributions by the Company	78	75
Benefits paid and death in service premiums	(554)	(420)
Fair value of plan assets at the end of the year	**5,928**	**9,184**

The actual loss on the scheme assets over the period ended 31 December 2022 was £(2,780,000) (2021 gain: £282,000).

29 Retirement benefit obligations *(continued)*

Defined benefit costs recognised in the Income Statement

	2022 £'000	2021 £'000
Net interest cost	-	7
Defined benefit costs recognised in the income statement	-	7

Defined benefit costs recognised in Other Comprehensive Income

	2022 £'000	2021 £'000
(Loss)/return on plan assets (excluding amounts included in net interest cost) gain / (loss)	(2,941)	164
Experience gains arising on the defined benefit obligation.	195	83
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - (loss) / gain	(80)	(191)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - (loss) / gain	2,655	416
Total amount recognised in other comprehensive income - gain / (loss)	**(171)**	**472**

Assets	2022 £'000	2021 £'000
UK Equities	-	158
Overseas Equities	-	3,418
Corporate Bonds	1,222	745
Diversified Growth Funds	-	2,340
Cash	37	126
Real LDI	-	413
Normal LDI	-	1,239
Gilts	4,669	-
Absolute Return Bonds	-	745
Total assets	5,928	9,184

None of the fair values of the assets shown above include any direct investments in the Company's own financial instruments or any property occupied by, or other assets used by, the Company. All of the scheme assets have a quoted market price in an active market with the exception of the Trustees' bank account balance. There are no additional assets pledged, and no additional arrangements agreed between the company and Trustees to secure members' benefits under the plan.

29 Retirement benefit obligations *(continued)*

It is the policy of the trustees and the Company to review the investment strategy at the time of each funding valuation. The Trustees' investment objectives and the processes undertaken to measure and manage the risks inherent in the plan investment strategy are documented in the Scheme's Statement of Investment Principles.

Significant actuarial assumptions

	2022 % per annum	2021 % per annum
Discount Rate	5.10	1.80
Inflation (RPI)	3.50	3.75
Inflation (CPI)	3.07	3.25

The mortality assumptions adopted at 31 December 2022 are Non-pensioners: 112% (males) and 96% (females) of the standard tables S3PMA / S3PFA_M, Year of Birth, no age rating; Pensioners: 112% (males) and 96% (females) of the standard tables S3PMA / S3PFA_M, Year of Birth, no age rating projected using CMI_2021 converging to 1.25% p.a.

	Life expectancy at age 65 (Years)
Male retiring in 2022	21.3
Female retiring in 2022	24.2
Male retiring in 2042	22.6
Female retiring in 2042	25.7

29 Retirement benefit obligations *(continued)*

Analysis of the sensitivity to the principal assumptions of the present value of the defined benefit obligation

	Change in assumption	Change in liability
Discount rate	Decrease of 0.25% p.a.	Increase by 1.6%
Rate of inflation	Increase 0.25% p.a.	Increase by 0.4%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 2.0%

The sensitivities shown are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases. The average duration of the defined benefit obligation at the period ended 31 December 2022 is 10 years.

The scheme typically exposes the Company to actuarial risks such as investment risk, interest rate risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to the Scheme's liabilities. This would detrimentally impact the balance sheet position and may give rise to increased charges in future Income Statements. This effect would be partially offset by an increase in the value of the scheme's bond holdings. Additionally, caps on inflationary increases are in place to protect the scheme against extreme inflation.

The best estimate of contributions to be paid by the company to the scheme for the year commencing 1 January 2023 is £80,000.