

Peter Vardy Porsche Limited

Report and Financial Statements

31 December 2021



Peter Vardy Porsche Limited

Registered No. SC007861

Directors

Sir P Vardy
P D D Vardy
C E Maith

Auditors

UHY Hacker Young Manchester LLP
St James's Bldg
79 Oxford St
Manchester
M1 6HT

Bankers

Barclays Bank plc
PO Box 378
71 Grey Street
Newcastle upon Tyne
NE99 1JP

Solicitors

BTO LLP
48 St Vincent Street
Glasgow
G2 5HS

Registered Office

Pioneer House
2 Renshaw Pl
Holytown
Motherwell
ML1 4UF

Strategic Report

The Directors present their strategic report for the year ended 31 December 2021.

Review of the business

The Company's principal activity during the year was that of a motor retailing company operating a Porsche Centre located in Aberdeen.

In the year, turnover increased from £40.8m to £49.5m, representing a year on year increase of 21.22%. This is despite 2021 being a turbulent year for new car supply. The Company was able to deliver record new car margin and sales as well as seizing the opportunity in relation to used cars appreciating in value month on month and used car demand being at an all-time high due to the aforementioned new car supply challenges. Not only was it an extremely successful year for the Company, it was also able to fully capitalize on new car order take and securing the future profits and success of the business with a new car future order take of 526 vehicles, which will generate £6.1m of already 'banked' gross profit to the business, when these vehicles are delivered to our guests in 2022 and 2023. The strength of the Aberdeen Dealership's performance is highlighted through return on sales growing from 3.4% in 2020 to 4.3% in 2021.

Profit before tax increased by £782k in comparison to 2020. This was delivered through a combination of the increased revenue and a focus on minimizing costs. The Company's commitment to guest satisfaction is emphasised through the Centre scoring 9.6 out of 10 for sales.

Principal risks and uncertainty

The Company's principal financial instruments comprise cash, cash equivalents and loans. Other financial assets and liabilities, such as trade creditors and trade debtors, arise directly from the Company's operating activities.

The main risks associated with the Company's financial assets and liabilities are set out below.

Interest rate risk

The Company has an offset arrangement for its surplus cash and overdraft with fellow group undertakings. The Group invests surplus cash in a floating rate interest yielding bank deposit account and has access to a floating rate interest bearing overdraft facility. The Company's interest income and expense are therefore affected by movements in interest rates. The Company does not undertake any hedging activity as the Directors do not currently believe there to be a significant exposure.

Credit risk

The Company has external debtors, however, the Company undertakes assessments of its customers in order to ensure that credit is not extended where there is a likelihood of default.

Liquidity risk

The Company aims to mitigate liquidity risk by managing cash generated by its operations and having access to adequate working capital borrowing facilities.

Foreign currency risk

The Company does not have any foreign currency transactions and therefore is not exposed to any foreign currency risk.

Strategic Report (Continued)

Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled, it is the Company's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Colleagues

During the year we launched our Net Better Off Colleague Engagement Programme. The purpose of the programme is to drive colleague retention and engagement and we are extremely pleased to report that 90.7% are proud to work for our Group as evidenced in our latest colleague annual survey in Q4 2021. A key focus of the NBO programme is to improve the mental, spiritual and wellbeing health of our colleagues throughout the Group.



P D D Vardy
Director
2 September 2022

Directors' Report

Registered No. SC007861

The Directors present their report for the year ended 31 December 2021. The Company's principal activity during the year was that of a motor retailing company operating a Porsche Centre located in Aberdeen.

Directors of the company

The Directors who served the Company during the year and up to the date of this report are as follows:

Sir P Vardy

P D D Vardy

C D Barber (Appointed 1 December 2020 & Resigned 13 August 2021)

C E Maith (Appointed 13 August 2021)

Results and Dividends

The results for the year can be found on page 2 within the Strategic Report.

No dividends have been proposed or paid in the current year or prior year.

Disclosure of information to the auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Company's auditor, each Director has taken all the steps that he/she is obliged to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Going concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to price, credit, liquidity, cash flow and COVID 19 risks are described within the Strategic Report on pages 2-3.

In line with the FRC guidance on Going Concern issued in April 2016, the Directors have undertaken an exercise to review the appropriateness of the continued use of the Going Concern basis.

The directors have assessed the appropriateness of the continued use of the Going Concern basis for the period up to 31 December 2023 by conducting extensive cash flow forecasting under multiple scenarios. Scenarios were developed under which stress testing and reverse stress testing was performed to determine how the business would perform under various future scenarios ranging from moderate to severe decreases in demand. Under each scenario the availability of the Rolling Credit Facility which is in place to 31st December 2024 and vehicle stocking loans resulted in, significant amounts of headroom. The directors have therefore concluded on continuing to adopt the going concern basis of preparation.

Future Developments

The Company intends to continue the trade it currently performs and there are no developments planned.

Auditor

UHY Hacker Young Manchester LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006.

Directors' Report (Continued)

Re-appointment Auditors

A resolution to reappoint UHY Hacker Young Manchester LLP as auditors will be put to the members at the Annual General Meeting.

Matters Covered in the Strategic Report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of the employment of disabled persons, engagement with employees, future developments and financial risk management policies and objectives



P D D Vardy

Director

2 September 2022

Statement of directors' responsibilities

The Directors are responsible for preparing the Strategic Report, Director's 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 the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law including Financial Reporting Standard 102 'the financial reporting standard applicable to the UK and Republic of Ireland').

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 those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Independent auditors' report

to the members of Peter Vardy Porsche Limited

Peter Vardy Porsche Limited

Opinion

We have audited the financial statements of Peter Vardy Porsche Limited (the 'company') for the year ended 31 December 2021 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its 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 other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent

Independent auditors' report

to the members of Peter Vardy Porsche Limited

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 our 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 and the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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, 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.

Auditor's responsibilities for the audit of the financial statements

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

Independent auditors' report

to the members of Peter Vardy Porsche Limited

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

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

Identifying and assessing potential risks related to Irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, we considered the following:

- the nature of the industry and sector, control environment and business performance.
- any matters we identified having obtained and reviewed the Company's documentation of their policies and procedures relating to:
- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance,
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
- the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team and involving relevant internal specialists, including tax, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: valuation of used vehicle stocks and recognition of supplier incentives. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override and irregularities in the recording of revenue recognition.

We also obtained an understanding of the legal and regulatory frameworks the Company operates in, focussing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included the Company's FCA regulatory requirements.

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.

Independent auditors' report

to the members of Peter Vardy Porsche Limited

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 and those charged with governance concerning actual and potential litigation claims;
- in addressing the risk of fraud through inappropriate valuation of used vehicle stocks, assessing net realisable value of stock items sold after the year end was above cost or assessing their value with reference to third party data sources if unsold;
- in addressing the risk of fraud through inappropriate recording of supplier incentives, ensuring amounts recorded as due were then subsequently acknowledged as such by the supplier;
- in assessing the risk of fraud through management override of controls, testing the appropriateness of journal entries and assessing whether judgements made in making accounting estimates are indicative of potential bias.
- In assessing the risk of fraud through revenue recognition, testing a sample of sales to ensure recorded correctly, reviewing credit notes issued following the year end and testing cut off has been applied correctly.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://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.



Paul Daly BEng FCA (Senior Statutory Auditor)
For and on behalf of UHY Hacker Young Manchester
LLP

Date: 2 September 2022

Chartered Accountants
Statutory Auditor

St James Building
79 Oxford Street
Manchester
M1 6HT

Income statement

for the year ended 31 December 2021

		2021	2020
	Notes	£000	£000
Turnover	2	49,454	40,796
Cost of Sales		(43,816)	(36,496)
Gross profit		5,638	4,300
Administrative expenses		(3,568)	(3,040)
Other operating income	3	55	149
Operating profit	3	2,125	1,409
CSOP Scheme expense	4	8	(8)
Interest payable and similar charges	7	(42)	(58)
Interest receivable and similar income	8	93	58
Other finance costs	9	(6)	(5)
Profit on ordinary activities before taxation		2,178	1,396
Tax	10	(129)	(272)
Profit for the financial year		2,049	1,124

All amounts relate to continuing activities.

Statement of comprehensive income

for the year ended 31 December 2021

		2021	2020
	Notes	£000	£000
Profit for the financial year		2,049	1,124
Actuarial (loss)/gain related to pension scheme	16	704	(258)
Deferred tax attributable to actuarial gain/(loss)		(162)	63
Total recognised gains relating to the year		2,591	929

Statement of changes in equity

at 31 December 2021

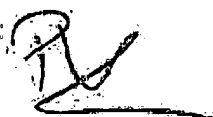
	<i>Share Capital £000</i>	<i>Capital redemption reserve £000</i>	<i>Revaluation reserve £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 January 2020	33	34	153	8,363	8,583
Profit for the year	-	-	-	1,124	1,124
Pensions reserve movement	-	-	-	(195)	(195)
Other movement	-	-	-	8	8
At 1 January 2021	33	34	153	9,300	9,520
Profit for the year	-	-	-	2,049	2,049
Pension reserve movement	-	-	-	542	542
Other movement	-	-	-	(8)	(8)
At 31 December 2021	33	34	153	11,883	12,103

Statement of financial position

as at 31 December 2021

	Notes	2021 £000	2020 £000
Fixed assets			
Tangible assets	11	325	155
Current assets			
Stocks	12	3,784	5,341
Debtors	13	14,721	10,193
Cash at bank and in hand		149	1,097
		<u>18,654</u>	<u>16,631</u>
Creditors: amounts falling due within one year	14	<u>(7,033)</u>	<u>(6,725)</u>
Net current assets		<u>11,621</u>	<u>9,906</u>
Total assets less current liabilities		<u>11,946</u>	<u>10,061</u>
Defined benefit pension scheme liability	16	157	(541)
Net assets		<u>12,103</u>	<u>9,520</u>
Capital and reserves			
Called up share capital	15	33	33
Pension reserve		153	153
Capital redemption reserve		34	34
Profit and loss account		11,883	9,300
Equity Shareholders' funds		<u>12,103</u>	<u>9,520</u>

The financial statements were approved by the Board of Directors on 2 September 2022 and were signed on its behalf by:



P D D Vardy
Director

Notes to the financial statements

at 31 December 2021

1. Accounting policies

Statement of compliance

Peter Vardy Porsche Limited is a limited liability company incorporated in Scotland. The registered office is Pioneer House, 2 Renshaw Pl, Holytown, Motherwell ML1 4UF.

The Company's financial statements have been prepared in compliance with FRS102 as it applies to the financial statements of the Company for the year ended 31 December 2021.

Basis of preparation

The financial statements of Peter Vardy Porsche Limited were authorised for issue by the Board of Directors on 2 September 2022. The financial statements have been prepared in accordance with applicable accounting standards. The functional currency of the financial statements is pounds sterling and all figures have been rounded to the nearest thousand.

The directors have assessed the appropriateness of the continued use of the Going Concern basis for the period up to 31 December 2023 by conducting extensive cash flow forecasting under multiple scenarios. Scenarios were developed under which stress testing and reverse stress testing was performed to determine how the business would perform under various future scenarios ranging from moderate to severe decreases in demand. Under each scenario the availability of the Rolling Credit Facility which is in place to 31st December 2024 and vehicle stocking loans resulted in, significant amounts of headroom. The directors have therefore concluded on continuing to adopt the going concern basis of preparation.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Peter Vardy Holdings Limited. These consolidated financial statements are available from its registered office, Pioneer House, 2 Renshaw Pl, Holytown, Motherwell ML1 4UF.

Notes to the financial statements

at 31 December 2021

1. Accounting policies (continued)

Tangible assets

All fixed assets are recorded at historical cost.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life as follows:

Computer equipment	-	3 years straight line
Fixtures and fittings	-	4 years straight line
Plant and machinery	-	4 years straight line
Leasehold improvements	-	estimated life of the improvements

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be reasonable.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Cash

Cash on the balance sheet includes cash at bank and in hand. Bank overdrafts are shown within current liabilities.

Financial Assets

Debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Financial Liabilities

Creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Current Taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Notes to the financial statements

at 31 December 2021

1. Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination a deferred tax liability/(asset) shall be recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised; and
- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Capital Instruments

When shares are issued, any component that creates a financial liability of the Company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the income statement.

Investments

Investments held as fixed assets are shown at cost less provision for impairment.

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received including commissions earned, net of trade discounts and value added tax.

Revenues from the sale of motor vehicles, parts and accessories are recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Manufacturer income in relation to achieving targets is recognised on an accruals basis within cost of sales. Servicing and bodyshop revenue is recognised on the completion of the agreed work.

Notes to the financial statements

at 31 December 2021

1. Accounting policies (continued)

Share-based payments – Cash-settled transactions

The cost of cash-settled transactions is measured at fair value using an appropriate option pricing model. Fair value is established initially at the grant date and at each balance sheet date thereafter until the awards are settled. During the vesting period a liability is recognised representing the product of the fair value of the award and the portion of the vesting period expired as at the balance sheet date. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the balance sheet date. Changes in the carrying amount for the liability are recognised in the income statement for the period.

Employee Benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Pensions

Pension costs relating to the Company's defined contribution scheme are charged to the income statement in accordance with contributions payable to the scheme in the financial period and are in accordance with the rules of the scheme.

For the Company's defined benefit scheme, the amount charged to the profit and loss account in respect of pension costs is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from the cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members or as recommended by the actuary. The assets of the defined benefit scheme are held separately from those of the Company in separate trustee administered funds. The interest element of the scheme represents the change in present value of scheme obligations resulting from the passage of time and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect of fair value of plan assets of contributions received and benefits paid in the year. The difference between the expected return on plan assets and the interest cost is recognised in the profit and loss account as other finance income or expense. Actuarial gains and losses are recognised in full in the statement of recognised gains and losses in the period in which they occur.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the assets have passed to the Company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the income statement evenly over the periods of the leases and hire purchase contracts.

Rentals paid under operating leases are charged to the income statement on a straight-line basis over the lease term.

Notes to the financial statements

at 31 December 2021

1. Accounting policies (continued)

Stocks and work in progress

Stocks of raw materials and consumables and vehicles for resale are stated at the lower of cost and net realisable value. Cost represents the purchase cost on a first-in, first-out basis plus appropriate overheads in bringing the stocks to their present location and condition.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Under supply agreements the Company has access to 'consignment stock' during a consignment period. Where the nature of these supply agreements transfers risks and rewards to the company, which in substance gives the Company control over the stock during the consignment period and liabilities in respect of holding costs, the Company recognises these stocks in the balance sheet together with an equivalent liability.

Where supply agreements do not transfer risks and rewards to the Company until such time as legal title actually passes at the end of the consignment period, these stocks are not included on the balance sheet. Both the terms under which stocks are held and the financial commitment in respect of these stocks are disclosed in the financial statements.

Government Grants

Government grants in respect of the Coronavirus Job Retention Scheme have been recognised in profit and loss.

Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical Judgements - The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Consignment stock - Vehicles held on consignment have been included within stocks on the basis that the company has determined that it holds the significant risks and rewards attached to these vehicles.

Key sources of estimation uncertainty - The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Notes to the financial statements

at 31 December 2021

1. Accounting policies (continued)

Judgements and key sources of estimation uncertainty (Continued)

Estimating useful lives of PPE - The company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

2. Turnover

Turnover is attributable to the Company's principal activities and is derived from its activities within the United Kingdom.

	2021 £000	2020 £000
Sale of goods	48,455	39,839
Rendering of services	993	950
Other income	6	7
	<u>49,454</u>	<u>40,796</u>

3. Operating profit

This is stated after charging/(crediting)

	2021 £000	2020 £000
Depreciation of owned tangible fixed assets	77	58
Operating lease rentals – Land and Buildings	325	325
Government Grant Income	(55)	(149)
	<u></u>	<u></u>

Audit fees are borne by the Company's immediate parent company.

Fees payable to the Company's auditor for non-audit services to the Company are not required to be disclosed because the consolidated financial statements disclose such fees on a consolidated basis.

Notes to the financial statements

at 31 December 2021

4. Share-based payments

Colleague Share Option Plan (CSOP) Scheme

All colleagues who were employed by the Group on the 2 June 2016 were granted share options entitling colleagues to purchase ordinary shares at the end of the vesting period. The options will vest if the colleague remains in service for a period of three years from the date of the grant. The colleague can exercise their options in August in year three, four and five however, if the colleague does not exercise the option by 31 August in year five, then this option will lapse. Once exercised, the colleague will receive a sum equivalent to the uplift in the value of the shares from the nominal value multiplied by the number of share options exercised and a cash loyalty bonus. All colleagues who joined the company and successfully completed their probation period between 2 June 2018 and 2 June 2019 were granted share options on 2 June 2019.

The income recognised for share-based payments in respect of employee services received during the year to 31 December 2021 is £8,000 (2020 Expense: £8,000). The portion of that income arising from equity-settled share-based payment transactions is £nil as the CSOP scheme is a cash-settled transaction. Please note that the liability is borne by the Group company Peter Vardy Holdings Limited and only the income/expense is recognised in the Income Statement of Peter Vardy (Porsche) Limited. The opposite entry in the balance sheet of Peter Vardy (Porsche) Limited is recorded in reserves as equity as it is deemed to be an investment from Peter Vardy Holdings Limited.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2021 No.	2021 WAEP	2020 No.	2020 WAEP
Outstanding as at 1 January	21,267	£1.78	27,735	£1.82
Granted during the year	-	£0.00	-	£0.00
Forfeited during the year	(1,429)	£1.75	(3,403)	£1.84
Exercised	(3,157)	£1.98	(3,065)	£2.04
Expired during the year	-	£0.00	-	£0.00
Outstanding as at 31 December	16,681	£1.75	21,267	£1.78
Exercisable at 31 December	-	-	-	-

The income recognised in the financial statements of £8,000 has been calculated by estimating the value of the ordinary shares at the vesting period, adjusted to reflect estimated colleague retention. This income/expense is being recognised on an accruals basis over a three-year period.

Notes to the financial statements

at 31 December 2021

5. Directors' remuneration

No remuneration was paid to directors (2020: £Nil)

6. Staff costs

	2021 £000	2020 £000
Wages and salaries	1,167	905
Social security costs	80	73
Other pension costs	22	17
	<u>1,269</u>	<u>995</u>

The average monthly number of employees (including the directors) during the year was made up as follows:

	2021 No.	2020 No.
Management and administration	9	7
After sales	17	17
Sales	7	6
	<u>33</u>	<u>30</u>

7. Interest payable and similar charges

	2021 £000	2020 £000
Stocking finance charges	42	55
Intercompany finance charges	-	3
	<u>42</u>	<u>58</u>

8. Interest receivable and similar income

	2021 £000	2020 £000
Interest receivable	93	58
	<u>93</u>	<u>58</u>

Notes to the financial statements

at 31 December 2021

9. Other finance costs

	2021 £000	2020 £000
Expected return on pension scheme assets	63	107
Interest on pension scheme liabilities	(69)	(112)
	<u>(6)</u>	<u>(5)</u>

10. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2021 £000	2020 £000
UK Corporation Tax:		
UK corporation tax on the profit for the year	196	249
Adjustment in respect of prior periods	(97)	-
Total current tax	<u>99</u>	<u>249</u>
Deferred tax:		
Origination and reversal of timing differences	28	17
Effect of changes in tax rate	2	6
Total deferred tax	<u>30</u>	<u>23</u>
Total tax on profit on ordinary activities per income statement	<u>129</u>	<u>272</u>

(b) Other comprehensive income items

	2021 £000	2019 £000
Deferred tax current year (credit)/charge	162	(63)
	<u>162</u>	<u>(63)</u>

(c) Factors affecting the current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £000	2020 £000
Profit on ordinary activities before tax	<u>2,178</u>	<u>1,396</u>

Notes to the financial statements

at 31 December 2021

10. Tax (Continued)

Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	414	265
<i>Effects of:</i>		
Effects of group relief/other reliefs	(178)	-
Adjustments in respect of prior periods	(97)	-
Pension Scheme	(6)	-
Tax rate changes	10	6
Expenses not deductible	-	1
Other Movement	(14)	-
Current tax for the year (note 10(a))	<u>129</u>	<u>272</u>

(d) Deferred tax

	£000
At 1 January 2021	(111)
Charge to profit and loss account	30
Deferred tax movement in statement of other comprehensive income	162
At 31 December 2021	<u>81</u>

Deferred taxation is calculated at 25% (2020: 19%) and is made up as follows:

	2021	2020
	£000	£000
Accelerated capital allowances	52	(1)
Other timing differences	(11)	6
	<u>41</u>	<u>5</u>
Amount relating to pension scheme deficit	40	(116)
Deferred tax asset	<u>81</u>	<u>(111)</u>

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. An increase in the UK corporation tax rate from 19% to 25% (effective 1st April 2023) was announced on 3rd March 2021, the tax rate change was substantively enacted on 24th May 2021. These changes were substantively enacted at the balance sheet date and have been reflected in the measurement of deferred tax balances at the period end.

Notes to the financial statements

at 31 December 2021

11. Tangible fixed assets

	<i>Plant and Machinery</i>	<i>Fixtures and Fittings</i>	<i>Assets Under Construction</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:				
At 1 January 2021	665	574	10	1,249
Additions	239	18	-	257
Disposals	(13)	-	-	(13)
Transfers In	-	10	-	10
Transfers Out	-	-	(10)	(10)
At 31 December 2021	<u>891</u>	<u>602</u>	<u>-</u>	<u>1,493</u>
Depreciation:				
At 1 January 2021	618	476	-	1,094
Provided during the year	33	44	-	77
Disposals	(3)	-	-	(3)
At 31 December 2021	<u>648</u>	<u>520</u>	<u>-</u>	<u>1,168</u>
Net book value:				
At 31 December 2021	<u>243</u>	<u>82</u>	<u>-</u>	<u>325</u>
At 31 December 2020	<u>47</u>	<u>98</u>	<u>10</u>	<u>155</u>

12. Stocks

	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>
Consignment stock	317	2,613
Goods for resale	3,467	2,728
	<u>3,784</u>	<u>5,341</u>

At the year end an impairment of £13,000 (2020: £12,000) is recognised

Notes to the financial statements

at 31 December 2021

13. Debtors

	2021	2020
	£000	£000
Trade debtors	1,253	722
Other debtors	15	-
Prepayments and accrued income	22	18
Amounts receivable from fellow group undertakings	13,431	9,342
Deferred tax asset (note 10 (d))	-	111
	<u>14,721</u>	<u>10,193</u>

Included in debtors above is an amount of £11,944,000 (2020: £8,382,000) which is due after more than one year.

14. Creditors: amounts falling due within one year

	2021	2020
	£000	£000
Trade creditors	181	234
Vehicle creditors	1,665	901
Vehicle deposits	2,051	1,013
Consignment stocking loan	317	2,613
Vehicle stocking loan	2,421	1,405
Amounts due to fellow group undertakings	76	67
Corporation tax	100	249
Social security costs and other taxes	17	1
VAT Payable	6	149
Accruals and deferred income	118	93
Deferred tax liability (note 10 (d))	81	-
	<u>7,033</u>	<u>6,725</u>

Vehicle Creditors principally comprise amounts due in respect of new and used vehicles, some of which are interest bearing. The Group's bankers have fixed and floating charges over the Group's assets.

15. Issued share capital

	2021		2020	
<i>Allotted, issued and fully paid</i>	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>
Ordinary shares of £1 each	32,755	<u>32,755</u>	32,755	<u>32,755</u>

Notes to the financial statements

at 31 December 2021

16. Pensions

As part of the T&C Assets Limited acquisition the Company makes contributions on behalf of some of its employees to the Peter Vardy Employee Benefits Plan (1984) which is a defined benefit pension scheme. The scheme is closed to new entrants and with effect from 31 December 2003 accrual of new benefits also ceased for active members. The assets of the scheme are held separately from those of the Company, being invested with insurance companies.

The Company sponsors the Plan which is a defined benefit pension plan. It is a separate trustee administered entity holding assets to meet long term pension liabilities. The last formal actuarial valuation of the Plan was carried out as at 1 January 2019 and updated to 31 December 2021 by a qualified independent actuary. The major assumptions used by the actuary are shown below.

	2021 £000	2020 £000
Fair value of scheme assets	5,961	5,843
Present value of scheme liabilities	(5,804)	(6,384)
Deficit	157	(541)

The amounts recognised in the Income Statement and in the Statement of Other Comprehensive Income for the year are analysed as follows:

	2021 £000	2020 £000
Recognised in the Income Statement		
Interest cost	69	112
Interest income	(63)	(107)
Total recognised in the income statement	6	5

	2021 £000	2020 £000
Recognised in other comprehensive income		
Return on plan assets less interest income	315	526
Experience gains and losses arising on the Scheme's liabilities	2	(51)
Impact of changes in actuarial assumptions on the Scheme liabilities	387	(733)
Remeasurement gains and losses recognised in the statement of comprehensive income	704	(258)

Notes to the financial statements

at 31 December 2021

16. Pensions (continued)

Principal actuarial assumptions at the statement of financial position date (expressed as weighted averages):

	2021	2020
Discount rate	1.9%	1.1%
Retail price inflation	3.85%	3.05%
Consumer price inflation	2.6%	2.2%
Rate of inflation linked revaluation of pensions in deferment	3.85%	3.05%
Rate of inflation linked pensions in payment increases	2.6%	2.25%
Cash commutation	90% take max tax free cash	90% take max tax free cash
Post retirement mortality	120% S3PA tables	120% S3PA tables

Changes in the present value of the defined benefit obligations are analysed as follows:

	2021 £000	2020 £000
As at 1 January	6,384	5,759
Interest cost	69	112
Actuarial loss	(389)	784
Benefits paid	(260)	(271)
As at 31 December	<u>5,804</u>	<u>6,384</u>

Changes in the fair value of scheme assets are as follows:

	2021 £000	2020 £000
As at 1 January	5,843	5,481
Interest income	63	107
Expected return on plan assets less interest income	315	526
Employer contribution	-	-
Benefits paid	(260)	(271)
As at 31 December	<u>5,961</u>	<u>5,843</u>

None of the Plan assets include any direct investment in the Company's own financial instruments or any property occupied by, or other assets used by, the Company.

Notes to the financial statements

at 31 December 2021

16. Pensions (continued)

Fair value of the plan assets are as follows:

	2021 £000	2020 £000
Equities	1,509	1,345
LDI	1,182	1,016
Diversified Growth	818	1,118
Multi-Asset Credit	1,315	1,278
Direct Lending	937	1,043
Cash & other	200	43
Total fair value of Plan assets	<u>5,961</u>	<u>5,843</u>

The company expects to contribute £nil to its Defined benefit pension scheme in 2022.

17. Contingent asset

When the Group purchased the former Town and County business in November 2012, it acquired a final salary pension scheme. As part of that transaction, £1.25m was placed in a jointly controlled escrow account for a period of nine years. This £1.25m can be drawn down from the escrow fund by the Group to pay into the pension scheme if the Pension Protection Fund liability increases over that nine-year period. The Group has the ability to withdraw these funds in year three, six and nine with a final reconciliation in 2021. During 2019, £183,000 was drawn down and paid into the fund to cover the liability identified as part of the actuarial valuation conducted on 1 January 2019. Upon review in early 2022 the £183,000 was repaid to the escrow account due to a positive funding position in the scheme. The account is now closed.

18. Other financial commitments

At 31 December 2021, the company had full commitments under non-cancellable operating leases as set out below:

Land and Buildings

	2021 £000	2020 £000
Not later than one year	325	325
Later than one year and not later than five years	<u>894</u>	<u>1,219</u>
	<u>1,219</u>	<u>1,544</u>

Notes to the financial statements

at 31 December 2021

19. Related party transactions

The Company is a wholly owned subsidiary of Peter Vardy Holdings Limited and is included in the consolidated financial statements of Peter Vardy Holdings Limited. The Company is exempt under the terms of FRS102 from disclosing related party transactions with the entities that are part of the Peter Vardy Holdings Group.

20. Ultimate parent undertaking and controlling party

In the Directors' opinion the immediate and ultimate parent company is Peter Vardy Holdings Limited for which consolidated financial statements are drawn up and of which the Company is a member. Further, the Directors consider that the controlling party is Sir Peter Vardy by virtue of his majority shareholding in Peter Vardy Holdings Limited. The registered address of Peter Vardy Holdings Limited is Pioneer House, 2 Renshaw Pl, Holytown, Motherwell ML1 4UF.

21. Reserves

Capital redemption reserve

The capital redemption reserve is a non-distributable reserve that was created following the purchase of the Company's own shares. This reserve existed prior to the Company being acquired by Peter Vardy Holdings Limited in 2012.

Revaluation reserve

The revaluation reserve relates to the movements caused by the revaluation of the final salary pension scheme.