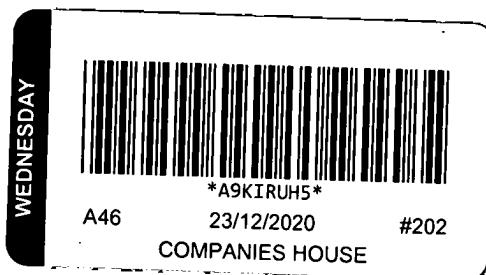


VICTORIA (BAVARIA) LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

Registered Number : 02196791



VICTORIA (BAVARIA) LIMITED

CONTENTS

YEAR ENDED 31 DECEMBER 2019

PAGE

1	Strategic Report s172 Statement
2	Directors' Report
3	Statement of Directors' Responsibilities in respect of the Strategic Report and the Directors' Report and the Financial Statements
4	Independent Auditor's Report to the members of Victoria (Bavaria) Limited
5	Profit and Loss Account
6	Balance Sheet
7	Statement of Changes in Equity
8	Notes to the Financial Statements

STRATEGIC REPORT**YEAR ENDED 31 DECEMBER 2019**

The Company is a wholly-owned subsidiary of Pendragon PLC and operates as part of the UK Motor division.

The Company's principal activity is that of motor retailers and parts distributors in the UK. The business consists of the sale of new and used vehicles and the service and repair of vehicles and operates 3 franchises from 3 locations.

There have not been any significant changes in the Company's principal activities in the year under review.

As shown in the Company's profit and loss account on page 5, turnover decreased 25% to £47,501,000 in the current year from £63,338,000 in the prior year as a result in the fall of vehicle units sold. The result for the financial year has improved slightly from a loss of £644,000 in the prior year to a loss of £591,000 in the current year. The Company specialise in the sale of prestige motor vehicles and is optimistic that sales will improve in 2020 due to a significant model launch by its franchise partner.

The Company has suffered from the impact of the Covid 19 virus outbreak and the consequent lockdowns of the UK from March 2020. Activities were suspended at this time until re-opening on 1 June 2020. During the period March to May unit sales were down 76% on the same period in 2019. The Company has taken advantage of Government initiatives to mitigate the impact of the lockdowns including the Job Retention Scheme for furloughed employees, rates holidays and the VAT deferral scheme. The business has re-opened on 1 June 2020, implementing numerous measures to keep employees and customers safe and hopes that trading will resume to levels expected prior to the pandemic.

Pendragon PLC manages its operations on a divisional basis. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the UK Motor division, which includes the Company, is discussed in the 2019 financial statements of Pendragon PLC.

The balance sheet on page 6 of the financial statements shows that the net assets of the Company have decreased by the loss for the year of £591,000 to £14,718,000.

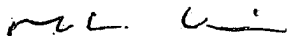
One of the main risks facing the business is a potential decline in new car registrations in the United Kingdom. This risk is partly mitigated by the sale of used vehicles and aftersales services. Other risks to the business include fluctuations in general economic conditions, such as interest rate increases, environmental concerns and legislation and the loss of key personnel. The unexpected outbreak of the Covid 19 virus has presented the Company additional risk in terms of the impact of the economy, safety of employees and customers and uncertainty as to whether further outbreaks are possible. With regard to the UK's decision to leave the EU, we believe that the main risk factors are consumer confidence and the potential impact of Sterling/Euro exchange rates on vehicle prices. The Risk Control Group of Pendragon PLC has met to consider these risks and uncertainties, including the impact of Covid 19 and Brexit, and will continue to monitor how these risks evolve. These risks are significant to the group and are also detailed in the group financial statements.

Victoria (Bavaria) Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. The Company operates in accordance with Pendragon PLC policies, as noted in Pendragon PLC's annual report, which does not form part of this report. Initiatives aimed at minimising the Company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

The directors are of the opinion that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts.

The Directors are satisfied that the Company is well positioned to take advantage of future opportunities.

By order of the Board



M S Willis
Director

22 December 2020

s172 STATEMENT**Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006**

The board of directors of Victoria (Bavaria) Limited consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a)-(f) of the Act) in the decisions taken during the year ended 31 December 2019.

- Our plan was designed to have a long-term beneficial impact on the company and to contribute to its success in delivering a high quality of service across all of our business activities.
- Our team members are fundamental to the delivery of our plan. We aim to be responsible employer in our approach to the pay and benefits our team members receive. The health, safety and well-being of our team members is one of our primary considerations in the way we do business.
- Engagement with suppliers and customers is key to our success. We meet with our major franchise partners regularly throughout the year and take the appropriate action, when necessary, to prevent involvement in modern slavery, corruption, bribery and breaches of competition law.
- Our plan took into account the impact of the Group's operations on the community and environment and our wider social responsibilities, and in particular how we comply with environmental legislation and pursue waste-saving opportunities and react promptly to local community concerns.
- As the Board of Directors, our intention is to behave responsibly and ensure that the management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours and in doing so, will contribute to the delivery of our plan. The intention is to nurture our reputation, through both the construction and delivery of our plan, that reflects our responsible behaviour.
- As the Board of Directors, our intention is to behave responsibly towards our shareholders and treat them fairly and equally, so they too may benefit from the successful delivery of our plan.

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2019

The directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 31 December 2019.

RESULTS AND DIVIDENDS

The results for the year are shown in the profit and loss account on page 5.

No dividend was paid during the year (2018 : £1,000,000). The directors do not recommend the payment of a final dividend (2018 : £nil).

DIRECTORS

The directors who held office during the year were as follows:

T G Finn (resigned 31 March 2019)
T P Holden (resigned 31 March 2019)
M P Herbert (appointed 1 April 2019, resigned 30 June 2019)
M S Willis (appointed 8 April 2019)
W Berman (appointed 9 April 2020)
M S Casha

EMPLOYEES

Details of the number of employees and related costs can be found in note 4 to the financial statements.

EMPLOYMENT OF DISABLED PERSONS

The Company recognises its responsibilities in employing and training disabled persons. If any employee becomes disabled it is standard practice, in all but the most extreme circumstances, to offer an alternative job and provide retraining where necessary.

EMPLOYEE INVOLVEMENT

Regular contact and exchanges of information are maintained to keep employees informed of the progress of the business.

The Company participates in policies and practices to keep employees informed on matters relevant to them as employees through appropriate means, such as employee meetings and newsletters.

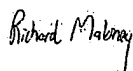
DISCLOSURE OF INFORMATION TO AUDITOR

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

RE-APPOINTMENT OF AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the Board



R J Maloney
Secretary

Loxley House
Little Oak Drive
Annesley
Nottinghamshire
NG15 0DR
22 December 2020

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

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Opinion

We have audited the financial statements of Victoria (Bavaria) Limited ("the Company") for the year ended 31 December 2019 which comprise the profit and loss account, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



John Leech (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

22 December 2020

PROFIT AND LOSS ACCOUNT**YEAR ENDED 31 DECEMBER 2019**

Note		2019 £000	2018 £000
2	TURNOVER	47,501	63,338
	Cost of sales	(43,373)	(58,185)
	GROSS PROFIT	4,128	5,153
	Distribution costs	(1,976)	(2,557)
	Administrative expenses	(2,829)	(3,440)
3	OPERATING LOSS	(677)	(844)
5	Interest receivable	142	224
6	Interest payable	(194)	(403)
	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(729)	(1,023)
7	Taxation on loss on ordinary activities	138	379
	LOSS FOR THE FINANCIAL YEAR	(591)	(644)

Movements in reserves are shown in the Statement of Changes in Equity on page 7.

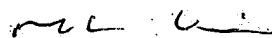
There are no amounts to be recognised in a Statement of Other Comprehensive Income and as such no separate statement has been presented. The loss for the financial year represents total comprehensive income for the period.

The notes on pages 8 to 15 form part of these financial statements.

BALANCE SHEET**AT 31 DECEMBER 2019**

Note		2019 £000	2018 £000
	FIXED ASSETS		
9	Intangible assets	1	5
10	Tangible assets	730	895
		731	900
	CURRENT ASSETS		
11	Stocks	11,134	18,721
12	Debtors	7,528	13,230
	Cash at bank and in hand	551	-
		19,213	31,951
13	CREDITORS: amounts falling due within one year	(5,226)	(17,542)
	NET CURRENT ASSETS	13,987	14,409
	NET ASSETS	14,718	15,309
	CAPITAL AND RESERVES		
15	Called up share capital	100	100
	Profit and loss account	14,618	15,209
	SHAREHOLDERS' FUNDS	14,718	15,309

Approved by the Board of Directors on 22 December 2020 and signed on its behalf by :


M S Willis
Director

Registered Company Number : 02196791

The notes on pages 8 to 15 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITYYEAR ENDED 31 DECEMBER 2019

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2018	100	16,853	16,953
Total comprehensive income for 2018			
Loss for the year	-	(644)	(644)
Total comprehensive income for the year	-	(644)	(644)
Transactions with owners, recorded directly in equity			
Dividends paid (see note 8)	-	(1,000)	(1,000)
Total contributions by and distributions to owners	-	(1,000)	(1,000)
Balance at 31 December 2018	100	15,209	15,309
Balance at 1 January 2019	100	15,209	15,309
Total comprehensive income for 2019			
Loss for the year	-	(591)	(591)
Total comprehensive income for the year	-	(591)	(591)
Balance at 31 December 2019	100	14,618	14,718

The notes on pages 8 to 15 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED 31 DECEMBER 2019****1 ACCOUNTING POLICIES****(a) Basis of preparation**

Victoria (Bavaria) Limited is a company incorporated, domiciled and registered in England in the UK. The Company's registered number is 02196791 and the registered address is Loxley House, Little Oak Drive, Annesley, Nottinghamshire, NG15 0DR.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101').

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The financial statements are presented in thousands of UK pounds, rounded to the nearest £1,000. They have been prepared under the historical cost convention and where other bases are applied these are identified in the relevant accounting policy in the notes below.

The Company's ultimate parent undertaking, Pendragon PLC, includes the Company in its consolidated financial statements. The consolidated financial statements of Pendragon PLC are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the Company Secretary, Pendragon PLC, Loxley House, Little Oak Drive, Annesley, Nottinghamshire, NG15 0DR.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the consolidated financial statements of Pendragon PLC include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company;
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

IFRS 16 Leases

The Company has adopted IFRS 16 Leases from 1 January 2019. IFRS 16 introduces a single, on balance model for leases. As a result, the Company as a lessee has recognised a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Under the previous accounting policy the Company previously classified leases as either an operating lease or a finance lease depending upon whether it was deemed that substantially all of the risks and rewards of ownership had transferred. Under IFRS 16 the Company recognises a right of use asset for all leases with the exception of those deemed to be of low value or short term in nature, in which case lease payments are expensed on a straight line basis over the lease term. In its transition to IFRS 16 the Company has applied a modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information for 2018 has not been restated. The revised accounting policy is:

The Company recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. Depreciation is recognised on a straight line basis over the period of the lease the right of use asset is expected to be utilised.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease or when this is not readily attainable the Company's incremental borrowing rate. Generally the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and reduced by payments made. It is remeasured when there is a change in future lease payments arising from a change of index or rate, a variation in amounts payable following contractual rent reviews and changes in the assessment of whether an extension/termination option is reasonably certain to be exercised.

The Company has applied judgement in determining the lease term for some lease contracts which include renewal and termination options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term and the subsequent recognition of the lease liability and right of use asset.

Transition

The Company a lessee in respect of a number of small items of plant and equipment.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right of use assets as measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. This has been applied to all the Company's leases.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognise right of use assets and liabilities with less than 12 months of the lease term remaining at 1 January 2019.
- Excluded initial direct costs from measuring the right of use asset at date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
- Used the option to grandfather the assessment of which transactions are leases by applying IFRS 16 only to contracts that were previously identified as a leases under IAS 17.
- Used previous assessments of whether leases are onerous instead of performing an impairment review.

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2019

1 ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

IFRS 16 Leases (continued)

Impacts of transition

The Company has no leases other than those of low value or those with less than 12 months of the lease term remaining at 1 January 2019 or at the date of inception. Consequently no adjustment to the opening position has been made.

When measuring lease liabilities for leases that were classified as operating leases, the Company has discounted lease payments using its incremental borrowing rate as at 1 January 2019. The weighted average rate applied was 1.91%.

	£000
Operating lease commitment at 31 December 2018 as disclosed in the Company's financial statements	4
Discounted using incremental borrowing rate at 1 January 2019	4
Recognition exemption for leases with less than 12 months of lease term at transition and for low value leases	(4)
Lease liabilities recognised at 1 January 2019	-

Impact for the period

As a result of initially applying IFRS 16 there has been no impact on the Company's results and financial position as no leases have been capitalised.

Judgements

The Company applies judgement in how it applies its accounting policies, which do not involve estimation, but could materially affect the numbers disclosed in these financial statements. There are however no such key accounting judgements applied in these financial statements.

Accounting estimates

The preparation of financial statements in conformity with FRS 101 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those

The estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. 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. The directors consider the following to be the key estimates applicable to the financial statements, which have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year or in the long-term:

Key estimate area	Key assumption	Potential impact within the next financial year	Potential impact in the longer term	Note reference
Stock fair value (used vehicles)	The Company's assessment of fair values of used stock involves an element of estimation. The key assumption is estimating the likely sale period and the expected profit or loss on sale for each of our inventory items that are held at the year end point. We conduct this analysis by looking at stock by age category and comparing historical trends and our forward expectations on these assumptions.	✓	✓	11

Going concern

Notwithstanding a loss for the year ended 31 December 2019 of £591,000 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have performed a going concern assessment until March 2022 which indicate that, taking account of reasonably possible downsides and the anticipated impact of Covid19 on the operations and its financial resources and the company's ability to access funding through the group's centralised treasury arrangements, the Company will have sufficient funds to meet its liabilities as they fall due for that period. This assessment has taken into consideration the impact the Covid19 outbreak has had on both the Company, as well as the wider economy and include the potential impact of a continuing threat and further outbreaks.

The assessment is dependent on Pendragon PLC providing additional financial support during that period. Pendragon PLC has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the assessment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The Company participates in the Pendragon group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries, and as a result is dependent on the Pendragon group. As a result, the directors have considered the wider impact on the Pendragon PLC group ("the Group") in their going concern assessment.

The Group has seen an improved trading position after lock-down restrictions were lifted in June as announced through the Group IMS on 23 October 2020. Despite this, the directors consider that the current economic outlook presents significant uncertainty in terms of sales volume and pricing and that each of Brexit, the threat from further Coronavirus lock-downs and the risk of rising unemployment when government support measures are withdrawn, present uncertainties to future trading conditions.

Whilst the Group directors have instituted measures to preserve cash there is uncertainty over future trading results and cash flows. The Group meets its day-to-day working capital requirements from a revolving credit facility of £175m and senior note of £60m together with manufacturer stocking facilities and cash balances. The revolving credit facility is due for renewal in March 2022 and includes quarterly leverage and fixed charge covenants, a breach of which would result in the amounts drawn becoming repayable on demand. The Group has not made use of government backed borrowing facilities such as the Coronavirus large business interruption loan scheme. The Group remained compliant with its banking covenants throughout 2020 to date.

Following the Corona virus lock-down in the first half of 2020 the Group instigated a number of mitigating actions to protect it against the financial impact of the closures and ensure compliance with covenants at the balance sheet date. This included drawing down on government support measures such as the Corona virus job retention scheme, utilising the retail discount scheme for rates and deferring VAT, as well as utilising support measures from vehicle manufacturers and stocking loan providers to extend vehicle payment periods. The Group also reviewed its level of planned capital expenditure and either cancelled or postponed certain projects.

NOTES TO THE FINANCIAL STATEMENTS continued**YEAR ENDED 31 DECEMBER 2019****1 ACCOUNTING POLICIES (continued)**

In the context of the above, the Group Directors have prepared cash flow forecasts for the period to 31 March 2022 which indicate that, taking account of reasonably possible downsides, the Group will have sufficient funds to meet its liabilities as they fall due for that period. The Group Directors have assessed the potential on-going impacts of the Coronavirus pandemic including the risk of further national lockdown coupled with the risk of there not being a comprehensive trade deal at the end of the Brexit transition period, leading to wider economic disruption.

The Directors of the Company have assessed the conclusions reached by the Group directors and agree with their conclusions.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on page 1.

(b) Turnover. Turnover from the sale of goods is recognised in the profit and loss account, net of discounts, on satisfaction of the Company's performance obligations under the sale contracts, which is when the Company has satisfied its performance obligations to the customer and the customer has obtained control of the goods or services being transferred. In general this occurs when vehicles or parts have been supplied or when service has been completed. Turnover from aftersales services rendered is recognised in the profit and loss account in proportion to the stage of completion of the transaction at the reporting date. Usually these services are completed within one day. The stage of completion is assessed by surveys of work performed or by reference to time expended on services that are charged on a labour basis.

Incentives received from manufacturers in respect of target achievements are accounted for as a deduction from the cost of the vehicles or parts to which they relate.

(c) Intangible assets. Other intangible assets are stated at cost less accumulated amortisation and any impairment losses. This category of asset, which includes purchased computer software, are amortised by equal instalments over four years.

(d) Tangible fixed assets and depreciation. Fixed assets are shown at cost, less depreciation and provision for impairment. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of fixed assets on a straight line basis over their estimated useful lives as follows -

Leasehold properties - 2% per annum or over the period of the lease if less than 50 years

Plant and machinery 25% per annum.

Motor vehicles 20 to 25% per annum

(e) Stocks.

(i) Motor vehicle stocks are stated at the lower of cost and net realisable value. Cost is net of incentives received from manufacturers in respect of target achievements. Fair values of motor vehicle stocks are determined by assessing the estimated sales point and sales price using historical trends for vehicles categorised by their time in stock and stock classification. The assessment of fair values involves an element of judgement and estimation, examples of which include assessing the current state of the market in a given segment, assessing the impact of the age and condition of the vehicle on its fair value and consideration of macro-economic factors as discussed in the risk overview. Whilst this data is deemed representative of current values it is possible that ultimate sales values can vary from those applied.

(ii) Parts inventories are based on an average purchase cost principle and are written down to net realisable value by providing for obsolescence on a time in stock based formula approach.

(f) Trade and other debtors. Trade and other debtors are recognised initially at fair value and are subsequently stated at amortised cost using the effective interest method, less any impairment losses.

(g) Trade and other creditors. Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

(h) Cash and cash equivalents. Cash and cash equivalents comprise cash balances and call deposits.

(i) Impairment excluding stocks and deferred tax assets.

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is measured for impairment losses in accordance with IFRS 9 using an expected credit loss (ECL) model. The impairment model applies to financial assets measured at amortised cost. The calculation of ECLs are a probability-weighted estimate of credit losses. For trade receivables, the Company applies the simplified approach set out in IFRS 9 to measure expected credit losses using a lifetime expected credit loss allowance. The Company considered a trade or other receivables, including intercompany receivables, to be in default when the borrower is unlikely to pay its credit obligations to the Company in full after all reasonable actions have been taken to recover the debt.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit').

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

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

NOTES TO THE FINANCIAL STATEMENTS continuedYEAR ENDED 31 DECEMBER 2019**1 ACCOUNTING POLICIES (continued)**

(j) Interest receivable and Interest payable. Interest payable and similar charges include interest payable and finance charges on shares classified as liabilities. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested. Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

(k) Taxation. Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not recognised: initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred income tax assets and liabilities are offset when there is a legally enforceable rights to offset current tax assets against current tax liabilities.

(l) Leases. Leases are classified as operating leases wherever the lease does not transfer substantially all the risks and rewards of ownership to the Company. Rentals paid under operating leases are charged directly to the profit and loss account on a straight line basis over the period of the lease. Leases subject to predetermined fixed rental uplifts have their rentals accounted for on a straight line basis recognised over the life of the lease. Lease incentives received and paid are recognised in the profit and loss account as an integral part of the total lease expense over the term of the lease.

(m) Post-retirement benefits. The Company participates in a group wide defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The Company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by IAS 19 'Employee benefits (2011)', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

(n) Dividends on shares presented within shareholders funds. Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2019

2 TURNOVER

The Company principally generates turnover from the sale of new and used motor vehicles, together with the supply of motor vehicle parts, servicing and repair activities, collectively referred to as aftersales. Products and services may be sold separately or in bundled packages. Examples of a bundled package will include the supply of a vehicle with an extended warranty or a servicing plan. For bundled packages, the Company accounts for individual products and services separately as they are distinct items, as each performance obligation within that contract is separately identifiable from other items in the bundled package. The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Company sells these items and are separately identified on the customer's invoice. Full details of these elements of the Company's turnover are provided in the consolidated financial statements of Pendragon PLC for the year ended 31 December 2019.

Turnover by major products/service lines	2019 £000	2018 £000
New vehicle revenue	24,634	20,528
Used vehicle revenue	19,081	39,647
Aftersales revenue	3,786	3,163
Turnover from external customers	47,501	63,338
Timing of turnover recognition	2019 £000	2018 £000
At point in time	47,501	63,338
Turnover from external customers	47,501	63,338

All turnover arises in the United Kingdom.

Contract balances	2019 £000	2018 £000
Contract assets	717	228
Contract liabilities	(516)	(671)

Contract assets relate to the trade debtors in relation to customer contracts fulfilled but not paid at the balance sheet date, cost of parts supplied to and work performed on customers vehicles which has yet to be completed. Contract liabilities relate to payments received on account for contracts to supplied goods at a future date.

3 OPERATING LOSS

Operating loss has been arrived at after charging :	2019 £000	2018 £000
Depreciation of tangible fixed assets	204	262
Amortisation of intangible fixed assets	3	5
Operating lease charges- land and buildings	1,038	1,153
Operating lease charges- plant and equipment	3	103
Auditor's remuneration- audit	4	4

Amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Pendragon PLC.

4 EMPLOYEES

The average number employed by the Company in the following areas was:

	2019 Number	2018 Number
Sales	15	18
Aftersales	26	33
Administration	17	21
	58	72

Costs incurred in respect of these employees were :

	2019 £000	2018 £000
Wages and salaries	1,720	2,022
Social security costs	173	186
Other pension costs	69	60
	1,962	2,268

No director of the Company received or waived any remuneration for services to the Company during the year (2018 : £nil).

The directors are employed by Pendragon PLC and full details of their remuneration can be found in the Directors Remuneration Report section of that company's annual report. A management charge is levied on the Company which incorporates an element of recharge for the remuneration of the directors amounting to £30,000 (2018 : £19,000).

5 INTEREST RECEIVABLE

	2019 £000	2018 £000
Intra group interest receivable	142	224

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2019

6	INTEREST PAYABLE	2019	2018
		£000	£000
	Bank interest payable	-	285
	Stocking loan interest	194	118
		194	403

Stocking loan interest is paid on amounts payable to vehicle manufacturers through their related finance arms at commercial rates of interest and to third party stock finance providers at a LIBOR plus a commercial margin.

7	TAXATION	2019	2018
		£000	£000
	UK corporation tax at the UK average statutory rate of 19.00% (2018 : 19.00%)		
	Current tax on loss for the year	(148)	(193)
	Adjustments in respect of prior periods	(1)	(188)
	Total current tax	(149)	(381)
	Deferred taxation		
	Origination and reversal of temporary differences	9	3
	Adjustments in respect of prior periods	2	(1)
	Total deferred tax	11	2
	Tax credit on loss on ordinary activities	(138)	(379)

Factors affecting the tax credit for the year:

The tax credit assessed is lower (2018 : higher) than the standard rate of corporation tax in the UK of 19.00% (2018 : 19.00%). The differences are explained below:

	2019	2018
	£000	£000
Loss on ordinary activities before tax	(729)	(1,023)
Tax on loss at the UK average statutory rate of 19.00% (2018 : 19.00%)	(139)	(194)
Effects of:		
Permanent differences arising in respect of fixed assets	1	2
Expenses not deductible in determining taxable profit	-	2
Effect of decrease in tax rate	(1)	-
Adjustments to tax charge in respect of previous years	1	(189)
Tax credit on ordinary activities	(138)	(379)

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2019 has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the Company's future tax charge.

8	DIVIDENDS PAID	2019	2018
		£000	£000
	Ordinary shares		
	Ordinary dividends on equity shares - £nil (2018 : £10.00) per ordinary share	-	1,000

9	FIXED ASSETS - INTANGIBLE ASSETS	Software
		£000
	Cost	
	At 31 December 2018	69
	Disposals	(8)
	At 31 December 2019	61
	Amortisation	
	At 31 December 2018	64
	Charge for the year	3
	Disposals	(7)
	At 31 December 2019	60
	Net book value	
	At 31 December 2019	1
	At 31 December 2018	5

Intangible assets amortisation is recorded in administrative expenses in the profit and loss account.

10	FIXED ASSETS - TANGIBLE ASSETS	Short leasehold property	Plant & equipment	Motor vehicles	Total
		£000	£000	£000	£000
	Cost				
	At 31 December 2018	40	2,045	81	2,166
	Additions	18	26	154	198
	Disposals	(9)	(240)	(145)	(394)
	At 31 December 2019	49	1,831	90	1,970
	Depreciation				
	At 31 December 2018	14	1,243	14	1,271
	Charge for the year	6	182	16	204
	Disposals	(6)	(207)	(22)	(235)
	At 31 December 2019	14	1,218	8	1,240
	Net book value				
	At 31 December 2019	35	613	82	730
	At 31 December 2018	26	802	67	895

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2019

11 STOCKS

	2019 £000	2018 £000
New and used vehicles	10,755	18,307
Parts and sundry stocks	379	414
	11,134	18,721

During the year £7,000 was recognised as a credit in respect of the write down of stocks (2018 : £483,000 credit).

12 DEBTORS

	2019 £000	2018 £000
Trade debtors	633	119
Amounts owed by group undertakings	3,920	11,513
Deferred taxation (see note 14)	99	110
Other taxation	-	844
Other debtors	2,755	553
Prepayments	121	91
	7,528	13,230

All amounts are due within one year, with the exception of deferred tax.

Amounts owed by group undertakings are repayable on demand. The intercompany loan bears interest on variable rate terms of LIBOR + variable amount dependent on Group leverage ratio.

13 CREDITORS : amounts falling due within one year

	2019 £000	2018 £000
Bank overdraft	-	5,280
Trade creditors	3,272	10,660
UK corporation tax	-	-
Payments received on account	516	671
Other taxation and social security	683	27
Accruals and deferred income	755	904
	5,226	17,542

14 DEFERRED TAX ASSET

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2019 £000	2018 £000
Deferred tax assets	99	110

The movement in the deferred tax assets / (liabilities) for the year is as follows:

	Accelerated capital allowances £000	Other short term temporary differences £000	Total £000
At 1 January 2018	107	5	112
(Charged) to profit and loss	(1)	(1)	(2)
At 31 December 2018	106	4	110
At 1 January 2019	106	4	110
(Charged)/credited to profit and loss	(12)	1	(11)
At 31 December 2019	94	5	99

The directors believe that the deferred tax asset recognised is recoverable as they expect taxable profits to arise in the foreseeable future.

Deferred tax asset is shown within debtors (see note 12).

15 CALLED UP SHARE CAPITAL

	2019 £000	2018 £000
Allotted, called up and fully paid :		
100,000 (2018 : 100,000) ordinary shares of £1 each	100	100

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2019

16 LEASING

2019 disclosures under IFRS 16 Leases

Lease liabilities	2019
	£000
2019 - IFRS 16	
Balance at 1 January 2019	-
Balance at 31 December 2019	-
Amounts recognised in profit or loss	2019
	£000
2019 – Leases under IFRS 16	
Depreciation of right of use assets	-
Interest on lease liabilities	-
Expenses in respect of payments made to Pendragon Property Holdings Limited in respect of property (see below)	1,038
Expenses relating to low value and short-term leases	3
	1,041

2018 disclosures under IAS 17 Leases

At 31 December 2018, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018
	£000
Within one year	3
In the second to fifth years inclusive	1
	4

The Company leases properties from Pendragon Property Holdings Limited on terms allowing immediate termination by either party. As such no lease commitment is shown in respect of these properties. In addition there are other leases in respect of items of plant and equipment, including the rental of motor vehicles. None of the leases includes contingent rentals.

The following amounts have been charged to the income statement as operating expenses during the year:

	2018
	£000
Operating lease rentals payable	
- hire of plant and machinery	103
- property rentals	1,153

17 CONTINGENT LIABILITIES

The Company is party to multi-lateral cross guarantees in respect of the indebtedness of Pendragon PLC and its UK subsidiaries in favour of certain lenders to the group.

18 PENSIONS

The defined contribution pension scheme was closed at the end of April 2006 and replaced by an alternative defined contribution scheme (group stakeholder arrangement). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

The Company is a member of a funded group wide pension scheme, the Pendragon Group Pension Scheme providing benefits based on final pensionable pay. There is no stated policy for allocating assets and liabilities in relation to the scheme and therefore the Company accounts for its contributions on a straight line basis. At 31 December 2019 the scheme had a deficit on an IAS 19 basis of £59,000,000 (2018 : £68,300,000).

The Pendragon Group Pension Scheme is a funded defined benefit scheme that was set up during 2012 to receive the assets and liabilities of the Pendragon Group's previous six defined benefit schemes. The Scheme's actuarial valuation was carried out as at 31 December 2018 using the defined accrued benefits funding credit method. At this date the market value of the Scheme's assets was £418.1m; these assets represented 78% of the value of the technical provisions of £535.2m (excluding any defined contribution assets). The main assumptions used for this valuation were that the annual rate of return on existing investments would be 2.47% and the annual rate of pension increases would be between 2.65% - 3.45%. The employer contributions paid to the Scheme during the year was based upon actuarial advice.

The triennial valuation of the pension scheme reflecting the position as at 31 December 2018 was agreed by the Trustees on 17 March 2020. This has resulted in the Pendragon group raising its annual contribution to the pension scheme to £12.5m from 1 January 2020 from £7.0m in the prior year and will increase by 2.25% per annum. The next triennial valuation of the pension scheme will reflect the position as at 31 December 2021.

To comply with the Government's automatic enrolment legislation, the Company chose to participate in the People's Pension Scheme in April 2013. This is a defined contribution occupational pension scheme provided by B&CE.

The pension charge cost in respect of the group stakeholder arrangement and the People's Pension Scheme for the year was £69,000 (2018 : £60,000).

19 ULTIMATE PARENT COMPANY

The Company is a subsidiary undertaking of Pendragon PLC which is the ultimate parent company incorporated in the UK.

No other group financial statements include the results of the Company

20 POST BALANCE SHEET EVENTS

From March 2020 the UK was impacted by the outbreak of the Corona virus and resultant lock-downs. The Company instigated a number of mitigating actions to protect it against the financial impact of the closures. This included drawing down on government support measures such as the Corona virus job retention scheme, utilising the retail discount scheme for rates and deferring VAT, as well as utilising support measures from vehicle manufacturers and stocking loan providers to extend vehicle payment periods. The Company also reviewed its level of planned capital expenditure and either cancelled or postponed certain projects. In accordance with IAS 10 the impact on the business of the Corona virus during 2020 as highlighted in the Strategic Report is a non-adjusting event at the balance sheet date.