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NUMBER 02001186
SEE NOTE 12

Sytner Group Limited

Annual report and consolidated financial statements

For the year ended 31 December 2022

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Group Strategic report

Principal activity and business review

The Group's principal activities are the retail of new and used vehicles, their maintenance and repair and the supply of related parts and accessories.

The trading performance of the Group for the 2022 calendar year improved substantially from the previous year. Revenue increased by 18% in comparison to the prior year to finish at a record for the Group of £6.8 billion (2021: £5.8 billion). Acquisitions made in the year accounted for £0.2 billion of the rise in turnover, £0.8 billion being generated through increased volume and selling prices achieved. Operating profit for the year increased to £198.1 million (2021: £187.4 million), this being in spite of the cost pressures driven by high inflation and a sharp rise in energy costs, energy costs having risen by £6.5m during the year. Profit before tax for 2022 was just slightly ahead of the prior year at £179.0 million (2021: £178.1 million), rising interest costs on the Group's borrowings saw interest increase to £19.2 million, an increase of £9.9 million on prior year.

In April 2022, the Group acquired Specialist Cars Holdings Limited, representing three BMW/MINI dealerships in Stevenage, Luton and Tring.

In August 2022, the Group acquired five Mercedes-Benz dealerships and three aftersales facilities in North London.

In January 2023 trading with Mercedes Benz U.K. changed to an agency model. Under an agency model the Company will receive a fee for facilitating the sale of new vehicles but the Company will not hold new vehicle stock, there is no structural or operational impact on the other areas of the business. Transfer of systems and development of revised methods of working have been implemented. The partnership with Mercedes Benz has been well managed and appropriate training has been supplied to all colleagues.

The Group is committed to being recognised as 'the best company to work for' in our sector. The Group continue to make great progress against this objective and we recognise that unparalleled customer service can only be achieved by attracting, motivating and retaining the very best team members.

Principal risks and uncertainties

Risk management remains a priority. We believe the key risk factors faced by the Group are as follows:

| Key risk factors | Mitigating controls |
|---|--|
| · The Group operates franchised motor car dealerships. Without a franchise we would be unable to source new car stock or perform service warranty repairs. Although we do not depend on any single vehicle manufacturer, were any of the manufacturers we represent to suffer a business failure or significant reduction in sales this would have an adverse impact on our business. | · <i>Maintain existing relationships with manufacturers</i> · <i>Diverse manufacturer representation avoiding over dependence on any single manufacturer</i> · <i>Develop and maintain revenue from used vehicles sales and aftersales</i> |
| · A number of our manufacturer partners have announced plans to introduce agency model of selling vehicles. Under an agency model the Company will receive a fee for facilitating the sale of new vehicles but the Company will not hold new vehicle stock. The agency model will reduce turnover (as only the fee received will be reported as revenue and not the sale price of the vehicle). It is not expected that agency model would structurally change other areas of the business although other impacts to our operations remain uncertain. | · <i>Maintain existing relationships with manufacturers, proactively work with the manufacturers as they implement the agency model</i> · <i>Ensure appropriate training is supplied to all colleagues to aid transition</i> |
| · The motor retail industry is highly competitive. We compete with other franchised motor dealerships, private buyers and sellers, internet brokers and independent service and repair shops. In addition, certain motor manufacturers have directly entered the retail market. Some of our competitors may have greater financial resources and lower overheads and sales costs than us. | · <i>Continually seek to improve methods of customer interaction, particularly with regards to our online presence.</i> · <i>Monitor our manufacturer and third party customer service measures and take action as required</i> |

Group Strategic report (continued)

Principal risks and uncertainties (continued)

| Key risk factors | Mitigating controls |
|--|--|
| · We believe our success depends to a large extent upon the effort and abilities of senior management and key employees. Further, our business is dependant upon our ability to continue to attract and retain skilled personnel. | · <i>Investment in brand presence to enable us to attract the right quality candidates</i> · <i>We review and adapt for market conditions in relation to pay and employment terms</i> · <i>Provision of training and encouraging progression within the Group</i> · <i>Develop good working relations by the use of clear channels of communication</i> |
| · We have a substantial amount of bank loans and stocking loans primarily with interest rates linked to the prevailing base rate. We do not undertake significant active hedging of this interest rate risk. As a result, the Group's interest cost is affected by moving base rates. | · <i>Daily monitoring of funding requirements and review by management of the most appropriate forms of finance</i> |
| · We believe that the motor retail industry is influenced by general economic conditions and particularly by consumer confidence, the level of personal discretionary spending, interest rates, inflation, fuel prices, weather conditions, unemployment rates and credit availability and affordability. It is likely that adverse economic conditions for a sustained period would have an adverse impact on the profitability of the Group. | · <i>Our scale and expertise enable flexible response to market changes</i> · <i>Detailed review of trading for each business is carried out by management to optimise performance</i> |
| · A number of regulations affect our business of selling, financing and servicing cars, such as those set out by the Financial Conduct Authority. Non-compliance can lead to fines or suspension from selling finance or general insurance products. | · <i>Significant investment in controls and monitoring to ensure compliance</i> |
| · Our business relies on the uninterrupted operation of our information technology systems. We have put in place various contingency and recovery plans in order to mitigate the impact of any system failures, albeit it can never be certain that such plans will cover every possibility. | · <i>Continue to review and develop our disaster recovery processes</i> |
| · Non-compliance with health and safety regulations and failure to provide colleagues and customers with safe environments could lead to accidents, litigation and compensation, fines and intervention by regulatory bodies. | · <i>The Group have a team of health and safety advisors working to ensure compliance with health and safety requirements, in all areas of the business, are maintained and also to continue colleagues education in this regard through regular updates.</i> |
| · The conflict in Ukraine continues, although supply disruptions are not anticipated the Directors are alert to the possibility of impacts to both general economic conditions and risks of disruption to supply chains. | · <i>Continue to review and monitor new car supply for indications of disruption and changes in customer demand</i> |
| · The impact of the shortage of microchips in the global economy is expected to lessen in 2023, we expect new vehicle supply to be less than historical but there are signs of improvement in production and supply | · <i>Continue to review and monitor new car supply and manage customer expectations as necessary</i> |

Group Strategic report (continued)

Section 172(1) statement

The Directors of the Company, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172(1) of the Companies Act 2006 and are given below:

A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

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

The Company and its subsidiaries (the Company and all subsidiaries to be referred to as "the Group") hold the same aim which is to be "famous for delighting our colleagues, customers, manufacturers and shareholders". The Group operate under the same corporate governance structure, the Group being managed as a whole at board level. The Directors review key risk factors faced by the Group and these are discussed above. The Directors delegate day to day decision making to key employees of the Group through a prescribed operating framework and monitor performance continually through regular meetings and performance review. The Directors are able to access professional advice on any part of their duties should they need further guidance.

The Directors understand that exceptional customer service can only be consistently delivered by attracting, motivating, training and retaining the very best team members, our Delighting Colleagues ethos "developing talent, building careers" supporting this. The Group are keen to ensure employees reach their potential and have designed development programmes and courses to support this.

The Group strives to deliver an exceptional customer experience. Every member of the team is expected to contribute to the delivery of outstanding customer experiences and to earn repeat and referral business. This approach is supported by our framework in delighting Customers – "Getting it right, making it special". The Group collects and analyses feedback from its customers in order to ensure best practise is being applied at each location and should a customer not be satisfied or have any concerns there is a robust system in place to manage that process. The Group also monitors its performance on online feedback forums including Trustpilot and Google.

The Group operates franchised motor car dealerships and used car supermarkets. Without franchises, the Group would not be able to source new car stock or perform service warranty repairs. Maintaining an excellent working relationship with our franchise partners is critical to the success of the Group, and is fostered by both the Directors and employees within the Company.

In their decision making the Directors have regard to the impact of the Company operations in the local community and the environment. As well as making the Group a great place to work for our colleagues, the Directors want to ensure that we are making a difference in our local communities and all companies within the Group are challenged to make a commitment to local charities and community initiatives.

The Company's ultimate parent company Penske Automotive Group Inc., is listed on the NYSE and is subject to controls as prescribed by the Sarbanes-Oxley Act of 2002. Each dealership is subject to regular internal audits the results of which are reported to the Penske Automotive Group Audit Committee.

The Board considered several key areas impacting the Group and it's stakeholders during the year, a summary of the key decisions being

- Assessment of capital expenditure programme
- Continuing development of digitalisation and online capability
- Assessment of acquisition and franchise opportunities completed during the year and managing the integration of the acquired businesses into the group
- Review of funding requirements and agreeing amended funding facility with principal lender

Group Strategic report (continued)

Going concern

The Group is funded on a day-to-day basis by an overdraft facility of £17m, vehicle stocking loans and a revolving credit facility of £185m committed until January 2027. The Group generally utilises the overdraft and revolving credit facility to fund capital acquisitions. As of 31 December 2022, the group had utilised £28.2m of the total facility, the Group therefore had significant headroom on all facilities and credit facility covenants. The consolidated balance sheet reports net current liabilities of £74.9m; this is not considered to be an area for concern given the significant headroom available on all facilities.

The Group's forecast and projections, taking account of possible changes in trading performance, show the Group will be able to operate well within the level of its current facilities, for a period of at least 12 months from the date of signing and approving these financial statements.

The Directors have considered and reviewed forecast compliance with bank covenants and headroom availability during this period and do not forecast to be in breach of the covenants, or exceeding borrowing limits, at any of the test points. As such, the Directors have a reasonable expectation that there are no material uncertainties and continue to adopt the going concern assumption in the preparation of the financial statements.

Future developments

The Group's focus for the future is to organically grow the business, along with its franchise partners, and to progress acquisitions where opportunities arise.

Results and key performance indicators

The Group's profit before tax for the year was £178,993,000 (2021: £178,128,000). Further details with regard to the trading results for the year and the amount transferred to reserves are set out on page 14.

The Group's key financial and other performance indicators during the year were as follows:

| | 2022 £000 | 2021 £000 | Change % |
|-------------------------------|---------------|---------------|-------------|
| Group turnover | 6,833,708 | 5,797,731 | 17.9% |
| Gross profit | 1,000,247 | 870,519 | 14.9% |
| Gross profit % | 14.6% | 15.0% | |
| Group operating profit | 198,110 | 187,442 | 5.7% |
| Group operating profit % | 2.9% | 3.2% | |
| | 2022 Units | 2021 Units | Change % |
| Group new car sales | 52,786 | 51,726 | 2.0% |
| Group used car sales (retail) | 130,928 | 122,096 | 7.2% |

The Group's principal activities are the retail of new and used vehicles, their maintenance and repair and the supply of related parts and accessories. turnover and operating profit growth are considered key financial measures of success of this activity and unit sales a non-financial measure. The relationship between units sold and turnover and operating profit giving insight into how well the Group is performing.

The Group delivered an operating profit of £198.1 million, against a backdrop of challenging market conditions. The Group saw a significant rise in operating expenses, driven by high levels of inflation and increasing energy costs.

The Group's net assets as at 31 December 2022 were £570,451,000 (2021: £470,734,000) and the Company's net assets were £96,134,000 (2021: £113,273,000).

Approved by the board and signed on its behalf by



S Moorhouse
Director

26 September 2023

Group directors' report

The Directors present their annual report, together with the strategic report, the audited financial statements and auditor's report for the year ended 31 December 2022.

Dividends

An interim dividend of £33,000,000 (2021: £82,000,000) was paid during the year. The Directors do not recommend the payment of a final dividend (2021: £Nil).

Directors and directors' interests

The directors who served during the year and subsequently are shown below:

LEW Vaughan (resigned 30 June 2022)

JR Mallett

GE Nieuwenhuys

RH Kurnick (US citizen)

D Edwards

A Collinson (resigned 14 July 2023)

J Werner (resigned 1 September 2023)

S Moorhouse (appointed 13 July 2023)

No director had a material interest in any significant contract, other than a service contract, with the Company or any of its subsidiaries at any time during the period.

Directors indemnity

The Company has made no qualifying third party indemnity provisions for the benefit of its directors during the year.

Employment policy and engagement with employees

The ultimate aim of the Group and Company is to be considered the best company to work for in the industry. The directors believe that to achieve this it is important to develop good working relations by the use of clear channels of communication and this is realised through formal and informal meetings and briefings, internal newsletters, the colleague hub (an online portal) and other electronic communication.

The Company, and Group, have a strong 'One Team' ethos, encouraging all managers to have an open door policy so they are ready to welcome all contributions and suggestions from our team members. The Company, and Group, hold regular meetings with forums covering the different aspects of the business which consist of employees from across the Group. The forums are used as a platform to share best practice and as a way to bring to the Board's attention any operational challenges faced by the teams.

Disabled Colleagues

Disabled colleagues receive appropriate training to promote their career development within the Group.

It is the policy of the Company to give full and fair consideration to applications for employment made by disabled persons, having regard to their aptitude and abilities.

If any colleague becomes disabled it is standard practice to make every effort to ensure employment within the Group

Engagement with Suppliers, customers, others

Details of engagement with Suppliers, Customers and other can be found in the Strategic Report Directors' Duties and form part of this report by cross reference.

Donations

The Group made no political donations during the year.

Group directors' report

Health, safety and the environment

The Group aims to achieve a high standard of performance in health, safety and environmental issues by eliminating injuries, work related ill-health and minimising the effect of our activities on the environment. Health and Safety Officers are appointed at each location and receive periodic training to keep abreast of both legislative requirements and technological advances. This is further enhanced with regular internal audits by our own fully qualified health and safety managers, along with training, induction and awareness programmes for all members of staff. The Group aims to continually improve its performance in order to meet changing business and regulatory requirements.

Statement of corporate governance arrangements

Sytner Group Limited (Sytner Group Limited and all subsidiaries to be referred to as "the Group") operate under the same umbrella of corporate governance. Under the format of the Wates Principles, the corporate governance arrangements of the Group are discussed below.

Purpose and leadership

The Company, and the Group's, ultimate aim is to be considered the best company to work for in the industry and the best company to do business with. The Board meet regularly with management teams to analyse performance both financially and operationally and to plan for the future. The Company, and Group, holds regular conferences for different functions within the business which give the Directors the opportunity to communicate and reinforce their aims.

The values of the Company, and Group, are introduced to all new employees during their inductions and access to the company handbook is available to all colleagues on the colleague hub along with the best practise-guide ("Toolkit"). The company handbook includes the Company's Code of Business Conduct and Ethics. The objective of Toolkit is to record in one place all of the best practices from around the Group, whilst also clarifying minimum standards. This is not to standardise the business but to allow them to be controlled in a way which suits each franchise and geographic locality. Our internal audit function audits each business (based on risk and past performance) to check for compliance with the minimum standards.

The Board monitors the culture of the Company, and Group, through annual colleague surveys, use of external benchmarking surveys, colleague turnover rates, minimum bi-annual colleague performance reviews and should a colleague leave the Group an exit interview is conducted. Should an employee wish to raise concerns about misconduct or unethical practices there is the opportunity to do so through supervisory or management personnel, or where the employee feels it is appropriate through a confidential hotline.

Board composition

The board comprises Directors with experience within motor retail, most of whom have worked for the Company or Group, for an extensive period of time. The board also includes a Director of the Company's ultimate holding company Penske Automotive Group, Inc. The operational management of the Company, and Group, is expanded to include further key members of management with other complementary specialisms.

The Group holds regular meetings with its internal Diversity Forum. This group consists of employees and Directors and constantly looks at ways to improve diversity and inclusivity within the Group.

Group directors' report

Statement of corporate governance arrangements (continued)

Director's responsibilities

The board has developed corporate governance practices throughout the Group which provide clear lines of accountability and responsibility. The Group has a set of policies and procedures in place to manage internal affairs of the Company. These policies and procedures are discussed above.

The board makes use of a selection of other committees to assist with the consideration of other areas of operation.

The Company, and Group, has established formal and robust internal processes to ensure systems and controls are operating effectively, and that the quality and integrity of the information provided is reliable. The board relies on information including:

- Financial reporting;
- Key performance indicators;
- Employee data;
- Franchisor feedback;
- Customer feedback.

Opportunity and risk

The Board assesses risks posed to the Company on a regular basis; discussion of the risks identified are discussed in the strategic report.

The Board considers opportunities to expand the current offerings as they arise, looking to the future the Board considers the risks to which the Company is exposed and how future development could minimise the impact of those risks.

Remuneration

The remuneration of the Directors is controlled by the ultimate parent company Penske Automotive Group, Inc. under the remit of the Compensation and Management Development Committee. The charter for the Compensation and Management Development Committee does not form part of these financial statements but can be accessed via the Penske Automotive Group Inc.'s website.

Stakeholder relations and engagement

The material stakeholders groups recognised by the Company, and Group, would include the Company's workforce, the franchisors and the shareholders, being the ultimate parent Company Penske Automotive Group, Inc.

Financial risk management

Cash Flow risk

The Group and Company is financed by bank loans and stocking loans with interest rates linked to either the prevailing base rate or SONIA. We do not undertake significant active hedging of this risk. As a result, the Group and Company's interest cost is affected by moving base rates.

Credit risk

The Group and Company's principal financial assets are bank balances, cash, trade and other debtors.

The Group and Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of any provisions for amounts identified as being doubtful of recovery.

The credit risk on liquid funds is limited as the counterparts are banks with positive credit ratings.

The Group and Company has no significant concentration of credit risk, with exposure spread over a large number of counterparts and customers.

Liquidity risk

In order to maintain liquidity and to ensure that sufficient funds are available for ongoing operations and future developments, the Group and Company uses a mixture of long term and short term finance.

Future developments

Details of future developments can be found in the Strategic report and form part of the report by cross reference.

Group directors' report

Events after the balance sheet date

Details of significant events after the balance sheet date can be found in notes to the financial statements (see note 31).

Streamlined energy and carbon reporting

We have reported on all sources of green house gas emissions and energy usage as required under The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended.

This is the second year for which reporting under the Streamlined Energy & Carbon Reporting framework is reported, as such reporting for the comparative period is included.

| | 2022 | 2021 |
|--|-----------------------|-----------------------|
| UK energy use | kWh | kWh |
| Gas | 47,732,132 | 45,488,898 |
| Electricity | 54,384,025 | 51,005,010 |
| Transport | 70,754,889 | 65,201,126 |
| Total | 172,871,046 | 161,695,034 |
| | tCO ₂ e | tCO ₂ e |
| Scope 1 (combustion of fuels and additional emissions) | 25,477 | 23,544 |
| Scope 2 (electricity consumption) | 7,936 | 10,826 |
| Total emissions | 33,413 | 34,370 |
| | tCO ₂ e/£m | tCO ₂ e/£m |
| Intensity ratio (energy efficiency) | 4.89 | 5.93 |

Methodology

The footprint is calculated in accordance with the Greenhouse Gas (GHG) Protocol and Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance. Activity data has been converted into carbon emissions using published emissions factors. Estimation techniques have been employed and assumptions made including where there are gaps within invoiced supplier data. DEFRA emission factors have been used for all emission sources as this provides the most comprehensive list of factors available. They allow an activity to be converted into tonnes of carbon dioxide equivalent (tCO₂e).

Intensity ratio

The intensity ratio used is tonnes of CO₂e per £m of turnover, this is a simple measure of energy efficiency which will allow for fair comparison over time of CO₂ emissions and business activity.

Energy efficiency measures

In 2022 Sytner continued to proactively review their UK portfolio, undertaking Energy Audits, updating Energy Performance Certificates and carrying out a programme of Air Conditioning Inspections. Energy efficiency recommendations were completed at multiple sites and these works are expected to reduce future energy consumption by c. 1,075,000 kwh pa, equivalent to a carbon saving of 210 T/CO₂ pa.

A further 162 electric vehicle charging points were installed through the year, taking the total to 734 as at 31st December 2022.

From October 2022, all electricity purchased for England, Scotland and Wales sites was 'REGO' certified to be 100% renewable.

Orders have been placed for photo voltaic installations to be completed in 2023 which are projected to generate 625,000 kwh/pa and thus reduce annual carbon emissions by to 150 T/CO₂.

A network of Green Champions has been established at each location and within each business division to share ideas and best practice with the aim to further reduce energy consumption, minimise waste and increase recycling.

Sytner Group Limited
Annual report and consolidated financial statements
For the year ended 31 December 2022

Group directors' report

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditors and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Approved by the board and signed on its behalf by



S Moorhouse
Director

2 Penman Way
Grove Park
Leicester
Leicestershire
LE19 1ST
26 September 2023

Directors' responsibilities statement

The Directors are responsible for preparing the annual 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 FRS102 *The Financial Reporting Standard applicable in 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 these financial statements, the directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and company and to prevent and detect fraud and other irregularities.

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

Independent auditor's report to the members of Sytner Group Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Sytner Group Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated profit and loss account and other comprehensive income
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 31.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- financing facilities including nature of facilities, repayment terms and covenants
- linkage to business model and medium-term risks
- assumptions used in the forecasts
- amount of headroom in the forecasts (cash and covenants)
- sophistication of the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management

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 group's and parent 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.

Independent auditor's report to the members of Sytner Group Limited

Report on the audit of the financial statements

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to 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.

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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included solvency requirements, Financial Conduct Authority (FCA) regulations and environmental regulations.

We discussed among the audit engagement team and relevant internal specialists such as pensions and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Independent auditor's report to the members of Sytner Group Limited

Report on the audit of the financial statements

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

DocuSigned by:

22AFA05F393B47A

Peter Gallimore FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

26 September 2023

Consolidated profit and loss account and other comprehensive income
For the year ended 31 December 2022

| | <i>Note</i> | 2022 | 2021 |
|---|-------------|-----------------------|-----------------------|
| | | Total £000 | Total £000 |
| Turnover | 3 | 6,833,708 | 5,797,731 |
| Cost of sales | | (5,833,461) | (4,927,212) |
| Gross profit | | 1,000,247 | 870,519 |
| Distribution costs | | (457,494) | (392,292) |
| Administrative expenses | | (344,643) | (290,785) |
| Operating profit | | 198,110 | 187,442 |
| Profit/(loss) on sale of business | 2 | - | (46) |
| Profit before finance charges | | 198,110 | 187,396 |
| Other interest receivable and similar income | 7 | 80 | - |
| Interest payable and similar expenses | 8 | (19,197) | (9,268) |
| Profit before taxation | 4 | 178,993 | 178,128 |
| Tax on profit | 9 | (38,800) | (41,654) |
| Profit for the financial year | | 140,193 | 136,474 |
| Other comprehensive (expense)/income | | | |
| Remeasurement of net defined benefit pension liability | 19 | (4,892) | 5,234 |
| Income tax on other comprehensive (expense)/income | 9 | 1,223 | (1,309) |
| Other comprehensive (expense)/income for the year, net of income tax | | (3,669) | 3,925 |
| Total comprehensive income for the year | | 136,524 | 140,399 |

The notes on pages 20 to 38 form part of these financial statements.

Consolidated balance sheet
As at 31 December 2022

| | Note | 2022 | 2021 |
|--|------|------------------|------------------|
| | | £000 | £000 |
| Fixed assets | | | |
| Goodwill and franchise value | 10 | 133,223 | 107,814 |
| Other intangibles | 10 | - | - |
| | | <u>133,223</u> | <u>107,814</u> |
| Tangible assets | 11 | 654,207 | 507,917 |
| | | <u>654,207</u> | <u>507,917</u> |
| | | <u>787,430</u> | <u>615,731</u> |
| Current assets | | | |
| Stocks | 13 | 1,110,237 | 874,711 |
| Debtors | 14 | 212,657 | 149,933 |
| Cash at bank and in hand | | 254,812 | 241,231 |
| | | <u>1,577,706</u> | <u>1,265,875</u> |
| Creditors: amounts falling due within one year | 15 | (1,652,643) | (1,336,071) |
| Net current liabilities | | <u>(74,937)</u> | <u>(70,196)</u> |
| Total assets less current liabilities | | <u>712,493</u> | <u>545,535</u> |
| Creditors: amounts falling due after more than one year | 16 | (120,748) | (59,883) |
| Provisions for liabilities and charges | | | |
| Deferred tax liability | 18 | (22,423) | (17,859) |
| | | <u>(22,423)</u> | <u>(17,859)</u> |
| Defined benefit pension scheme asset | 19 | 1,129 | 2,941 |
| Net assets | | <u>570,451</u> | <u>470,734</u> |
| Capital and reserves | | | |
| Called up share capital | 21 | 2,724 | 2,724 |
| Share premium account | | 17,164 | 17,164 |
| Profit and loss account | | 550,563 | 450,846 |
| Shareholders' funds | | <u>570,451</u> | <u>470,734</u> |

These financial statements were approved by the board of directors on 26 September 2023 and were signed on its behalf by:



S Moorhouse
Director

Registered number 02883766

The notes on pages 20 to 38 form part of these financial statements.

Sytner Group Limited
Annual report and consolidated financial statements
For the year ended 31 December 2022

Company balance sheet
As at 31 December 2022

| | <i>Note</i> | 2022 £000 | £000 | 2021 £000 | £000 |
|--|-------------|----------------------------|------------------|--------------|-----------|
| Fixed assets | | | | | |
| Tangible assets | 11 | 30,004 | | 20,624 | |
| Investments | 12 | 323,193 | | 289,102 | |
| | | | 353,197 | | 309,726 |
| Current assets | | | | | |
| Stocks | 13 | 1,050 | | 485 | |
| Debtors | 14 | 222,873 | | 228,474 | |
| Cash at bank and in hand | | 2 | | 2 | |
| | | 223,925 | | 228,961 | |
| Creditors: amounts falling due within one year | 15 | (476,104) | | (422,561) | |
| Net current liabilities | | | (252,179) | | (193,600) |
| Total assets less current liabilities | | | 101,018 | | 116,126 |
| Creditors: amounts falling due after more than one year | 16 | | (6,013) | | (5,794) |
| Defined benefit pension scheme asset | 19 | 1,129 | | 2,941 | |
| | | | 1,129 | | 2,941 |
| Net assets | | | 96,134 | | 113,273 |
| Capital and reserves | | | | | |
| Called up share capital | 21 | 2,724 | | 2,724 | |
| Share premium | | 17,164 | | 17,164 | |
| Goodwill reserve | | 7,476 | | 7,476 | |
| Profit and loss account | | 68,770 | | 85,909 | |
| Shareholders' funds | | | 96,134 | | 113,273 |

The Company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the parent company profit and loss account. The total comprehensive income for the financial year dealt with in the financial statements of the parent company was £19,668,000 (2021: £103,783,000).

These financial statements were approved by the board of directors on 26 September 2023 and were signed on its behalf by:



S Moorhouse
Director

Registered number 02883766

The notes on pages 20 to 38 form part of these financial statements.

Consolidated statement of changes in equity

As at 31 December 2022

| | Note | Called up Share Capital | Share Premium Account | Goodwill reserve | Profit and loss account | Total Equity |
|---|------|----------------------------|--------------------------|---------------------|----------------------------|-----------------|
| | | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 January 2021 | | 2,724 | 17,164 | - | 397,164 | 417,052 |
| Total Comprehensive income for the period ended 31 December 2021 | | | | | | |
| Total comprehensive income for the year | | - | - | | 140,399 | 140,399 |
| Equity-settled share based payment transactions | 20 | - | - | - | (4,717) | (4,717) |
| Dividends | 22 | - | - | - | (82,000) | (82,000) |
| Total contributions by and distributions to owners | | - | - | - | (86,717) | (86,717) |
| Balance at 31 December 2021 | | 2,724 | 17,164 | - | 450,846 | 470,734 |
| Balance at 1 January 2022 | | 2,724 | 17,164 | - | 450,846 | 470,734 |
| Total Comprehensive income for the period ended 31 December 2022 | | | | | | |
| Total comprehensive income for the year | | - | - | - | 136,524 | 136,524 |
| Equity-settled share based payment transactions | 20 | - | - | - | (3,807) | (3,807) |
| Dividends | 22 | - | - | - | (33,000) | (33,000) |
| Total contributions by and distributions to owners | | - | - | - | (36,807) | (36,807) |
| Balance at 31 December 2022 | | 2,724 | 17,164 | - | 550,563 | 570,451 |

The notes on pages 20 to 38 form part of these financial statements.

Company statement of changes in equity

As at 31 December 2022

| | <i>Note</i> | Called up Share Capital | Share Premium Account | Goodwill reserve | Profit and loss account | Total Equity |
|---|-------------|--------------------------------|------------------------------|-------------------------|--------------------------------|---------------------|
| | | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 January 2021 | | 2,724 | 17,164 | 7,476 | 68,843 | 96,207 |
| Total Comprehensive income for the period ended 31 December 2021 | | | | | | |
| Total comprehensive income for the year | | - | - | | 103,783 | 103,783 |
| Equity-settled share based payment transactions | 20 | - | - | - | (4,717) | (4,717) |
| Dividends | 22 | - | - | - | (82,000) | (82,000) |
| Total contributions by and distributions to owners | | - | - | - | (86,717) | (86,717) |
| Balance at 31 December 2021 | | 2,724 | 17,164 | 7,476 | 85,909 | 113,273 |
| Balance at 1 January 2022 | | 2,724 | 17,164 | 7,476 | 85,909 | 113,273 |
| Total Comprehensive income for the period ended 31 December 2022 | | | | | | |
| Total comprehensive income for the year | | - | - | - | 19,668 | 19,668 |
| Equity-settled share based payment transactions | 20 | - | - | - | (3,807) | (3,807) |
| Dividends | 22 | - | - | - | (33,000) | (33,000) |
| Total contributions by and distributions to owners | | - | - | - | (36,807) | (36,807) |
| Balance at 31 December 2022 | | 2,724 | 17,164 | 7,476 | 68,770 | 96,134 |

The notes on pages 20 to 38 form part of these financial statements.

Consolidated cash flow statement
For the year ended 31 December 2022

| | <i>Note</i> | 2022 £000 | 2021 £000 |
|---|-------------|----------------------------|-----------------|
| Cash flows from operating activities | | | |
| Profit for the year | | 140,193 | 136,474 |
| <i>Adjustments for:</i> | | | |
| Depreciation, amortisation and impairment | 4 | 64,660 | 58,720 |
| Interest receivable and similar income | | (80) | - |
| Interest payable and similar charges | 8 | 19,197 | 9,268 |
| Profit on sale of tangible fixed assets | | (452) | (2,779) |
| Loss on the disposal of a business | 2 | - | 46 |
| Taxation | 9 | 38,800 | 41,654 |
| | | <u>262,318</u> | <u>243,383</u> |
| (Increase)/decrease in trade and other debtors | | (54,176) | (13,417) |
| (Increase)/decrease in stocks | | (67,598) | (161,615) |
| (Decrease)/increase in trade and other creditors | | 89,385 | 95,482 |
| (Decrease)/increase in provisions and employee benefits | | (3,081) | (7,980) |
| Interest paid | | (17,017) | (9,173) |
| Tax paid | | (35,916) | (31,533) |
| Net cash from operating activities | | <u>173,915</u> | <u>115,147</u> |
| Cash flows from investing activities | | | |
| Proceeds from sale of tangible fixed assets | | 19,993 | 38,774 |
| Proceeds from disposal of a business | | - | 3,179 |
| Acquisition of a business | 2 | (175,920) | (2,866) |
| Acquisition of tangible fixed assets | 11 | (93,228) | (82,799) |
| Net cash from investing activities | | <u>(249,155)</u> | <u>(43,712)</u> |
| Cash flows from financing activities | | | |
| Proceeds from borrowings under revolving credit facility | | 511,000 | 371,000 |
| Repayment of borrowings under revolving credit facility | | (491,000) | (371,000) |
| Proceeds from bank and other loans | | 85,913 | 18,975 |
| Repayment of bank and other loans | | (8,878) | (1,707) |
| Dividends paid | | (33,000) | (82,000) |
| Net cash from financing activities | | <u>64,035</u> | <u>(64,732)</u> |
| Net (decrease)/increase in cash and cash equivalents | | <u>(11,205)</u> | <u>6,703</u> |
| Cash and cash equivalents brought forward | 27 | <u>3,044</u> | <u>(3,659)</u> |
| Cash and cash equivalents | 27 | <u>(8,161)</u> | <u>3,044</u> |
| Cash and cash equivalents comprising | | | |
| Cash at bank and in hand | | 254,812 | 241,231 |
| Bank overdraft | 17 | (262,973) | (238,187) |
| | 27 | <u>(8,161)</u> | <u>3,044</u> |

The notes on pages 20 to 38 form part of these financial statements.

Notes to the financial Statements

1 Accounting policies

General information

Sytner Group Limited, (the "Company") is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The Company's registered office address is 2 Penman Way, Grove Park, Leicester, Leicestershire, LE19 1ST.

The principal activities of the Company and the Group are set out in the strategic report on page 1.

The functional and presentation currency of these financial statements is sterling because that is the currency of the primary economic environment in which the Company and Group operates. All amounts in the financial statements have been rounded to the nearest £1,000.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102") issued by the Financial Reporting Council.

The Company's ultimate parent undertaking, Penske Automotive Group, Inc. includes the Company in its consolidated financial statements. The consolidated financial statements of Penske Automotive Group, Inc. are prepared in accordance with US GAAP and are available to the public and may be obtained from www.penskeautomotive.com. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;

The group has a number of subsidiaries which were entitled to exemption from audit under section 479A of the Companies Act 2006. The subsidiaries to which this relates are identified in note 12.

Judgements made by the directors in the application of these accounting policies that may have significant impact on the financial statements and accounting estimates and assumptions made about the carrying value of assets and liabilities are discussed in note 24.

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

1.1 Measurement Convention

The financial statements have been prepared under the historical cost convention.

1.2 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings drawn up to the end of the financial year. A subsidiary is an entity that is controlled by the parent. The results of the subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of the entity, so as to obtain benefits from its activities.

1.3 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 page 1. They are prepared on a going concern basis as the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.4 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.5 Discontinued operations

Discontinued operations are components of the Company that have been disposed of at the reporting date and previously represented a separate major line of business or geographical area of operation.

They are included in the profit and loss account in a separate column for the current and comparative periods, including the gain or loss on sale or impairment loss on abandonment.

1.6 Turnover

Turnover, which arises wholly in the United Kingdom from the Group's principal activity of the retail of vehicles, their maintenance and repair and the supply of related parts and accessories, is the amount derived from the provision of goods and services falling within the company's ordinary activities after deduction of trade discounts and value added tax.

Turnover is recognised in most cases on despatch of vehicles and parts and after service work is completed. In some instances, a customer may pay in full for the vehicle and accept responsibility for it but request that the company retains possession of the vehicle for delivery at a specified later date. Turnover is recognised on these transactions at the point of payment as the company believes that the risks and rewards of ownership have substantially transferred.

Where vehicles are supplied to a leasing company for contract hire purposes and the Group undertakes to repurchase the vehicle at a predetermined amount and date then the significant risks and rewards of ownership are deemed not to have transferred outside the Group and consequently operating lessor accounting is adopted.

The repurchase commitments for the vehicles are held within creditors with the respective asset within fixed assets motor vehicles. The income remaining on the initial transaction with the leasing company is held as deferred income and spread over the period of the agreement.

Notes to the financial Statements

1.7 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest payable and similar expenses

Interest payable and similar expenses include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset/are expensed as incurred

Other interest receivable and similar income

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.8 Employee benefits

Defined contribution plans and other long term employee benefits

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 to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan, the Company operates two defined benefit plans. The entity's net obligation/asset in respect of defined benefit plans is calculated, separately for each plan, by estimating the amount of future benefit that employees have earned in return for their service in prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The entity determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments

The discount rate is the yield at the balance sheet date on AA credit rated bonds and having maturity dates approximating to the terms of the entity's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The entity recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

Share based payments

The Company has two share based payment schemes for management in operation.

The first scheme is based on the performance of the Group against specified targets over a three year period and is part of long term incentive plan. The expense is accrued on a straight line basis over the period of the scheme with the cost being recognised as an employee expense in the profit and loss account with a corresponding movement in accruals. Shares are awarded to the value accrued at the end of the scheme based on the market share price at that time

The second scheme is recognised as an employee expense on a straight line basis in the profit and loss account with a corresponding movement in accruals based on the fair value of options granted. The fair value is measured at grant date and spread over the period during which the employee became entitled to the options (the vesting period). The amount recognised as an expense is adjusted to reflect an estimate of the number of shares or options that are expected to vest. The creditor is adjusted to reflect movement in share price throughout the vesting period with a corresponding movement in equity.

The above scheme's are different only in the way the amount of shares granted are determined. The shares granted via both schemes are subject to the terms of the Penske Automotive Group, Inc 's 2020 Equity Compensation Plan.

Notes to the financial Statements**1.9 Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

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

Deferred tax is provided on timing differences which 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. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.10 Intangible assets, goodwill and negative goodwill**Goodwill**

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Negative goodwill

Negative goodwill arising on business combinations in respect of acquisitions is included on the balance sheet immediately below any positive goodwill and released to the profit and loss account in the periods in which the non-monetary assets arising on the same acquisition are recovered. Any excess exceeding the fair value of non-monetary assets acquired shall be recognised in profit or loss in the periods expected to benefit.

Franchise Value

Franchise value is calculated as the net present value of future revenue generated from holding a franchise including the gross profit on new cars, warranty repairs and franchise parts

Software

Intangible assets are stated at cost less accumulated amortisation. Intangible assets include costs incurred in the development of bespoke computer software.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

| | | |
|---|---|--------------|
| Franchise value | - | 10 years |
| Software | - | 3 to 5 years |
| Goodwill | | |
| For acquisition on or before 31 December 2013 | - | 20 years |
| For acquisitions on or after 1 January 2014 | - | 10 years |

Goodwill and other intangible assets are tested for impairment in accordance with FRS102 Section 27 Impairment of Assets when there is an indication that goodwill or an intangible asset may be impaired.

1.11 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the company.

At the acquisition date, the company recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

FRS 102 section 27 grants certain exemptions from the full requirements of FRS 102 in the transition period. The Company elected not to restate business combinations that took place prior to 1 January 2014. In respect of acquisitions prior to 1 January 2014, goodwill is included on the basis of its deemed cost, which represents the amount recorded under old UK GAAP. Intangible assets previously included in goodwill, are not recognised separately.

Notes to the financial Statements**1.12 Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.7 above.

Where vehicles are supplied to a leasing company for contract hire purposes and the Group undertakes to repurchase the vehicle at a predetermined amount and date then the significant risks and rewards of ownership are deemed not to have transferred outside the Group and consequently operating lessor accounting is adopted

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

| | | |
|---|---|------------------------|
| Freehold land and buildings | - | 50 years |
| Short leasehold land and buildings | - | over lease term |
| Fixtures and equipment and motor vehicles | - | between 3 and 10 years |
| Courtesy vehicles | - | 4 years |
| Motor vehicles held as lessor | - | over lease term |
| Assets under construction | - | Not depreciated |

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.13 Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially recognised at cost and subsequently measured at fair value through profit and loss.

Following changes to FRS102 as issued in December 2017 any properties occupied by Group companies have been reclassified as tangible fixed assets and accounted for using the cost model.

1.14 Stocks

Stocks, excluding vehicle parts stock, are stated at the lower of cost and net realisable value and include interest bearing consignment vehicles. Cost incurred in bringing each product to its present location and condition is based on purchase price less trade discounts. Net realisable value is based on estimated selling price less further costs expected to be incurred to disposal. Provision is made for obsolete, slow-moving or defective items where appropriate

Consignment stock are considered to be under the control of the Company and are included in stock 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 creditors.

Where vehicles are supplied to a leasing company for short term contract hire purposes (of less than one year) and the Group undertakes to repurchase the vehicle at a predetermined amount and date then the significant risks and rewards of ownership are deemed not to have transferred outside the Group. The Group recognises the buyback liability in creditors and the asset as vehicle stock at the agreed repurchase value. As the vehicle repurchased will be a used vehicle the appropriate treatment of Value Added Tax is applied (VAT margin scheme for second hand vehicles).

Vehicle parts stock is stated at average cost.

1.15 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Notes to the financial Statements

1.16 *Impairment excluding stocks and deferred tax assets*

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of goodwill impairment testing, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

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

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed 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.

1.17 *Classification of financial instruments issued by the Company*

In accordance with FRS 10 Section 22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

1.18 *Basic financial instruments*

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognised in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Investments in subsidiaries, jointly controlled entities and associates

Investments in subsidiaries, jointly controlled entities and associates are carried at cost less impairment changes.

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 only of the cash flow statement.

1.19 *Related Party Disclosures*

The company has taken advantage of the exemption available in FRS102 Section 33.1A from disclosing intercompany transactions between two or more members of a group, provided that any subsidiary party to the transaction is a wholly owned member of the group.

1.20 *Vehicle financing*

Stocking loans are financing arrangements provided by various lenders including manufacturers and other third part asset funders. The funding is generally for specific, separately identifiable vehicles which are being held as stock and repayment is required upon sale of the vehicle, based on these factors the Group and Company considers it appropriate that such funding be recognised as creditors

Notes to the financial Statements

2 Acquisitions and new businesses

Acquisitions in the current period

In April 2022, the Group acquired Specialist Cars Holdings Limited, representing three BMW/MINI dealerships in Stevenage, Luton and Tring.

In August 2022, the Group acquired five Mercedes-Benz dealerships and three aftersales facilities in North London

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities

| Acquirees net assets at acquisition date | Specialist Cars Holdings Limited | | | Mercedes Benz North London | | |
|---|----------------------------------|------------------------|----------------------------------|----------------------------|------------------------|----------------------------------|
| | Book value | Fair value adjustments | Recognised values on acquisition | Book value | Fair value adjustments | Recognised values on acquisition |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Tangible fixed assets | 15,683 | (110) | 15,573 | 78,140 | - | 78,140 |
| Stocks | 29,094 | (150) | 28,944 | 34,380 | (180) | 34,200 |
| Trade and other debtors | 8,548 | - | 8,548 | - | - | - |
| Cash | 2,628 | - | 2,628 | - | - | - |
| Interest-bearing loans and borrowings | (3,805) | - | (3,805) | - | - | - |
| Trade and other creditors | (30,435) | (184) | (30,619) | (2,008) | (122) | (2,130) |
| Deferred tax liabilities | (289) | - | (289) | - | - | - |
| Net identifiable assets and liabilities | 21,424 | (444) | 20,980 | 110,512 | (302) | 110,210 |
| Total cost of business combination: | | | | | | |
| Consideration paid: | | | | | | |
| Cash consideration relating to business combination | | | 33,425 | | | 144,212 |
| Costs directly attributable to the business combination | | | 484 | | | 427 |
| Total consideration | | | 33,909 | | | 144,639 |
| Goodwill on acquisition | | | 12,929 | | | 34,429 |

In the year ended 31 December 2022 turnover of £244,286,000 and profit after tax of £3,506,000 was included in the consolidated profit and loss account in respect of the acquisitions above.

Acquisitions in the prior period

On 30 June 2021 the Group acquired the trade and assets of Autoworld Wilenhall, a used car supermarket.

Effect of acquisitions

The acquisition had the following effect on the Group's assets and liabilities.

| Acquirees net assets at acquisition date | Autoworld Wilenhall | | |
|---|---------------------|------------------------|----------------------------------|
| | Book value | Fair value adjustments | Recognised values on acquisition |
| | £000 | £000 | £000 |
| Tangible fixed assets | 2,274 | (11) | 2,263 |
| Stocks | 492 | - | 492 |
| Trade and other creditors | (21) | (25) | (46) |
| Net identifiable assets and liabilities | 2,745 | (36) | 2,709 |
| Total cost of business combination: | | | |
| Consideration paid: | | | |
| Cash consideration relating to business combination | | | 2,746 |
| Costs directly attributable to the business combination | | | 120 |
| Total consideration | | | 2,866 |
| Goodwill on acquisition | | | 157 |

In the year ended 31 December 2021 turnover of £6,439,000 and loss after tax of £322,000 was included in the consolidated profit and loss account in respect of the acquisition above.

During the current year the fair value adjustments made on acquisition were reduced by £25,000 resulting in a decrease in goodwill

Notes to the financial Statements

2 Acquisitions and new businesses (continued)

Discontinued operation

During the current year the Group closed a Volvo dealership in Coventry and used car retail sites in Leicester and Halifax. The Group has not treated the closures as discontinued activities as it is not considered they will result in a material reduction in operating facilities or a material reduction in turnover.

During the prior year the Group disposed of a Mercedes-Benz dealership in Newbury. The net assets disposed, including goodwill, amounted to £2,898,000, the Group made a loss on disposal of £46,000. The Group has not treated the closure as a discontinued activity as the disposal did not result in a material reduction in operating facilities or a material reduction in turnover

3 Turnover

The Group's turnover is derived in the United Kingdom from the Company's principal activity that being the retail of vehicles, their maintenance and repair and the supply of related parts and accessories

| | 2022 £000 | 2021 £000 |
|--------------------------------|------------------|------------------|
| Sales of new and used vehicles | 6,335,654 | 5,389,105 |
| Aftersales | 498,054 | 408,626 |
| | 6,833,708 | 5,797,731 |

4 Expenses and auditor's remuneration

| | 2022 £000 | 2021 £000 |
|---|--------------|--------------|
| Profit on ordinary activities before taxation is arrived at after charging: | | |
| Depreciation (note 11) | 42,734 | 38,567 |
| Amortisation of goodwill and other intangibles (note 10) | 21,926 | 20,153 |
| Operating lease rentals | 48,374 | 45,112 |
| Auditors' remuneration | | |
| Audit of these financial statements | 150 | 150 |
| Audit of financial statements of subsidiaries pursuant to legislation | 515 | 465 |
| Other services pursuant to such legislation | 35 | 35 |

Amortisation and impairment of goodwill and other intangibles is included in Administrative expenses.

5 Staff numbers and costs

The average monthly number of persons employed by the Group (including directors) during the year was as follows:

| | Group Number of employees | | Company Number of employees | |
|------------------------|------------------------------|--------------|--------------------------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| Workshop staff | 4,828 | 4,309 | - | - |
| Sales and distribution | 3,173 | 2,844 | - | - |
| Administration | 2,187 | 2,002 | 763 | 674 |
| | 10,188 | 9,155 | 763 | 674 |

The aggregate payroll costs to the Group for these persons were as follows:

| | £000 | £000 |
|--|----------------|----------------|
| Wages and salaries | 400,408 | 358,325 |
| Share based payments | 3,801 | 2,714 |
| Social security costs | 44,763 | 39,661 |
| Contributions to defined contribution plan | 12,012 | 12,285 |
| (Income)/expenses related to defined benefit plans | (80) | 75 |
| | 460,904 | 413,060 |

Notes to the financial Statements

6 Remuneration of directors

| | 2022 £000 | 2021 £000 |
|---|---------------|--------------|
| Directors' emoluments for services | 4,238 | 4,770 |
| Pension contributions | 8 | 8 |
| | <hr/> | <hr/> |
| Remuneration of the highest paid director (excluding pension contributions) | 2,372 | 2,692 |
| Pension contributions of the highest paid director | 4 | 4 |
| | <hr/> | <hr/> |
| | Number | |
| Number of directors who are members of the money purchase pension scheme | 2 | 2 |
| | <hr/> | <hr/> |
| The number of directors (including the highest paid director) in respect of whose services shares were received or receivable under long term incentive schemes was | 3 | 3 |
| | <hr/> | <hr/> |

RH Kurnick is remunerated by Penske Automotive Group, Inc., a company registered in Delaware, USA, J Werner is remunerated by Penske Automotive Europe GmbH, a company registered in Germany. The remuneration of RH Kurnick and J Werner is not included in the above analysis, the Company and its subsidiaries have not been charged for their services.

The remuneration of RH Kurnick is disclosed in the financial statements of Penske Automotive Group, Inc..

7 Other interest receivable and similar income

| | 2022 £000 | 2021 £000 |
|--------------------------------------|--------------|--------------|
| Net interest on pension scheme asset | 80 | - |
| | <hr/> | <hr/> |

8 Interest payable and similar expenses

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| Stocking loan interest | 15,436 | 6,792 |
| Bank loans and overdrafts | 3,616 | 2,300 |
| Net interest on pension scheme obligations | - | 75 |
| Other interest | 145 | 101 |
| | <hr/> | <hr/> |
| | 19,197 | 9,268 |
| | <hr/> | <hr/> |

Notes to the financial Statements

9 Tax on profit

Analysis of charge/(credit) in year

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| <i>Current tax</i> | | |
| Current tax on income for the year | 34,392 | 35,207 |
| Adjustment in respect of previous years | (1,090) | (482) |
| Total current tax | 33,302 | 34,725 |
| <i>Deferred tax</i> | | |
| Origination/reversal of timing differences | 4,220 | 2,811 |
| Adjustment in respect of prior periods | (31) | 35 |
| Effect of change in tax rate | 1,309 | 4,083 |
| Total deferred tax | 5,498 | 6,929 |
| Tax on profit | 38,800 | 41,654 |

| | Current tax £000 | Deferred tax 2022 £000 | Total tax £000 | Current tax £000 | Deferred tax 2021 £000 | Total tax £000 |
|--|---------------------|------------------------------|-------------------|---------------------|------------------------------|-------------------|
| Recognised in profit and loss account | 33,302 | 5,498 | 38,800 | 34,725 | 6,929 | 41,654 |
| Recognised in other comprehensive income | - | (1,223) | (1,223) | - | 1,309 | 1,309 |
| Total tax | 33,302 | 4,275 | 37,577 | 34,725 | 8,238 | 42,963 |
| <i>Reconciliation of effective tax rate</i> | | | | | | |
| Profit/(loss) before taxation | | | | | 178,993 | 178,128 |
| Tax using the UK corporation tax rate of 19% (2021: 19%) | | | | | 34,009 | 33,844 |
| <i>Effects of:</i> | | | | | | |
| Change in tax rate on deferred tax balances | | | | | 1,309 | 4,039 |
| Expenses not deductible for tax purposes | | | | | 5,537 | 6,211 |
| Tax exempt revenues | | | | | (934) | (1,995) |
| (Over) provided in prior years | | | | | (1,121) | (445) |
| Total tax charge (see above) | | | | | 38,800 | 41,654 |

Factors that may affect future current and total tax charges

The UK corporation tax rate of 19% has been effective since 1 April 2017. An increase in the UK corporation tax rate from 19% to 25% (effective from 1 April 2023) was substantively enacted on 24 May 2021. Deferred tax balances at 31 December 2022 and at 31 December 2021 are measured at a rate of 25%.

Due to the mature and stable nature of the company's business, we do not expect the gross value of the deferred tax assets and liabilities to materially change during the year ended 31 December 2023.

10 Intangible fixed assets

| Group | Goodwill £000 | Franchise Value £000 | Software £000 | Total £000 |
|------------------------|------------------|----------------------------|------------------|---------------|
| <i>Cost</i> | | | | |
| At beginning of year | 297,547 | 954 | 90 | 298,591 |
| Additions (see note 2) | 47,335 | - | - | 47,335 |
| Disposal | - | - | (90) | (90) |
| At end of year | 344,882 | 954 | - | 345,836 |
| <i>Amortisation</i> | | | | |
| At beginning of year | 190,258 | 429 | 90 | 190,777 |
| Charge for the year | 21,831 | 95 | - | 21,926 |
| Disposal | - | - | (90) | (90) |
| At end of year | 212,089 | 524 | - | 212,613 |
| <i>Net book value</i> | | | | |
| At 31 December 2022 | 132,793 | 430 | - | 133,223 |
| At 31 December 2021 | 107,289 | 525 | - | 107,814 |

Notes to the financial Statements

11 Tangible fixed assets

| Group | Freehold land and buildings | Short leasehold land and buildings | Fixtures and equipment | Motor vehicles | Total |
|---------------------------|-----------------------------------|---|------------------------------|-------------------|----------|
| | £000 | £000 | £000 | £000 | £000 |
| Cost | | | | | |
| At beginning of year | 336,427 | 112,665 | 181,443 | 71,354 | 701,889 |
| Acquired (see note 2) | 84,200 | 3,745 | 10,565 | 168 | 98,678 |
| Additions | 41,453 | 19,870 | 24,322 | 37,594 | 123,239 |
| Disposals | (4,416) | (14,470) | (8,377) | (23,252) | (50,515) |
| Reclassification/transfer | (10,365) | 9,528 | 837 | - | - |
| At end of year | 447,299 | 131,338 | 208,790 | 85,864 | 873,291 |
| Depreciation | | | | | |
| At beginning of year | 29,177 | 34,822 | 109,317 | 20,656 | 193,972 |
| Acquired (see note 2) | | 597 | 4,227 | 141 | 4,965 |
| Charge for year | 4,437 | 5,293 | 18,483 | 14,521 | 42,734 |
| Disposals | (1,219) | (763) | (7,097) | (13,508) | (22,587) |
| At end of year | 32,395 | 39,949 | 124,930 | 21,810 | 219,084 |
| Net book value | | | | | |
| At 31 December 2022 | 414,904 | 91,389 | 83,860 | 64,054 | 654,207 |
| At 31 December 2021 | 307,250 | 77,843 | 72,126 | 50,698 | 507,917 |

Included within freehold land and buildings is £182,757,000 (2021: £108,401,000) of land which is not depreciated.

Included in cost are assets under the course of construction which are not depreciated as follows:

| | 2022 £000 | 2021 £000 |
|------------------------------------|--------------|--------------|
| Freehold land and buildings | 26,418 | 21,830 |
| Short leasehold land and buildings | 24,495 | 27,134 |
| Fixtures and equipment | 5,233 | 3,035 |

Included in tangible fixed assets are assets with a net book value of £111,858,000 (2021: £37,586,000) which are held as security by way of a fixed charge in favour of bank loans, see note 17.

| Company | Freehold land and buildings | Short leasehold land and buildings | Fixtures and equipment | Motor vehicles | Total |
|---------------------------|-----------------------------------|---|------------------------------|-------------------|---------|
| | £000 | £000 | £000 | £000 | £000 |
| Cost | | | | | |
| At beginning of year | 10,685 | 3,455 | 15,401 | 3,291 | 32,832 |
| Additions | 9,405 | 69 | 1,961 | 1,992 | 13,427 |
| Disposals | - | (73) | (736) | (1,018) | (1,827) |
| Reclassification/transfer | 271 | (75) | 75 | - | 271 |
| At end of year | 20,361 | 3,376 | 16,701 | 4,265 | 44,703 |
| Depreciation | | | | | |
| At beginning of year | 304 | 586 | 10,095 | 1,223 | 12,208 |
| Charge for year | 114 | 278 | 2,489 | 917 | 3,798 |
| Disposals | - | - | (564) | (743) | (1,307) |
| Reclassification/transfer | - | (3) | 3 | - | - |
| At end of year | 418 | 861 | 12,023 | 1,397 | 14,699 |
| Net book value | | | | | |
| At 31 December 2022 | 19,943 | 2,515 | 4,678 | 2,868 | 30,004 |
| At 31 December 2021 | 10,381 | 2,869 | 5,306 | 2,068 | 20,624 |

Included within freehold land and buildings is £11,029,000 (2021: £7,528,000) of land which is not depreciated.

Included in cost are assets under the course of construction which are not depreciated as follows:

| | 2022 £000 | 2021 £000 |
|------------------------------------|--------------|--------------|
| Freehold land and buildings | 997 | 292 |
| Short leasehold land and buildings | - | 513 |

Notes to the financial Statements

12 Fixed asset investments Company

Shares in group
undertakings
£000

Cost

| | |
|----------------------|---------|
| At beginning of year | 375,222 |
| Acquisition | 34,091 |
| At end of year | 409,313 |

Provision

| | |
|----------------------|--------|
| At beginning of year | 86,120 |
| At end of year | 86,120 |

Net book value

| | |
|---------------------|---------|
| At 31 December 2022 | 323,193 |
| At 31 December 2021 | 289,102 |

During the year the Company acquired 100% of the issued share capital of Specialist Cars Holdings Limited for £34,091,000. Specialist Cars Holdings Limited is a holding company which in turn owns 100% of the issued share capital of Specialist Cars Limited, Specialist Cars Tring Limited, Ivor Holmes Limited and Specialist Cars Property (Stevenage) Limited

The company has the following subsidiary undertakings:

| Company Name | Country of incorporation | Registered number | Activity | Class of shares held | Proportion held % |
|---------------------------------------|--------------------------|-------------------|-------------------------------------|----------------------|-------------------|
| Agnew Autoexchange Limited | Northern Ireland | NI012734 | SEAT Dealership | Ordinary | 100 |
| Agnew Commercials Limited | Northern Ireland | NI013173 | Mercedes-Benz dealerships | Ordinary | 100 |
| Agnew Leasing Limited | Northern Ireland | NI011916 | Corporate vehicle sales | Ordinary | 100 |
| Agnew Retail Limited (2) | Northern Ireland | NI610593 | Intermediate Holding Company | Ordinary | 100 |
| Ascot Garage Company Limited (1) | England | 582473 | Dormant | Ordinary | 100 |
| Automotive Strategy Limited (1) | England | 3554765 | Dormant | Ordinary | 100 |
| Bavarian Garages (N.I.) Limited (1) | Northern Ireland | NI013932 | Dormant | Ordinary | 100 |
| Car Shops Limited (2) | England | 5331512 | Used car supermarket operator | Ordinary | 100 |
| Central Garage (Surrey) Limited (1) | England | 359696 | Dormant | Ordinary | 100 |
| Cruickshank Motors Limited | England | 1837492 | Mercedes-Benz dealerships | Ordinary | 100 |
| Edmond & Milburn Limited (1) | England | 3008457 | Dormant | Ordinary | 100 |
| FW Mays & Co Limited (1) | England | 926676 | Dormant | Ordinary | 100 |
| Goodman Derby Limited (1) | England | 6514539 | Dormant | Ordinary | 100 |
| Goodman Retail Limited | England | 3097514 | Volkswagen and Audi dealerships | Ordinary | 100 |
| Goodman TPS Limited (2) | England | 6821483 | VW Parts business | Ordinary | 100 |
| Graypaul Motors Limited | England | 3079284 | Ferrari and Maserati dealerships | Ordinary | 100 |
| Guy Salmon Limited (1) | England | 3547864 | Dormant | Ordinary | 100 |
| IAPCB Limited | Northern Ireland | NI020068 | Porsche dealership | Ordinary | 100 |
| Isaac Agnew (Holdings) Limited (2) | Northern Ireland | NI000668 | Intermediate Holding Company | Ordinary | 100 |
| Isaac Agnew (Mallusk) Limited (1) | Northern Ireland | NI014730 | Dormant | Ordinary | 100 |
| Isaac Agnew Limited | Northern Ireland | NI010842 | Audi, VW, BMW & Mini dealerships | Ordinary | 100 |
| Ivor Holmes Limited (2) | England | 645538 | Dormant | Ordinary | 100 |
| Leslie H. Trainer and Son Limited (2) | England | 1140490 | Dormant | Ordinary | 100 |
| Mar Parts Limited (1) | England | 827692 | Dormant | Ordinary | 100 |
| Maranello Concessionaires Ltd (2) | England | 655104 | Ferrari Parts business | Ordinary | 100 |
| Maranello Holdings Limited (2) | England | 2001186 | Dormant | Ordinary | 100 |
| Maranello Sales Limited (1) | England | 1443371 | Dormant | Ordinary | 100 |
| Michael Powles Limited (1) | England | 2726631 | Dormant | Ordinary | 100 |
| Minden Limited (1) | England | 1139205 | Dormant | Ordinary | 100 |
| Oxford Mazda Limited (1) | England | 1514496 | Dormant | Ordinary | 100 |
| Prophets (Gerrards Cross) Limited (1) | England | 2170064 | Dormant | Ordinary | 100 |
| Quad Finance Limited (1) | England | 1088907 | Dormant | Ordinary | 100 |
| R Stratton & Co Limited | England | 2696872 | Rolls Royce and Bentley dealerships | Ordinary | 100 |
| Ryburn Cars Limited (1) | England | 1904979 | Dormant | Ordinary | 100 |
| Rycar Limited (1) | England | 2590871 | Dormant | Ordinary | 100 |
| Rycom Vehicles Limited (1) | England | 2788408 | Dormant | Ordinary | 100 |
| Rycroft Vehicles Limited (1) | England | 248481 | Dormant | Ordinary | 100 |
| Rydale Cardiff Limited (1) | England | 3469376 | Dormant | Ordinary | 100 |
| Rydnal Limited (1) | England | 4814756 | Dormant | Ordinary | 100 |
| Ryland Cars Limited (1) | England | 3117861 | Dormant | Ordinary | 100 |
| Ryland Group Limited (1) | England | 4813103 | Dormant | Ordinary | 100 |
| Ryland Group Services Limited (1) | England | 1356615 | Dormant | Ordinary | 100 |
| Ryland Investments Limited (1) | England | 491856 | Dormant | Ordinary | 100 |
| Ryland Leasing Limited (1) | England | 2385853 | Dormant | Ordinary | 100 |
| Ryland Properties Limited (1) | England | 2286173 | Dormant | Ordinary | 100 |
| Ryland Vehicles Limited (1) | England | 662475 | Dormant | Ordinary | 100 |

Notes to the financial Statements**12 Fixed asset investments (continued)**

| Company Name | Country of incorporation | Registered number | Activity | Class of shares held | Proportion held % |
|--|--------------------------|-------------------|-----------------------------------|----------------------|-------------------|
| Sunningdale Carriage Co Limited (1) | England | 1088735 | Dormant | Ordinary | 100 |
| Specialist Cars Holdings Limited (2) | England | 6047964 | Dormant | Ordinary | 100 |
| Specialist Cars Limited (2) | England | 2816408 | Dormant | Ordinary | 100 |
| Specialist Cars Property (Stevenage) Limited (2) | England | 6051799 | Dormant | Ordinary | 100 |
| Specialist Cars Tring Limited (2) | England | 6572230 | Dormant | Ordinary | 100 |
| Sytner Automotive Limited (1) | England | 1979805 | Dormant | Ordinary | 100 |
| Sytner Carshop Limited (1) | England | 2014007 | Dormant | Ordinary | 100 |
| Sytner Cars Limited | England | 2832086 | Porsche dealerships | Ordinary | 100 |
| Sytner Direct Limited (1) | England | 3574420 | Dormant | Ordinary | 100 |
| Sytner Finance Limited (1) | England | 2344678 | Dormant | Ordinary | 100 |
| Sytner Holdings Limited (1) | England | 2681878 | Dormant | Ordinary | 100 |
| Sytner Limited | England | 813696 | BMW and Rolls Royce dealerships | Ordinary | 100 |
| Sytner London Limited (1) | England | 2383590 | Dormant | Ordinary | 100 |
| Sytner Motability Limited (1) | England | 7089922 | Dormant | Ordinary | 100 |
| Sytner Properties (Grove Park) Limited (1) | England | 5171962 | Dormant | Ordinary | 100 |
| Sytner Properties Limited (1) | England | 3611990 | Dormant | Ordinary | 100 |
| Sytner Retail Limited (1) | England | 833930 | Dormant | Ordinary | 100 |
| Sytner Sheffield Limited (1) | England | 264809 | Dormant | Ordinary | 100 |
| Sytner Vehicles Limited | England | 3574418 | Jaguar and Land Rover dealerships | Ordinary | 100 |
| The Car People Limited (2) | England | 3743283 | Dormant | Ordinary | 100 |
| Thomson & Taylor (Brooklands) Limited (1) | England | 1121388 | Dormant | Ordinary | 100 |
| Trade Parts Specialist (NI) Limited (2) | Northern Ireland | NI064523 | Volkswagen parts business | Ordinary | 100 |
| Trainer (Holdings) Limited (2) | England | 8745259 | Intermediate Holding Company | Ordinary | 100 |
| William Jacks Limited (1) | England | 215293 | Dormant | Ordinary | 100 |
| William Jacks Properties Limited (1) | England | 1120920 | Dormant | Ordinary | 100 |
| William Jacks Services Limited (1) | England | 1576842 | Dormant | Ordinary | 100 |
| Zycor 17 Limited (1) | England | 3297708 | Dormant | Ordinary | 100 |
| Zycor 18 Limited (1) | England | 3824364 | Dormant | Ordinary | 100 |

The registered address for all companies incorporated in England is 2 Penman Way, Grove Park, Enderby, Leicester, LE19 1ST

The registered address for all companies incorporated in Northern Ireland is 18 Boucher Way, Belfast, BT12 6RE

(1) For the year ending 31 December 2022 the company has taken exemption from audit under section 480 of the Companies Act 2006 relating to dormant companies.

(2) For the year ending 31 December 2022 the Company has taken exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. As required under section 479C of the Companies Act 2006, Sytner Group Limited guarantees all outstanding liabilities to which the subsidiary companies are subject.

13 Stocks

| | Group | | Company | |
|---------------------|------------------|----------------|--------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| | £000 | £000 | £000 | £000 |
| Vehicles for resale | 857,053 | 739,817 | - | - |
| Consignment stock | 215,273 | 110,490 | - | - |
| Parts | 37,911 | 24,404 | 1,050 | 485 |
| | 1,110,237 | 874,711 | 1,050 | 485 |

Vehicles for resale are pledged as security for stocking loans managed under a group facility.

The replacement cost of stocks is not materially different from the value stated above

14 Debtors

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| | £000 | £000 | £000 | £000 |
| Trade debtors | 137,333 | 96,829 | 3,678 | 10,147 |
| Amounts owed by immediate parent company | 529 | - | 529 | - |
| Amounts owed by subsidiary undertakings | - | - | 169,209 | 184,340 |
| Other debtors | 52,231 | 32,350 | 14,482 | 14,948 |
| Deferred tax asset (note 18) | - | - | 808 | 481 |
| Prepayments and accrued income | 22,564 | 20,754 | 3,482 | 4,157 |
| Corporation tax receivable | - | - | 30,685 | 14,401 |
| | 212,657 | 149,933 | 222,873 | 228,474 |

Amounts owed by immediate parent company and subsidiary undertakings are unsecured, interest free and repayable on demand, they do not have a fixed repayment date.

Notes to the financial Statements

15 Creditors: amounts falling due within one year

| | Group | | Company | |
|--|------------------|------------------|----------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| | £000 | £000 | £000 | £000 |
| Bank loans and overdrafts (note 17) | 288,368 | 242,713 | 86,583 | 61,623 |
| Stocking loans | 603,080 | 574,255 | 318,993 | 294,913 |
| Consignment stock liabilities | 240,150 | 123,395 | - | - |
| Amounts owed to immediate parent undertaking | - | 160 | - | 160 |
| Trade creditors | 209,593 | 125,047 | 27,235 | 23,535 |
| Corporation tax payable | 1,502 | 4,116 | 870 | 3,485 |
| Other taxes and social security | 20,988 | 30,761 | 1,395 | 1,928 |
| Other creditors | 132,172 | 112,384 | 8,236 | 8,145 |
| Buy back liabilities | 73,294 | 45,458 | - | - |
| Accruals and deferred income | 83,496 | 77,782 | 32,792 | 28,772 |
| | 1,652,643 | 1,336,071 | 476,104 | 422,561 |

The stocking loans are secured on the vehicles to which they relate and bear interest related to Finance House base rates. Amounts owed to immediate parent company and subsidiary undertakings are unsecured, interest free and repayable on demand, they do not have a fixed repayment date.

16 Creditors: Amounts falling due after more than one year

| | Group | | Company | |
|------------------------------|----------------|---------------|--------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| | £000 | £000 | £000 | £000 |
| Buy back liabilities | 25,337 | 18,716 | - | - |
| Accruals and deferred income | 18,444 | 16,286 | 6,013 | 5,794 |
| Bank loans (note 17) | 76,967 | 24,881 | - | - |
| | 120,748 | 59,883 | 6,013 | 5,794 |

17 Total borrowings

| | Group | | Company | |
|-----------------------------------|----------------|----------------|---------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| | £000 | £000 | £000 | £000 |
| Due within one year or on demand: | | | | |
| Bank loans | 5,395 | 4,526 | - | - |
| Revolving credit facility | 20,000 | - | 20,000 | - |
| Bank overdraft | 262,973 | 238,187 | 66,583 | 61,623 |
| | 288,368 | 242,713 | 86,583 | 61,623 |
| Due between one and two years: | | | | |
| Bank loans | 4,388 | 1,526 | - | - |
| | 4,388 | 1,526 | - | - |
| Due between two and five years: | | | | |
| Bank loans | 13,183 | 4,583 | - | - |
| | 13,183 | 4,583 | - | - |
| Due after five years: | | | | |
| Bank loans | 59,396 | 18,772 | - | - |
| | 59,396 | 18,772 | - | - |
| | 365,335 | 267,594 | 86,583 | 61,623 |

The overdraft and revolving credit facility are secured by fixed and floating charges over the assets of the Group. The bank overdraft bears interest at 1.75% over UK base rate. The revolving credit facility bears interest at a variable rate of between 1.1% and 2.1% over SONIA. The facility was amended during the year to increase the total revolving credit and overdraft facility to £200,000,000.

The bank loans includes 3 mortgages which are secured on the property to which they relate and an unsecured cash flow loan. The first mortgage, which was drawn down in December 2017, bears a fixed interest rate of 4.1% for the first ten years and variable thereafter, capital repayments of £79,500 are payable each calendar month until June 2038. The second mortgage, which was drawn down in December 2019, bears a fixed interest rate of 3.85% for the first ten years and variable thereafter, capital repayments of £48,620 are payable each calendar month until June 2040. The third mortgage was drawn down in September 2022, the mortgage bears a fixed interest rate of 4.45% for the first five years and 4% plus Bank of England base rate thereafter, capital repayments of £715,000 are payable quarterly until September 2042.

The cash flow loan does not bear interest and is repayable on demand

Notes to the financial Statements

18 Deferred tax (assets) and liabilities

| | Group 2022 | Company 2022 |
|--|---------------|-----------------|
| Balance at 1 January 2022 | 17,859 | (481) |
| Charge to profit and loss account and other comprehensive income | 4,275 | (327) |
| Business combinations (note 2) | 289 | - |
| Balance at 31 December 2022 | 22,423 | (808) |

Deferred tax assets and liabilities are attributable to the following:

| Group | Assets | | Liabilities | | Net | |
|--------------------------------|---------|---------|-------------|--------|---------|---------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Accelerated capital allowances | (158) | (257) | 17,429 | 12,508 | 17,271 | 12,251 |
| Employee benefits | (1,137) | (1,160) | - | - | (1,137) | (1,160) |
| Other timing differences | (335) | 64 | 6,624 | 6,704 | 6,289 | 6,768 |
| Tax (assets) / liabilities | (1,630) | (1,353) | 24,053 | 19,212 | 22,423 | 17,859 |

| Company | Assets | | Liabilities | | Net | |
|--------------------------------|---------|---------|-------------|------|---------|---------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Accelerated capital allowances | (75) | (109) | - | - | (75) | (109) |
| Employee benefits | (1,013) | (1,106) | - | - | (1,013) | (1,106) |
| Other timing differences | 280 | - | - | 734 | 280 | 734 |
| Tax (assets) / liabilities | (808) | (1,215) | - | 734 | (808) | (481) |

Included in other timing differences is a provision for deferred tax liability on rollover gains of £5,044,000 (2021: £5,044,000).

There are no assets on which deferred tax has not been recognised. The company does not anticipate any material reversal of the deferred tax liability above. Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where the asset and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity in the Company.

19 Employee benefits - Pensions

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company. Contributions to the scheme are charged to the profit and loss account in the year they are incurred.

The total expense charged to profit or loss in the year ended 31 December 2022 was £12,012,000 (2021: £12,285,000). Outstanding contributions at the end of the financial year were £1,877,000 (2021: £1,617,000).

In addition to the defined contribution scheme detailed above Sytner Group Limited operates two defined benefit pension arrangements called the William Jacks Plc Retirement Benefits Scheme ("William Jacks") and the Ryland Group Services Pension Plan ("Ryland"). The schemes provide benefits based on final salary and length of service on retirement, leaving service or death.

The William Jacks and Ryland schemes are subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the schemes is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process the Company must agree with the trustees of the schemes the contributions to be paid to address any shortfall against the Statutory Funding Objective.

Based on the contribution schedule currently in force for the Scheme, the Company expects to contribute £1,320,000 to William Jacks and £1,680,000 to Ryland during the 12 months following the Review Date.

The most recent comprehensive actuarial valuation of the schemes was carried out as at 31 March 2020. The results of the valuation dated 31 March 2020 were updated by a qualified actuary to 31 December 2022 allowing for cash flows in and out of the schemes and changes to assumptions over the period.

| | William Jacks £000 | Ryland £000 | Total £000 |
|--------------------------------------|-----------------------|----------------|---------------|
| Net pension (liability)/asset | | | |
| Defined benefit obligation | (16,357) | (22,700) | (39,057) |
| Plan assets | 16,793 | 23,393 | 40,186 |
| Net pension asset/(liability) | 436 | 693 | 1,129 |

Notes to the financial Statements

19 Employee benefits - Pensions (continued)

| | William Jacks £000 | Ryland £000 | Total £000 |
|---|-----------------------|----------------|---------------|
| Movements in present value of defined benefit obligation | | | |
| At 1 January 2022 | 23,594 | 31,833 | 55,427 |
| Interest expense | 418 | 559 | 977 |
| Benefits paid | (776) | (1,570) | (2,346) |
| Experience loss on liabilities | 2 | 280 | 282 |
| Changes to demographic assumptions | (14) | (21) | (35) |
| Changes to financial assumptions | (6,867) | (8,381) | (15,248) |
| At 31 December 2022 | 16,357 | 22,700 | 39,057 |

Movements in fair value of plan assets

| | | | |
|---|---------------|---------------|---------------|
| At 1 January 2022 | 24,598 | 33,770 | 58,368 |
| Interest income | 448 | 609 | 1,057 |
| Remeasurement: return on plan assets less interest income | (8,797) | (11,096) | (19,893) |
| Contributions by employer | 1,320 | 1,680 | 3,000 |
| Benefits paid | (776) | (1,570) | (2,346) |
| At 31 December 2022 | 16,793 | 23,393 | 40,186 |

Expense recognised in the profit and loss account

| | William Jacks | | Ryland | | Total | |
|---|---------------|--------------|--------------|--------------|--------------|--------------|
| | 2022 £000 | 2021 £000 | 2022 £000 | 2021 £000 | 2022 £000 | 2021 £000 |
| Current service cost | - | - | - | - | - | - |
| Net interest on net defined benefit liability | (30) | 37 | (50) | 38 | (80) | 75 |
| Total expense recognised in profit or loss | (30) | 37 | (50) | 38 | (80) | 75 |

The fair value of the plan assets and the return on those assets were as follows:

| | William Jacks | | Ryland | | Total | |
|--|----------------|---------------|-----------------|---------------|-----------------|---------------|
| | 2022 £000 | 2021 £000 | 2022 £000 | 2021 £000 | 2022 £000 | 2021 £000 |
| Fair value | | | | | | |
| Growth | - | 8,352 | - | 11,332 | - | 19,684 |
| LDI portfolio | 12,529 | 10,258 | 17,395 | 13,835 | 29,924 | 24,093 |
| Corporate bonds | 3,928 | 5,930 | 5,317 | 8,029 | 9,245 | 13,959 |
| Index linked bonds and insured annuities | - | - | 227 | 294 | 227 | 294 |
| Cash and net current liabilities | 336 | 58 | 454 | 280 | 790 | 338 |
| | 16,793 | 24,598 | 23,393 | 33,770 | 40,186 | 58,368 |
| Actual return on plan assets | (8,349) | 1,085 | (10,487) | 1,510 | (18,836) | 2,595 |
| Long term expected rate of return | % | % | % | % | | |
| Growth | 8.05 | 5.15 | 8.05 | 5.15 | | |
| LDI portfolio | 4.05 | 1.15 | 4.05 | 1.15 | | |
| Corporate bonds | 4.80 | 1.80 | 4.80 | 1.80 | | |
| Index linked bonds and insured annuities | 4.80 | 1.80 | 4.80 | 1.80 | | |
| Cash and net current liabilities | 4.05 | 1.15 | 4.05 | 1.15 | | |

The assets do not include any investment in shares of the company or its subsidiaries. The fair value of the Scheme's assets does not include any property investment that is occupied by the company or any of its subsidiaries.

Notes to the financial Statements**19 Employee benefits - Pensions (continued)**

Principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

| | William Jacks | | Ryland | |
|---------------------------------------|---|--|---|--|
| | 2022 | 2021 | 2022 | 2021 |
| | % | % | % | % |
| Discount rate | 4.80 | 1.80 | 4.80 | 1.80 |
| Inflation assumption (RPI) | 3.45 | 3.65 | 3.45 | 3.65 |
| Inflation assumption (CPI) | 3.05 | 3.20 | 3.05 | 3.20 |
| Pension increases | | | | |
| RPI max 5% pa | 3.30 | 3.50 | 3.30 | 3.50 |
| CPI max 3% pa | 2.45 | 2.50 | 2.45 | 2.50 |
| | S3NA tables with CMI 2021 projections using a long-term improvement rate of | S3NA tables with CMI 2020 projections (with a 0% '2020 weighting' parameter) using a long-term improvement rate of | S3NA tables with CMI 2021 projections using a long-term improvement rate of | S3NA tables with CMI 2020 projections (with a 0% '2020 weighting' parameter) using a long-term improvement rate of |
| Post retirement mortality assumptions | 1.25% pa | 1.25% p.a. with 0% initial addition and the core smoothing parameter | 1.25% pa | 1.25% p.a. with 0% initial addition and the core smoothing parameter |

The latest full actuarial valuation carried out for both schemes was as at 31 March 2020 and these were updated for FRS102 purposes to 31 December 2022 by a qualified independent actuary.

20 Employee benefits - Share Schemes

Certain employees in managerial roles in the Group are eligible to receive share based payments pursuant to the terms of the Penske Automotive Group, Inc.'s 2020 Equity Incentive Plan.

The plan (referred to as restricted stock) is a long term incentive plan for senior managers. The cost is recognised as an employee expense on a straight line basis in the profit and loss account with a corresponding movement in accruals based on the fair value of restricted stock granted. The fair value is measured at grant date and spread over the period during which the employee became entitled to the restricted stock (the vesting period). The amount recognised as an expense is adjusted to reflect an estimate of the number of shares that are expected to vest. The creditor is adjusted to reflect movement in share price throughout the vesting period with a corresponding movement in equity. At 31 December 2022 the outstanding creditor was £7,921,000 (2021: £6,214,000).

During the year, Penske Automotive Group, Inc. granted 56,336 shares with a market value on grant date of £4,167,000 (2021: 92,382 shares with a market value on grant date of £4,392,000) of restricted stock. The non-vested shares entitle the participants to vote and receive dividends. However, the shares are subject to forfeiture and are non-transferable, with restrictions over a four year period from the grant date. A participant shall forfeit any restricted awards not vested should they cease to be employed. The shares vest over a four year period commencing on 1 June in the year following the grant date as follows; year 1 - 15%, year 2 - 15%, year 3 - 20%, year 4 - 50%.

The total charge to the profit and loss account in respect of restricted stock in the year was £4,326,000 (2021: £2,647,000). This charge was included in administrative expenses. In addition a charge was made through equity of £3,807,000 (2021: £4,717,000) in relation to movements in restricted stock price.

21 Called up share capital

| | 2022 | 2021 |
|--|--------------|--------------|
| | £000 | £000 |
| <i>Allotted, called up and fully paid:</i> | | |
| 27,240,197 ordinary shares of 10p each | 2,724 | 2,724 |

The shares have attached to them full voting rights, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

22 Dividends

| | 2022 | 2021 |
|---|---------------|---------------|
| | £000 | £000 |
| Ordinary shares of 10p each - Interim dividends | 33,000 | 82,000 |

Notes to the financial Statements

23 Financial commitments

Operating leases

Group

Non-cancellable operating lease rentals are payable as follows:

| | 2022 £000 | 2021 £000 |
|----------------------------|----------------|----------------|
| Expiry date: | | |
| Within one year | 49,625 | 45,067 |
| Between one and five years | 167,635 | 158,025 |
| After five years | 406,422 | 407,335 |
| | 623,682 | 610,427 |

Operating leases

Company

Non-cancellable operating lease rentals are payable as follows:

| | 2022 £000 | 2021 £000 |
|----------------------------|---------------|---------------|
| Expiry date: | | |
| Within one year | 4,230 | 3,365 |
| Between one and five years | 9,004 | 10,685 |
| After five years | 22,442 | 15,700 |
| | 35,676 | 29,750 |

24 Accounting estimates and judgements

In the application of the Group's accounting policies, which are described in note 1, the directors are required to make judgements (other than those involving estimations) that may have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

There are no critical judgements to disclose.

Key sources of estimation uncertainty

Goodwill and other intangibles (see note 10)

The Group reviews goodwill and other intangibles for indicators of impairment as discussed in the respective accounting policy in note 1. The identification and calculation of impairment requires management to calculate the net realisable value of the goodwill or intangible, typically using the discounted cash flow method, based on a number of assumptions.

Key sources of estimation uncertainty include estimation of future cash flows and trading performance over the used car supermarket division goodwill and investment balances, with goodwill holding a carrying amount of £52.7m (in the consolidated balance sheet) and an investment carrying amount of £169.9m (in the company balance sheet) supported by future forecasted cash flows, a discount rate of 10.42% as well as sensitivity to apply based on known or anticipated market conditions and the continued recovery of the used car supermarket division. Whilst the assumptions used are considered appropriate, future events could result in those assumptions needing to be revised and a change in outcome.

Deferred tax (see note 18)

Determining income tax provisions involves an assessment of the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used and on temporary differences where it is probable that there will be taxable revenue against which these can be offset. Management has made estimations as to the probability of future taxable revenues being generated against which tax losses will be available for offset.

Stocks (see note 13)

The assessment of the net realisable value of stocks utilises market knowledge and history of recent activity, whilst this is deemed to be appropriate it is possible that ultimate sales return will vary from those assumed.

Leased vehicles

The group has entered into lease agreements with third parties to repurchase vehicles for a specified value at a predetermined date. The Group monitors the repurchase value against the fair value using market knowledge and history of recent activity and will provide for any losses indicated as a result of that review. Whilst this is deemed appropriate treatment it is possible that the ultimate sales return will vary from those assumed.

At the end of the year the Group has a buy back liability of £32,666,000 for vehicles being leased for a period greater than 12 months, these vehicles are held as fixed assets with a net book value of £54,622,000. The Group also has a buy back liability of £65,966,000 for vehicles due for repurchase within one year, these vehicles are held as stock with a value of £66,029,000.

Notes to the financial Statements

25 Related party transactions

Related parties with which the group has transacted

During the year £962,000 was invoiced to the Group by Mallock Limited trading as Ecomotive Logistics, for the provision of vehicle transportation services. At 31 December 2022, £89,000 remained outstanding. Thomas Mallett a director and shareholder of Mallock Limited is the son of Jeremy Mallett, a director of Sytner Group Limited.

During the year £109,000 was invoiced to Penske Automotive Group Europe GmbH in respect of expenses and costs incurred by the Group. At 31 December 2022, £Nil remained outstanding. Employment costs related to the Chairman of Penske Automotive Group Europe GmbH incurred in 2022 were expensed by Sytner Group Limited.

During the year the Group held an intercompany loan with its immediate parent company PAG International Limited. Total amounts drawn down and repaid by the parent company amounted to £11,760,000 and £12,889,000 respectively. At 31 December 2022, £529,000 was due from PAG International Limited, amounts owed are unsecured, interest free and do not have a fixed repayment date. Dividends paid to PAG International Limited during the year amounted to £33,000,000.

Penske Automotive Group Europe GmbH and Sytner Group Limited are both wholly owned subsidiaries of PAG International Limited.

Transactions with key management personnel

Total compensation of key management personnel (including the directors) in the year amounted to £16,509,000 (2021: £16,588,000).

26 Financial instruments

Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| Assets measured at amortised cost | 467,469 | 391,164 |
| Liabilities measured at amortised cost | (1,773,391) | (1,395,954) |

27 Analysis of changes in net debt

| | At 1 January 2022 £000 | Cash flows £000 | Other non- cash changes £000 | At 31 December 2022 £000 |
|---|------------------------------|--------------------|------------------------------------|-----------------------------------|
| Cash and cash equivalents comprising | | | | |
| Cash at bank and in hand | 241,231 | 13,581 | - | 254,812 |
| Bank overdraft (note 17) | (238,187) | (24,786) | - | (262,973) |
| | 3,044 | (11,205) | - | (8,161) |
| Borrowings | | | | |
| Debt due within one year (note 17) | (4,526) | (20,869) | - | (25,395) |
| Debt due after one year (note 17) | (24,881) | (52,086) | - | (76,967) |
| | (29,407) | (72,955) | - | (102,362) |
| | (26,363) | (84,160) | - | (110,523) |

28 Sale of business

During the prior year the Group disposed of the trade and assets of Mercedes Benz Newbury, see note 2 for details.

29 Commitments

Company

The Company and its subsidiaries are party to cross guarantees in favour of certain lenders to the Group.

As at 31 December 2022 the gross borrowings outstanding under the Group's bank facilities in aggregate were £28,197,000 (2021: £Nil)

Group

As at 31 December 2022 a subsidiary company, Sytner Vehicles Limited, had agreed to purchase freehold land and buildings with a total cost of £26,613,000

30 Ultimate Controlling Party

The Company is a subsidiary undertaking and under the control of the ultimate parent undertaking Penske Automotive Group, Inc., incorporated in Delaware, USA, registered office address 2555 Telegraph Road, Bloomfield Hills, MI 48302, USA

Penske Automotive Group, Inc. is also the largest (and smallest) group in which the results of the Company are consolidated. The consolidated financial statements are available from 2555 Telegraph Road, Bloomfield Hills, MI 48302, USA

The Company's immediate parent company is PAG International Limited, incorporated in England and Wales, registered office address 2 Penman Way, Grove Park, Enderby, Leicester, LE19 1ST.

Notes to the financial Statements

31 Post balance sheet events

In January 2023 trading with Mercedes Benz changed to an agency model. Under an agency model the Company will receive a fee for facilitating the sale of new vehicles but the Company will not hold new vehicle stock, there is no structural or operational impact on the other areas of the business. Transfer of systems and development of revised methods of working have been implemented. The partnership with Mercedes Benz has been well managed and appropriate training has been supplied to all colleagues.

In June 2023 the Group announced a new partnership with Pagani, the dealership is expected to open in the final quarter of 2023.

In August 2023 the Group announced the closure of two SEAT dealerships based in Northern Ireland, the dealerships will close on 30 September 2023.

The post balance sheet events above are non adjusting.