

PENDRAGON ORIENT LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

Registered Number : 01994002

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29/09/2016



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PENDRAGON ORIENT LIMITED

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STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2015

The Company is a wholly-owned subsidiary of Pendragon PLC and operates as part of the Stratstone division.

The Company's principal activity is that of motor retailers and parts distributors in the UK. The business consists of the sale of new and used vehicles and the service and repair of vehicles. At 31 December 2015 the Company operated one franchise from one location having sold a motor vehicle dealership in early 2015. In January 2016, as part of a group reorganisation the Company acquired the trade and certain assets of four more motor vehicle dealerships.

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

As shown in the Company's profit and loss account on page 4, turnover decreased by 58.6% from £26,744,000 in the prior year to £11,078,000 in the current year and the loss for the financial year was £432,000 compared to the prior year loss of £758,000. These fluctuations are a consequence of the loss of activity from the disposal of a motor vehicle dealership in early 2015.

Pendragon PLC manages its operations on a divisional basis. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of Stratstone division, which includes the Company, is discussed in the 2015 financial statements of Pendragon PLC.

The balance sheet on page 5 of the financial statements shows that the net assets of the Company have decreased by £432,000. This was due to the loss in the year.

One of the main risks facing the business is the year on year decline in new car registrations in the United Kingdom. This risk is partly mitigated by the sale of used cars and aftersales services. Other risks to the business include fluctuations in general economic conditions, such as interest rate increases, environmental concerns and legislation and the loss of key personnel. These risks are significant to the group and are also detailed in the group financial statements.

Pendragon Orient Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. The Company operates in accordance with Pendragon PLC policies, as noted in Pendragon PLC's annual report, which does not form part of this report. Initiatives aimed at minimising the Company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

The directors are of the opinion that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts.

The directors are satisfied that the Company is well positioned to take advantage of future opportunities.

By order of the Board



T P Holden
Director

21 September 2016

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2015

The directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 31 December 2015.

RESULTS AND DIVIDENDS

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

The directors do not recommend the payment of a dividend (2014 : £nil).

DIRECTORS

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

T G Finn
T P Holden
M S Casha
H C Sykes
Pendragon Management Services Limited

EMPLOYEES

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

EMPLOYMENT OF DISABLED PERSONS

The Company recognises its responsibilities in employing and training disabled persons. If any employee becomes disabled it is standard practice, in all but the most extreme circumstances, to offer an alternative job and provide retraining where necessary.

EMPLOYEE INVOLVEMENT

Regular contact and exchanges of information are maintained to keep employees informed of the progress of the business.

The Company participates in policies and practices to keep employees informed on matters relevant to them as employees through appropriate means, such as employee meetings and newsletters.

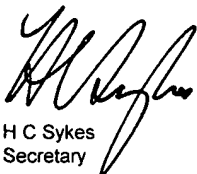
DISCLOSURE OF INFORMATION TO AUDITOR

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

RE-APPOINTMENT OF AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the Board


H C Sykes
Secretary

Loxley House
Little Oak Drive
Annesley
Nottinghamshire
NG15 0DR
21 September 2016

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

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENDRAGON ORIENT LIMITED

We have audited the financial statements of Pendragon Orient Limited for the year ended 31 December 2015 set out on pages 4 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



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

21 September 2016

PROFIT AND LOSS ACCOUNT**YEAR ENDED 31 DECEMBER 2015**

Note		2015 £000	2014 £000
2	TURNOVER	11,078	26,744
	Cost of sales	(9,968)	(23,832)
	GROSS PROFIT	1,110	2,912
	Distribution costs	(781)	(2,104)
	Administrative expenses	(812)	(1,745)
3	OPERATING LOSS	(483)	(937)
14	Loss on disposal of business	(12)	-
	LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST	(495)	(937)
5	Interest payable	(33)	(25)
	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(528)	(962)
6	Taxation on loss on ordinary activities	96	204
	LOSS FOR THE FINANCIAL YEAR	(432)	(758)

All current year amounts relate to continuing operations.

Movements in reserves are shown in the Statement of Changes in Equity on page 6.

The notes on pages 7 to 14 form part of these financial statements.

There are no amounts to be recognised in a Statement of Other Comprehensive Income and as such no separate statement has been presented. The profit for the financial year represents total comprehensive income for the period.

BALANCE SHEET**AT 31 DECEMBER 2015**

Note		2015 £000	2014 £000
	FIXED ASSETS		
7	Intangible assets	1	1
8	Tangible assets	25	115
		26	116
	CURRENT ASSETS		
9	Stocks	1,359	2,971
10	Debtors	158	373
	Cash at bank and in hand	-	-
		1,517	3,344
11	CREDITORS: amounts falling due within one year	(1,767)	(3,252)
	NET CURRENT (LIABILITIES) / ASSETS	(250)	92
	NET (LIABILITIES) / ASSETS	(224)	208
	CAPITAL AND RESERVES		
13	Called up share capital	5,000	5,000
	Profit and loss account	(5,224)	(4,792)
	SHAREHOLDERS' (DEFICIT) / FUNDS	(224)	208

Approved by the Board of Directors on 21 September 2016 and signed on its behalf by :



T P Holden
Director

Registered Company Number : 01994002

The notes on pages 7 to 14 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2015

	Called up share capital £000	Profit and loss account £000	Total £000
Balance at 1 January 2014	5,000	(4,034)	966
Total comprehensive income for 2014			
Loss for the year	-	(758)	(758)
Total comprehensive income for the year	-	(758)	(758)
Balance at 31 December 2014	5,000	(4,792)	208
Balance at 1 January 2015	5,000	(4,792)	208
Total comprehensive income for 2015			
Loss for the year	-	(432)	(432)
Total comprehensive income for the year	-	(432)	(432)
Balance at 31 December 2015	5,000	(5,224)	(224)

The notes on pages 7 to 14 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTSYEAR ENDED 31 DECEMBER 2015

1 ACCOUNTING POLICIES

(a) Basis of preparation.

Pendragon Orient Limited is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

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

In these financial statements, the Company has adopted FRS 101 for the first time.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance and cash flows of the Company is provided in note 20.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemption has been taken in these financial statements:

- Business combinations – Business combinations that took place prior to 1 January 2014 have not been restated.
- At 1 January 2014, fair value has been used as deemed cost for properties previously measured at fair value.

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

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

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the adoption of FRS 101;
- Disclosures in respect of the compensation of Key Management Personnel.

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

- Disclosures required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company;
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 1 January 2014 for the purposes of the transition to FRS 101.

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

- notes 6 & 12 - tax liability and recognition of deferred tax assets. The actual tax on the Company's profits is determined according to complex laws and regulations. Where the effect of these laws and regulations is unclear, estimates are used in determining the liability for the tax to be paid on profits which are recognised in the financial statements. The Company considers the estimates, assumptions and judgements to be reasonable but this can involve complex issues which may take a number of years to resolve. The final determination of tax liabilities could be different from the estimates reflected in the financial statements. Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income.
- note 9 - assessment of fair value of stocks. Fair values are assessed using market research data which is based upon recent industry activity. Whilst this data is deemed representative of current values it is possible that ultimate sales values can vary from those applied.

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on page 1.

Going concern - The Company's parent company, has confirmed that it will continue to provide financial support to the Company if needed. The directors consider that this should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. However, as with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue.

The directors are of the opinion that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts.

(b) **Turnover.** Turnover from the sale of goods is recognised in the profit and loss account, net of discounts, when the significant risks and rewards of ownership have been transferred to the buyer. In general this occurs when vehicles or parts have been supplied or when service has been completed. Turnover from services rendered is recognised in the profit and loss account in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by surveys of work performed or by reference to time expended on services that are charged on labour rate basis. Incentives received from manufacturers in respect of target achievements are accounted for as

NOTES TO THE FINANCIAL STATEMENTS continuedYEAR ENDED 31 DECEMBER 2015

1 ACCOUNTING POLICIES (continued)

(c) Intangible assets. Intangible assets are stated at cost less accumulated amortisation and any impairment losses. This category of asset, which includes purchased computer software, are amortised by equal instalments over four years.

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

Plant and equipment - 10 to 33% per annum
Motor vehicles - 20 to 25% per annum

(e) Stocks.

(i) Motor vehicle stocks are stated at the lower of cost and net realisable value. Cost is net of incentives received from manufacturers in respect of target achievements. Fair values are assessed using market research data which is based upon recent industry activity. Whilst this data is deemed representative of current values it is possible that ultimate sales values can vary from those applied.

(ii) Consignment vehicles are new unregistered vehicles owned by the manufacturers, mainly located at the Company's premises, and insured by the Company.

(iii) Parts inventories are based on an average purchase cost principle and are written down to net realisable value by providing for obsolescence on a time in stock based formula approach.

New consignment vehicles in respect of which finance charges are levied are regarded as being effectively under the control of the Company and are included within stocks on the balance sheet even though legal title has not yet passed to the Company. The corresponding liability is included in creditors.

(f) Taxation. Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not recognised: initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred income tax assets and liabilities are offset when there is a legally enforceable rights to offset current tax assets against current tax liabilities.

(g) The Company participates in a group wide defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The Company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by IAS 19 'Employee benefits (2011)', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

(h) Leases. Leases are classified as operating leases wherever the lease does not transfer substantially all the risks and rewards of ownership to the Company. Rentals paid under operating leases are charged directly to the profit and loss account on a straight line basis over the period of the lease. Leases subject to predetermined fixed rental uplifts have their rentals accounted for on a straight line basis recognised over the life of the lease. Lease incentives received and paid are recognised in the profit and loss account as an integral part of the total lease expense over the term of the lease.

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

(j) Related parties. The Company has a related party relationship with Reg Vardy (VMC) Limited, which is a joint venture undertaking between Pendragon PLC and General Motors UK Limited.

During the year, the following amounts were received from related parties in respect of vehicle sales:	2015 £000	2014 £000
Reg Vardy (VMC) Limited	4	51
During the year, the following amounts were paid to related parties in respect of vehicle purchases:	2015 £000	2014 £000
Reg Vardy (VMC) Limited	-	5

At the year end no amounts were due to or receivable from related parties.

2 TURNOVER

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

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2015

3 OPERATING LOSS

Operating loss has been arrived at after charging :

	2015 £000	2014 £000
Depreciation of tangible fixed assets - owned	10	39
Amortisation of intangible fixed assets	5	2
Audit fee / Auditor's remuneration	4	4
Operating lease charges - Land & Buildings	226	456

Amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Pendragon PLC.

4 EMPLOYEES

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

	2015 Number	2014 Number
Sales	8	12
Aftersales	14	21
Administration	9	14
	31	47

Costs incurred in respect of these employees were :

	2015 £000	2014 £000
Wages and salaries	687	1,232
Social security costs	61	110
Other pension costs	21	22
	769	1,364

No director of the Company received or waived any remuneration for services to the Company during the year (2014 : £nil).

The directors are employed by Pendragon PLC and full details of their remuneration can be found in the Directors Remuneration Report section of that company's annual report. A management charge is levied on the Company which incorporates an element of recharge for the remuneration of the directors amounting to £26,000 (2014 : £26,000).

5 INTEREST PAYABLE

	2015 £000	2014 £000
Interest payable on loans wholly repayable within five years :		
Bank interest payable	4	6
Intra group interest payable	32	17
Stocking loan interest (refund)	(3)	2
Total interest payable	33	25

6 TAXATION

	2015 £000	2014 £000
UK corporation tax at the UK average statutory rate of 20.25% (2014 : 21.5%)		
Current tax on income for the year	(127)	(229)
Adjustments in respect of prior periods	(2)	34
Total current tax	(129)	(195)
Deferred taxation		
Origination and reversal of temporary differences	31	20
Adjustments in respect of prior periods	2	(29)
Total deferred tax	33	(9)
Total tax credit in the profit and loss account	(96)	(204)

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2015

6 TAXATION (continued)

Factors affecting the tax credit for the period:

The tax assessed is higher (2014 : higher) than the standard rate of corporation tax in the UK of 20.25% (2014 : 21.5%). The differences are explained below:

	2015 £000	2014 £000
Loss on ordinary activities before tax	(528)	(962)
Tax on loss at the UK average statutory rate of 20.25% (2014 : 21.5%)	(107)	(207)
Effects of:		
Effect of decrease in tax rate	11	(2)
Adjustments to tax charge in respect of previous periods	-	5
Total tax credit in the profit and loss account	(96)	(204)

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax asset at 31 December 2015 has been calculated based on these rates. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge accordingly and reduce the deferred tax asset at 31 December 2015 by £10,000.

7 INTANGIBLE ASSETS

	Total £000
Cost	
At 31 December 2014	6
Additions	6
Disposals	(8)
At 31 December 2015	4
Amortisation	
At 31 December 2014	5
Disposals	(7)
Charge for the year	5
At 31 December 2015	3
Net book value	
At 31 December 2015	1
At 31 December 2014	1

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

8 FIXED ASSETS - TANGIBLE ASSETS

	Plant & Equipment £000	Motor Vehicles £000	Total £000
Cost			
At 31 December 2014	214	49	263
Additions	2	-	2
Business disposals	(148)	-	(148)
Other disposals	(24)	(49)	(73)
At 31 December 2015	44	-	44
Depreciation			
At 31 December 2014	146	2	148
Business disposals	(116)	-	(116)
Other disposals	(19)	(4)	(23)
Charge for the year	8	2	10
At 31 December 2015	19	-	19
Net book value			
At 31 December 2015	25	-	25
At 31 December 2014	68	47	115

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2015

9 STOCKS

	2015 £000	2014 £000
New and used vehicles	1,074	2,341
Consignment vehicles	158	499
Vehicle parts and other stocks	127	131
	1,359	2,971

During the year £6,000 was recognised as an expense in respect of the write down of stocks (2014 : £8,000).

Consignment stock is held by the Company though legal title remains with the supplier. The balance of the consignment stock is subject to interest at commercial rates with an initial interest free period, typically 30 days, being granted. In most cases, if the stock remains unsold after a set period, typically 180 days then the stock is invoiced to the Company. These terms can be varied at any time and certain stock lines may be subject to different terms to others. No deposits are paid in respect of consignment stock.

10 DEBTORS

	2015 £000	2014 £000
Trade debtors	35	51
Deferred taxation (see note 12)	112	145
Other debtors	4	129
Prepayments	7	48
	158	373

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

11 CREDITORS : amounts falling due within one year

	2015 £000	2014 £000
Bank overdraft	57	761
Payments received on account	18	33
Amounts owed to group undertakings	973	751
Trade creditors	434	859
Consignment vehicle liabilities	158	499
Other taxation and social security	41	2
Accruals and deferred income	86	347
	1,767	3,252

12 DEFERRED TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2015 £000	2014 £000
Deferred tax assets	112	145

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

	Accelerated capital allowances £000	Other short term temporary differences £000	Total £000
At 1 January 2014	136	-	136
Charged to income statement	7	2	9
At 31 December 2014	143	2	145
At 1 January 2015	143	2	145
Charged to income statement	(31)	(2)	(33)
At 31 December 2015	112	-	112

The directors believe that the deferred tax asset recognised is recoverable as they expect taxable profits to arise in the foreseeable future.

Deferred tax assets are shown in debtors (see note 10).

13 CALLED UP SHARE CAPITAL

	2015 £000	2014 £000
Allotted, called up and fully paid : 5,000,000 (2014 : 5,000,000) ordinary shares of £1 each	5,000	5,000

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2015

14 DISPOSALS

The Company disposed of a motor vehicle dealership in Bradford during the year for net proceeds of £67,000.

Net assets at date of disposal	Net book value £000
Tangible fixed assets	32
Stocks	58
Debtors	1
Creditors	(12)
	79
Loss on sale of businesses	(12)
Proceeds on sale (net of costs) satisfied in cash	67

15 OPERATING LEASE COMMITMENTS

At the balance sheet date, the Company had no outstanding commitments for future minimum lease payments under non-cancellable operating leases.

The Company leases a property from Pendragon Property Holdings Limited on terms allowing immediate termination by either party. As such no lease commitment is shown in respect of this property. There are no contingent rentals in this lease.

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

	2015 £000	2014 £000
Operating lease rentals payable - property rentals	226	456

16 CONTINGENT LIABILITIES

The Company is party to multi-lateral cross guarantees in respect of the indebtedness of Pendragon PLC and its UK subsidiaries in favour of certain lenders to the Group.

Pendragon PLC has granted security over some of the Company's assets, not subject to any other arrangements, mainly comprising property, debtors and certain vehicle stocks. Pendragon PLC has also granted security over assets in some of its other subsidiaries and if security over the total of all those assets had been granted at 31 December 2015, the Group balance sheet value of those assets would have been £438m (2014 :£354m).

17 PENSIONS

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

The Company is a member of a funded group wide pension scheme, the Pendragon Group Pension Scheme providing benefits based on final pensionable pay. There is no stated policy for allocating assets and liabilities in relation to the scheme and therefore the Company accounts for its contributions on a straight line basis. At 31 December 2015 the scheme had a deficit on an IAS 19 basis of £43,400,000 (2014 : £66,400,000).

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

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

The pension charge cost in respect of the group stakeholder arrangement and the People's Pension Scheme for the year was £21,000 (2014 : £22,000).

18 ULTIMATE PARENT COMPANY AND PARENT UNDERTAKING OF LARGER GROUP OF WHICH COMPANY IS A MEMBER

The Company's ultimate parent company and ultimate controlling party is Pendragon PLC which is incorporated in England and Wales. The largest and smallest group in which the results of the Company are consolidated is that headed by Pendragon PLC. Financial statements of Pendragon PLC for the year ended 31 December 2015 are available from the Company Secretary, Pendragon PLC, Loxley House, Little Oak Drive, Annesley, Nottinghamshire, NG15 0DR.

19 POST BALANCE SHEET EVENT

On 1 January 2016 the Company acquired the trade and net liabilities of four motor vehicle dealerships from other companies in the Pendragon group. The net liabilities of £3,091,000 were settled by way of an intra group loan arrangement.

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2015

20 EXPLANATION OF TRANSITION TO FRS 101

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year ended 31 December 2014 and in preparation of an opening IFRS balance sheet at 1 January 2014 (the Company's date of transition).

In preparing its opening IFRS balance sheet, the Company has adjusted amounts previously reported in financial statements prepared in accordance with its old basis of accounting under UK GAAP. An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables in the section Explanation of Transition to FRS 101.

RECONCILIATION OF EQUITY AT 1 JANUARY 2014

	UK GAAP £000	Software £000	FRS 101 £000
Note	1		
FIXED ASSETS			
Intangible assets	-	1	1
Tangible assets	88	(1)	87
	88	-	88
CURRENT ASSETS			
Stocks	2,385	-	2,385
Debtors	364	-	364
	2,749	-	2,749
CREDITORS: amounts falling due within one year	(1,871)	-	(1,871)
NET CURRENT LIABILITIES	878	-	878
NET ASSETS	966	-	966
CAPITAL AND RESERVES			
Called up share capital	5,000	-	5,000
Retained earnings	(4,034)	-	(4,034)
TOTAL SHAREHOLDERS' FUNDS	966	-	966

RECONCILIATION OF EQUITY AT 31 DECEMBER 2014

	UK GAAP £000	Software £000	FRS 101 £000
Note	1		
FIXED ASSETS			
Intangible assets	-	1	1
Tangible assets	116	(1)	115
	116	-	116
CURRENT ASSETS			
Stocks	2,971	-	2,971
Debtors	373	-	373
	3,344	-	3,344
CREDITORS: amounts falling due within one year	(3,252)	-	(3,252)
NET CURRENT LIABILITIES	92	-	92
NET ASSETS	208	-	208
CAPITAL AND RESERVES			
Called up share capital	5,000	-	5,000
Retained earnings	(4,792)	-	(4,792)
TOTAL SHAREHOLDERS' FUNDS	208	-	208

NOTES TO THE FINANCIAL STATEMENTS continued**YEAR ENDED 31 DECEMBER 2015**

20 EXPLANATION OF TRANSITION TO FRS 101 continued

RECONCILIATION OF PROFIT FOR THE YEAR ENDED 31 DECEMBER 2014

PROFIT AND LOSS ACCOUNT	UK GAAP £000	Software £000	FRS 101 £000
		1	
TURNOVER	26,744	-	26,744
Cost of sales	(23,832)	-	(23,832)
GROSS PROFIT	2,912	-	2,912
Distribution costs	(2,104)	-	(2,104)
Administrative expenses	(1,745)	-	(1,745)
OPERATING PROFIT	(937)	-	(937)
Interest payable	(25)	-	(25)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	(962)	-	(962)
Taxation on profit on ordinary activities	204	-	204
PROFIT FOR THE FINANCIAL YEAR	(758)	-	(758)

Notes to transition to FRS 101**Intangible assets**

- 1 The software assets of the Company have been reclassified as intangibles and, accordingly £1,000 has been reclassified from property, plant and equipment to intangible assets at 31 December 2014.