G K Group Limited

Directors' report and consolidated financial statements

Registered number 2086705

Year ended 31 December 2010

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2010

Principal activities

The principal activities of the group remain the distribution and retailing of motor vehicles, spare parts, maintenance, service and repair and vehicle rental

Business review

The group recorded a profit before tax and exceptional items of £492,000 compared to £147,000 in 2009, an improvement of £345,000

As reported last year, market conditions in the first quarter of 2010 were reasonably good, benefiting from the extension of the Scrappage scheme, but as expected conditions thereafter were much more difficult

In the circumstances the group's performance on ne7w cars was very good and exceeded expectations We also had an outstanding result from commercial vehicles and our parts operations continued to do well

These departments more than made up for disappointing results from service, accident repairs and used cars, although in all three cases this was largely down to weakness in one or two locations

Interest costs are still very high, in spite of reduced borrowings, because the impact of the interest rate swap we have in place to protect us against high interest rates, continues to prevent us from enjoying the very low interest rates currently available

The SEAT dealership in Derby was sold at the end of July reducing the number of franchises to four Costs of the disposal and late costs from the sales of Cumbria and Dumfries last year are included in exceptional items

We reported last year that our dealership in Stranraer, our last dealership in Scotland and the North West, would be sold in due course and terms have now been agreed for the sale of that business Completion is expected on 1st July 2011 The expected loss on the sale of the property when compared to its book value has been included in exceptional items However a profit is expected to be realised on the sale of the other assets when the sale is completed

The group traded within its agreed facilities during the year and has continued to repay its long term loans at an accelerated rate Borrowings overall have fallen by a further £664,000 in the year

Significant progress has been made in overcoming the problems encountered as a result of the new computer system, introduced in June 2009, and we should now start to see the benefits we expect from it

Outlook 2011

General expectations for retailing in 2011 have never been optimistic and indeed trading in the first quarter was weak April suffered very badly from the excessive number of holidays and the outlook for the rest of the year is that things are likely to remain tough

However, the action taken to reduce the size and complexity of the group and to reduce our borrowings has left us in a much stronger position to face the challenges that this year presents

Most of our dealerships are now performing well and we are starting to see much improved results from our relatively new specialist accident repair centre in Holmewood

Whilst we expect to remain profitable, we do not anticipate any improvement in the overall results unless market conditions change for the better However we will continue to reduce borrowings

The group continues to operate within our agreed facilities and the directors forecast that this will remain the case throughout the year

Principal risks and uncertainties

The board is ultimately responsible for risk management and continues to develop policies and procedures that reflect the nature and scale of the group's business These are designed to identify, mitigate and manage risk, but they cannot entirely eliminate it The board has identified the following areas of risk to the business and strategies to mitigate and manage them

Directors' report *(continued)*

Principal risks and uncertainties *(continued)*

The group has borrowings which are secured against certain of the group's properties and is therefore subject to the risks of variations in commercial property values The group plan is to redevelop and relocate dealerships as and when suitable opportunities arise to minimise the exposure These loans are being repaid at an accelerated rate in order to reduce this risk

The borrowings are subject to several covenants, a breach of which could result in the group being required to repay the borrowings on demand The two principal ones relate to interest cover and the ratio of the loans to value The directors do not consider that either of these is likely to be breached

The group is exposed to a relatively, though much reduced, level of borrowings and thus to increases in interest rates However, this exposure is covered by interest rate swaps

Ford remains the largest supplier to the group and fortunes are therefore linked to theirs The group's strategy is to spread the risk by continuing to represent a variety of manufacturers and to expand those parts of the business which are not directly linked to one marquee, such as service and accident repair centres

The group benefits from VAT input tax at the time it purchases vehicles from its main two suppliers which is the moment vehicles are gate released from the factories The amount owing for VAT at any time is highly dependent on the level of vehicle stocks and is susceptible to the rate and timing of build by the Manufacturers, The company has borrowing facilities in place to accommodate foreseeable drops in production

The group has a defined benefit pension scheme which is in deficit The scheme was closed to new members and new accruals several years ago and the plan is to eliminate the deficit by 2015 However, continued variation in life expectancy, annuity rates and investment returns make it difficult to determine the shortfall with a degree of consistency

Directors

The directors of the company were as follows

GRJ Kenning
DBB Kenning
R Farrall
M Gilligan
MR Hamer
N Hopewell

Environment

The group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to try and mitigate any adverse impact that might be caused by its activities Initiatives aimed at minimising the company's impact on the environment include safe disposal of hazardous substances and reducing energy consumption

Employees

The directors recognise the importance of good communication with all employees Each of the group's locations maintains employee relations appropriate to its own particular needs and environment where the views of the employees are taken into account

It is the group's policy to make every effort to retain employees who become disabled during their period of employment by arranging retraining as well as employing disabled persons on equal terms whenever possible Promotional opportunities are open to all employees irrespective of disablement

Donations

No charitable donations were made during the year *(2009 £1,212)*

Directors' report *(continued)*

Disclosure of information to auditor

The directors who held office at the date of approval of this director's 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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

Approved by the board of directors and signed on its behalf by

DBB Kenning
Secretary

Chatsworth Road
Chesterfield
Derbyshire
S40 2BJ

14 June 2011

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing 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)

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss for that period

In preparing these 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006 They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities

KPMG Audit Plc
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

Independent auditor's report to the members of G K Group Limited

We have audited the financial statements ("the financial statements") of G K Group Limited for the year ended 31 December 2010 set out on pages 7 to 28 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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 auditors' 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 auditors

As explained more fully in the directors' responsibilities statement set out on page 4, 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 (APB'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 APB's web-site at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2010 and of the group's profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditor's report to the members of G K Group Limited *(continued)*

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 by the parent company, 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

GA Watts (Senior Statutory Auditor) 14 June 2011
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants

Consolidated profit and loss account
for the year ended 31 December 2010

	Note	2010 Total £000	2009 Continuing £000	2009 Discontinuing £000	2009 Total £000
Group turnover	2	**155,700**	136,908	67,844	204,752
Cost of sales		**(136,122)**	(119,833)	(65,163)	(184 996)
Gross profit		**19,578**	17,075	2,681	19,756
Administrative expenses		**(17,772)**	(15,255)	(2,494)	(17,749)
Exceptional operating items	6	**(456)**	111	(193)	(82)
Operating profit/(loss)		**1,350**	1,931	(6)	1,925
Interest receivable and similar income	3	**50**	47	-	47
Interest payable and similar charges	4	**(1,326)**	(1,279)	(535)	(1,814)
Other finance costs in respect of pensions	22	**(38)**	(93)	-	(93)
Profit/(loss) on ordinary activities before taxation	5	**36**	606	(541)	65
Tax (charge)/credit on profit/(loss) on ordinary activities	9	**(143)**	(211)	497	286
Retained (deficit)/earnings	18	**(107)**	395	(44)	351

The statement of total recognised gains and losses is set out on page 11

Movements in reserves are shown in note 18

All operations were continuing during the year

There is no difference between the reported profit shown above and the profit for the year restated on an historical cost basis Accordingly, no note of historical cost profits is presented

Consolidated balance sheet
at 31 December 2010

	Note	2010 £000	£000	2009 £000	£000
Fixed assets					
Tangible assets	*10*		12,777		13,300
Investments	*11*		10		10
			12,787		13,310
Current assets					
Stocks	*12*	42,243		45,402	
Debtors	*13*	7,093		10,452	
Cash at bank and in hand		4		4	
		49,340		55,858	
Creditors Amounts falling due within one year	*14*	(50,417)		(56,768)	
Net current (liabilities)/assets			(1,077)		(910)
Total assets less current liabilities			11,710		12,400
Creditors Amounts falling due after more than one year	*15*		(3,404)		(3,878)
Net assets before net pension liability			8,306		8,522
Net pension liability	*22*		(483)		(1,032)
Net assets			7,823		7,490
Capital and reserves					
Called up share capital	*17*		936		936
Revaluation reserve	*18*		3,413		3,619
Profit and loss account	*19*		3,474		2,935
Equity shareholders' funds	*19*		7,823		7,490

These financial statements were approved by the board of directors on 14 June 2011 and were signed on its behalf by

GRJ Kenning
Director

Company registered number 2086705

Company balance sheet
at 31 December 2010

	Note	2010		2009	
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*10*		**1,582**		1,805
Investments	*11*		**157**		157
			1,739		1,962
Current assets					
Stocks	*12*	**42,243**		45,402	
Debtors (including £636,000 *(2009 £636,000)* due after more than one year)	*13*	**19,284**		22,239	
Cash at bank and in hand		**2,086**		1,620	
		63,613		69,261	
Creditors Amounts falling due within one year	*14*	**(53,149)**		(58,609)	
Net current assets			**10,464**		10,652
Total assets less current liabilities			**12,203**		12,614
Creditors Amounts falling due after more than one year	*15*		**(138)**		(537)
Net assets before net pension liability			**12,065**		12,077
Net pension liability	*22*		**(483)**		(1,032)
Net assets			**11,582**		11,045
Capital and reserves					
Called up share capital	*17*		**936**		936
Other non-distributable reserves	*18*		**5,326**		5,326
Profit and loss account	*19*		**5,320**		4,783
Equity shareholders' funds	*19*		**11,582**		11,045

These financial statements were approved by the board of directors on 14 June 2011 and were signed on its behalf by

GRJ Kenning
Director

Consolidated cash flow statement
for the year ended 31 December 2010

	Note	2010 £000	2009 £000
Net cash inflow/(outflow) from operating activities	*21a*	**1,601**	(568)
Returns on investment and servicing of finance	*21b*	**(1,314)**	(1,860)
Acquisitions and disposals	*21d*	**481**	8,594
Taxation		**22**	-
Capital expenditure and financial investment	*21c*	**(126)**	(405)
Net cash inflow before financing		**664**	5,761
Financing outflow	*21e*	**(664)**	(6,532)
Decrease in cash	*21f*	**-**	(771)

Consolidated statement of total recognised gains and losses
for the year ended 31 December 2010

	2010 £000	2009 £000
(Loss)/profit for the financial year	**(107)**	351
Actuarial gain/(loss) recognised in the pension scheme in the year	**595**	(24)
Deferred tax movement on actuarial gain/(loss) recognised in year	**(161)**	7
Effect of the deferred tax rate change 27% *(2009 28%)*	**6**	-
Total recognised gains and losses relating to the financial year	**333**	334

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements

Basis of preparation

The financial statements have been prepared under the historical cost accounting rules, modified by the revaluation of certain land and buildings, and in accordance with applicable Accounting Standards

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons

As highlighted in note 14 to the financial statements, the group meets its day to day working capital requirements through an overdraft facility repayable on demand and due for renewal on 30 September 2011 The group also has a long-term loan of £3 6 million outstanding at the year end with Lloyds TSB which is secured on certain freehold land and buildings owned by the group

The current economic conditions create uncertainty particularly over the level of demand for the group's products, and the availability of bank finance in the foreseeable future

The directors have prepared projected cash flow forecasts for the period ending 12 months from the date of approval of these financial statements The projections take account of reasonably possible changes in trading performance and show that the group will be able to operate within the level of its current overdraft facility The group will discuss renewal of the overdraft facility with the bank in due course The group has held discussion with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms

The long-term loan is subject to two covenants, one of which (interest charge cover) is not considered to be a risk and therefore not discussed further The other is a 'loan to value' covenant relating to the valuation of the properties on which the loan is secured The loan was taken out in June 2007 prior to the effects of the current UK economic conditions, and the covenant is based on property values at that time Since June 2007 there has clearly been a decline in the market values of the group's properties However, action taken to reduce the loan, through a combination of selling properties and accelerating repayments, means that the likelihood of a breach is extremely remote

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2010

Under Section 230 (4) of the Companies Act 2006, the company is exempt from the requirement to present its own profit and loss account

Depreciation

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

Freehold buildings	-	50 years
Long leasehold property	-	50 years
Motor vehicles	-	2 to 6 years
Plant and equipment	-	2 to 10 years
Vehicles on contract hire	-	over the term of the contract

Freehold land is not depreciated

Amortisation

Amortisation is provided to write off the cost of debt by equal instalments over the life of the loan

Notes *(continued)*

1 Accounting policies *(continued)*

Stocks

Stocks are stated at the lower of cost and net realisable value The treatment of consignment stocks and vehicles sold under guaranteed buy-back arrangements is outlined in note 12 to the financial statements

Taxation

The charge/(credit) for taxation is based on the profit/(loss) for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Leases

Assets acquired under finance leases and similar hire purchase agreements are treated as tangible fixed assets and depreciation provided accordingly The capital element of future lease payments is included in creditors Finance charges are allocated to accounting periods over the length of the contract

All other losses regarded on operating leases, the payments made under them are charged to the profit and loss account as incurred

Pensions

Up until 6 April 2000 the company operated a defined benefit pension scheme which is administered by trustees and is independent of the company's finances Contributions are paid into the scheme in accordance with the recommendations of independent actuaries who carry out valuations at regular intervals

Pension scheme assets are measured using market values Pension scheme liabilities are measured using a projected method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability

The group has fully adopted FRS 17 'Retirement benefits' The net liabilities of the pension schemes *(2009 net liabilities)* are included on the balance sheet, current service costs and net financial returns are included in the profit and loss account and actuarial gains and losses are recognised in the statement of total recognised group gains and losses Further information on FRS 17 is provided in note 22

Since 6 April 2000 the company has operated a money purchase pension scheme and contributions to that scheme are charged in the profit and loss account as incurred

Dividends

In accordance with FRS 21 'Events after the balance sheet date', dividends are now shown as a movement in equity in the period in which they are paid

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market

2 Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax Turnover all arises in the United Kingdom and is attributable to the principal activities of the group, namely the distribution, retailing and servicing of motor vehicles Turnover includes £1,698,000 *(2009 £1,886,000)* in respect of operating lease rentals

Notes *(continued)*

3 Interest receivable and similar income

	2010 £000	2009 £000
Other interest receivable	**50**	47

4 Interest payable and similar charges

	2010 £000	2009 £000
On bank loans and overdrafts	**828**	396
On other loans	**479**	1,410
Amortisation of debt issue costs	**19**	8
	1,326	1,814

5 Profit/ (loss) on ordinary activities before taxation

	2010 £000	2009 £000
Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation of tangible fixed assets	**408**	687
Loss on disposal of trade and assets	**53**	82
(Profit)/loss on disposal of fixed assets	**(14)**	16
Operating lease charges		
Property	**270**	383
Plant and machinery	**88**	68
Fixed asset impairment charges		
Tangible Fixed assets	**256**	-

The company's profit after tax for the financial year was £97,000 (*2009 loss £59,000)*

	2010 £000	2009 £000
Auditors' remuneration		
Audit of these financial statements	**57**	95
Amounts receivable by auditors in respect of		
Audit of financial statements of subsidiaries pursuant to legislation	**3**	19
Other services relating to taxation	**8**	33
Other services relating to pensions	**6**	5
	74	152

6 Exceptional operating items

The exceptional items are made up of £200,000 relating to costs incurred as a result of the rationalization and re-organisation of the business and an impairment charge against fixed assets of £256,000 (see note 10)

Notes *(continued)*

7 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows

	Number of employees	
	2010	2009
Sales	**102**	168
Service	**270**	405
Administrative	**73**	100
	445	673

The aggregate payroll costs of these persons were as follows

	£000	£000
Wages and salaries	**7,731**	14,051
Social security costs	**872**	1,307
Pension costs	**359**	355
	8,962	15,713

8 Remuneration of directors

	2010	2009
	£000	£000
Director's emoluments	**445**	422
Pension contributions	**13**	14
	458	436
Number of directors to whom retirement benefits are accruing under a defined benefit Scheme	**4**	4

The amounts set out above include remuneration in respect of the highest paid director as follows

	2010	2009
	£000	£000
Emoluments	**143**	127
Pension contributions	**6**	5
	149	132

Notes *(continued)*

9 Tax on profit/ (loss) on ordinary activities

	2010 £000	£000	2009 £000	£000
UK corporation tax				
Adjustments in respect of prior years	(53)		-	
		(53)		-
Deferred tax				
Origination/reversal of timing differences	172		(530)	
Adjustments in respect of prior years	17		-	
Deferred tax on defined benefit pension scheme	6		244	
		196		(286)
Tax charge/(credit) on profit/(loss) on ordinary activities		143		(286)

Factors affecting the current tax (credit)/charge for the current period

The current tax (credit)/charge for the period is higher *(2009 lower)* than the effective rate of corporation tax in the UK of 28% *(2009 28%)* The differences are explained below

	2010 £000	2009 £000
Current tax reconciliation		
Profit/(loss) on ordinary activities before tax	36	65
Current tax at 28% *(2009 28%)*	10	18
Effects of		
Expenses not deductible for tax purposes	26	41
Depreciation for period in excess of/(less than) capital allowances	18	(503)
Other timing differences	(98)	(189)
Capital gains rolled over	44	522
Losses carried forward	-	111
Adjustments in respect of prior periods	(53)	-
Total current tax	(53)	-

Factors that may affect future current and total tax charges

The 2011 Budget on 23 March 2011 announced that the UK corporation tax rate will reduce to 23% over a period of 4 years from 2011 The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010 and will be effective from 1 April 2011, and a further reduction to 26% in the rate applicable from 1 April 2011 was substantively enacted on 29 March 2011 This will reduce the company's future current tax charge accordingly and further reduce the deferred tax asset at 31 December 2010 (which has been calculated based on the rate of 27% substantively enacted at the balance sheet date) by £30,000 It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly

Notes *(continued)*

10 Tangible fixed assets

Group

	Land and buildings Freehold £000	Long leasehold £000	Plant and equipment £000	Motor vehicles £000	Total £000
Cost or valuation					
At beginning of year	11,870	564	3,693	36	16,161
Additions	28	-	119	-	147
Disposals	-	(9)	(30)	(30)	(69)
Impairment	(256)	-	-	-	(256)
At end of year	11,642	555	3,782	6	15,983
Depreciation					
At beginning of year	244	37	2,547	34	2,861
Charged in year	76	22	310	-	408
Disposals	-	(5)	(29)	(30)	(63)
At end of year	320	56	2,828	4	3,206
Net book value					
At 31 December 2010	**11,322**	**499**	**954**	**2**	**12,777**
At 31 December 2009	11,626	527	1,145	2	13,300

At 31 December 2010 £11,195,000 *(2009 £11,495,000)* of the group's freehold property is held as security against group bank borrowings (see note 15)

As a result of the post year end sale of the Stranraer dealership, realising a loss on sale, an impairment charge of £256,000 has been charged during the year

All freehold and long leasehold land and buildings owned by the group was revalued as at 31 December 2006 on an existing use basis Other tangible fixed assets are stated at cost

All of the land and buildings were revalued at 31 December 2006 as follows

	Freehold £000
2006 existing use valuation	14,164

The amount of freehold and long leasehold land and buildings (included in fixed assets at the valuation shown above (less any impairments charged), determined according to the historical cost accounting rules is as follows

	2010 £000	2009 £000
Cost	**10,611**	10,611
Accumulated depreciation	**(846)**	(634)
Net book value	**9,765**	9,977

Notes *(continued)*

10 Tangible fixed assets *(continued)*

Company

	Land and buildings Freehold	Long leasehold	Plant and equipment	Motor vehicles	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At beginning of year	139	564	3,693	34	4,430
Additions	-	-	119	-	119
Disposals	-	(10)	(30)	(30)	(70)
At end of year	139	554	3,782	4	4,479
Depreciation					
At beginning of year	8	37	2,547	33	2,625
Charged in year	3	22	310	-	335
Transfers to other group company	-	(4)	(29)	(30)	(63)
At end of year	11	55	2 828	3	2,897
Net book value					
At 31 December 2010	**128**	**499**	**954**	**1**	**1,582**
At 31 December 2009	131	527	1,146	1	1,805

11 Fixed asset investments

Group

	Trade investments
	£000
At beginning and end of year	10

Company

	Trade investments	Shares in group undertakings	Total
	£000	£000	£000
At beginning and end of year	10	147	157

The company owns the entire issued £1 ordinary share capital of GK 2000 Limited This is a property holding company incorporated in Great Britain

The company owns a 100% interest in County Garage Company Limited, a company recently ceased to trade incorporated in Great Britain

The company holds equity investments in a number of other subsidiary undertakings which are all wholly owned, dormant and incorporated in Great Britain

Notes *(continued)*

12 Stocks

	Group		Company	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Vehicles held for resale	**41,410**	44,479	**41,410**	44,479
Vehicle parts and other stocks	**833**	923	**833**	923
	42,243	45,402	**42,243**	45,402

Vehicles held for resale include consignment vehicles which have been invoiced to the group and as of £29,246,000 *(2009 £32,613,000)*, company £29,946,000 *(2009 £32,613,000)* which may attract finance charges after a pre-determined time In accordance with industry practice, these vehicles are regarded as an asset of the group and are included within stocks on the balance sheet as the group has the significant risks and rewards of ownership The corresponding liability which is secured on the value of the related asset is included in creditors

13 Debtors

	Group		Company	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Trade debtors	**5,521**	6,648	**5,483**	5,751
Amounts owed by group undertakings	**-**	-	**12,231**	11,089
Deferred tax assets (see note 16)	**814**	955	**814**	955
Prepayments and accrued income	**314**	2,706	**314**	2,699
Other debtors	**444**	143	**442**	1,745
	7,093	10,452	**19,284**	22,239

Company debtors include amounts owed by group undertakings of £636,000 *(2009 £636,000)* due after more than one year

14 Creditors: Amounts falling due within one year

	Group		Company	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Bank overdrafts	**1,273**	1,273	**3,356**	741
Bank loans (note 15)	**256**	404	**-**	-
Secured loans (note 15)	**2,654**	2,677	**2,654**	2,677
Trade creditors	**45,432**	51,069	**45,432**	49,125
Amounts due to group undertakings	**-**	-	**933**	5,220
Corporation tax	**100**	143	**-**	143
Other taxes and social security	**-**	410	**-**	278
Accruals and deferred income	**702**	682	**774**	425
Other creditors	**-**	110	**-**	-
	50,417	56,768	**53,149**	58,609

As set out in the note above, trade creditors include a liability in respect of consignment stocks for the group and company of £35,567,000 *(2009 £36,135,000)*

Notes *(continued)*

15 Creditors: Amounts falling due after more than one year

	Group		Company	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Bank loans	**3,341**	3,696	**-**	-
Secured loans	**138**	276	**138**	276
Unamortised debt issue costs	**(75)**	(94)	**-**	-
Amounts owed to group undertakings	**-**	-	**-**	261
	3,404	3,878	**138**	537

Secured loans totalling £2,500,000 *(2009 £2,500,000)*, of which £2,500,000 *(2009 £2,500,000)* is repayable within one year, were outstanding with Ford Motor Credit Company Limited at 31 December 2010 These are secured upon certain freehold properties, vehicle stocks and the hiring agreements and contract hire vehicles Interest rates on the loans are variable in relation to the Ford Motor Credit Company Limited borrowing rate

Secured loans totalling £35,000 *(2009 £93,000)* of which £35,000 *(2009 £58,000)* is repayable within one year, were outstanding with Barclays Bank plc at 31 December 2010 These are secured upon certain fixed assets Interest rates on the loans are variable

Secured loans totalling £Nil *(2009 £1,000)* of which £Nil *(2009 £1,000)* is repayable within one year were outstanding with Bank of Ireland at 31 December 2010 These are secured on fixed assets Interest rates on the loans are variable

Secured loans totalling £257,000 *(2009 £361,000)*, of which £119,000 *(2009 £119,000)* is repayable within one year, were outstanding with Lloyds TSB plc at 31 December 2010 These are secured upon certain fixed assets Interest rates on the loans are variable

The bank loan of £3,597,000, of which £256,000 *(2009 £404,000)* is repayable within one year, and the bank overdraft of £1,273,000 (repayable on demand) are held with Lloyds TSB, are secured on freehold land and buildings owned by the Group at 31 December 2010 The loan is repayable over 15 years, with repayments commencing July 2010

Security of bank loans

The bank loans and secured loans falling due after more than one year are repayable as follows

	Group		Company	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Due by instalments				
Within two to five years	**1,258**	1,490	**138**	276
After five years	**2,221**	2,482	**-**	-
	3,479	3,972	**138**	276

Notes *(continued)*

16 Provisions for liabilities and charges

Group and Company

	Deferred Taxation £000
At beginning of the year	(955)
Charge to profit and loss account	141
At end of year – included within debtors (see note 13)	**(814)**

The amounts provided and unprovided for deferred taxation at 27% are set out below

	2010 Provided £000	2009 Provided £000	2010 Unprovided £000	2009 Unprovided £000
Difference between accumulated depreciation and amortisation and capital allowances	(353)	(437)	-	-
Other timing differences	(93)	(162)	-	-
On trading losses	(368)	(356)	-	(325)
	(814)	(955)	-	(325)

A deferred tax asset has arisen in respect of the pension liabilities in accordance with FRS 17, further details of which are set out in note 22 The movement on this account is as follows

	2010 £000	2009 £000
At beginning of year	(401)	(638)
Profit and loss account	61	244
Arising on actuarial gain/(loss) in year	161	(7)
At end of year	**(179)**	(401)

These amounts are disclosed as part of the net pension liability

17 Share capital

	2010 £000	2009 £000
Allotted, called up and fully paid		
936,134 'A' ordinary shares of £1 each	936	936

Notes *(continued)*

18 Reserves

Group

	Revaluation Reserve £000	Profit and loss account £000
At beginning of year	3,619	2,935
Actuarial gain recognised in the pension scheme during the year	-	595
Deferred tax relating to actuarial gain	-	(161)
Effect of the deferred tax rate change 27% *(2009 28%)*	-	6
Loss for the financial year	-	(107)
Disposals of revalued assets	(206)	206
At end of year	**3,413**	**3,474**

Company

	Other non-distributable reserves £000	Profit and loss account £000
At beginning of year	5,326	4,783
Actuarial gain recognised in the pension scheme during the year	-	595
Deferred tax relating to actuarial gain	-	(161)
Effect of the deferred tax rate change 27% *(2009 28%)*	-	6
Profit for the financial year	-	97
At end of year	**5,326**	**5,320**

19 Reconciliation of movement in shareholders' funds

	Group 2010 £000	Group 2009 £000	**Company 2010 £000**	Company 2009 £000
Opening shareholders funds as previously reported	**7,490**	7,156	**11,045**	11,003
(Loss)/profit for the financial year	**(107)**	351	**97**	59
Actuarial gain/(loss) recognised in the pension scheme in the year	**595**	(24)	**595**	(24)
Deferred tax relating to actuarial gain/(loss)	**(161)**	7	**(161)**	7
Effect of the deferred tax rate change 27% *(2009 28%)*	**6**	-	**6**	-
Shareholders' funds at 31 December 2010	**7,823**	7,490	**11,582**	11,045

Notes *(continued)*

20 Financial investments

The company has derivative financial instruments, in the form on interest rate swaps that has not been recognised at fair value

The company entered into three interest rate swaps with Lloyds TSB totalling £6,000,000 on 12 January 2007 The swaps are at Lloyds LIBOR rate compared to GK Groups 5% fixed interest rate The period of the swaps is as follows

- Two fifteen year floating rate swaps that expires on 12 January 2022
- One twelve year floating rate swap that expires on 14 January 2019

In 2010 the swaps resulted in net interest receivable

The company entered into two interest rate swaps with Lloyds TSB totalling £8,000,000 on 5 March 2008 The swaps are at Lloyds LIBOR rate compared to GK Groups 4 9% fixed interest rate The period of the swaps is as follows

- One four year floating rate swap that expires on 5 March 2012
- One six year floating rate swap that expires on 5 March 2014

In 2010 the swaps resulted in net interest payable

21 Notes to the cash flow

(a) Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	2010	2009
	£000	£000
Operating profit before exceptional items	**1,806**	2 007
Amortisation of debt costs	**19**	8
Depreciation	**408**	687
(Profit)/loss on disposal of fixed assets included within operating profit per note 5	**(14)**	16
Movements in working capital		
Stocks	**2,711**	2,744
Debtors	**3,185**	(1,515)
Creditors and provisions	**(6,338)**	(3,644)
Movement on pension provisions	**(176)**	(871)
Cash inflow/(outflow) from operating activities	**1,601**	(568)

(b) Returns on investments and servicing of finance

	2010	2009
	£000	£000
Interest received	**50**	47
Interest paid	**(1,326)**	(1,814)
Other finance costs in respect of pensions	**(38)**	(93)
	(1,314)	(1,860)

Notes *(continued)*

21 Notes to the cash flow *(continued)*

(c) Capital expenditure and financial investment

	2010 £000	2009 £000
Payments to acquire tangible fixed assets	**(147)**	(405)
Proceeds from disposal of fixed assets	**21**	-
	(126)	(405)

(d) Acquisitions and disposals

	2010 £000	2009 £000
Proceeds from disposal of business	**481**	8,594

(e) Financing

	2010 £000	2009 £000
Bank and secured loan repayments	**(664)**	(6,532)

(f) Analysis of changes in net debt

	At beginning of year £000	Cash flow £000	**At end of year £000**
Cash at bank	4	-	**4**
Overdrafts	(1,273)	-	**(1,273)**
	(1,269)	-	**(1,269)**
Debt due after one year	(3,972)	493	**(3,479)**
Debt due within one year	(3,081)	171	**(2,910)**
Total	(8,322)	664	**(7,658)**

Notes *(continued)*

21 Notes to the cash flow *(continued)*

(g) Reconciliation of net cash flow to movement in net debt

	2010 £000	2009 £000
(Decrease)/increase in cash and cash equivalents	-	(771)
Cash outflow from net movement in debt and lease financing	664	6,532
Change in net debt resulting from cash flows	664	5,761
Net debt at beginning of year	(8,322)	(14,083)
Net debt at end of year	(7,658)	(8,322)

22 Pensions

Defined contribution pension scheme

The Company operates a Group Personal Pension Plan to provide future benefit accrued for the employees The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £89,128 *(2009 £87,459)*

There were no outstanding or prepaid contributions at either the beginning or end of the financial year

Defined benefit pension scheme

The Company operates a pension scheme providing benefits based on final pensionable pay The latest full actuarial valuation was carried out at 5 April 2006 and was updated for FRS 17 purposes to 31 December 2010 by a qualified independent actuary

The information disclosed below is in respect of the whole of the plans for which the Company is the sponsoring employer

	2010 £000	2009 £000
Present value of funded defined benefit obligations	(8,179)	(8,148)
Fair value of plan assets	7,517	6,715
Deficit	(662)	(1,433)
Related deferred tax asset	179	401
Net pension liability	(483)	(1,032)

Movements in present value of defined benefit obligation

	2010 £000	2009 £000
At 1 January 2010	8,148	7 497
Current service cost	56	56
Interest cost	454	421
Actuarial losses/(gains)	(120)	409
Benefits paid	(359)	(235)
At 31 December 2010	8,179	8,148

Notes *(continued)*

22 Pensions *(continued)*

Movements in fair value of plan assets

	2010 £000	2009 £000
Opening fair value of scheme assets	**6,715**	5,217
Expected return	**416**	328
Actuarial gain	**475**	385
Contributions by employer	**270**	1,020
Benefits paid	**(359)**	(235)
Closing fair value of scheme assets	**7,517**	6,715

Expense recognised in the profit and loss account

	2010 £000	2009 £000
Current service cost	**56**	56
Interest on defined benefit pension plan obligation	**454**	421
Expected return on defined benefit pension plan assets	**(416)**	(328)
	94	149

The expense is recognised in the following line items in the profit and loss account

	2010 £000	2009 £000
Administrative expenses	**56**	56
Other finance costs in respect of pensions	**38**	93
	94	149

The total amount recognised in the consolidated statement of total recognised gains and losses in respect of actuarial gains and losses is £595,000 gain *(2009 £24,000 loss)*

Cumulative actuarial gains/losses reported in the consolidated statement of total recognised gains and losses for accounting periods ending on or after 1 March 2004 and subsequently included by prior year adjustment under paragraph 96 of FRS 17, are £1,452,000 loss *(2009 £1,276,000 loss)*

Notes *(continued)*

22 Pensions *(continued)*

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were

	Value at 2010 £000	Value at 2009 £000
Equities	**3,834**	3,074
Bonds	**1,579**	1,126
Gilts	**1,654**	1,571
Other	**450**	944
	7,517	6,715
Actual return on plan assets	**891**	713

The expected rates of return on plan assets are determined by reference to the historical returns without adjustment of the portfolio as a whole and not the sum of the returns on individual asset categories

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows

	2010	2009
Discount rate	**5 50%**	5 70%
Expected return on scheme assets	**6 13%**	6 23%
Future salary increases	**3 10%**	-
Future revaluation of pensions in deferment	**3 10%**	3 70%
Future pension increases (5% LPI min 3%)	**3 60%**	3 90%

In valuing the liabilities of the pension fund at 31 December 2010, mortality assumptions have been made as indicated below

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows

- Current pensioner aged 65 22 1 years (male)
- Future retiree upon reaching 65 23 1 years (male)

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice

Notes *(continued)*

22 Pensions *(continued)*

History of experience gains and losses

	2010	2009	2008	2007	2006
	£000	£000	£000	£000	£000
Difference between the expected and actual return on scheme assets					
Amount (£000)	**475**	385	(1,099)	(112)	36
Percentage of year end scheme assets	**6 3%**	5 7%	(21%)	(2%)	1%
Experience gains and losses on scheme liabilities					
Amount (£000)	**21**	-	47	219	(9)
Percentage of year end present value of scheme liabilities	**0%**	0%	(1%)	(3%)	-
Total amount recognised in statement of total recognised gains and losses					
Amount (£000)	**595**	(24)	(698)	(376)	492
Percentage of year end present value of scheme liabilities	**7%**	0%	(9%)	(5%)	7%

23 Financial commitments

(a) Capital commitments contracted for at 31 December 2010 amounted to £Nil *(2009 £Nil)*

(b) At 31 December 2010, the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		**Other**	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Operating leases which expire				
Within one year	**-**	33	**35**	60
Within the second to fifth years	**309**	350	**29**	37
	309	383	**64**	97

24 Related parties

The Group's key management personnel are the Executive and non-executive directors Details of directors' remuneration are given in note 8 There were no other transactions with key management personnel in either the current or preceding year