PERRYS GROUP LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2022

Company Registration No. 04087902

PERRYS GROUP LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2022

CONTENTS	**PAGE**

PERRYS GROUP LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

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

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

Principal Activity and Business Review

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

Overview

The Group was pleased with the final result for 2022 after a tough trading period. The year started well but rising interest rates, new and used car supply issues and limited resource availability affected the middle six months of the year. The Group responded well in the final quarter to deliver a result that while behind budget was ahead of initial expectations.

The Group revenue for the year was £643m, 7% up on 2021. Gross margin of 13.1% was down versus 13.5% achieved in 2021. The company did not have the same government support benefit that was available in 2021 and had an increased cost base due to inflationary pressures and increasing pressure to meet manufacturer demonstrator and loan car requirements. Operating profit (before exceptional items) was £5.2m, down from £9.0m in 2021. This represented a return on sales of 0.8% versus 1.5% in 2021. The Group benefitted from some exceptional income following the sale of property but also incurred exceptional one off costs due to site closure costs and business re organisation.

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

Financial Performance

The results for the Group are shown on page 20 and 21 of the financial statements.

After a strong quarter 1 the trading performance of the Group was impacted in the middle six months of the year by limitations on new car supply and the availability of used cars. The limited supply of new vehicles affected the availability of used cars through part exchange and manufacturer used car programmes. In recent years the Group has supported the manufacturer programmes and taken advantage of the bonuses related to these schemes. As a result of the limited supply of used vehicles available through these schemes and via part exchange the Group has had to find alternative sources of acquiring used vehicles. This affected volume whilst new supply sources were being established. A reduced and competitive labour market also affected the recruitment and retention of technicians, affecting the sale of hours through the workshops.

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

New cars

The new car market in 2022 continued to be impacted by production and supply issues, total registrations finishing 2% down on 2021. Franchises represented by the Group increased registrations year on year by 3%. The Group was able to capitalise on this and outperformed the market with new retail sales volumes increasing by 4% year on year, up from 8,556 in 2021 to 8,929 in 2022 and new fleet sales volumes increasing by 20%, up from 2,860 in 2021 to 3,437 in 2022.

New light commercial registrations also reduced year on year. The total market in light commercial vehicles was down by 21%. Group volume was down 20% from 3,828 in 2021 to 3,043 in 2022.

The Group continued to retain strong margins in the new vehicles that were supplied during the year. The increase in new car volume, together with manufacturer price increases, meant new car revenue increased by 20% in the year to £238m (2021: £199m). The reduction in new commercial volume noted above resulted in revenue dropping by 22% to £74m (2021: £95m). The strong margins together with the increase in overall volume resulted in consolidated new vehicle direct profit of £7.4m, up 28% on the 2021 profit of £5.8m.

Used cars

SMMT data showed that the total recorded volume of used car transactions reduced by 9% compared to 2021. Group volumes decreased by 10% over the same period, down to 15,805 from 17,506 in 2021. However, like for like volumes, excluding businesses that were closed during the year, were only down 8% year on year. Used Commercial volumes increased year on year by 1% to 1,143 units invoiced (2021: 1,136 units). Used revenue increased by 8% year on year, up to £247m (2021: £229m) as average transaction values for used cars increased. Used margins reduced year on year by 5% which together with the reduction in volume resulted in direct profit from used vehicles in 2022 reducing to £8.1 million compared to £12.0 million in 2021.

Aftersales

Combined aftersales revenues increased by 9% to £76 million, up from £70 million in 2021. Direct profit from aftersales reduced by 4% to £12.1 million from £12.6 million. Gross margin remained the same year on year but increased expenses as a result of increased headcount and wage pressure resulted in the overall reduction in profit from the aftersales departments.

Operating costs

Group operating costs increased by 6% in the year to £79.0 million (2021: £74.5 million). Principal increases were wages and salaries, up by 4% to £47.0 million (2021: £45.4 million), rates increase of £1.7 million and utilities increase of £1.2 million. Other Group costs were largely in line with 2021.

Exceptional items

The Group benefitted from £712k profit on the sale of a property, but also incurred exceptional costs of £637k during the year.

Current Trading and Outlook

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

Locations

The Group operates from 58 franchise points.

The Group also operates at two further locations - a parts distribution centre and a stand-alone bodyshop.

Franchise	Number	Location Towns
Vauxhall	13	Aylesbury, Barnsley, Broadstairs, Burnley, Bury, Canterbury, Doncaster, Dover, Huddersfield, Preston, Rotherham, Sittingbourne and Swinton
Ford	6	Alfreton, Aylesbury, Chesterfield, Dover, Mansfield, and Worksop
Peugeot	7	Aylesbury, Blackburn, Bolton, Bury, Huddersfield, Milton Keynes and Nelson
Mazda	7	Blackburn, Colne, Canterbury, Dover, Preston, Mansfield, and Barnsley
Kia	5	Burnley, Huddersfield, Preston, Rotherham and Worksop
Citroen	4	Barnsley, Huddersfield, Milton Keynes and Nelson
MG	3	Preston, Huddersfield and Aylesbury
SEAT	3	Aylesbury, Blackburn and Bolton
Cupra	1	Bolton
Ford Transit Centre	4	Aylesbury, Chesterfield, Dover and Mansfield
Vauxhall Commercial	3	Canterbury, Doncaster and Preston
Perrys Used Cars	1	Milton Keynes
Hyundai	1	Luton
	58	

The Group is continuing to evaluate opportunities to expand its representation with its partners of choice in regions where the Group has an established presence.

Group Strategy

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

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

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

Financing

The Group used cash during the year but remained in a net cash position at year end with £1.2m in hand compared to £3.6m in prior year.

The Group funds its requirements through a combination of bank facilities and stocking facilities. Details of the facilities are disclosed in note 26.

The Group renegotiated its banking facilities in May 2021 to secure sufficient funding to meet its requirements over the following 3 years.

Property portfolio

The Group has a policy of investing in freehold and long leasehold property as the preferred means of providing premises for our car dealerships. As a result, the Group has a significant and valuable portfolio of freehold and long leasehold properties, which is an important strength of the business.

Computer Systems and Other Capital additions

Digital Marketing remains a key focus, ensuring that the Group is well positioned to respond to the evolution of customer behaviour. Having substantially updated its web site in April 2019, as part of the key strategic objective to improve customer satisfaction and the user experience, the development of the web site remains an ongoing process as new opportunities for improvement are identified so that the Group continues to benefit from this investment. An updated version of this web site was launched in March 2023 as part of the ongoing commitment to improve customer satisfaction and user experience.

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

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

Customer and Employee Focus

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

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

People First

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

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

Principal risks and uncertainties

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

Economic Conditions

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

Key Management

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

Principal risks and uncertainties ***(continued)***

Manufacturer Dependency

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

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

Liquidity

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

Information Systems

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

Section 172(1) statement

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

Section 172(1) statement *(continued)*

Stakeholder Engagement

Stakeholder	**Why it is important to engage**	**Ways we engage**	**Stakeholders' key interests**
Customers	Perrys believe in delivering a first class customer service to encourage customer loyalty.	• Customer satisfaction surveys • Trust pilot reviews • Social media engagement • Dedicated customer services team • Focus group meetings	• Customer service • Value for money • Product knowledge • Product range • People First
Colleagues	Our colleagues are essential to support the delivery of the Group strategy. Ensuring that the business has the right values and culture is of paramount importance to the business model.	• Colleague satisfaction survey • Monthly team briefs • Regular colleague appraisals • Apprenticeship programme • Management development courses	• Pay and employment conditions • Career opportunities • Training and development • Wellbeing • People First initiative
Manufacturers	The Group operates a franchise business model and therefore strong ongoing relationships with manufacturers are fundamental to this.	• Monthly financial performance reporting • Manufacturer conferences • Membership of manufacturer dealer councils	• New car volume targets • Dealership financial performance • Customer satisfaction scores • Dealership portfolio management
Finance providers	Access to finance is essential for the Group to execute its strategy as well as providing customers with the ability to finance vehicle purchases.	• Regular review meetings and reporting • Credit reviews • Budget analysis • Compliance reviews	• Financial performance • Strength of financial position • Business planning and forecasting • Volumes of finance written • Compliance with regulations

Section 172(1) statement *(continued)*

Stakeholder	Why it is important to engage	Ways we engage	Stakeholders' key interests
Suppliers	Group suppliers are essential to delivery of the Group business.	• Periodic supplier reviews • Formal feedback and performance review	• Payment practices • Credit worthiness • Long-term relationships
Regulators	The Group operates in a highly regulated industry and therefore it is vital to achievement of the business model.	• National Franchised Dealer Association (NFDA) • FCA engagement • Trading Standards engagement	• Compliance with laws and regulations • Treating customers fairly
Communities	The Group values the importance of making a positive impact and maintaining its physical presence in each of its locations.	• Local sponsorship arrangements	• Corporate and social responsibility • Environmental impact

Energy and Emissions Reporting

This section includes our mandatory reporting of energy and greenhouse gas emissions for the period 1 January 2022 to 31 December 2022, pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, implementing the government's Streamlined Energy and Carbon Reporting (SECR) policy.

Our methodology to calculate our greenhouse gas emissions is based on the 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance (March 2019)' issued by DEFRA, using DEFRA's 2021 and 2022 conversion factors as appropriate. In some cases, consumption has been extrapolated from available data or direct comparison made to a comparable period.

We report using a financial control approach to define our organisational boundary. We have reported all material emission sources required by the regulations for which we deem ourselves to be responsible and have maintained records of all source data and calculations.

During the reporting period, no new energy efficiency actions have been taken however, our energy management programme is ongoing, including monitoring and targeted reporting of energy consumption on a daily basis at the majority of sites. Through the service provided by our energy consultants, the energy management programme we run enables us to identify and address any consumption issues as and when they arrive, allowing us to eliminate unnecessary energy waste. The Board discuss energy saving at their meetings and during 2022 we've started to review if savings are possible by reducing use of security lights in favour of intruder activated lights. We are also starting to look at possibility of remote monitoring of heating thermostats.

The table below includes total energy consumption (reported as kWh) and greenhouse gas emissions for the sources required by the regulations, along with our intensity ratio.

Mandatory SECR Reporting Figures	**2022**	**2021**
Total Energy Consumption – Used for Emissions Calculation (kWh)	**13,599,129**	**14,471,087**
Gas Combustion Emissions, Scope 1 (tCO_2e)	1045.1	1170.4
Electricity Emissions, Scope 2 (tCO_2e)	835.2	993.8
Vehicle Fuel Combustion Emissions, Scope 1 (tCO_2e)	758.6	811.2
Vehicle Electricity Emissions, Scope 2 (tCO_2e)	37.3	0
Vehicle Fuel Combustion Emissions, Scope 3 (tCO2e)	52.9	0
Total Gross Reported Emissions (tCO_2e)	2729.1	2975.4
Turnover (£m)	643.0	599.8
Intensity Ratio: Turnover (tCO_2e / £m)	4.2	5.0

PERRYS GROUP LIMITED
STREAMLINED ENERGY AND CARBON REPORTING
YEAR ENDED 31 DECEMBER 2022

To reflect the renewable energy sources we have and the energy purchasing choices we have made, dual reporting for scope 2 electricity emissions has been calculated. This utilises emission factors in line with the market-based scope 2 data hierarchy, from the 'GHG Protocol Scope 2 Guidance'. The majority of market-based emission factors do not incorporate non-CO2 emissions, figures impacted by this have been identified with *.

Additional Dual Reporting SECR Figures	**2022**	**2021**
Total Energy Consumption – Used for Emissions Calculation (kWh)	**13,599,129**	**14,471,087**
Gas Combustion Emissions, Scope 1 (tCO_2e)	1045.1	1170.4
Electricity Emissions, Scope 2 (tCO_2)* (Market-based)	914.1*	704.2*
Vehicle Fuel Combustion Emissions, Scope 1 (tCO_2e)	758.6	811.2
Vehicle Fuel Combustion Emissions, Scope 2 (tCO_2)*(Market-based)	42.3*	0*
Vehicle Fuel Combustion Emissions, Scope 3 (tCO_2e)	52.9	0
Total Gross Reported Emissions (tCO_2e)	2813.0*	2685.8*
Turnover (£m)	643.0	599.8
Intensity Ratio: Turnover (tCO_2e / £m)*	4.4*	4.5*

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

C Thexton
Director

PERRYS GROUP LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2022

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

Dividends

Dividends of £2 million (2021: £2 million) were paid during the year.

Directors

The directors that served during the year and up to the date of the issue of this report were as follows:

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

Disclosure of information to auditor

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

Future Developments

Future developments are considered in the Strategic Report on pages 3 to 12.

Corporate and Social Responsibility

Corporate and Social Responsibility is important to the Group.

Health and Safety

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

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

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

Environmental matters

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

Community Support

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

Employment of Disabled Persons

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

Employee Involvement

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

Financial Instruments

Financial Instruments' details can be found in note 26.

Strategic Report

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

Labour Standards and Human Rights

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

Auditors

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

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

Signed by order of the directors

Chris Thexton

C Thexton
Finance Director

Approved by the directors on 25 April 2023

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

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK adopted international accounting standards;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PERRYS GROUP LIMITED

Opinion

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

In our opinion:

- the financial statements give a true and fair view of the state of the 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;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or 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.

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 15, 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.

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

Our procedures to respond to risks identified included the following:

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

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

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

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

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

Use of our report

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

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

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

Date: Apr 26, 2023

PERRYS GROUP LIMITED
CONSOLIDATED INCOME STATEMENT
YEAR ENDED 31 DECEMBER 2022

	Note	2022 £'000	2021 £'000
Revenue	7	643,019	599,846
Cost of sales		(558,957)	(518,661)
Gross profit		84,062	81,185
Other Operating Income before exceptional items	8	118	2,340
Operating expenses before exceptional items	8	(79,034)	(74,495)
Operating profit before exceptional items		5,146	9,030
Exceptional income	9	712	4,303
Exceptional costs	9	(637)	(135)
Operating profit		5,221	13,198
Finance costs	11	(1,557)	(1,202)
Profit on ordinary activities before tax		3,664	11,996
Taxation on profit on ordinary activities	12	(1,232)	(2,889)
Profit on ordinary activities after tax		2,432	9,107

The notes on pages 28 to 74 form part of the financial statements

PERRYS GROUP LIMITED
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2022

	Note	2022 £'000	2021 £'000
Profit for the year		2,432	9,107
Other comprehensive income			
Items that will not be reclassified to profit and loss			
Remeasurements of the net defined benefit liability	**31**	(171)	472
Gain on property revaluation		-	12,015
Tax related to items which will not be reclassifed to profit and loss	**12**	478	(557)
Total items that will not be reclassified to profit and loss		307	11,930
Other comprehensive income for the year net of tax		307	11,930
Total comprehensive income for the year attributable to the owners of the company		2,739	21,037

The notes on pages 28 to 74 form part of the financial statements

PERRYS GROUP LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Property, plant and equipment	14	85,495	85,150
Right of use assets	14	3,206	4,325
Intangible assets	15	10,317	10,380
		99,018	99,855
Current assets			
Inventories	18	129,438	85,269
Trade and other receivables	19	17,460	13,866
Cash and cash equivalents	20	1,238	3,568
Total current assets		148,136	102,703
Creditors: amounts falling due within one year			
Lease liabilities	22	928	1,219
Trade and other payables	23	114,117	72,669
Contract liabilities	24	7,316	6,743
Current tax liabilities	13	51	1,666
Provisions	25	656	390
Total current liabilities		123,068	82,687
Net current assets		25,068	20,016
Total assets less current liabilities		124,086	119,871
Creditors: amounts falling due after one year			
Lease liabilities	22	3,903	5,473
Trade and other payables	23	39,040	35,326
Provisions	25	58	33
Pension liability	31	78	8
Deferred tax liabilities	17	2,807	2,450
Total non-current liabilities		45,886	43,290
Net assets		78,200	76,581
Equity			
Share capital	21	91	88
Share premium		6,837	5,940
Other reserves		13,477	13,903
Retained earnings		57,795	56,650
Total equity attributable to owners of the parent		78,200	76,581

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

Chris Thexton

C Thexton
Director

The notes on pages 28 to 74 form part of the financial statements

PERRYS GROUP LIMITED
Company Registration Number 04087902
COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Investments	**16**	34,115	34,115
Total fixed assets		34,115	34,115
Current assets			
Cash and cash equivalents	**20**	-	90
Total current assets		-	90
Total assets		34,115	34,205
Creditors: amounts falling due within one year			
Amounts payable to group undertakings	**23**	26,854	27,844
Total current liabilities		26,854	27,844
Net current liabilities		26,854	27,754
Net assets		7,261	6,361
Equity			
Share capital	**21**	91	88
Share premium		6,837	5,940
Other reserves		72	72
Retained earnings		261	261
Total equity attributable to owners		7,261	6,361

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

Chris Thexton

C Thexton
Director

The notes on pages 28 to 74 form part of the financial statements

PERRYS GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2022

Year ended 31 December 2022	Share capital £'000	Share premium* £'000	Revaluation reserve* £'000	Capital redemption reserve* £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2022	88	5,940	13,831	72	56,650	76,581
Profit for the year	-	-	-	-	2,432	2,432
Unrealised surplus on revaluation of properties	-	-	-	-	-	-
Remeasurement of net defined benefit liability	-	-	-	-	(171)	(171)
Tax on items taken directly to equity	-	-	455	-	23	478
Total comprehensive income for the year	-	-	455	-	2,284	2,739
Transfer of additional depreciation	-	-	(177)	-	177	-
Realised gain on disposal of property			(704)		704	-
Deferred taxation IFRS 16	-	-	-	-	(20)	(20)
Share options exercised	3	897	-	-	-	900
Transactions with owners - dividends paid	-	-	-	-	(2,000)	(2,000)
Balance at 31 December 2022	91	6,837	13,405	72	57,795	78,200

Year ended 31 December 2021	Share capital £'000	Share premium* £'000	Revaluation reserve* £'000	Capital redemption reserve* £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2021	88	5,940	2,385	72	48,997	57,482
Profit for the year	-	-	-	-	9,107	9,107
Unrealised surplus on revaluation of properties	-	-	12,015	-	-	12,015
Remeasurement of net defined benefit liability					472	472
Tax on items taken directly to equity	-	-	(455)	-	(102)	(557)
Total comprehensive income for the year	-	-	11,560	-	9,477	21,037
Transfer of additional depreciation	-	-	(114)	-	114	-
Deferred taxation IFRS 16	-	-	-	-	62	62
Transactions with owners - dividends paid	-	-	-	-	(2,000)	(2,000)
Balance at 31 December 2021	88	5,940	13,831	72	56,650	76,581

* Non-distributable balance sheet reserves.

PERRYS GROUP LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2022

Year Ended 31 December 2022	Share capital £'000	Share premium* £'000	Reserve for own shares* £'000	Capital redemption reserve* £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2022	88	5,940	-	72	261	6,361
Share options exercised	3	897	-	-	-	900
Total comprehensive income - dividends received	-	-	-	-	2,000	2,000
Transactions with owners - dividends paid	-	-	-	-	(2,000)	(2,000)
Balance at 31 December 2022	91	6,837	-	72	261	7,261

* Non-distributable balance sheet reserves.

Year Ended 31 December 2021	Share capital £'000	Share premium* £'000	Reserve for own shares* £'000	Capital redemption reserve* £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2021	88	5,940	-	72	261	6,361
Total comprehensive income - dividends received	-	-	-	-	2,000	2,000
Transactions with owners - dividends paid	-	-	-	-	(2,000)	(2,000)
Balance at 31 December 2021	88	5,940	-	72	261	6,361

* Non-distributable balance sheet reserves.

PERRYS GROUP LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2022

	Note	2022 £'000	2021 £'000
Cash flows from operating activities			
Profit after tax		2,432	9,107
Adjustments for:			
Taxation		1,232	2,889
Finance costs		1,557	1,202
Defined benefit pension - contributions made		(78)	(75)
Depreciation and on property, plant and equipment	14	3,302	3,011
Depreciation on right of use assets	14	800	1,067
Impairment charge on properties		-	915
Amortisation	15	82	80
Exceptional profit on disposal of property	9	(712)	-
Profit on sale of property, plant and equipment		(76)	(19)
Operating cash flows before change in working capital		8,539	18,177
(Increase)/reduction in trade and other receivables		(2,917)	540
(Increase)/reduction in inventories		(44,169)	20,038
Increase in Provisions	25	291	218
Increase/(reduction) in Contract liabilities		573	(736)
Increase/(reduction) in trade and other payables		45,386	(25,507)
Cash generated from operations		7,703	12,730
Interest paid		(1,250)	(1,089)
Income taxes paid		(2,055)	(1,019)
Net cash from operating activities		4,398	10,622

The notes on pages 28 to 74 form part of the financial statements

PERRYS GROUP LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2022

	Note	2022 £'000	2021 £'000
Cash flows from investing activities			
Proceeds from sale of property plant and equipment		4,336	91
Acquisition of property, plant and equipment	14	(7,214)	(2,450)
Acquisition of intangible assets	15	(20)	(84)
Net cash from investing activities		(2,898)	(2,443)
Cash flows from financing activities			
Repayment of borrowings		-	(4,062)
Payment of lease liabilities		(1,830)	(1,376)
Dividends paid		(2,000)	(2,000)
Net cash from financing activities		(3,830)	(7,438)
Net (decrease)/increase in cash and cash equivalents		(2,330)	741
Cash and cash equivalents at 1 January		3,568	2,827
Cash and cash equivalents at 31 December	20	1,238	3,568

The notes on pages 28 to 74 form part of the financial statements

1 Reporting entity

Perrys Group Limited (the "Company") is a company incorporated, registered and domiciled in the United Kingdom. The registered number of the company is 04087902 and the address of the registered office is given on page 2. The consolidated financial statements of the Company for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the "Group").

These financial statements were authorised for issue by the directors on 25 April 2023.

2 Statement of compliance

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

- A cash flow statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;

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

3 Basis of preparation

The financial statements are presented in sterling, rounded to the nearest thousand. The financial statements have been prepared on the going concern basis under the historic cost convention, as modified by the fair valuing of freehold and long leasehold properties.

The preparation of financial statements in conformity with IFRSs requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

The directors have considered the development, selection and disclosure of the Group and Company's critical accounting policies and estimates.

3 Basis of preparation *(continued)*

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and by all Group entities.

Going concern

The Group's financial statements have been prepared on the going concern basis under the historical cost convention, as modified by the revaluation of freehold and long leasehold properties at fair value.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 3 to 12. The financial position of the Group, its cash flows and liquidity position are set out on pages 20 to 27 and its financing arrangements are set out on page 6.

In order to prepare the financial statements on a going concern basis, the directors have considered detailed financial projections for a period of 12 months from the date of signing the financial statements. These projections are based on the Group's annual business plan for the year ending 31 December 2023 as well as the actual performance of the Group in the period to the date of signing the financial statements, projected forward to cover the period under review. The directors have considered these financial projections in conjunction with the Group's available facilities as set out in note 26.

The key assumptions used in generating the forecasts include:

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

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

Both the original forecast and the sensitivity analysis indicate that the Group can continue to operate for at least the next 12 months from the date of approval of these financial statements with the existing facilities. The Group remained compliant with its banking covenants throughout the year to 31 December 2022 and forecasts indicate that the Group will remain in compliance with its covenants and daily funding requirements throughout 2023.

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

4 New accounting standards

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

Standards issued but not yet effective

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

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

5 Significant accounting policies

Basis of consolidation

i) Business Combinations

The group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

ii) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

The Group's financial statements include the results of the Company and its subsidiaries using the acquisition method. The results of the subsidiaries are included in the Group income statement from the date of acquisition, or in the case of disposals, up to the effective date of disposal.

On acquisition, the identifiable assets and liabilities of a business are measured at their fair values at the date of acquisition.

iii) Transactions eliminated on consolidation

Intra-group balances and any income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

iv) The Company has taken advantage of the exemption from the requirement to present its own profit and loss account under the provisions of Section 408 of the Companies Act 2006.

5 Significant accounting policies *(continued)*

Property, plant and equipment

i) Property

Freehold land is not depreciated.

In the prior year a new accounting policy for valuation of freehold and long leasehold properties was applied. Properties previously carried at cost less accumulated depreciation are now carried at fair value based on periodic valuations by a professionally qualified valuer. The Directors believe that application of the new accounting policy provides more reliable and relevant information given the significant differences between historical cost and current market value.

Revaluations will be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in profit or loss. The market value of each freehold and long leasehold building less its residual value will continue to be depreciated on a straight line basis over its estimated useful economic life of 50 years.

At the date of revaluation, the accumulated depreciation on the revalued freehold property is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The excess depreciation on revalued freehold buildings, over the amount that would have been charged on a historical cost basis, is transferred from the revaluation reserve to retained earnings when freehold land and buildings are expensed through the consolidated statement of comprehensive income (e.g. through depreciation, impairment). On disposal of the asset the balance of the revaluation reserve is transferred to retained earnings.

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

ii) Motor vehicles, plant and machinery, fixtures and computer equipment

Motor vehicles, plant and machinery, fixtures and computer equipment are held at cost less accumulated depreciation and any recognised impairment loss.

iii) Depreciation

Depreciation is charged to the income statement over the estimated useful lives of each part of an item of property, plant and equipment. The following rates and methods are applied:

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

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

5 Significant accounting policies *(continued)*

Property, plant and equipment *(continued)*

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

Motor vehicles	10%-33%
Plant and machinery	7.5%-33%

Asset lives and residual values are reviewed at least annually.

iv) Capitalisation of borrowing costs

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

v) Disposals

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

vi) Assets under construction

Capitalised costs are held as an asset in progress until the asset is available for use, at which point it is transferred to the appropriate tangible asset category and depreciation is charged.

Intangible assets

Goodwill and franchise licences have been identified as having an indefinite useful life. Intangible assets with an indefinite useful life are tested annually for impairment.

i) Goodwill

Goodwill represents the excess of the fair value of the consideration of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary or business at the date of acquisition. It is recognised as an asset on the Group's balance sheet in the year in which it arises and is allocated to cash generating units. Goodwill and franchise licences are considered to have an indefinite useful life and are tested at least annually for impairment. Goodwill is carried at cost less accumulated impairment losses.

The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 require goodwill to be written off over its useful economic life. The Group has invoked the true and fair override to carry goodwill at cost less impairment as required by IFRS 3.

If the cost on acquisition is less than the fair value of the net assets acquired, the difference is recognised immediately in the consolidated income statement.

5 Significant accounting policies *(continued)*

Intangible assets *(continued)*

ii) Computer software

Externally acquired computer software and software licences are capitalised at cost and amortised on a straight-line basis over their useful economic lives of up to 10 years.

iii) Franchise licences

Franchise licences acquired as part of a business combination, are capitalised separately from goodwill if the asset is separable and if the fair value can be measured reliably on initial recognition. Such assets are stated at initial cost less impairment.

Trade and other receivables

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

Inventories

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

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

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

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

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 Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Impairment

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

5 Significant accounting policies *(continued)*

Impairment *(continued)*

For goodwill, the recoverable amount is estimated at each balance sheet date. The recoverable amount is calculated as the higher of fair value less costs to sell and value in use. In assessing value in use the estimated future cash flows from operations are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

The recoverable amount of assets other than goodwill is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation if no impairment loss had been recognised.

Share capital

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

Dividends

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

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

5 Significant accounting policies *(continued)*

Interest bearing borrowings

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

Employee benefits

i) Defined contribution plans

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

The defined contribution pension scheme is run by third party suppliers and the assets of the scheme are held separately from the Company. For the defined contribution schemes, an amount of £1,240,000 (2021: £1,200,000) was charged in the profit and loss account. Contributions of £Nil (2021: £23,000) were outstanding at the balance sheet date.

ii) Defined benefit pension plan

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

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

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

Trade and other payables

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

Included within the category of trade payables is financing of vehicles. The finance is secured on the vehicles to which the finance relates and the finance bears interest at finance house base rates.

5 Significant accounting policies *(continued)*

Revenue

Sale of motor vehicles, parts and aftersales services

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

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

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

Service plans

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

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

Balances carried forward are included in contract liabilities.

Sale of warranty products

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

Balances carried forward are included in contract liabilities.

5 Significant accounting policies *(continued)*

Revenue *(continued)*

Commissions received

The Group receives commissions when it arranges finance and insurance packages for its customers to purchase its products and services, acting as agent on behalf of various finance and insurance companies.

Revenue is recognised when a customer obtains the benefit of financing which is on delivery and the finance agreement is signed.

Commissions receivable are typically paid in the month after the finance is drawn down.

Finance costs

Finance costs comprise interest payable on borrowings.

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

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

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

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

Income tax

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

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

5 Significant accounting policies *(continued)*

Income tax *(continued)*

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

Leases

The Group acts as a lessee for use of property, machinery and vehicles. It acts as a lessor in relation to 2 properties which it no longer uses but subleases.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset the Group assesses whether:

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

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

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

As a lessee

The Group leases a small number of properties where the periodic rent is fixed over the lease term. Some leases contain break clauses and/or rent reveiws. The Group also leases certain items of plant and equipment and vehicles. Leases of plant, equipment and vehicles comprise fixed payments over the lease terms.

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

5 Significant accounting policies *(continued)*

Leases *(continued)*

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

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

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

- fixed payments, including in-substance fixed payments.

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

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

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit and loss if the carrying amount of the right of use asset has been reduced to zero. Adjustments to lease liabilities in the year amounted to £665,000 (2021: £768,000).

Short term leases and leases of low value assets

The Group has elected not to recognise right of use assets and lease liabilities for short term leases of £2,063,000 (2021: £2,012,000) that have a lease term of 12 months or less. The Group recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

As a lessor

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

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

5 Significant accounting policies *(continued)*

Leases *(continued)*

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

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

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

Investments are stated at cost less provision for any impairment.

Exceptional items

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

Financial instruments

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

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

Classification and measurement of financial assets and liabilities

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

Financial liabilities are classified as measured at amortised cost or FVTPL.

5 Significant accounting policies *(continued)*

Financial instruments *(continued)*

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

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

Initial recognition

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

Subsequent measurement - financial assets

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

Subsequent measurement - financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

5 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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

Provisions

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

Government Grants

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

6 Critical judgements and estimations

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

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge and experience, actual results ultimately may differ from those estimates. The directors consider the following to be the key estimates applicable to the financial statements, which have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year or in the long-term.

i) Impairment of goodwill and franchise licences

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

Further details concerning the impairment of goodwill and other assets are given in note 15.

ii) Pension benefits

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

Material adjustments arising from estimates on the defined benefit scheme, result in a longer term impact than for other liabilites where estimates are used.

iii) Provisions

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

6 Critical judgements and estimations *(continued)*

iv) Property revaluations

The Group has a policy of measuring freehold and long leasehold properties at fair value. The measurement utilises market observable inputs and data as far as possible. Inputs used in determining the fair value are categorised as either:

- Level 2: Observable direct or indirect inputs based on acquisition or construct of a comparable asset
- Level 3: Valuation techniques using unobservable inputs by discounting expected income

A mixture of levels 2 and 3 is used both of which require certain assumptions to be made based on comparability of transactions, demand and vicinity of subject properties. Valuations are performed by external independent valuers once every three years or more frequently if market factors indicate a material change in fair value.

7 Revenue

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

	2022	2021
	£'000	£'000
Revenue from Contracts with Customers	642,927	599,754
Other revenue:		
Vehicle rental	92	92
Total revenue	643,019	599,846

Disaggregation of revenue from contracts with customers

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

	2022	2021
Timing of revenue recognition	**£'000**	£'000
Products transferred at a point in time	635,998	593,832
Products and services transferred over time	7,021	6,014
	643,019	599,846

7 Revenue *(continued)*

Primary geographic markets	2022 £'000	2021 £'000
North West	142,721	120,886
Yorkshire	139,764	131,146
East Midlands	167,398	175,713
South	170,437	147,760
Group revenues including parts distribution	22,699	24,341
	643,019	599,846

Major products and service lines	2022 £'000	2021 £'000
New cars	238,144	198,633
New commercials	73,678	94,747
Used vehicles	247,137	228,513
Aftersales	76,332	70,310
Other	7,728	7,643
	643,019	599,846

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

	2022 £'000	2021 £'000
Receivables which are included in		
Trade and other receivables	7,441	5,297
Contract liabilities	7,316	6,743

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

The amount of £4,558,000 recognised in contract liabilities at the beginning of the period has been recognised as revenue for the period ended 31 December 2022 (2021: £5,239,000).

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

Performance obligations and revenue recognition policies

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

8 Operating income and expenses

Operating costs	2022 £'000	2021 £'000
Wages and salaries	47,044	45,420
Fees payable in respect of the audit of the entity's annual accounts	1	1
Auditor's remuneration for other services (see below)	106	96
(Profit)/loss on sale of property, plant and equipment	(76)	(19)
Depreciation on property, plant and equipment	3,302	3,011
Depreciation on right of use assets - property	777	802
Depreciation on right of use assets - motor vehicles	23	265
Impairment charge on properties	-	915
Amortisation of intangible assets	82	80
Expenses relating to short term leases	2,063	2,012
Impairment loss on trade receivables	21	30
Other expenses	25,691	21,882
	79,034	74,495

Other operating income	2022 £'000	2021 £'000
Government Grants	118	2,340
	118	2,340

Auditor's remuneration for other services:

	2022 £'000	2021 £'000
Audit of group pension scheme	9	8
The audit of subsidiaries pursuant to legislation	97	88
	106	96

9 Exceptional items

Exceptional costs	2022 £'000	2021 £'000
Closure of business	194	-
Reorganisation	222	-
Land clean up	169	-
Pension review	52	
Provision for onerous leases	-	135
	637	135

9 Exceptional items *(continued)*

Exceptional income	2022 £'000	2021 £'000
Profit on property disposals	712	-
Provision for historic VAT (note 26)	-	3
Receipt of Insurance Claim	-	4,300
	712	4,303

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

The reorganisation costs in the year represent redundancy costs arising from changes to operating practices.

Clean up costs to make safe the land at one of the Company's properties amounted to £59,000 in the year and a provision of £110,000 is in place for works to be completed in 2023.

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

During the year the Company disposed of a freehold property resulting in profit of £712,000 net of costs amounting to £109,000.

In the prior year:
An onerous lease provision was in place at 31 December 2021 for £135,000 for costs of the Group's old internet network which was cancelled following replacement by a new provider.

In 2020 the Company had been in negotiation with HMRC in connection with historic VAT issues regarding the supply of vehicles from Motability. HMRC issued revised guidance. As a result, the last £3,000 of the reserve created in 2018 was released in 2021.

In the prior year the Group received a £4,300,000 insurance payment for business interruption cover following the national lockdown and closure of the business.

10 Personnel expenses

	2022 £'000	2021 £'000
Wages and salaries	48,199	46,351
Social security contributions	5,218	4,767
Costs of defined benefit pension plan	78	75
Contributions to defined contribution pension plans	1,240	1,200
	54,735	52,393

The cost of the defined benefit pension plan comprises current service cost of £Nil (2021: £Nil) and contributions made of £78,000 (2021: £75,000)

10 Personnel expenses *(continued)*

Employee benefit expense included in:	**2022**	2021
	£'000	£'000
Operating expenses	47,044	45,420
Cost of sales	7,691	6,973
	54,735	52,393

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

	2022	2021
	Number	Number
Management, sales, technicians and support	1,487	1,421

Directors' remuneration	**2022**	2021
	£'000	£'000
Emoluments from qualifying services	2,023	3,073
Social security contributions	279	424
Payments to personal pension schemes	37	61
	2,339	3,558

Remuneration in respect of the highest paid director was as follows:

	2022	2021
	£'000	£'000
Emoluments from qualifying services	618	861
	618	861

The number of directors accruing retirement benefits was as follows:

	2022	2021
	Number	Number
Personal pension schemes	3	5

One director was granted share options on 19 July 2016. The options were issued of up to 300,000 shares in the parent company, Perrys Group Limited, at a cost of £3 per share. The options were already vested at 1 January 2022. On 2 August 2022 all 300,000 options were exercised at £3, via a loan from the Company details of which is given in note 30.

One director was granted share options on 26 April 2017. The options were issued of up to 50,000 shares in the parent company at a cost of £3 per share. The option is exercisable for a period of 15 years while the director is an employee of the Company. The options for all shares are vested at the date of the grant.

One director was granted share options on 5 April 2020. The options were issued of up to 100,000 shares in the Company at a cost of £3 per share. The option is exercisable for a period of 15 years while the director is an employee of the Group. The options for all shares are vested at the date of the grant.

10 Personnel expenses *(continued)*

The fair value of the options was determined to be approximately equal to the exercise price of the options.

1 director exercised options in 2022 (2021: Nil).

11 Finance costs

	2022	2021
	£'000	£'000
Amortisation of finance raising costs (amortised cost)	20	35
Vehicle financing interest (amortised cost)	882	527
Interest payable on loans and overdrafts (amortised cost)	312	347
Fair value movement on interest rate swaps (FVTPL)	-	(2)
Interest on lease liabilities (amortised cost)	338	288
Interest expense on defined benefit scheme (amortised cost)	-	7
Other interest	5	-
	1,557	1,202

12 Taxation

Recognised in the income statement

	2022	2021
	£'000	£'000
Current tax expense		
Current year	445	2,166
Adjustments for prior years	(4)	(7)
Total current tax expense	441	2,159
Deferred tax expense		
Current year (origination and reversal of timing differences)	551	687
Adjustments for prior years	240	43
Total deferred tax expense	791	730
Total income tax expense in income statement	1,232	2,889

Recognised in other comprehensive income

	2022	2021
	£'000	£'000
Deferred tax expense on revaluation of properties	(455)	455
Deferred tax on pension liability movement	(23)	102
	(478)	557

12 Taxation *(continued)*

Reconciliation of effective tax rate

	2022 %	**2022 £'000**	2021 %	2021 £'000
Profit before tax		3,664		11,996
Income tax using the domestic corporation tax rate	19.0%	697	19.0%	2,279
Non-deductible expenses	0.1%	3	(0.6%)	(67)
Non taxable gains	0.0%	-	0.9%	103
Capital allowances in deficit of depreciaiton	(6.4%)	(235)	0.0%	-
Change in tax rate	0.0%	-	3.9%	470
Adjustments for prior years tax	6.4%	236	0.3%	36
Other adjustment for deferred tax	13.5%	493	0.0%	-
Other timing differences	(0.7%)	(24)	0.0%	-
Other adjustments	1.7%	62	0.6%	68
	33.6%	1,232	24.1%	2,889

Deferred tax recognised directly in equity

	Note	**2022 £'000**	2021 £'000
Relating to property lease spreading adjustment on transition to IFRS 16	**17**	20	(62)
		20	(62)

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

13 Current tax liabilities

The current tax liability of £51,000 (2021: £1,666,000) represents the amount of income taxes payable in respect of the current period less payments on account.

14 Property, plant and equipment

Group

2022	Land and buildings £'000	Plant, machinery and vehicles £'000	Total £'000
Cost			
Balance at 1 January 2022	88,732	18,267	106,999
Additions	333	1,721	2,054
Right of use asset aquired in the year	5,160	-	5,160
Revaluations	-	-	-
Reclassification	-	-	-
Disposals	(5,263)	(929)	(6,192)
Balance at 31 December 2022	88,962	19,059	108,021
Depreciation and impairment losses			
Balance at 1 January 2022	10,785	11,064	21,849
Depreciation charge for the year	1,355	1,947	3,302
Impairment	-	-	-
Revaluations	-	-	-
Disposals	(1,855)	(770)	(2,625)
Balance at 31 December 2022	10,285	12,241	22,526
Carrying amounts			
At 31 December 2022	78,677	6,818	85,495

2021	Land and buildings £'000	Plant, machinery and vehicles £'000	Total £'000
Cost			
Balance at 1 January 2021	81,692	17,428	99,120
Additions	713	1,737	2,450
Disposals	-	(898)	(898)
Intergroup transfers - disposals	-	-	-
Balance at 31 December 2021	88,732	18,267	106,999
Depreciation and impairment losses			
Balance at 1 January 2021	14,331	10,104	24,435
Depreciation charge for the year	1,225	1,786	3,011
Impairment	1,366	-	1,366
Revaluations	(6,137)	-	(6,137)
Disposals	-	(826)	(826)
Balance at 31 December 2021	10,785	11,064	21,849
Carrying amounts			
At 31 December 2021	77,947	7,203	85,150

Security

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

14 Property, plant and equipment *(continued)*

Revaluation

In the prior year, an independent valuation was performed by Knight Frank LLP on the Company's freehold and long leasehold properties. The method of valuation was based on the status and therefore quality of the assets within the property portfolio using a collation and analysis of appropriate comparable transactions, together with evidence of demand within the vicinity of the properties taking into account size, location, terms, quality and other material factors. The use of these factors places the fair value measurement within levels 2 and 3 of the fair value heriarchy as explained in Critical Judgements and Assumptions on page 44.

At 31 December 2022 the Directors reviewed the fair value of the Group's properties, as assessed by Knight Frank LLP at 31 December 2021, and deemed them to remain appropriate.

Group

2022	**Freehold property £'000**	**Leasehold property £'000**	**Total £'000**
At cost	-	4,648	4,648
At valuation	74,858	1,952	76,810
	74,858	6,600	81,458
Accumulated depreciation	(1,029)	(1,752)	(2,781)
Net book value at 31 December 2022	73,829	4,848	78,677

2021	**Freehold property £'000**	**Leasehold property £'000**	**Total £'000**
At cost	-	4,207	4,207
At deemed cost	72,645	4,375	77,020
	72,645	8,582	81,227
Accumulated depreciation	0	(3,280)	(3,280)
Net book value at 31 December 2021	72,645	5,302	77,947

On an historical cost basis, land and buildings would have been included as follows:

	2022 £'000	2021 £'000
Cost	79,811	79,072
Cumulative depreciation based on cost	(13,663)	(14,605)
	66,148	64,467

14 Property, plant and equipment *(continued)*

Right of Use Assets

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

	Property	Vehicles	Total
2022	**£'000**	**£'000**	**£'000**
Balance at 1 January 2022	4,288	37	4,325
Additions	346	-	346
Depreciation	(777)	(23)	(800)
Right of use asset aquired in the year	(557)	-	(557)
Adjustments	(100)	(8)	(108)
Balance at 31 December 2022	3,200	6	3,206

	Property	Vehicles	Total
2021	**£'000**	**£'000**	**£'000**
Balance at 1 January 2021	5,227	1,154	6,381
Additions	224	-	224
Sub-let property transferred to Debtors	(445)	-	(445)
Depreciation	(802)	(265)	(1,067)
Adjustments	84	(852)	(768)
Balance at 31 December 2021	4,288	37	4,325

Property leases

The Group leases land and buildings for its dealerships. The leases of dealerships typically run for a period of 10 to 25 years.

Acquisition of property

During the year the freehold property of a dealership site was purchased from the landlord.

Other leases

The Group vehicles leases are terminated within 12 months from inception. In some cases, the Group has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term.

As a lessor

The Group sold its investment properties in 2020. The Group had previously classified these leases as operating leases, because they did not transfer substantially all of the risk and rewards incidental to the ownership of the assets.

15 Intangible assets

Group

	Goodwill £'000	Franchise Licences £'000	Computer software £'000	Total £'000
2022				
Cost				
Balance at 1 January 2022	7,963	2,750	547	11,260
Additions - acquired separately	-	-	20	20
Disposals	-	-	(126)	(126)
Balance at 31 December 2022	7,963	2,750	441	11,154
Amortisation and impairment losses				
Balance at 1 January 2022	557	-	323	880
Disposals	-	-	(125)	(125)
Amortisation for the year	-	-	82	82
Balance at 31 December 2022	557	-	280	837
Carrying amounts				
At 31 December 2022	7,406	2,750	161	10,317

	Goodwill £'000	Franchise Licences £'000	Computer software £'000	Total £'000
2021				
Cost				
Balance at 1 January 2021	7,963	2,750	463	11,176
Additions - Business Combinations	-	-	-	0
Additions - acquired separately	-	-	84	84
Balance at 31 December 2021	7,963	2,750	547	11,260
Amortisation and impairment losses				
Balance at 1 January 2021	557	-	243	800
Amortisation for the year	-	-	80	80
Balance at 31 December 2021	557	-	323	880
Carrying amounts				
At 31 December 2021	7,406	2,750	224	10,380

There are no intangible assets where title is restricted or has been pledged as security for liabilities.

A value of £2,750,000 has been ascribed to franchise relationships reflecting the ability to sell manufacturer vehicles and to offer manufacturer standard aftersales services in a particular geographic area. This amount has been reclassified from goodwill to other intangible assets. The directors' judgement is that this intangible has an indefinite useful life and therefore will be reviewed for impairment on an annual basis.

15 Intangible assets *(continued)*

Amortisation and impairment charge

The amortisation and impairment charges are recognised in the following items in the income statement:

	2022	2021
	£'000	£'000
Operating expenses	82	80

Impairment tests for cash generating units containing goodwill and other indefinite life assets

In accordance with IAS 36 *'Impairment of Assets'* the Group tests the following assets for impairment annually:

- Goodwill
- Franchise licences
- Other assets where there is any indication that the relevant asset may be impaired

For the purposes of impairment testing of goodwill, the directors recognise the Group's cash generating units ("CGU"s) to be individual locations or connected groupings of dealerships acquired together.

The recoverable amount of a CGU is determined based on value-in-use calculations. The calculation of value-in-use is from pre-tax cash flows.

The Group has 24 (2021: 25) cash generating units (CGUs). The cash generating units represent individual dealerships, or groups of dealerships which share the same geographical location.

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to gross profits and direct costs during the year:

Management estimates discount rates using pre-tax rates that reflect current market assessments and the time value of money and the risks specific to the CGUs. A risk adjusted pre-tax discount rate of 10% (2021: 10%) has been applied.

The pre-tax discount rate has been derived using internal assessment of required stakeholder returns along with a benchmark review of similar companies within the industry.

Management uses approved budgets for 2023. The budgeted cash flows are discounted into perpetuity. An annual growth rate of 0% is assumed. This growth rate reflects the assessment of the directors.

On the basis of the assumptions stated above, the calculations show that no impairment of goodwill has taken place during 2022 (2021: £Nil).

15 Intangible assets *(continued)*

Sensitivity analysis has been performed on the value in use calculations based on three potential scenarios with the following results:

A 0.1% reduction in gross profit earned on the sales of used vehicles alongside a 0.4% reduction on new vehicles. This scenario did not result in any impairment charge.

A discount rate increase of 2.0% did not result in any impairment charge, a change above this is not considered a reasonable change but at 5% (a rate of 15.0%) an impairment of £444,000 could occur.

The annual growth rate has been assumed at 0% and Management do not believe it would be reasonable to expect a significant reduction to this. An impairment is only recognised once the growth rate of cash flows into perpetuity is set to negative 5% resulting in a £444,000 charge.

The directors consider it would take more than a reasonable change in the key assumptions for the Goodwill to become impaired.

16 Investments

The Group previously had an interest in Trusted Dealers Limited a company limited by guarantee for which the Group holds 1.3% of the voting rights. The company advertises used vehicles to the public. The investment was written off during 2021.

Company	**2022**	2021
	£'000	£'000
Cost and net book value		
Balance at 31 December	34,115	34,115

16 Investments *(continued)*

The subsidiaries of the Group and the Company at 31 December 2022, unless otherwise noted, are as follows:-

Subsidiaries 2022 and 2021 unless stated	**Nature of business**
Perrys Motor Sales Limited*	New & used car sales, repair and servicing and supply of replacement parts
Perrys Trustees Limited	Dormant trustee company
Rocar Moores Limited***	Dormant
VG Holdings Limited	Dormant holding company
Perrys Lancashire Limited	Dormant
Perrys Bury Limited	Dormant - Dissolved June 2022
Perrys Burnley Limited	Dormant - Dissolved June 2022
Marque 2 Limited	Dormant - Dissolved June 2022
Perrys East Midlands Limited*	New & used car sales, repair and servicing and supply of replacement parts
PEM 2000 Limited**	Property holding company
PEM Northern Limited**	Dormant - Dissolved September 2022
PEM (1931) Limited**	Dormant - Dissolved June 2022
PEM County Garage Company Limited**	Dormant - Dissolved June 2022
PEM G. Marshall (Holdings) Limited**	Dormant - Dissolved September 2022
PEM Southern Limited**	Dormant - Dissolved June 2022

During 2022, 8 dormant companies were dissolved.

*Held directly by Perrys Group Limited
**Held indirectly through Perrys East Midlands Limited
*** Subsequent to year end Rocar Moores Limited was dissolved

All subsidiaries are ultimately 100% owned and are included within the consolidated accounts. Each company is registered and incorporated in England and Wales whose registered office is at Suite 1, 500 Pavilion Drive, Northampton, NN4 7YJ. All the companies have the same year end as Perrys Group Limited.

17 Deferred tax assets and liabilities

Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022	2021	**2022**	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Property, Plant and Equipment	-	-	575	705	575	705
Accelerated capital allowances	(23)	(52)	2,496	2,238	2,473	2,186
Other short term timing differences	(24)	(22)	150	-	126	(22)
Financial derivatives	(109)	(96)	-	-	(109)	(96)
IFRS 16	(258)	(323)	-	-	(258)	(323)
Tax (assets)/liabilities	(414)	(493)	3,221	2,943	2,807	2,450

Movement in temporary differences during the year

	Balance 1 January 2022	Recognised in income	Recognised in equity	Balance 31 December 2022
	£'000	£'000	£'000	£'000
Property, Plant and Equipment	705	(130)	-	575
Accelerated capital allowances	2,186	742	(455)	2,473
Other short term timing differences	(22)	148	-	126
Financial derivatives	(96)	(13)	-	(109)
Recognised on application of IFRS 16	(323)	45	20	(258)
	2,450	792	(435)	2,807

	Balance 1 January 2021	Recognised in income	Recognised in equity	Balance 31 December 2021
	£'000	£'000	£'000	£'000
Property, Plant and Equipment	428	277	-	705
Accelerated capital allowances	1,249	482	455	2,186
Other short term timing differences	8	(30)	-	(22)
Financial derivatives	(97)	1	-	(96)
Recognised on application of IFRS 16	(260)	-	(63)	(323)
	1,328	730	392	2,450

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

18 Inventories

Group	2022 £'000	2021 £'000
Vehicles (new, used and demonstrator)	120,214	78,936
Interest bearing consignment vehicles	3,709	1,046
Parts and sundry stocks	5,515	5,287
	129,438	85,269

Inventories are shown net of impairment losses amounting to £352,000 (2021: £352,000). Impairment losses excludes vehicle write downs to net realisable values.

The cost of inventories recognised as an expense was £551,266,000 (2021: £524,882,000).

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

19 Trade and other receivables

Group	2022 £'000	2021 £'000
Trade receivables	7,441	5,297
Other receivables	5,511	5,914
Sub-Let Right of Use Asset	1,329	432
Prepayments	2,279	2,223
Directors' and shareholders' loan accounts	900	-
	17,460	13,866

At 31 December 2022, the exposure to credit risk for trade receivables by type of counterparty was as follows:-

	2022 £'000	2021 £'000
Corporate customers	7,184	5,118
Original Equipment Manufacturers (OEM)	257	179
	7,441	5,297

At 31 December 2022 the carrying amount of the Group's most significant corporate parts customer was £626,000 (2021: £562,000).

A summary of the Group's exposure to credit risk for trade receivables and contract assets is as follows.

	2022		2021
	£'000	£'000	£'000
	Not credit impaired	Credit impaired	
Corporate customers	7,223	-	5,175
OEM	264	-	183
Total gross carrying amount	7,487	-	5,358
Less allowance	(46)	-	(61)
	7,441	-	5,297

19 Trade and other receivables *(continued)*

Trade receivables are shown net of impairment provisions amounting to £46,000 (2021: £61,000). The Group has reviewed trade receivables and has provided for debts where recoverability is considered remote.

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

Credit risk arises in respect of amounts due from vehicle manufacturers in relation to bonuses and warranty receivables. This risk is mitigated by the range of manufacturers dealt with, the Group's procedures in effecting timely collection of amounts due and management's belief that it does not expect any manufacturers to fail to meet their obligations.

Movement in allowance for doubtful debts

	2022	2021
	£'000	£'000
Balance at the beginning of the period	61	44
(Credit)/charge to income statement	21	30
Amounts recovered in the year	(22)	0
Written off as uncollectable	(14)	(13)
	46	61

Included in the Group's trade receivable balance are debtors with a carrying value of £175,000 (2021: £191,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered to be recoverable.

Ageing of past due but not impaired receivables	**2022**	2021
	£'000	£'000
30 to 60 days	101	126
60 to 90 days	50	18
Over 90 days	24	47
	175	191

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

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

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

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

20 Cash and cash equivalents

Group	**2022**	2021
	£'000	£'000
Bank balances	1,238	3,568
Cash and cash equivalents	1,238	3,568
Bank overdrafts	-	-
Net cash and cash equivalents in the statement of cash flows	1,238	3,568

Reconciliation of net cash flow to movement in net debt

	2022	2021
	£'000	£'000
Net (decrease)/increase in cash and cash equivalents	(2,330)	741
Cash outflow from repayment of borrowings	-	4,062
Cash movement in net debt	(2,330)	4,803
Amortisation of loan arrangement fees	-	(35)
Non-cash movement in net debt	-	(35)
Movement in net debt	(2,330)	4,768
Opening net debt	3,568	(1,200)
Closing net cash	1,238	3,568

Company	**2022**	2021
	£'000	£'000
Bank balances	-	90

21 Capital and reserves - Group and Company

Share capital

	Ordinary shares	
	2022	2021
	£'000	£'000
In issue at 1 January	88	88
Options exercised	3	-
In issue at 31 December	91	88

During the year 300,000 options were exercised by a Director at a value of £3 per share.

At 31 December 2022, the issued share capital comprised 9,100,000 (2021: 8,800,000) ordinary shares of £0.01. All of the shares are fully paid.

21 Capital and reserves - Group and Company *(continued)*

Revaluation reserve

The revaluation reserve relates to property, plant and equipment and is net of deferred tax.

Capital redemption reserve

The capital redemption reserve has arisen following the purchase by the Group of its own shares and comprises the amount by which share capital was reduced on these transactions in accordance with s733 of the Companies Act 2006.

Dividends

At the balance sheet date the following dividends had been declared and there had been no income tax consequences.

	2022	2021
	£'000	£'000
£0.22 per qualifying ordinary share (2021: £0.22)	2,000	2,000

22 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate risk, see note 26.

As at 31 December 2022 and 31 December 2021, the Group did not have any outstanding liabilites in relation to its banking credit facilites.

The costs of raising finance are allocated to the profit and loss account in line with the repayment schedule. There were no capitalised finance costs to be written of in the year (2021: £35,000).

Lease liabilities

	2022	**2021**
Maturity analysis - contractual undiscounted cash flows	**£'000**	**£'000**
Less than one year	1,432	1,511
One to five years	2,781	3,602
More than five years	4,901	5,300
Total undiscounted lease liabilities at 31 December	9,114	10,413
Lease liabilities included in the balance sheet at 31 December	4,831	6,692
Current	928	1,219
Non-current	3,903	5,473

23 Trade and other payables

Group	2022 £'000	2021 £'000
Non-current liabilities		
Vehicle financing	39,040	35,326
Current liabilities		
Trade payables	95,216	52,081
Consignment stock liability	3,709	1,047
Social security and other taxes	1,690	1,672
Accruals	7,075	8,335
Deferred income	2,848	4,225
Directors' and shareholders' loan accounts	3,579	5,309
	114,117	72,669

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

Vehicle financing is secured on inventory. The total facility available at the year end was £40,000,000 (2021: 40,000,000).

Company	2022 £'000	2021 £'000
Amounts due to Group undertakings	26,854	27,844

24 Contract liabilities

	2022 £'000	2021 £'000
Warranty	1,478	1,476
Service plans	3,617	3,343
Customer deposits	2,221	1,924
	7,316	6,743

25 Provisions

2022	Land clean up £'000	Property £'000	**Total £'000**
Balance at 1 January 2022	-	423	**423**
Provisions made during the year	110	225	**335**
Release against Right of Use Asset	-	-	**-**
Provisions used during the year	-	(41)	**(41)**
Release of provision to exceptional income	-	(3)	**(3)**
Balance at 31 December 2022	110	604	**714**
Non-current	-	58	**58**
Current	110	546	**656**
	110	604	**714**

25 Provisions *(continued)*

2021	HSE £'000	VAT £'000	Property £'000	**Total £'000**
Balance at 1 January 2021	148	30	28	**206**
Provisions made during the year	-	-	401	**401**
Provisions used during the year	(148)	(27)	-	**(175)**
Release of provision to exceptional income	-	(3)	(6)	**(9)**
Balance at 31 December 2021	-	-	423	**423**
Non-current	-	-	33	**33**
Current	-	-	390	**390**
	-	-	423	**423**

Land clean up

Clean up costs to make safe the land at one of the Company's properties amounted to £59,000 in the year and a provision of £110,000 is in place for works to be completed in 2023.

Property

At year end the property provision includes £81,000 (2021: £77,000) against uncompleted rent reviews and a £493,000 (2021: £308,000) provision for rates bills not yet received. A provision for £30,000 (2021: £38,000) is included for onrous rent costs relating to a property which is subleased at a lower value than the cost of the lease payments to the ultimate Landlord.

The provision for costs of vacant property are known costs. The provision for rent reviews and rates bills are based on historical costs plus an estimate for inflationary increase. These provisions will therefore be sensitive to any changes to rates and rents above or below inflation.

In prior year:

Health and Safety Executive

The company pleaded guilty to a health and safety violation in 2019. A provision carried forward in 2020 of £148,000 was paid in 2021 and the matter is now closed.

VAT

In 2020 the Company was in negotiation with HMRC in connection with historic VAT issues regarding the supply of vehicles from Motability. £3,000 was released to exceptional income in 2021 and the balance paid to HMRC.

26 Financial instruments

Exposure to liquidity risk, credit risk and interest rate risk arises in the normal course of the Group's business. The Company has no exposure to foreign currency risk.

26 Financial instruments *(continued)*

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

The Group's banking facilities were renewed during 2021. The Group went through a refinancing exercise to bring its facilities in line with its requirements and to ensure there were sufficient facilities for the future. New facilities were agreed in May 2021.

In May 2021 the Group secured a £10 million revolving credit facility under the Governments Coronavirus Large Business Interruption Loan Scheme. Interest is payable at 2.6% plus base rate plus a fee for non-utilisation of 1.755% plus base rate. This new facility is for a period of 3 years and has a set of financial covenants. A future breach of the covenant may require the Group to repay the loans on demand. The covenant is monitored and regularly reported to management to ensure compliance with the agreement. During 2022 there were no breaches of the covenants (2021: None) and none are forecast to be breached in 2023.

At 31 December 2022, vehicle stocking facilities total £40 million (2021: £40 million). Included is a £30 million facility where interest is payable at Bank of England base rate plus 1.65% and a £10 million facility where interest is payable at 3 month SONIA plus 2.0%. All finance is provided on terms requiring 366 days notice to terminate.

In prior year the Group had loans secured on the Group's property, which were variable, being subject to changes in 3 month LIBOR. These loans have been repaid in 2021.

Some stock is provided by the manufacturer on a consignment basis. Interest on consignment stock is charged at agreed rates with the manufacturer.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from customers.

The carrying value of financial assets represent the maximum credit exposure.

Trade receivables

The Group's exposure to credit risk is influenced by the individual characteristics of each customer. Each customer is reviewed individually for creditworthiness before the Group's standard terms and conditions are offered. The Group's review includes financial statements, credit agency information and in some cases bank references. Sale limits are established for each customer and approval from the Group's management is required for sales exceeding those limits.

26 Financial instruments *(continued)*

The Group does not require collateral in respect of trade and other receivables. The Group does not have trade receivables and contract assets for which no loss allowance is recognised because of collateral.

Cash and cash equivalents

The Group held cash and cash equivalents of £1,238,000. The cash and cash equivalents are held with bank and financial institutions counterparties, which are rated Aa3 based on Moody's rating.

Guarantees

The Group's policy is to provide financial guarantees only for subsidiaries' liabilities. At 31 December 2022, the Company had issued a guarantee to certain banks in respect of credit facilities granted to two subsidiaries.

Market risk

Market risk is the risk that changes in market prices, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The objective of the Group's interest rate policy is to minimise interest cost whilst protecting the Group from adverse movements in interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group does not actively manage cash flow interest rate risk as the Board believes that the retail sector in which the Group operates provides a natural hedge against interest rate movements. Consequently, it is normal Group policy to borrow on a floating rate basis.

As the Group's borrowings are at floating rates they therefore have a sensitivity to changes in market rates of interest.

A change of 1% in interest rates applied to the profile of borrowings forecast for 2023 would increase or decrease profits by approximately £268,000 (2021: £303,000).

Financial instruments by category

	31 December 2022		
	Amortised Cost	**Derivatives**	**Total**
Financial assets not measured at fair value	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	1,238	-	1,238
Trade and other receivables excluding prepayments	15,181	-	15,181
Total	16,419	-	16,419

26 Financial instruments *(continued)*

	31 December 2022		
Financial liabilities not measured at fair value	**Other financial liabilities £'000**	**Derivatives £'000**	**Total £'000**
Lease liabilities	4,831	-	4,831
Trade and other payables excluding non-financial liabilities	148,619	-	148,619
Total	153,450	-	153,450

	31 December 2021		
Financial assets not measured at fair value	**Amortised Cost £'000**	**Derivatives £'000**	**Total £'000**
Cash and cash equivalents	3,568	-	3,568
Trade and other receivables excluding prepayments	11,643	-	11,643
Total	15,211	-	15,211

Financial liabilities not measured at fair value	**Other financial liabilities £'000**	**Derivatives £'000**	**Total £'000**
Lease Liabilities	6,692	-	6,692
Trade and other payables excluding non-financial liabilities	102,098	-	102,098
Total	108,790	-	108,790

The carrying value is considered a reasonable approximation of their fair value.

26 Financial instruments *(continued)*

Maturity analysis

The interest rate profile of the financial assets and liabilities of the Group and their contractual gross cash flows are as follows:

31 December 2022	Total £'000	1 Year or less £'000	1-2 Years £'000	2-3 Years £'000
Cash and cash equivalents	1,238	1,238	-	-
Secured stocking finance	(41,272)	(2,232)	(39,040)	-
Revolving Credit Facility related capitalised costs	(28)	(19)	(9)	-
Consignment stock liabilities	(3,865)	(3,865)	-	-
	(43,927)	(4,878)	(39,049)	-

31 December 2021	Total £'000	1 Year or less £'000	1-2 Years £'000	2-3 Years £'000
Cash and cash equivalents	3,568	3,568	-	-
Secured stocking finance	(36,176)	(850)	(35,326)	-
Revolving Credit Facility	(48,432)	(20,041)	(20,041)	(8,350)
Consignment stock liabilities	(1,465)	(1,465)	-	-
	(82,505)	(18,788)	(55,367)	(8,350)

27 Capital commitments

Future capital expenditure authorised is as follows:

	Group 2022 £'000	Group 2021 £'000	**Company 2022 £'000**	Company 2021 £'000
Contracted for but not provided in the financial statements	62	104	-	-

The Group is committed to £35,000 capital spend on building signage required for corporate standards, and £27,000 on new IT Equipment, security, solar panels and other items. Commitments at 31 December 2021 related to installation of electric vehicle charging stations and building works across a number of dealerships.

28 Non-cash transactions

There were no significant non-cash transactions in the current or previous year.

29 Control of the Group

Control of the Group and Company is exercised by D Millard, one of its directors and shareholders who controls 59.34% of the issued share capital. No director holds shares in any other group company.

30 Related party transactions

During the year the Group's trading subsidiaries consisted of Perrys Motor Sales Limited, Perrys East Midlands Limited and PEM 2000 Limited.

Included within current liabilities of the Company are amounts due to Perrys Motor Sales Limited of £26,854,000 (2021: £27,844,000).

Transactions with key management personnel

Key management personnel are considered to be the directors. Refer to note 10 for information about key management personnel compensation. Included in the emoluments disclosed in Note 10 are benefits in kind of £61,000 (2021: £122,000).

The directors received 82% of the dividend paid during the year and at 31 December 2022 amounts owing to the directors were £1,128,000 (2021: £2,715,000). The balances arise through the retention of bonus and dividend payments. These balances were with 5 (2021: 4) directors of the parent.

During the year the Company provided an interest free loan to a Director to exercise 300,000 options at £3 per share. At 31 December 2022 £900,000 is outstanding (2021: £Nil). The Company has agreed to also loan up to £40,000 to the Director in order to cover any related tax liabilities. As at 31 December 2022 none of this loan has been drawn.

The loan is repayable on a number of scenarios including the Director ceasing to be employed by the Company. Any dividends received by the Director must be used to repay the loan.

31 Retirement benefit obligations

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

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

31 Retirement benefit obligations *(continued)*

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

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

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

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

Amounts Included in Balance Sheet

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

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

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

31 Retirement benefit obligations *(continued)*

Reconciliation of the impact of the asset ceiling

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

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

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

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

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

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

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

31 Retirement benefit obligations *(continued)*

Defined benefit costs recognised in the Income Statement

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

Defined benefit costs recognised in Other Comprehensive Income

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

Assets

	2022 £'000	2021 £'000
UK Equities	-	158
Overseas Equities	-	3,418
Corporate Bonds	1,222	745
Diversified Growth Funds	-	2,340
Cash	37	126
Real LDI	-	413
Normal LDI	-	1,239
Gilts	4,669	0
Absolute Return Bonds	-	745
Total assets	5,928	9,184

31 Retirement benefit obligations *(continued)*

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

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

Significant actuarial assumptions

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

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

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

31 Retirement benefit obligations *(continued)*

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

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

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

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

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