Registered No. 09881062

Hendy Automotive Limited

Annual Report and Financial Statements

Period Ended
31 December 2021

Registered No: 09881062

Company information

Directors
S J Gulliford
P A Hendy
J M Moritz
S Bottomley (resigned 2 November 2022)

Secretary
C A G Moir

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Strategic report

Review of the business and future developments

The Group's principal activities during the period continued to be the retailing, wholesaling, and repair of new and used vehicles, both car and commercial. The Group represents the Ford, Land Rover, Jaguar, Toyota, Lexus, Nissan, Skoda, Hyundai, Kia, Honda, Iveco, Mazda, Renault, Dacia, SEAT, Suzuki, MG, Lotus and Moke brands, and has 3 non-franchised used vehicle sites.

The trading summary and key performance indicators for the Period Ended 31 December 2021 are as follows:

	2021	2020
Turnover (£'000)	931,801	732,778
Gross profit margin (%)	12.9	12.0
EBITDA (£'000)	22,416	7,329
Return on sales (based on operating profit) (%)	1.8	0.3
Return on sales (based on profit/(loss) before tax) (%)	1.4	(0.4)

The 2021 profit before tax of £12,878k (2020: loss of £3,212k) was a great result achieved in turbulent market conditions caused by the Covid19 pandemic. The EBITDA of £22,416k (2020 £7,329k) was a record for the Group, despite its sales showrooms being closed down under Covid19 lockdown rules for the first 100 days of the year. The initial key focus for 2021 was the on-line vehicle sales capability of the Group, as normal showroom sales were not possible. In this period the Coronavirus Job Retention Scheme was used to protect jobs, and the Group managed to keep first quarter losses at a low level. Once trading activity returned to normal the key aims became to deliver a year of very strong profitability in order to repair the damage done to the balance sheet by the pandemic during 2020, and to manage the cash position strongly enough to be able to adhere to the original plan for settling the deferred consideration on the acquisition of Westover Group Limited. These aims were successfully achieved. The Group achieved around 60% of its normal sales volumes in the first quarter of the year with its showrooms closed, delivered its most profitable year ever, and achieved the required net leverage position to repay the £3,000k balance of deferred consideration in line with the original schedule.

The business continued to reshape its portfolio of businesses with the disposal of its Suzuki Havant dealership on 19th March 2021.

Strategic report

Review of the business and future developments *(continued)*

The deficit on the closed defined benefit pension scheme of £5,346k (2020 - £11,418k) is disclosed gross of the related deferred tax asset under FRS 102. Cash contributions increased from £1,042k in 2020 to £1,813k in 2021, as the Group paid for the quarter during which payments were suspended in the original Covid19 lockdown in 2020, as well as for its normal annual contributions. The reduction in the deficit was extremely encouraging, and related principally to an increase in corporate bond yields. Under FRS 102 rules there was a charge of £355k against profit (2020 - £449k), and a gain of £4,614k (2020 - loss of £401k) in the Statement of Comprehensive Income.

At year end the Group had net assets totalling £33,841k (2020 - £18,869k).

Principal risks and uncertainties

There are risks to the future of businesses in any sector including the motor trade. These include macroeconomic factors such as the broader state of the economy, the fuel price, interest rates, and general consumer confidence.

Beyond macroeconomic factors, the Group faces key risks in respect of the position of the manufacturers with whom dealer agreements are held, in respect of the longer term fundamental changes in the automotive retail market, most notably the impact of electrification and the growth of on-line retail, and in respect of regulatory compliance.

Hendy's approach to the manufacturer position is to manage its manufacturer relationships as proactively as possible, and to diversify as widely as possible within the sector, so that its operations embrace many different brands, products and activities, including non-franchised operations. Consequently, as certain brands, products or activities in the portfolio struggle, others are likely to strengthen, providing some stability in financial performance.

In terms of market changes, Hendy's approach is to ensure that its management team is well-briefed on developments, and that significant time and financial resources are dedicated to considering the future and developing the business accordingly.

The Group takes regulatory compliance extremely seriously, ensuring that all key aspects of compliance are included in its board meetings, that employees receive appropriate training in both the requirements and culture of regulatory compliance, and that external consultants are engaged to support compliance where necessary.

There are other operational risks, including for example credit risk. The group's credit risk is quite limited, and is primarily attributable to its trade debtors. Credit risk is managed by running credit checks on new customers, setting appropriate account limits, and by monitoring payments against contractual agreements.

Strategic report

Section 172 Statement

The Group has a structure of corporate governance which includes regular strategic and operational board meetings, and the reporting of information covering key financial, employee, customer, supplier and compliance measures. This structure provides a framework for the board to make decisions for the long-term success of the Group and its stakeholders, and also helps the board to ensures that the Group complies with the requirements of Section 172 of the Companies Act 2006.

During 2021 the key decisions taken by the board included:

- The decision to keep a large proportion of employees on flexible furlough in the first quarter of the year, in order to safeguard jobs and protect employee health during the pandemic.

- The decision to dispose of the Suzuki dealership in Havant, as part of the ongoing process of refining the Group's portfolio of businesses.

- The decision to develop the Group's own bespoke website, in conjunction with its marketing agency, to give it a competitive edge in the on-line space. This decision recognised that although the Board is firmly of the view that the future of the sector will continue to incorporate physical dealership visits, vehicle views and test drives, almost all customer journeys include some on-line activity.

On behalf of the Board

J M Moritz

Director

Date 7 December 2022

Directors' report

The directors present the company's annual report and the Group financial statements for the period ended 31 December 2021.

Results and dividends

The Group's retained profit for the period, after taxation, amounted to £8,949k (2020 – loss of £3,377k).

The directors authorised the declaration of dividends on preference shares totalling £1,220k (2020 - £1,065k), but no dividends were declared on redeemable ordinary A shares (2020 - £nil) during the year. Under FRS 102 rules preference share dividends are presented as interest in Profit Before Tax, whereas ordinary A share dividends are treated as dividends in the Statement of Changes in Equity. Dividends declared since the acquisition of Westover were to remain unpaid until certain funding conditions are met. The original expectation at the time of the acquisition was that these payments would recommence in the first quarter of 2022, and the Group has adhered to the funding conditions and made payments in line with this schedule.

The presentation of the financial statements is impacted by the inclusion of figures relating to movements in the Group's defined benefit pension fund, which closed in 2006. A fuller explanation of this is set out under 'Pension Fund' below and in Note 26.

Pension Fund

In common with many UK companies the Hendy Group's closed defined benefit pension scheme remains in deficit, with the figure having fallen by £6,072k (2020 - £192k) in the full year 2021. The main causes of this movement are the increase in corporate bond yields during the year, which has reduced the calculated liabilities of the scheme, and the contributions made by the Group in the year. The deficit on the scheme is disclosed gross of the related deferred tax asset under FRS 102. Contributions of £1,813k (2020 - £1,042k) were made in the full year 2021, which included the catch-up of payments suspended during the original Covid19 lockdown under an agreement with the trustees. Under the deficit reduction plan agreed with the trustees, contributions will increase again to £2,200k in 2022. The gross deficit fell from £11,418k to £5,346k in the year. Under FRS 102 rules this was reflected with a charge of £355k (2020 - £449k) against profit and a gain of £4,614k (2020 loss of £401k) in the Statement of Comprehensive Income. The directors consider that the defined benefit pension scheme deficit is a long-term challenge rather than a short-term one.

Financial and credit risks

Principal risks and uncertainties are covered in the strategic report above.

The Group's operations are financed by a mixture of equity in the form both of ordinary and preference share capital, and long-term bank loans. Further details of these loans are included in notes 18 to 19 to the accounts.

Directors

The directors during the period are listed on page 1.

Post balance sheet events

In November 2022 the Group concluded the refinancing of its business, replacing its term loan with HSBC, which had a remaining balance of £23.1m, with a new £25m term loan and £5m revolving credit facility provided by Santander and Barclays under a club deal. The new facilities expire in November 2025 but include the potential to extend for a further 2 years beyond that date.

On 25 November 2022 the Group redeemed the redeemable preference shares totalling £9,495k.

Directors' report (continued)

Statement of Emissions and Carbon Reporting

In accordance with the Companies (Directors' Report) Regulations 2018, Hendy Group Limited has prepared the following energy and carbon declaration. The data has been reported for all entities which operate under Hendy Group Limited without exclusion. Hendy Group Limited is not responsible for any energy consumption or emissions outside of the UK.

UK Greenhouse gas emissions and energy use data for the period 1st January 2021 to 31st December 2021

	2021	2020
Energy consumption used to calculate emissions (kWh)	26,097,528	24,542,243
Energy consumption break down (kWh):		
Electricity	7,677,793	6,487,973
Natural Gas	8,417,766	7,202,964
Transport fuel	9,906,270	10,787,499
Additional heating fuels	95,699	63,807
Scope 1 emissions in metric tonnes CO_2e		
Natural Gas consumption	1,542	1,324
Transport business mileage	2,311	2,537
Additional heating fuels	23	15
Total Scope 1	3,876	3,876
Scope 2 emissions in metric tonnes CO_2e		
Purchased electricity	1,630	1,513
Total gross emissions in metric tonnes CO_2e	5,506	5,389
Intensity ratio Tonnes CO_2e per £million(revenue)	5.75	7.29

Directors' report (continued)

UK Greenhouse gas emissions and energy use data for the period 1st January 2021 to 31st December 2021 *(continued)*

Through the purchase of zero-carbon electricity, Hendy Group Limited was able to reduce its total emissions by 23.75% in 2021.

	2021	2020
Emission reductions in metric tonnes CO_2e		
Electricity purchased on zero-carbon contracts	-1,308	-1,414
Total net emissions in metric tonnes CO_2e	4,198	3,975
Net intensity ratio - tonnes CO_2e per £million(revenue)	4.388	5.38

Methodology used in the calculation of disclosures

The following standards are used in the calculation the above disclosures:

- 2019 HM Government Environmental Reporting Guidelines
- GHG Reporting Protocol – Corporate Standard
- 2021 UK Government's Conversion Factors for Company Reporting

Energy efficiency action

With the UK Government recently bringing forward its end to the sale of new petrol and diesel cars to 2030, Hendy Group continues with its push towards a sustainable transport future. 2021 saw Hendy Group further increases in the number of Electric Vehicles sold and offered. We have also advanced our EV charging infrastructure with further units being installed at multiple dealerships including some larger 50kW DC charging units. We expect the upward trend in Electric Vehicles sales to continue based on customer demand and this will allow us to shift demand in our fleet from liquid fuels to electricity that can be sourced from 100% renewable sources in the future.

LED lighting conversion was a big focus in 2021 and saw 10 dealerships undergo full renovation to move from previously intensive lighting schemes to efficiency LED systems. More are planned in 2022 until the entire group will be illuminated in the most energy efficiency manner available that meets specifications from our manufacturers. Additionally, we have continued to install further automatic lighting systems that deactivate when lighting is not required.

In 2021 we started more intensive monitoring of our energy usage with reporting on Half Hourly data in particular allowing us to focus on certain sites, reducing their wastage. We are considering, supplier-allowing, the installation of Half Hourly gas metering which will give us greater granularity and ability to monitor heating demands of sites where previously we were not able to do so.

In 2022 we are planning the construction of a brand-new dealership very similar to the previous one developed on Villeneuve Way in Eastleigh. This means it will adhere to BREEAM Very Good standards at least and be part of the council district heating scheme which further reduces the Carbon footprint of an already efficient site.

Directors' report (continued)

Disabled employees

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

Employee involvement

The Group is committed to involve all employees in the performance and development of the Group. Employees are encouraged to discuss with management matters of interest to the employee and subjects affecting day to day operations of the Group. Discussions take place monthly at each site with a representative Group of employees on a wide range of issues. Staff are also invited to contribute to a regular magazine distributed internally and to customers.

Auditors

All the current directors have taken all the steps they ought to have taken to make themselves aware of any information needed by the company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant information of which the auditors are unaware.

A resolution to re-appoint BDO LLP as auditors will be put to members at the forthcoming Annual General Meeting.

Qualifying third party indemnity provisions

The group has put in place qualifying third party indemnity provisions for the Directors of Hendy Automotive Limited.

On behalf of the Board

J M Moritz

Director

Date 7 DECEMBER 2022

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that year.

In preparing these financial statements, the directors are required to:

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

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

Independent auditor's report

to the members of Hendy Automotive Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HENDY AUTOMOTIVE LIMITED

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Hendy Automotive Limited ("the parent company") and its subsidiaries ("the group") for the Period Ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Financial Position, 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 their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Independent auditor's report

to the members of Hendy Automotive Limited

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, 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.

Other Companies Act 2006 reporting

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

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

In the light of the knowledge and understanding of the group and the 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 Statement of Directors' Responsibilities, 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.

Independent auditor's report

to the members of Hendy Automotive Limited

Auditor's responsibilities for the audit of the financial statements

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

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

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

Procedures performed by the audit team included:

- Discussions with management regarding known or suspected instances of non-compliance with laws and regulations;
- Obtaining an understanding of controls designed to prevent and detect irregularities, including specific consideration of controls and group accounting policies relating to significant accounting estimates;
- Obtaining an understanding of the significant laws and regulations impacting the group and the motor retail industry, including data protection laws and regulations around FCA compliance;
- Communicating relevant laws and regulations and potential fraud risks to all engagement team members (which included motor dealership specialists) and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit;
- Reviewing minutes of meetings of those charged with governance to identify any instances of non-compliance with laws and regulations; and
- Assessing journals entries as part of our planned audit approach, with a particular focus on journal entries to key financial statement areas such as revenue and inventories and journals raised after the year end.

Independent auditor's report

to the members of Hendy Automotive Limited

Extent to which the audit was capable of detecting irregularities, including fraud (continued)

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

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

Use of our report

This report is made solely to the parent company's member 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 parent company's member 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 parent company and the parent company's member for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Steve Le Bas
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Stephen Le Bas (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton

Date: 08 December 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Comprehensive Income

for the period ended 31 December 2021

	Note	Continuing operations 2021 £'000	Discontinued operations 2021 £'000	Total 2021 £'000	Continuing operations 2020 £'000	Discontinued operations 2020 £'000	Total 2020 £'000
Turnover	3	931,483	318	931,801	729,881	2,897	732,778
Cost of sales		(811,220)	(264)	(811,484)	(642,111)	(2,465)	(644,576)
Gross profit		120,263	54	120,317	87,770	432	88,202
Administrative expenses – including exceptional costs (note 9) of £Nil (2020 - £1,940k)		(106,372)	(102)	(106,474)	(95,770)	(515)	(96,285)
Other operating income	4a	2,866	-	2,866	10,193	-	10,193
EBITDA *		22,464	(48)	22,416	7,412	(83)	7,329
Depreciation		(3,074)	-	(3,074)	(2,934)	-	(2,934)
Amortisation of intangible assets		(2,633)	-	(2,633)	(2,285)	-	(2,285)
Operating profit/(loss)	4	16,757	(48)	16,709	2,193	(83)	2,110
Interest payable	7	(3,677)	-	(3,677)	(5,098)	-	(5,098)
Other finance cost	8	(154)	-	(154)	(224)	-	(224)
Interest received		-	-	-	-	-	-
Profit/(loss) on ordinary activities before taxation		12,926	(48)	12,878	(3,129)	(83)	(3,212)
Taxation charge on profit/(loss) on ordinary activities	10	(3,929)	-	(3,929)	(165)	-	(165)
Profit/(loss) for the financial year		8,997	(48)	8,949	(3,294)	(83)	(3,377)

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Consolidated Statement of Comprehensive Income

for the period ended 31 December 2021

	Total 2021 £'000	Total 2020 £'000
Actuarial gain/(loss) on defined pension scheme	4,614	(401)
Revaluation of freehold, long leasehold and investment properties	2,666	2,335
Taxation in respect of other comprehensive income	(1,257)	(707)
Other comprehensive income	6,023	1,227
Total comprehensive income/(loss) for the year	14,972	(2,150)

*EBITDA is earnings before interest, tax, depreciation and amortisation.
The notes on pages 23 to 48 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2021

Company number: 09881062	*Note*	*2021 £'000*	*2021 £'000*	*2020 £'000*	*2020 £'000*
Fixed assets					
Intangible assets	12	16,410		19,145	
Tangible assets	13	53,070		51,890	
Investment property	14	299		299	
Investments	15	-		-	
			69,779		71,334
Current assets					
Stock and work in progress	16	140,453		137,138	
Debtors	17	20,977		23,205	
Cash at bank and in hand		11,227		16,796	
		172,657		177,139	
Creditors: amounts falling due within one year	18	(164,627)		(177,753)	
Net current assets/(liabilities)			8,030		(614)
Total assets less current liabilities			77,809		70,720
Creditors: amounts due after more than one year	19		(31,812)		(35,287)
Provisions for liabilities	23		(1,922)		(1,699)
Deferred taxation	24		(4,888)		(3,447)
Net assets excluding pension fund liability			39,187		30,287
Pension fund liability	26		(5,346)		(11,418)
Net assets including pension fund liability			33,841		18,869
Capital and reserves					
Called up share capital	25		10,095		10,095
Revaluation reserve			9,660		5,527
Profit and loss account			14,086		3,247
			33,841		18,869

The financial statements were approved by the Board and authorised for issue on 7 December 2022

J M Moritz
Director

The notes on pages 23 to 48 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the period ended 31 December 2021

Group	*Share capital £'000*	*Revaluation reserve £'000*	*Profit and loss account £'000*	*Total equity £'000*
At 1 January 2021	10,095	5,527	3,247	18,869
Profit for the year	-	-	8,949	8,949
Actuarial gain on pension scheme	-	-	4,614	4,614
Deferred tax in respect of other comprehensive income	-	(424)	(833)	(1,257)
Revaluation of properties	-	2,666	-	2,666
Other comprehensive income for the year	-	2,242	3,781	6,023
Total comprehensive income for the year	-	2,242	12,730	14,972
Transfer between reserves	-	1,891	(1,891)	-
Contributions by and distributions to owners				
Dividends	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-
31 December 2021	10,095	9,660	14,086	33,841

The notes on pages 23 to 48 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020

Group	*Share capital £'000*	*Revaluation reserve £'000*	*Profit and loss account £'000*	*Total equity £'000*
At 1 January 2020	10,095	5,527	5,397	21,019
Loss for the year	-	-	(3,377)	(3,377)
Actuarial loss on pension scheme	-	-	(401)	(401)
Deferred tax in respect of other comprehensive income	-	-	(707)	(707)
Revaluation of properties	-	-	2,335	2,335
Other comprehensive income for the year	-	-	1,227	1,227
Total comprehensive loss for the year	-	-	(2,150)	(2,150)
Contributions by and distributions to owners				
Dividends	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-
31 December 2020	10,095	5,527	3,247	18,869

Reserves

The Group's reserves are as follows:

- Called up share capital reserve represents the nominal value of shares issued.
- Revaluation reserve represents accumulated revaluation gains on freehold and long leasehold land and buildings.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

The notes on pages 23 to 48 form part of these financial statements.

Company Statement of Financial Position

at 31 December 2021

Company number: 09881062	*Note*	*2021* *£'000*	*2021* *£'000*	*2020* *£'000*	*2020* *£'000*
Fixed assets					
Investments	15		32,501		32,501
Current assets					
Debtors	17	12,248		16,242	
		12,248		16,242	
Creditors: amounts falling due within one year	18	(6,428)		(5,248)	
Net current assets			5,820		10,994
Total assets less current liabilities			38,321		43,495
Creditors: amounts due after more than one year	19		(31,665)		(35,045)
Net assets			6,656		8,450
Capital and reserves					
Called up share capital	25		10,095		10,095
Profit and loss account			(3,439)		(1,645)
			6,656		8,450

The company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not prepared its own Statement of Comprehensive Income in these financial statements. The loss after tax of the parent company for the year was £1,794k (2020 – loss of £1,659k).

The financial statements were approved by the Board and authorised for issue on 7 December 2022

J M Moritz
Director

The notes on pages 23 to 48 form part of these financial statements.

Company Statement of Changes in Equity

for the period ended 31 December 2021

Company	*Share capital £'000*	*Profit and loss account £'000*	*Total equity £'000*
At 1 January 2021	10,095	(1,645)	8,450
Comprehensive loss for the year			
Loss for the year	-	(1,794)	(1,794)
Total comprehensive loss for the year	-	(1,794)	(1,794)
Contributions by and distributions to owners			
Dividends	-	-	-
Total contributions by and distributions to owners	-	-	-
31 December 2021	10,095	(3,439)	6,656

The notes on pages 23 to 48 form part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2020

Company	*Share capital* *£'000*	*Profit and loss account* *£'000*	*Total equity* *£'000*
At 1 January 2020	10,095	14	10,109
Comprehensive loss for the year			
Loss for the year	-	(1,659)	(1,659)
Total comprehensive loss for the year	-	(1,659)	(1,659)
Contributions by and distributions to owners			
Dividends	-	-	-
Total contributions by and distributions to owners	-	-	-
31 December 2020	10,095	(1,645)	8,450

Reserves

The Company's reserves are as follows:

- Called up share capital reserve represents the nominal value of shares issued.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

The notes on pages 23 to 48 form part of these financial statements.

Consolidated Statement of Cashflows

for the period ended 31 December 2021

	2021	*2020*
	£'000	*£'000*
Cash flows from operating activities		
Profit/(loss) for the financial year	8,949	(3,377)
Adjustments for:		
Depreciation of fixed assets	3,072	2,934
Amortisation of intangible assets	2,633	2,285
Net interest payable	3,831	5,098
Taxation expense	3,929	165
Difference between net pension expense and cash contribution	(1,612)	(817)
Decrease in debtors	1,444	14,603
(Increase)/decrease in stocks	(3,580)	63,932
Decrease in creditors	(11,504)	(63,048)
Movement in provisions	223	266
Loss/(Profit) on sale of fixed assets	3	(27)
Impairment of tangible fixed assets	-	1,620
Cash from operations	7,388	23,634
Taxation paid	(2,760)	-
Net cash generated from operating activities	4,628	23,634
Cash flows from investing activities		
Acquisition of subsidiary undertakings	(67)	(9,395)
Sale of trade and assets	433	-
Proceeds from sale of tangible fixed assets	18	252
Purchases of tangible fixed assets	(1,634)	(1,618)
Net cash (used in) investing activities	(1,250)	(10,761)
Cash flows from financing activities		
Capital element of leases repaid	(110)	(141)
Repayment of loans	(3,380)	(2,535)
Deferred consideration paid on a previous acquisition	(3,000)	-
Interest paid	(2,457)	(3,921)
Net cash (used in) financing activities	(8,947)	(6,597)
Net (decrease)/increase in cash and cash equivalents	(5,569)	6,276
Cash and cash equivalents at beginning of year	16,796	10,520
Cash and cash equivalents at end of year	11,227	16,796
Cash and cash equivalents comprise:		
Cash at bank and in hand	11,227	16,796

The notes on page 23 to 48 form part of these financial statements.

Notes to the financial statements

at 31 December 2021

1. Accounting policies

Hendy Automotive Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act. The address of the registered office is given on the company information page and the nature of the Group's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, and the Companies Act 2006.

The financial statements are prepared under the historical cost convention as modified by the revaluation of freehold and long leasehold land and buildings, and in accordance with the applicable accounting standards.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 2).

The following accounting policies have been applied:

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- the requirements of Section 33 Related party Disclosures paragraph 33.7;
- disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- no disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the Group as a whole, in line with Section 11, Para 11.39 to 11.48.

Basis of consolidation

The consolidated financial statements present the results of Hendy Automotive Limited and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Going concern

The financial statements have been prepared on a going concern basis which the directors consider appropriate for the reasons set out below.

The Group meets its day-to-day working capital requirements through short-term stocking loans, bank overdrafts and bank loans. Post year end as a result of the strong cash position the bank overdraft facility has been replaced by a revolving line of credit.

Notes to the financial statements

at 31 December 2021

1. Accounting policies (continued)

***Going concern** (continued)*

The bank loan in place at year end includes certain covenant tests which were passed at 31 December 2021. The covenant tests to date have continued to be passed post year end. In November 2022 the Group successfully refinanced its bank debt with a new term loan and a revolving credit facility. This loan has new covenant tests and based upon the budgets prepared there are significant levels of headroom on these covenants.

The directors have undertaken a detailed review of trading and cash flow forecasts for a period to December 2024 which projects that the facility limits are not exceeded over the duration of the forecasts and compliance with covenants. These forecasts have made assumptions in respect of future trading conditions, particularly volumes and margins of new and used car sales, aftersales and operational improvements together with the timing of capital expenditure. The forecasts take into account these factors to an extent which the directors consider to be reasonable, based on the information that is available to them at the time of approval of these financial statements. These forecasts indicate that the Group and Company will be able to operate within the financing facilities that are available to it and meet the covenant tests with sufficient margin for reasonable adverse movements in expected trading conditions.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of the signing of these accounts. For those reasons, they continue to adopt the going concern basis in preparing this financial statements.

Revenue

Revenue from the sale of goods is recognised when significant risks and rewards of ownership have passed to the customer. This is deemed to be the earlier of delivery and or full payment. Revenue from rendering services is recognised when services are performed, provided the amount can be measured reliably.

Tangible fixed assets

Tangible fixed assets, other than investment properties and freehold and long leasehold land and buildings, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Notes to the financial statements

at 31 December 2021

1. Accounting policies (continued)

Revaluation of tangible fixed assets
Individual freehold and long leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Balance sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in Other Comprehensive Income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

Depreciation
Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Freehold property	-	over 50 years
Leasehold property	-	over 50 years
Furniture, fixtures and fittings	-	10% to 17½% on cost
Plant and equipment	-	12½% to 20% on cost
Electronic office equipment	-	20% to 33⅓% on cost
Motor vehicles	-	25% on cost, except for vintage vehicles which are not depreciated
Lease and hire vehicles	-	over the period of the contract to write down vehicles to estimated residual value. Estimated residual values are based upon current market values of used vehicles.

Investment properties
Investment property is carried at fair value determined by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the consolidated statement of comprehensive income.

Investments
Investments in subsidiaries are measured at cost less accumulated impairment.

Notes to the financial statements

at 31 December 2021

1. Accounting policies (continued)

Financial assets

Financial assets, other than derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life. If a reliable estimate cannot be made, the useful life of goodwill is presumed to be 10 years.

Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Other Intangible assets

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see section related to critical estimates and judgements below).

The group's other intangible assets comprise licences to operate the manufacturer franchises and are amortised over a period of 10 years.

Notes to the financial statements

at 31 December 2021

1. Accounting policies (continued)

Leased assets: Lessor

Incentive payments to new tenants to occupy the group's investment properties are treated as a reduction in revenue and initially recorded as prepayments. The payments are charged to profit or loss over the term of the lease. Where such prepayments relate to investment properties, the properties are carried at open market value less the amount of the unamortised incentive.

All other leases are treated as operating leases. Their annual rentals are credited to profit or loss on a straight-line basis over the term of the lease.

Leased assets: Lessee

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

Where the Group has a legal obligation, a dilapidations provision is created on inception of a lease. These provisions are a best estimate of the cost required to return leased properties to their original condition upon termination of the lease. Where the obligation arises from 'wear and tear', the provision is accrued as the 'wear and tear' occurs.

Stocks

Stocks are stated at the lower of cost and net realisable value, as follows:

Raw materials and goods for resale	-	purchase cost based on individual vehicle cost for vehicle stock and average cost for parts stock.
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to complete and sell.

Where the nature of the agreement with the manufacturer confers the benefit and associated risk of ownership to the company on consignment, such stock and the corresponding creditor are included on the balance sheet although legal title remains with the supplier until sold.

Notes to the financial statements

at 31 December 2021

1. Accounting policies (continued)

Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Notes to the financial statements

at 31 December 2021

1. Accounting policies (continued)

Pensions

Contributions to the group's defined contribution pension scheme are charged to profit or loss in the year in which they become payable.

The group operates a group defined benefit pension plan.

The difference between the fair value of the assets held in the group's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the group's balance sheet as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether there are indicators of impairment of the group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Consideration has been given by the directors to the level of provision against vehicle stocks. In determining the provision required the directors have used guidance from independent valuation tools and their knowledge of the industry.
- Consideration of the key financial and demographic assumptions in relation to the defined benefit pension scheme. The Group engages with 3rd party actuaries to provide professional advice.
- Valuation of freehold, long leasehold and investment property – These properties are professionally valued using an existing use basis. The properties are subject to professional valuation with sufficient regularity to ensure that the fair value is not materially misstated.

Notes to the financial statements
at 31 December 2021

3. Turnover

An analysis of turnover by activity is given below:

	2021 £'000	2020 £'000
Vehicle sales	836,687	648,597
Aftersales	95,114	84,181
	931,801	732,778

All turnover arose within the United Kingdom.

4 Operating profit

	2021 £'000	2020 £'000
This is stated after charging/(crediting):		
Fees payable to the group's auditor for the audit of the group's annual accounts	134	132
Fees payable to the group's auditor for other services:		
- taxation compliance services	29	27
- taxation advisory services	9	19
- other non-audit services	10	16
Depreciation of owned fixed assets	2,996	2,838
Depreciation of assets held under finance leases	71	96
Depreciation of investment property	7	-
Amortisation of intangible assets	2,633	2,285
Operating lease rentals - land and buildings	8,104	7,401
Defined contribution pension cost	1,729	1,581
Defined benefit pension cost (see note 26)	201	225
(Profit)/loss on sale of tangible fixed assets	3	(27)

In addition to the fees payable to the group auditors a further £Nilk (2020: £79k) was incurred in relation to corporate finance fees.

4a. Other operating income

	2021 £'000	2020 £'000
Coronavirus job retention scheme grants	1,931	10,193
Government grants	935	-
	2,866	10,193

Notes to the financial statements

at 31 December 2021

5. Directors' remuneration

Group	*2021* *£'000*	*2020* *£'000*
Emoluments	2,360	1,262
Company contributions to pension scheme	8	4
	No.	*No.*
Members of defined benefit pension scheme	1	1
Members of defined contribution pension schemes	1	1
Amounts in respect of the highest paid director are:	*£000*	*£000*
Emoluments	996	490
Company contributions to pension scheme	-	-
Accrued pension benefit	25	25

6. Staff costs

Group	*2021* *£'000*	*2020* *£'000*
Wages and salaries	58,530	54,498
Social security costs	6,574	5,625
Pension costs	1,729	1,581
	66,833	61,704

The average monthly number of employees during the period was 1,618 (2020 - 1,722).

There are no employees remunerated through the company.

Notes to the financial statements

at 31 December 2021

7. Interest payable

	2021 £'000	2020 £'000
Bank loans and overdrafts	598	729
Stocking interest	1,783	3,286
Finance charges payable under finance leases	16	18
Redeemable preference share dividend	1,220	1,065
Other interest payable	60	-
	3,677	5,098

8. Other finance cost

	2021 £'000	2020 £'000
Net interest on defined benefit liability	154	224

9. Exceptional items

	2021 £'000	2020 £'000
Redundancy, recruitment and other costs incurred post acquisition	-	245
Impairment of fixed assets	-	1,620
Other	-	75
	-	1,940

Notes to the financial statements

at 31 December 2021

10. Taxation on profit/(loss) on ordinary activities

	2021	*2020*
	£'000	*£'000*
The taxation charge is made up as follows:		
Current tax	3,060	130
Adjustments in respect of prior year	(135)	(64)
Total current tax	2,925	66
Deferred tax		
Origination and reversal of timing differences	107	(263)
Adjustments in respect of prior year	76	273
Changes in tax rates	821	89
Movement in deferred tax provision	1,004	99
Taxation charge on profit/(loss) on ordinary activities	3,929	165

Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are reconciled below:

	2021	*2020*
	£'000	*£'000*
Profit/(loss) on ordinary activities before tax	12,878	(3,212)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	2,447	(611)
Effects of:		
Expenses not deductible for tax purposes	967	1,025
Deferred tax not recognised and tax rate difference	752	(211)
Adjustments in respect of previous periods	(59)	209
Defined benefit pension scheme charged to equity	(424)	(272)
Capital gains	246	25
Total tax charge for the year	3,929	165

Notes to the financial statements
at 31 December 2021

10. Taxation on profit/(loss) on ordinary activities *(continued)*

Factors that may affect future tax charges

The group has trading tax losses of £2.5m (2020 - £2.3m) to carry forward against future trading profits.

A deferred tax asset totalling £616k (2020 - £460k) on these losses has not been recognised due to the uncertainty over their recovery against future profits.

In the Budget of 3 March 2021, the Chancellor of the Exchequer announced a 6% increase in the standard rate of corporation tax, which will be applicable in the financial year beginning 1 April 2023. This change in the rate of corporation tax to 25% will affect the amount of future tax payments for which the Company will be responsible. Being substantively enacted, this rate change has already been reflected in the measurement of the Group's deferred tax assets and liabilities.

11. Dividends

	2021	*2020*
	£'000	*£'000*
Dividends on Redeemable Ordinary A shares of (2020 – Nil per share)	-	-

12. Intangible fixed assets

Group	*Licences*	*Goodwill*	*Total*
	£000	*£000*	*£000*
Cost:			
At 1 January 2021	8,972	17,290	26,262
Additions	-	67	67
Disposals	-	(199)	(199)
At 31 December 2021	8,972	17,158	26,130
Amortisation:			
At 1 January 2021	4,120	2,997	7,117
Charge for the year	897	1,736	2,633
Disposals	-	(30)	(30)
At 31 December 2021	5,017	4,703	9,720
Net book value:			
At 31 December 2021	3,955	12,455	16,410
At 31 December 2020	4,852	14,293	19,145

Goodwill arising on consolidation is being amortised over the directors' estimate of its useful life of 10 years. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Notes to the financial statements

at 31 December 2021

13. Tangible fixed assets

Group	*Assets under course of construction £000*	*Freehold property £000*	*Long leasehold property £000*	*Short leasehold property £000*	*Plant, machinery and equipment £000*	*Motor vehicles £000*	*Total £000*
Cost:							
At 1 January 2021	223	38,090	1,944	5,372	11,413	180	57,222
Additions	588	-	-	74	972	-	1,634
Disposals	-	-	-	(70)	(2,355)	(8)	(2,433)
Transfer	(157)	319	(319)	178	(21)	-	-
Revaluation	-	1,671	965	-	-	-	2,636
At 31 December 2021	654	40,080	2,590	5,554	10,009	172	59,059
Depreciation:							
At 1 January 2021	-	(432)	19	1,034	4,679	32	5,332
Charge for the year	-	425	11	535	2,058	38	3,067
Disposals	-	-	-	(71)	(2,309)	(7)	(2,387)
Revaluation	-	7	(30)	-	-	-	(23)
Transfers	-	-	-	10	(10)	-	-
At 31 December 2021	-	-	-	1,508	4,418	63	5,989
Net book value:							
At 31 December 2021	654	40,080	2,590	4,046	5,591	109	53,070
At 31 December 2020	223	38,522	1,925	4,338	6,734	148	51,890

Within the figures above, assets held under finance leases comprised:

Motor vehicles	- net book value £Nilk (2020 - £110k)
Plant, machinery & equipment	- net book value £154k (2020 - £225k)

The Group's freehold and long leasehold properties were valued on 12 May 2022 (effective for 31 December 2021) at fair value, determined by an independent, professionally qualified RICS valuer. The valuations were undertaking in accordance with the Royal Institution of Chartered Surveyors' Appraisal and valuation Manual.

The surplus on revaluation of £2,659k (2020: £2,335k) has been credited to Other Comprehensive Income. All other tangible assets are stated at historical cost less depreciation and impairments.

The historic cost of freehold and long leasehold land and buildings is £35,331k (2020 - £35,331k), accumulated depreciation based on historic cost of £1,896k (2020 - £1,583k), and net book value of £33,435k (2020 - £33,784k).

Notes to the financial statements

at 31 December 2021

14. Investment Property

Group

	Total £000
Valuation:	
At 1 January 2021	299
Depreciation	(7)
Revaluation	7
At 31 December 2021	299

The investment property is valued by the directors based upon market knowledge and external data in estimating fair value.

The historic cost of the land and buildings is cost of £376k (2020 - £376k), accumulated depreciation based on historic cost of £93k (2020 - £86k), and net book value of £283k (2020 - £290k).

15. Fixed asset investments

Group

	Unlisted investments £'000
Cost:	
At 1 January 2021 and at 31 December 2021	-

Company

	Subsidiary undertakings £'000
Cost:	
At 1 January 2021 and 31 December 2021	32,501

Notes to the financial statements

at 31 December 2021

15. Fixed asset investments (continued)

The subsidiary undertakings below are all incorporated in Great Britain, with the exception of F. A. Hendy & Lennox (Holdings) Espana SL, which is incorporated in Spain at Casa Dos 160/260/360 C/Rubi, Mijas La Nueva, Mijas, Malaga 29650, 952485583. All are wholly owned and, as at 31 December 2021, comprised:

Hendy Holdings Limited	- Holding company
Hendy Group Limited*	- Motor vehicle dealership
Hendy Lennox Trucks Limited*	- Dormant
Hendy Lennox Commercial Vehicles Limited*	- Dormant
Hendy Lennox Vehicle Contracts Limited*	- Dormant
Hendy Leisure Limited*	- Dormant
Gentrac Systems Limited*	- Motor vehicle retailer
First Call Factors Limited*	- Dormant
F.A. Hendy & Lennox (Holdings) Espana, SL*	- Non-trading
Seward (Havant) Limited*	- Dormant
Westover Automotive Limited	- Dormant
Westover Group Limited	- Dormant

*Shares not held directly by Hendy Automotive Limited (these shares are held by Hendy Holdings Limited).

All of the UK subsidiary undertakings above, except Gentrac Systems Limited, are registered at the same address as the Company, being School Lane, Chandlers Ford Industrial Estate. Eastleigh, Hampshire, SO53 4DG. The registered address of Gentrac Systems Limited is Unit 4M3, Trade Park, Manor Way, Eastleigh, Hampshire, SO50 9YA.

A subsidiary, Seward (Havant) Limited, was dissolved on 11 January 2022.

Notes to the financial statements

at 31 December 2021

16. Stocks and work in progress

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Vehicles	133,577	125,737	-	-
Parts and materials	6,503	11,064	-	-
Fuel and lubricants	373	337	-	-
	140,453	137,138	-	-

An impairment loss of £3,007k (2020 - £5,726k) was recognised in cost of sales against stock during the year due to slow moving and obsolete stock. Vehicles where the significant risks and rewards of ownership are deemed to have transferred to the company have been recognised on the statement of financial position as consignment stocks and equivalent creditor. There is no difference between the replacement cost of stocks and the amounts stated above.

17. Debtors

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Due within one year				
Trade debtors	14,174	12,163	-	-
Amounts owed by group undertakings	-	-	12,248	16,242
Other debtors	1,915	1,248	-	-
Prepayments and accrued income	3,446	7,584	-	-
Corporation tax	52	-	-	-
Deferred taxation (note 24)	1,390	2,210	-	-
	20,977	23,205	12,248	16,242

All debtors fall due within one year.

Notes to the financial statements

at 31 December 2021

18. Creditors: amounts fall due within one year

	Group 2021 £000	*Group 2020 £000*	*Company 2021 £000*	*Company 2020 £000*
Bank loans (note 22)	3,380	3,380	3,380	3,380
Obligations under finance leases	92	107	-	-
Vehicle stocking loans	35,330	32,678	-	-
Trade creditors	94,736	112,539	-	-
Amounts owed to group undertakings	-	-	-	-
Other taxes and social security costs	3,978	4,826	-	-
Corporation tax	659	442	-	-
Other creditors	11,782	10,255	-	40
Accruals and deferred income	11,622	8,698	-	-
Redeemable preference share dividends	3,048	1,828	3,048	1,828
Deferred consideration	-	3,000	-	-
	164,627	177,753	6,428	5,248

The bank loans are secured by an unlimited debenture with all group companies over the assets of the group.

Finance leases are secured on the assets concerned.

Vehicle stocking loans are secured against the relevant vehicles concerned.

Notes to the financial statements

at 31 December 2021

19. Creditors: amounts falling due after more than one year

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Bank loans (note 22)	22,170	25,550	22,170	25,550
Obligations under finance leases	147	242	-	-
Redeemable preference share liability	9,495	9,495	9,495	9,495
	31,812	35,287	31,665	35,045

Analysis of obligations under finance lease:

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
In more than one year but not more than two years	92	91	-	-
In more than two years but not more than five year	55	151	-	-
In more than five years	-	-	-	-
	147	242	-	-

The bank loans and overdrafts are secured by an unlimited debenture with all group companies over the assets of the group.

Finance leases are secured on the assets concerned.

The redeemable preference shares attract a fixed coupon rate of 10% and are therefore classified as debt.

20. Capital commitments

At 31 December 2021, the group had capital commitments contracted for but not provided totalling £Nil (2020 - £Nil).

The company had no capital commitments as at the balance sheet date.

Notes to the financial statements

at 31 December 2021

21. Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	Group 2021 *£000*	*Group* *2020* *£000*
Operating leases which expire		
Within one year	7,034	7,391
Within two to five years	25,412	27,442
After five years	51,220	59,173
	83,666	94,006

The Company has no operating lease commitments.

22. Maturity of debt finance

	Group 2021 *£000*	*Group* *2020* *£000*
Amount due within one year	3,380	3,380
Amount due in more than one year but not more than two years	3,380	3,380
Amount due in more than two years but not more than five years	28,285	31,665
	35,045	38,425

	Company 2021 *£000*	*Company* *2020* *£000*
Amount due within one year	3,380	3,380
Amount due in more than one year but not more than two years	3,380	3,380
Amount due in more than two years but not more than five years	28,285	31,665
	35,045	38,425

Notes to the financial statements
at 31 December 2021

23. Provisions

	Warranty provision *£'000*
At 1 January 2021	1,699
Additions	916
Utilised in year	(207)
Credited to profit or loss	(486)
At 31 December 2021	1,922

The group offers to and sells to customers' third party warranty services. The provision reflects the balance on policies sold set aside for future claims against such policies. At each year end the directors estimate the level of anticipated costs based on third party data and their knowledge of previous scheme performance data.

24. Deferred taxation

Full provision for deferred taxation has been made as follows:

Deferred Tax asset *Group*	2021 *£000*	*2020* *£000*
Defined benefit pension scheme	1,337	2,169
Other timing differences	53	41
Included in debtors (Note 17)	1,390	2,210

Deferred Tax liability		
Group		
Accelerated capital allowances	(977)	(520)
Capital gains	(2,995)	(2,030)
Business combinations	(989)	(897)
Other timing differences	73	-
	(4,888)	(3,447)

Notes to the financial statements

at 31 December 2021

24. Deferred taxation (continued)

The movements in deferred taxation during the current and previous periods are as follows:

	Group 2021 £000	*Group 2020 £000*	*Company 2021 £000*	*Company 2020 £000*
At 1 January	(1,237)	(431)	-	-
Charged to the profit & loss account	(1,004)	(99)	-	-
Charged to the other comprehensive income	(1,257)	(707)	-	-
At 31 December	(3,498)	(1,237)	-	-

The company has no deferred tax liability or asset at year end.

25. Share capital

	Allotted, called up and fully paid 2021 *£000*	2020 *£000*
1,000,000 Ordinary shares of £0.10 each	100,000	100,000
74,250,000 Redeemable ordinary A shares of £0.10 each	7,425,000	7,425,000
25,650,000 Ordinary B shares of £0.10 each	2,565,000	2,565,000
50,000 Growth shares of £0.10 each	5,000	5,000
	10,095,000	10,095,000

The redeemable preference shares meet the criteria of a debt instrument and are disclosed in notes 18 and 19 to the accounts.

The Ordinary shares and Growth shares hold full voting rights. The Redeemable ordinary A and Ordinary B shares hold no voting rights.

The Redeemable Ordinary A shares are entitled to a fixed preferential dividend of 10% at the discretion of the directors. On a winding up, sale or return of capital, the Redeemable ordinary A shares have rights to a capital repayment from any amounts remaining after distributions to the holders of the Redeemable preference shares and in priority to the holders of the Ordinary B shares and Growth shares.

On a winding up, the holders of the Ordinary B shares have rights to a capital repayment from any amounts outstanding after distributions to the holders of the Redeemable preference shares and the Redeemable Ordinary A shares.

Notes to the financial statements

at 31 December 2021

26. Pension commitments

The Group operates both a defined benefit scheme and money purchase schemes.

The contributions charged to operating costs for money purchase schemes in the year were £1,729k (2020 - £1,581k), of which £324k (2020 - £279k) was accrued at the end of the year.

The pension cost relating to the defined benefit scheme is assessed every three years in accordance with the advice of a qualified actuary. The most recent formal valuation, at 1 April 2017, indicated that, on the basis of service to date and current salaries, the scheme's assets were sufficient to meet 70% of its liabilities. Contributions to the scheme by the employer are no longer payable in respect of accruing benefits. In accordance with an agreement reached with the trustees, deficit contributions of £1.8m were paid into the scheme under the deficit reduction plan agreed with the trustees. Contributions will increase to £2.2m per annum for 2022.

The scheme is currently undergoing its triennial actuarial review as at 31 December 2021, with the results expected later this year.

The major assumptions used by the actuary were as follows:

	2021	*2020*
Rate of increase in deferred pensions	2.75%	2.10%
Discount rate	1.95%	1.45%
CPI inflation	2.75%	2.10%
RPI inflation	3.25%	2.95%
Future pension increases:		
- RPI maximum 5%	3.15%	2.95%
- RPI maximum 2.5%	2.20%	2.50%
Mortality:		
Base table	S3PA	S3PA
Long term improvements	1.0%	1.0%
Mortality projections	CMI 2020 with 10% weighting	CMI2020

The underlying mortality assumption is based on the standard table known as S3PMA on a period of birth usage with medium cohort future improvement factors.

The amounts recognised in the balance sheet are as follows:

	2021	*2020*
	£000	*£000*
Present value of scheme liabilities	(60,015)	*(65,240)*
Fair value of scheme assets	54,669	*53,822*
Net pension liability	(5,346)	(11,418)

Notes to the financial statements

at 31 December 2021

26. Pension commitments (continued)

The amounts recognised in the profit and loss account are as follows:

	2021	*2020*
	£000	*£000*
Amounts recognised in profit and loss are as follows:		
Included in administrative expenses:		
Current service costs	(201)	(225)
Included in other finance costs:		
Net interest cost	(154)	(224)
Analysis of actuarial loss recognised in other comprehensive income are as follows:		
Actual return less interest income included in net interest expense	588	5,034
Experience gains and losses arising on the scheme liabilities	-	-
Changes in assumptions underlying the present value of the scheme liabilities	4,026	(5,435)
	4,614	(401)

	2021	*2020*
	£000	*£000*
Reconciliation of present value of scheme liabilities		
At beginning of the year	65,240	*60,990*
Interest cost	931	*1,196*
Actuarial gain	(4,026)	*5,435*
Benefits paid	(2,130)	*(2,381)*
Past service cost	-	-
At the end of the year	60,015	65,240
Composition of scheme liabilities		
Schemes wholly or partly funded	60,015	65,240

Notes to the financial statements

at 31 December 2021

26. Pension commitments (continued)

During the period, a number of pensioners elected to receive an increased, but fixed, annual pension. The effect of this was to reduce the overall pension liability for those members.

	2021	*2020*
	£000	*£000*
Reconciliation of fair value of scheme assets		
At the start of the year	53,822	*49,380*
Interest income on plan assets	777	*972*
Actuarial gain	588	*5,034*
Benefits paid	(2,130)	*(2,381)*
Contributions paid by the group	1,813	*1,042*
Expenses paid	(201)	*(225)*
At the end of the year	54,669	53,822

	%	%
Composition of plan assets		
Equities	16	*24*
Corporate Bonds	66	*62*
Property	3	*2*
Cash	-	*2*
Other	15	*10*
	100	100

	2021	*2020*
	£000	*£000*
Sensitivity analysis of the value placed on liabilities		
RPI inflation + 0.5%	2,500	3,000
Discount rate + 0.5%	(5,000)	(5,000)
Life expectancy + 1 year change	2,500	3,000

Notes to the financial statements

at 31 December 2021

27. Related party transactions

The company has taken advantage of the exemption conferred by FRS 102 not to disclose transactions with its wholly owned subsidiaries.

During the period, dividends on preference shares, treated as being interest payable in substance, accrued to related parties totalling £1,220k (2020 - £952k), of which £3,048k (2020 - £1,828k) was accrued at the year end. At year end the preference share liability totalled £9,495k (2020 - £9,495k).

At the period-end £24k (2020 - £13k) had been paid to the Hendy Foundation with £13k accrued (2020: £38k).

28. Contingent liability

In respect of the previous acquisition of the Lifestyle Europe Holdings Limited business, further consideration of £400k is payable in the event of the disposal of an acquired property. At the balance sheet date, the directors considered the sale of the property to be remote and so no liability has been recognised.

29. Ultimate controlling party

In the opinion of the directors, the ultimate controlling parties are Mr J E Bailey and Mr P A Hendy.

30. Analysis of net debt

	At 1 January 2021 £000	Cash flow £000	Non-cash movement £000	At 31 December 2021 £000
Cash at bank and in hand	16,796	(5,569)	-	11,227
Bank loans	(28,930)	3,380	-	(25,550)
Preference shares	(9,495)	-	-	(9,495)
Finance leases	(349)	110	-	(239)
Deferred consideration	(3,000)	3,000	-	-
	(24,978)	921	-	(24,057)

Notes to the financial statements

at 31 December 2021

31. Discontinued operations

On 19 March 2021, the group disposed of the trade and assets of a Suzuki site in Havant. The profit on sale of this site has been calculated as follows:

	£000	£000
Cash proceeds		433
Net assets disposed of:		
Tangible fixed assets	27	
Intangible fixed assets	169	
Stock	265	
Debtors	16	
Creditors	(44)	
		(433)
Profit on disposal before tax		-

The net cashflow in respect of the sale of the Suzuki site in Havant is as follows:

Cash consideration	433

32. Post balance sheet events

In November 2022 the Group concluded the refinancing of its business, replacing its term loan with HSBC, which had a remaining balance of £23.1m, with a new £25m term loan and £5m revolving credit facility provided by Santander and Barclays under a club deal. The new facilities expire in November 2025 but include the potential to extend for a further 2 years beyond that date.

On 25 November 2022 the Group redeemed the redeemable preference shares totalling £9,495k.