

Vines Limited

Annual report and financial statements

For the year ended 31 December 2017

Registered number: 01849408



Vines Limited

Annual report and financial statements for the year ended 31 December 2017

Contents	Page
Company information	1
Strategic report	2
Directors' report	6
Directors' responsibilities statement	7
Independent auditor's report	8
Profit and loss account	10
Statement of comprehensive income	11
Balance sheet	12
Statement of changes in equity	13
Notes to the financial statements	14

Vines Limited

Annual report and financial statements for the year ended 31 December 2017

Company information

Directors

B Moynahan
L Shelly
S Kelly

Company Secretary

S Kelly,

Registered Office

Vines House
Slyfield Green Road
Guildford
GU1 1RD

Bankers

Lloyds Bank plc

Solicitors

Waterfront Solicitors

Independent Auditor

Deloitte LLP
Statutory Auditor
Crawley
United Kingdom

Vines Limited

Strategic report

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") declined by 5.7% in 2017, with annual registrations falling for the first time in six years. Alongside this a significant reduction in demand for diesel engine derivatives and over-supply of BMW and MINI diesel product resulted in an adverse movement on new car margins, not only for the company but the broader BMW network.

Alongside this pressure there was also significant volumes of pre-registered cars in the marketplace resulting in adverse margins on young used cars, this resulted in a significant reduction in gross margins across our business. The redevelopment in 2017 of our Guildford retailer created significant disruption and shortfalls in expected returns from this centre.

Within this competitive environment the Company performed in line with our expectations and delivered a loss before tax of £(673,026) (2016 – profit £1,781,399).

Vines Limited is not tax paying, as shown by the tax note there is a current tax credit primarily relating to loss carry back to prior year. There is a total tax charge as result of deferred tax charge primarily arising on fixed asset timing differences.

The company has recently undertaken a number of actions to address this position, including consolidation of sales teams, revisions to leasing company arrangements and further balancing gross profits and operating expense across every department. After three years of capital spend on retailer redevelopments, the company has no further disruption or overhead costs associated with any of the Vines sites. The Vines group of retailers consist of Vines of Gatwick, Vines of Redhill and Vines of Guildford.

Sales

Vines Limited ("Vines") outperformed the BMW network average of 3.8% in sales penetration of TIV. Vines penetration for the BMW marque achieving 9.5% market penetration compared to a national average of 6.3% whilst the Vines MINI marque achieved 5.2% market penetration also ahead of the national average of 3.8%. The overall volume for the business was 6,435 new and used cars and motorcycles, an 11% reduction versus 2016.

Margins

Retail car sales margins came under increased pressure in the network drive for increased volume. Service labour margins were down 4.7% compared to 2016 reflecting the now high proliferation of manufacturer service packs on vehicles and the competitive nature of retaining older car service business. Department returns from the service business remains higher than the average dealer, but our expectation is that this business will become increasingly competitive during 2018.

Overheads

The company overheads were broadly flat compared to 2016. Inflationary impact aside, we were able to make savings that off-set the increased depreciation from the latest Corporate Identity redevelopments of our Gatwick, Redhill and Guildford centres.

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.

Vines Limited

Strategic report (continued)

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 2017	Year ended 31 December 2016
Key Performance Indicators		
Operating profit margin	(0.10%)	1.22%
New vehicle volumes	3,766	4,242
Used vehicle volumes	2,669	2,997

Overall operating profits declined through the combination of an increasingly competitive marketplace for new and used cars sales, at a time where the overhead of the business was growing from recent redevelopments. We expect this reduction to halt, stabilise and improve as the business volume grows as a result of our improved facilities.

The directors 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?

The directors believe that the Net Promotor Score (NPS) advocacy test (with a possible range from -100 to +100) is the best measure of future referral and repeat business. For full year 2017, the feedback from our customers surveyed by the manufacturer indicated the following:

	2017		2016	
	NPS	Surveys returned	NPS	Surveys returned
BMW Sales	79.6	545	84.7	567
MINI Sales	51.9	251	81.0	232
BMW Service	86.6	1,533	45.9	1,483
MINI Service	54.3	642	55.6	511

Principal risks and uncertainties

Our continued success relies on a buoyant general UK economy; the latest indicators for GDP growth have recently been estimated at 1.5% for the full year 2018 and suggest that the foreseeable future for the UK economy is showing modest growth. Vines expects consumer uncertainty regarding exiting the European Union (BREXIT) to continue, but that this uncertainty will reduce the closer the UK Government get to a satisfactory exit deal with the European Union.

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 almost unfettered volume 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.

BMW have amended their production planning to account for the national decline in diesel enquiries and are looking to introduce additional hybrid and full EV vehicles to the range.

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 company 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 company is not significantly affected by fluctuations in the level of interest rates.

Price risk

The company 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 company 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 company uses a mixture of long-term and short-term debt finance.

In the year to 31 December 2017, the Company produced a loss before taxation of £(673,026) (2016 - profit £1,781,399).

The directors consider that the outlook for the remainder of 2018 presents continued challenges to maintain margins and look to increase volumes in a competitive market place. However, the projected growth in new and used car volumes, continued profitable aftersales contribution and the improvement in facilities created by the 2015-17 investment costs will provide a solid basis for improved performance.

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 includes the provision of a £1m overdraft. Internal budget projections indicate that the overdraft facility might be used at peak quarter end trading.

After making enquiries, reviewing the internal budget projections and considering the uncertainties described above, the directors have a reasonable expectation that the Company 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 loss for the year after taxation was £730,612 (2016 – profit £1,398,783).

The Company had net assets of £12,106,585 at 31 December 2017 (2016 - £12,837,197), the directors consider this to be an adequate financial position.

Vines Limited

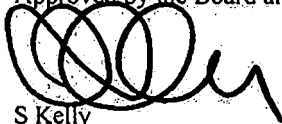
Strategic report (continued)

Future developments

Having recently completed a three year redevelopment plan for all Vines retailers, we have no unusual capital expenditure for 2018, nor any foreseeable IT or system upgrade requirements, we foresee our 2018 performance to be improved over 2017.

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

24 Sept 2018

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 group, together with the audited financial statements for the year ended 31 December 2017. The financial risk management objectives and policies including cash flow risk, credit risk and liquidity risk, are discussed in the Strategic Report on page 4.

Principal activities and future developments

The principal activities of the company are the sale and servicing of motor vehicles. Future business developments have been discussed in the Strategic Report on page 5. The post balance sheet events have been discussed in the Strategic Report on page 5.

Dividends

The directors do not propose the payment of a dividend £nil (2016 - £nil).

Directors

The directors of the company who served throughout the year and up to date of signing were, unless otherwise stated, 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 to make employees aware of the financial and economic factors effecting the performance of the group. 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 has 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:



Sean Kelly
Company Secretary

24 SEPT 2018

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

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

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss 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 of Vines Limited (the 'company') which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 21.

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

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

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

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

Independent auditor's report to the members of Vines Limited

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 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 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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, 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.

We have nothing to report in respect of these matters.


James Wright FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Crawley, United Kingdom

24 September 2018

Vines Limited

Profit and loss account

For the year ended 31 December 2017

	Note	2017 £	2016 £
Turnover	3	174,188,433	190,974,823
Cost of sales		<u>(153,343,166)</u>	<u>(167,341,289)</u>
Gross profit		20,845,267	23,633,534
Administrative expenses		<u>(21,012,964)</u>	<u>(21,301,569)</u>
Operating (loss)/profit		(167,697)	2,331,965
Finance cost (Net)	4	<u>(505,329)</u>	<u>(550,566)</u>
(Loss)/profit before taxation	5	(673,026)	1,781,399
Tax on (loss)/profit	8	<u>(57,586)</u>	<u>(382,616)</u>
(Loss)/profit for the financial year		<u><u>(730,612)</u></u>	<u><u>1,398,783</u></u>

Turnover and operating profit/loss are derived from continuing operations.

Vines Limited

Statement of comprehensive income For the year ended 31 December 2017

	2017	2016
	£	£
(Loss)/profit for the financial year	(730,612)	1,398,783
Deferred tax on gains arising from the revaluation of the tangible fixed assets	-	<u>8,887</u>
Other comprehensive income	-	<u>8,887</u>
Total comprehensive income for the year	<u>(730,612)</u>	<u>1,407,670</u>

Vines Limited

Balance sheet At 31 December 2017

	Note	£	2017 £	£	2016 £
Fixed assets					
Intangible assets – goodwill	9		155,011		206,475
Tangible assets	10		<u>12,381,731</u>		<u>11,369,578</u>
			12,536,742		11,576,053
Current assets					
Stocks	11	25,854,729		27,364,587	
Debtors	12	9,085,591		9,766,001	
Cash at bank and in hand		<u>2,670,388</u>		<u>3,909,358</u>	
		37,610,708		41,039,946	
Creditors: amounts falling due within one year	13	<u>(36,196,175)</u>		<u>(37,534,358)</u>	
Net current assets			<u>1,414,533</u>		<u>3,505,588</u>
Total assets less current liabilities			13,951,275		15,081,641
Creditors: amounts falling due after more than one year	14		(1,674,692)		(2,093,360)
Provision for liabilities	16		<u>(169,998)</u>		<u>(151,084)</u>
Net assets			<u>12,106,585</u>		<u>12,837,197</u>
Capital and reserves					
Called-up share capital	17		6,189,644		6,189,644
Revaluation reserve			737,646		737,646
Profit and loss account			<u>5,179,295</u>		<u>5,909,907</u>
Shareholder's funds			<u>12,106,585</u>		<u>12,837,197</u>

The financial statements of Vines Limited (registered number 01849408) were approved by the board of directors and authorised for issue on **24 SEPT** 2018.

They were signed on its behalf by:


S. Kelly
Director

Vines Limited

Statement of changes in equity At 31 December 2017

		Called-up share capital £	Revaluation Reserve £	Profit and loss account £	Total £
At 1 January 2016		50,000	728,759	4,511,124	5,289,883
Profit for the financial year		-	-	1,398,783	1,398,783
Deferred tax charge on revaluation of tangible fixed assets		-	8,887	-	8,887
Total comprehensive income		-	8,887	1,398,783	1,407,670
Issue of share capital	17	6,139,644	-	-	6,139,644
At 31 December 2016		<u>6,189,644</u>	<u>737,646</u>	<u>5,909,907</u>	<u>12,837,197</u>
 At 1 January 2017		6,189,644	737,646	5,909,907	12,837,197
Loss for the year		-	-	(730,612)	(730,612)
Total comprehensive income		-	-	(730,612)	(730,612)
At 31 December 2017		<u>6,189,644</u>	<u>737,646</u>	<u>5,179,295</u>	<u>12,106,585</u>

Vines Limited

Notes to the financial statements For the year ended 31 December 2017

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 private company limited by shares and incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. 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 Directors Report on page 6.

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 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. The financial statements are also presented in pounds sterling.

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, financial instruments and remuneration of key management personnel.

Going Concern

The UK motor retailers experienced its first annual fall in registrations since 2011, but demand was still the 3rd highest in 10 years. Against this background the Group continued to take action to reduce its cost base to a level consistent with current market conditions.

The directors consider that the outlook for the remainder of 2018 will present continued challenges in terms of new car sales (volumes and margins) and young used car margins; however, there are a number of new models for both BMW and MINI arriving in 2018 which will provide an additional profit opportunity. Continued profitable aftersales growth and further reductions in operating costs will provide a basis for improved performance for the full year 2018 and into 2019. Vines has an overdraft facility to fund short term working capital requirements during peak quarter end trading periods.

After making enquiries, reviewing the internal budget projections and considering the uncertainties described above, the directors have a reasonable expectation that the 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 2017

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

Tangible fixed assets are stated in the balance sheet at cost or valuation less depreciation. Depreciation is provided at rates calculated to write down their cost to their estimated residual values by equal annual instalments over the period of their estimated useful economic lives. The rates of depreciation are as follows:

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

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 using the straight line method.

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. Cost is calculated using the FIFO (first-in, first-out) method. Provision is made for obsolete stock.

When the substantial risks and rewards of ownership have been transferred to the retailer, consignment stocks are then included on the balance sheet and a corresponding liability to the manufacturer recognised. Any deposits paid have been deducted from the liability.

Vines Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

1. Accounting policies (continued)

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.

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 £80,138 (2016 - £67,057) 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 when the risks and rewards are transferred to the customer at the point of delivery and registration of vehicles, parts and services.

Vines Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

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 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.

Key judgement – Principal vs Agent on corporate sales

Management must make a judgement as to whether the Group acts as the principle or agent on corporate sales where BMW initiates the sale with the customer. On balance, management makes the judgement that the Group operate as the principle due to having price autonomy and the risk of credit loss. Corporate car sales recognized during 2017 were £28,355,370 (2016 - £37,958,964)

Key source of estimation uncertainty

The key assumption concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

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 reviews 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 £9,631,127 (2016 - £8,734,423).

3. Turnover

The total turnover of the company for the year has been derived from its principal activities wholly undertaken in the United Kingdom.

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

	2017 £	2016 £
Analysis of the Company's turnover split:		
Sale of Goods	168,079,352	184,875,005
Rendering of services	6,109,081	6,099,818
	<u>174,188,433</u>	<u>190,974,823</u>

Vines Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

4. Finance costs (Net)

	2017 £	2016 £
Interest payable and similar charges:		
Other loans	505,329	550,566
	<u>505,329</u>	<u>550,566</u>

5. Loss/profit before taxation

	2017 £	2016 £
Loss/profit before taxation is stated after charging:		
Rentals under operating leases	1,144,449	1,156,449
Depreciation of tangible fixed assets	800,798	800,798
Amortisation of goodwill	51,464	51,464
	<u>1,996,711</u>	<u>2,008,711</u>

The analysis of auditor's remuneration is as follows:

	2017 £	2016 £
Fees payable to the company's auditor for the audit of the company's annual financial statements	53,928	43,000
Fees payable to the company's auditor for other services to the group:		
The audit of the company's parent and fellow subsidiary annual financial statements	3,000	3,000
Total audit fees	<u>56,928</u>	<u>46,000</u>
Taxation compliance services	10,650	12,150
Other taxation advisory services	14,000	18,998
Other services	35,000	22,300
Total non-audit fees	<u>59,650</u>	<u>53,448</u>

Vines Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

6. Staff numbers and costs

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

	2017 No.	2016 No.
Sales and after sales	208	202
Administration	129	134
	<u>337</u>	<u>336</u>

Their aggregate remuneration comprised (including directors):

	£	£
Wages and salaries	10,624,115	10,688,445
Social security costs	1,052,789	1,088,930
Other pension costs	80,138	67,057
	<u>11,757,042</u>	<u>11,844,432</u>

7. Directors' remuneration and transactions

	2017 £	2016 £
Directors' remuneration		
Emoluments	288,892	357,133
Company contributions to money purchase scheme	10,500	10,500
	<u>299,392</u>	<u>367,633</u>
	£	£
Remuneration of the highest paid director:		
Emoluments	288,892	357,133
Company contributions to money purchase scheme	10,500	10,500
	<u>299,392</u>	<u>367,633</u>

Amounts due under performance related long term incentive plans are £125,000 (2016 - £190,851).

In the current year, the number of directors who were members of the money purchase pension scheme was 1 (2016 - 1).

Vines Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

8. Tax on (loss)/profit

The tax charge comprises:

	2017 £	2016 £
Current tax		
United Kingdom corporation tax	50,252	(402,427)
Adjustment in respect of previous periods	(21,481)	68,434
Total current tax	28,771	(333,993)
Deferred tax		
Origination and reversal of timing differences	(77,041)	(74,481)
Effect of change in tax rate	8,993	34
Adjustment in respect of previous periods	(18,309)	25,824
Total deferred tax	(86,357)	(48,623)
Total tax on loss/profit	(57,586)	(382,616)

The Finance Act 2016, which provides for reductions in the main rate of corporation tax from 20% effective from 1 April 2017 and to 17% from 1 April 2020, was substantively enacted on 6 September 2016. 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 2017 has been calculated at 17% reflecting the tax rates at which the different deferred tax assets are expected to unwind in future periods. The closing deferred tax liability in respect of the gain on the revaluation of fixed assets has been calculated at 17% as this reflects the tax rate at which the deferred tax liability is expected to be utilised in future periods.

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:

	2017 £	2016 £
(Loss)/profit before taxation	(673,026)	1,781,399
Tax on loss/profit at standard UK corporation tax rate of 19.25% (2016 – 20%)	129,558	(356,280)
Effects of:		
Expenses not deductible for tax purposes	(156,347)	(120,628)
Adjustments in respect of previous periods	(39,790)	-
Movements in short term timing differences	-	94,258
Effect of change in tax rate	8,993	34
Total tax charge	(57,586)	(382,616)

Vines Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

8. Tax on (loss)/profit (continued)

	2017 £	2016 £
Deferred tax		
Opening deferred tax liability	56,395	16,591
Effect of change in tax rate	(8,993)	34
Credit to the profit and loss	77,041	74,481
Adjustment in respect of previous periods	18,309	(25,824)
Tax relating to components of other comprehensive income	-	(8,887)
Net closing deferred tax liability	142,752	56,395

	2017 £	2016 £
Analysis of deferred tax balance		
Accelerated capital allowances	18,914	(94,689)
Losses	(27,246)	-
Tax relating to components of other comprehensive income	151,084	151,084
	142,752	56,395

	2017 £	2016 £
Deferred tax (assets)		
Recoverable within 12 months (see note 12)	(27,246)	(94,689)

	2017 £	2016 £
Deferred tax (liabilities)		
Deferred taxation liability (see note 16)	169,998	151,084

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 only 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 (2016 - £779,506).

Vines Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

9. Intangible fixed assets

	Purchased Goodwill £
Cost	
At 1 January 2017 and at 31 December 2017	1,030,052
Accumulated depreciation	
At 1 January 2017	823,577
Charge for the year	51,464
At 31 December 2017	875,041
Net book value	
At 31 December 2017	155,011
At 31 December 2016	206,475

10. Tangible fixed assets

	Long leasehold property £	Short leasehold property £	Plant, machinery, fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation					
At 1 January 2017	6,850,000	5,701,452	3,396,366	91,738	16,039,556
Additions	-	1,687,442	136,367	2,500	1,826,309
Disposals	-	-	-	(23,747)	(23,747)
At 31 December 2017	6,850,000	7,388,894	3,532,733	70,491	17,842,118
Depreciation					
At 1 January 2017	159,833	1,633,571	2,832,208	44,366	4,669,978
Charge for the year	137,000	415,799	231,791	16,208	800,798
Disposals	-	-	-	(10,389)	(10,389)
At 31 December 2017	296,833	2,049,370	3,063,999	50,185	5,460,387
Net book value					
At 31 December 2017	6,553,167	5,339,524	468,734	20,306	12,381,731
At 31 December 2016	6,690,167	4,067,881	564,158	47,372	11,369,578

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 re-valued every 3 years. Accordingly, an independent external RICS registered valuer from 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 £nil (2016 - £nil) in respect of assets held under finance leases.

Vines Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

11. Stocks

	2017 £	2016 £
Finished goods and goods for resale	25,854,729	27,364,587

Included within finished goods is £6,555,443 (2016 - £5,364,541) which is security for the demonstrator plan liability as disclosed in note 13. Also included within finished goods are £6,148,048 (2016 - £8,482,640) in respect of stock held on consignment and £9,631,127 (2016 - £8,021,656) in respect of used vehicle stock. £2,276,022 (2016 - £2,102,535) 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 7 day consignment period. The manufacturer does not require any consignment deposits. During the year vehicle stock was impaired by £2,257,202 (2016 - £1,665,357).

12. Debtors: amounts falling due within one year

	2017 £	2016 £
Trade debtors	5,513,259	6,626,155
Other debtors	5,715	9,550
Prepayments and accrued income	3,081,685	2,790,048
Other taxation	457,686	245,559
Deferred tax asset (see note 8)	27,246	94,689
	9,085,591	9,766,001

13. Creditors: amounts falling due within one year

	2017 £	2016 £
Secured mortgage loan (see note 15)	418,668	418,668
Obligations under wholesale and used stocking plan	13,894,664	14,401,762
Obligations under demonstrator plan	6,163,932	7,207,470
Trade creditors	12,519,275	13,345,695
Accruals and deferred income	2,504,420	1,494,901
Other taxation and social security	283,415	290,921
Other creditors	411,801	374,941
	36,196,175	37,534,358

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

	2017 £	2016 £
Secured mortgage loans and overdraft (see note 15)	1,674,692	2,093,360

Vines Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

15. Borrowings

	2017 £	2016 £
Secured mortgage	2,093,360	2,512,028
Analysis of loan repayments:		
	2017 £	2016 £
Secured mortgage loans and overdrafts:		
Within one year	418,668	418,668
Between one and two years	418,668	418,668
Between two and five years	1,256,024	1,256,064
After five years	-	418,628
	2,093,360	2,512,028

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 December 2022.

16. Provision for liabilities

	Balance at 1 January 2017 £	Debit to profit and loss account £	Deferred tax movement on revaluation £	Balance at 31 December 2017 £
Deferred taxation liability	151,084	18,914	-	169,998

17. Called-up share capital

	2017 £	2016 £
Allotted, called-up and fully paid:		
6,189,644 (2016 – 6,189,644) ordinary shares of £1 each	6,189,644	6,189,644

The Company has one class of ordinary shares which carry no right to fixed income.

Vines Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

18. Operating lease commitments

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

	2017 Land and buildings £	2017 Other £	2016 Land and buildings £	2016 Other £
Leases which expire:				
Within one year	1,130,300	14,149	1,130,300	14,149
Between two and five years	4,212,500	-	4,244,000	-
After five years	8,971,667	-	10,001,166	-
	<u>14,314,467</u>	<u>14,149</u>	<u>15,375,466</u>	<u>14,149</u>

In August 2015, Vines Ltd extended the ground rent lease for 21 Moorfield Road, Guildford to 125 years. The annual ground rent is £60,000 and reviewed every 10 years to bring in line with market rent values.

19. Ultimate parent company and controlling party

The company's parent is Guildford Portfolios Limited, a company incorporated in Great Britain. Guildford Portfolios Limited principal place of business and registered office address is 21 Moorfield Road, Slyfield Green, Woking Road, Guildford, Surrey, GU1 1RD. Copies of the financial statements for Guildford Portfolios Limited, are available from Companies House, Cardiff CF14 3UZ.

The largest and smallest UK group that prepares consolidated accounts of which Vines is a member is Guildford Portfolios Ltd.

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

20. Related party transactions

The company has taken advantage of the exemption in FRS 102 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 (2016 - £350,000) was paid to them under the terms of the continuing lease.

Redhill Redux LLC also owns the freehold of the Stephenson Way, Three Bridges, Crawley property (known as Vines of Gatwick) and rent of £500,000 (2016 - £500,000) was paid to them under the terms of continuing the lease. Redhill Redux is a company owned by Shelton Holdings LLC.

21. Subsequent events

There are no subsequent events to report.