PENDRAGON

22 March 2023

Pendragon PLC

Full year results for the financial year ended 31 December 2022

- **Strong financial performance in challenging environment**
- **Continued investment in strategic initiatives driving growth in gross profit**
- **Strengthened balance sheet with further reduction in adjusted net debt**
- **Positive start to FY23; well-positioned to make further progress against strategy**

Bill Berman, Chief Executive Officer, said:

"We delivered a resilient trading performance against a challenging backdrop last year. These results clearly demonstrate the strength of our operations, and it is all underpinned by the great strides we are making against our strategy which ensures we are well placed to meet the needs of our customers and OEM partners, and to create value for all of our stakeholders.

"During the year we have continued to invest in strategic initiatives across the business that drive growth. We launched CarStore.com, which is now our primary marketplace for all our used car inventory. The platform lists approximately 12,000 cars across our brands, more than any of the new platforms that have entered the market since 2019 and the market outperformance of our used car division in the second half showed the benefits of our investment in CarStore.com. We also invested more than ever before in Pinewood to further maximise the benefit that our DMS technology brings both to our external customers and to our business, where it is powering improvements made across our portfolio. We further expanded our new car representation after being selected by BYD, the world's largest new energy vehicle manufacturer, to be a UK launch partner in 2023."

"We finished FY22 with good momentum, and trading has been positive in the first two months of FY23. We remain mindful of the potential headwinds from challenging macro-economic conditions. However, we continue to expect our ongoing operational initiatives and growth opportunities to more than offset operating cost inflation within the business this year and the Board remains confident in the prospects for the Group in 2023."

Group Financial Highlights

£m	**FY22**	FY21	Total change %	Like-for-like[1] change %
Group Revenue	**3,620.0**	3,449.9	4.9%	6.7%
Underlying profit before tax	**57.6**	83.0	-30.6%	
Non-underlying charge	**(0.4)**	(9.7)	-95.9%	
Profit after tax	**45.5**	61.5	-26.0%	
Operating profit	**101.0**	107.6	-6.1%	
Underlying net finance costs	**(40.9)**	(33.3)	22.8%	
Adjusted net debt[2]	**(23.3)**	(49.7)	-53.1%	

[1] Like for like (LFL) results only include trading businesses which have comparative trading periods in two consecutive financial years. Reconciliations of the like for like figures to the total reported figures can see seen in Note 1 – Alternative Performance Measures.

[2] Adjusted Net Debt – All loans and borrowings less cash and cash equivalents less IFRS 16 lease liabilities less vehicle stocking loans.

Operational highlights

- **Strong financial performance**
    - Group Revenue up by 4.9% to £3,620.0m (FY21: £3,449.9m). Revenue up 6.7% on a like-for-like basis.
    - Gross profit value 3.6% higher at £457.2m, with investment in strategic initiatives delivering increases in both new and aftersales gross profit.
    - Underlying cost increases of 10.4% (£33.7m), driven by higher levels of cost inflation, c.£10m of additional marketing costs to support the used car proposition and the non-recurrence of c.£12m of rates relief received in FY21.
    - Underlying profit before tax of £57.6m (FY21: £83.0m) was ahead of the Board's expectations at the start of the year. Outperformance delivered despite c.£10m headwind from approximately £4m higher operating expenses, driven by higher levels of inflation, and approximately £6m of higher interest costs driven by rate changes, against original expectations for FY22.
    - After non-underlying items the Group reported profit before tax of £57.2m (FY21: £73.3m).
    - Strengthened balance sheet, with adjusted net debt reduced by £26.4m from £49.7m in FY21 to £23.3m in FY22.

- **Further strategic progress delivered**
    - Technology releases in Pinewood including integrated used car valuation tools and open banking tools are key enablers for UK Motor performance.
    - New processes and products for UK Motor, including enhanced customer journey management and improvements to aftersales diary management, are driving improved productivity and supporting strong margins.
    - New omni channel used car platform, CarStore.com has increased digital traffic by 61% year on year post-launch in May 2022.
    - CarStore.com now lists approximately 12,000 used cars, more than any of the new automotive retail platforms that have entered the market since 2019.
    - Investment into numerous franchise locations, including Porsche, BMW, Mercedes-Benz and Land Rover, completed in FY22 as well as development of a new Car Store in Warrington.
    - Pendragon selected as UK launch partner for BYD, the world's largest new energy vehicle manufacturer.

Outlook

- The Group is pleased with trading in the first two months of FY23, with underlying operating profit to February ahead of 2022 as volumes in both new and used cars have shown good year-on-year growth. The important registration month of March has also started with continued good momentum. Reduced levels of supply in both new and used vehicles are expected during 2023, though there are encouraging signs of improvement in both production and supply of new vehicles. The Group's new vehicle order bank remains strong with over 22,000 orders across the Group as at the end of December. Used car supply is anticipated to remain tight, following the prior three years of registration shortfalls of new vehicles.
- Although the Group remains mindful of the macro-economic headwinds including the potential for further interest rate rises and continued inflationary cost pressures it continues to expect ongoing operational initiatives and strategic growth opportunities to more than offset operating cost inflation before interest costs within the business during FY23. Accordingly, the Board remains confident in the prospects for the Group in the year ahead.

Conference call and presentation

A presentation for sell-side analysts will be held at 9.00am today and this will be followed by a Q&A session with the management team. Please use the following link to register and to join the livestream of the presentation:

https://stream.brrmedia.co.uk/broadcast/63d258e7777efd4a8b516262

A webcast replay of the presentation will be made available on Pendragon's website later in the day. The webcast will be published on: https://www.pendragonplc.com/financial-information/announcements/

Capital markets day

Pendragon will host an analyst & investor event in Summer 2023, which will include an update on Pinewood.

For further enquiries please contact:

Pendragon PLC	
Bill Berman, Chief Executive Officer	Tel: 01623 725200
Mark Willis, Chief Financial Officer	Tel: 01623 725200
Headland	
Henry Wallers	Tel: 07876 562436
Jack Gault	Tel: 07799 089357

Divisional Operating Highlights

- **UK Motor**
    - Revenue up 6.1% to £3,536.2m (FY21: £3,332.7m). Revenue up 7.0% on a like-for-like basis.
    - Underlying operating profit down 20.9% to £69.1m (FY21: £87.4m).
    - Reported operating profit after non-underlying items of £71.6m (FY21: £82.6m).
    - Gross margin of 11.8% (FY21: 11.9%).
        - Used gross margin of 7.9% (FY21: 9.6%) as margins rebased from exceptional levels of H2 FY21.
        - New gross margin of 9.1% (FY21: 7.3%) with constrained supply supporting higher margins.
        - Aftersales gross margin of 50.5% (FY21: 50.5%).
    - Used vehicle gross profit per unit remained strong, underpinned by strategic initiatives at £1,607 (FY21: £1,670).
    - New vehicle gross profit per unit rose by £808 to a record high of £2,719 (FY21: £1,911).
    - New volumes down 6.1% on a like-for-like basis, compared to a market decline of 2%, with supply constraints the driving factor.
    - Used volumes down 8.7% on a like-for-like basis as supply constraints also impacted used vehicles. Overall performance broadly in line with market down 8.5%. Strong H2 performance post launch of new CarStore.com proposition, with sales down just 2.2% compared to a market decline of 8.7%.
    - Total operating costs up by £36.7m, or 11.8%, driven by non-repeat of government support measures, increased used car brand marketing and higher levels of cost inflation, partially offset by an ongoing focus on cost saving opportunities and utility hedging.

- **Software - Pinewood**
    - Revenue up 4.1% to £25.4m (FY21: £24.4m).
    - Gross profit up 0.9% to £22.7m (FY21: £22.5m).
    - Operating profit down 12.0% to £11.0m (FY21: £12.5m), with the reduction driven by increased costs, principally driven by investment in developer resource to support product development and implementation.
    - Strong global expansion continuing:
        - Record high international users at 6,400, up 13%.
        - International users now represent 24% of external users.
        - New market entries to Singapore and Middle East.
    - System development has both supported Pendragon's strategic agenda as well as opened opportunities to sell developments to external customers:
        - Pinewood technology powering CarStore.com.
        - Enhancement to used car valuation tools.
        - Development of Finance & Insurance tools.
    - Continued high levels of customer retention with net user churn of sub 1% in FY22, supported by frequent system updates.

- **Leasing – Pendragon Vehicle Management**
    - Revenue down 6.9% to £83.7m (FY21: £89.9m).
    - Gross profit up 10.9% to £24.4m (FY21: £22.0m), the decline in overall revenue was more than offset by higher residual values achieved on disposal.
    - Operating profit up 13.7% to £19.9m (FY21: £17.5m), with operating costs flat at £4.5m.
    - Growth opportunity in EV – c.40% of current order bank for electric and hybrid vehicles

Financial performance summary

	2022 £m	2021 £m	Change
Revenue	**3,620.0**	3,449.9	4.9%
Cost of Sales	**(3,162.8)**	(3,008.6)	5.1%
Gross Profit	**457.2**	441.3	3.6%
Underlying operating expenses	**(358.7)**	(325.0)	10.4%
Underlying operating profit	**98.5**	116.3	-15.3%
Underlying net finance costs	**(40.9)**	(33.3)	22.8%
Underlying profit before taxation	**57.6**	**83.0**	**-30.6%**
Non-underlying loss before taxation	(0.4)	(9.7)	-95.9%
Total income tax expense	(11.7)	(11.8)	-0.8%
Total profit for the period	**45.5**	**61.5**	**-26.0%**
Earnings per share			
Basic earning per share	**3.3p**	4.4p	
Diluted earning per share	**3.1p**	4.3p	

Segmental Performance

Units Sold	FY22	FY21	Change %	LFL Change %
Used Units				
UK Motor	**89,355**	**98,326**	-9.1%	-8.7%
US Motor	**-**	**51**	-100.0%	-
	89,355	**98,377**	-9.2%	-8.7%
New Units				
UK Motor	**48,773**	**52,285**	-6.7%	-6.1%
US Motor	**-**	**397**	-100.0%	-
	48,773	**52,682**	-7.4%	-6.1%

	FY22	FY21	Change %	LFL Change %
Revenue				
UK Motor	**3,536.2**	**3,332.7**	6.1%	7.0%
Software	**25.4**	**24.4**	4.1%	4.1%
Leasing	**83.7**	**89.9**	-6.9%	-6.9%
US Motor	**-**	**28.6**	-100.0%	-
Inter-segment revenue	**(25.3)**	**(25.7)**	-1.6%	-1.6%
	3,620.0	**3,449.9**	4.9%	6.7%
Gross Profit				
UK Motor	415.7	397.3	4.6%	5.6%
Software	22.7	22.5	0.9%	0.9%
Leasing	24.4	22.0	10.9%	10.9%
US Motor	-	4.0	-100.0%	-
Inter-segment gross profit	(5.6)	(4.5)	24.4%	24.4%
	457.2	**441.3**	3.6%	5.5%
Underlying operating profit				
UK Motor	69.1	87.4	-20.9%	-20.8%
Software	11.0	12.5	-12.0%	-12.0%
Leasing	19.9	17.5	13.7%	13.7%
US Motor	(1.5)	(1.1)	36.4%	-
	98.5	**116.3**	-15.3%	-14.8%

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Chief Executive's Review

We have made further progress with our strategy to "Transform automotive retail through digital innovation and operational excellence" during an extremely busy year of delivery in 2022, the second full-year of our strategy since its launch in 2020. During the year we completed the relaunch of Car Store, with a market leading omni-channel proposition, developed new relationships with the world's largest new-energy manufacturer in BYD, delivered 13% user growth in International markets with Pinewood, and also delivered numerous strategic initiatives to drive the performance of our UK Motor division. We are already seeing the benefits of these significant changes, which underpinned a strong financial performance in a year of challenging conditions shaped by supply shortages in both new and used vehicles, inflationary cost pressures and rising interest rates.

The Group also navigated an intense period of corporate activity after disclosing two offers for the Group. This demonstrates belief in the strength of our strategy and the prospects for the Group overall. We remain confident in our market-leading proposition and are well positioned to capitalise on the long-term growth opportunities while managing the short-term challenges that consumer-facing businesses are experiencing. We remain focussed on further opportunities for strategic expansion in order to create stakeholder value.

The Group delivered an underlying profit before tax of £57.6m in FY22 (FY21: £83.0m), which, although behind FY21, was ahead of expectations at the start of the year. This performance was delivered through higher-than-expected gross profits as a result of both strategic self-help initiatives and strong new car margins, which together outpaced the higher than expected levels of cost inflation and increases to base interest rates, which together added approximately £10m of additional cost and interest charges. We also further improved the strength of our balance sheet, reducing adjusted net debt by a further £26.4m in the year, and closing the year with net assets of £281m, an improvement of £55m compared to FY21.

During 2022 we invested more than ever before in Pinewood, with development capex of almost £6m being deployed in order to further maximise the benefit that our DMS technology can bring both to our business, and that of our external customers. Many of the developments we have made have powered the performance in our UK Motor Division, with multiple software changes being implemented to support the digitisation and presentation of finance and insurance options to our customers, improvements to the way we value part exchanges online, and also to the "sell-your-car" customer journey. Pinewood's technology also powers the capability and functionality of our fully transactional CarStore.com web platform. Last year saw significant international expansion too, with Pinewood growing its international user base by 13% to a record of approximately 6,400 users. International users now represent 24% of Pinewood's total external user base. There continues to be a strong pipeline of opportunities in new markets, with new customers added in Singapore and the Middle East during 2022.

The used car market has evolved rapidly since 2020 presenting permanent changes to the way that consumers search and shop for used cars. In this time, we have successfully adapted our model, and evolved our strategy to respond to these changes. The Group's focus has evolved from a standalone used car proposition, to our 'new-used car strategy'. At its core is a focus on an omni-channel business model across our entire used car business, including those cars in our existing franchise locations, ensuring we fully utilise our wider used car inventory. The development of our technological capability, enhanced website functionality and the emergence of a truly omni-channel business model has put us in a strong position to respond to these developments in the used car market.

During 2022 we relaunched Car Store, centred around CarStore.com, which is our primary market-place for all of our used car inventory. This platform now lists approximately 12,000 cars across our brands on one single platform, more than any of the other new automotive retail platforms that have entered the market since 2019. To further support CarStore.com, we launched a new cross-channel marketing campaign during May, including prime-time TV advertising, which aims to raise brand awareness and to highlight the omni-channel credentials of our offer, focussing on 'car buying that revolves around you'. Physical space remains a good opportunity to grow our used car proposition, and we completed the first of our new model Car Store sites in Chesterfield in April, with a second opened in Warrington in December 2022. I am pleased with the new concept of these stores and early performance has been encouraging. Against a backdrop of constrained used car supply, we delivered a strong used car performance in the second half as we saw the benefits of our investment in CarStore.com. This meant we outperformed the used car market by around 600bps in H2.

As well as investing in our used car business during 2022, we have invested heavily into our new car business, which remains a fundamental part of the Group. We have completed a number of major building projects during 2022, including completely remodelled BMW showrooms in Derby and Hull, investment into the Mercedes showroom in Huddersfield, and a new concept investment into the Mayfair Land Rover showroom. Finally, we are well on the way to completing the development of a new build freehold development of our Porsche showroom in Nottingham in 2023, reflecting the latest design of Destination Porsche, as we exit a leased location. We continue to work alongside our manufacturer partners to maximise performance in this important part of the Group. We are also looking at the potential to increase our new car representation and are delighted to be a UK launch partner for BYD, with our first stores opened in March, as well as exploring other potential strategic opportunities.

We also invested significant time and resources into the development of Pendragon's culture during 2022. Led by our Chief People Officer, we completed a comprehensive review of our purpose and values to support our vision of 'Transforming automotive retail through digital innovation and operational excellence', with input from a wide range of teams across the business. The resulting set of values, formed by our teams, are all aimed to support our newly defined Group purpose – '**Driving beyond the possible**'. I am confident that this new purpose will further enable the changes we continue to make at pace, throughout the organisation.

Given the mixed economic backdrop and market conditions, I am proud of our progress during the year and believe we are well positioned to move the business forward in 2023. As always, our success depends on the contribution from our associates, and I would again like to thank them for their performance in challenging conditions during 2022.

Outlook

We finished FY22 with good momentum, and trading has been positive in the first two months of FY23, but we remain mindful of the potential headwinds from challenging macro-economic conditions and the potential for further interest rate rises. We expect the levels of supply in both new and used vehicles to remain below historical levels during FY23, but there are some encouraging signs of improvement in both production and supply of new vehicles. We continue to expect our ongoing initiatives and growth opportunities to more than offset operating cost inflation within the business during FY23. Accordingly, the Board remains confident in the prospects for the Group in the year ahead.

Bill Berman
Chief Executive
22 March 2023

Operating and Financial Review by Segment

The business is organised into 3 segments, analysed as follows:

- UK Motor – Sale and servicing of vehicles in the UK
- Software –Software as a Service provision to global automotive business users
- Leasing – Fleet and contract hire provider and also a source of used vehicle supply.

UK Motor

£m	H1 2022	H2 2022	FY22	H1 2021	H2 2021	FY21	Change %
Used Revenue	948.9	859.7	**1,808.6**	846.1	860.5	**1,706.6**	6.0%
Aftersales Revenue	137.2	138.9	**276.1**	132.0	131.7	**263.7**	4.7%
New Revenue	716.8	734.7	**1,451.5**	761.7	600.7	**1,362.4**	6.5%
Total Revenue	**1,802.9**	**1,733.3**	**3,536.2**	**1,739.8**	**1,592.9**	**3,332.7**	**6.1%**
Used Gross Profit	77.1	66.5	**143.6**	73.6	90.6	**164.2**	-12.5%
Aftersales Gross Profit	70.4	69.1	**139.5**	65.3	67.9	**133.2**	4.7%
New Gross Profit	63.6	69.0	**132.6**	48.7	51.2	**99.9**	32.7%
Total Gross Profit	**211.1**	**204.6**	**415.7**	**187.6**	**209.7**	**397.3**	**4.6%**
Gross margin rate	*11.7%*	*11.8%*	***11.8%***	*10.8%*	*13.2%*	***11.9%***	*-0.1%*
Underlying Operating Expenses	(173.9)	(172.7)	**(346.6)**	(149.7)	(160.2)	**(309.9)**	11.8%
Underlying Operating Profit	**37.2**	**31.9**	**69.1**	**37.9**	**49.5**	**87.4**	**-20.9%**
Underlying Operating margin rate	*2.1%*	*1.8%*	***2.0%***	*2.2%*	*3.1%*	***2.6%***	*-0.6%*
Stocking interest [1]	(5.7)	(9.0)	(14.7)	(4.8)	(5.0)	(9.8)	50.0%
Profit after stocking interest	31.5	22.9	54.4	33.1	44.5	77.6	-29.9%
Operating Profit	**39.4**	**32.2**	**71.6**	**37.8**	**44.8**	**82.6**	**-13.3%**
Total Revenue Change	3.6%	8.8%	**6.1%**				
Like-for-like Revenue Change	4.2%	10.1%	**7.0%**				
Used Units Sold	46,016	43,339	**89,355**	53,894	44,432	**98,326**	(9.1%)
New Units Sold	24,686	24,087	**48,773**	30,067	22,218	**52,285**	(6.7%)
Used GPU [2]	1,676	1,534	**1,607**	1,366	2,039	**1,670**	(3.8%)
New GPU [2]	2,576	2,865	**2,719**	1,620	2,304	**1,911**	42.3%
Number of Locations	148	145	**145**	150	149	**149**	-2.7%
Average Used Selling Price [3]	£18,900	£18,421	**£18,667**	£14,341	£17,453	**£15,753**	18.5%
Average New Selling Price [3]	£28,552	£30,535	**£29,529**	£25,064	£26,386	**£25,647**	15.1%

[1] Stocking interest. Whilst stocking interest is an interest expense and not part of operating profit, it is a cost directly related to the trading performance of both new and used cars. It is included as an alternative performance measure in the table above for information.

[2] GPU = Gross Profit per Unit. It is calculated as total New/Used GP divided by total New/Used retail units sold.

[3] Trading dealerships only. The used selling price is retail vehicles only and excludes any trade vehicles. The new selling price excludes vehicles sold by our fleet business (National Fleet Solutions).

The UK Motor business operated from 133 franchise points and 12 used cars only retail points which represent a range of volume and premium products offering both sales and service functions.

- Further progress in respect of strategy to improve performance and unlock significant value in the UK Motor division.
- Introduced a number of new digital initiatives, underpinned by Pinewood, to differentiate our omni-channel model.
- CarStore.com – our single market place for all of the Group's used cars.

Strategy delivery – Unlock value in the UK Motor division

The Group has made meaningful progress with its strategy to improve performance and unlock significant value in the UK Motor division through actions to:

1. Accelerate digital innovation
2. Drive operational excellence and embed consistent best practice
3. Operate from a lean and efficient cost base.

These initiatives have been designed to drive improvements in used car margins, aftersales profitability and operating cost efficiency.

Accelerate digital innovation

We made further good progress with accelerating digital innovation during 2022, introducing a number of new initiatives, as well as seeing the full-year benefit from the improvements made during 2021. Sales+, a layered DMS application embedded within the Pinewood system, has had further releases during FY22 which have enabled the automated inclusion of insurance products, subject to customer qualification, in all customer offers. This addition will support improved sales penetrations with better product presentation to the customer, as well as leaving us well positioned to meet all current and future regulatory requirements. Releases have also enabled real-time modification of the customer Finance & Insurance ("F&I") offer, allowing our teams to amend all aspects of the offer, such as finance type, deposit amount, term of loan, annual mileage and additional insurance products, all of which improve customer flexibility and transparency.

We have also improved the content of our digital Finance and Insurance offering, by introducing the ability to present variable APR's dependant on the balance being financed, together with dynamic lender comparisons to offer the best rate to consumers. Further to this, we have improved our ability to perform used equity mining, to determine the optimal time to approach customers to maximise the equity in their current vehicle to facilitate a replacement vehicle sale. Since the launch of our initiatives to drive F&I, we have seen an improvement of c.700bps in the penetration rate, driving approximately £10m of incremental gross profit. We expect F&I penetration to be more challenging in FY23 as interest rate changes have resulted in higher APR's being passed through to consumers. However, we continue to develop our digital initiatives, utilising Pinewood Technologies, to be able to offer a menu-based approach to customers offering packages representing 'good', 'better' and 'best' options and a range of stand-alone insurance product sales to help mitigate the more challenging market conditions.

We continued to develop our Group-wide vehicle acquisition, management and pricing platform during the second half of FY22, which is focussed on optimising the speed at which we are able to turn vehicle inventory and maximising the margin we can achieve on used vehicles. New functionality allowed us to respond quicker to market-based pricing changes, augmented with our internal indicators utilising our data management tools. We have improved our online and in-store part-exchange and sell-your-car ("SYC") journey to include guaranteed customer valuations. During the year, the Group acquired the 'Sellyourcar.com' domain name and developed a new website and proposition, using our pricing and part-exchange management tools, in order to maximise the volume of cars acquired directly from customers. Typically, SYC and part exchange cars, directly sourced from the customer, allow us to achieve higher margins of c.£500 per unit, when compared to cars sourced from auction. During FY23 we will further develop this proposition with the ambition to double the number of cars we acquire through the SYC channel from c.7% of sales in 2022 to c.15% in 2023.

Drive operational excellence and best practice

We continue to develop new processes and products to support our used car margin performance. Our programme to target vehicle preparation efficiency progressed well in FY22 with the introduction of process automation to reduce reliance on vehicles being brought into stock manually and speed up the availability to customers. We also improved the allocation of stock across the Group network to get the right cars, to the right location, quicker.

We also delivered improvements in our Aftersales performance with revenue increasing by 4.7% in the year, 7.5% on a like-for-like basis. A number of operational improvements such as a revised technician incentive structure and revised local reporting have underpinned this. In addition, we introduced new functionality offering customers interest-free finance on aftersales work which is performing well, and driving higher penetration into the older vehicle car parc. Our revised guarantee product suite introduced in 2021 which introduced new product options, differential pricing and operational procedures has seen our penetration of extended guarantee sales on eligible vehicles rising from 38% pre-pandemic to 43% in FY22, driving approximately £2m of incremental profit in FY22. During FY23, we will refine the product offering further to present a dynamic pricing model which will adapt the price of the product by make, model and derivative.

Operate from a lean and efficient cost base

Costs increased materially during FY22 (see financial review below), driven by the combination of the withdrawal of government support, our planned investment into marketing and the well-publicised levels of inflation which impacted across the cost-base, and in particular in labour and utility costs. However, the Group continued to seek opportunities to mitigate cash costs where possible in FY22. We completed a major property negotiation with our largest landlord (c.70 properties in total) that resulted in lease extensions at current rent levels at c.30 locations and the return of 12 vacant properties to the landlord, with the remaining sites to be reassessed as their leases expire. This deal will deliver an annual cash saving in excess of £3.5m across rent and rates at the returned sites. Over the past three years the Group has significantly reduced its vacant leased property exposure through a combination of surrenders, assignments, sublets and expiries, delivering over £7.0m in annualised rent savings and a further £3.0m in rates savings.

Enhance new car representation – New partnership with BYD

With our HY results in September we announced that Pendragon would be a launch partner for BYD, the world's largest new energy vehicle manufacturer. We continued to develop our dialogue with BYD during the second-half of FY22 ahead of their launch in 2023. At launch in March, Pendragon initially opened two locations in Milton Keynes and Birmingham, with plans for up to a further six locations to be opened during the remainder of FY23. We will continue to explore strategic options for expansion.

Strategy delivery – Disrupt used cars

We believe the UK is the most attractive used vehicle market globally, with a ratio of over three used vehicles sold for every new one. The overall market for used cars is around seven million cars sold per annum. Based on the desired age and mileage profile for our target market, we believe there is an addressable market for Pendragon of around three million cars per annum, which is larger than the total new car market.

To capitalise on this opportunity, we will deliver:

1. Brand relaunch of the used car proposition
2. Differentiated value proposition
3. Build flexible acquisition & fulfilment capability and scale physical estate

Brand relaunch & Differentiate value proposition

Following the significant changes in the used car market in the last few years, we have transformed our used car strategy away from a standalone proposition to a Group-wide omni-channel hybrid proposition. During 2022 we made significant developments to our digital capabilities, enabling us to develop a new-look website on CarStore.com displaying the majority of all group used vehicle stock. This capability has enabled us to list approximately 12,000 used vehicles on a single transactional website. This proposition allows us to take a market-place approach to our Group used inventory, with consistent presentation with revised image standards. CarStore.com is the market leading digital proposition, supported by our extensive store network providing us with a truly omni-channel advantage, and with greater scale than pureplay digital competitors. Our acquisition of the Sellyourcar.com website will provide us with greater opportunities to source used car stock to support our proposition in a market that we anticipate will continue to be constrained for supply during 2023.

In addition, we delivered a full launch of this new proposition supported by a cross-channel marketing campaign. This campaign included new content advertising across prime-time TV slots in order to drive awareness of the repositioned brand. We have seen a strong increase in digital traffic to CarStore.com since the launch of these campaigns, with traffic up 53% year on year, supporting new customer acquisition. We have also seen very strong customer scores on Trustpilot and reputation.com, with Car Store scoring 4.6/5.0 on Trustpilot and 4.7/5.0 on reputation.com. Following the successful launch of the new proposition and advertising campaigns, we saw our used car volumes outperform the wider market by approximately 6%, or approximately 2,750 units in the second half of FY22.

Build flexible acquisition & fulfilment capability and scale physical estate

The first concept store to launch our physical proposition was formally launched in Chesterfield during April and the new store format has been very well received by customers and now acts as a blueprint for further expansion. During November we opened our second new format store in Warrington which holds approximately 400 vehicles on site and will further support the digital proposition. In addition, we are scaling our small-format locations, CarStore Direct, with a further 10 new locations introduced during FY22 across the UK. These new format stores facilitate our Sell-your-car proposition and offer greater choice for click and collect fulfilment by providing convenient, small footprint locations, unlocking potential new local markets for Car Store to enter. We will continue to look for opportunities to expand our physical estate, and are in advanced discussions about a number of locations for full-scale new format stores: we expect to complete at least one addition during FY23.

Operating Review

The UK Motor division performed well during the year despite the backdrop of ongoing supply chain issues impacting new and used vehicle supply as well as there being various inflationary cost pressures, particularly payroll costs. The overall new car market was down 2.0% in the year, with the new market down 11.9% in H1 but up 10.1% in H2, showing some early signs of new car supply issues easing. The Group has built a strong order bank across its brands, with a strong order bank of over 20,000 orders as at the end of December, which it expects to deliver when supply eases, and in the short-term is focussed on achieving higher margins on the vehicles that are supplied. The shortage in new car supply since 2020 is now also impacting the used car market, with a significant reduction in new vehicles manufactured in this period that would ordinarily flow into the important 'nearly new' sector now not being available.

New Car volumes were down 6.1% on a like-for-like basis (total reported down 6.7%), slightly below the total market decrease of 2.0%, driven by a combination of brand representation and product mix. Our focus on maximising margins through reduced levels of vehicle discounting combined with OEMs focussing on production of higher margin models resulted in new GPUs of £2,719, up 42.3% or £808 compared to 2021.

Used Car volumes were down 8.7% on a like-for-like basis (total reported down 9.1%), with the total market down 8.5%. This performance was driven by a number of different dynamics through the year. During the first-half we were comparing against a strong H1 in 2021, where our online capabilities allowed us to outperform the market during the lock-downs of 2021, resulting in a reduction in sales of 14% against a market down 8.3%. In the second-half, we relaunched the Car Store website as described above, which together with our revised marketing activity resulted in H2 performance of a sales reduction of just 2.2% against the market down 8.7%. Used margins were at record levels during parts of 2021, with used GPUs of £1,670, and margins over £2,000 in H2 2021. As anticipated, margins declined from these unprecedented levels in 2022, but through the operational initiatives detailed above, used margins were maintained at strong levels, with a used GPU of £1,607 in 2022, still significantly higher than the £1,169 and £712 in 2020 and 2019 respectively, and over £600 higher than the average between 2011 and 2018.

Aftersales revenue also grew in the period, up by 7.5% on a like-for-like basis (total reported up 4.7%), which was driven by the operational improvements detailed above. The aftersales gross margin of 50.5% is in line with 2021 despite the impact of technician pay inflation on cost of sales, resulting in an additional £6.3m of gross profit year on year.

Financial Review

Revenue increased by 6.1% to £3,536.2m in FY22 (7.0% on a like-for-like basis), as although new and used car volumes were down, the average selling price of vehicles increased.

Gross profit grew by 4.6% to £415.7m in FY22 (5.6% on a like-for-like basis). The increase in gross profit was principally driven by improvements in new cars, with volume declines more than offset by significantly stronger GPUs of £2,719 (FY21: £1,911), together with higher levels of aftersales gross margin. These increases were partially offset by the anticipated reduction in used car GPUs and as well as lower volumes as described above.

Underlying operating costs have increased by 11.8% (13.3% on a like-for-like basis). £12.2m of the £36.7m increase in operating expenses was as a result of the non-repeat of government support received in FY21 and c.£10m of the increase was as a result of increased marketing expenditure, primarily on the Car Store re-brand. Other inflationary cost increases, particularly in labour costs and utilities, which combined account for approximately 65% of the Group's total cost base, were also impacted by a higher-than-expected impact of inflation during 2022. These increases have been partially mitigated by a continued focus on cost-saving initiatives.

The division recorded an underlying operating profit of £69.1m (FY21: £87.4m) and a reported operating profit after non-underlying items of £71.6m (FY21: £82.6m).

Software - Pinewood

£m	H1 2022	H2 2022	FY22	H1 2021	H2 2021	FY21	Change %
Revenue	12.4	13.0	**25.4**	12.1	12.3	**24.4**	4.1%
Gross Profit	11.1	11.6	**22.7**	11.2	11.3	**22.5**	0.9%
Gross margin rate	89.5%	89.2%	**89.4%**	92.6%	91.9%	**92.2%**	-2.8%
Operating Expenses	(5.6)	(6.1)	**(11.7)**	(4.5)	(5.5)	**(10.0)**	17.0%
Operating Profit	5.5	5.5	**11.0**	6.7	5.8	**12.5**	-12.0%
Operating margin rate	44.4%	42.3%	**43.3%**	55.4%	47.2%	**51.2%**	-7.9%
Revenue Change	2.5%	5.7%	4.1%				

A more detailed breakdown of the Pinewood financials for FY22 can be seen below:

£m	Contribution from Pendragon	Contribution from external customers	**Pinewood PLC standalone result**	Share of Pendragon Group Overheads	**Pinewood segment as a reported in Pendragon Group accounts**
Revenue	6.3	19.1	**25.4**	-	**25.4**
Gross Profit	5.6	17.1	**22.7**	-	**22.7**
Operating Expenses	(2.1)	(9.3)	**(11.4)**	(0.3)	**(11.7)**
Operating Profit	**3.5**	**7.8**	**11.3**	**(0.3)**	**11.0**

- Approximately 90% of DMS revenues are recurring.
- Strong international growth driven by expansion of the direct sales model and new market launches.
- Strong partnerships with strategic OEMs.

Strategy delivery – Grow and diversify Pinewood

As part of its Group strategy presentation, Pendragon announced its plan to ‘grow and diversify Pinewood’. This included the key objectives of:

- Growing the international user base by 80% and the total user base by 10%; and,
- Further product extension enabling turn-key digital automotive retail solutions.

In FY22 Pinewood continued to focus on both elements of the 'grow and diversify' strategy.

Grow: international growth accelerated in H2 FY22 with an expansion of the direct sales model in the Asia Pacific region and new market launches in Singapore and the Middle East. The UK and Ireland market returned to growth in H2 FY22 with net user additions over the year.

Diversify: development of the core DMS product continues. New products designed to support digital automotive retail are being developed to initially benefit Pendragon and, in the longer term, the external customer base. These developments included further releases in the Sales+ module, functionality to allow real time modification of the customer F&I offer and the integration of open banking to improve payment options. Pinewood launched a valuation tool in H2 FY22 to help power Car Store’s web capabilities and the overall valuation and pricing platform for Pendragon used cars. In FY23, Pinewood will continue to be a key enabler in the further functionality development of vehicle acquisition, management and pricing platforms. In order to facilitate this development the investment in new functionality of the DMS platform saw development capital rise to £5.7m (FY21: £5.0m), with c.80% of these development costs being capitalised. In addition to the development of the DMS, investments have also been made in platform architecture and security with greatly expanded use of the Microsoft Azure platform.

Operating Review

Pinewood is a software business that provides Software as a Service (“SaaS”) in the UK and in a number of countries worldwide.

The UK Dealer Management Systems (DMS) market for Franchised Motor Dealers is estimated to be worth over £100 million in the UK. Three DMS providers dominate the UK market, of which Pinewood is one. The global DMS market which is highly fragmented, is estimated to be worth approximately £2.5bn, with over 50 different DMS providers within Europe alone.

Pinewood's unique approach to the DMS market is characterised by:

- a single product capable of global deployment, which simplifies future developments to the system and reduces operating costs;
- a feature-rich cloud-based solution, with no need for costly third-party add-ons;
- focus on strong manufacturer partnerships and supporting dealer profitability; and
- commitment to using the latest technology to reshape motor retail.

Pinewood was an early adopter of the SaaS business model and has focused on developing recurring revenue streams. Around 90% of Pinewood's DMS revenues are on a recurring basis. Whilst Pendragon remains an important customer to Pinewood, as Pinewood has grown, Pendragon's proportion of the Pinewood total user base has been diluted to c.17% with intra-group charging maintained at a competitive market rate.

During FY22, overall net user numbers increased by 4% to c.31,700 with the expansion delivered primarily in H2 FY22. Across Pinewood's international markets there was a 13% net increase in user numbers to a record high of c.6,400 users. All international markets grew user numbers in FY22 with Pinewood benefiting from both the expansion of existing customers and new sales. Growth was further supported by successful launches in Singapore and the Middle Eastern market. Pinewood systems now operate in a total of 19 different countries.

In the UK & Ireland market (excluding Pendragon) there was an increase in user numbers in FY22 to c.20,000. At H1 FY22 user numbers had declined slightly, this trend was reversed in the second half of the year. In H2 FY22 the number of new system implementations accelerated, and churn fell from the elevated rates seen during FY21. The full benefit of these user additions will be seen on an annualised basis in the FY23 result.

Pinewood's growth benefits not just from sales to new customers but also from the expansion of its existing customer base. In FY22 external net user churn was less than 1% and in international markets (excluding UK & Ireland) it was negative, as the rate at which existing customers grew users more than offset user reductions.

There has also been good further progress in terms of OEM support at an international level. Pinewood continues to build a strong partnership with Volkswagen AG and Porsche, which has enabled constructive dialogue and, in some cases, initial user implementations with large international dealer groups in both the European and the Asia Pacific market.

Financial Review

Total revenues increased by 4.1% to £25.4m compared to FY21. International DMS recurring revenues increased by 27%, reflecting the underlying user growth and expansion of the direct sales model in the European and Asia Pacific markets.

UK & Ireland DMS recurring revenues fell slightly in the period, driven by the annualised impact of two exceptional customer exits at the end of the prior year and reduced user numbers in H1 FY22. User growth returned by the end of FY22 leaving Pinewood well placed for growth in its home market heading into FY23.

In addition to recurring revenues, there was a 9% increase in external DMS transactional charges, system training and implementation revenues. This was driven by an increase in system implementations in the UK and Ireland in H2 FY22.

Gross profit increased by 0.9% to £22.7m. There was a reduction in gross margins driven by the expanded use of the Microsoft Azure platform. This transition is a one-off event, and the related cost increase will not recur in future periods.

Operating costs increased by £1.7m or 17.0% compared to FY21. In FY22 the amortisation charge of £4.2m (FY21: £3.7m) made up over a third of operating costs. Alongside rising personnel costs, the higher amortisation charge drove the operating cost increase, both reflecting increased investment in the development of the DMS platform and Pinewood's operational capabilities. Further cost increases arose from higher travel expenditure following the reduction in Covid-19 restrictions, as well as higher energy costs.

As a result of these movements, underlying operating profit was £11.0m, a reduction of 12% compared to FY21.

Leasing – Pendragon Vehicle Management

£m	H1 2022	H2 2022	FY22	H1 2021	H2 2021	FY21	Change %
Revenue	42.9	40.8	**83.7**	49.0	40.9	**89.9**	-6.9%
Gross Profit	12.5	11.9	**24.4**	10.5	11.5	**22.0**	10.9%
Gross margin rate	29.1%	29.2%	**29.2%**	21.4%	28.1%	**24.5%**	4.7%
Operating Expenses	(2.3)	(2.2)	**(4.5)**	(2.4)	(2.1)	**(4.5)**	-
Operating Profit	10.2	9.7	**19.9**	8.1	9.4	**17.5**	13.7%
Operating margin rate	23.8%	23.8%	23.8%	16.5%	23.0%	19.5%	**4.3%**
Revenue Change	(12.4%)	(0.2%)	**(6.9%)**				

Operating Review

Pendragon Vehicle Management ("PVM"), a vehicle leasing business, offers a complete range of fleet leasing and contract hire solutions. Its customers represent all business sectors with varied fleet sizes. The fleet of vehicles is financed through third party asset funders which results in a high return on capital.

The overall decrease in revenue compared to FY21 was due to a reduction in the exceptionally high level of disposals of de-fleeted vehicles in H1 2022. However, increased demand for used vehicles due to continued supply shortages of new vehicles resulted in higher residual values being achieved on disposal, which led to the increase in gross profit. Total revenue in H2 2022 was 0.2% lower than H2 2021.

PVM's fleet continues to experience a rapid change in the powertrains demanded by customers in the corporate car sector as employers improve their green footprint whilst providing their associates with low CO2 vehicles. This, coupled with manufacturer supply constraints, has resulted in new vehicle delivery lead times increasing significantly compared to lead times prior to the pandemic. PVM has a strong order bank, with over 2,100 customer vehicles on order as at the end of December, which will support growth in the fleet when supply constraints ease.

Financial Review

Revenue decreased by 6.9%, due to the slightly reduced turnover on disposals. Gross profit increased by 10.9% due to the strong residual values as described above. Operating expenses were in line with last year at £4.5m and operating profit increased by 13.7% to £19.9m (FY21: £17.5m).

Industry Insight

New Car Market

The UK new car market was 1,614k vehicles in FY22 which was a decrease of 2.0% over the prior year, reflecting the continued shortfall in supply as a result of global microchip shortages. The UK new car market is divided into two markets, retail and fleet. The retail market is the direct selling of vehicle units to individual customers and operates at a higher margin than the fleet market. The retail market is the key market opportunity for the Group and represents 51% of the total market in the year. The fleet market represents the sale of multiple vehicles to businesses, and is predominately transacted at a lower margin and consumes higher levels of working capital than retail, and represents 49% of the market in the year.

Used Car Market

In FY22, there were 6.6m used cars sold in the UK, a decrease of 8.3% on the prior year. This represents a market opportunity that is more than four times the size by volume of the new car market. The used market is more stable than the new vehicle sector, being less affected by fluctuations in the UK economy and providing a more reliable supply chain than the new market.

Aftersales Market

The main determinant of the aftersales market is the number of vehicles on the road, known as the 'car parc'. The car parc in the UK has risen slightly to 35.5m vehicles at the end of FY22, a rise of 0.6% from the end of FY21. The car parc can also be segmented into markets representing different age groups. At the end of FY22, around 13% of the car parc was represented by less than three-year-old cars, around 19% by four to six-year-old cars and 68% is greater than seven-year-old cars. The demand for servicing and repair activity is less affected than other sectors by economic conditions, as motor vehicles require regular maintenance and repair for safety, economy and performance reasons.

UK New Car Registrations '000	**2022**	**2021**	Change %
Total UK Registrations	**1,614.1**	1,647.2	-2.0%
Group Represented* Registrations	**920.2**	925.1	-0.5%

* Group Represented – defined as national registrations for the franchised brands that the Group represents as a franchised dealer.

Underlying Net Financing Costs

£m	**2022**	**2021**	Change (%)
Interest payable on bank borrowings, senior note and loan notes	10.1	9.1	11.0%
Vehicle stocking plan interest	14.7	9.8	50.0%
Net lease interest	13.6	11.7	16.2%
Unwinding of discounts in contract hire residual values	2.5	2.7	-7.4%
Total Underlying Net Financing Costs	**40.9**	**33.3**	**22.8%**

Underlying net financing costs increased by £7.6m to £40.9m. Interest payable on bank borrowings increased from £9.1m to £10.1m, largely driven by increases in the base interest rate. The increase in vehicle stocking plan interest from £9.8m to £14.7m was driven by a combination of higher bank base rates and higher average values per unit in used cars.

The net lease interest increased from £11.7m to £13.6m, principally due to the accounting impact of a lease regear with our largest property partner in which 30 prime leaseholds were extended until 2042 with the Group benefitting from reductions in rent payable from the agreement to hand-back 12 vacant properties to the landlord in exchange for the lease extensions. The transaction has resulted in an increase in the net lease liability and consequently the net interest charge has risen by £3.0m year on year (though this has been offset by a reduction in the depreciation charge on these properties of £2.7m due to the amortisation period being extended). This increase in the lease interest has been partially offset by a reduction in the lease interest charge as a result of lease terminations made in the previous year and the natural wind down of lease liabilities as they are paid off.

Non-underlying Items

£m	2022	2021
Impairment of goodwill	(3.6)	-
Impairment of property, plant and equipment	(1.0)	-
Impairment of right of use assets	(0.2)	(9.6)
Termination and severance costs	(0.2)	(1.8)
Aborted transaction related expenses	(0.4)	-
Gains on the sale of businesses and property	7.9	2.7
Pension costs	(0.3)	(1.0)
Refinancing costs	(2.6)	-
Total non-underlying items before tax	**(0.4)**	**(9.7)**
Non-underlying items in tax	1.4	2.2
Total non-underlying items after tax	**1.0**	**(7.5)**

Non-underlying income and expenses are items that are not incurred in the normal course of business and are sufficiently significant and/or irregular to impact the underlying trends in the business. During the year the Group has recognised a net charge of £0.4m of pre-tax non-underlying items compared to a charge of £9.7m in 2021.

An impairment of goodwill charge of £3.6m relates to the impairment of acquisition goodwill on the disposal of the truck brand, DAF, as a part of a sale to a specialist truck operator.

During the year, approaches and subsequent bids were made by two separate external parties to purchase the Company. As a consequence, aborted transaction costs in respect of professional and advisory fees of £0.4m were incurred, in the management of these processes.

Gains of £7.9m on the sale of business and property, plant and equipment mainly arise from the disposal of certain UK freehold properties.

Pension costs of £0.3m represent the interest charge on pension scheme obligations (FY21: £1.0m).

Refinancing costs of £2.6m relate to the costs of the 2022 Group refinancing exercise, and principally comprised of early repayment charges on the previous private placement loan notes.

Capital Allocation and dividend

Adjusted Net Debt* has improved by £26.4m from an adjusted net debt of £49.7m at 31 December 2021 to adjusted net debt of £23.3m at 31 December 2022. The adjusted net debt to underlying EBITDA ratio* was 0.1x for the rolling 12 months to FY22. The adjusted net debt to underlying EBITDA ratio has moved from 0.3x at FY 2021, principally as a result of the strong trading performance in the year, combined with the disposal proceeds from the sale of property received.

Whilst the Group is not proposing a final dividend for 2022, following the successful reduction of debt in line with the Group's stated strategy, the Board is reviewing its capital allocation priorities including the potential for return of capital to shareholders either through dividend or share buybacks in due course.

* These are Alternative Performance Measures (APMs), see page 31 below for more detail.

Cash Flow

The following table summarises the cash flows and adjusted net debt of the Group for the twelve-month periods ended 31 December 2022 and 31 December 2021 as follows:

	2022 £m	2021 £m
Underlying Operating Profit	**98.5**	**116.3**
Depreciation and Amortisation	33.5	36.1
Share Based Payments	3.3	2.9
Non-underlying Items	(0.4)	(1.8)
Contribution into defined benefit pension scheme	(13.1)	(12.8)
Working Capital and Contract Hire Vehicle Movements [1]	(5.1)	(41.2)
Cash Generated from Operations	**116.7**	**99.5**
Capital Expenditure	(43.7)	(17.7)
Business and Property Disposals	16.6	31.7
Net Capital (Expenditure) / Income [2]	**(27.1)**	**14.0**
Tax Paid	(1.4)	(7.1)
Interest Paid excluding lease interest [3]	(22.9)	(17.5)
Lease Payments & Receipts [4]	(33.9)	(36.7)
Non underlying finance cost	(2.6)	-
Other	(2.4)	(1.5)
Decrease in Adjusted Net Debt	**26.4**	**50.7**
Opening Adjusted Net Debt	(49.7)	(100.4)
Closing Adjusted Net Debt	**(23.3)**	**(49.7)**

[1]being the change in trade and other receivables, change in trade and other payables, change in stocking loans and movement in contract hire vehicle balances.

[2]being the proceeds from sale of businesses, purchase of property, plant, equipment and intangible assets and proceeds from sale of property, plant, equipment and intangible assets.

[3] being bank and stocking interest paid.

[4]being receipts of lease receivables and payment of lease liabilities including lease interest paid and received.

Reconciliation to Consolidated Cash Flow Statement

	2022 £m	2021 £m
Net cash from operating activities	**76.1**	**63.2**
Net capital (expenditure) / income	(27.1)	14.0
Receipt of lease receivables	2.0	2.2
Net cash (outflow) / inflow from investing activities	**(25.1)**	**16.2**
Financing cash flows as included above:		
Payment of lease liabilities	(22.2)	(27.2)
Payment to Employee Benefit Trust (EBT)	(0.4)	-
Financing cash flows not included above relating to loans:		
Repayment of loans	(90.5)	(88.8)
Proceeds from issue of loans (net of directly attributable transaction costs)	93.8	18.7
Net cash outflow from financing activities	**(19.3)**	**(97.3)**

Cash generated from operations was an inflow of £116.7m compared to an inflow of £99.5m in 2021. Although underlying operating profit decreased from £116.3m in 2021 to £98.5m in 2022, the working capital cash outflow of £5.1m was lower than the 2021 working capital cash outflow of £41.2m, resulting in an increase in cash generated from operations. The working capital outflow of £5.1m was driven primarily by the non-funded element of the increase in used inventory.

The net capital expenditure of £27.1m (2021: inflow of £14.0m) comprised capital expenditure of £43.7m partially offset by business and property disposals of £16.6m. Capital expenditure of £43.7m (2021: £17.7m) increased year on year, driven by investments into improved dealership facilities at a number of brands including BMW, Mercedes, Porsche and Jaguar Land Rover as well as investment into our new Car Store developments in Warrington and Chesterfield, together with increased investment into Pinewood's software development. Business and property disposals were principally driven by disposal of the DAF trucks dealerships for £2.9m and the disposal of a vacant property in St Albans for £10.5m.

Lease payments and receipts reduced by £2.8m to £33.9m, with the decrease primarily resulting from a reduction in the number of leasehold properties as a result of the full-year impact of previously announced lease exits and a further benefit resulting from the impact of a lease regear as explained previously on page 16 and which delivered a c.£2.0m cash benefit in rent and rate savings in 2022 and will deliver a saving in excess of £3.5m on a full-year basis. This was partially offset by the impact of inflationary rent increases.

Non underlying finance costs of £2.6m are the cash costs of the 2022 Group refinancing exercise, and are principally comprised of early repayment charges on the previous private placement loan notes.

Balance Sheet

The following table summarises the balance sheet of the Group at 31 December 2022 and 31 December 2021.

Balance Sheet (£m)	Dec-22	Dec-21
Property	233.7	217.6
Plant & Equipment	26.8	24.2
Goodwill	144.6	150.3
Intangible Assets	12.4	11.1
Right of Use Assets – property	130.5	126.5
Contract hire vehicle assets	124.9	131.2
Inventories	620.3	512.8
Receivables[1]	132.9	118.9
Net Assets Held as for Sale[2]	6.1	10.4
Net Tax Balance[4]	14.9	26.6
Total Assets	**1,447.1**	**1,329.6**
Payables[3]	(810.7)	(689.1)
Lease Liabilities	(217.9)	(222.1)
Contract hire vehicle liabilities	(111.6)	(119.5)
Retirement Benefit Obligations	(2.6)	(23.6)
Adjusted Net Debt[5]	(23.3)	(49.7)
Total Liabilities	**(1,166.1)**	**(1,104.0)**
Shareholders' Funds	**281.0**	**225.6**

1 being trade and other receivables and finance lease receivables

2 being assets classified as held for sale and liabilities directly associated with assets held for sale

3 being trade and other payables less contract hire vehicle liabilities

4 being deferred tax assets, current tax assets and current tax payable

5 being cash and cash equivalents and interest bearing loans and borrowings

Net assets have increased from £225.6m at 31 December 2021 to £281.0m at 31 December 2022.

At 31 December 2022, the Group had £233.7m (£364.2m including IFRS16 right of use assets) of land and property assets (31 December 2021: £217.6m (£344.1m including IFRS16 right of use assets)). The increase in property principally reflects capital investments in a number of dealership improvement programmes in both OEM and Car Store locations as explained with the cash flow statement, partially offset by disposal of excess property, together with depreciation.

Stock has increased by £107.5m to £620.3m (31 December 2021: £512.8m), which is a result of an increase of c.£44m in the level of new car inventory held at 31 December 2021 prior to delivery, and an increase of c.£63m in used car inventory. The increase in used car inventory is driven by a combination of an increase in the number of cars in stock (c.£22m) and an increase in average value of cars in stock (c.£41m). New car inventory remains significantly below historic records as a result of the ongoing supply shortages, with new car inventory approximately £170m lower than as at 31 December 2020.

The increase in payables of £121.6m to £810.7m (31 December 2021: £689.1m) principally relates to the higher vehicle creditors as a result of the increase in new and used vehicle inventory.

Pension

The net liability for defined benefit pension scheme obligations has improved from a £23.6m liability at FY21 to a £2.6m liability at FY22. The improvement of £21.0m comprises of contributions of £13.1m, a net interest expense recognised in the income statement of £0.3m and a net actuarial gain of £8.2m. The net actuarial gain has arisen due in part to changes in the principal assumptions used in the valuation of the scheme's assets and liabilities and also the change in value of the assets held over the year. The Group contributed £13.1m to the Pension Scheme in the period in line with the Group's funding commitment.

The triennial valuation of the company's pension scheme as at 31 December 2021 was completed during 2022. The valuation concluded that the actuarial funding deficit had reduced from £117m as at 31 December 2018 to £33m as at 31 December 2021. The company and trustees agreed to continue the current level of contributions into the pension scheme (FY22: £13.1m) until the end of 2023, at which point the actuarial deficit is expected to be met. Following this, the company and trustees agreed to move towards a long-term funding target and continue contributions at a reduced level of contribution of £3.5m p.a. until 31 December 2026, at which point the scheme is expected to be fully funded on a long-term funding target basis.

Revolving Credit Facility (RCF)

In March 2022 the Group refinanced its £175m RCF and £60m Private Placement, both of which were due to mature in March 2023. The new facilities comprise a 5-year, amortising, £100m Term Loan, maturing March 2027, with the Group's existing Private Placement lender plus a new lender, and a £75m 3+1+1 RCF with the Group's existing bankers, maturing March 2025, with extensions available at the election of lenders to March 2026 and then March 2027.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	**2022**			2021
			Continuing operations	Discontinued operations *	
		£m	£m	£m	£m
Revenue		**3,620.0**	3,421.3	28.6	3,449.9
Cost of sales		**(3,162.8)**	(2,984.0)	(24.6)	(3,008.6)
Gross profit		**457.2**	437.3	4.0	441.3
Operating expenses		**(363.9)**	(326.5)	(9.9)	(336.4)
Operating profit/(loss) before other income		**93.3**	110.8	(5.9)	104.9
Other income – gains on the sale of businesses and property, plant and equipment		**7.7**	1.8	0.9	2.7
Operating profit/(loss)		**101.0**	112.6	(5.0)	107.6
Analysed as:					
Underlying operating profit/(loss)		**98.5**	117.4	(1.1)	116.3
Non-underlying operating profit/(loss)	2	**2.5**	(4.8)	(3.9)	(8.7)
Finance expense		**(44.8)**	(34.9)	(0.3)	(35.2)
Finance income		**1.0**	0.9	-	0.9
Net finance costs		**(43.8)**	(34.0)	(0.3)	(34.3)
Analysed as:					
Underlying net finance costs		**(40.9)**	(33.0)	(0.3)	(33.3)
Non-underlying net finance costs	2	**(2.9)**	(1.0)	-	(1.0)
Profit/(loss) before taxation		**57.2**	78.6	(5.3)	73.3
Analysed as:					
Underlying profit before taxation		**57.6**	84.4	(1.4)	83.0
Non-underlying (loss) before taxation	2	**(0.4)**	(5.8)	(3.9)	(9.7)
Income tax (expense)/credit		**(11.7)**	(13.1)	1.3	(11.8)
Profit/(loss) for the year		**45.5**	65.5	(4.0)	61.5
Analysed as:					
Underlying profit/(loss) after taxation		**44.5**	70.0	(1.0)	69.0
Non-underlying profit/(loss) after taxation	2	**1.0**	(4.5)	(3.0)	(7.5)
Earnings per share					
Basic earnings per share **		**3.3p**	4.7p	(0.3p)	4.4p
Diluted earnings per share **		**3.1p**	4.6p	(0.3p)	4.3p

* The discontinued operations in 2021 are in respect of the Group's US business.

** The Basic earnings per share and diluted earnings per share measure for the current year apply to continuing and total operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £m	2021 £m
Profit for the year	**45.5**	61.5
Other comprehensive income		
Items that will never be reclassified to profit and loss:		
Defined benefit plan remeasurement gains	**8.2**	40.1
Income tax relating to defined benefit plan remeasurement gains	**(1.6)**	(6.9)
	6.6	33.2
Items that are or may be reclassified to profit and loss:		
Foreign currency translation differences of foreign operations	**0.5**	-
	0.5	-
Other comprehensive income for the year, net of tax	**7.1**	33.2
Total comprehensive income for the year	**52.6**	94.7

Total comprehensive income for the period attributable to equity shareholders of the Group arises from:		
Continuing operations	**52.6**	98.7
Discontinued operations	**-**	(4.0)
	52.6	94.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Translation reserve £m	Retained earnings £m	Total £m
Balance at 1 January 2022	69.9	56.8	5.6	12.6	-	80.7	**225.6**
Total comprehensive income for 2022							
Profit for the year	-	-	-	-	-	45.5	**45.5**
Other comprehensive income for the year, net of tax	-	-	-	-	0.5	6.6	**7.1**
Total comprehensive income for the year	-	-	-	-	0.5	52.1	**52.6**
Share based payments	-	-	-	-	-	3.3	**3.3**
Income tax relating to share based payments	-	-	-	-	-	(0.1)	**(0.1)**
Own shares issued by EBT	-	-	-	-	-	0.1	**0.1**
Own shares purchased by EBT	-	-	-	-	-	(0.5)	**(0.5)**
Balance at 31 December 2022	69.9	56.8	5.6	12.6	0.5	135.6	**281.0**
Balance at 1 January 2021	69.9	56.8	5.6	12.6	(1.0)	(17.2)	**126.7**
Total comprehensive income for 2021							
Profit for the year	-	-	-	-	-	61.5	**61.5**
Translation differences taken to profit and loss on termination of operation	-	-	-	-	1.0	-	**1.0**
Other comprehensive income for the year, net of tax	-	-	-	-	-	33.2	**33.2**
Total comprehensive income for the year	-	-	-	-	1.0	94.7	**95.7**
Share based payments	-	-	-	-	-	2.9	**2.9**
Income tax relating to share based payments	-	-	-	-	-	0.3	**0.3**
Balance at 31 December 2021	69.9	56.8	5.6	12.6	-	80.7	**225.6**

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2022

	2022 £m	Restated see note 1 2021 £m
Non-current assets		
Property, plant and equipment	**515.9**	499.5
Goodwill	**144.6**	150.3
Other intangible assets	**12.4**	11.1
Finance lease receivables	**14.8**	15.5
Deferred tax assets	**11.6**	22.1
Total non-current assets	**699.3**	698.5
Current assets		
Inventories	**620.3**	512.8
Trade and other receivables	**115.7**	101.3
Finance lease receivables	**2.4**	2.1
Current tax assets	**3.3**	4.5
Cash and cash equivalents	**171.9**	200.1
Assets classified as held for sale	**6.1**	10.4
Total current assets	**919.7**	831.2
Total assets	**1,619.0**	1,529.7
Current liabilities		
Bank overdraft	**(102.5)**	(162.5)
Interest bearing loans and borrowings	**(1.7)**	-
Lease liabilities	**(20.0)**	(26.7)
Trade and other payables	**(812.0)**	(692.7)
Deferred income	**(38.2)**	(37.2)
Total current liabilities	**(974.4)**	(919.1)
Non-current liabilities		
Interest bearing loans and borrowings	**(91.0)**	(87.3)
Lease liabilities	**(197.9)**	(195.4)
Trade and other payables	**(35.7)**	(41.9)
Deferred income	**(36.4)**	(36.8)
Retirement benefit obligations	**(2.6)**	(23.6)
Total non-current liabilities	**(363.6)**	(385.0)
Total liabilities	**(1,338.0)**	(1,304.1)
Net assets	**281.0**	225.6
Capital and reserves		
Called up share capital	**69.9**	69.9
Share premium account	**56.8**	56.8
Capital redemption reserve	**5.6**	5.6
Other reserves	**12.6**	12.6
Translation reserve	**0.5**	-
Retained earnings	**135.6**	80.7
Total equity attributable to equity shareholders of the Company	**281.0**	225.6

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £m	2021 £m
Cash flows from operating activities		
Profit for the year	**45.5**	61.5
Adjustment for taxation	**11.7**	11.8
Adjustment for net financing expense	**43.8**	34.3
	101.0	107.6
Depreciation and amortisation	**33.5**	36.1
Share based payments	**3.3**	2.9
Profit on sale of business and property, plant and equipment	**(7.7)**	(2.7)
Impairment of goodwill	**3.6**	-
Impairment of property, plant and equipment	**1.2**	9.6
Contribution into defined benefit pension scheme	**(13.1)**	(12.8)
Changes in inventories	**(119.8)**	107.8
Changes in trade and other receivables	**(15.2)**	(1.1)
Changes in trade and other payables	**150.8**	(111.1)
Movement in contract hire vehicle balances	**(20.9)**	(36.8)
Cash generated from operations	**116.7**	99.5
Taxation paid	**(1.4)**	(7.1)
Bank and stocking interest paid	**(25.5)**	(17.5)
Lease interest paid	**(14.7)**	(12.6)
Finance lease interest received	**1.0**	0.9
Net cash from operating activities	**76.1**	63.2
Cash flows from investing activities		
Proceeds from sale of business	**3.9**	27.2
Purchase of property, plant, equipment and intangible assets	**(44.3)**	(18.6)
Proceeds from sale of property, plant, equipment and intangible assets	**13.3**	5.4
Receipt of lease receivables	**2.0**	2.2
Net cash (used in)/from investing activities	**(25.1)**	16.2
Cash flows from financing activities		
Payment of lease liabilities	**(22.2)**	(27.2)
Repayment of loans	**(90.5)**	(88.8)
Proceeds from issue of loans (net of directly attributable transaction costs)	**93.8**	18.7
Disposal of shares by EBT	**0.1**	-
Purchase of shares by EBT	**(0.5)**	-
Net cash outflow from financing activities	**(19.3)**	(97.3)
Net increase/(decrease) in cash and cash equivalents	**31.7**	(17.9)
Cash and cash equivalents at 1 January	**37.6**	56.0
Effects of exchange rate changes on cash held	**0.1**	(0.5)
Cash and cash equivalents at 31 December	**69.4**	37.6

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN ADJUSTED NET DEBT

	2022 £m	2021 £m
Net increase/(decrease) in cash and cash equivalents	**31.7**	(17.9)
Repayment of loans	**90.5**	88.8
Proceeds from issue of loans (net of directly attributable transaction costs)	**(93.8)**	(18.7)
Non-cash movements	**(2.0)**	(1.5)
Decrease in adjusted net debt in the year	**26.4**	50.7
Opening adjusted net debt	**(49.7)**	(100.4)
Closing adjusted net debt	**(23.3)**	(49.7)

Note: The reconciliation of net cash flow to movement in adjusted net debt is not a primary statement and does not form part of the consolidated cash flow statement but forms part of the notes to the financial statements. Adjusted net debt is defined in note 6.

NOTES
1. Basis of Preparation

The Group summary financial statements have been prepared and approved by the directors in accordance with international accounting standards being the International Financial Reporting Standards as adopted by the UK ("adopted IFRS").

The summary financial statements are presented in millions of UK pounds, rounded to the nearest £0.1m. They have been prepared under the historical cost convention except for certain financial instruments which are stated at their fair value. In addition, non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The preparation of summary financial statements in conformity with adopted IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the summary financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those 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.

Going concern

Notwithstanding net current liabilities of £54.7m as at 31 December 2022 for the Group, the Directors are, at the time of approving the financial statements, satisfied that the Group and Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements. The Directors have considered the potential impact of a macro-economic downturn, a market correction in used pricing and shortfalls in both new and used car supply resulting from shortages in microchips impacting manufacturing.

The Group meets its day-to-day working capital requirements from a revolving credit facility of £75m and senior note of £97m together with cash balances and a requirement for ongoing access to rolling vehicle credit stocking facilities amounting to £582.7m at 31 December 2022. The senior note is due for renewal in March 2027 and the revolving credit facility is due for renewal in March 2025, with a further two, one-year options available at the election of lenders to March 2026 and then March 2027. The senior note and revolving credit facility have quarterly leverage and fixed charge covenants, as well as an absolute EBITDA covenant, a breach of which would result in the amounts drawn becoming repayable on demand. The Group remained compliant with its banking covenants throughout the year to 31 December 2022.

In the context of the above, the directors have prepared cash flow forecasts for the period to 31 March 2024 which indicate that, taking account of reasonably possible downsides, the Group will have sufficient funds to meet its liabilities as they fall due for that period. The Directors have modelled scenarios as follows:

1. A base cash flow forecast. The 2023 figures in this forecast are based on the Group's 2023 budget, which reflect current run-rates and expected strategic improvements. The 2024 figures in the base cash flow forecast are based on the 2023 budget with a modest growth rate applied to gross profit and operating costs.

2. A severe, but plausible downside scenario. The directors have also prepared a sensitised forecast which considers the impact of certain severe but plausible downside events, when compared to the base case. This scenario reflects a severe downturn to vehicle volumes and margins. This considers both a worsening in economic conditions and restricted new car supply due to manufacturing constraints. In this scenario, capital expenditure has been reduced to run-rate expenditure and projects committed to and the directors have assessed that the business would operate with lower staffing levels through the non-replacement leavers. This scenario demonstrates that the Group would remain within its facility limits and would retain significant headroom of liquidity covenants. This scenario shows that the Group would also remain within its minimum EBITDA covenant although this is dependant upon mitigating actions referred to above.

Based on the above, the directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements, and therefore the directors believe it remains appropriate to prepare the financial statements on a going concern basis.

Prior year adjustment

The Group has made adjustments to the presentation of the comparative Balance Sheet. The directors have considered that the overdraft balances of Group entities should be separately presented gross on the Consolidated Balance Sheet, rather than netted off against cash and cash equivalents held either by the same entity, or other Group entities, with the same bank. As a result, the Consolidated Balance Sheet as at 31 December 2021 has been restated as follows.

	2021 as reported £m	restatement £m	2021 restated £m
Current Assets			
Cash and cash equivalents	37.6	162.5	200.1
Current liabilities			
Bank overdraft	-	(162.5)	(162.5)
	37.6	-	37.6

The restatement did not result in any change to reported profit, earnings per share, net assets or cash flows reported in the 2021 financial year.

The impact on the opening Consolidated Balance Sheet as at 31 December 2020 is as follows:

	2020 as reported £m	restatement £m	2020 restated £m
Current Assets			
Cash and cash equivalents	56.0	187.6	243.6
Current liabilities			
Bank overdraft	-	(187.6)	(187.6)
	56.0	-	56.0

The restatement did not result in any change to reported profit, earnings per share, net assets or cash flows reported in the 2020 financial year.

As these individual overdraft accounts are an integral part of the Group's cash management they are still classified as cash and cash equivalents (see note 7) in the Consolidated Cash Flow Statement and therefore this reclassification has no effect on total cash flows in the comparative period.

Adoption of new and revised standards

No new or amended standards and interpretations have been adopted during the year.

IFRS 17 Insurance Contracts is effective for annual periods beginning after 1 January 2023 and is not expected to have a significant impact on the Group's consolidated financial statements.

2. Non-underlying Items

Non-underlying income and expenses are items that are not incurred in the normal course of business and are sufficiently significant and/or irregular to impact the underlying trends in the business.

	2022 £m	2021 £m
Within operating expenses:		
Impairment of goodwill	**(3.6)**	-
Impairment of property, plant and equipment	**(1.0)**	-
Impairment of right of use assets	**(0.2)**	(9.6)
Termination of severance costs	**(0.2)**	(1.8)
Aborted transaction related expenses	**(0.4)**	-
Business closure income	**0.2**	-
	(5.2)	(11.4)
Within other income – gains on the sale of businesses, property, plant and equipment:		
Gains on the sale of businesses	**0.3**	0.7
Gains on the sale of property	**7.4**	2.0
	7.7	2.7
Within net finance expense:		
Costs incurred on refinancing	**(2.6)**	-
Net interest on pension scheme obligations	**(0.3)**	(1.0)
	(2.9)	(1.0)
Total non-underlying items before tax	**(0.4)**	(9.7)
Non-underlying items in tax	**1.4**	2.2
Total non-underlying items after tax	**1.0**	(7.5)

The following amounts have been presented as non-underlying items in these summary financial statements:

Goodwill has been reviewed for any possible impairment and as a result of this review there was an impairment charge of £3.6m made during the year (2021: £nil). The £3.6m impairment related to the goodwill in respect of the DAF business which was classified for sale when the Group presented its interim results at 30 June 2022, prior to its eventual sale in October 2022.

Group property, plant and equipment and assets held for sale have been reviewed for possible impairments. As a result of this review there was no impairment charge against assets held for sale made during the year (2021: £nil) and property, plant and equipment of £1.2m (of which £0.2m was in respect of right of use assets) (2021: £9.6m all right of use assets). There were no reversals of previous impairment charges in respect of assets held for sale where anticipated proceeds less costs to sell have increased over their impaired carrying values (2021: £nil).

There were termination and severance costs of £0.2m in FY22 (2021: £1.8m of which £1.3m related to the transfer of Finance process from dealerships to a centralised shared service centre as part of the Finance Transformation in the UK). This cost is driven by a combination of a small number of redundancy payments and relocation costs.

During the year approaches and subsequent bids were made by external parties to the purchase the Company. As a consequence professional and advisory fees of £0.4m were incurred in assisting with the due diligence process undertaken by the parties. No internal costs have been allocated against this process as non-underlying in respect of time and resource of Group management.

Following the disposal of the US business in 2021 a release of an over accrued settlement resulted in a credit of £0.2m being recognised in the year.

Other income consists of the profit or loss on disposal of businesses and property, plant and equipment. This comprises a £0.3m gain (2021: £0.7m gain in respect of discontinued operations) on disposals of motor vehicle dealerships during the year, a £7.4m profit on sale of properties (2021: £2.0m). These do not include routine transactions in relation to the disposal of individual assets, and only relates to the disposal or closure of motor vehicle dealerships and associated properties.

During the year, upon the successful completion of the refinancing of the Group in March 2022, a net loss of £2.6m was recorded which comprised of settlement of obligations under the previous arrangement.

The net financing return on pension obligations in respect of the defined benefit schemes closed to future accrual is shown as a non-underlying item due to the irregularity of this amount historically and it is not incurred in the normal course of business. A net expense of £0.3m has been recognised during the year (2021: £1.0m).

3. Earnings per share

	2022	**2022**	2021	2021
	Earnings per share Pence	**Earnings total £m**	Earnings per share Pence	Earnings total £m
Basic earnings per share from continuing operations	**3.3**	**45.5**	4.7	65.5
Basic earnings per share from discontinued operations	**-**	**-**	(0.3)	(4.0)
Basic earnings per share	**3.3**	**45.5**	4.4	61.5
Adjusting items:				
Non-underlying items attributable to the parent from continuing operations	**-**	**0.4**	0.4	5.8
Non-underlying items attributable to the parent from discontinued operations	**-**	**-**	0.3	3.9
Non-underlying items attributable to the parent (see note 2)	**-**	**0.4**	0.7	9.7
Tax effect of non-underlying items from continuing operations	**(0.1)**	**(1.4)**	(0.3)	(3.1)
Tax effect of non-underlying items from discontinued operations	**-**	**-**	0.1	0.9
Tax effect of non-underlying items	**(0.1)**	**(1.4)**	(0.2)	(2.2)
Underlying earnings per share from continuing operations (Non-GAAP measure)	**3.2**	**44.5**	4.9	68.2
Underlying earnings per share from discontinued operations (Non-GAAP measure)	**-**	**-**	0.1	0.8
Underlying earnings per share (Non-GAAP measure)	**3.2**	**44.5**	5.0	69.0

Diluted earnings per share from continuing operations	**3.1**	**45.5**	4.6	65.5
Diluted earnings per share from discontinued operations	**-**	**-**	(0.3)	(4.0)
Diluted earnings per share	**3.1**	**45.5**	4.3	61.5
Diluted earnings per share – underlying from continuing operations (Non-GAAP measure)	**3.1**	**44.5**	4.8	68.2
Diluted earnings per share – underlying from discontinued operations (Non-GAAP measure)	**-**	**-**	0.1	0.8
Diluted earnings per share – underlying (Non-GAAP measure)	**3.1**	**44.5**	4.9	69.0

The calculation of basic, adjusted and diluted earnings per share is based on the following number of shares in issue (millions):

	2022 Number	2021 Number
Weighted average number of ordinary shares in issue	**1,392.9**	1,390.7
Weighted average number of dilutive shares under option	**51.8**	25.1
Weighted average number of shares in issue taking account of applicable outstanding share options	**1,444.7**	1,415.8
Non-dilutive shares under option	**20.7**	28.7

The directors consider that the underlying earnings per share figure provides a better measure of comparative performance.

4. Finance expense

Recognised in profit and loss

	Note	**2022 £m**	2021 £m
Interest payable on bank borrowings, SFA, Senior note and loan notes		**10.8**	9.4
Vehicle stocking plan interest		**14.7**	9.8
Interest payable on leases		**14.7**	12.6
Costs incurred on refinancing	2	**2.6**	-
Net interest on pension scheme obligations	2	**0.3**	1.0
Less: interest capitalised		**(0.8)**	(0.3)
Total interest expense being interest expense in respect of financial liabilities held at amortised cost		**42.3**	32.5
Unwinding of discounts in contract hire residual values		**2.5**	2.7
Total finance expense		**44.8**	35.2

Interest of £0.8m has been capitalised during the year on assets under construction at an average rate of 7.47% (2021: £0.3m).

5. Finance income

Recognised in profit and loss

	2022 £m	2021 £m
Interest receivable on finance leases	**1.0**	0.9
Total finance income	**1.0**	0.9

6. Adjusted net debt

	2022 £m	2021 £m
Cash and cash equivalents (see note 7)	**69.4**	37.6
Current interest bearing loans and borrowings	**(1.7)**	-
Non-current interest bearing loans and borrowings	**(91.0)**	(87.3)
	(23.3)	(49.7)

The Group has on adoption of IFRS 16 Leases excluded Lease liabilities from its measure of Net Debt. The Group also exclude Vehicle stocking loans from its measure of Adjusted Net Debt which are presented as current liabilities.

7. Cash and cash equivalents

	2022 £m	Restated see note 1 2021 £m
Cash and cash equivalents	**69.4**	37.6
Cash and cash equivalents in the Balance Sheet	**171.9**	200.1
Bank overdrafts repayable on demand and used for cash management in the Balance Sheet	**(102.5)**	(162.5)
Cash and cash equivalents in the statement of cash flows	**69.4**	37.6

Bank overdrafts reflect the aggregated overdrawn balances of Group companies (even if those companies have other positive cash balances).

8. Movement in contract hire vehicle balances

	2022 £m	2021 £m
Depreciation	**36.1**	38.5
Changes in trade and other payables and deferred income	**(7.9)**	(30.2)
Purchases of contract hire vehicles	**(46.6)**	(42.4)
Unwinding of discounts in contract hire residual values	**(2.5)**	(2.7)
	(20.9)	(36.8)

9. Pension funds

The net liability for defined benefit pension scheme obligations has improved from a £23.6m liability at FY21 to a £2.6m liability at FY22. The improvement of £21.0m comprises of contributions of £13.1m, a net interest expense recognised in the income statement of £0.3m and a net actuarial gain of £8.2m. The net actuarial gain has arisen due in part to changes in the principal assumptions used in the valuation of the scheme's assets and liabilities and also the change in value of the assets held over the year. The main assumptions subject to change are the discount rate of 5.00% (2021: 1.80%), inflation rate (RPI) of 3.25% (2021: 3.50%) and inflation rate (CPI) of 2.85% (2021: 3.00%).

10. Alternative performance measures

The Group uses a number of key performance measures ('KPI's') which are non-IFRS measures to monitor the performance of its operations. The Group believes these KPIs provide useful historical financial information to help investors and other stakeholders evaluate the performance of the business and are measures commonly used by certain investors for evaluating the performance of the Group. In particular, the Group uses KPIs which reflect the underlying performance on the basis that this provides a more relevant focus on the core business performance of the Group. The Group has been using the following KPIs on a consistent basis and they are defined and reconciled as follows:

Dividend per share - dividend per share is defined as the interim dividend per share plus the proposed final year dividend for a given period.

Gross margin % - gross margin is defined as gross profit as a percentage of revenue.

Operating margin % - operating margin is defined as operating profit as a percentage of revenue.

Underlying operating profit/profit before tax - results on an underlying basis exclude items that have non-trading attributes due to their size, nature or incidence. The detail of the non-underlying results is shown in note 2 and this is also shown on the face of the consolidated income statement to reconcile from the underlying to total results.

Operating profit reconciliation

	Note	**2022 £m**	2021 £m
Underlying operating profit		**98.5**	116.3
Gains on the sale of businesses and property, plant and equipment	2	**7.7**	2.7
Impairment of goodwill	2	**(3.6)**	-
Impairment of property, plant and equipment	2	**(1.0)**	-
Impairment of right of use assets	2	**(0.2)**	(9.6)
Aborted transaction related expenses	2	**(0.4)**	-
Termination and severance payments	2	**(0.2)**	(1.8)
Business closure income	2	**0.2**	-
Non-underlying operating profit/(loss) items		**2.5**	(8.7)
Operating profit		**101.0**	107.6

Profit before tax reconciliation

	Note	**2022 £m**	**2021 £m**
Underlying profit before tax		**57.6**	83.0
Non-underlying operating profit/(loss) items (see reconciliation above)		**2.5**	(8.7)
Non-underlying net finance (costs)	2	**(2.9)**	(1.0)
Non-underlying operating profit/(loss) and finance costs items		**(0.4)**	(9.7)
Profit before tax		**57.2**	73.3

Profit after tax reconciliation

	Note	**2022 £m**	2021 £m
Underlying profit after tax		**44.5**	69.0
Non-underlying operating profit/(loss) and finance costs items (see reconciliation above)		**(0.4)**	(9.7)
Non-underlying tax	2	**1.4**	2.2
Non-underlying operating profit/(loss), finance costs and tax items		**1.0**	(7.5)
Profit after tax		**45.5**	61.5

Underlying basic earnings per share ('underlying earnings per share') – the Group presents underlying basic earnings per share as the directors consider that this is a better measure of comparative performance. Underlying basic earnings per share is calculated by dividing the underlying profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. A full reconciliation of how this is derived is found in note 3.

Underlying diluted earnings per share – the Group presents underlying diluted earnings per share as the directors consider that this is a better measure of comparative performance. Underlying diluted earnings per share is calculated by dividing the underlying profit and loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue taking account of the effects of all dilutive potential ordinary shares, which comprise of share options granted to employees, LTIPs and share warrants. A full reconciliation of how this is derived is found in note 3.

Adjusted net debt – All loans and borrowings less cash and cash equivalents less IFRS 16 lease liabilities less vehicle stocking loans.

Leverage ratio – the Group uses the ratio of net debt to underlying EBITDA to assess the use of the Group's financial resources. The reconciliation of this and the composition of underlying EBITDA is shown below.

	2022 £m	2021 £m
Underlying operating profit	**98.5**	116.3
Depreciation	**64.7**	70.4
Amortisation	**4.9**	4.2
Underlying EBITDA	**168.1**	190.9
Adjusted net debt	**23.3**	49.7
Adjusted net debt : underlying EBITDA ratio	**0.1**	0.3

Like for Like reconciliations

Like for like (LFL) results only include trading businesses which have comparative trading periods in two consecutive financial years. We use like-for-like results to aid in the understanding of the like-for-like movement in revenue, gross profit and operating profit in the business. The difference to underlying results are those businesses which are not like-for-like which have recently commenced operation and therefore do not have a full current year and prior year history plus any retail points closed during the current or previous period. The like-for-like adjustments are split between those in relation to businesses disposed and those other adjustments which relate to the elimination of results for a period in a year which does not have a corresponding amount in the comparative year.

Revenues by Department – UK Motor

	2022 Group revenue £m	2022 Disposals revenue £m	2022 Other non like for like revenue £m	2022 Like for like revenue £m
Aftersales revenue	**276.1**	-	-	**276.1**
Used vehicle revenue	**1,808.6**	(0.2)	(0.7)	**1,807.7**
New vehicle revenue	**1,451.5**	-	-	**1,451.5**
Total Revenue	**3,536.2**	(0.2)	(0.7)	**3,535.3**

	2021 Group revenue £m	2021 Disposals revenue £m	2021 Other non like for like revenue £m	2021 Like for like revenue £m
Aftersales revenue	**261.9**	(5.1)	-	**256.8**
Used vehicle revenue	**1,708.4**	(10.8)	-	**1,697.6**
New vehicle revenue	**1,362.4**	(12.2)	-	**1,350.2**
Total Revenue	**3,332.7**	(28.1)	-	**3,304.6**

Revenues by Department – US Motor

	2022 Group revenue £m	2022 Disposals revenue £m	2022 Other non like for like revenue £m	2022 Like for like revenue £m
Aftersales revenue	**-**	-	-	**-**
Used vehicle revenue	**-**	-	-	**-**
New vehicle revenue	**-**	-	-	**-**
Total Revenue	**-**	-	-	**-**

	2021 Group revenue £m	2021 Disposals revenue £m	2021 Other non like for like revenue £m	2021 Like for like revenue £m
Aftersales revenue	**2.8**	(2.8)	-	**-**
Used vehicle revenue	**3.0**	(3.0)	-	**-**
New vehicle revenue	**22.8**	(22.8)	-	**-**
Total Revenue	**28.6**	(28.6)	-	**-**

Gross Profit by Department – UK Motor

	2022 Group gross profit £m	2022 Disposals gross profit £m	2022 Other non like for like gross profit £m	2022 Like for like gross profit £m
Aftersales gross profit	**139.5**	0.3	-	**139.8**
Used vehicle gross profit	**143.6**	-	-	**143.6**
New vehicle gross profit	**132.6**	-	-	**132.6**
Total Gross profit	**415.7**	0.3	-	**416.0**

	2021 Group gross profit £m	2021 Disposals gross profit £m	2021 Other non like for like gross profit £m	2021 Like for like gross profit £m
Aftersales gross profit	**133.2**	(2.4)	-	**130.8**
Used vehicle gross profit	**164.2**	(0.2)	-	**164.0**
New vehicle gross profit	**99.9**	(0.9)	-	**99.0**
Total Gross profit	**397.3**	(3.5)	-	**393.8**

Gross Profit by Department – US Motor

	2022 Group gross profit £m	2022 Disposals gross profit £m	2022 Other non like for like gross profit £m	2022 Like for like gross profit £m
Aftersales gross profit	**-**	-	-	**-**
Used vehicle gross profit	**-**	-	-	**-**
New vehicle gross profit	**-**	-	-	**-**
Total Gross profit	**-**	-	-	**-**

	2021 Group gross profit £m	2021 Disposals gross profit £m	2021 Other non like for like gross profit £m	2021 Like for like gross profit £m
Aftersales gross profit	**1.6**	(1.6)	-	**-**
Used vehicle gross profit	**0.2**	(0.2)	-	**-**
New vehicle gross profit	**2.2**	(2.2)	-	**-**
Total Gross profit	**4.0**	(4.0)	-	**-**

Underlying operating profit

	2022 Group Underlying operating profit/(loss) £m	2022 Disposals Underlying operating profit £m	2022 Other non like for like Underlying operating profit £m	2022 Like for like Underlying operating profit £m
UK motor	**69.1**	1.0	0.2	**70.3**
Software	**11.0**	-	-	**11.0**
Leasing	**19.9**	-	-	**19.9**
US Motor	**(1.5)**	1.5	-	**-**
Total underlying operating profit	**98.5**	2.5	0.2	**101.2**

	2021 Group Underlying operating profit/(loss) £m	2021 Disposals Underlying operating profit £m	2021 Other non like for like Underlying operating profit £m	2021 Like for like Underlying operating profit £m
UK motor	**87.4**	1.1	-	**88.5**
Software	**12.5**	-	-	**12.5**
Leasing	**17.5**	-	-	**17.5**
US Motor	**(1.1)**	1.1	-	**-**
Total underlying operating profit	**116.3**	2.2	-	**118.5**

11. Annual Report

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2022 or 2021 but is derived from those accounts. Statutory accounts for 2021 have been delivered to the registrar of companies, and those for 2022 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Full financial statements for the year ended 31 December 2022 will be published on the Group's website at www.pendragonplc.com and will be posted to shareholders and after adoption at the Annual General Meeting they will be delivered to the registrar.

Copies of this announcement are available from Pendragon PLC, Loxley House, 2 Oakwood Court, Little Oak Drive, Annesley, Nottinghamshire, NG15 0DR.