Peter Vardy Porsche Limited

Report and Financial Statements

31 December 2019

Registered No. SC007861

Directors
Sir P Vardy
P D D Vardy
C W McLellan

Auditors
Ernst & Young LLP
5 George Square
Glasgow
G2 1DY

Bankers
Barclays Bank plc
PO Box 378
71 Grey Street
Newcastle upon Tyne
NE99 1JP

Solicitors
BTO LLP
48 St Vincent Street
Glasgow
G2 5HS

Registered Office
Pioneer House
2 Renshaw Pl
Holytown
Motherwell
ML1 4UF

Strategic Report

The Directors present their strategic report for the year ended 31 December 2019.

Review of the business

The Company's principal activity during the year was that of a motor retailing company operating a Porsche Centre located in Aberdeen.

Porsche Aberdeen has moved to a profit making position in the current year having overcome the challenges posed by the WLTP emission changes in the previous year. It is our aim to continue this strong growth through exciting new offerings such as the launch of the new Taycan model. The Porsche Aberdeen site has undergone an electrification project in preparation for this.

In the year, turnover increased from £28.5m to £34m, representing a year on year increase of 19%. The gross profit margin increased from 10.3% to 10.5% in the year ultimately resulting in an operating profit of £355,000 during the year (2018: £10,000 loss).

The board is delighted to have overcome the challenges presented in 2018 and post such a strong result in 2019, providing a strong platform for growth in the future.

Principal risks and uncertainty

The Company's principal financial instruments comprise cash, cash equivalents and loans. Other financial assets and liabilities, such as trade creditors and trade debtors, arise directly from the Company's operating activities.

The main risks associated with the Company's financial assets and liabilities are set out below.

Interest rate risk

The Company has an offset arrangement for its surplus cash and overdraft with fellow group undertakings. The Group invests surplus cash in a floating rate interest yielding bank deposit account and has access to a floating rate interest bearing overdraft facility. The Company's interest income and expense are therefore affected by movements in interest rates. The Company does not undertake any hedging activity as the Directors do not currently believe there to be a significant exposure.

Credit risk

The Company has external debtors, however, the Company undertakes assessments of its customers in order to ensure that credit is not extended where there is a likelihood of default.

Liquidity risk

The Company aims to mitigate liquidity risk by managing cash generated by its operations and having access to adequate working capital borrowing facilities.

Foreign currency risk

The Company does not have any foreign currency transactions and therefore is not exposed to any foreign currency risk.

Strategic Report (Continued)

COVID 19

In January, the outbreak of a new strain of coronavirus, COVID 19 was identified. The virus has since spread globally, with it being declared a pandemic by the World Health Organisation on 11 March 2020. As a result of the pandemic, the UK government imposed restrictions to reduce the spread of the disease, including the cancellation of public events and home quarantines. As part of these restrictions the company was forced to close the doors of its dealerships to all but essential maintenance work. These restrictions were of a longer duration in Scotland than the rest of the UK, meaning we were not able to open dealerships for new and used car sales to the public for a period of 3 months.

During the three month closure, all but a core team of colleagues were placed on furlough, with the Job Retention Scheme being utilised to support the business during this difficult time. The company launched 'PV Cares' with the aim of looking after the mental, physical and financial wellbeing of all colleagues. As part of the financial support offered to colleagues, the company elected to provide salary top ups throughout the lockdown period to our colleagues to assist them in what was a challenging time for all. Since re-opening all colleagues have returned to the business with no redundancies being made.

The company has always prided itself on its relationships with the local community and our charity partners. This did not change throughout the lockdown period where many staff who were placed on furlough volunteered to aid local charities wherever possible within the guidelines. Over £60k was given across the group as a whole in grants to charity partners, helping provide shelter for homeless people during the crisis as well as providing necessary PPE to the NHS.

During the lockdown period the company, with assistance from our two key sister companies; Silver Bullet and CarMoney, continued to facilitate sales enquiries from guests. The Silver Bullet Storefront Platform allowed the company to facilitate e-commerce transactions and complete home deliveries and click and collect wherever possible while setting best in class processes to keep guests and colleagues COVID safe. As a result of the additional demand for e-commerce transactions the company was able to accelerate the pace of progress in this area, in terms of technology, operational performance and colleague training and will be a key area of growth in the future. Alongside this, the company took the time to focus on the 2030 mobility agenda to ensure that we not only hit the ground running upon reopening but to also improve the long term performance of the company. It is thanks to this forward planning as well as pent up demand from the period of closure that led to an extremely strong Q3 performance which has contributed towards the business now tracking towards its original 2020 business plan figures.

The directors have assessed the impact of COVID 19 on the company, including extensive reviews of cash, revenue and overheads and at present the directors believe the company is in a strong position to continue operations despite the ongoing developments in relation to COVID 19.

Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled, it is the Company's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Strategic Report (Continued)

Employees' involvement

During the year, the policy of providing employees with information about the Company has been continued through weekly team briefings, Directors' presentations and employees' associations at each site. Regular meetings are held between Directors and employees to allow a free flow of information and ideas. Employees participate in the success of the business through Company bonus and incentive schemes.

P D D Vardy
Director
16 December 2020

Directors' Report

Registered No. SC007861

The Directors present their report for the year ended 31 December 2019.

Directors of the company

The directors who served the company during the year were as follows:

Sir P Vardy

P D D Vardy

M P Reay (Resigned on 8th February 2019)

C W McLellan (Appointed on 1st April 2020)

Results and Dividends

In the year, turnover increased from £28.5m to £34m, representing a year on year increase of 19%. The gross profit margin increased from 10.3% to 10.5% in the year ultimately resulting in an operating profit of £355,000 during the year (2018: £10,000 loss).

No dividends have been proposed or paid in the current year or prior year.

Disclosure of information to the auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Company's auditor, each Director has taken all the steps that he/she is obliged to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Going concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to price, credit, liquidity, cash flow and COVID 19 risks are described within the Strategic Report on pages 2 and 3.

In line with the FRC guidance on Going Concern issued in April 2016, the Directors have undertaken an exercise to review the appropriateness of the continued use of the Going Concern basis.

The directors have assessed the appropriateness of the continued use of the Going Concern basis by conducting extensive cash flow forecasting under multiple scenarios. Scenarios were developed under which stress testing was performed to determine how the business would perform under various future potential lockdown scenarios ranging from moderate to severe decreases in demand. Under each scenario and supported by the Rolling Credit Facility which has been extended to 31st December 2021, there was still significant amounts of headroom. In addition, thanks to strong demand since June 2020 and the effective strategic planning undertaken, the business has experienced strong sales performance and therefore the directors have concluded on continuing to adopt the going concern basis of preparation

Directors' Report (Continued)

Re-appointment of auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

P D D Vardy

Director

16 December 2020

Statement of directors' responsibilities

The Directors are responsible for preparing the Strategic Report, Director's 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 Financial Reporting Standard 102 'the financial reporting standard applicable to 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 those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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;
- 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 to 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.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report

to the members of Peter Vardy Porsche Limited

Opinion

We have audited the financial statements of Peter Vardy Porsche Limited for the year ended 31 December 2019 which comprise the Income statement, the Statement of comprehensive income, the Statement of changes in equity, the Statement of financial position and the related notes 1 to 23, including a summary of significant accounting policies The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view 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 United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to the Directors' report, Note 1 (Basis of Preparation) and Note 23 (Post balance sheet events) in the financial statements, which describes the economic and social disruption the company is facing as a result of COVID-19. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Independent auditors' report

to the members of Peter Vardy Porsche Limited

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditors' report

to the members of Peter Vardy Porsche Limited

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

Annie Graham (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Glasgow

18 December 2020

Income statement

for the year ended 31 December 2019

	Notes	2019 £000	2018 £000
Turnover	2	33,956	28,531
Cost of Sales			
Pre-exceptional items		(30,406)	(25,621)
Exceptional items	5	-	22
Total Cost of Sales		(30,406)	(25,599)
Gross profit		3,550	2,932
Administrative expenses		(3,195)	(2,942)
Operating profit/(loss)	3	355	(10)
CSOP Scheme expense	4	4	1
Interest payable and similar charges	8	(86)	(98)
Interest receivable and similar income	9	82	71
Profit on disposal of fixed assets		2	-
Other finance costs	10	(11)	(162)
Profit/(loss) on ordinary activities before taxation		346	(198)
Tax	11	(26)	30
Profit/(loss) for the financial year		320	(168)

All amounts relate to continuing activities.

Statement of comprehensive income

for the year ended 31 December 2019

	Notes	2019 £000	2018 £000
Profit/(loss) for the financial year		320	(168)
Actuarial gain/(loss) related to pension scheme	18	45	(23)
Deferred tax attributable to actuarial gain/(loss)		(8)	4
Total recognised gains and losses relating to the year		357	(187)

Statement of changes in equity

at 31 December 2019

	Share Capital	*Capital redemption reserve*	*Revaluation reserve*	*Profit and loss account*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
At 1 January 2018	33	34	153	8,198	8,418
Loss for the year	-	-	-	(168)	(168)
Pensions reserve movement	-	-	-	(19)	(19)
Other movement	-	-	-	(1)	(1)
At 1 January 2019	33	34	153	8,010	8,230
Profit for the year	-	-	-	320	320
Pension reserve movement	-	-	-	37	37
Other movement	-	-	-	(4)	(4)
At 31 December 2019	33	34	153	8,363	8,583

Capital redemption reserve
The capital redemption reserve is a non-distributable reserve that was created following the purchase of the Company's own shares. This reserve existed prior to the Company being acquired by Peter Vardy Holdings Limited in 2012.

Revaluation reserve
The revaluation reserve relates to the movements caused by the revaluation of the final salary pension scheme.

Statement of financial position

as at 31 December 2019

	Notes	*2019* *£000*	*2018* *£000*
Fixed assets			
Tangible assets	12	82	212
Current assets			
Stocks	13	4,591	4,941
Debtors	14	9,327	7,990
Cash at bank and in hand		851	1,424
		14,769	14,355
Creditors: amounts falling due within one year	15	(5,990)	(4,395)
Net current assets		8,779	9,960
Total assets less current liabilities		8,861	10,172
Creditors: amounts falling due after more than one year	16	-	(1,404)
Defined benefit pension scheme liability	18	(278)	(538)
Net assets		8,583	8,230
Capital and reserves			
Called up share capital	17	33	33
Revaluation reserve		153	153
Capital redemption reserve		34	34
Profit and loss account		8,363	8,010
Equity Shareholders' funds		8,583	8,230

The financial statements were approved by the Board of Directors on 16 December 2020 and were signed on its behalf by:

P D D Vardy

Director

Notes to the financial statements

at 31 December 2019

1. Accounting policies

Statement of compliance

Peter Vardy Porsche Limited is a limited liability company incorporated in Scotland. The registered office is Pioneer House, 2 Renshaw Pl, Holytown, Motherwell ML1 4UF.

The Company's financial statements have been prepared in compliance with FRS102 as it applies to the financial statements of the Company for the year ended 31 December 2019.

Basis of preparation

The financial statements of Peter Vardy Porsche Limited were authorised for issue by the Board of Directors on 16 December 2020. The financial statements have been prepared in accordance with applicable accounting standard. The presentational currency of the financial statements is pounds sterling and all figures have been rounded to the nearest thousand.

The directors have assessed the appropriateness of the continued use of the Going Concern basis by conducting extensive cash flow forecasting under multiple scenarios. Scenarios were developed under which stress testing was performed to determine how the business would perform under various future potential lockdown scenarios ranging from moderate to severe decreases in demand. Under each scenario and supported by the Rolling Credit Facility which has been extended to 31st December 2021, there was still significant amounts of headroom. In addition, thanks to strong demand since June 2020 and the effective strategic planning undertaken, the business has experienced strong sales performance and therefore the directors have concluded on continuing to adopt the going concern basis of preparation.

Cash flow statement and Financial Instruments

Under FRS102, the Company has adopted the following disclosure exemptions:

- the requirement to prepare a cash flows statement and related notes
- financial instrument disclosures including:
  - categories of financial instruments,
  - items of income, expenses, gain or losses relating to financial instruments, and
  - exposure to, and management of, financial risks.
- Disclosure of key management personnel remuneration

on the grounds that it is a wholly owned subsidiary of Peter Vardy Holdings Limited, and its cash flows are included within the consolidated cash flow statement of that company and the appropriate financial instruments and remuneration disclosures are included in that company.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

The Company generates revenue from introducing customers to finance agreements and if the agreement is cancelled within a defined period of time then this can be subject to debit back. Each year the Company makes an estimate of future debit backs arising from historical business written, this is a best estimate based upon prior year information.

Fixed Assets

Tangible fixed assets are stated at cost or valuation less depreciation.

Notes to the financial statements

at 31 December 2019

1. Accounting policies (continued)

Depreciation

Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant and machinery	–	20% straight-line
Motor vehicles	–	25% straight-line
Fixtures and fittings	–	20% straight-line

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Deferred taxation

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination a deferred tax liability/(asset) shall be recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised; and
- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Capital Instruments

When shares are issued, any component that creates a financial liability of the Company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the income statement.

Investments

Investments held as fixed assets are shown at cost less provision for impairment.

Revenue Recognition

Revenue from the sale of vehicles, goods and services is recognised at the point of invoice and delivery, both of which occur simultaneously. Income from regulated activities is recognised at the point of sale with an adjustment recorded in provisions for debit backs in relation to finance income.

Notes to the financial statements

at 31 December 2019

1. Accounting policies (continued)

Share-based payments – Cash-settled transactions

The cost of cash-settled transactions is measured at fair value using an appropriate option pricing model. Fair value is established initially at the grant date and at each balance sheet date thereafter until the awards are settled. During the vesting period a liability is recognised representing the product of the fair value of the award and the portion of the vesting period expired as at the balance sheet date. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the balance sheet date. Changes in the carrying amount for the liability are recognised in the income statement for the period.

Pensions

Pension costs relating to the Company's defined contribution scheme are charged to the income statement in accordance with contributions payable to the scheme in the financial period and are in accordance with the rules of the scheme.

For the Company's defined benefit scheme, the amount charged to the profit and loss account in respect of pension costs is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from the cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members or as recommended by the actuary. The assets of the defined benefit scheme are held separately from those of the Company in separate trustee administered funds. The interest element of the scheme represents the change in present value of scheme obligations resulting from the passage of time and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect of fair value of plan assets of contributions received and benefits paid in the year. The difference between the expected return on plan assets and the interest cost is recognised in the profit and loss account as other finance income or expense. Actuarial gains and losses are recognised in full in the statement of recognised gains and losses in the period in which they occur.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the assets have passed to the Company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the income statement evenly over the periods of the leases and hire purchase contracts.

Rentals paid under operating leases are charged to the income statement on a straight-line basis over the lease term.

Notes to the financial statements

at 31 December 2019

1. Accounting policies (continued)

Stocks and work in progress

Stocks of raw materials and consumables and vehicles for resale are stated at the lower of cost and net realisable value. Cost represents the purchase cost on a first-in, first-out basis plus appropriate overheads in bringing the stocks to their present location and condition.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Under supply agreements the Company has access to 'consignment stock' during a consignment period. Where the nature of these supply agreements transfers risks and rewards to the company, which in substance gives the Company control over the stock during the consignment period and liabilities in respect of holding costs, the Company recognises these stocks in the balance sheet together with an equivalent liability.

Where supply agreements do not transfer risks and rewards to the Company until such time as legal title actually passes at the end of the consignment period, these stocks are not included on the balance sheet. Both the terms under which stocks are held and the financial commitment in respect of these stocks are disclosed in the financial statements.

Exceptional items

Exceptional items are those items which, by virtue of their size or incidence, are presented separately in the Income Statement to enable a full understanding of the Company's financial performance. Transactions that may give rise to exceptional items include one-off, non-recurring transactions which arise through the course of business.

2. Turnover

Turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services, including hire purchase commission, earned in the normal course of business and is recognised upon transfer to a third party of economic benefits arising from the use of that good or service. In practice this means when goods are delivered or when the service has been undertaken. Turnover is attributable to the Company's principal activities and is derived from its activities within the United Kingdom.

	2019	*2018*
	£000	*£000*
Vehicle sales	31,214	26,183
Servicing and repair sales	1,044	890
Parts sales	1,319	1,138
Income from regulated activities	328	290
Other	51	30
	33,956	28,531

Notes to the financial statements

at 31 December 2019

3. Operating profit/(loss)

This is stated after charging

	2019	*2018*
	£000	*£000*
Depreciation of owned tangible fixed assets	171	191
Operating lease rentals – Land and Buildings	325	325

Audit fees are borne by the Company's immediate parent company.

Fees payable to the Company's auditor for non-audit services to the Company are not required to be disclosed because the consolidated financial statements disclose such fees on a consolidated basis.

4. Share-based payments

Colleague Share Option Plan (CSOP) Scheme

All colleagues who were employed by the Group on the 2 June 2016 were granted share options entitling colleagues to purchase ordinary shares at the end of the vesting period. The options will vest if the colleague remains in service for a period of three years from the date of the grant. The colleague can exercise their options in August in year three, four and five however, if the colleague does not exercise the option by 31 August in year five, then this option will lapse. Once exercised, the colleague will receive a sum equivalent to the uplift in the value of the shares from the nominal value multiplied by the number of share options exercised and a cash loyalty bonus. All colleagues who joined the company and successfully completed their probation period between 2 June 2018 and 2 June 2019 were granted share options on 2 June 2019.

The income recognised for share-based payments in respect of employee services received during the year to 31 December 2019 is £4,000 (2018: £1,000). The portion of that expense arising from equity-settled share-based payment transactions is £nil as the CSOP scheme is a cash-settled transaction. Please note that the liability is borne by the Group company Peter Vardy Holdings Limited and only the income/expense is recognised in the Income Statement of Peter Vardy (Porsche) Limited. The opposite entry in the balance sheet of Peter Vardy (Porsche) Limited is recorded in reserves as equity as it is deemed to be an investment from Peter Vardy Holdings Limited.

Notes to the financial statements

at 31 December 2019

4. Share-based payments (continued)

Colleague Share Option Plan (CSOP) Scheme (continued)

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2019 No.	*2019 WAEP*	*2018 No.*	*2018 WAEP*
Outstanding as at 1 January	24,545	£1.99	29,460	£2.01
Granted during the year	23,468	£1.75	9,868	£1.90
Forfeited during the year	(7,778)	£1.85	(14,783)	£1.98
Exercised	(12,500)	£2.00	-	-
Expired during the year	-	£0.00	-	-
Outstanding as at 31 December	27,735	£1.82	24,545	£1.99
Exercisable at 31 December	-	-	-	-

The income recognised in the financial statements of £4,000 has been calculated by estimating the value of the ordinary shares at the vesting period, adjusted to reflect estimated colleague retention. This income/expense is being recognised on an accruals basis over a three-year period.

5. Exception items

The exceptional item recognised in the prior period in the income statement of £22,000 relates to a VAT refund received, following HMRC's clarification of the treatment of dealer deposit allowances, which also benefits the wider automotive retail sector.

6. Directors' remuneration

The Directors are also directors of the ultimate parent undertaking and received total remuneration for the year of £54,000 (2018: £223,000) all of which was paid by Peter Vardy Limited, a fellow subsidiary undertaking. The Directors do not believe it is practicable to apportion this amount between services as Directors of the Company or in their services as directors of fellow subsidiary companies.

Notes to the financial statements

at 31 December 2019

7. Staff costs

	2019	*2018*
	£000	*£000*
Wages and salaries	969	940
Social security costs	87	80
Other pension costs	19	14
	1,075	1,034

The average monthly number of employees (including the directors) during the year was made up as follows:

	2019	*2018*
	No.	*No.*
Aftersales	9	15
Selling and distribution	6	7
Management and administration	18	8
	33	30

8. Interest payable and similar charges

	2019	*2018*
	£000	*£000*
Stocking finance charges	86	98
	86	98

9. Interest receivable and similar income

	2019	*2018*
	£000	*£000*
Interest receivable	82	71
	82	71

10. Other finance costs

	2019	*2018*
	£000	*£000*
Expected return on pension scheme assets	133	127
Interest on pension scheme liabilities	(144)	(136)
Pension plan changes	-	(153)
	(11)	(162)

The £153,000 plan changes cost in the prior year related to a one-off adjustment for gender equalisation.

Notes to the financial statements

at 31 December 2019

11. Tax

(a) Tax on profit/(loss) on ordinary activities

The tax charge/(credit) is made up as follows:

	2019 £000	2018 £000
Current tax:		
UK corporation tax on the profit/(loss) for the year	-	23
Adjustment in respect of prior period	-	1
Total current tax	-	24
Deferred tax:		
Origination and reversal of timing differences	29	(60)
Effect of changes in tax rate	(3)	6
Total deferred tax	26	(54)
Total tax on profit/(loss) on ordinary activities per income statement	26	(30)

(b) Other comprehensive income items

	2019 £000	2018 £000
Deferred tax current year (credit)/charge	8	(4)
	8	(4)

(c) Factors affecting the current tax charge/(credit) for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
Profit/(loss) on ordinary activities before tax	346	(198)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	66	(37)
Effects of:		
Effects of group relief/other reliefs	(37)	-
Tax rate changes	(3)	6
Adjustments in respect of previous periods	-	1
Current tax for the year (note 11(a))	26	(30)

Notes to the financial statements

at 31 December 2019

11. Tax (continued)

(d) Deferred tax

	£000
At 1 January 2019	(104)
Charge to profit and loss account	26
Deferred tax movement in statement of other comprehensive income	8
At 31 December 2019	(70)

Deferred taxation is calculated at 17% (2018: 17%) and is made up as follows:

	2019 £000	2018 £000
Accelerated capital allowances	(20)	(6)
Other timing differences	(3)	(6)
	(23)	(12)
Amount relating to pension scheme deficit	(47)	(92)
Deferred tax asset	(70)	(104)

The main UK corporation tax rate reduced from 20% to the current rate of 19% on 1 April 2017. The Finance Act 2016 includes legislation which will reduce the tax rate further to 17% from 1 April 2020. This became law when The Finance Act 2016 received Royal Assent on 15 September 2016. Following the budget resolution on 17 March 2020, the main UK corporation tax rate will remain at 19% from 1 April 2020 (cancelling the enacted cut to 17%). As the cancellation of the reduction in the rate to 17% was not substantively enacted at the balance sheet date, UK deferred tax assets and liabilities continue to be calculated at 17%.

Notes to the financial statements

at 31 December 2019

12. Tangible fixed assets

	Plant and machinery	*Fixtures and fittings*	*Total*
	£000	*£000*	*£000*
Cost:			
At 1 January 2019	625	459	1,084
Additions	18	29	47
Disposals	(10)	-	(10)
At 31 December 2019	633	488	1,121
Depreciation:			
At 1 January 2019	512	360	872
Provided during the year	89	82	171
Disposals	(4)	-	(4)
At 31 December 2019	597	442	1,039
Net book value:			
At 31 December 2019	36	46	82
At 31 December 2018	113	99	212

13. Stocks

	2019	*2018*
	£000	*£000*
Consignment stock	1,578	1,631
Goods for resale	3,013	3,310
	4,591	4,941

Notes to the financial statements

at 31 December 2019

14. Debtors

	2019	2018
	£000	£000
Trade debtors	788	893
Other debtors	1	-
Prepayments and accrued income	53	66
Amounts receivable from fellow group undertakings	8,415	6,927
Deferred tax asset (note 11 (d))	70	104
	9,327	7,990

Included in debtors above is an amount of £8,324,000 (2018: £6,874,000) which is due after more than one year.

15. Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Trade creditors	261	191
Vehicle creditors	2,110	1,419
Vehicle deposits	283	170
Consignment stocking loan	1,577	1,631
Vehicle stocking loan	904	840
Amounts due to fellow group undertakings	757	16
Corporation tax	-	23
Social security costs and other taxes	1	7
VAT Payable	32	27
Accruals and deferred income	65	71
	5,990	4,395

Vehicle Creditors principally comprise amounts due in respect of new and used vehicles, some of which are interest bearing. The Group's bankers have fixed and floating charges over the Group's assets. In addition to this, cross guarantees exist between all group companies in favour of the group's bankers.

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

	2019	2018
	£000	£000
Amounts due to fellow group undertakings	-	1,404
	-	1,404

Notes to the financial statements

at 31 December 2019

17. Issued share capital

		2019		2018
Allotted, issued and fully paid	*No.*	*£*	*No.*	*£*
Ordinary shares of £1 each	32,755	32,755	32,755	32,755

18. Pensions

As part of the T&C Assets Limited acquisition the Company makes contributions on behalf of some of its employees to the Peter Vardy Employee Benefits Plan (1984) which is a defined benefit pension scheme. The scheme is closed to new entrants and with effect from 31 December 2003 accrual of new benefits also ceased for active members. The assets of the scheme are held separately from those of the Company, being invested with insurance companies.

The Company sponsors the Plan which is a defined benefit pension plan. It is a separate trustee administered entity holding assets to meet long term pension liabilities. The last formal actuarial valuation of the Plan was carried out as at 1 January 2019 and updated to 31 December 2019 by a qualified independent actuary. The major assumptions used by the actuary are shown below.

The results of the actuarial valuation as at 1 January 2019 showed a deficit of £416,000. The Company agreed with the Trustees to target removal of this deficit over a period of 3 years and 9 months from 1 January 2019 by payment of lump sums of £226,000 before 30 September 2019 and £222,000 before 30 September 2022.

	2019	*2018*
	£000	*£000*
Fair value of scheme assets	5,481	4,935
Present value of scheme liabilities	(5,759)	(5,473)
Deficit	(278)	(538)

The amounts recognised in the Income Statement and in the Statement of Other Comprehensive Income for the year are analysed as follows:

Notes to the financial statements

at 31 December 2019

18. Pensions (continued)

	2019	*2018*
	£000	*£000*
Recognised in the Income Statement		
Interest cost	144	136
Interest income	(133)	(127)
Plan changes	-	153
Total recognised in the income statement	11	162

	2019	*2018*
	£000	*£000*
Recognised in other comprehensive income		
Return on plan assets less interest income	443	(356)
Experience gains and losses arising on the Scheme's liabilities	(18)	(80)
Impact of changes in actuarial assumptions on the Scheme liabilities	(380)	413
Remeasurement gains and losses recognised in the statement of comprehensive income	45	(23)

Principal actuarial assumptions at the statement of financial position date (expressed as weighted averages):

	2019	*2018*
Discount rate	2.0%	2.7%
Retail price inflation	3.0%	3.2%
Consumer price inflation	2.0%	2.2%
Rate of inflation linked revaluation of pensions in deferment	3.0%	3.2%
Rate of inflation linked pensions in payment increases	2.10%	2.25%
Cash commutation	90% take max tax free cash	90% take max tax free cash
Post retirement mortality	120% S3PA tables	120% S2PA tables

Notes to the financial statements

at 31 December 2019

18. Pensions (continued)

Changes in the present value of the defined benefit obligations are analysed as follows:

	2019	*2018*
	£000	*£000*
As at 1 January	5,473	5,805
Interest cost	144	136
Actuarial loss	398	(333)
Benefits paid	(256)	(288)
Plan changes	-	153
As at 31 December	5,759	5,473

Changes in the fair value of scheme assets are as follows:

	2019	*2018*
	£000	*£000*
As at 1 January	4,935	5,452
Interest income	133	127
Expected return on plan assets less interest income	443	(356)
Employer contribution	226	-
Benefits paid	(256)	(288)
As at 31 December	5,481	4,935

None of the Plan assets include any direct investment in the Company's own financial instruments or any property occupied by, or other assets used by, the Company.

Fair value of the plan assets are as follows:

	2019	*2018*
	£000	*£000*
Equities	1,283	2,507
Bonds	-	1,663
Property	-	105
LDI	936	-
Diversified Growth	781	-
Multi-Asset Credit	1,012	-
Direct Lending	553	-
Cash & other	916	660
Total fair value of Plan assets	5,481	4,935

The company expects to contribute £nil to its Defined benefit pension scheme in 2020.

Notes to the financial statements

at 31 December 2019

19. Contingent asset

When the Peter Vardy Holdings Limited Group, of which Peter Vardy Porsche Limited is a subsidiary undertaking, purchased the former Town and County business in November 2012, it acquired a final salary pension scheme. As part of that transaction, £1.25m was placed in a jointly controlled escrow account for a period of nine years. This £1.25m can be drawn down from the escrow fund by the Group to pay into the pension scheme if the Pension Protection Fund liability increases over that nine-year period. The Group has the ability to withdraw these funds in year three, six and nine with a final reconciliation in 2021. During 2019, £183,000 was drawn down and paid into the fund to cover the liability identified as part of the actuarial valuation conducted on 1 January 2019.

20. Other financial commitments

At 31 December 2019, the company had full commitments under non-cancellable operating leases as set out below:

Land and Buildings

	2019	*2018*
	£000	*£000*
Not later than one year	244	325
Later than one year and not later than five years	-	244
	244	569

Notes to the financial statements

at 31 December 2019

21. Related party transactions

The Company is a wholly owned subsidiary of Peter Vardy Holdings Limited and is included in the consolidated financial statements of Peter Vardy Holdings Limited. The Company is exempt under the terms of FRS102 from disclosing related party transactions with the entities that are part of the Peter Vardy Holdings Group.

The balances as at the 31 December 2019 receivable from / (payable) to entities within the Peter Vardy Holdings Group are as follows:

	2019	*2019*	*2018*	*2018*
	Amounts due from related party	*Amounts owed to related party*	*Amounts due from related party*	*Amounts owed to related party*
	£000	*£000*	*£000*	*£000*
Related Party:				
Peter Vardy (Bavaria) Limited	-	(2)	-	(3)
Peter Vardy Limited	90	(734)	52	(1,414)
Peter Vardy (Property Management Services) Limited	-	(21)	1	(3)
Peter Vardy Holdings Limited	5,181	-	3,731	-
T&C Assets Limited	1,729	-	1,729	-
T&C Holdings Limited	1,414	-	1,414	-
Peter Vardy Porsche Perth Limited	1	-	-	-
	8,415	(757)	6,927	(1,420)

22. Ultimate parent undertaking and controlling party

In the Directors' opinion the immediate and ultimate parent company is Peter Vardy Holdings Limited for which consolidated financial statements are drawn up and of which the Company is a member. Further, the Directors consider that the controlling party is Sir Peter Vardy by virtue of his majority shareholding in Peter Vardy Holdings Limited. The registered address of Peter Vardy Holdings Limited is Pioneer House, 2 Renshaw Pl, Holytown, Motherwell ML1 4UF.

Notes to the financial statements

at 31 December 2019

23. Post Balance Sheet Event

In January, the outbreak of a new strain of coronavirus, COVID 19 was identified. The virus has since spread globally, with it being declared a pandemic by the World Health Organisation on 11 March 2020. As a result of the pandemic, the UK government imposed restrictions to reduce the spread of the disease, including the cancellation of public events and home quarantines. As part of these restrictions the company was forced to close the doors of its dealerships to all but essential maintenance work. These restrictions were of a longer duration in Scotland than the rest of the UK, meaning we were not able to open dealerships for new and used car sales to the public for a period of 3 months.

During the three month closure, all but a core team of colleagues were placed on furlough, with the Job Retention Scheme being utilised to support the business during this difficult time. The company launched 'PV Cares' with the aim of looking after the mental, physical and financial wellbeing of all colleagues. As part of the financial support offered to colleagues, the company elected to provide salary top ups throughout the lockdown period to our colleagues to assist them in what was a challenging time for all. Since re-opening all colleagues have returned to the business with no redundancies being made.

The company has always prided itself on its relationships with the local community and our charity partners. This did not change throughout the lockdown period where many staff who were placed on furlough volunteered to aid local charities wherever possible within the guidelines. Over £60k was given across the group as a whole in grants to charity partners, helping provide shelter for homeless people during the crisis as well as providing necessary PPE to the NHS.

During the lockdown period the company, with assistance from our two key sister companies; Silver Bullet and CarMoney, continued to facilitate sales enquiries from guests. The Silver Bullet Storefront Platform allowed the company to facilitate e-commerce transactions and complete home deliveries and click and collect wherever possible while setting best in class processes to keep guests and colleagues COVID safe. As a result of the additional demand for e-commerce transactions the company was able to accelerate the pace of progress in this area, in terms of technology, operational performance and colleague training and will be a key area of growth in the future. Alongside this, the company took the time to focus on the 2030 mobility agenda to ensure that we not only hit the ground running upon reopening but to also improve the long term performance of the company. It is thanks to this forward planning as well as pent up demand from the period of closure that led to an extremely strong Q3 performance which has contributed towards the business now tracking towards its original 2020 business plan figures.

The directors have assessed the impact of COVID 19 on the company, including extensive reviews of cash, revenue and overheads and at present the directors believe the company is in a strong position to continue operations despite the ongoing developments in relation to COVID 19.

In light of the above, the directors deem the COVID 19 pandemic to be a non-adjusting post balance sheet event within this set of financial statements.