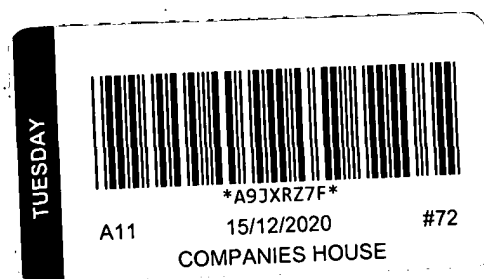


Guildford Portfolios Limited

Annual report and financial statements

For the year ended 31 December 2019

Registered number: 02986720



Guildford Portfolios Limited

Annual report and financial statements 2019

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Guildford Portfolios Limited

Annual report and financial statements

Officers and professional advisers

Directors

B Moynahan
L Shelly
S Kelly

Company Secretary

Sean Kelly

Registered office

Vines House
Slyfield Green
Woking Road
Guildford
Surrey
United Kingdom
GU1 1RD

Bankers

Lloyds Bank Plc

Solicitors

Waterfront Solicitors

Independent auditor

Deloitte LLP
Statutory Auditor
Park House
Crawley Business Quarter
Manor Royal
Crawley
RH10 9AD
United Kingdom

Guildford Portfolios 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 2.4% in 2019 (2018 - 6.8%), with annual registrations falling for a third year to 2,311,140 (2018 - 2,367,147) units. There was modest growth in demand for petrol cars, up 2.2% (2018 - 8.7%). However, this was not enough to offset the significant 21.8% (2018 - 29.6%) decline in diesel registrations. December marked the 33rd (2018 - 21st) month of diesel decline, as continued anti-diesel rhetoric and confusion over clean air zones hit demand.

Bucking the overall trend, combined alternatively fuelled vehicle (AFV) registrations surged in 2019 to take a record 7.4% market share. Hybrid electric vehicles (HEVs) continued to dominate this sector, with registrations increasing 17.1% (2018 - 21.3%) to 97,850 (2018 - 81,156) units. Battery electric vehicle (BEV) registrations experienced the biggest percentage growth, rising 144.0% (2018 - 13.8%) to 37,850 (2018 - 15,474) units and overtaking plug-in hybrids for the first time.

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 and the wider BMW network.

Within this competitive environment the Company performed below our expectations and delivered a loss before tax of £1,733,053 (2018 - £1,774,224).

The group has recently undertaken a number of actions to address this position, including revision to our operating policies in used cars, finance sales and aftersales which provides the bulk of the improved gross profit planned in 2020. After recent significant capital spend on retailer redevelopments, the group 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 in sales penetration of TIV. Vines penetration for the BMW marque achieving 8.1% (2018 - 8.9%) market penetration compared to a national average of 5.5% (2018 - 5.6%) whilst the Vines MINI marque achieved 4.8% (2018 - 5.6%) market penetration also ahead of the national average of 3.5% (2018 - 3.8%). The overall volume for the business was 6,581 (2018 - 6,184) new and used cars and motorcycles, a modest 3.2% increase (2018 - reduction 3.9%).

Margins

Retail car sales margins came under increased pressure in the network drive for target achievement. Service labour margins were up by 16.8% (2018 - 1.1%) reflecting improvements in technician performance, however the now high proliferation of manufacturer service packs on vehicles and the competitive nature of retaining older car service business provide constant pressure on this area. Department returns from the service business remains higher than the average dealer, but our expectation is that this business will become increasingly competitive during 2020.

Overheads

The group overheads increased by 1% (2018 - 12%) compared to 2018 demonstrating a continued control over the fixed cost base for the business.

Results

The loss for the year after taxation was £1,488,732 (2018 - loss £2,152,041).

The Company had net assets of £11,822,119 at 31 December 2019 (2018 - £11,822,119) and the Group had net assets of £9,336,344 at 31 December 2019 (2018 - £10,825,076), the directors consider this to be an adequate financial position.

Guildford Portfolios 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 2019	Year ended 31 December 2018
Key Performance Indicators		
Operating profit margin	(0.48%)	(0.66%)
New vehicle volumes	3,274	3,557
Used vehicle volumes	3,297	2,627

Operating profit margin improved year on year mainly due to increased profitability in Vines aftersales business. New vehicle volumes have decreased due to lower demand across our retail and corporate sales channels. Used vehicle volumes have increased due to deliberate actions taken to increase stock volumes and have a greater online presence to compensate for lower new vehicle demand.

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

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

This Net Promotor Score advocacy test (with a possible range from -100 to +100) is the best measure of future referral and repeat business. For full year 2019, the feedback from our customers surveyed by the manufacturer indicated the following:

	2019		2018	
	NPS	Surveys return	NPS	Surveys returned
BMW Sales	75.8	348	81.7	409
MINI Sales	80.6	165	87.3	181
BMW Service	34.6	2,060	52.9	1,605
MINI Service	58.8	803	66.9	733

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

Supplying cars to local customers improves our future aftersales opportunity and provides a positive opportunity for repeat business in the future. For full year 2019, the results are below.

Vines penetration for the BMW marque achieving 8.1% market penetration compared to a national average of 5.5% whilst the Vines MINI marque achieved 4.8% market penetration also ahead of the national average of 3.5%.

Principal risks and uncertainties

The UK has now left the EU, but uncertainty remains in relation to what trade deals are negotiated for implementation after the transition period ends on 31 December 2020. These trade deals will have a particular impact on the automotive sector in the UK. Uncertainty is not helpful when it comes to making long term decisions, however until it comes clear what the result of these negotiations will be, the company continues to plan for different outcomes, to operate as 'business as usual' in so far as possible.

The decline in turnover from the impact of Covid-19 is expected to have a limited effect on the company's liquidity position and reserves.

The effects of climate change and associated future legislative developments may potentially have an effect on our business model and the way we work in the future. The pandemic has enhanced the public attention towards building a more sustainable business in the future, which may require investment in our economic, social and sustainability agenda.

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,

Guildford Portfolios Limited

Strategic report (continued)

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.

Financial risk management objectives and policies

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

Cash flow risk

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

Price risk

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

Credit risk

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

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

Liquidity risk

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

Future Developments and Going Concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Trading conditions for new BMW in the UK marketplace deteriorated in 2019 and created some operational profit pressures. The reduction in business performance remains largely within BMW Sales, specifically retained gross profit on new retail cars. This constitutes the majority of the deficit to operating profit. From a liquidity point of view, this translates to cash reductions of smaller amounts on retail vehicles sold. This is less impactful than missing a sales bonus, which are hundreds of thousands of pounds and paid quarterly. The business continues to achieve these targets, so the bulk of Vines cash inflows are secure.

During quarter one 2020 the business was outperforming 2019 turnover until the UK lockdown instigated by the Coronavirus outbreak in the UK on 23 March 2020. This had a significant impact in trading across March month end and into quarter two.

The circumstances resulting from COVID-19 has impacted on the trading performance of the company in the period from March 2020. Following UK government requirements, all vehicle sales operations closed from mid-March, with showrooms only reopening again from 1 June. Additionally service departments were also closed from mid-March until 11 May 2020, with the exception of provision for maintenance and repair work for the UK emergency services when needed. Although this shutdown created financial losses in April and May 2020, used sales and aftersales activity have dramatically improved since June, which reported strong operating profits and cash flows for these months. These positive results have continued up to date of the approval of these financial statements.

Our cash position has remained positive during the period of lockdown (and subsequently) the only creditor created was from utilising the Government 'time to pay' scheme for VAT and PAYE, this liability is at £403,221 as at 30 November 2020 and is repayable at £100,000 per month until 31 March 2021. We have also received business rates relief on our 3 main trading sites supporting our cash position.

We utilised the support of the Corona Virus Job Retention scheme receiving just over £2m to support the wages of staff that would have otherwise been made redundant due to the enforced closure of our business.

Guildford Portfolios Limited

Strategic report (continued)

Upon reopening the business fully, we instigated a business restructure in light of an expected downturn in trading and the uncertainty facing the business. This restructure has reduced the annual payroll cost by £1.5m. During 2020 Vines has further developed our Fit for Success programme, looking to further reduce overheads and running costs, in the three key cost areas of our business; people, vehicle stock and interest charges. Alongside this we have revised our operating policies in used cars, finance sales and aftersales which provides the bulk of the improved gross profit forecast in 2020.

Give the work undertaken to restructure the business, the business remained profitable during the recent second UK national Lockdown and therefore we do not expect to see a detrimental effect on profitability due to Covid related reasons at the end of 2020. Our expectations for full year 2020 is an increase in EBITDA of more than £1m compared to full year 2019.

The BMW Franchise Agreement runs for a period of 5 years and was last signed on 30 October 2018, providing a confirmed contract for continued trading until 2023 at the earliest.

The liquidity of the business remains sound with a cash balance in excess of £4m at time of completing these accounts and other than the mortgage funding of the Guildford property we have no other long-term funding commitments. The Company meets the day to day working capital requirements via a mixture of funding facilities provided by BMW Financial Services GB Ltd and shareholders' short term funds of £1m. Internal budget projections do not place emphasis on the need to use funds beyond shareholders' short term funds. There are no financial covenants the business must adhere to.

In November each year, BMW UK present to the network the material information relevant for setting a retailers budget, this includes sales volumes, available margins and any tactical programmes. Vines then translate this into our localised budget for the business and Group. We make assumptions regarding the transaction margins based on current trading and by tracking performance on a rolling 12 month basis (at point of budget creation in December) we then plan for revenue, cost of sales and operating expense accordingly.

The budget for 2021 has been prepared in light of our most recent trading experience, which has demonstrated a continual monthly profit since reopening the business fully in June 2020, this has then had a sensitivity applied which assumes a potential market downturn of ten percent from current trading and assumes one further period of lockdown during Q1 2021.

BMW UK continues to react to the marketplace by improving the direct contributions for customers to allow Vines to increase transactional margins over the medium term and for 2021 have provided Vines with a static volume target, alleviating the necessity to self-register cars and reduce the balance sheet exposure of stock. For 2021, BMW has provided the BMW network with a simplified target and bonus arrangement designed to improve overall BMW Sales returns.

BMW UK has a series of new models (some in new market segments) providing additional profit opportunity over the course of the next 12 months, namely a new 2 Series, 4 Series and a number of attractive Plug-In hybrid vehicles. The launch of the brand new MINI E vehicle in March, provides an attractive proposition for customers with healthy profit margins within a sector with growing customer demand. We anticipate this will improve MINI sales profit during quarter two as these cars are delivered to customers. It is expected that these new products will attract customers driving other marques of car and motorcycles.

After making enquiries, reviewing the internal budget projections and considering the uncertainties described above, the directors have a reasonable expectation that the Company and Group have adequate resources available to continue in operational existence for the foreseeable future. For these reasons they continue to adopt the going concern basis in preparing the annual report and financial statements. Details of significant events since the balance sheet date are contained in note 21 to the financial statements.

Section 172 Statement

The directors of the company, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

"A director of a company must act in a way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

Guildford Portfolios Limited

Strategic report (continued)

The Board meets regularly to discuss and make decisions on matters of strategic importance to the business to promote the long-term success of the Group and to consider the likely long-term effect of such decisions.

The Group has approximately 350 employees and they all play a key part in achieving these objectives. The Group ensures staff are aware of the strategic decisions through regular communications and staff have the opportunity to escalate any ideas to relevant management teams. The Group provides training across a wide range of risk and governance topics.

The Group has strong and well established long-term relationships with its suppliers, tenants and customers. Further details of our engagement with wider stakeholders is provided in the Directors' Report.

The Group is committed to having a positive impact and enhancing the lives of those in the communities in which we live and work. The Board will continuously monitor and make decisions in this regard.

The Group expects the highest standards of conduct from its employees, business partners and suppliers with which it engages by expecting them to adhere to the highest standards of business conduct to promote the continued success of the Company.

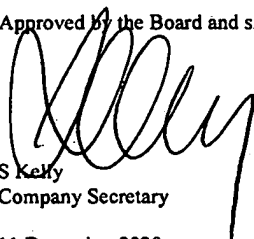
The Company's articles of association may be amended by special resolution of the Company's shareholders. Throughout 2020 the Board will continue to review how the Group can improve engagement with its employees and stakeholders.

Vines directors are briefed on their duties and they can access professional advice on these, either from the company secretary, or if they judge necessary from an independent advisor. It is important to recognise that in a large organisation such as ours, the directors fulfil their duties partly through a governance framework that delegates day-to-day decision making to the employees of the company.

The board of directors consider that during the year ended 31 December 2019, individually and together that they have acted in a 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 and in accordance with the matters set out above. The directors' behaviours are intended to reinforce this duty and help foster the company's values and culture, align them to the company's goals and objectives, set within the context of alignment with the interests of all stakeholders, where possible.

Further details of our engagement with wider stakeholders is provided in the Directors' Report.

Approved by the Board and signed on its behalf by:



S Kelly
Company Secretary

11 December 2020

Registered Office

Slyfield Green
Woking Road
Guildford
Surrey
United Kingdom
GU1 1RD

Guildford Portfolios 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 2019. 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. The going concern disclosure is discussed in the Strategic Report on pages 4 to 6.

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 pages 4 to 6. The post balance sheet events have been discussed in the Strategic Report on pages 4 to 6.

Dividends

The directors do not propose the payment of a dividend (2018 - £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 Group 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 Group that training, career development and promotion opportunities should be available to all employees. The directors are committed to encouraging employee involvement in the business.

Engagement with Employees

We have maintained our commitment to employee involvement throughout the business. Employees are kept well informed of the performance and objectives of the company through personal briefings, regular meetings, email messages, video messages and via the company's intranet. This approach enabled a smooth transition to remote working when, after period end, the United Kingdom went into lockdown. The board is grateful for the continued support and loyalty by its staff, clients and candidates.

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.

Engagement with suppliers, customers and others

The board considers fostering business relationships with stakeholders, such as customers and suppliers key to the company's success. The board maintains visibility of these relationships so that it can take stakeholders considerations into account when making decisions. In their decision making the directors have regard to the impact of the company's activities, not only on the stakeholders, but also the community and environment. This includes setting, updating and monitoring company strategy and managing and mitigating risk. We have a long-standing overarching strategy 'winning together' which details the objectives, strategy and tactics for the organisation.

Guildford Portfolios Limited

Directors' report (continued)

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

11 December 2020

Registered Office

Slyfield Green
Woking Road
Guildford
Surrey
United Kingdom
GU1 1RD

Guildford Portfolios 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.

Independent auditor's report to the members of Guildford Portfolios Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Guildford Portfolios Limited (the parent 'company') and its subsidiary (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's 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 which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated balance sheet;
- the company balance sheet;
- the consolidated statement of changes in equity;
- the company statement of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 24.

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

Basis for opinion

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

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

Conclusions relating to going concern

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 group's or the parent 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.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the group and of the parent company and 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

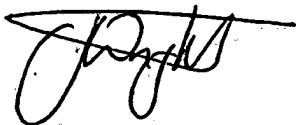
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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



James Wright FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Crawley, United Kingdom

11 December 2020

Guildford Portfolios Limited

**Consolidated profit and loss account
For the year ended 31 December 2019**

	Note	2019 £	2018 £
Turnover	3	190,566,151	181,695,689
Cost of sales		<u>(167,606,994)</u>	<u>(160,416,266)</u>
Gross profit		22,959,157	21,279,423
Administrative expenses		<u>(23,870,498)</u>	<u>(22,480,305)</u>
Operating loss		(911,341)	(1,200,882)
Finance costs (net)	5	<u>(821,712)</u>	<u>(573,342)</u>
Loss before taxation	6	(1,733,053)	(1,774,224)
Tax on loss	9	<u>244,321</u>	<u>(377,817)</u>
Loss for the financial year		<u><u>(1,488,732)</u></u>	<u><u>(2,152,041)</u></u>

Turnover and operating loss are derived from continuing operations.

Guildford Portfolios Limited

**Consolidated statement of comprehensive income
For the year ended 31 December 2019**

	2019 £	2018 £
Loss for the financial year	(1,488,732)	(2,152,041)
Gains arising on the revaluation of tangible fixed assets	-	1,048,833
Deferred tax charge on the revaluation of tangible fixed assets	-	(178,301)
	<hr/>	<hr/>
Other comprehensive income for the year	-	870,532
	<hr/>	<hr/>
Total comprehensive expense for the year	<u>(1,488,732)</u>	<u>(1,281,509)</u>

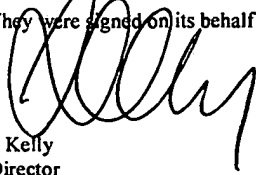
Guildford Portfolios Limited

Consolidated balance sheet As at 31 December 2019

	Note	2019	2018
		£	£
Fixed assets			
Intangible assets	10	52,083	103,547
Tangible assets	11	12,239,358	12,806,736
		<u>12,291,441</u>	<u>12,910,283</u>
Current assets			
Stocks	13	36,292,373	30,734,554
Debtors	14	7,003,865	10,378,647
Cash at bank and in hand		2,668,872	2,371,536
		<u>45,965,110</u>	<u>43,484,737</u>
Creditors: Amounts falling due within one year	15	<u>(43,288,319)</u>	<u>(43,394,442)</u>
Net current assets		<u>2,676,791</u>	<u>90,295</u>
Total assets less current liabilities		<u>14,968,232</u>	<u>13,000,578</u>
Creditors: Amounts falling due after more than one year	16	(4,611,151)	(1,256,024)
Provisions for liabilities	18	<u>(1,020,737)</u>	<u>(919,478)</u>
Net assets		<u>9,336,344</u>	<u>10,825,076</u>
Capital and reserves			
Called up share capital	19	6,794,214	6,794,214
Other reserves		800	800
Revaluation reserve		1,608,178	1,608,178
Profit and loss account		933,152	2,421,884
Shareholder's funds		<u>9,336,344</u>	<u>10,825,076</u>

The financial statements of Guildford Portfolios Limited (registered number 02986720) were approved by the board of directors and authorised for issue on 11 December 2020.

They were signed on its behalf by:


S Kelly
Director

Guildford Portfolios Limited

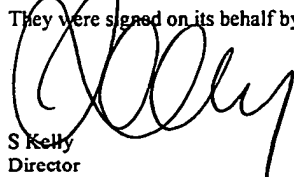
Company balance sheet At 31 December 2019

	Note	2019	2018
		£	£
Fixed assets			
Investments	12	11,822,119	11,822,119
Current assets		-	-
Net current assets		-	-
Total assets less current liabilities		<u>11,822,119</u>	<u>11,822,119</u>
Net Assets		<u>11,822,119</u>	<u>11,822,119</u>
Capital and reserves			
Called up share capital	19	6,794,214	6,794,214
Other Reserves		800	800
Profit and loss account		<u>5,027,105</u>	<u>5,027,105</u>
Shareholders' funds		<u>11,822,119</u>	<u>11,822,119</u>

There was no profit in the financial year within the financial statements of the parent company (2018: nil).

The financial statements of Guildford Portfolios Limited (registered number 02986720) were approved by the board of directors and authorised for issue on 11 December 2020.

They were signed on its behalf by:


S Kelly
Director

Guildford Portfolios Limited

Consolidated statement of changes in equity At 31 December 2019

	Called-up share capital £	Other reserves £	Revaluation reserve	Profit and loss account £	Total £
At 1 January 2018	6,794,214	800	737,646	4,573,925	12,106,585
Loss for the financial year	-	-	-	(2,152,041)	(2,152,041)
Revaluation of property	-	-	1,048,833	-	1,048,833
Deferred tax charge on revaluation of tangible fixed assets	-	-	(178,301)	-	(178,301)
Total comprehensive income/(expense) for the year	-	-	870,532	(2,152,041)	(1,281,509)
At 31 December 2018	<u>6,794,214</u>	<u>800</u>	<u>1,608,178</u>	<u>2,421,884</u>	<u>10,825,076</u>
 At 1 January 2019	 6,794,214	 800	 737,646	 2,421,884	 10,825,076
Loss for the financial year	-	-	-	(1,488,732)	(1,488,732)
Total comprehensive expense for the year	-	-	-	(1,488,732)	(1,488,732)
At 31 December 2019	<u>6,794,214</u>	<u>800</u>	<u>1,608,178</u>	<u>933,152</u>	<u>9,336,344</u>

Guildford Portfolios Limited

**Company statement of changes in equity
At 31 December 2019**

	Called-up Share capital £	Other reserves £	Profit and loss account £	Total £
At 1 January 2018	6,794,214	800	5,027,105	11,822,119
Profit and total comprehensive income for the year	-	-	-	-
At 31 December 2018	6,794,214	800	5,027,105	11,822,119
Profit and total comprehensive income for the year	-	-	-	-
At 31 December 2019	6,794,214	800	5,027,105	11,822,119

Guildford Portfolios Limited

Consolidated cash flow statement Year ended 31 December 2019

	Note	2019 £	2018 £
Net cash flows from operating activities	21	(2,508,134)	483,994
Cash flows from investing activities			
Proceeds from the sale of equipment		7,511	9,408
Purchase of equipment		(382,619)	(308,267)
Net cash flows from investing activities		<u>(375,108)</u>	<u>(298,859)</u>
Cash flows from financing activities			
Repayments of borrowings		(404,406)	(418,668)
Mortgage drawdown		3,674,198	-
Interest payments		(89,214)	(65,319)
Net cash flows from financing activities		<u>3,180,578</u>	<u>(483,987)</u>
Net decrease in cash and cash equivalents		297,336	(298,852)
Cash and cash equivalents at the beginning of the year		<u>2,371,536</u>	<u>2,670,388</u>
Cash and cash equivalents at the end of the year		<u><u>2,668,872</u></u>	<u><u>2,371,536</u></u>
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		<u><u>2,668,872</u></u>	<u><u>2,371,536</u></u>

Guildford Portfolios Limited

Notes to the financial statements For the year ended 31 December 2019

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

Guildford Portfolios Limited is a private company limited by shares 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 Group's operations and its principal activities are set out in the Directors Report on page 7.

The financial statements have been prepared under the historical cost convention, except for long leasehold properties which are held at revalued amounts, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Guildford Portfolios Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertaking drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation. In accordance with Section 35 of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations effected prior to the date of transition.

Future Developments and Going Concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Trading conditions for new BMW in the UK marketplace deteriorated in 2019 and created some operational profit pressures. The reduction in business performance remains largely within BMW Sales, specifically retained gross profit on new retail cars. This constitutes the majority of the deficit to operating profit. From a liquidity point of view, this translates to cash reductions of smaller amounts on retail vehicles sold. This is less impactful than missing a sales bonus, which are hundreds of thousands of pounds and paid quarterly. The business continues to achieve these targets, so the bulk of Vines cash inflows are secure.

During quarter one 2020 the business was outperforming 2019 turnover until the UK lockdown instigated by the Coronavirus outbreak in the UK on 23 March 2020. This had a significant impact in trading across March month end and into quarter two.

The circumstances resulting from COVID-19 has impacted on the trading performance of the company in the period from March 2020. Following UK government requirements, all vehicle sales operations closed from mid-March, with showrooms only reopening again from 1 June. Additionally service departments were also closed from mid-March until 11 May 2020, with the exception of provision for maintenance and repair work for the UK emergency services when needed. Although this shutdown created financial losses in April and May 2020, used sales and aftersales activity have dramatically improved since June, which reported strong operating profits and cash flows for these months. These positive results have continued up to date of the approval of these financial statements.

Guildford Portfolios Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

1. Accounting policies (continued)

Our cash position has remained positive during the period of lockdown (and subsequently) the only creditor created was from utilising the Government 'time to pay' scheme for VAT and PAYE, this liability is at £403,221 as at 30 November 2020 and is repayable at £100,000 per month until 31 March 2021.

We utilised the support of the Corona Virus Job Retention scheme receiving just over £2m to support the wages of staff that would have otherwise been made redundant due to the enforced closure of our business.

Upon reopening the business fully, we instigated a business restructure in light of an expected downturn in trading and the uncertainty facing the business. This restructure has reduced the annual payroll cost by £1.5m. During 2020 Vines has further developed our Fit for Success programme, looking to further reduce overheads and running costs, in the three key cost areas of our business; people, vehicle stock and interest charges. Alongside this we have revised our operating policies in used cars, finance sales and aftersales which provides the bulk of the improved gross profit forecast in 2020.

Give the work undertaken to restructure the business, the business remained profitable during the recent second UK national Lockdown and therefore we do not expect to see a detrimental effect on profitability due to Covid related reasons at the end of 2020. Our expectations for full year 2020 is an increase in EBITDA of more than £1m compared to full year 2019.

The BMW Franchise Agreement runs for a period of 5 years and was last signed on 30 October 2018, providing a confirmed contract for continued trading until 2023 at the earliest.

The liquidity of the business remains sound with the lowest cash balance in November of £5.8m and other than the mortgage funding of the Guildford property we have no other long-term funding commitments. The Company meets the day to day working capital requirements via a mixture of funding facilities provided by BMW Financial Services GB Ltd and shareholders' short term funds of £1m. Internal budget projections do not place emphasis on the need to use funds beyond shareholders' short term funds. There are no financial covenants the business must adhere to.

In November each year, BMW UK present to the network the material information relevant for setting a retailers budget, this includes sales volumes, available margins and any tactical programmes. Vines then translate this into our localised budget for the business and Group. We make assumptions regarding the transaction margins based on current trading and by tracking performance on a rolling 12 month basis (at point of budget creation in December) we then plan for revenue, cost of sales and operating expense accordingly.

The budget for 2021 has been prepared in light of our most recent trading experience, which has demonstrated a continual monthly profit since reopening the business fully in June 2020, this has then had a sensitivity applied which assumes a potential market downturn of ten percent from current trading and assumes one further period of lockdown during Q1 2021.

BMW UK continues to react to the marketplace by improving the direct contributions for customers to allow Vines to increase transactional margins over the medium term and for 2021 have provided Vines with a static volume target, alleviating the necessity to self-register cars and reduce the balance sheet exposure of stock. For 2021, BMW has provided the BMW network with a simplified target and bonus arrangement designed to improve overall BMW Sales returns.

BMW UK has a series of new models (some in new market segments) providing additional profit opportunity over the course of the next 12 months, namely a new 2 Series, 4 Series and a number of attractive Plug-In hybrid vehicles. The launch of the brand new MINI E vehicle in March, provides an attractive proposition for customers with healthy profit margins within a sector with growing customer demand. We anticipate this will improve MINI sales profit during quarter two as these cars are delivered to customers. It is expected that these new products will attract customers driving other marques of car and motorcycles.

Guildford Portfolios Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

1. Accounting policies (continued)

After making enquiries, reviewing the internal budget projections and considering the uncertainties described above, the directors have a reasonable expectation that the Company and Group have adequate resources available to continue in operational existence for the foreseeable future. For these reasons they continue to adopt the going concern basis in preparing the annual report and financial statements. Details of significant events since the balance sheet date are contained in note 21 to the financial statements.

Intangible fixed assets

Goodwill arising on the acquisition of Vines Limited is written off to the profit and loss account in equal annual instalments over 20 years.

On the acquisition of a business operation, fair values are attributed to the net separable assets purchased. Where the fair value of the consideration given 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 for Vines Limited; the directors' best estimate of the useful economic life. Acquisitions are accounted for under the acquisition method.

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	- 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 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.

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 on 14 December 2018.

Investments

Investments held as fixed assets are stated at cost, less provision for any impairment in value.

Financial instruments

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

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

Guildford Portfolios Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

1. Accounting policies (continued)

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments that comply with all of the condition of paragraph 11.9 of FRS 102 are classified as 'basic'. For debt instruments that do not meet the conditions of FRS 102.11.9, the company considers whether the debt instrument is consistent with the principle in paragraph 11.9A of FRS 102 in order to determine whether it can be classified as basic. Instruments classified as 'basic' financial instruments are measured subsequently at amortised cost using the effective interest method.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

, Other debt instruments not meeting conditions of being 'basic' financial instruments are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

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.

Guildford Portfolios Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

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 Group'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

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.

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

Pension costs

The Group operates a defined contribution retirement benefit scheme for all qualifying employees. For deferred contribution schemes the amount charged to the profit and loss account in respect of pension costs and after 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 £206,655 (2018 - £120,426) 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.

Guildford Portfolios Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group'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 Group's accounting policies

The following are the critical judgements that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Principal vs Agent on corporate sales

Management must make a judgement as to whether the Group acts as the principal 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 principal due to having price autonomy and the risk of credit loss. Corporate car sales recognized during 2019 were £26,680,120 (2018 - £28,452,444)

Impairment of investments

Determining whether investments are impaired requires an estimation of the value in use of the investment. Management assess intangible assets for indicators of impairment on an ongoing basis. This was performed for the year ended 31 December 2019 and management did not identify any indicators of impairment. The carrying amount of investments at the balance sheet date was £11,822,119 (2018 - £11,822,119). No impairment loss was recognised during 2019 (2018 - £nil).

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. The presence of COVID-19 has increased these risks but is not considered to have changed them or added further material risks.

Used vehicle stock valuations

Used vehicle stock is purchased from auctions, other trade sources and private individuals. Used vehicle stock is a depreciating stock item and devalues monthly, making the estimated 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 the over-valuation is identified 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 £15,358,627 (2018 - £12,665,374).

3. Turnover

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

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

	2019 £	2018 £
Analysis of the Company's turnover split:		
Sale of Goods	182,960,949	174,898,615
Rendering of services	7,605,202	6,797,074
	<u>190,566,151</u>	<u>181,695,689</u>

Guildford Portfolios Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

4. Profit of the parent company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these audited statements. The parent company's result, for the year ended 31 December 2019 amounted to £nil (2018 - £nil).

5. Finance costs (net)

	2019	2018
	£	£
Interest payable and similar charges		
Other loans	821,712	573,342

Interest on the related party loans of £9,452 (2018 - £nil) was charged to the Group during the year.

6. Loss before taxation

	2019	2018
	£	£
Loss before taxation is stated after charging:		
Rentals under operating leases	1,310,274	1,200,837
Depreciation on tangible fixed assets	943,183	930,270
Amortisation of goodwill	51,464	51,464
Profit on the sale of tangible fixed assets	697	7,583
Impairment of stock recognised as an expense	2,132,749	2,624,523

The analysis of auditor's remuneration is as follows:

Fees payable to the company's auditor for the audit of the company's annual accounts	3,000	3,000
Fees payable to the company's auditor for other services to the group		
The audit of the company's subsidiary undertakings	47,000	53,455
Total audit fees	50,000	56,455
Taxation compliance services	9,321	6,000
Other Taxation advisory services	185	15,500
Other services	4,854	30,880
Total-non audit fees	14,360	52,380

Guildford Portfolios Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

7. Staff numbers and costs

The company does not employ any staff directly. The average monthly number of persons (including directors) employed by the Vines Limited during the year was:

	2019 No.	2018 No.
Sales and after sales	229	212
Administration	128	130
	<u>357</u>	<u>342</u>

Their aggregate remuneration comprised (including directors):

	£	£
Wages and salaries	12,499,849	11,459,298
Social security costs	1,221,973	1,142,022
Other pension costs	219,180	131,384
	<u>13,941,002</u>	<u>12,732,704</u>

8. Directors' remuneration and transactions

	2019 £	2018 £
Directors' remuneration		
Emoluments	310,000	310,000
Company contributions to pension scheme	12,000	12,000
	<u>322,000</u>	<u>322,000</u>

Directors' remuneration reflects one director (2018 – one).

	£	£
Remuneration of the highest paid director:		
Emoluments	310,000	310,000
Company contributions to money purchase scheme	12,000	12,000
	<u>322,000</u>	<u>322,000</u>

Amounts due under performance related long term incentive plans are £100,000 (2018 - £50,000).

	No.	No.
Number of directors who were members of the money purchase pension scheme	<u>1</u>	<u>1</u>

There are no key management personnel other than the directors.

Guildford Portfolios Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

9. Tax on loss on ordinary activities

The tax charge comprises:

	2019 £	2018 £
Current tax		
United Kingdom corporation tax	-	-
Adjustment in respect of previous year	-	102,817
Total current tax	-	102,817
Deferred tax		
Origination and reversal of timing differences	157,258	57,003
Effect of changes in tax rates	(16,554)	(6,000)
Adjustments in respect of previous periods	103,616	(531,637)
Total deferred tax	244,320	(480,634)
Total tax on loss	244,320	(377,817)

The Finance Act 2016, which provides for reductions in the main rate of corporation tax from 19% to 17% effective from 1 April 2020 was substantively enacted on 6 September 2016. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2019 continue to be measured at a rate of 17%.

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:

	2019 £	2018 £
Loss before taxation	(1,733,053)	(1,774,224)
Tax on loss/profit on ordinary activities at standard UK corporation tax rate of 19% (2018 – 19%)	329,280	337,103
Effects of:		
Expenses not deductible for tax purposes	(172,021)	(143,255)
Adjustments in respect of previous periods	103,616	(428,819)
Effect of change in tax rate	(16,554)	(6,000)
Deferred tax not recognised on losses	-	(136,846)
Total tax charge	244,321	(377,817)

Guildford Portfolios Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

9. Tax on loss on ordinary activities (continued)

	2019 £	2018 £
Deferred tax		
Opening deferred tax liability	801,687	142,752
Effect of change in tax rate	-	6,000
Debit to the profit and loss	(140,704)	(57,003)
Adjustment in respect of previous periods	(103,616)	531,637
Tax relating to components of other comprehensive income	-	178,301
Net closing deferred tax liability	557,367	801,687
Analysis of deferred tax balance		
Accelerated capital allowances	691,352	590,093
Short term timing differences - trading	(22,525)	(15,792)
Losses	(440,847)	(102,000)
Revaluations/fair value adjustments	329,386	329,386
Net closing deferred tax liability	557,366	801,687
Deferred tax (assets)	2019 £	2018 £
Recoverable within 12 months (see note 14)	(3,179)	(102,000)
Recoverable after 12 months	(460,193)	(15,792)
	(463,372)	(117,792)
Deferred tax (liabilities)	2019 £	2018 £
Deferred taxation liability (see note 18)	1,020,738	919,479

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

Guildford Portfolios Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

10. Intangible fixed assets

The Group	Purchased goodwill £	Goodwill arising on consolidation £	Total £
Cost			
At 1 January 2019 and 31 December 2019	1,030,052	3,459,753	4,489,787
Accumulated amortization			
At 1 January 2019	926,505	3,459,735	4,386,240
Charge for the year	51,464	-	51,464
At 31 December 2019	977,969	3,459,735	4,437,704
Net book value			
At 31 December 2019	52,083	-	52,083
At 31 December 2018	103,547	-	103,547

The purchased goodwill value represents the excess of the value of the consideration over and above the fair value of the trade and assets acquired. The amortisation is part of admin expenses in the Consolidated profit and loss account.

11. Tangible fixed assets

The Group	Long leasehold property £	Short leasehold property £	Plant, machinery fixtures & fittings £	Motor vehicles £	Total £
Cost or valuation					
At 1 January 2019	7,465,000	7,464,090	3,765,804	39,526	18,734,420
Additions	-	19,438	328,146	35,125	382,619
Disposals	-	-	-	(33,460)	(33,460)
At 31 December 2019	7,465,000	7,483,528	4,093,950	41,191	19,083,579
Accumulated depreciation					
At 1 January 2019	-	2,632,422	3,266,056	29,206	5,927,684
Charge for the year	149,300	585,746	199,530	8,607	943,183
Disposals	-	-	-	(26,646)	(26,646)
At 31 December 2019	149,300	3,218,168	3,465,586	11,167	6,844,221
Net book value					
At 31 December 2019	7,315,700	4,265,270	628,364	30,024	12,239,358
At 31 December 2018	7,465,000	4,831,668	499,748	10,320	12,806,736

Guildford Portfolios Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

11. Tangible fixed assets (continued)

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 December 2018 for £7.47m. The valuations were based upon an open market rental value of the property and assumes that property continues to trade with the benefit of a BMW franchise. The property is pledged as security for the mortgage.

12. Investments held as fixed assets

The Company	2019 £	2018 £
Shares in subsidiaries	11,822,119	11,822,119

The Company owns the entire issued ordinary share capital of Vines Limited, a company incorporated and operating in the United Kingdom. The principal activity of Vines Limited is the sale and servicing of motor vehicles. Vines Limited trade as Vines of Gatwick, Vines of Redhill and Vines of Guildford. The registered address of Vines Limited is Slyfield Green, Woking Road, Guildford, GU1 1RD.

13. Stocks

	2019 £	2018 £
Finished goods and goods for resale	36,292,373	30,734,554

Included within finished goods is stock of £5,282,977 (2018 - £4,861,491) which is security for the demonstrator funding plan liability as disclosed in note 15. Also included within finished goods is £9,578,735 (2018 - £4,768,754) in respect of stock held on consignment and £15,358,627 (2018 - £12,665,374) in respect of used vehicle stock. £2,208,919 (2018 - £280,443) of this consignment and used stock is fully paid for by the Company, and the remainder is security for obligations under the wholesale stocking plan as disclosed in note 15.

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 £2,132,749 (2018 - £2,624,523)

Guildford Portfolios Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

14. Debtors: amounts falling due within one year

	The Group 2019 £	The Group 2018 £
Trade debtors	4,439,355	5,394,340
Prepayments and accrued income	2,101,138	2,843,464
Other taxation	-	2,023,051
Deferred tax asset (see note 9)	463,372	117,792
	<u>7,003,865</u>	<u>10,378,647</u>

15. Creditors: amounts falling due within one year

	The Group 2019 £	The Group 2018 £
Secured mortgage loan (see note 17)	333,333	418,668
Obligations under wholesale and used stocking plan	22,988,089	14,992,581
Obligations under demonstrator plan	5,023,341	7,022,595
Trade creditors	12,398,729	17,633,536
Accruals and deferred income	1,336,118	2,074,768
Other taxation and social security	888,976	301,596
Other creditors	319,733	950,698
	<u>43,288,319</u>	<u>43,394,442</u>

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

	The Group 2019 £	The Group 2018 £
Secured mortgage loan (see note 17)	<u>4,611,151</u>	<u>1,256,024</u>

Guildford Portfolios Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

17. Borrowings

	The Group 2019 £	The Group 2018 £
Secured mortgage loans	4,944,484	1,674,292
	<u>4,944,484</u>	<u>1,674,692</u>
Analysis of loan repayments:		
Secured mortgage loans:		
Within one year	333,333	418,668
Between one and two years	333,333	418,668
Between two and five years	999,999	837,356
After five years	3,277,819	-
	<u>4,944,484</u>	<u>1,674,692</u>

The mortgage loan is secured by a first mortgage on the long leasehold property held by the company. The mortgage loan attracts interest at 4%. The mortgage loan is repayable by monthly instalments over period to September 2034.

18. Provision for liabilities

The Group	Balance at 1 January 2019 £	Debit to profit and loss account £	Balance at 31 December 2019 £
Deferred taxation liability	919,478	101,259	1,020,737

The Company

The parent company has deferred tax liabilities of £nil (2018 - £nil).

19. Called up share capital

	2019 £	2018 £
Called up, allotted and fully paid:		
6,794,214 (2018 – 6,794,214) Ordinary shares of £1 each	6,794,214	6,794,214

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

Guildford Portfolios Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

20. Operating lease commitments

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

	2019 Land and buildings £	2019 Other £	2018 Land and buildings £	2018 Other £
Group:				
Within one year	1,284,264	26,010	1,174,264	26,573
Between two to five years	4,803,123	24,848	4,283,956	37,272
After five years	8,128,849	-	8,061,974	-
	<u>14,216,236</u>	<u>50,858</u>	<u>13,520,194</u>	<u>63,845</u>

In August 2015 Vines Limited 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.

21. Reconciliation of operating loss/profit to net cash generated by operations

	Note	2019 £	2018 £
Operating loss		(911,341)	(1,200,882)
Share-based payment expense		56,900	56,900
Depreciation	11	943,183	930,270
Amortisation	10	51,464	51,464
Profit on the sale of tangible fixed assets		(697)	(7,583)
Operating cash flow before movement in working capital		<u>139,509</u>	<u>(169,831)</u>
(Increase) in stock	13	(5,557,819)	(4,879,825)
(Increase)/decrease in debtors	14	3,720,362	(1,202,511)
Increase/(decrease) in creditors	15	(77,688)	7,244,184
Cash generated by operations		<u>(1,915,145)</u>	<u>1,161,848</u>
Interest paid		<u>(732,498)</u>	<u>(508,023)</u>
Net cash inflow from operating activities		<u>(2,508,134)</u>	<u>483,994</u>

22. Analysis of changes in net debt

	At 1 January 2019 £	Cash flows £	Other Changes £	At 31 December 2019 £
Cash and cash equivalents	2,371,536	297,336	-	2,668,872
Debt due within one year	(418,668)	404,406	(319,071)	(333,333)
Debt due after one year	(1,256,024)	(3,674,198)	319,071	(4,611,151)
	<u>696,844</u>	<u>(2,972,456)</u>	<u>-</u>	<u>(2,275,612)</u>

Guildford Portfolios Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

23. Ultimate controlling party

The ultimate controlling parties of the company are the Trustees of the A L Shelly Marital Trust. The largest and smallest UK group that prepares consolidated accounts of which the Company is a member is Guildford Portfolios Ltd.

23. Related party transactions

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 (2018 - £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 (2018 - £500,000) was paid to them under the terms of the continuing lease.

During 2019, at times of high trading volume, Redhill Redux LLC provided surge funds to Vines Ltd. The value never exceeded £750,000. Interest on the surge funds of £9,452 was paid during 2019.

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

24. Subsequent events

The circumstances resulting from COVID-19 has impacted on the trading performance of the company in the period from March 2020. Following UK government requirements, all vehicle sales operations closed from mid-March, with showrooms only reopening again from 1 June. Additionally service departments were also closed from mid-March until 11 May 2020, with the exception of provision for maintenance and repair work for the UK emergency services when needed. Although this shutdown created financial losses in April and May 2020, used sales and aftersales activity have dramatically improved since June, which reported strong operating profits and cashflows for these months. These positive results have continued up to date of the approval of these financial statements.

COVID-19 is a non-adjusting post balance sheet event. No other material events have occurred since the statement of financial position date which would have affected the financial statements of the company.