

Peter Vardy Holdings Limited

Report and Financial Statements

31 December 2019



Corporate Information

Directors

Sir P Vardy (Chairman)
Lady M 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
Renshaw Place
Holytown Motherwell
ML1 4UF

Strategic Report

2019 has been a strong year for the Group achieving £11.3m EBITDA and 2.4% return on sales as well as completing our research and launch of our new 2030 mobility agenda. The already robust balance sheet has continued to strengthen as demonstrated by the increase in net assets in the year of £5m, low gearing and borrowings and with all profit being invested back in to the future growth of the business, this puts the Group in an exceptionally strong position to achieve the visions set out below.

In 2019, the Group continued to focus on its 2020 vision of becoming a World Class Motor Retail organisation as measured by our partners, our guests, and the communities in which it serves. The consistent 6-point plan aims to achieve top quartile or higher performance in comparison to our peers.

- Partner Engagement,
- Guest Satisfaction,
- Developing Manufacturer Relationships,
- Achieving Financial Excellence
- Digital Transformation
- Giving Back

Partner Engagement

We achieved very encouraging feedback from our partners with 95% proud to work in the family business and 93% recommending others to work in the team. The group is committed to innovative reward and remunerations schemes, leading to 224 new Partners enrolled in the Group Share Option Plan.

The business set out to have fun; with Family Fun Days, Monaco Grand Prix reward trips and over 400 people attended the PV Ball. High levels of engagement were reflected in high participation in our Giving Back programme for example a significant amount was raised for Children in Need (£31,252).

We launched our new Leadership Development Programme, held Quarterly Leadership Talks with some exceptional guest speakers which were open to all partners to attend. The Group continued to invest heavily in our award-winning PV Academy.

Guest Satisfaction

One of the groups fundamental USPs is our Culture of going the 2nd Mile for guests. Every new partner who joins the business completes a Guest Induction as part of their onboarding to the group. This induction is then built upon at each location with full team weekly GEM (Guest Experience Meetings) held to discuss the latest feedback and actions to be taken to improve our processes and presentation.

In 2019 we held Guest Factor week which took our focus and our 2nd Mile ethos to new heights and created the highest level of social media engagement we had seen before in the group. We continued to win numerous customer service awards including Vauxhall Motherwell who were awarded an Aftersales Excellence Award from Vauxhall Motors. We are determined to continue to improve and during 2019 commenced a full review of the moments of truth in our guest experience with Clientship – leading experts in CX.

Manufacturer Relationships

The Group has key relationships with BMW MINI, Jaguar, Land Rover, Porsche and Vauxhall. We are proud to represent these brands and have built the finest state of the art facilities and infrastructure to deliver on their vision for their brands in Scotland. The Group remains open to opportunities to grow our network.

Strategic Report (continued)

Financial Performance and Dividends

The Group's principal activity during the year was that of a holding company of a motor retail group comprising six volume, six prestige dealerships, two used car supermarket operations and a heritage cars dealership. All of the businesses are located throughout Scotland and our franchised businesses represent BMW, MINI, Jaguar Land Rover, Porsche and Vauxhall.

Turnover increased from £468.9m to £471.2m, representing a year on year uplift of 0.5%. This was primarily driven through strong aftersales revenue across all franchises in comparison to the previous year. In addition, the Group reported an EBITDA of £11.3m representing a strong 2.4% Return on Sales (2018: 2.3%). Overall Gross Profit margins remained consistent at 12.7% in comparison to 12.7% in the previous financial year, which is a solid result in a market where new car margins have been under pressure as manufacturers seek to drive volume. During the year, administration expenses have stayed static, which is particularly impressive having had a full year of expenses for Porsche Perth which opened April 2018. This is down to an increased effort across the Group to reduce costs where possible and help drive up margins.

The Group generated operating profit for the year, before amortisation of intangible assets and donations of £8.3m (2018: £6.9m) an increase of £1.4m or 20.3%.

Underlying return on sales based on operating profit, a key industry benchmark, equated to 1.7% in 2019 (2018: 1.4%), and the industry average for the same period was 0.81%. This is before amortisation and donations made to the Peter Vardy Foundation. From a profit per dealership perspective, the industry average in 2019 was £166,000, however, the Peter Vardy Group delivered average underlying profits of £581,000 per dealership.

Profit before interest and taxation amounted to £7.3m (2018: £6.7m). Overall, the Group reported a retained profit of £4.9m after amortisation of goodwill, interest and taxation (2018: £5.8m profit). Underlying profitability was stronger in comparison to prior year when you exclude the effects of a large tax credit in 2018 of £355k and the exceptional item mentioned above.

The Board propose a nil dividend for the year ended 31 December 2019 as the Group is committed to reinvesting all surpluses back into the business for future acquisition, property redevelopment and organic growth.

An outline of the performance of each of our franchises is set out below:

BMW/Mini:

BMW has recently achieved European Retailer of the Year status, but in 2019 had a tough year due to availability issues around stock of the higher volume cars such as 1 Series and 3 Series. Targets for new cars included fleet for the first time which pushed the need to meet higher volume which naturally put margins under pressure. The pressure on margin was felt across the entire network however the Peter Vardy dealerships remained strong performers within the network, outperforming the national average return on sales by 1.6%. The picture for 2020 looks good with some exciting new products such as the new 1 series coming to market and a shift towards digital selling which increases our sales reach across the UK.

Porsche

It has been a strong year for the Porsche dealerships. Porsche Perth has seen extremely strong revenue growth in the year of 82%. Porsche Perth is still within its set up phase but is on track to post its first profit in the 2020 financial year. Porsche Aberdeen has also seen revenue growth at 19% and 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. Both of our Porsche sites have undergone an electrification project in preparation for this.

Strategic Report (continued)

Jaguar Land Rover:

It was a strong year for our Jaguar Land Rover dealership with better margins being seen on both new and used cars with our profit before tax margins being 0.5% higher than the national average across the network. The 2019 result was achieved thanks to very strong levels of new vehicle sales with sales growing by 10%. The Peter Vardy Jaguar Land Rover dealership sold twice as many units as the national dealer average throughout 2019. In particular sales of the Evoque and Discovery Sport models were the highest across the UK network. In addition, a focus on cost boosted profitability as we have successfully driven down indirect costs resulting in a stronger bottom line profit. We also saw a better aftersales performance with retained operating margins doubling in comparison to the prior period.

Vauxhall

Our Vauxhall sites had a strong year in terms of profitability. The 2019 result was achieved despite selling 661 fewer new retail Vauxhall units than 2018 however, used car units increased by 189 in 2019. The higher margin on the used car sales combined with a strong aftersales performance (£253k increase in gross profit) contributed to the 6.5% year on year increase in profit before tax for the Vauxhall sites. This strong increase in profitability was also achieved thanks to a reduction in the cost base (department direct costs and dealership indirect costs) for the 6 Vauxhall sites of £672k in comparison to 2018 with the strongest dealership within the Vauxhall Division delivering a return on sales of 4.8%.

CarStores:

Both CarStore sites have seen strong performance with sales growth year on year increasing by 2.8%. Dundee is still within the setup phase, however despite this, volumes through these sites remained strong and overall the CarStores represent the best profit margins across all dealerships, with gross profit margins of 13.1%. Furthermore, plans are in place to increase the capacity of these sites to allow further volume and take advantage of the aforementioned strong profit margins.

Digital Transformation

The group continued to invest in digital software, sales structures and process throughout 2019 in order to ensure we maintain our competitive advantage. The Group has worked closely with sister company, Silver Bullet as a key partner in improving our digital platforms with the aim of becoming the leading digital automotive retailer nationally. The goal set is to retail 50% of the annual sales via our e-commerce channel by 2025.

Giving Back

At the heart of the Peter Vardy Group is a passion to do the right thing no matter the cost. This culture and DNA of our team can be seen in the commitment to help those less fortunate, focussing on child benefit programmes. In 2019 the group continued to donate 10% of the profits to good causes, especially our OneChild child sponsorship scheme, working with Fields of Life in Uganda and Rwanda. We are proud to know we have helped thousands of children across the world, a vision and goal realised each year but one that continually motivates us to step up the efforts and do more. The foundation made donations of over £500,000 to good causes including supporting local Scottish children charities.

Strategic Report (continued)

Future Strategy

It is the Group's ambition to become the number one digital automotive retailer in UK. This will be achieved through the growth and development of our e-commerce solutions, which have already seen strong growth in early quarters of 2020 and through growth of the Group's used car supermarkets.

Throughout 2019, extensive research of the motor trade as a whole and future trends was conducted in order to create our 10-year 2030 plan. We focused on the trends around 'ACE' (Automation, Connectivity, Electrification) which has guided our new 10-year Strategy. The establishment of our 2030 Strategy will lead to the group transitioning towards becoming more widely defined as a mobility provider rather than limiting our focus narrowly to that of a traditional motor retailer.

The below represent the 6 key Guilds in which we feel we must focus in order to maintain our competitive edge with the marketplace:

1. Love the place you work
2. The best place to buy
3. Continuous sales growth
4. The best aftercare
5. Affordable funding
6. Giving Back...no Planet 'B'

Our partners meet regularly to discuss the key Guild topics to ensure we remain on track to meet our 2030 Plan, a new leadership structure has been put in place and significant funds have been made available for this evolution of the Peter Vardy Group.

Section 172 Statement

Introduction

The Directors, in line with their duties under section 172 ("s172") of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long-term. Key decisions and matters that are of strategic importance to the Company are appropriately informed by s172 factors.

Board training and support on s172 duties

All directors receive guidance on their statutory duties including s172 and were briefed on the reporting requirements introduced by the Companies (Miscellaneous Reporting) Regulations 2018.

Stakeholders

The Board's responsibility to promote the long-term success of the company, relies on inputs from, and positive relationships with, a wide range of stakeholders.

Employees

The Company directors are actively involved in promoting employee engagement. During the year we have engaged with our employees in the following ways:

- Weekly "T-Mail" email newsletter sent to employees,
- Leadership development programme with quarterly talks from key speakers,
- PV Ball event for all colleagues,
- Share option scheme to reward loyalty to the company, and
- The company has a whistleblowing policy in place.

Strategic Report (continued)

Section 172 Statement (continued)

Guests

The Company and the directors maintain the ethos of going the 2nd mile for guests. This ethos is instilled into all colleagues through the induction they receive upon joining the company. Guest experience meetings are held weekly to ensure all colleagues are maintaining the levels of guest satisfaction expected of them. The group's commitment to guest experience was highlighted through the award of the After Sales Excellence award to our Vauxhall Motherwell dealership.

Suppliers

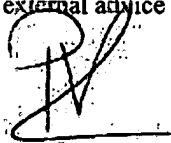
The Group operates as a motor retailer with key relationships with the franchises that we represent. We maintain strong relationships with the franchises through consistent communication and reporting of key figures and statistics on a regular basis. The directors recognise the importance of the relationship with these franchises and will continue to foster these strong relationships.

Other stakeholders

The company has continued its efforts to give back to the community through the activities conducted by the Peter Vardy foundation. In particular, support has been given to Scottish children charities through the OneChild programme. In addition, the group is committed to reducing its environmental impact. This is demonstrated through the establishment of our "No Planet B" guild and has resulted in actions being taken such as switching electricity suppliers to green providers as well as installing energy efficient lightbulbs in our premises.

Principal Decisions

When making decisions, the Directors have regard to the longer-term impact of such decisions and any possible impact on all stakeholders. All major business decisions are conducted at board level and appropriate consideration is given to the various risk factors and long-term implications prior to these decisions being made. The day to day decisions are delegated to key members of management staff by the board, however these decisions are closely monitored through regular management meetings. Specialist external advice is also sought where appropriate for major decisions taken by the board.



Peter Daniel David Vardy

CEO

16 December 2020

Directors' Report

Registered No: SC319442

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

Directors

The Board of Directors and shareholders remain committed to investing in the future expansion of the Group through organic growth and acquisition. The Board of Directors meet on a quarterly basis to provide support and guidance to the management team and are actively involved within the business to ensure that they fulfil their responsibilities as Directors of the Group. The Directors are pleased with the performance of the Group and are looking forward to working with the Group's manufacturer partners for many years to come.

The Directors who served during the year were as follows:

Sir P Vardy

P D D Vardy

Lady M Vardy

M P Reay (Resigned on 8th February 2019)

C W McLellan (Appointed on 1st April 2020)

Dividends

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

Future of the business

The Directors' report should be read in conjunction with the Strategic report on pages 2 to 6 which contain details of the principal activities of the Group, a review of the business during the year and an indication of expected progress and disclosure of the key performance indicators for the Group.

The Group continues to be committed to developing and enhancing its financial control environment. In 2019, the Group continued to facilitate future growth and cement relationships with key manufacturer partners and the Group expended £679,000 on property, land purchases and building refurbishments. As part of the property improvements, in early 2020 we purchased and relocated to our new Vardy Central head office which has received excellent partner and guest feedback as a great place to work.

Taxation

The Group has an effective tax rate of 21% in the financial year ended 31 December 2019 (2018: -6.5%).

Capital Structure

The Group finances its operations through retained profits, vehicle stocking facilities and borrowings from its banking partners.

As at 31 December 2019 the Group has a fully utilised £20m Revolving Credit Facility. In addition to the £20m drawdown there is an option to utilise a £10m accordion to support future growth. This facility was extended post year end until 31st December 2021 to allow the group to provide funding to allow the group to meet its future growth objectives.

Cashflow

The Group's net cash inflow from operating activities was £8.9m (2018: £12.7m) of which £7.3m was generated from operating profit, £3.2m depreciation, a decrease in working capital of £0.6m, offset by tax paid of £1.4m.

Directors' Report *(continued)*

Financial Risk Management Policies

The Group'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 Group's operating activities.

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

Interest rate risk

The Group operates an offset arrangement for the Company and its subsidiary undertakings in relation to surplus cash and overdrafts.

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 Group's interest income and expense are therefore affected by movements in interest rates. The Group does not undertake any hedging activity as the Directors do not currently believe there to be a significant exposure.

Credit risk

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

Liquidity risk

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

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 Group 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 Peter Vardy Group 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 in grants to charity partners, helping provide shelter for homeless people during the crisis as well as providing necessary PPE to the NHS.

Directors' Report (continued)

COVID 19 (continued)

During the lockdown period the Group, 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 group 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 Group 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 Group 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 Group. 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.

Disabled employees

The Group 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 Group'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.

Employees' involvement

During the year, the policy of providing employees with information about the Group 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 Group bonus and incentive schemes.

Going Concern

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 Group's business activities, a review of the business, together with key performance indicators are outlined in the Strategic Report on pages 2-6.

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.

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 Group'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.

Directors' Report (continued)

Re-appointment Auditors

In accordance with s485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditors of the Company.

By order of the Board

A handwritten signature in black ink, appearing to be 'P D D Vardy', written over a faint, circular stamp or watermark.

P D D Vardy

Director

16 December 2020

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, 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 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 Group and the Company and of the profit or loss of the Group 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 Group and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and 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 Holdings Limited

Opinion

We have audited the financial statements of Peter Vardy Holdings Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the Group Income statement, the Group statement of comprehensive income, the Group and Parent Statement of Changes in Equity, the Group and Parent company statement of Financial Position, the Group statement of cash flows and the related notes 1 to 27, 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 group's and of the parent company's affairs as at 31 December 2019 and of the group's 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 group and parent 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 27 (Post balance sheet events) in the financial statements, which describes the economic and social disruption the group 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 group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

Independent auditors' report

to the members of Peter Vardy Holdings Limited

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 group and the parent 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 parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditors' report

to the members of Peter Vardy Holdings Limited

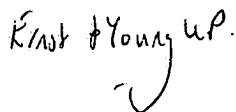
Auditor's responsibilities for the audit of the financial statements

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.



Annie Graham (Senior statutory auditor)

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

Glasgow

18 December 2020

Group Income Statement

at 31 December 2019

	Notes	2019 £000	2018 £000
Turnover	2	471,153	468,943
Cost of sales			
Pre-exceptional items		(411,306)	(410,144)
Exceptional items	5	-	576
Total Cost of Sales		(411,306)	(409,568)
Gross profit		59,847	59,375
Administrative expenses (excluding amortisation):		(51,565)	(51,748)
Operating profit before amortisation and donation		8,282	7,627
Donation to good causes		(534)	(546)
Amortisation of goodwill	13	(11)	(41)
Amortisation of software	13	(150)	(27)
ESS Scheme expense	4	-	21
CSOP Scheme expense	4	(327)	(360)
Operating profit	3	7,260	6,674
Profit on the disposal of fixed assets		4	3
Profit on ordinary activities before interest and taxation		7,264	6,677
Net interest payable and similar charges	9	(992)	(1,213)
Profit on ordinary activities before taxation		6,272	5,464
Tax charge/(credit) on profit on ordinary activities	10	(1,353)	355
Profit on ordinary activities after taxation		4,919	5,819

All amounts relate to continuing activities.

Group statement of comprehensive income

for the year ended 31 December 2019

	2019 £000	2018 £000
Profit for the financial year	4,919	5,819
Actuarial gain/(loss) related to pension scheme	45	(23)
Deferred tax attributable to actuarial gain/(loss)	(8)	4
Total comprehensive income for the year	4,956	5,800

Group Statement of Changes in Equity

at 31 December 2019

Group

	Share Capital	Share Premium	Capital Contribution Reserve	Capital Redemption Reserve	Profit and loss account	Total
	£000	£000	£000	£000	£000	£000
At 1 January 2018	20,307	2,921	413	1	35,175	58,817
Pension movement	-	-	-	-	(19)	(19)
Profit for the year	-	-	-	-	5,819	5,819
Waiver of loan interest	-	-	-	-	37	37
At 31 December 2018	20,307	2,921	413	1	41,012	64,654
Pension movement	-	-	-	-	37	37
Profit for the year	-	-	-	-	4,919	4,919
Waiver of loan interest	-	-	-	-	14	14
At 31 December 2019	20,307	2,921	413	1	45,982	69,624

Company

	Share Capital	Share Premium	Capital Redemption Reserve	Profit and loss account	Total
	£000	£000	£000	£000	£000
At 1 January 2018	20,307	2,921	1	(157)	23,072
Loss for the year	-	-	-	(722)	(722)
At 31 December 2018	20,307	2,921	1	(879)	22,350
Loss for the year	-	-	-	(701)	(701)
At 31 December 2019	20,307	2,921	1	(1,580)	21,649

Share premium account

These reserves recorded the amount above the nominal value received for shares sold, less transaction costs.

Capital contribution reserve

This reserve was created in 2016 in light of the disposal of a subsidiary undertaking on 31 October 2016. The total of £413,000 was equal to the net liabilities of the subsidiary undertaking as at 31 October 2016.

Capital redemption reserve

This reserve was created in 2017 after the A shares for the Directors who have left the company were cancelled and purchased back by Peter Vardy Holdings Limited, in line with section 733 of the Companies Act 2006.

Group statement of Financial Position

at 31 December 2019

	Notes	2019 £000	2018 £000
Fixed assets			
Tangible assets	11	66,054	68,056
Intangible assets	13	225	178
		<u>66,279</u>	<u>68,234</u>
Current assets			
Stocks	14	55,998	56,358
Debtors	15	20,586	16,928
Cash at bank and in hand		5,196	4,162
		<u>81,780</u>	<u>77,448</u>
Creditors: amounts falling due within one year	16	(57,047)	(57,486)
Net current assets		<u>24,733</u>	<u>19,962</u>
Total assets less current liabilities		<u>91,012</u>	<u>88,196</u>
Creditors: amounts falling due after more than one year	17	(20,910)	(22,275)
CSOP Scheme liability falling due after more than one year	17	(200)	(729)
Total creditors falling due after more than one year		<u>(21,110)</u>	<u>(23,004)</u>
Defined benefit pension liability	23	(278)	(538)
Net assets		<u>69,624</u>	<u>64,654</u>
Capital and reserves			
Called up share capital	19	20,307	20,307
Share premium		2,921	2,921
Profit and loss account		45,982	41,012
Capital contribution reserve		413	413
Capital redemption reserve		1	1
Equity shareholders' funds		<u>69,624</u>	<u>64,654</u>

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

16 December 2020

Company statement of Financial Position

at 31 December 2019

	Notes	2019 £000	2018 £000
Fixed assets			
Investments	12	9,806	10,087
Current assets			
Debtors: amounts falling due within one year	15	296	262
Debtors: amounts falling due after more than one year	15	70,367	70,621
Cash at bank and in hand		95	-
		<u>70,758</u>	<u>70,883</u>
Creditors: amounts falling due within one year	16	<u>(1,274)</u>	<u>(4,687)</u>
Net current assets		<u>69,484</u>	<u>66,196</u>
Total assets less current liabilities		<u>79,290</u>	<u>76,283</u>
Creditors: amounts falling due after more than one year	17	<u>(57,441)</u>	<u>(53,204)</u>
CSOP Scheme liability falling due after more than one year	17	<u>(200)</u>	<u>(729)</u>
Total creditors falling due after more than one year		<u>(57,641)</u>	<u>(53,933)</u>
Net assets		<u>21,649</u>	<u>22,350</u>
Capital and reserves			
Called up share capital	19	20,307	20,307
Share premium		2,921	2,921
Capital redemption reserve		1	1
Profit and loss account		(1,580)	(879)
Equity shareholders' funds		<u>21,649</u>	<u>22,350</u>

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

16 December 2020

Group statement of cashflows

for the year ended 31 December 2019

	Notes	2019 £000	2018 £000
Net cash inflow from operating activities	21	8,886	12,705
Investing activities			
Payments to acquire tangible fixed assets		(1,187)	(4,404)
Proceeds of disposal of tangible fixed assets		73	146
Payments to acquire intangible assets		(74)	(195)
Net cash outflow from investing activities		(1,188)	(4,453)
Financing activities			
Interest paid		(966)	(1,014)
Net advances of vehicle stocking loans		(1,330)	(12,515)
Family & other loans received			3,000
Family & other loans (repaid)		(4,368)	(185)
Net cash outflow from financing activities		(6,664)	(10,714)
Increase/(Decrease) in cash and cash equivalents	22	1,034	(2,462)
Cash and cash equivalents at 1 January	22	4,162	6,624
Cash and cash equivalents at 31 December	22	5,196	4,162

Notes to the financial statements

at 31 December 2019

1. Accounting policies

Statement of compliance

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

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

In December 2017, the FRC published results of a triennial review detailing amendments to FRS102. The Group have applied these amendments and only two amendments have had an impact on the Group's financial statements, these being the accounting of properties rented within the Group at cost rather than fair value and the removal of the disclosure detailing stock recognised as an expense in the period.

Basis of preparation

The financial statements of Peter Vardy Holdings 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.

Basis of consolidation

The Group financial statements incorporate the financial statements of the Company and its subsidiary undertakings made up to 31 December 2019.

The results of subsidiary undertakings acquired or disposed of during the period are included in the Group income statement from the effective date of acquisition or up to the effective date of disposal as appropriate.

All intra group transactions, balances, turnover and expenses are eliminated on consolidation.

No income statement is presented for Peter Vardy Holdings Limited as permitted by Section 408 of the Companies Act 2006. The Company's loss for the year was £701,000 (2018: £722,000).

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.

Notes to the financial statements

at 31 December 2019

1. Accounting policies (continued)

The Group 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 Group makes an estimate of future debit backs arising from historical business written, this is a best estimate based upon prior year information.

Goodwill

Goodwill arising on acquisitions represents the excess of the consideration over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary undertaking or business acquired. Goodwill is initially recognised as an asset at cost and is amortised over its estimated economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. The economic life of goodwill arising on acquisitions is assessed separately for each acquisition with an economic life of 5 years adopted on the acquisitions made to date.

Intangible Assets

All intangible assets excluding goodwill are recorded at historical cost and amortised over a period of 5 years.

Fixed assets

All fixed assets are recorded at historical cost.

Depreciation

Depreciation is provided on all tangible fixed assets, excluding land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life as follows:

Freehold buildings Leasehold Improvements broken down as follows:

Fixed building	=	50 years or the lease period if shorter.
Integral features such as decorations, blinds and planting	=	10 years straight line
Integral features such as carpets and radiators	=	15 years straight line
Integral features such as ceiling tiles, fitted units and lighting	=	25 years straight line
Computer equipment	=	3 years straight line
Fixtures and fittings	=	4 years straight line
Plant and machinery	=	4 years straight line
Leasehold improvements	=	estimated life of the improvements

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

Notes to the financial statements

at 31 December 2019

1. Accounting policies (continued)

Investment property

Certain of the Company's properties are held for long-term investment. Investment properties are accounted for as follows:

- Investment properties are initially recognised at cost which includes purchase cost and any directly attributable expenditure.
- Investment properties whose fair value can be measured reliably are measured at fair value. The surplus or deficit on revaluation is recognised in the income statement and accumulated in the profit and loss reserve unless a deficit below original cost, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the income statement for the year.

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.

Pensions

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

For the Group's defined benefit scheme, the amount charged to the income statement 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 income statement 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 Group 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 income statement 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.

Notes to the financial statements

at 31 December 2019

1. Accounting policies (continued)

Capital Instruments

When shares are issued, any component that creates a financial liability of the Company or Group 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.

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 Group 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.

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

Where supply agreements do not transfer risks and rewards to the Group 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.

Classification of shares as debt or equity

In line with Section 11 of FRS102 'Basic Financial Instruments', ordinary redeemable shares can be redeemed at the request of the shareholder and are therefore classified as a financial liability and any dividends payable are therefore included in finance charges.

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. Property income is invoiced in advance and apportioned over the rental period. 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.

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. In the comparative year, an example of this was the VAT refund received from HMRC in relation to dealer deposit allowances.

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 Group's principal activities and is derived from its activities within the United Kingdom.

	2019 £000	2018 £000
Vehicle sales	414,161	415,532
Servicing and repair sales	14,594	13,110
Parts sales	22,369	21,413
Income from regulated activities	16,985	16,907
Other income	3,044	1,981
	<u>471,153</u>	<u>468,943</u>

3. Operating profit

	2019 £000	2018 £000
This is stated after charging:		
Depreciation on owned fixed assets	2,987	3,121
Amortisation of goodwill	11	41
Amortisation of intangible assets	150	28
Auditors' remuneration	101	80
Operating lease rentals – land and buildings	301	503
Operating lease rentals – plant and equipment	296	225
	<u></u>	<u></u>

Fees payable to the Group's auditor for non-audit services to the Group total £52,000 (2018: £121,000) relating to taxation, VAT services and share scheme valuation.

Notes to the financial statements

at 31 December 2019

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 expense recognised for the CSOP Scheme in respect of employee services received during the year to 31 December 2019 is £327,000 (2018: £360,000). The portion of that expense arising from equity-settled share-based payment transactions is £nil as the CSOP scheme is a cash-settled transaction.

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	807,694	£1.99	823,346	£2.02
Granted during the year	346,974	£1.75	282,944	£1.90
Forfeited during the year	(254,649)	£1.89	(298,596)	£1.99
Exercised	(386,036)	£2.00	-	-
Outstanding as at 31 December	513,983	£1.75	807,694	£2.02
Exercisable at 31 December	-	-	-	-

The expense recognised in the financial statements of £327,000 has been calculated by estimating the value of the ordinary shares at the vesting period, adjusted to reflect estimated colleague retention.

This expense is being recognised on an accruals basis over a three-year period.

Employee Shareholder Status (ESS) Scheme

In June 2016, Peter Vardy Holdings Limited established an Employer Shareholder Status Scheme for the directors and senior management of the Group. The class of shares which were given to the individuals in the scheme were 'A Ordinary Shares'. Those who were given shares may sell their shares back to the Vardy family shortly after the 5th anniversary of the scheme in August 2021 for their market value. The market value will be based upon the share valuation at the time which is calculated based on the Net Asset Value (NAV) of the Group. A Net Asset Value Hurdle has been set under the scheme at £77m and this is capped at £100m.

The scheme was cancelled in 2018 and therefore there is no income or expense relating to the scheme in 2019 (2018: £21,000 income).

Notes to the financial statements

at 31 December 2019

5. Exception items

The exceptional item recognised in 2018 in the income statement of £576,000 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. Auditors' total remuneration

	2019 £000	2018 £000
Audit of the Group and its subsidiaries	101	80
Total audit	101	80
Taxation compliance services	38	81
Other assurance services	14	40
Total non-audit services	52	121
	153	201

7. Directors' emoluments

None of the Directors received remuneration from the Company during the year (2017: £nil). Emoluments paid by subsidiary undertakings to Directors during the year are set out below.

	2019 £000	2018 £000
Emoluments	54	216
Company contributions paid to money purchase schemes	1	7
	55	223

	2019 No.	2018 No.
Members of money purchase pension scheme	2	2

The amounts paid in respect of the highest paid Director are as follows:

	2019 £000	2018 £000
Emoluments	40	158
Company contribution paid to money purchase pension scheme	1	6
	41	164

Notes to the financial statements

at 31 December 2019

8. Staff costs

	2019 £000	2018 £000
Wages and salaries	28,227	28,572
Social security costs	2,523	2,626
Other pension costs	558	423
	<u>31,308</u>	<u>31,621</u>

Included in other pension costs are £56,000 (2018: £44,000) in respect of the defined benefit schemes and £501,000 (2018: £379,000) in respect of the defined contribution scheme.

The average monthly number of employees during the year, including Directors, was as follows:

	2019 No	2018 No
Management and administration	316	339
Sales	214	245
After sales	373	351
	<u>903</u>	<u>935</u>

9. Net interest payable and similar charges

	2019 £000	2018 £000
Stocking finance charges	609	638
Bank and other loans	372	378
Other finance cost	11	197
	<u>992</u>	<u>1,213</u>

Notes to the financial statements

at 31 December 2019

10. Tax

(a) Tax charge/(credit) on profit on ordinary activities

	2019	2018
	£000	£000
UK corporation tax:		
Corporation tax on profit for the year	1,327	1,319
Adjustments in respect of prior periods and other	(31)	(347)
	<u>1,296</u>	<u>972</u>
Deferred tax:		
Origination and reversal of timing differences	55	98
Adjustment in respect of previous periods	8	(1,414)
Effect of changes in tax rates	(6)	(11)
	<u>57</u>	<u>(1,327)</u>
Tax charge/(credit) on profit on ordinary activities	<u>1,353</u>	<u>(355)</u>

(b) Other comprehensive income items

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

(c) Factors affecting current tax charges

The tax assessed on the profit on ordinary activities for the year is different to the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are reconciled below:

	2019	2018
	£000	£000
UK corporation tax:		
Profit on ordinary activities	<u>6,272</u>	<u>5,464</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	1,192	1,038
Expenses not deductible for tax purposes	288	312
Income not taxable	(35)	-
Effects of group relief	-	(25)
Adjustments in respect of prior periods	(23)	(1,761)
Losses	(58)	85
Tax rate changes	(6)	(10)
Other	(5)	6
Total tax charge/(credit)	<u>1,353</u>	<u>(355)</u>

Notes to the financial statements

at 31 December 2019

10. Tax (continued)

(d) Factors affecting future tax charges

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%.

(e) Provision for deferred tax

The deferred taxation provided at 17% (2018: 17%) in the financial statements is as follows:

	2019 £000	2018 £000
Accelerated capital allowances	(1,121)	(1,258)
Other timing differences	(350)	(174)
	<u>(1,471)</u>	<u>(1,432)</u>
Amount relating to pension scheme deficit	(47)	(151)
	<u>(1,518)</u>	<u>(1,583)</u>
Deferred tax asset		
		2019 £000
At 1 January		(1,583)
Charge for the year (Note 10(a))		57
Movement in other comprehensive income		8
		<u>(1,518)</u>
At 31 December		

Notes to the financial statements

at 31 December 2019

11. Tangible fixed assets

Group

	<i>Freehold land and buildings £000</i>	<i>Leasehold improvements £000</i>	<i>Investment properties £000</i>	<i>Plant and machinery & fixtures & fittings £000</i>	<i>Computer equipment £000</i>	<i>Assets under construction £000</i>	<i>Total £000</i>
Cost or valuation:							
At 1 January 2019	54,194	14,465	2,650	8,158	2,452	67	81,986
Additions	679	62	-	318	68	61	1,188
Transfers	-	-	-	4	(1,140)	-	(1,136)
Disposals	(29)	-	-	(56)	(2)	(36)	(123)
At 31 December 2019	54,844	14,527	2,650	8,424	1,378	92	81,915
Depreciation:							
At 1 January 2019	3,508	2,537	192	5,712	1,981	-	13,930
Provided during year	1,063	532	44	1,166	182	-	2,987
Transfers	-	-	-	-	(1,003)	-	(1,003)
Disposals	(29)	-	-	(23)	(1)	-	(53)
At 31 December 2019	4,542	3,069	236	6,855	1,159	-	15,861
Net Book Value							
At 31 December 2019	50,302	11,458	2,414	1,569	219	92	66,054
At 31 December 2018	50,686	11,928	2,458	2,446	471	67	68,056

Included in freehold land and buildings is £10,905,000 (2018: £10,905,000) that is attributable to the value of freehold land that is not depreciated.

The transfer from computer equipment in the year is the result of an exercise taken to move computer software included within this category to intangibles.

Notes to the financial statements

at 31 December 2019

11. Tangible fixed assets (continued)

The carrying amount of investment properties comprises:

	2019 £000	2018 £000
Investment properties at fair value	2,414	2,458

The investment properties were valued by the Board of Directors based upon the information provided by an independent valuer with a recognised qualification as well as the Board's knowledge of the market. The critical assumptions made relating to the valuations are set out below:

	2019 7%	2018 7%
Yields		

Movements in the fair value (being cost) of investment properties are as follows:

	£000
Fair value:	
As at 1 January 2019	2,458
Change in fair value	(44)
As at 31 December 2019	2,414

Company

The Company did not hold any tangible fixed assets as at 31 December 2019 (2018: £nil).

12. Investments

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Cost:				
At 1 January	-	-	10,087	10,144
Disposals	-	-	(281)	(57)
At 31 December	-	-	9,806	10,087

The disposal of investments relates to a deferred consideration adjustment in relation to a pension contribution received in the year from an escrow account established as part of the purchase of Town and County. Further details of the contribution can be found in Note 23. As the contribution is deemed to form part of the consideration of the transaction this has been set off against the investment value in the subsidiary.

Notes to the financial statements

at 31 December 2019

12. Investments (continued)

Details of the investments in which the Company (unless indicated) holds 20% or more of the nominal value of any class of share capital are as follows:

Name of company	Holding	Proportion of voting rights and shares held	Nature of business
<i>Subsidiary undertakings</i>			
Peter Vardy Limited	Ordinary shares	100%	Motor dealerships
Peter Vardy (Bavaria) Limited	Ordinary shares	100%	Motor dealerships
Peter Vardy (Perth) Limited *	Ordinary shares	100%	Motor dealerships
Peter Vardy Porsche Limited*	Ordinary shares	100%	Motor dealerships
Peter Vardy Porsche Perth Limited	Ordinary shares	100%	Motor dealerships
Peter Vardy Property Management Services Limited	Ordinary shares	100%	Property rental
Peter Vardy Land Rover Limited*	Ordinary shares	100%	Non-trading
T&C Assets Limited	Ordinary shares	100%	Non-trading
T&C Holdings Limited*	Ordinary shares	100%	Non-trading

* Held by a subsidiary undertaking

The registered office address for all subsidiary undertakings is Pioneer House, 2 Renshaw Pl, Holytown, Motherwell ML1 4UF.

13. Intangible assets

Group

	Purchased Goodwill £000	Software £000	Total £000
Cost:			
At 1 January 2019	10,012	195	10,207
Transfers	-	1,140	1,140
Additions	-	70	70
At 31 December 2019	10,012	1,405	11,417
Amortisation:			
At 1 January 2019	10,001	27	10,028
Transfers	-	1,003	1,003
Provided during the year	11	150	161
At 31 December 2019	10,012	1,180	11,192
Net book value:			
At 31 December 2019	-	225	225
At 31 December 2018	11	167	178

The transfer from computer equipment in the year is the result of an exercise taken to move computer software included within this category to intangibles.

Notes to the financial statements

at 31 December 2019

14. Stocks

	<i>Group</i>	<i>Group</i>	<i>Company</i>	<i>Company</i>
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Motor vehicles	44,016	42,841	-	-
Consignment vehicles	9,052	10,227	-	-
Parts and sundry stock	2,930	3,290	-	-
	<u>55,998</u>	<u>56,358</u>	<u>-</u>	<u>-</u>

In addition, at the year end the Group has a commercial interest in vehicles allocated to it by the manufacturer from its central stock with a total cost of £11,042,000 (2018: £14,299,000). In the opinion of the Directors, the Group does not have, in substance, any contractual rights or obligations for such vehicles at the year end until they are eventually adopted by the Group and/or sold to the customer. Accordingly, these vehicles are not recorded in the balance sheet as stock and creditors.

15. Debtors

	<i>Group</i>	<i>Group</i>	<i>Company</i>	<i>Company</i>
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade debtors	14,358	10,484	-	-
Other debtors	2,913	2,106	-	-
Directors loan accounts	71	65	-	-
Prepayments and accrued income	1,726	2,359	73	111
Deferred tax asset (Note 9(e))	1,518	1,583	223	151
VAT receivable	-	331	-	-
Amounts receivable from subsidiary undertaking	-	-	70,367	70,621
	<u>20,586</u>	<u>16,928</u>	<u>70,663</u>	<u>70,883</u>

Included in the Company debtors is an amount of £70,367,000 (2018: £70,621,000) which is due after more than one year.

Included in the debtors above are Director loan account balances of £71,000 (2018: £65,000) relating to interest free loans provided for the purchase of motor vehicles. These loans were taken out in the year and have a maximum period of 12 months.

Notes to the financial statements

at 31 December 2019

16. Creditors: amounts falling due within one year

	<i>Group</i>	<i>Group</i>	<i>Company</i>	<i>Company</i>
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Loans	200	3,200	-	3,000
Consignment stocking creditors	9,052	10,228	-	-
Vehicle stocking loans	9,030	7,449	-	-
Trade creditors	5,213	5,136	-	-
Vehicle creditors	24,199	23,344	-	-
Vehicle deposits	834	625	-	-
VAT payable	773	-	-	-
Corporation tax	595	667	-	36
Other taxes and social security costs	1,125	1,250	-	-
Accruals and deferred income	5,743	5,333	991	1,397
CSOP Scheme liability	283	254	283	254
	<u>57,047</u>	<u>57,486</u>	<u>1,274</u>	<u>4,687</u>

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. The Group's loans balance consists of £200,000 from Peter Vardy. Further detail in relation to this loan can be found within the Related Party Transactions Note on page 36.

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

	<i>Group</i>	<i>Group</i>	<i>Company</i>	<i>Company</i>
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Loans	20,910	22,275	20,000	20,000
Amounts due to fellow Group Companies	-	-	37,441	33,204
CSOP Scheme liability	200	729	200	729
	<u>21,110</u>	<u>23,004</u>	<u>57,641</u>	<u>53,933</u>

During 2017, the Group completed a refinancing exercise with Barclays Bank Plc, consolidating the remaining balances on the previous five-year term loan and revolving credit facility into one three-year £20m revolving credit facility. Since the year end the facility has been extended to December 2021 and as such this remains a long-term liability. As at 31 December 2019, the Group has fully utilised the £20m facility. In exchange for this facility Barclays Bank Plc was granted a floating charge over Peter Vardy Holdings Limited and its subsidiary companies as well as a fixed security over all properties owned by the Group.

Notes to the financial statements

at 31 December 2019

18. Financial Commitments

(i) Lease commitments

Full commitments under non-cancellable operating leases are as follows:

Land and Buildings

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Not later than one year	727	332	-	-
Later than one year and not later than five years	527	910	-	-
Later than five years	5,571	13,671	-	-
	6,825	14,913	-	-

Plant and Equipment

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Not later than one year	272	323	-	-
Later than one year and not later than five years	2	274	-	-
	274	597	-	-

(ii) Guarantees

The Company has entered into a cash pooling arrangement with its subsidiary undertakings where there is a right of set off between cash balances and overdrafts throughout the Group.

19. Allotted and Issued share capital

The allotted, issued and fully paid share capital of the Company consisted of:

	2019 No.	2018 No.	2019 £000	2018 £000
Ordinary shares of £1 each	20,306,804	20,306,804	20,307	20,307
A Ordinary shares of £0.01 each	-	6,977	-	-
	20,306,804	20,313,781	20,307	20,307

On the 2 June 2016, 96,314 A Ordinary shares with a nominal value of £0.01 were issued to six Directors/Senior Managers of the company at nominal value. This share issue was in relation to the Employee Shareholder Status (ESS) Scheme (note 4). All A Ordinary Shareholders have since left the share scheme as at 31 December 2019. Of the six Directors that have left, all have had their shares cancelled as at 31 December 2019.

Ordinary shareholders shall be entitled to receive notice of, to attend, and to speak at general meetings but shall not be entitled to vote on any matter.

Notes to the financial statements

at 31 December 2019

20. Related party transactions

Loans to the Group comprise the following:

	2019 £000	2018 £000
Personal loan from Peter Vardy	1,110	2,475
Personal loan from Sir Peter Vardy		3,000
	<u>1,110</u>	<u>5,475</u>

The personal loan from Sir Peter Vardy was fully repaid on 18th January 2019.

£200,000 of the loan from Peter Vardy is deemed to be short-term.

During the year, £14,000 (2018: £37,000) interest has been charged to the income statement for interest recognised on the loan outstanding from Peter Daniel David Vardy.

Furthermore, directors' loan account balances for Sir Peter Vardy and Lady Margaret Vardy of £71,000 (2018: £65,000) representing interest free loans for vehicle purchases are recognised in debtors.

During the year sales amounting to £900,000 were made to CarMoney Limited and £71,000 of purchases were made from CarMoney Limited. Included in trade debtors is a net amount due from CarMoney Limited of £21,000 (2018:£35,000). During the year sales amounting to £234,000 were made to Silver Bullet Automotive Solutions Limited and £90,000 of purchases were made from Silver Bullet Automotive Solutions Limited. Included in trade debtors is a net amount due from Silver Bullet Automotive Solutions Limited of £392 (2018:£209,000).

Sir Peter Vardy is a Trustee and the Chairman for Safe Families for Children and The Vardy Foundation and he is also a shareholder in CarMoney Limited. Peter Daniel David Vardy is a Trustee of The Vardy Foundation and a shareholder in both CarMoney Limited and Silver Bullet Automotive Solutions Limited.

21. Reconciliation of operating profit to net cash flows from operating activities

	2019 £000	2018 £000
Operating profit	7,260	6,098
Depreciation	2,987	3,121
Amortisation of goodwill	11	41
Amortisation of software	150	28
Decrease in stocks	360	3,278
(Increase) decrease in debtors	(3,720)	668
Increase (decrease) in creditors	3,935	(483)
Share based transactions	(501)	338
Pension Contribution	(226)	-
Exceptional items – VAT refund	-	576
Corporation tax paid	(1,370)	(960)
Net cash inflow from operating activities	<u>8,886</u>	<u>12,705</u>

Notes to the financial statements

at 31 December 2019

22. Analysis of cash and cash equivalents

	31 December 2018 £000	Cashflow £000	31 December 2019 £000
Cash	4,162	1,034	5,196

23. Pensions

(a) Defined Benefit Scheme

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

Notes to the financial statements

at 31 December 2019

23. Pensions (continued)

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

	2019 £000	2018 £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 £000	2018 £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

23. 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	<u>5,759</u>	<u>5,473</u>

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
Return on plan assets less interest income	443	(356)
Employer contributions	226	-
Benefits paid	(256)	(288)
As at 31 December	<u>5,481</u>	<u>4,935</u>

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	<u>5,481</u>	<u>4,935</u>

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

Notes to the financial statements

at 31 December 2019

23. Pensions (continued)

(b) Defined Contribution Scheme

The Group also contributes to a money purchase pension scheme the assets of which are held independently of the Group. Contributions to this scheme are charged to the income statement as they fall due. The total pension cost for the Group in the year was £501,000 (2018: £379,000).

24. Financial Instruments

	Group 2019	Group 2018	Company 2019	Company 2018
	£000	£000	£000	£000
Financial assets that are equity instruments measured at cost	-	-	9,806	10,087
<i>Financial assets that are debt instruments measured at cost</i>				
Debtors	17,271	12,590	-	-
Amount receivable from subsidiary undertaking	-	-	70,367	70,367
<i>Financial liabilities measured at amortised cost</i>				
Bank overdraft	-	-	-	-
Loans	21,110	25,475	20,000	23,000
Creditors	48,328	46,782	-	-
Amounts due to fellow group undertakings	-	-	37,441	33,204
	<u>43,594</u>	<u>43,201</u>	<u>137,614</u>	<u>136,658</u>

25. Contingent asset

When the Group 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.

26. Controlling party

In the Directors' opinion, the controlling party of the Company is Sir Peter Vardy by virtue of his majority shareholding in the Company.

Notes to the financial statements

at 31 December 2019

27. Post Balance Sheet Event

- A. 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 Group 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 Peter Vardy Group 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 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 Group, 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 group 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 Group 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 Group 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 Group. 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.

- B. Since the year end, the company has also renewed its revolving credit facility with Barclays. This facility was extended post year end until 31st December 2021 to allow the group to meet its future growth objectives.