

**Vines Limited**

**Annual report and financial statements**

**For the year ended 31 December 2015**

**Registered number: 01849408**

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# **Vines Limited**

## **Annual report and financial statements for the year ended 31 December 2015**

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# **Vines Limited**

## **Annual report and financial statements for the year ended 31 December 2015**

### **Company information**

#### **Directors**

B Moynahan  
L Shelly  
S Kelly

#### **Company Secretary**

S Kelly

#### **Registered Office**

Slyfield Green  
Woking Road  
Guildford  
Surrey  
GU1 1RD

#### **Bankers**

Lloyds Bank plc

#### **Solicitors**

Berwin Leighton Paisner

#### **Independent Auditor**

Deloitte LLP  
Chartered accountants and statutory auditor  
Crawley  
United Kingdom

# **Vines Limited**

## **Strategic report (continued)**

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

### **Review of the business and future prospects**

The UK Total Industry Volume ("TIV") grew by 6% in 2015 which, alongside a more general economic buoyancy, provided a background for the Vines group of retailers to improve performance further compared to 2014. The Company outperformed expectations and delivered a profit before tax of £2,571,143 improving the performance of the business by £763,944 compared to 2014.

During 2015 the Company completed two significant property redevelopments at the Gatwick and Redhill retailer centres, the disruption from the redevelopments was minimised by adequate planning and scheduling and indeed the group achieved growth in overall profitability during this challenging period.

During 2016 we will be undertaking a further investment at our Guildford centre extending and rebranding the MINI and BMW Motorrad showrooms and refreshing the BMW facilities to provide a better environment for customers and to meet the demands of BMW Group Modern Retail programmes. Because of the potential disruption from redevelopment and associated impact on customers during the redevelopment, we foresee our 2016 performance to be broadly in line with 2015 results.

### **Sales**

Vines Limited ("Vines") outperformed the BMW network average in sales penetration of TIV. Vines penetration for the BMW marque achieving 9.4% market penetration compared to a national average of 6.1% whilst the Vines MINI marque achieved 5.7% market penetration also ahead of the national average of 3.5%; indeed Vines combined was the most successful group in the UK for BMW and MINI New car Area of Influence ("AOI") penetration in 2015. The overall volume for the business was 6,414 new and used cars and motorcycles, a 7.8% increase over 2014. The second full year of trading for the BMW i Brand was extremely successful with 116 units delivered to customers and a positive profit contribution of over £200,000. Vines were awarded BMW i Agent of the year for 2015 accordingly.

### **Margins**

Retail trading margins came under increased pressure in the network drive for increased volume. However at a product level we were able to achieve significant additional volume bonuses from BMW which augmented new and used car departmental gross profit by 6.4%. MINI sales provided a similar increase from the full year availability of the new MINI Hatch and 5-Door version, resulting in a 9.8% growth in Gross Profit. Service labour margins were flat compared to 2014 reflecting the high proliferation of manufacturer service packs on vehicles. Department returns from the service business remains higher than the average dealer, but our expectation is that this business will become increasingly competitive during 2016.

### **Overheads**

Our overhead position was flat compared to 2014, but for 2016 we anticipate overhead growth in line with the BMW network average (9.5%) in 2016 reflecting the additional depreciation from the redevelopments concluded in the latter stages of 2015.

### **Extension of land lease and revaluation of property**

During the revaluation of the property at 21/23 Moorfield Road, Guildford in November 2013, Colliers International advised the company that the property would become a wasting asset due to the time left on the land lease being less than 60 years. Company management entered into negotiations with Guildford Borough Council to extend the lease, and accordingly during 2015 a new lease on the land was granted for a period of 125 years. On the basis of the renewed lease Colliers International were contracted to revalue the property in October 2015 which resulted in a revised valuation of £6.850 million, an increase of £0.825 million above the previous valuation of £6.025 million. Costs associated with renegotiating the new lease of £47,228 have been capitalised into fixed assets.

# Vines Limited

## Strategic report (continued)

### Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in note 1.

### Key performance indicators

There are a raft of Key Performance Indicators ("KPI's") used for the business, from both our manufacturer partner and stakeholders in the business. The directors consider that the financial measurement of the business is highlighted by the following KPI's.

	Year ended 31 December 2015	Year ended 31 December 2014
<b>Key Performance Indicators</b>		
Operating profit margin	1.76%	1.46%
New vehicle volumes	3,783	3,491
Used vehicle volumes	2,631	2,458
Aftersales absorbtion	67.5%	69.3%

The Directors also consider that the following non-financial KPI's to have significant meaning and bearing on the future prospects of the business.

#### *1. Would our customers recommend our business to friends and colleagues?*

This advocacy test is the best measure of future referral and repeat business. For full year 2015, the feedback from our customers surveyed by the manufacturer indicated the following;

BMW Sales	99.25% (from 519 surveys returned)
BMW Service	90.29% (from 1,823 surveys returned)
MINI Sales	96.93% (from 237 surveys returned)
MINI Service	90.30% (from 628 surveys returned)

#### *2. How successful are we at penetrating the local Total Industry Volume ("TIV")*

Supplying cars to local customers improves our future aftersales opportunity and provides a positive opportunity for repeat business in the future. For full year 2015, the results are below.

As stated above Vines Limited ("Vines") outperformed the BMW network average in sales penetration of TIV. Vines penetration for the BMW marque achieving 9.4% market penetration compared to a national average of 6.1% whilst the Vines MINI marque achieved 5.7% market penetration also ahead of the national average of 3.5%.

### Principal risks and uncertainties

Our continued success relies on a buoyant general UK economy; the latest indicators for GDP growth have recently been revised upwards and suggest that the foreseeable future for the UK economy is for growth at a level higher than the majority of western economies. This is also reflected in the SMMT (Society of Motor Manufacturers & Traders) indicators for a further year of growth in the UK TIV for full year 2016.

Our performance is also reliant upon the continual development, revision and refinement of BMW Group product range. The past five years has seen a surge of new model introductions complimented by improvements to the safety, design, economy, performance and technology across the entire product range. Alongside manufacturer supported finance programmes, this has allowed the business to deliver significant volume and profit growth over the period. Our best indications from BMW Group is that this will continue for the coming years and therefore provides a stable basis to grow and develop our business.

# Vines Limited

## Strategic report (continued)

### Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including cash flow risk, price risk, credit risk and liquidity risk. The group does not use derivative financial instruments to manage these risks.

#### *Cash flow risk*

The net borrowings of the business are a combination of small finance leases and a secured mortgage loan on the Guildford premises which is at a fixed rate of interest. Interest on secured borrowings is at fixed rates and, therefore, the group is not significantly affected by fluctuations in the level of interest rates.

#### *Price risk*

The group is exposed to commodity price risk but does not manage its exposure to this risk with derivatives due to cost benefit considerations.

#### *Credit risk*

The group's principal financial assets are bank balances and trade debtors. The Company's credit risk is primarily attributable to its trade debtors. Credit checks are undertaken on new customers. The amounts presented in the balance sheet are net of allowances for doubtful debtors.

The directors are aware of the risk to cash funds deposited with banks and monitor the credit ratings of the banks they deposit with on a regular basis. Should the credit ratings deteriorate the directors will seek alternative institutions with which to deposit funds.

#### *Liquidity risk*

In order to maintain liquidity to ensure that sufficient funds are available for on-going operations and future developments, the group uses a mixture of long-term and short-term debt finance.

In the year to 31 December 2015 the Company produced a profit before taxation of £2,571,143 (2014 – £1,807,199) and had a net cash inflow of £416,009 (2014 – inflow of £576,648).

The directors consider that the outlook for the remainder of 2016 presents continued challenges to maintain margins on increasing volumes. However, the growth achieved in new and used car volumes and profit, continued profitable aftersales contribution and the improvement in facilities created by the 2015 investment costs will provide a basis for extending the group's profit for the full year 2016.

The Company meets the day to day working capital requirements via a mixture of funding facilities provided by BMW Financial Services GB Ltd, shareholders' funds and banking facilities provided by Lloyds Bank, this currently does not include the requirement for a commercial overdraft. Internal budget projections do not place emphasis on the need to use such an overdraft in the foreseeable future.

After making enquiries, reviewing the internal budget projections and considering the uncertainties described above, the directors have a reasonable expectation that the Company and Group have adequate resources available to continue in operational existence for the foreseeable future. For these reasons they continue to adopt the going concern basis in preparing the annual report and financial statements.

### Results

The profit for the year after taxation was £1,997,964 (2014 – £1,863,545).

# **Vines Limited**

## **Strategic report (continued)**

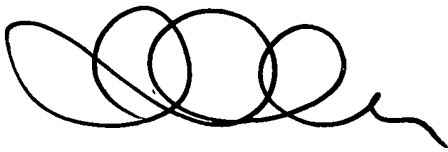
### **Future developments**

As stated above during 2016 we will be undertaking a further investment at our Guildford centre extending and rebranding the MINI and BMW Motorrad showrooms and refreshing the BMW facilities to provide a better environment for customers and to meet the demands of BMW Group Modern Retail programmes.

Because of the potential disruption from redevelopment and associated impact on customers during the redevelopment, we foresee our 2016 performance to be broadly in line with 2015 results.

Details of significant events since the balance sheet date are contained in note 21 to the financial statements.

Approved by the Board and signed on its behalf by:



S Kelly  
Company Secretary

**26 MAY** 2016

### **Registered Office**

Slyfield Green  
Woking Road  
Guildford  
Surrey  
GU1 1RD

# Vines Limited

## Directors' report

The directors present their annual report on the affairs of the company, together with the audited financial statements for the year ended 31 December 2015.

### Principal activities and future developments

The principal activities of the company are the sale and servicing of motor vehicles. There have been no significant events affecting the company to report since the year end. Future business developments have been discussed in the Strategic Report.

### Dividends

The directors do not propose the payment of a dividend (2014 - £nil).

### Directors

The directors of the company who served throughout the year, unless otherwise stated, were as follows:

B Moynahan  
L Shelly  
S Kelly

### Directors' indemnities

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

### Employment policy

It is the policy of the Company that training, career development and promotion opportunities should be available to all employees. The directors are committed to encouraging employee involvement in the business.

The Company keep employees informed on matters relevant to them as employees through regular meetings and newsletters. Employee representatives are consulted formally and regularly on a wide range of matters affecting their interests.

### Disabled persons

Full and fair consideration has and will be given to employment applications from disabled persons having regard to their particular aptitude and abilities. If an appropriate vacancy is available then, where practical, arrangements will be made to continue under normal terms and conditions the employment of an employee who becomes disabled. Disabled employees are given fair consideration for training, career development and promotion.

### Auditor

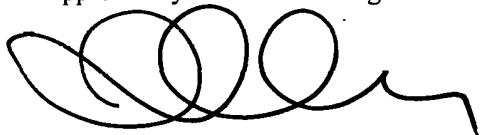
Deloitte LLP have expressed their willingness to continue in office as the company's auditor and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

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

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

Approved by the Board and signed on its behalf by:



S Kelly  
Company Secretary  
26 May 2016

### Registered Office

Slyfield Green  
Woking Road  
Guildford  
Surrey  
GU1 1RD



# Vines Limited

## Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

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

## **Independent auditor's report to the members of Vines Limited**

We have audited the financial statements of Vines Limited for the year ended 31 December 2015 which comprise the profit and loss account, statement of comprehensive income, statement of changes in equity, the balance sheet and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

### **Respective responsibilities of directors and auditor**

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

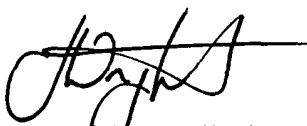
### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.



James Wright FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Crawley, United Kingdom

26 May 2016

## Vines Limited

### Profit and loss account For the year ended 31 December 2015

	Note	2015 £	2014 £
<b>Turnover</b>	3	170,167,895	158,940,715
Cost of sales		(148,002,974)	(137,869,361)
<b>Gross profit</b>		22,164,921	21,071,354
Administrative expenses		(19,184,810)	(18,756,523)
Other income – impairment reversal		120,000	-
<b>Operating profit</b>		3,100,111	2,314,831
Finance cost (Net)	4	(528,968)	(507,632)
<b>Profit on ordinary activities before taxation</b>	5	2,571,143	1,807,199
Tax credit/(charge) on loss on ordinary activities	8	(573,179)	56,346
<b>Profit for the financial year</b>		<u>1,997,964</u>	<u>1,863,545</u>

All activities derive from continuing operations.

## **Vines Limited**

### **Statement of comprehensive income For the year ended 31 December 2015**

	<b>2015</b> <b>£</b>	<b>2014</b> <b>£</b>
Profit for the financial year	1,997,964	1,863,545
Gains arising on the revaluation of tangible fixed assets	888,730	-
Deferred tax charge on the revaluation of tangible fixed assets	(159,971)	-
Total comprehensive income	<u>2,726,723</u>	<u>1,863,545</u>

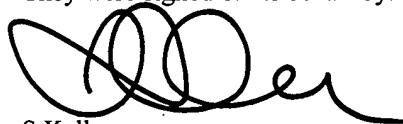
# Vines Limited

## Balance sheet At 31 December 2015

	Note	£	2015 £	£	2014 £
<b>Fixed assets</b>					
Intangible assets – goodwill	9		257,939		309,403
Tangible assets	10		11,416,302		8,592,270
			<u>11,674,241</u>		<u>8,901,673</u>
<b>Current assets</b>					
Stocks	11	24,263,898		20,126,994	
Debtors	12	7,026,909		6,051,851	
Cash		3,846,958		3,430,949	
		<u>35,137,765</u>		<u>29,609,794</u>	
<b>Creditors: amounts falling due within one year</b>	13	(32,710,480)		(26,797,391)	
			<u>2,427,285</u>		<u>2,812,403</u>
<b>Net current assets</b>					
<b>Total assets less current liabilities</b>			14,101,526		11,714,076
<b>Creditors: amounts falling due after more than one year</b>	14		(8,651,672)		(9,080,849)
<b>Provision for liabilities</b>	16		(159,971)		(70,067)
<b>Net assets</b>			<u>5,289,883</u>		<u>2,563,160</u>
<b>Capital and reserves</b>					
Called up share capital	17		50,000		50,000
Revaluation reserve			728,759		-
Profit and loss account surplus			4,511,124		2,513,160
<b>Shareholder's funds</b>			<u>5,289,883</u>		<u>2,563,160</u>

The financial statements of Vines Limited (registered number 01849408) were approved by the board of directors and authorised for issue on **26 MAY** 2016.

They were signed on its behalf by:



S Kelly  
Director

# Vines Limited

## Statement of changes in equity At 31 December 2015

	<b>Called-up share capital</b>	<b>Revaluation reserve</b>	<b>Profit and loss account</b>	<b>Total</b>
	£	£	£	£
<b>At 31 December 2013 as previously stated</b>	50,000	-	649,615	699,615
Changes on transition to FRS 102 (see note 22)	-	-	-	-
<b>At 1 January 2014 as restated</b>	50,000	-	649,615	699,615
Profit for the financial year	-	-	1,863,545	1,863,545
<b>At 31 December 2014</b>	50,000	-	2,513,160	2,563,160
Profit for the financial year	-	-	1,997,964	1,997,964
Gains arising on revaluation of tangible fixed assets	-	888,730	-	888,730
Deferred tax charge on the revaluation of tangible fixed assets	-	(159,971)	-	(159,971)
<b>At 31 December 2015</b>	<b>50,000</b>	<b>728,759</b>	<b>4,511,124</b>	<b>5,289,883</b>

# Vines Limited

## Notes to the financial statements For the year ended 31 December 2015

### 1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

#### General information and basis of accounting

Vines Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 5.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. For more information see note 22.

The functional currency of Vines Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Vines Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Vines Limited is consolidated in the financial statements of its parent, Guildford Portfolios Limited, which are publicly available. Exemptions have been taken in these separate Company financial statements in relation to presentation of a cash flow statement and remuneration of key management personnel.

Accruals and deferred income reported in the prior year balance sheet as non-current liabilities have been reallocated as current liabilities in the current year comparatives to reflect the nature of the balance.

#### Cash flow statement

The company has taken advantage of the exemption within FRS102 Section 1 not to produce a cash flow statement as it is a qualifying entity and the consolidated financial statements of the ultimate parent company, Guildford Portfolios Limited, are publicly available.

#### Going Concern

As noted in the strategic report, UK motor retailers experienced their highest volume since 2007 and 2014. Against this background the group continued to take action to reduce its cost base to a level consistent with current market conditions whilst taking advantage of the improved trading opportunities available in the recovering economy.

The directors consider that the outlook for the remainder of 2016 will present continued challenges in terms of achieving new car sales (volumes and margins); however the growth in used car volume and profit, continued profitable aftersales growth and reductions in operating costs will provide a basis for maintaining a profitable performance for the full year 2016 and into 2017. This currently does not include the provision of a commercial overdraft. Internal budget projections do not place emphasis on the need to use such an overdraft in the foreseeable future.

After making enquiries, reviewing the internal budget projections and considering the uncertainties described above, the directors have a reasonable expectation that the group and company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and financial statements.

# Vines Limited

## Notes to the financial statements (continued) For the year ended 31 December 2015

### 1. Accounting policies (continued)

#### Acquisitions and goodwill

On the acquisition of a business operation, fair values are attributed to the net separable assets purchased. Where the cost of acquisition exceeds the fair values attributable to such net assets, the difference is treated as purchased goodwill, and is written off to profit and loss account over 20 years; the directors' best estimate of the useful economic life.

#### Tangible fixed assets

All categories of tangible fixed assets are stated at cost.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset within their expected useful lives. The rates used are as follows:

The assets acquired from Vines of Guildford Limited as part of the transfer of trade and assets at 31 December 2012 were transferred at net book value. These assets are depreciated based on the above rates applied to their original cost as their useful economic lives remain unchanged.

Long Leasehold property	- 2% per annum
Short leasehold property improvements	- over period of lease
Plant and machinery	- 20% - 33.33% per annum
Fixtures and fittings	- 10% per annum
Motor vehicles	- 25% per annum

#### Revaluation of properties

Individual freehold and leasehold properties are revalued every 3 years, as permitted under FRS102, with the surplus and deficit on book value being transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus.

The property was last revalued at 14 October 2015.

#### Stocks

Stocks and work-in-progress are valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling price, less further costs expected to be incurred.

In respect of consignment stocks, the accounting practices laid out in Financial Reporting Standard No.5 ("FRS 5") entitled "Reporting the Substance of Transactions" have been adopted. This means that consignment stocks meeting the criteria of FRS 5 have been included on the balance sheet and a corresponding liability to the manufacturer recognised. Any deposits paid have been deducted from the liability.

#### Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.



## **Vines Limited**

### **Notes to the financial statements (continued) For the year ended 31 December 2015**

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

#### **Leases**

Rental costs under operating leases are charged to the profit and loss account in equal amounts over the period of the leases.

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

#### **Pension costs**

The company operates a defined contribution retirement benefit scheme for all qualifying employees. For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post retirement benefit is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown in either accruals or prepayments in the balance sheet. The total cost charged to the profit and loss account of £62,255 (2014 - £48,228) represents contributions payable by the company at rates specified in the rules of the plan.

#### **Turnover**

Turnover represents amounts receivable for goods and services provided in the normal course of business net of trade discounts and value added tax. Turnover is recognised at the point of delivery of vehicles, parts and services.

# Vines Limited

## Notes to the financial statements (continued) For the year ended 31 December 2015

### 2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, 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. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### *Used vehicle stock valuations*

Used vehicle stock is purchased from auctions, other trade sources and private individuals and by its very nature is age, condition and specification dependent. Used vehicle stock is a depreciating stock item and devalues monthly, making an exact stock value uncertain. However, senior management review values of stock on a monthly basis against trade valuation publications (CAP valuations) and internet valuations of similar stock at other BMW & MINI retailers. Any possible overvaluations are corrected by reducing the stock value through the profit and loss accounts in the accounting period on the basis of lowest of cost or net realisable value.

The carrying value of used vehicle stock at the end of the period was £7,914,026 (2014 - £6,806,490).

### 3. Turnover

The total turnover of the company for the year has been derived from its principal activities wholly undertaken in the United Kingdom. Turnover excludes sales within the Vines group.

An analysis of the Group's turnover by type is set out below:

	2015 £	2014 £
<b>Analysis of the Company's turnover split:</b>		
Sale of Goods	166,363,338	155,324,550
Rendering of services	3,804,557	3,616,165
	<u>170,167,895</u>	<u>158,940,715</u>

### 4. Finance costs

	2015 £	2014 £
<b>Interest payable and similar charges:</b>		
Finance leases & hire purchase contracts	1,731	3,854
Other loans	527,237	503,778
	<u>528,968</u>	<u>507,632</u>

Interest of £nil (2014 – £nil) on related party loans was charged during the year.

# Vines Limited

## Notes to the financial statements (continued) For the year ended 31 December 2015

### 5. Profit on ordinary activities before taxation

	2015 £	2014 £
<b>Profit on ordinary activities before taxation is stated after charging:</b>		
Rentals under operating leases	1,189,664	1,171,560
Depreciation of tangible fixed assets:		
Owned assets	545,614	468,175
Leased assets	22,697	48,522
Impairment Reversal on property	120,000	-
Amortisation of goodwill	51,464	51,464

### The analysis of auditor's remuneration is as follows:

	2015 £	2014 £
<b>Fees payable to the company's auditor for the audit of the company's annual financial statements</b>	48,038	40,000
<b>Fees payable to the company's auditor for other services to the group:</b>		
The audit of the company's parent and fellow subsidiary annual financial statements	3,000	3,000
<b>Total audit fees</b>	51,038	43,000
 Tax services	5,650	15,650
Other services	7,000	5,200
<b>Total non-audit fees</b>	12,650	20,850

### 6. Staff numbers and costs

The average monthly member of persons (including directors) employed by the company during the year was:

	2015 No.	2014 No.
Sales and after sales	177	173
Administration	138	128
	315	301

Their aggregate remuneration comprised (including directors):

	£	£
Wages and salaries	9,961,896	9,882,285
Social security costs	1,010,816	1,036,157
Other pension costs	62,255	48,228
	11,034,967	10,966,670

# Vines Limited

## Notes to the financial statements (continued) For the year ended 31 December 2015

### 7. Directors' remuneration and transactions

	2015 £	2014 £
<b>Directors' remuneration</b>		
Emoluments	420,664	703,216
Company contributions to money purchase scheme	10,500	11,670
	<u>431,164</u>	<u>714,886</u>
	£	£
<b>Remuneration of the highest paid director:</b>		
Emoluments	420,664	703,216
Company contributions to money purchase scheme	10,500	11,670
	<u>431,164</u>	<u>714,886</u>

Amounts due under performance related long term incentive plans are £122,700 (2014 - £375,000). In the current year the number of directors who were members of the money purchase pension scheme was 1 (2014-1).

### 8. Tax credit on profit on ordinary activities

#### The tax charge comprises:

	2015 £	2014 £
<b>Current tax</b>		
United Kingdom corporation tax	(370,213)	-
<b>Total current tax</b>	<u>(370,213)</u>	<u>-</u>
<b>Deferred tax</b>		
Utilisation of deferred tax asset	(205,791)	60,552
Effect of change in tax rate	2,506	(4,206)
Adjustment in respect of previous periods	319	-
<b>Total deferred tax</b>	<u>(202,966)</u>	<u>56,346</u>
<b>Total tax on profit on ordinary activities</b>	<u>(573,179)</u>	<u>56,346</u>

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

The closing deferred tax asset as at 31 December 2015 has been calculated at 20% reflecting the tax rate at which the deferred tax asset is expected to be utilised in future periods. The closing deferred tax liability in respect of the gain on the revaluation of fixed assets has been calculated at 18% as this reflects the tax rate at which the deferred tax liability is expected to be utilised in future periods.

We estimate that the future rate change to 18% would further reduce our UK deferred tax asset recognised at 31 December 2015 from £143,312 to £128,981. The actual impact will be dependent on our deferred tax position at that time.

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

# Vines Limited

## Notes to the financial statements (continued) For the year ended 31 December 2015

### 8. Tax credit on profit on ordinary activities (continued)

	2015 £	2014 £
<b>Profit on activities before tax</b>	<b>2,571,143</b>	<b>1,807,199</b>
Tax credit on profit on ordinary activities at standard UK corporation tax rate of 20.25% (2014 – 21.50%)	520,568	388,766
Effects of:		
Expenses not deductible for tax purposes	79,733	73,292
Income not taxable for tax purposes	(24,296)	-
Movements in short term timing differences	(318)	215
Change in deferred tax not provided for	-	(522,825)
Effect of change in tax rate	(2,508)	4,206
	-	-
<b>Total tax charge/(credit)</b>	<b>573,179</b>	<b>(56,346)</b>
<b>Deferred tax</b>		
	2015 £	2014 £
Opening deferred tax asset	(346,279)	(289,933)
Effect of change in tax rate	(2,506)	4,206
Credit to the profit and loss	205,791	(60,552)
Adjustment in respect of previous periods	(318)	-
Tax relating to components of other comprehensive income	159,971	-
<b>Net closing deferred tax liability/(asset)</b>	<b>16,659</b>	<b>(346,279)</b>
<b>Analysis of deferred tax balance</b>	2015 £	2014 £
Accelerated capital allowances	(124,869)	(211,912)
STTD's – trading	(18,443)	-
Losses	-	(196,452)
Deferred capital gain	-	70,067
Deferred tax not provided	-	(7,982)
Tax relating to components of other comprehensive income	159,971	-
	16,659	(346,279)

Deferred tax has not been provided in respect of realised gains that have been rolled over into the acquisition of replacement assets. This tax will become payable if the replacement assets are sold and roll over relief is not obtained. The estimated amount of tax that would become payable in these circumstances is £779,506 (2014 - £779,506).

Deferred tax assets relating to tax losses carried forward of £nil (2014 - £nil) have not been recognised as there is insufficient evidence that the assets will be recovered.

## Vines Limited

### Notes to the financial statements (continued) For the year ended 31 December 2015

#### 9. Intangible fixed assets

	Purchased Goodwill £
<b>Cost</b>	
At 1 January 2015 and at 31 December 2015	<u>1,260,052</u>
<b>Accumulated depreciation</b>	
At 1 January 2015	950,649
Charge for the year	<u>51,464</u>
At 31 December 2015	<u>1,002,113</u>
<b>Net book value</b>	
At 31 December 2015	<u>257,939</u>
At 31 December 2014	<u>309,403</u>

# Vines Limited

## Notes to the financial statements (continued) For the year ended 31 December 2015

### 10. Tangible fixed assets

	Long leasehold property £	Short leasehold property £	Plant, machinery, fixtures and fittings £	Motor vehicles £	Total £
<b>Cost or valuation</b>					
At 1 January 2015	6,025,000	3,065,615	2,961,690	166,364	12,245,669
Additions	47,228	1,988,611	304,605	43,173	2,383,617
Revaluation	777,772				777,772
Disposals	-	-	-	(34,383)	(34,383)
At 31 December 2015	<u>6,850,000</u>	<u>5,054,226</u>	<u>3,293,295</u>	<u>175,154</u>	<u>15,372,675</u>
<b>Depreciation</b>					
At 1 January 2015	130,542	1,092,786	2,348,127	81,944	3,653,399
Charge for the year	123,247	172,015	232,094	40,955	568,311
Added back on revaluation	(230,956)				(230,956)
Disposals	-	-	-	(34,383)	(34,383)
At 31 December 2015	<u>22,833</u>	<u>1,264,801</u>	<u>2,580,221</u>	<u>88,518</u>	<u>3,956,373</u>
<b>Net book value</b>					
At 31 December 2015	<u>6,827,167</u>	<u>3,789,425</u>	<u>713,074</u>	<u>86,636</u>	<u>11,416,302</u>
At 31 December 2014	<u>5,894,458</u>	<u>1,972,829</u>	<u>640,563</u>	<u>84,420</u>	<u>8,592,270</u>

In June 2007 the Guildford, long leasehold property was valued at £7.85m with a mortgage of £6.28m over 15 years. Whilst the directors were happy that the initial valuation represented the properties commercial value to the business the property is revalued every 3 years. Accordingly, an external valuer, Colliers International Property Advisors UK LLP, revalued the property in October 2015, giving a valuation of £6.85m. The valuation was based upon an open market rental value of the property, and assumes that property continues to trade with the benefit of a BMW franchise.

Included in motor vehicles are amounts of £22,697 (2014 - £48,522) in respect of assets held under finance leases.

# Vines Limited

## Notes to the financial statements (continued) For the year ended 31 December 2015

### 11. Stocks

	2015 £	2014 £
Finished goods	24,263,898	20,126,994

Included within finished goods is £5,002,686 (2014 - £4,476,251) which is security for the demonstrator plan liability as disclosed in note 13. Also included within finished goods are £5,736,044 (2014 - £5,315,434) in respect of stock held on consignment and £7,054,734 (2014 - £6,001,018) in respect of used vehicle stock. £770,735 of this consignment and used stock is fully paid for by the Company, and the remainder is security for the obligation under the wholesale stocking plan as disclosed in note 13.

All vehicles ordered from the manufacturer are done so on a consigned basis at full value, transfer of ownership, and therefore payment by the company, is driven by the status of the order. Generally vehicles are consigned for a period of 180 days after which time the vehicle will be invoiced and "force paid" into company stock. The exceptions to this are that the manufacturer can remove unsold consigned stock from the dealer at any time, vehicles ordered for customers and marked as sold prior to or during production will have a 30 day consignment period, vehicles marked sold after production have a seven day consignment period. The manufacturer does not require any consignment deposits.

### 12. Debtors

	2015 £	2014 £
Trade debtors	4,702,169	3,809,433
Other debtors	66,071	212,695
Prepayments and accrued income	1,748,650	1,485,539
Other taxation and social security	366,706	127,838
Deferred tax asset	143,313	416,346
	7,026,909	6,051,851

### 13. Creditors: amounts falling due within one year

	2015 £	2014 £
Secured mortgage loan (see note 15)	418,668	418,668
Obligations under finance leases (see note 15)	19,021	31,215
Obligations under wholesale and used stocking plan	12,020,043	11,005,086
Obligations under demonstrator plan	6,122,619	5,158,527
Trade creditors	12,586,499	8,730,662
Accruals and deferred income	1,127,347	1,369,477
Other creditors	416,283	83,756
	32,710,480	26,797,391



# Vines Limited

## Notes to the financial statements (continued) For the year ended 31 December 2015

### 14. Creditors: amounts falling due after more than one year

	2015 £	2014 £
Secured mortgage loans and overdraft (see note 15)	2,512,028	2,930,696
Obligations under finance leases (see note 15)	-	10,509
Amounts owed to group undertakings	6,139,644	6,139,644
	<u>8,651,672</u>	<u>9,080,849</u>

The mortgage loan is secured by a first mortgage on the long leasehold property held by the company. The mortgage loan attracts interest at 1.5% above the higher of The Royal Bank of Scotland Base Rate, annual London Interbank Offered Rate for sterling deposits or 3%. The mortgage loan is repayable by monthly instalments over period to 1 June 2022.

### 15. Borrowings

	2015 £	2014 £
Secured mortgage	2,930,696	3,349,364
Obligations under finance leases	19,021	41,724
	<u>2,949,717</u>	<u>3,391,088</u>

#### Analysis of loan repayments:

	2015 £	2014 £
<b>Secured mortgage loans and overdrafts:</b>		
Within one year	418,668	418,668
Between one and two years	418,668	418,668
Between two and five years	1,256,064	1,256,004
After five years	837,295	1,256,024
<b>Obligations under finance leases:</b>		
Within one year	19,021	31,215
Between one and two years	-	10,509
	<u>2,949,717</u>	<u>3,391,088</u>

### 16. Provision for liabilities

	Balance at 1 January 2015 £	Credited to profit and loss account £	Deferred tax movement on revaluation £	Balance at 31 December 2015 £
Deferred taxation liability	<u>70,067</u>	<u>(70,067)</u>	<u>159,971</u>	<u>159,971</u>

# Vines Limited

## Notes to the financial statements (continued) For the year ended 31 December 2015

### 17. Called-up share capital

	2015 £	2014 £
<b>Allotted, called-up and fully paid:</b>		
50,000 (2014 – 50,000) ordinary shares of £1 each	50,000	50,000

### 18. Operating lease commitments

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

	2015 Land and buildings £	2015 Other £	2014 Land and buildings £	2014 Other £
<b>Leases which expire:</b>				
Within one year	54,300	66,825	10,309	4,198
Between two and five years	-	5,044	-	89,553
After five years	1,063,496	-	1,067,500	-
	<u>1,117,796</u>	<u>71,868</u>	<u>1,077,809</u>	<u>93,751</u>

### 19. Ultimate parent company and controlling party

The company's parent is Guildford Portfolios Limited, a company incorporated in Great Britain. Copies of group financial statements for Guildford Portfolios Limited, are available from Companies House, Cardiff CF14 3UZ.

The ultimate controlling parties of the company are the Trustees of the A L Shelly Marital Trust.

### 20. Related party transactions

Interest of £nil (2014 – £nil) on related party loans was charged during the year.

The company has taken advantage of the exemption in FRS8 extended to subsidiary undertakings 100% whose voting rights are controlled within a group, where the consolidated financial statements of the group are publicly available. Accordingly no disclosure has been made of transactions with entities that are part of the group.

A related party, Redhill Redux LLC owns the freehold of the 10 Bonehurst Road, Salfords property (known as Vines of Redhill), during the year rent of £350,000 (2014 - £350,000) was paid to them under the terms of the continuing lease. Redhill Redux is a company owned by Shelton Holdings.

A related party Redhill Redux LLC owns the freehold of the Stephenson Way, Three Bridges, Crawley property (known as Vines of Gatwick) and rent of £500,000 (2014 - £500,000) was paid to them under the terms of continuing the lease.

The A.L.Shelly Marital Trust #2 is the sole shareholder of Guildford Portfolios Ltd and is also the majority shareholder of Shelton Holdings LLC who is the sole shareholder of Redhill Redux.

### 21. Subsequent events

The Vines of Redhill premises located at 10 Bonehurst Road, Salfords has been redeveloped and completed in March 2016 to the latest BMW corporate identity specifications at an estimated cost of £1.2 million.

# Vines Limited

## Notes to the financial statements (continued) For the year ended 31 December 2015

### 22. Explanation of transition to FRS 102

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2015. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard.

#### *Reconciliation of equity*

Note	At 1 January 2015 £	At 1 December 2014 £
Equity reported under previous UK GAAP	2,563,160	2,563,160
<b>Adjustments to equity on transition to FRS 102</b>		
No adjustments were necessary in the conversion from UK GAAP to FRS 102	-	-
Equity reported under FRS 102	2,563,160	2,563,160

#### *Notes to the reconciliation of equity at 1 January 2015*

No adjustments to the financial position of Vines Ltd were necessary when the transition from UK GAAP to FRS 102 was done.

#### *Reconciliation of profit or loss for 2014*

Note	£
Profit for the financial year under previous UK GAAP	1,863,545
No adjustments were necessary in the conversion from UK GAAP to FRS 102	-
Profit for the financial year under FRS 102	1,863,545

#### *Notes to the reconciliation of profit or loss for 2015*

No adjustments to the profit and loss position for Vines Ltd were necessary when the transition from UK GAAP to FRS 102 was done.