

REG VARDY (VMC) LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

Registered Number : 04484230



REG VARDY (VMC) LIMITED

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YEAR ENDED 31 DECEMBER 2019

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STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2019

The Company's principal activity is that of motor retailers and parts distributors in the UK. The Company ceased trading on the sale of its business and assets in September 2018.

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.

The Company did not trade during the year and therefore did not post a profit or loss before tax for the year. Prior to the disposal of the underlying business in 2018, as shown in the Company's profit and loss account on page 5, a profit before tax for the year of £844,000 was recorded in the prior year.

The balance sheet on page 6 of the financial statements shows that the net assets of the Company have decreased by £999,000 from £4,281,000 to £3,282,000, this being made up of the profit in the year of £1,000 less the dividend paid of £1,000,000.

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

Risks to the business include fluctuations in general economic conditions, such as interest rate increases, environmental concerns and legislation and the loss of key personnel. The unexpected outbreak of the Covid 19 virus has presented the Company additional risk in terms of the impact of the economy and uncertainty as to whether further outbreaks are possible. With regard to the UK's decision to leave the EU, we believe that the main risk factors are consumer confidence and the potential impact of Sterling/Euro exchange rates on vehicle prices. The Risk Control Group of Pendragon PLC has met to consider these risks and uncertainties, including the impact of Covid 19 and Brexit, and will continue to monitor how these risks evolve. These risks are significant to the group and are also detailed in the group financial statements.

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.

By order of the Board



M Willis
Director

22 December 2020

DIRECTORS' REPORT continued

YEAR ENDED 31 DECEMBER 2019

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

RESULTS AND DIVIDENDS

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

A dividend of £1,000,000 was paid during the year (2018 : £5,000,000. The directors do not recommend the payment of a final dividend (2018 : £1,000,000).

DIRECTORS

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

Pendragon Management Services Limited
M P Herbert (appointed 1 April 2019, resigned 30 June 2019)
M Willis (appointed 8 April 2019)
T G Finn (resigned 31 March 2019)

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.

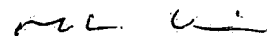
DISCLOSURE OF INFORMATION TO AUDITOR

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



M Willis
Director

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

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

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Opinion

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

In our opinion the financial statements:

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

Basis for opinion

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

Emphasis of matter – non-going concern basis of preparation

We draw attention to the disclosure made in note 1 to the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reasons set out in that note. Our opinion is not modified in respect of this matter.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

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

Auditor's responsibilities

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

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

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

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



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

22 December 2020

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

Note		2019 £000	2018 £000
2	TURNOVER	-	41,412
	Cost of sales	-	(37,287)
	GROSS PROFIT	-	4,125
	Distribution costs	-	(1,985)
	Administrative expenses	-	(1,300)
3	OPERATING PROFIT	-	840
5	Interest receivable	-	59
6	Interest payable	-	(55)
	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	-	844
7	Taxation on profit on ordinary activities	1	(166)
	PROFIT FOR THE FINANCIAL YEAR	1	678

All amounts relate to discontinued operations.

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

The notes on pages 8 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 2019**

Note		2019 £000	2018 £000
	CURRENT ASSETS		
9	Debtors	3,282	4,281
	NET ASSETS	3,282	4,281
	CAPITAL AND RESERVES		
11	Called up share capital	1,500	1,500
	Other reserves	1,677	1,677
	Profit and loss account	105	1,104
	SHAREHOLDERS' FUNDS	3,282	4,281

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



M Willis
Director

Registered Company Number : 04484230

The notes on pages 8 to 13 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY**YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £000	Other reserves £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2018	1,500	1,677	5,426	8,603
Total comprehensive income for 2018				
Profit for the year	-	-	678	678
Total comprehensive income for the year	-	-	678	678
Transactions with owners, recorded directly in equity				
Dividends paid (see note 8)	-	-	(5,000)	(5,000)
Total contributions by and distributions to owners	-	-	(5,000)	(5,000)
Balance at 31 December 2018	1,500	1,677	1,104	4,281
Balance at 1 January 2019	1,500	1,677	1,104	4,281
Total comprehensive income for 2019				
Profit for the year	-	-	1	1
Total comprehensive income for the year	-	-	1	1
Transactions with owners, recorded directly in equity				
Dividends paid (see note 8)	-	-	(1,000)	(1,000)
Total contributions by and distributions to owners	-	-	(1,000)	(1,000)
Balance at 31 December 2019	1,500	1,677	105	3,282

The notes on pages 8 to 13 form part of these financial statements.

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

Reg Vardy (VMC) Limited is a company incorporated, domiciled and registered in England 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').

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

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

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

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

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

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

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

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

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

IFRS 16 Leases

The Company has adopted IFRS 16 Leases from 1 January 2019. IFRS 16 introduces a single, on balance model for leases. However at the balance sheet date and during the year the Company had no lease obligations or expenses so no further adjustment and disclosure is necessary in these financial statements.

Judgements

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

Accounting estimates

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

The estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The directors consider there are no key estimates applicable to the financial statements, which have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year or in the long-term:

Going concern

During the previous year the entity transferred its trade, assets and liabilities to a fellow subsidiary on 30 September 2018 and has ceased trading. As required by IAS 1 Presentation of Financial Statements, management has prepared the financial statements on the basis that the entity is no longer a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis. All assets and liabilities were transferred to the fellow subsidiary at their carrying amounts.

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

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

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

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

(c) Impairment.

Financial assets (including trade and other debtors)

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

Non-financial assets

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

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

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

An impairment loss in respect of goodwill is reversed if and only if the reasons for the impairment have ceased to apply.

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

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

(d) 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.

(e) 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.

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2019

1 ACCOUNTING POLICIES (CONTINUED)

(f) Leases.

Leases as a Lessee - Policy applicable from 1 January 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.

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

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease or when this is not readily attainable, the Company's incremental borrowing rate. Lease payments include fixed rental payments and amounts expected to be payable under a residual value guarantee. Generally the Company uses its incremental borrowing rate as the discount rate. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The lease liability is subsequently increased by the interest cost on the lease liability and reduced by payments made. It is remeasured when there is a change in future lease payments arising from a change of index or rate, a variation in amounts payable following contractual rent reviews and changes in the assessment of whether an extension/termination option is reasonably certain to be exercised. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases as a Lessee - Policy applicable before 1 January 2019

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.

(g) Accounting for disposals. The results of the businesses disposed of during the year are included up to the effective date of disposal.

(h) Auditor's remuneration. Auditor's remuneration has been borne by Pendragon Management Services Limited, another group company. 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.

2 TURNOVER

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

Turnover by major products/service lines	2019 £000	2018 £000
New vehicle revenue	-	5,420
Used vehicle revenue	-	33,611
Aftersales revenue	-	2,381
Turnover from external customers	-	41,412

Timing of turnover recognition	2019 £000	2018 £000
At point in time	-	41,412
Turnover from external customers	-	41,412

All turnover originates in the UK.

Contract balances	2019 £000	2018 £000
Contract assets	-	-

Contract assets relate to the cost of parts supplied to and work performed on customers vehicles which has yet to be completed.

3 OPERATING PROFIT

Operating profit has been arrived at after charging :

	2019 £000	2018 £000
Depreciation of tangible fixed assets	-	97
Amortisation of intangible fixed assets	-	2
Operating lease charges- land and buildings	-	371
Auditor's remuneration- audit (see note 1)	-	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 2019

4 EMPLOYEES

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

	2019 Number	2018 Number
Sales	-	19
Aftersales	-	34
Administration	-	21
	-	74

Costs incurred in respect of these employees were :

	2019 £000	2018 £000
Wages and salaries	-	1,900
Social security costs	-	172
Other pension costs	-	66
	-	2,138

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

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

5 INTEREST RECEIVABLE

	2019 £000	2018 £000
Bank interest receivable	-	59

6 INTEREST PAYABLE

	2019 £000	2018 £000
Interest payable on loans wholly repayable within five years :		
Intra group interest payable	-	12
Stocking loan interest	-	43
	-	55

7 TAXATION

	2019 £000	2018 £000
UK corporation tax at the UK average statutory rate of 19.00% (2018 : 19.00%)		
Current tax on income for the year	-	154
Adjustments in respect of prior periods	(5)	1
Total current tax	(5)	155
Deferred taxation		
Origination and reversal of temporary differences	-	6
Adjustments in respect of prior periods	4	5
Total deferred tax	4	11
Tax on profit on ordinary activities	(1)	166

Factors affecting the tax charge for the period:

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

	2019 £000	2018 £000
Profit on ordinary activities before tax	-	844
Tax on profit at the UK average statutory rate of 19.00% (2018 : 19.00%)	-	160
Effects of:		
Effect of decrease in tax rate	-	-
Adjustments to tax charge in respect of previous periods	(1)	6
Tax on profit on ordinary activities	(1)	166

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

The Company has no longer has any deferred tax balances as at 31 December 2019.

8 DIVIDENDS PAID

	2019 £000	2018 £000
A and B Ordinary shares		
Ordinary dividends on equity shares - £0.67 (2018 : £3.33) per ordinary share	1,000	5,000

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2019

9 DEBTORS

	2019 £000	2018 £000
Amounts owed by group undertakings	3,282	4,281
Deferred taxation (see note 10)	-	-
	3,282	4,281

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

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

10 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:

	2019 £000	2018 £000	
Deferred tax assets	-	-	
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 2018	83	2	85
Transfer	(74)	-	(74)
Charged to profit and loss	(5)	(6)	(11)
At 31 December 2018	4	(4)	-
At 1 January 2019	4	(4)	-
Transfer	-	4	4
Charged to profit and loss	(4)	-	(4)
At 31 December 2019	-	-	-

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 9).

11 CALLED UP SHARE CAPITAL

	2019 £000	2018 £000
Allotted, called-up and fully paid		
75,000 (2018 : 75,000) 'A' Ordinary £1 shares	75	75
1,425,000 (2018 : 1,425,000) 'B' Ordinary £1 shares	1,425	1,425
	1,500	1,500

12 LEASING

2019 disclosures under IFRS 16 Leases

As at 1 January 2019 and 31 December 2019 the Company had no lease liabilities and no right of use assets.

There were no amounts recognised in profit and loss in respect of leases

2018 disclosures under IAS 17 Leases

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

	2018 £000
Within one year	-

The Company leased 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.

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

	2018 £000
Operating lease rentals payable - property rentals	371

NOTES TO THE FINANCIAL STATEMENTS continued**YEAR ENDED 31 DECEMBER 2019****13 BUSINESS DISPOSALS**

There were no business disposals during the year.

During the previous year the Company disposed of all its motor vehicle dealerships during the year for net proceeds of £7,625,000 to Evans Halshaw Limited, a member of the Pendragon PLC group. The proceeds of £7,625,000 were satisfied by way on an intra group loan..

14 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.

15 PENSIONS

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

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

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

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

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

The pension charge cost in respect of the group stakeholder arrangement and the People's Pension Scheme for the year was £nil (2018 : £66,000).

16 POST BALANCE SHEET EVENTS

From March 2020 the UK was impacted by the outbreak of the Corona virus and resultant lock-downs. In accordance with IAS 10 the impact on the business of the Corona virus during 2020 is a non-adjusting event at the balance sheet date.