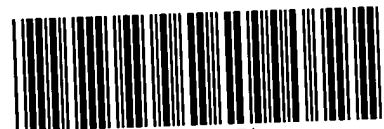


CAR BENEFIT HOLDINGS LIMITED
Company Registration No. 4722006

Annual report and consolidated financial statements
31 December 2022

FRIDAY



ACCKYR7

A14

22/09/2023

#167

COMPANIES HOUSE

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

CONTENTS	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	9
Statement of directors' responsibilities in respect of the strategic report, the directors' report, and the financial statements	12
Independent auditor's report to the members of Car Benefit Holdings Limited	13
Consolidated income statement and statement of other comprehensive income	17
Statements of financial position	18
Consolidated statement of changes in equity	19
Company statement of changes in equity	20
Consolidated cash flow statement	21
Notes to the financial statements	22

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

OFFICERS AND PROFESSIONAL ADVISERS**DIRECTORS**

Dennis Studholme

Martin Maguire

Neil Davies

Paul Taylor

COMPANY SECRETARY

Paul Taylor

REGISTERED OFFICE

The Barracks

400 Bolton Road

Bury

Lancashire

BL8 2DA

BANKER

Bank of Scotland

19-21 Spring Gardens

Manchester

M2 1FB

INDEPENDENT AUDITOR

Deloitte LLP

110 Queen Street

Glasgow

G1 3BX

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2022.

Principal activities

Car Benefit Holdings Limited (the company), is the holding company of a group specialising in consultancy, management services, the purchase and sale of vehicles for the provision of car ownership schemes, funding, and related activities. The company also operates as a central treasury company to Car Benefit Holdings Limited and its subsidiaries (the group).

Business review

The company's and the group's primary business activity for the year ended 31 December 2022 was the provision of consultancy, management services and the purchase, sale, and financing of cars, all in respect of employee car ownership schemes.

Statutory turnover for the year was £689,904,210 (2021: £640,946,503), and in addition the group had gross sales of secondhand vehicles (a non-GAAP measure) of £658,031,268 (2021: £643,845,471). The total gross sales of £1,347,935,478 (2021: £1,284,791,974) represented an increase of 5% from 2021. The profit before tax for the group was £3,071,465 (2021: £2,910,858).

The fleet size has increased from 12,787 units on 31 December 2021 to a total of 14,347 units at 31 December 2022. In the same period, the group funded loan book increased from £298,435,164 to £366,814,490. Provision for doubtful debts of £566,091 (2021: £632,184) has been made, which the directors consider to be at acceptable levels.

The Bank of England base rate has increased steadily from a historic low of 0.1% in November 2021 to 3.5% at 31st December 2022 and 5% at the date of this report. Furthermore, market funding rates in the United Kingdom were dramatically increased in September 2022 as money markets lost confidence in financial prospects for the United Kingdom as a result of the mini budget of that month. These factors combined have resulted in increased swap rates in the market and an increased cost of funds to the group. The group has been able to pass on some, but not all, of these funding cost increases. Whilst this increased funding cost has a negative impact on group trading results, the group continues to develop lean efficiencies in overheads to protect overall profitability.

The worldwide shortage of semiconductors and the impact of the pandemic lockdown on factory activity has continued to impact vehicle production adversely in the year. This was further exacerbated in 2022 with the war in Ukraine, which has adversely impacted on the manufacture and delivery of a significant number of car components. Whilst vehicle lead times remain long there has been some easing in vehicle supply during the latter part of the year.

During 2022, two institutions withdrew their funding to the overall vehicle market because of their own internal policy decisions. This was not a reflection on the group trading or credit ratings, but a decision based on those institutions' view of the asset finance market. At 1 January 2022, the total group facilities with those institutions were £90M of which £29M was drawn down. The amount drawn down on the facilities was repaid by the group as the credit agreements matured, and all amounts have been fully repaid at the date of this report.

At 31 December 2022, the group had £140M headroom in external funding facilities available. In 2023, the group has secured additional facilities with existing funding partners amounting to £30M, with a further £20M designated by one funding partner for approval in the second half of 2023.

The group has continued to make significant investment in the operating platform and personnel ensuring it is well placed and structured to meet the requirements of future growth. The group's customer satisfaction scores remain high.

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

STRATEGIC REPORT (continued)

Due to the longer-term impact of the pandemic together with that of the war in Ukraine the group considers that longer lead times for new vehicles will remain a feature for 2023 and there will be shortages in particular makes and models of vehicle stock. Where vehicle supply can be attained the directors envisage that there will be growth in the market in this period.

Whilst the board of directors uses gross sales, profit before tax, cash flow from operating activities and gearing as the key group indicators, loan book performance and cash collection are also key elements of the performance indicator matrix. Significant market uncertainty exists and there have been large shocks to the cost of living, particularly due to the increasing cost of energy, but also in food costs where inflation remains high. Loan performance continues to be monitored at a micro level by the group.

Business environment

There are three main categories of trade operated by the group. These categories are (a) consultancy (b) management services and (c) the purchase and sale of vehicles together with the associated loan funding. Of these three categories, the majority of turnover is attributable to the sale of the vehicles and associated vehicle loan funding. The directors do not anticipate any change in these categories but expect the vehicle sale and associated loan funding to generate a greater relative share of the income in the future.

Whilst the underlying business will not change, the board continues to be cognisant of trading headwinds, such as new vehicle supply and lead time issues, the war between Russia and Ukraine, increasing interest rates and the increasing cost of living. The group will continue to monitor each of these in the context of trading and respond as appropriate over the next year.

Financial risk management

The group's operations and trade expose it to a variety of financial risks including interest rate risk, liquidity risk and credit risk. The directors manage these risks in a number of ways.

In terms of the interest rate exposure, the funding applied in the loan book is at an interest rate fixed from the date it is drawn down until repaid. As the interest rate environment increases and with long vehicle lead times, a risk exists that a vehicle is ordered under a credit agreement that includes an interest rate based on the cost of funds to the group at the date of the vehicle order. However, as the cost of funds increases between the date of vehicle order and vehicle delivery, the group may deliver a vehicle under a credit agreement and the profitability of that agreement is less than that anticipated at the date the vehicle order was taken.

Assuming this scenario, it is possible that the group could lose money on the individual contract. To date, whilst some margins have been squeezed due to this characteristic of trading, the group has not lost money on any individual contract. Further, as contracts are generally for a period of not more than eighteen months, this squeeze on margins passes through trading in a short time frame. All new contracts are priced reflecting the new market interest rates applicable at the time of order.

Liquidity risk

The company has adequate facilities with its various funding partners and banks to continue to trade and grow. The group operates a strict and documented treasury plan to ensure that sufficient cash is always available to fund working capital requirements for ongoing operations. This plan is capable of being quickly and effectively adapted to new circumstances.

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

STRATEGIC REPORT (continued)

Credit risk

The group's principal financial assets are cash and bank balances, credit agreement loans, trade and other receivables. The risk involved in the granting of credit and the recoverability of trade receivables is actively managed and monitored within the group. Comprehensive reporting on client credit status is available to the management team. Recoverability of debt is continually monitored and reported weekly to the board. Cash flow statements and projections are circulated to the management team twice weekly.

Further information on financial risk management is provided in Note 25.

Principal risks and uncertainties

In addition to normal business risks such as gross sales targets, cash flow, investment returns etc. the directors regard the availability of wholesale funding lines and cost of those funding lines to be a key risk to the group.

The group ensures it always has sufficient headroom in available funding facilities. This headroom was excessive on 1 January 2022 (£247M) primarily due to the fact that the group retained all of its facilities during the pandemic, but growth opportunities were not available.

During 2022, two institutions withdrew their funding to the overall vehicle market because of their own internal policy decisions. This was not a reflection on the group trading or credit ratings, but a decision based on those institutions' view of the asset finance market. At 1 January 2022, the total group facilities with those institutions were £90M of which £29M was drawn down. The removal of the facilities did not result in a cash repayment demand, the £29M was repaid by the group as the credit agreements they were funding matured. All the amounts have been repaid at the date of this report.

At 31 December 2022, the group had £140M headroom in external funding facilities available. In 2023, the group has secured additional facilities with existing funding partners amounting to £30M, with a further £20M designated by one funding partner for approval in the second half of 2023.

The group also continues to invest its own cash in the loan book, which in addition to demonstrating a strong balance sheet provides funders with the comfort that the group have a significant investment in the same class of asset as the funders. The group continually advises funders of their strategy to work through the unprecedented circumstances the United Kingdom, Europe and the World is experiencing.

The directors regard a significant deterioration in the value of the second-hand vehicle market to be a risk to future income but not to the existing net worth, as the group's exposure to that risk is not material in the context of the overall balance sheet. The group mitigates this risk by entering into a guaranteed buyback agreement with automotive dealerships or manufacturers, with almost 100% of the current loan book covered by a buyback agreement. At present, only 0.57% (2021: 0.43%) of the loan book is not covered by a buyback agreement. At the date of this strategic report, the secondhand vehicle market continues to experience high demand and high value transactions.

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

STRATEGIC REPORT (continued)

Any reduction in manufacturer registration targets can be regarded as a risk as it may impact on the sales channels which the manufacturers wish to use. These registration targets were not achieved in the past few years due to the impact of COVID-19, and subsequent supply issues. The advent of the Agency Sales model (where the new vehicle sale is concluded between the manufacturer and the customer, with the retailer acting as the delivery agent) will mark a change in the overall structure of the United Kingdom new vehicle sale market. One manufacturer has already introduced the Agency Sales Model without impact upon the group trading model or prospects.

The climate change agenda will have an impact on the fuel technology used in vehicles, and the group have designed products to be launched in 2023 which are suited to this changing fuel technology. Whilst technology may change the directors do not foresee a reduction in vehicle demand as a result.

The overall general state of the economy and employee purchasing power are key risk indicators as the company's automotive customer base may not have the appetite or the financial ability to either purchase new vehicles in the case of the employee, or the second-hand vehicle in the case of the employer. The cost-of-living crisis which is impacting the United Kingdom and the World will continue to have an impact on individual purchase preferences. In some instances, individuals may rely on cash reserves which have been accumulated during the COVID lockdowns, in others however, there will likely be a decision between essential and luxury items. Whilst new vehicle retail orders remain high, the longer inflation and the cost-of-living crisis endures the greater the risk that there will be some impact on overall spending.

Despite the challenges presented by COVID-19, BREXIT, the war in Ukraine and the cost-of-living crisis, the directors remain confident that the group's automotive partners remain committed to the United Kingdom Automotive Sector and that they will respond positively as the country moves forward.

Strategy and Future Developments

The directors are confident that the group is well placed to continue to expand and to grow organically and believe that growth will continue in 2023. The directors are of the opinion that the sound financial platform that the group has built over the years of trading has left it well positioned to sustain a healthy business and enjoy future expansion and growth.

The group is continuing with a significant investment in the operating platform and personnel to ensure it is well placed and properly structured to meet the requirements of future growth. The group has documented business plans, including customer targets for funding, for the period to December 2025; the projections for this period illustrate that the group will continue to be profitable and cash generative.

The group continues to expand its customer base and continues to develop customer relationships based on both active marketing and customer referral.

Key Performance Indicators

The group uses a number of key financial and non-financial indicators and measures to assess the group's performance. As outlined above these include gross sales, profitability, the value and recoverability of the loan book and the overall fleet size.

The group's turnover for the year was £689,904,210 (2021: £640,946,503) an increase of 7.6%. In addition, the group had gross sales of secondhand vehicles, (a non-GAAP measure), of £658,031,268, (2021: £643,845,471). The total gross sales of £1,347,935,478 (2021: £1,284,791,974) represented an increase of 4.9% from 2021. Profit before tax amounted to £3,071,645 (2021: £2,910,858).

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

STRATEGIC REPORT (continued)

Gross loan book growth exceeded £88M, an increase of 24% from 2021, and £44M above base case target. Provision for doubtful debts of £566,091 (2021: £632,184) has been made, which the directors consider to be at acceptable levels.

Accounting

The group has sound accounting disciplines, policies and suitably qualified personnel to report on the group activity and forecast future growth. All the accounting and reporting, other than the presentation of the non-GAAP measure of gross sales, is in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP), including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172 (1) COMPANIES ACT 2006

Overview

The board of directors of Car Benefit Holdings Limited (CBH or the group) consider, individually and together, that they have always acted in good faith and in the way they consider is most likely to promote the success of the group.

That success is for the benefit of the company's members (having regard to the stakeholders and, with regard to matters set out in s172 (1) (a)-(f) of the Companies Act 2006) in the decisions they have taken during the year ended 31 December 2022.

The group stakeholders are individuals or groups who have an interest in, or who are affected by the activities of the group. These include, but are not limited to customers, colleagues, shareholders, regulators, communities, suppliers, and funders.

Through balancing the interests of our stakeholders, being a responsible lender and contributing to the wider society, we maintain the reputation that the group has high standards in business conduct.

Overall Strategy

The directors' strategy and planning is designed to have a long-term beneficial impact on the group and to contribute to its success in delivering the best quality of service to customers, with minimal risk to stakeholders.

The strategy includes the obligations of the group to be a responsible lender and provide all reasonable assistance to all customers, at all times ensuring customers are treated fairly.

The CBH Team

It is essential that the group consistently and effectively engages with all colleagues so that they understand the group's strategy and how they can support its delivery, which the group believes helps its customer base. Maintaining high levels of colleague engagement also plays an important role in enabling the group to attract, retain and develop the talent needed to help deliver its strategy, ensuring that the group provides a stimulating and rewarding working environment, and supporting the development of a diverse, open, and inclusive workplace culture where everyone is a valued member.

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

STRATEGIC REPORT (continued)

The group operates an employee “wellbeing” program. The program is designed to ensure the group creates a culture, where the mental, physical, and financial wellbeing of our colleagues is paramount to both our and their own thinking. The health, safety and wellbeing of our team members is one of the primary considerations in the way the group does business.

The group’s team members are fundamental to the delivery of the strategy. The group aims to be a responsible employer in the approach to the pay and benefits our team members receive.

Customers

Customer Excellence is key to the group’s success. The group has developed a customer centric approach, considering the full customer experience journey, and the group engages regularly with its customers to determine whether it is delivering good outcomes throughout the customer journey with the group. The group utilises a variety of engagement methods, including surveys, Net Promoter Score, third party research, and complaints monitoring, using the outcomes to ensure that the business model is adapted to reflect a better understanding of the customer needs. The group maintains a policy suite which includes, but is not limited to Anti Money Laundering, Data Protection, Treating Customers Fairly, Vulnerable Customer, and Complaint Handling.

Suppliers and Funding Partners

The group’s suppliers play a vital role in the operations and so it is important that the group develops strong relationships with them and only buy products and services from those who operate responsibly. Strong relationships with suppliers can also mitigate risk in the group supply chain. The group encourages best practice within the group supply chain by ensuring it is compliant with legislation such as the Modern Slavery Act and the group adopts a prompt payment practice. The group’s due diligence processes manage supply chain-based risks; the group engages with suppliers on issues such as data protection, information security, business continuity.

Engagement with suppliers and customers is key to the group’s success. The group meets with major supply partners regularly throughout the year to ensure planning incorporates the latest and most appropriate measures to ensure business methodology is consistent with that of its supply partners.

The group funding partners are banks or other funders with high credit ratings assigned by international credit-rating agencies. The group meets regularly to build relationships and ensure its business strategy is aligned with its funding partners, to allow the group to continue to trade and grow.

Regulators

The group’s finance companies have full permissions from the Financial Conduct Authority to conduct the relevant regulated activities to facilitate, manage and fund Employee Car Ownership Schemes. The group has invested in its own in-house compliance expertise and has its own Compliance & Risk function to help ensure ongoing compliance, primarily focused on Financial Conduct Authority matters but covering other relevant regulatory requirements. In addition, the group continues to engage with professional advisors to provide ongoing technical support to ensure compliance with relevant Financial Conduct Authority regulations and consumer credit legislation.

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

STRATEGIC REPORT (continued)

Regulators (continued)

The group's Compliance & Risk department has developed a robust Compliance Monitoring Program ("CMP") in accordance with Financial Conduct Authority requirements. The CMP sets out the assessment and audit of key risk areas including where there are regulatory requirements. The CMP also includes a full Information Security Management System in accordance with ISO27000. To ensure ongoing compliance, the group monitors the Financial Conduct Authority monthly regulatory round-up and other bulletins issued from time to time; monitors bulletins from the group's legal advisors, and bulletins from motor industry sources; attends legal and regulatory seminars where applicable; and corresponds and meets with professional advisors on legal and regulatory matters including future expected amendments to legislation. Additionally, the group has a Compliance Committee that meets on a quarterly basis to review compliance and audit plans, audit results, and compliance risk to the group.

The group operates within the Senior Management & Certification Regime (SM&CR). All actions required under SM&CR are completed by the deadline dates.

The ongoing regulatory requirements of the SM&CR have been incorporated into the Compliance Monitoring Programme.

The Community

Planning considers the impact of the group's operations on the community and environment and the wider social responsibilities. The group engages, supports, and contributes to local charities and sports associations through direct financial resources and staff time in volunteering.


The group complies with environmental legislation, pursues waste-saving opportunities, and reacts promptly to local community concerns.

Investors & Responsible Planning and Implementation

As the board of directors, our intention is to behave responsibly towards our investors and treat them fairly and equally, so they too may benefit from the successful delivery of our strategy. It is key that we meet with investors to maintain their support and to keep them updated on the group's progress in delivering its strategy, sustainable investor returns, governance, and culture. Direct and regular engagement with investors ensures that the board has a clear understanding of investor views.

As the board of directors, we behave responsibly and ensure that the management operate the group in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as the group and in doing so, will contribute to the delivery of our strategy. The intention is to nurture our reputation, through both the construction and delivery of our strategy that reflects responsible behaviour.

Approved by the board and signed on its behalf by:



Paul Taylor
Company Secretary
26th June 2023

The Barracks
400 Bolton Road
Bury BL8 2DA.

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

DIRECTORS' REPORT

The directors present their annual report and audited consolidated financial statements for the year ended 31 December 2022. As the company presents a Strategic Report as part of the statutory accounts there are certain matters that, also form part of this Directors' Report by cross reference.

Dividends and transfer to reserves

The profit for the financial year is £2,538,394 (2021: £2,321,649) has been transferred to reserves. A dividend of £1,172,362 has been paid (2021: £1,140,092). Car Benefit Schemes LLP has distributed profits of £NIL externally (2021: £59,884).

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

Dennis Studholme

Martin Maguire

Neil Davies

Paul Taylor

Political contributions

Neither the company nor any of its subsidiaries made any political donations nor incurred any political expenditure during the year (2021: £nil).

Directors' indemnities

The company has made qualifying third-party indemnity provisions for the benefit of its directors which remain in force at the date of this report.

Post balance sheet events

Since the 1 January 2023, the Bank of England have continued to increase the United Kingdom Bank Base Rate to the current rate of 5%. These increases are reflected in the market swap rates and as a result, the funding costs incurred by the company. Whilst the Bank of England and several other commentators have indicated that a recession should be avoided in 2023, this was prior to the latest increase in Bank Base Rate. The "cost of living" crisis and inflation will take its toll on the economy.

The company and group continue to be supported by their funding partners who have recognised the strength of the group's business model and financial standing. The company and the group have approved bank facilities of over £380M, currently £140M of these facilities are undrawn at the year end. In addition, the group have secured an additional £30M of funding facilities and a further £20M designated for the second half of 2023. The funding facilities provide sufficient headroom to meet business requirements. The group is in discussion with other existing funders to increase facilities to accommodate growth beyond the immediate trading horizon.

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

DIRECTORS' REPORT (continued)

There are no other post balance sheet events that the directors consider material to the presentation of the 2022 financial statements.

Energy and carbon report

The group is committed to addressing environmental issues in climate change and actively seeking areas in which it can reduce its overall environmental impact. The group takes its social and environmental responsibilities seriously and in addition to commercial success would like to be known for its social values.

UK Energy Usage

In this report, the UK government GHG conversion factors are used for the reporting of greenhouse gas emissions.

The group operates from one office at The Barracks, Bury. The office is a relatively newly refurbished building and incorporates energy efficient features including LED lighting to reduce both the costs and the carbon emissions.

The intensity ratio of gross emissions per employee is reported as the total gross emissions per staff member.

Category	2022	2021
Electricity usage (kWh)	94,841	93,803
Scope 2 emissions		
Purchased electricity (kg/CO ₂ e)	18,340	19,853
Scope 3 emissions		
Employee Business Mileage in cars owned by employees (kg/CO ₂ e)	40,529	15,119
Total gross emissions (kg/CO ₂ e)	58,869	34,972
Intensity ratio (emissions per employee)	390	223

Going concern

As a response to the pandemic, the directors implemented a strategy that has demonstrated the financial and operational resilience of the group. In looking forward, the directors have performed significantly stressed scenarios to forecasting models that demonstrate the continued resilience of the group should the impact of the pandemic, the war in Ukraine or cost-of-living crisis take an enduring toll or creates a further significant deterioration in economic predictions.

The directors' intentions are to continue to support the group's subsidiaries throughout the going concern period, providing access to funding as required via Car Benefit Holdings Limited to enable them to meet their liabilities as they fall due, and to manage their key risks.

The directors have also indicated their intention not to seek repayment of the amounts currently due from the subsidiaries to Car Benefit Holdings Limited for the period covered by the forecasts.

Given the scale of the potential opportunities available, the group expects that its external funders will continue to trade with the group with several showing an appetite to extend the facilities when required.

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

DIRECTORS' REPORT (continued)

Going Concern (continued)

Having considered the cash flow and liquidity requirements of the group and the group's forecasts, the directors expect that the business will continue for a period of at least twelve months from the date of approval of the financial statements and the company will be able to meet its liabilities as they fall due.

Accordingly, the financial statements have been prepared on a going concern basis of accounting.

Criminal Finance Act review

The group asked the accounting firm RSM to conduct a Criminal Finance Act 2017 (the "Act") risk review in October 2020. The review was part of the group's strategy to ensure ongoing compliance with all relevant legislation and the continued operation of best practice. The report concluded that the group are low risk. The group will commission a further report in 2023 and will continue to monitor all trading activities in the context of the Act and the report.

Disclosure of information to auditor

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

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

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

Independent auditor

The auditor, Deloitte LLP, have indicated their willingness to continue in office. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

Approved by the board and signed on its behalf by:



Paul Taylor
Company Secretary
26th June 2023

The Barracks
400 Bolton Road
Bury BL8 2DA

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

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

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

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

Independent auditor's report to the members of Car Benefit Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Car Benefit Holdings Limited (the 'parent company') and its subsidiaries (the 'group'):

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

We have audited the financial statements which comprise:

- the consolidated income statement and statement of other comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 28.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

Independent auditor's report to the members of Car Benefit Holdings Limited (continued)

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

Independent auditor's report to the members of Car Benefit Holdings Limited (continued)

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included tax regulations and the Companies Act 2006; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

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

As a result of performing the above, we identified the greatest potential for fraud the following areas, and our specific procedures performed to address it are described below:

- Completeness of bad debt provision:
 - We have obtained the bad debt provision schedule and reconciled this to the trial balance; and
 - We have confirmed that for a sample of debtors at 31 December 2022, payment terms have been complied with subsequent to 31 December 2022 and that the bad debt provision is not materially misstated.

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

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

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reviewing correspondence with the Financial Conduct Authority and HMRC.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

Independent auditor's report to the members of Car Benefit Holdings Limited (continued)

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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



Paul Cowley CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
26 June 2023

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

		2022	2021
	Note	£	£
TURNOVER		689,904,210	640,946,503
Non-GAAP turnover - used vehicle sales (unaudited)		<u>658,031,268</u>	<u>643,845,471</u>
GROSS SALES	4	<u>1,347,935,478</u>	<u>1,284,791,974</u>

		2022	2021
		£	£
TURNOVER	4	689,904,210	640,946,503
Cost of sales		<u>(663,060,684)</u>	<u>(614,616,434)</u>
GROSS PROFIT		26,843,526	26,330,069
Net operating expenses		<u>(23,777,087)</u>	<u>(23,401,998)</u>
OPERATING PROFIT	6	3,066,439	2,928,071
Other interest receivable and similar income	7	5,349	345
Interest payable and similar expenses	8	<u>(143)</u>	<u>(17,558)</u>
PROFIT BEFORE TAXATION		3,071,645	2,910,858
Tax on profit	9	<u>(533,251)</u>	<u>(589,209)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>2,538,394</u>	<u>2,321,649</u>
Profit attributable to:			
Equity shareholders of the company		<u>2,538,394</u>	<u>2,321,649</u>

All activities relate to continuing operations.

For 2021 and 2022 there has been no income or expense in other comprehensive income except for the profit for the financial year.

The notes on pages 22 to 42 form an integral part of these financial statements.

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2022

		Group		Company	
	Note	2022	2021	2022	2021
		£	£	£	£
FIXED ASSETS					
Investments in group undertakings	12	-	-	30,284	30,284
Tangible fixed assets	13	114,424	543,414	-	-
CURRENT ASSETS					
Stock	14	136,555	59,831	-	-
Debtors	15	355,991,511	307,025,371	50,475,810	45,643,073
Cash at bank and in hand	16	6,411,784	8,697,107	3,034,007	5,325,022
		<u>362,539,850</u>	<u>315,782,309</u>	<u>53,509,817</u>	<u>50,968,095</u>
CREDITORS: amounts falling due within one year	17	(296,411,695)	(250,247,437)	(13,626)	(156,167)
NET CURRENT ASSETS		<u>66,128,155</u>	<u>65,534,872</u>	<u>53,496,191</u>	<u>50,811,928</u>
Total assets less current liabilities		<u>66,242,579</u>	<u>66,078,286</u>	<u>53,526,475</u>	<u>50,842,212</u>
CREDITORS: amounts falling due after more than one year	18	(3,321,360)	(3,319,088)	-	-
Deferred tax liability	19	(28,176)	(44,526)	-	-
NET ASSETS		<u>62,893,043</u>	<u>62,714,672</u>	<u>53,526,475</u>	<u>50,842,212</u>
CAPITAL AND RESERVES					
Called up share capital	20	31,685	31,685	31,685	31,685
Share premium account		1,276	1,276	1,276	1,276
Subordinated loans	21	16,972,372	18,161,033	16,972,372	18,161,033
Profit and loss account		<u>45,887,710</u>	<u>44,520,678</u>	<u>36,521,142</u>	<u>32,648,218</u>
TOTAL EQUITY		<u>62,893,043</u>	<u>62,714,672</u>	<u>53,526,475</u>	<u>50,842,212</u>

As permitted by s408 of the Companies Act 2006, no separate profit and loss or statement of comprehensive income is presented in respect of the parent company.

The profit for the financial year dealt with in the financial statements of the parent company was £5,044,286 (2021: £3,686,733).

The notes on pages 22 to 42 form an integral part of these financial statements.

The financial statements of Car Benefit Holdings Limited (Registered number 4722006) were approved by the board of directors and authorised for issue on 26th June 2023. They were signed on its behalf by:



Martin Maguire,
Director

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Called- up share capital £	Share premium £	Subordinated loans £	Retained earnings £	Total £
At 1 January 2021		31,685	1,276	19,321,467	43,399,005	62,753,433
Profit for the financial year		-	-	-	2,321,649	2,321,649
Total comprehensive income		-	-	-	2,321,649	2,321,649
Issue of subordinated loans				30,932	-	30,932
Repayment of subordinated loans	21	-	-	(1,191,366)	-	(1,191,366)
Profits distributed to members	11	-	-	-	(59,884)	(59,884)
Dividends paid on equity shares	10	-	-	-	(1,140,092)	(1,140,092)
Total contributions by and distributions to owners		-	-	(1,160,434)	(1,199,976)	(2,360,410)
At 31 December 2021		31,685	1,276	18,161,033	44,520,678	62,714,672
At 1 January 2022		31,685	1,276	18,161,033	44,520,678	62,714,672
Profit for the financial year		-	-	-	2,538,394	2,538,394
Total comprehensive income		-	-	-	2,538,394	2,538,394
Issue of subordinated loans		-	-	637,367	-	637,367
Repayment of subordinated loans	21	-	-	(1,826,028)	-	(1,826,028)
Profits distributed to members	11	-	-	-	-	-
Dividends paid on equity shares	10	-	-	-	(1,171,362)	(1,171,362)
Total contributions by and distributions to owners		-	-	(1,188,661)	(1,171,362)	(2,360,023)
At 31 December 2022		31,685	1,276	16,972,372	45,887,710	62,893,043

The notes on pages 22 to 42 form an integral part of these financial statements.

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

COMPANY STATEMENT OF CHANGES IN EQUITY

	Note	Called- up share capital £	Share premium £	Subordinated loans £	Retained earnings £	Total £
At 1 January 2021		31,685	1,276	19,321,467	30,101,577	49,456,005
Profit for the financial year		-	-	-	3,686,733	3,686,733
Total comprehensive income		-	-	-	3,686,733	3,686,733
Issue of subordinated loans	21			30,932	-	30,932
Repayment of subordinated loans		-	-	(1,191,366)	-	(1,191,366)
Dividends paid on equity shares	10	-	-	-	(1,140,092)	(1,140,092)
Total contributions by and distributions to owners		-	-	(1,160,434)	(1,140,092)	(2,300,526)
At 31 December 2021		31,685	1,276	18,161,033	32,648,218	50,842,212
At 1 January 2022		31,685	1,276	18,161,033	32,648,218	50,842,212
Profit for the financial year		-	-		5,044,286	5,044,286
Total comprehensive income		-	-		5,044,286	5,044,286
Issue of subordinated loans				637,367		637,367
Repayment of subordinated loans	21	-	-	(1,826,028)		(1,826,028)
Dividends paid on equity shares	10	-	-	-	(1,171,362)	(1,171,362)
Total contributions by and distributions to owners		-	-	(1,188,661)	(1,171,362)	(2,360,023)
At 31 December 2022		31,685	1,276	16,972,372	36,521,142	53,526,475

The notes on pages 22 to 42 form an integral part of these financial statements.

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2022

		2022	2021
	Note	£	£
Net cash flows from operating activities	26	(277,755)	2,541,912
Cashflow from investing activities			
Purchase of tangible assets	13	(63,467)	(590,401)
Disposal of tangible assets	13	<u>415,922</u>	<u>910,522</u>
Net cash generated from investing activities		352,455	320,121
Cashflow from financing activities			
Dividends paid	10	(1,171,362)	(1,140,092)
Profit share distribution	11	-	(59,884)
Issue of subordinated loans	21	637,367	30,932
Repayment of subordinated loans	21	<u>(1,826,028)</u>	<u>(1,191,366)</u>
Net cash used in financing activities		<u>(2,360,023)</u>	<u>(2,360,410)</u>
Net (decrease)/increase in cash and cash equivalents		(2,285,323)	501,623
Cash and cash equivalents at the beginning of the year	16	8,697,107	8,195,484
Cash and cash equivalents at the end of the year	16	<u><u>6,411,784</u></u>	<u><u>8,697,107</u></u>

The notes on pages 22 to 42 form an integral part of these financial statements.

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

NOTES TO THE ACCOUNTS

Year ended 31 December 2022

1. GENERAL INFORMATION

The company is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of its registered office is The Barracks, 400 Bolton Road, Bury, Lancashire, BL8 2DA.

Car Benefit Holdings Limited ("the company") is the holding company of a group specialising in consultancy, management services, the provision of car ownership schemes and related funding activities. The company also operates as a central treasury company to the group.

2. STATEMENT OF COMPLIANCE

The group and individual financial statements of Car Benefit Holdings Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102"), the Companies Act 2006, and The Large and Medium Sized Groups (Accounts and Reports) Regulations 2008 (SI2008/410).

In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

Basis of preparation

The financial statements are prepared on a going concern basis, under the historical cost convention. The accounts are presented in sterling, which is the functional currency of the group. Under S408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

Going concern

The group meets its day-to-day working capital requirements through the generation of cash from trading operations combined with bank facilities. The group continues to monitor the impact of the pandemic and the war in Ukraine on vehicle production and affordability. The group's forecast and projections taking account of reasonably possible changes in trading performance overall and as a result of these worldwide shocks, show that the group should be able to operate within the level of its current cash generation and facilities.

After making enquiries the directors expect that the group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. The group therefore continues to adopt the going concern basis in preparing its financial statements.

Further details of the group risk management are provided in Note 25.

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

NOTES TO THE ACCOUNTS

Year ended 31 December 2022

3. ACCOUNTING POLICIES (continued)**Basis of consolidation**

The consolidated financial statements include the financial statements of the company and all its subsidiary undertakings made up to 31 December 2022. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases.

Control is established when the company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the group takes into consideration potential voting rights that are currently exercisable.

Judgements, estimates and assumptions

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

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

The directors do not believe there to be any uncertainty in the critical judgements, estimates or assumptions used in the application of the company's accounting policies.

Revenue recognition

The principal activities of the group are the purchase and resale of new cars to employees under Employee Car Ownership Schemes. On purchase, the risks and rewards of the vehicle are transferred to the group and subsequently passed to the employee on delivery of the vehicle under the Employee Car Ownership Scheme.

Under UK GAAP, revenue represents new vehicle sales, interest and maintenance income from Credit agreements, contract hire income and fees for services, all of which fall within the group's ordinary activities excluding value added tax.

For vehicle sales, and fees for services, revenue is recognised at the point where the company has performed all its contractual obligations. Income received in advance of contractual performance is deferred in the balance sheet until the contractual obligations have been met. Finance income included in and associated with Credit agreements is recognised as revenue in the profit and loss account using the effective interest method.

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

NOTES TO THE ACCOUNTS

Year ended 31 December 2022

3. ACCOUNTING POLICIES (continued)

Contract hire income and maintenance services that form a composite part of the contract hire or Credit agreements are recognised as turnover evenly over the term of the agreement.

Gross sales include the proceeds of sale of used vehicles. Used vehicle sales, which are unaudited, are a non-GAAP measure for accounting purposes because the risks and rewards of ownership are deemed to have been transferred at the initial sales date. However, under the terms of the Credit agreement, the debtor has the option to return the vehicle to the group in settlement of the agreement, which triggers the Dealer buyback and the used vehicle sale. The directors feel such amounts should be included to properly present the business activities and the scale of business operations (see note 4).

Dividend income

Dividend income is recognised when the right to receive payment is established.

Vehicle discounts

Vehicle discounts receivable from the manufacturer are deducted from the vehicle purchase price and included in cost of sales when the resale to the employee has been completed.

Related party transactions

The group discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned.

Investments

Fixed assets investments are shown at cost less provision for impairment.

Accounting for contract hire agreements

Short term contract hire agreements are treated as operating leases and the vehicles treated as tangible fixed assets.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment. The group assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Computer equipment	3 years straight line
Office fixtures and fittings	5 years straight line
Contract hire vehicles	over the remaining term of the original contract on a straight-line basis to reduce its value to its expected residual value.

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the group expects to consume an asset's future economic benefits.

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

NOTES TO THE ACCOUNTS

Year ended 31 December 2022

3. ACCOUNTING POLICIES (continued)

Stock

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. At each reporting date stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial instruments

Credit agreements

Credit agreements written by the group in respect of the sale of motor vehicles and ancillary services are accounted for as basic financial instruments. Finance income included in and associated with such Credit agreements is recognised as turnover in the profit and loss account using the effective interest method. Credit agreements are initially recognised at the transaction price, which equates to the credit amount provided to the customer, and subsequently measured at amortised cost using the effective interest rate method. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method, less any reduction for impairment.

The effective interest method allocates interest income over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the debt instrument, or where appropriate a shorter period to the net carrying amount on initial recognition.

Maintenance services that form a composite part of the Credit agreement are recognised as turnover evenly over the term of the agreement. To the extent that future predicted maintenance costs exceed contracted maintenance income, a provision is made specific to each Credit agreement. Excess mileage charges are recognised only on termination of the Credit agreement.

Credit agreements include a Guaranteed Residual Value buyback option. This option allows the customers to request the group to repurchase the vehicle on the scheduled agreement end date for a guaranteed value, subject to age, mileage, and vehicle condition. All automotive schemes feature a buyback agreement between the group subsidiary, Car Benefit Car Schemes Limited and the dealer group or manufacturer for all returned vehicles, throughout the contract term. Only in the absence of a dealer buyback, if it can be predicted that the market value of the vehicle will be less than the Guaranteed Residual Value, then an impairment of the debtor is made specific to each Credit agreement. Vehicles which are repurchased are accounted for as stock at the lower of cost and net realisable value.

The group regularly assesses whether there is any evidence that receivables from Credit agreements are impaired, and an impairment loss will be recognised if the carrying amount of the Credit agreement is considered to exceed its estimated recoverable amount.

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

NOTES TO THE ACCOUNTS

Year ended 31 December 2022

3. ACCOUNTING POLICIES (continued)

Credit agreements may be assigned by subsidiary undertakings to a third-party funder. Unless the assignment is for a single, fixed, non-returnable amount the Credit agreement continues to be recognised as an asset. A liability equal to the assignment consideration is also recognised.

In accordance with FCA Guidance, "Motor finance agreements and coronavirus: payment deferral guidance", eligible customers impacted by coronavirus, who were unable to meet their payment obligations have been able to benefit from payment deferrals of up to 6 monthly payments in total. Amounts deferred are collected over a period no longer than 12 months from the end of the deferral period. Any provision required for payment deferrals is assessed in the accordance with the provisions policy.

Trade and other debtors / creditors

Trade and other debtors and trade and other creditors are measured at the undiscounted cost in accordance with FRS102 section 11.14, as these are due within a year.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the transaction price which equates to the value assigned to the funder. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Impairment (excluding deferred tax assets)

The carrying amounts of the group's assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognised in the profit and loss account if the carrying amount of an asset exceeds its estimated recoverable amount.

Impairment of receivables

The group regularly assess whether there is evidence that financial assets are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment by one or more events which have occurred after the initial recognition of the asset, and prior to the reporting date, that have an impact on future cashflows of the financial asset that can be reliably estimated.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Impairment losses and any subsequent reversals are recognised in the income statement. An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

NOTES TO THE ACCOUNTS

Year ended 31 December 2022

3. ACCOUNTING POLICIES (continued)

Subordinated loans

The Investors in the group have provided subordinated loans as capital to assist the growth of the group. The loans do not have a fixed repayment date, nor do they have any fixed interest yield. Any repayment of the loans or interest, of which there has been none, is at the discretion of the group. The subordinated loans have the characteristics of equity and therefore are classified as equity on the group balance sheet.

Expenses

a) Operating leases

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

b) Interest income and interest payable

Interest income and interest payable are recognised in the profit and loss as they accrue, using the effective interest method.

c) Borrowing costs

All borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

d) Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred. Expenditure on development activities is recognised in the profit and loss account as an expense as incurred.

Taxation

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

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

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

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

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

NOTES TO THE ACCOUNTS

Year ended 31 December 2022

3. ACCOUNTING POLICIES (continued)**Provisions**

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

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

Defined contribution plans and other long-term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

4. TURNOVER AND REVENUE

	2022	2021
	£	£
New vehicle sales	654,694,730	606,102,181
Income from Credit agreements	34,877,673	34,540,807
Consultancy & scheme management	134,507	145,228
Other vehicle income	197,300	158,287
TURNOVER AND REVENUE	689,904,210	640,946,503
Non-GAAP turnover (unaudited)		
Used vehicle sales	658,031,268	643,845,471
GROSS SALES	1,347,935,478	1,284,791,974

The turnover and gross sales all arise in the United Kingdom and therefore no further geographical analysis is required.

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

NOTES TO THE ACCOUNTS

Year ended 31 December 2022

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2022	2021
Monthly average number of persons employed	No	No
Directors	4	4
Sales, marketing & administrative	147	153
	<u>151</u>	<u>157</u>
	2022	2021
Staff costs during the year (including directors)	£	£
Wages and salaries	19,523,111	19,308,027
Social security costs	2,693,357	2,484,295
Other pension costs	392,132	367,624
	<u>22,608,600</u>	<u>22,159,946</u>
	2022	2021
Directors' remuneration	£	£
Total emoluments	11,624,443	11,679,478
Pension contributions	23,720	21,654
	<u>11,648,163</u>	<u>11,701,132</u>
The emoluments of the highest paid director were as follows:		
Emoluments	3,546,598	3,587,738
Pension	9,299	8,955
	<u>3,555,897</u>	<u>3,596,693</u>

Three directors (2021: three) are members of money purchase pension schemes through group undertakings. At 31 December 2022, £NIL (2021: £ NIL) was due under money purchase pension schemes.

Directors' advances, credits and guarantees

Details of transactions with directors during the year are disclosed in note 24.

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

NOTES TO THE ACCOUNTS

Year ended 31 December 2022

6. OPERATING PROFIT

	2022	2021
	£	£
Included in the profit and loss account are the following:		
Operating lease rentals:		
Land and buildings	142,080	142,080
IT equipment	16,625	16,625
Interest payable on external funds used to fund Credit agreements	8,864,153	6,259,371
Auditor's remuneration		
Audit of subsidiary undertakings financial statements	77,500	43,000
Audit of these financial statements (parent company)	<u>20,000</u>	<u>20,000</u>

All fees were in respect of the audit of the financial statements, and no non-audit services were provided.

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2022	2021
	£	£
Bank interest receivable	<u>5,349</u>	<u>345</u>
	<u>5,349</u>	<u>345</u>

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2022	2021
	£	£
Bank loans and overdrafts	143	-
Other interest payable	<u>-</u>	<u>17,558</u>
	<u>143</u>	<u>17,558</u>

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

NOTES TO THE ACCOUNTS

Year ended 31 December 2022

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

In the Finance Act 2022, the Government announced that the Corporation Tax rate will increase from 19% to 25% from 1 April 2023. The changes were substantively enacted at the balance sheet date, and so the effects are included in these financial statements.

ii) Total tax expense recognised in the profit and loss account.

	2022 £	2021 £
Current tax		
UK corporation tax	609,378	322,157
Adjustment in respect of prior years	(59,777)	(2)
Deferred tax		
Origination and reversal of timing differences	(29,947)	290,021
Adjustment in respect of prior years	23,054	35,951
Effects of changes in tax rate	(9,457)	(58,918)
Total tax charge on profit	<u>533,251</u>	<u>589,209</u>

ii) Reconciliation of effective tax rate:

The tax for the year is lower (2021: higher) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2022 of 19% (2021: 19%). The differences are explained below:

	2022 £	2021 £
Profit for the year before tax	<u>3,071,645</u>	<u>2,910,858</u>
Tax using the UK corporation tax rate of 19% (2021: 19%)	583,612	553,063
Effects of:		
Adjustment in respect of prior years	(36,723)	35,940
Fixed asset differences	(4,329)	-
Tax on partnership drawings	-	(11,378)
Amounts relating to changes in tax rates	(9,457)	11,560
Non-deductible expenses	<u>148</u>	<u>24</u>
Total tax charge for year	<u>533,251</u>	<u>589,209</u>

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

NOTES TO THE ACCOUNTS

Year ended 31 December 2022

10. DIVIDENDS ON EQUITY SHARES

	2022 £	2021 £
Equity – Ordinary		
Dividend (£36.97 per ordinary share) paid for the year ended 31 December 2022 (2021: £35.98 <i>Final paid</i>)	1,171,362	1,140,092
	<u>1,171,362</u>	<u>1,140,092</u>

All dividends have been paid in the year.

11. PROFITS DISTRIBUTED TO MEMBERS

	2022 £	2021 £
Profit share from Car Benefit Schemes LLP paid for the year ended 31 December	-	59,884
	<u>-</u>	<u>59,884</u>

12. INVESTMENTS IN GROUP UNDERTAKINGS

Cost	Group £	Company £
At 1 January 2022 and 31 December 2022	<u>-</u>	<u>30,284</u>

The company has the following investments in subsidiaries. All subsidiaries have the same registered office as the group.

Company	Aggregate of capital and reserves £	Profit or (loss) for the year £	Class of shares held/Votes	Ownership 2022	Ownership 2021
Car Benefit Solutions Limited	861,898	46,324	Ordinary	100%	100%
Car Benefit Energy Finance Limited	1	-	Ordinary	100%	100%
Car Benefit Finance Limited	2,481,944	91,353	Ordinary	100%	100%
Car Benefit Loans Limited	801,137	19,854	Ordinary	100%	100%
Car Benefit Car Schemes Limited	5,251,593	2,427,067	Ordinary	100%	100%
Car Benefit Schemes LLP	440	-	Votes	64%	64%

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

NOTES TO THE ACCOUNTS

Year ended 31 December 2022

13. TANGIBLE ASSETS

Group	Computer equipment £	Office fixtures & fittings £	Contract hire vehicles £	Total £
Cost				
At 1 January 2022	680,854	48,675	423,833	1,153,362
Additions	63,467	-	-	63,467
Disposals	(4,406)	-	(423,833)	(428,239)
At 31 December 2022	739,915	48,675	-	788,590
Accumulated depreciation				
At 1 January 2022	561,638	38,835	9,475	609,948
Depreciation charge for the year	70,103	6,432	-	76,535
Disposals	(2,842)	-	(9,475)	(12,317)
At 31 December 2022	628,899	45,267	-	674,166
Net book value				
At 31 December 2022	111,016	3,408	-	114,424
At 31 December 2021	119,216	9,840	414,358	543,414

There are no fixed assets held by Car Benefit Holdings Limited.

14. STOCK

	Group		Company	
	2022 £	2021 £	2022 £	2021 £
Vehicles awaiting sale	136,555	59,831	-	-

There is no significant difference between the net realisable value and the balance sheet carrying amount.

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

NOTES TO THE ACCOUNTS

Year ended 31 December 2022

15. DEBTORS

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Amounts falling due within one year:				
Credit agreements	330,930,342	293,334,252	-	-
Trade debtors	10,096,771	6,960,334	90	86
Amounts owed by group undertakings	-	-	50,443,728	45,569,642
Prepayments and accrued income	9,080,250	1,629,873	31,993	42,414
	<u>350,107,363</u>	<u>301,924,459</u>	<u>50,475,811</u>	<u>45,612,142</u>
Amounts falling due after more than one year:				
Credit agreements	5,884,148	5,100,912	-	-
	<u>355,991,511</u>	<u>307,025,371</u>	<u>50,475,811</u>	<u>45,612,142</u>

Amounts due from Credit agreements are classified as receivables and are therefore measured at amortised cost.

Included in Credit agreements are Credit agreements with directors (see Note 24).

Amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

Credit agreement debtors are stated net of residual value impairment provisions of £25,266 (2021: £5,253), on agreements where the group is exposed to residual value risk.

The group has recognised an allowance for doubtful debts of 100% against Credit agreement debts that have fallen into default, because historical experience has been that these debtors are not recoverable. In determining the recoverability of a Credit agreement debt, the group has considered any change in the recoverability from the date of initial default up to the reporting date. The group considers that no allowance required against trade debtors.

The impairment charge for the year is included within administrative expenses.

The movement in the allowance for doubtful debts is presented below:

	2022	2021
	£	£
Opening balance	632,184	713,774
Net (reduction)/impairment recognised	(66,093)	(81,590)
Closing Balance	<u>566,091</u>	<u>632,184</u>

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

NOTES TO THE ACCOUNTS

Year ended 31 December 2022

15. DEBTORS (CONTINUED)

Ageing of impaired Credit agreements:

	2022 £	2021 £
1-60 days	22,526	34,395
61-90 days	31,991	968
91-120 days	-	-
121+ days	511,575	596,821
	<u>566,091</u>	<u>632,184</u>

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2022 £	2021 £	2022 £	2021 £
Cash at bank and in hand	<u>6,411,784</u>	<u>8,697,107</u>	<u>3,034,007</u>	<u>5,325,022</u>

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2022 £	2021 £	2022 £	2021 £
Assigned Credit agreements	263,188,241	231,486,288	-	-
Trade creditors	24,504,386	9,601,591	-	-
Amounts owed to group undertakings	-	-	-	-
Amounts owed to related parties	150	150	-	-
Other taxation and social security	6,016,447	6,920,105	-	12,141
Corporation tax	245,919	45,439	-	-
Accruals and deferred income	<u>2,456,552</u>	<u>2,193,864</u>	<u>13,626</u>	<u>144,026</u>
	<u>296,411,695</u>	<u>250,247,437</u>	<u>13,626</u>	<u>156,167</u>

All assigned Credit agreements are due between one and five years.

Interest is charged on assigned Credit agreements at agreed rates at the date of assignment of the Credit agreement. The assigned Credit agreements represent the assignment to a third party of receivables due to the group.

Amounts owed to group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

NOTES TO THE ACCOUNTS

Year ended 31 December 2022

18. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Assigned Credit agreements	3,321,360	3,319,088	-	-
	3,321,360	3,319,088	-	-

All assigned Credit agreements are due between one and five years.

Interest is charged on assigned Credit agreements at agreed rates at the date of assignment of the Credit agreement. The assigned Credit agreements represent the assignment to a third party of receivables due to the group.

19. DEFERRED TAX LIABILITY

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Deferred taxation				
Deferred taxation has been fully provided in respect of:				
Short term timing differences	(114)	-	-	-
Provisions	-	79,600	-	-
Capital allowances in excess of depreciation	28,290	(35,074)	-	-
	28,176	44,526	-	-
Movement in the year				
At 1 January	44,526	(222,528)	-	207,773
Deferred tax (credited)/debited to profit and loss	(16,350)	267,054	-	(207,773)
At 31 December	28,176	44,526	-	-

There is no expiry date on timing differences, unused tax losses or tax credits.

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

NOTES TO THE ACCOUNTS

Year ended 31 December 2022

20. CALLED UP SHARE CAPITAL

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Authorised				
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Called up, allotted and fully paid				
31,685 ordinary shares of £1 each	<u>31,685</u>	<u>31,685</u>	<u>31,685</u>	<u>31,685</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

21. SUBORDINATED LOANS

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Directors' loans	<u>16,972,372</u>	<u>18,161,033</u>	<u>16,972,372</u>	<u>18,161,033</u>

During 2022 the directors provided loans to Car Benefit Holdings Limited. Interest is discretionary as decided by the board of directors from time to time and may not be payable. The loan term is not specified and will be determined by Car Benefit Holdings Limited. During the year £NIL (2021: £NIL) was paid as interest to directors in respect of subordinated loans. The board elected to repay £1,826,028 (2021: £1,191,366) of subordinated loans, with a further advance of £637,367 (2021: £30,932) made during the financial year.

22. OPERATING LEASE COMMITMENTS

Total future minimum lease payments under non-cancellable operating lease rentals are as follows:

	Group	
	2022	2021
	£	£
Less than one year	16,625	16,625
Between one and five years	8,313	24,938
After five years	-	-
	<u>24,938</u>	<u>41,563</u>

Whilst the commercial terms of the lease, in respect of The Barracks, are agreed and concluded, the lease document is under construction. The annual rent amounts to £142,080, (2021 £142,080).

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

NOTES TO THE ACCOUNTS

Year ended 31 December 2022

23. CONTROLLING PARTY

The shareholders of Car Benefit Holdings Limited are as follows: -

	No of shares	Shareholding %
Dennis Studholme	9,030	28.50%
Martin Maguire	9,030	28.50%
Gerry O'Neill	9,030	28.50%
Neil Davies	3,010	9.50%
Paul Taylor	1,585	5.00%
TOTAL	31,685	100.00%

24. RELATED PARTY TRANSACTIONS**Loans to directors**

Included in Credit agreements are Credit agreements with directors of Car Benefit Holdings Limited. The Credit agreements have terms of 3-24 months and interest rates ranging from 3% to 8.23%. The total balance outstanding at 31 December 2022 was £247,121 (2021: £273,773), and interest income of £9,340 was recognised during the year ended 31 December 2022 (2021 £13,334). All transactions are conducted on an arm's length basis.

Other related party transactions

There are no key management personnel other than the directors.

A director of Car Benefit Holdings Limited, Dennis Studholme, is also a director of Car Benefit Finance Limited, Car Benefit Car Schemes Limited, Circle Leasing Limited and The Barracks (Bury) Limited.

Car Benefit Car Schemes Limited transacted at arm's length with The Barracks (Bury) Limited for £214,271 (2021: £261,364) relating to the premises costs of The Barracks. Further to this, Car Benefit Car Schemes Limited transacted at arm's length with Circle Leasing Limited for £NIL (2021: £1,392) for costs relating to training and premises.

At 31 December 2022 £NIL (2021: £40) was outstanding in creditors as amounts due to Circle Leasing Limited, and £NIL (2021: £NIL) was outstanding in creditors as amounts due to The Barracks (Bury) Limited.

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

NOTES TO THE ACCOUNTS

Year ended 31 December 2022

25. FINANCIAL INSTRUMENTS**Capital risk management**

The group manages its capital to ensure that it will be able to continue as a going concern whilst maximising its return to the shareholder through the optimisation of the debt and equity balance.

The overall strategy remains unchanged from 2021.

As part of the funding arrangements the group is required to maintain a minimum net worth of £35M. The group has remained compliant with this covenant throughout the financial period.

Categories of financial instruments

	2022	2021
	£	£
Financial assets		
Cash and bank balances	6,411,784	8,697,107
Credit agreements	336,814,490	298,435,164
Trade debtors	<u>10,096,771</u>	<u>6,960,334</u>
Financial liabilities		
Assigned Credit agreements	266,509,601	234,805,376
Trade creditors	<u>24,504,386</u>	<u>9,601,591</u>

Credit agreement receivables and assigned Credit agreements are measured at amortised cost which the directors consider to be equivalent to fair value.

Financial risk management objectives

The directors monitor and manage the financial risks relating to the operations of the group. These risks include market risk, credit risk, and liquidity risk.

Market risk management

The group's activities expose it primarily to the financial risks of changes in interest rates on its funding facilities that are linked to Bank of England base rate. The group borrows funds at fixed interest rates. The short-term nature of the Credit agreements allow the group to continually assess the rates offered on loans to customers, taking into account anticipated changes in wholesale interest rates.

The majority of the group's income is generated by Credit agreements issued to automotive sector employees, or their partner companies. A vehicle buyback is completed between the group and a sponsoring motor dealer group or manufacturer, which is triggered when a customer returns a vehicle to the group under the terms of the Credit agreement. The buyback value between the group and the dealer is equal to the put option value between the group and the employee, meaning the group is materially free of any residual value risk.

The company does not undertake any transactions denominated in foreign currencies and is not exposed to any foreign currency risk.

There has been no change to the group's exposure to market risks or the manner in which these risks are managed and measured.

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

NOTES TO THE ACCOUNTS

Year ended 31 December 2022

25. FINANCIAL INSTRUMENTS (continued)**Credit risk management**

Credit risk refers to the risk that a customer will default on its contractual obligations resulting in financial loss to the group. The group's principal financial assets are bank balances, and Credit agreement receivables, with the credit risk wholly attributable to its Credit agreement receivables. The amounts presented are net of allowances for doubtful receivables.

Credit risk is mitigated by the Credit agreements featuring a dealer or manufacturer vehicle buyback, and the group's exposure and the credit ratings of its buyback customers are continuously monitored. Using data supplied by independent credit rating agencies, over 90% of the group's risk is with companies rated as very low risk companies, with the figure rising to over 93% when companies rated as low risk are included. Credit exposure is controlled by counterparty limits that are reviewed and approved annually. In the event of any employer client financial failure, the group has recourse to employees under the terms of the Credit agreement, to recover the monies due from the employee under the terms of that agreement.

The credit risk on liquid funds and other financial liabilities is limited because the counterparties are banks or other funders with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors who have established an appropriate liquidity risk management framework for the management of the group's short, medium, and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities, by continuously monitoring forecast and actual cash flows and by appropriate use of the group's capital resources.

Liquidity tables

The following table details the group's remaining contractual maturity for the non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the group can be required to pay. The table includes both interest and principal cash flows.

	1-3 years	3 years +	Total
	£	£	£
31 December 2022			
Assigned Credit agreements	(272,047,923)	(863,276)	(272,911,199)
Credit agreement receivables	348,187,351	2,311,903	350,499,254
	<u>76,139,428</u>	<u>1,448,627</u>	<u>77,588,055</u>
31 December 2021			
Assigned Credit agreements	(239,237,842)	-	(239,237,842)
Credit agreement receivables	311,009,501	98,029	311,107,530
	<u>71,771,659</u>	<u>98,029</u>	<u>71,869,688</u>

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

NOTES TO THE ACCOUNTS

Year ended 31 December 2022

26. CASH FLOW STATEMENT

Reconciliation of operating profit to cash generated by operations:

	2022		2021	
	£	£	£	£
Cash flows from operating activities				
Operating profit	3,066,439		2,928,071	
<i>Adjustments for:</i>				
Depreciation	76,535		86,190	
Operating cash flow before movement in working capital		3,142,974		3,014,261
(Increase)/decrease in trade and other debtors	(10,586,814)		8,631,918	
(Increase)/decrease in stocks	(76,724)		20,671	
Increase/(decrease) in trade and other creditors	14,261,825		(5,109,229)	
(Increase)/decrease in credit agreements	(38,379,326)		(3,394,712)	
Increase/(decrease) in assignment of credit agreements	31,704,225		(351,719)	
		(3,076,814)		(203,071)
Cash generated by operations		66,160		2,811,190
Taxation paid	(349,121)		(252,065)	
Net Interest received /(paid)	5,206		(17,213)	
		(343,915)		(269,278)
Net cash flows from operating activities		(277,755)		2,541,912
	1 January 2022	Cash flows	31 December 2022	
	£	£	£	
Cash at bank and in hand	8,697,107	(2,285,323)	6,411,784	

27. CONTINGENCIES

The group has given a guarantee in respect of the facilities provided by third party funders to subsidiary companies in respect of the Credit agreement funding.

28. SUBSEQUENT EVENTS

Since January 2023, the Bank of England have continued to increase the United Kingdom Bank Base Rate to the current rate of 5%. These increases are reflected in the market swap rates and as a result, the funding costs incurred by the company. Whilst the Bank of England and several other commentators have previously indicated that a recession should be avoided in 2023 this was prior to the latest increase in Bank Base Rate. The "cost of living" crisis and inflation will take its toll on the economy.

CAR BENEFIT HOLDINGS LIMITED

Annual report and consolidated financial statements for the year ended 31 December 2022

NOTES TO THE ACCOUNTS

Year ended 31 December 2022

28. SUBSEQUENT EVENTS (continued)

The company and group continue to be supported by their funding partners who have recognised the strength of the group's business model and financial standing. The company and the group have approved bank facilities of over £380M; £140M of these facilities are undrawn at the year end. In addition, the group have secured an additional £30M of funding facilities to date in 2023 and have a further £20M designated for the second half of 2023. The funding facilities provide sufficient headroom to meet business requirements. The group is in discussion with other existing funders to increase facilities to accommodate growth beyond the immediate trading horizon.

There are no other post balance sheet events that the directors consider material to the presentation of the 2022 financial statements.