REG VARDY (VMC) LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

Registered Number : 04484230

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REG VARDY (VMC) LIMITED

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STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2016

The Company is a 95% owned subsidiary of Pendragon PLC and operates as part of the Evans Halshaw division, 5% of the Company is owned by General Motors UK Limited.

The Company's principal activity is that of motor retailers in the UK. The business consists of the sale of new and used vehicles and the service and repair of vehicles and operated 3 franchises from 3 locations on 31 December 2016.

There have not been any significant changes in the Company's principal activities in the period under review. The Directors are not, at the date of this report, aware of any likely major changes in the Company's activities in the next year.

As shown in the Company's profit and loss account on page 4, turnover for the year ending 31 December 2016 was £52,075,000 compared to a turnover of £50,604,000 for the year ended 31 December 2015, a increase of 2.9%. There was a profit for the year ended 31 December 2016 of £1,191,000 compared to a profit for the year ended 31 December 2015 of £798,000.

The balance sheet on page 5 of the financial statements shows that the net assets of the Company have increased by £1,191,000 to £7,118,000, due to the profit for the year.

Reg Vardy (VMC) Limited 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 Evans Halshaw division, which includes the Company, is discussed in the 2016 financial statements of Pendragon PLC.

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 cars 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. 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. To date we have not experienced any noticeable change in our customers' behaviour. The Risk Control Group of Pendragon PLC has met to consider these risks and uncertainties, including the impact of 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.

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.

Reg Vardy (VMC) 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

Pendragon Management Services Limited
Director

28 September 2017

DIRECTORS' REPORT continued

YEAR ENDED 31 DECEMBER 2016

The directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 31 December 2016.

RESULTS AND DIVIDENDS

The results for the period are shown in the profit and loss account on page 4.

The directors do not recommend the payment of a dividend (2015 : £nil).

DIRECTORS

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

Pendragon Management Services Limited
T G Finn
Motors Directors Limited
Motors Secretaries Limited

EMPLOYEES

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

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.

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.

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

Pendragon Management Services Limited
Director

Loxley House
Little Oak Drive
Annesley
Nottinghamshire
NG15 0DR
28 September 2017

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; 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REG VARDY (VMC) LIMITED

We have audited the financial statements of Reg Vardy (VMC) Limited for the year ended 31 December 2016 set out on pages 4 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; 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

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

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

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

28 September 2017

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2016

Note		2016 £000	2015 £000
2	**TURNOVER**	52,075	50,604
	Cost of sales	(45,697)	(44,594)
	GROSS PROFIT	6,378	6,010
	Distribution costs	(2,790)	(2,881)
	Administrative expenses	(2,049)	(2,099)
3	**OPERATING PROFIT**	1,539	1,030
15	Loss on disposal of business	-	(5)
	PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST	1,539	1,025
5	Interest payable	(112)	(92)
6	Interest receivable	68	76
	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1,495	1,009
7	Taxation on profit on ordinary activities	(304)	(211)
	PROFIT FOR THE FINANCIAL YEAR	1,191	798

All amounts relate to continuing operations.
Movements in reserves are shown in the Statement of Changes in Equity on page 6.
The notes on pages 7 to 13 form part of these financial statements.
There are no amounts to be recognised in a Statement of Other Comprehensive Income and as such no separate statement has been presented. The profit for the financial year represents total comprehensive income for the period.

BALANCE SHEET

AT 31 DECEMBER 2016

Note		2016 £000	2015 £000
	FIXED ASSETS		
8	Intangible assets	**38**	36
9	Tangible assets	**450**	437
		488	473
	CURRENT ASSETS		
10	Stocks	**5,909**	4,476
11	Debtors	**2,510**	2,468
	Cash at bank and in hand	**2,136**	2,367
		10,555	9,311
12	**CREDITORS**: amounts falling due within one year	**(3,925)**	(3,857)
	NET CURRENT ASSETS	**6,630**	5,454
	NET ASSETS	**7,118**	5,927
	CAPITAL AND RESERVES		
14	Called up share capital	**1,500**	1,500
	Other reserves	**1,677**	1,677
	Profit and loss account	**3,941**	2,750
	SHAREHOLDERS' FUNDS	**7,118**	5,927

Approved by the Board of Directors on 28 September 2017 and signed on its behalf by :

Pendragon Management Services Limited
Director

Registered Company Number : 04484230

The notes on pages 7 to 13 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2016

	Called up share capital £000	Other reserves £000	Profit and loss account £000	**Total £000**
Balance at 1 January 2015	1,500	1,677	1,952	**5,129**
Total comprehensive income for 2015				
Profit for the year	-	-	798	**798**
Total comprehensive income for the year	-	-	798	**798**
Balance at 31 December 2015	1,500	1,677	2,750	**5,927**
Balance at 1 January 2016	1,500	1,677	2,750	**5,927**
Total comprehensive income for 2016				
Profit for the year	-	-	1,191	**1,191**
Total comprehensive income for the year	-	-	1,191	**1,191**
Balance at 31 December 2016	1,500	1,677	3,941	**7,118**

The notes on pages 7 to 13 form part of these financial statements.

1 ACCOUNTING POLICIES

(a) Basis of preparation

Reg Vardy (VMC) Limited is a company incorporated, domiciled and registered in Engaland in the UK. The Company's registered number is 04484230 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'). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 have been applied.

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 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.

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.

Accounting estimates and judgements -The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

- notes 7 & 13 - tax liability and recognition of deferred tax assets. The actual tax on the Company's profits is determined according to complex laws and regulations. Where the effect of these laws and regulations is unclear, estimates are used in determining the liability for the tax to be paid on profits which are recognised in the financial statements. The Company considers the estimates, assumptions and judgements to be reasonable but this can involve complex issues which may take a number of years to resolve. The final determination of tax liabilities could be different from the estimates reflected in the financial statements. Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income.

- note 10 - assessment of fair value of stocks. Fair values are assessed using market research data which is based upon recent industry activity. Whilst this data is deemed representative of current values it is possible that ultimate sales values can vary from those applied.

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.

Going concern - The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The Company participates in the Pendragon group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. 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.

Reg Vardy (VMC) Limited is a 95% owned subsidiary of Pendragon PLC. The Company's results are included in the consolidated financial statements of Pendragon PLC, which are publicly available; the Company has relied upon the exemption in FRS 1 (revised) and has not included a cash flow statement as part of these financial statements.

1 ACCOUNTING POLICIES (CONTINUED)

(b) Turnover. Turnover from the sale of goods is recognised in the profit and loss account, net of discounts, when the significant risks and rewards of ownership have been transferred to the buyer. In general this occurs when vehicles or parts have been supplied or when service has been completed. Turnover from services rendered is recognised in the profit and loss account in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by surveys of work performed or by reference to time expended on services that are charged on labour rate 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. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure.

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. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic life as follows:

Leasehold properties - 2% per annum or over the period of the lease if less than 50 years
Plant and equipment - 10 to 33% per annum
Motor vehicles - 20 to 25% per annum

(e) Stocks.
(i) Motor vehicle inventories 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 stock are conducted on a daily basis utilising our market intelligence and analysis of the market which we conduct by segment and by model, these fair values are updated in the light of any changing trends by model line. 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) Consignment vehicles are new unregistered vehicles owned by the manufacturers, mainly located at the Company's premises, and insured by the Company.
(iii) 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.
New consignment vehicles in respect of which finance charges are levied are regarded as being effectively under the control of the Company and are included within stocks on the balance sheet even though legal title has not yet passed to the Company. The corresponding liability is included in creditors.

(f) 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.

(g) 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.

(h) 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.

(i) Accounting for business disposals The results of businesses disposed of during the year are included up to the effective date of disposal using the acquisition method of accounting.

1 ACCOUNTING POLICIES (CONTINUED)

(j) Related parties. As a joint venture undertaking between Pendragon PLC and General Motors UK Limited, the Company has related party relationships with the following:

Pendragon PLC - Joint venture partner in Reg Vardy (VMC) Limited
General Motors UK Limited - Joint venture partner in Reg Vardy (VMC) Limited
Pendragon Management Services Limited - Director and subsidiary of Pendragon PLC
Pendragon Group Services Limited - Director and subsidiary of Pendragon PLC
Motor Directors Limited - Director
Motors Secretaries Limited - Director
Pendragon Motor Group Limited - subsidiary of Pendragon PLC
Reg Vardy Limited - subsidiary of Pendragon PLC
Bramall Quicks Dealerships Limited - subsidiary of Pendragon PLC
Stripestar Limited - subsidiary of Pendragon PLC
Pendragon Vehicle Management Limited - subsidiary of Pendragon PLC
Pendragon Stock Finance Limited - subsidiary of Pendragon PLC
Pinewood Technologies PLC - subsidiary of Pendragon PLC
Pendragon Premier Limited - subsidiary of Pendragon PLC
CD Bramall Dealerships Limited - subsidiary of Pendragon PLC
Alloy Racing Equipment Limited - subsidiary of Pendragon PLC
Derwent Vehicles Limited - subsidiary of Pendragon PLC
Chatfields Limited - subsidiary of Pendragon PLC
Pendragon Used Cars Limited - subsidiary of Pendragon PLC
Reg Vardy (MML) Limited - subsidiary of Pendragon PLC
Pendragon Orient Limited - subsidiary of Pendragon PLC
Pendragon Property Holdings Limited - subsidiary of Pendragon PLC
Pendragon Sabre Limited - subsidiary of Pendragon PLC
Victoria (Bavaria) Limited - subsidiary of Pendragon PLC

During the year, the following turnover was received from related parties in respect of vehicle sales:

	2016 £000	2015 £000
Pendragon Motor Group Limited	**5,647**	8,714
Stripestar Limited	**1,976**	1,616
Pendragon Used Cars Limited	**1,256**	372
Bramall Quicks Dealerships Limited	**1,074**	998
Reg Vardy Limited	**979**	1,144
Pendragon Orient Limited	**422**	-
Pendragon Finance & Insurance Services Limited	**374**	347
Pendragon Management Services Limited	**104**	20
Pendragon Vehicle Management Limited	**48**	150
Alloy Racing Equipment Limited	**41**	18
Derwent Vehicles Limited	**21**	32
Victoria (Bavaria) Limited	**7**	-
Pendragon Premier Limited	**-**	33
Reg Vardy (MML) Limited	**-**	1
	11,949	13,445

During the year, the following amounts were paid to related parties in respect of parts and vehicle purchases, computer services and property rents:

	2016 £000	2015 £000
Pendragon Management Services Limited	**5,114**	336
Pendragon Motor Group Limited	**4,320**	5,188
Stripestar Limited	**2,437**	1,511
Reg Vardy Limited	**1,466**	1,485
Bramall Quicks Dealerships Limited	**1,283**	1,392
Pendragon Vehicle Management Limited	**613**	239
Pendragon Used Cars Limited	**469**	77
Pendragon Property Holdings Limited	**438**	438
Pendragon Orient Limited	**381**	4
Derwent Vehicles Limited	**195**	158
Alloy Racing Equipment Limited	**158**	92
Pendragon Premier Limited	**148**	225
Pinewood Technologies PLC	**118**	143
Victoria (Bavaria) Limited	**29**	-
Pendragon Stock Finance Limited	**14**	-
Pendragon Sabre Limited	**-**	18
	17,183	11,306

At the year end, £8,500 was due to the Company's related parties (2015 : due to £97,000).

2 TURNOVER

All turnover arises in the United Kingdom from the Company's principal activities.

3 OPERATING PROFIT

Operating profit has been arrived at after charging :

	2016 £000	2015 £000
Depreciation of tangible fixed assets	**116**	111
Amortisation of intangible fixed assets	**2**	3
Operating lease charges- land and buildings	**444**	448
Audit fee / Auditor's remuneration	**5**	5

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.

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

4 EMPLOYEES

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

	2016 Number	2015 Number
Sales	26	27
Aftersales	46	48
Administration	30	32
	102	107

Costs incurred in respect of these employees were :

	2016 £000	2015 £000
Wages and salaries	2,648	2,596
Social security costs	248	239
Other pension costs	68	62
	2,964	2,897

No director of the Company received or waived any remuneration for services to the Company during the period (2015 : £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 (2015 : £18,000).

5 INTEREST PAYABLE

	2016 £000	2015 £000
Interest payable on loans wholly repayable within five years :		
Stocking loan interest	112	92

6 INTEREST RECEIVABLE

	2016 £000	2015 £000
Bank interest receivable	52	18
Intra group interest receivable	16	58
	68	76

7 TAXATION

	2016 £000	2015 £000
UK corporation tax at the UK average statutory rate of 20.00% (2015 : 20.25%)		
Current tax on income for the year	281	184
Adjustments in respect of prior periods	7	-
Total current tax	288	184
Deferred taxation		
Origination and reversal of temporary differences	22	33
Adjustments in respect of prior periods	(6)	(6)
Total deferred tax	16	27
Tax on profit on ordinary activities	304	211

Factors affecting the tax charge for the period:
The tax assessed is higher (2015 : higher) than the standard rate of corporation tax in the UK of 20.00% (2015 : 20.25%). The differences are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before tax	1,495	1,009
Tax on profit at the UK average statutory rate of 20.00% (2015 : 20.25%)	299	204
Effects of:		
Effect of decrease in tax rate	4	13
Adjustments to tax charge in respect of previous periods	1	(6)
Tax on profit on ordinary activities	304	211

The reduction in the UK corporation tax rate to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The deferred tax asset as at 31 December 2016 has been calculated based on the expected long term rate of 17% substantively enacted at the balance sheet date.

8 FIXED ASSETS - INTANGIBLE ASSETS

	Goodwill £000	Software £000	**Total £000**
Cost			
At 31 December 2015	32	23	**55**
Additions	-	4	**4**
Disposals	-	(1)	**(1)**
At 31 December 2016	32	26	**58**
Amortisation			
At 31 December 2015	-	19	**19**
Disposals	-	(1)	**(1)**
Charge for the period	-	2	**2**
At 31 December 2016	-	20	**20**
Net book value			
At 31 December 2016	**32**	**6**	**38**
At 31 December 2015	32	4	**36**

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

9 FIXED ASSETS - TANGIBLE ASSETS

	Short leasehold property £000	Plant & Equipment £000	Motor Vehicles £000	**Total £000**
Cost				
At 31 December 2015	41	712	141	**894**
Additions	-	92	462	**554**
Disposals	-	(18)	(465)	**(483)**
At 31 December 2016	41	786	138	**965**
Depreciation				
At 31 December 2015	9	435	13	**457**
Disposals	-	(16)	(42)	**(58)**
Charge for the period	1	78	37	**116**
At 31 December 2016	10	497	8	**515**
Net book value				
At 31 December 2016	**31**	**289**	**130**	**450**
At 31 December 2015	32	277	128	**437**

10 STOCKS

	2016 £000	2015 £000
New and used vehicles	**5,716**	4,289
Parts and sundry stocks	**193**	187
	5,909	4,476

11 DEBTORS

	2016 £000	2015 £000
Trade debtors	**221**	121
Amounts owed by group undertakings	**1,654**	1,895
Deferred taxation (see note 13)	**98**	114
Other debtors	**503**	294
Prepayments and accrued income	**34**	44
	2,510	2,468

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

12 CREDITORS : amounts falling due within one year

	2016 £000	2015 £000
Payments received on account	**47**	36
Trade creditors	**2,622**	2,712
UK Corporation tax	**281**	-
Other taxation and social security	**191**	402
Accruals and deferred income	**784**	707
	3,925	3,857

13 DEFERRED TAX

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:

	2016 £000	2015 £000
Deferred tax assets	**98**	114

The movement in the deferred tax assets for the year is as follows:

	Accelerated capital allowances £000	Other short term temporary differences £000	Total £000
At 1 January 2015	136	5	**141**
Charged to profit and loss	(26)	(1)	**(27)**
At 31 December 2015	110	4	**114**
At 1 January 2016	110	4	**114**
Charged to profit and loss	(15)	(1)	**(16)**
At 31 December 2016	95	3	**98**

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 11).

14 CALLED UP SHARE CAPITAL

	2016 £000	2015 £000
Allotted, called-up and fully paid		
75,000 (2015 : 75,000) 'A' Ordinary £1 shares	**75**	75
1,425,000 (2015 : 1,425,000) 'B' Ordinary £1 shares	**1,425**	1,425
	1,500	1,500

15 DISPOSALS

There were no business disposals during the year.

During the previous year the Company disposed of a motor vehicle dealership for net proceeds of £18,000 and incurred a loss on disposal of £5,000.

16 OPERATING LEASE ARRANGEMENTS

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

	2016 £000	2015 £000
Within one year	-	6

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:

		2016 £000	2015 £000
Operating lease rentals payable	- property rentals	**444**	448

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 2016 the scheme had a deficit on an IAS 19 basis of £103,200,000 (2015 : £43,400,000).

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 first actuarial valuation was carried out as at 31 December 2012 using the projected unit credit method. At this date the market value of the Scheme's assets relating to the defined benefit section was £409.8m; these assets represented 90.9% of the value of the technical provisions (excluding defined contribution assets). The main assumptions used for this valuation were that the annual rate of return on existing investments would be 5.0% and the annual rate of pension increases would be between 2.3% - 3.1%. The employer contributions paid to the defined benefit scheme section of the Plan during the year were based upon actuarial advice.

The triennial valuation of the pension scheme reflecting the position as at 31 December 2015 has been agreed in principle with the trustees. This will result in the Pendragon Group raising its annual contribution to the pension scheme to £7.0m from 1 January 2017 from £2.8m 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 2015 and is scheduled to be completed by 31 March 2017 at the latest.

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 £68,000 (2015 : £62,000).

19 JOINT VENTURE PARTIES

Reg Vardy (VMC) Limited is a joint venture undertaking between Reg Vardy Limited and General Motors UK Limited. Pendragon PLC is the ultimate parent company of Reg Vardy Limited. Copies of the financial statements of Pendragon PLC and General Motors UK Limited can be obtained from their respective Company Secretaries at the following addresses:

Pendragon PLC, Loxley House, Little Oak Drive, Annesley, Nottinghamshire, NG15 0DR.
General Motors UK Limited, Griffin House, Osborne Road, Luton, Bedfordshire, LU1 3YT.