Vertu Motors (Continental) Limited

Registered number 02156457

Annual report and financial statements

For the year ended 28 February 2021

Contents

Strategic report

For the year ended 28 February 2021

The Directors present the Strategic Report of Vertu Motors (Continental) Limited ("the Company") for the year ended 28 February 2021.

Review of business and future developments

On 1 April 2020, the business and assets of two Mercedes–Benz outlets, one Jeep outlet and a vehicles preparation centre in Buckinghamshire were hived into the Company from Hughes of Beaconsfield Limited, a fellow subsidiary of the Group.

On 6 December 2020, the Company acquired the business and assets of a market area of 12 sales outlets located in York, Sunderland, Teeside, Durham, and Malton. These five locations each represent the BMW and MINI franchises, in addition to a BMW Motorrad motorcycle operation in Sunderland and a used car operation located in York.

As a consequence turnover has increased by £79.0m (59.6%) to £211.5m for the year and an operating profit of £2.3m has been generated increasing from the £0.6m operating profit generated in the previous financial year. Net assets have increased by £1.4m as a result of the profit after tax for the year.

The Directors consider the trading results for the year ended 28 February 2021 to be satisfactory. The Statement of Income and Retained Earnings for the year is set out on page 7.

The key factors impacting the financial performance for the year ended 28 February 2021 and financial position at 28 February 2021 are consistent with those of the Company's parent, Vertu Motors plc ("the Group"). Accordingly, a review of the financial performance and position of the Group, with details of likely future developments of the Group, which includes the Company, is set out in the Group's annual report which does not form part of this report. This includes any further anticipated impact of the ongoing COVID-19 pandemic on the post year end performance of the Group. The Directors consider it appropriate to prepare the financial statements on the going concern basis, as set out in the Basis of Preparation paragraph in note 1 to these financial statements.

The Company has a number of Key Performance Indicators ("KPI's") by which it monitors its business. These include sales volumes by channel, gross profit per unit and in the after-sales arena, measures such as workshop efficiency and recovery rates. An analysis of these KPI's is set out in the Strategic Report on pages 18 - 22 of the Group Annual Report.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are discussed in the Group's annual report which does not form part of this report.

s172 statement

From the perspective of the Board, as a result of the Group governance structure, the matters that it is responsible for considering under Section 172 (1) of the Companies Act 2006 ('s172') have been considered to an appropriate extent by the Group Board in relation to both the Group and the Company. The Board has also considered relevant matters where appropriate. To the extent necessary for an understanding of the development, performance and position of the Company, an explanation of how the Group Board has considered the matters set out in s172 (for the Group and the Company) is set out on pages 4-7 of the Group's annual report, which does not form part of this report.

Approved by the Board and signed on its behalf:

K Anderson
Director
16 November 2021

Vertu House
Fifth Avenue Business Park
Team Valley
Gateshead
Tyne and Wear
NE11 0XA

Directors' report

For the year ended 28 February 2021

The Directors present the Directors' report and the financial statements of the Company, for the year ended 28 February 2021. The registered number of the Company is 02156457.

Principal activities

The principal activity of the Company is the sale and servicing of motor vehicles.

Review of business and future developments

A review of business and likely future developments of the Company is given in the Strategic Report on page 1 and 2.

Financial risk management

The Company's operations expose it to a variety of financial risks that include liquidity risk, interest rate risk and credit risk. The Directors monitor the risks in order to limit the potential adverse effects on the financial performance by reviewing levels of debt finance and the related finance costs.

Liquidity risk

The Company manages and uses its working capital to ensure that it has sufficient funds for ongoing operations and future investments.

Interest rate risk

The Company is exposed to interest rate risk on its vehicle stocking facilities and bank balance. The Directors do not believe this constitutes a significant risk to the business.

Credit risk

It is the Company's policy to invest cash and assets safely and profitably. To control credit risk, counterparty credit limits are set by reference to published credit ratings. The Company considers the risk of material loss in the event of non-performance by a financial counterparty to be low. The maximum exposure to credit risk at the reporting date is the carrying value of each class of debtor mentioned in note 13.

Dividends

The Directors do not recommend payment of a dividend for this financial year (2020: £Nil).

Directors and Directors' interests

Particulars of the Directors of the Company during the year and up to the signing of these financial statements are listed below:

R T Forrester
D Crane
K Anderson
M Rich
C Taylor (appointed 5 December 2020)

N Loose was the Company Secretary throughout the year ended 28 February 2021.

R T Forrester, D Crane and K Anderson were also directors of the ultimate parent undertaking, Vertu Motors plc ("the Group") throughout the year ended 28 February 2021. The interests in the share capital of the Group of all Directors who served during the year are disclosed in the financial statements of the Group.

Colleagues

The Company seeks to fulfil the career aspirations and potential of all colleagues. We want every colleague to enjoy coming to work, feel motivated in everything that they do and to take pride in their contributions to the Company. As the Company expands, the enthusiasm and dedication of our people is a vital factor in the Company's success.

Values

- **Passion**
  We are proud of our Company and dedicated to its purpose. We are enthusiastic, enjoy challenges and are eager for success.
- **Respect**
  We are friendly and courteous in all our relationships with colleagues, customers and suppliers.
- **Professionalism**
  We are reliable and consistent and we excel in the standards and presentation of our people, products and premises.
- ***Integrity***
  We are trustworthy and honest in all that we say and do and take responsibility for our own actions.
- **Recognition**
  We appreciate the endeavours of our colleagues. We praise their achievements and enjoy celebrating their success.
- **Opportunity**
  We have a vision of what can be achieved and provide colleagues with personal development, supportive training and exciting career progression.
- **Commitment**
  We are all determined to achieve total customer satisfaction by providing a service built on trust.

Employment policies

The Company's aim is to attract and retain the best people in the automotive retail sector while observing best practice in employment policies and procedures through a commitment to:

- Offering equal opportunities in recruitment and promotion;
- The continuous development of all colleagues;
- Encouraging internal promotion;
- Using progressive, consistent and fair selection methods; and
- Offering family friendly policies and ensuring colleagues are treated with respect and dignity in an environment where no form of intimidation or harassment is tolerated.

All appointments are made solely on the basis of a person's suitability for a particular post and without reference to gender, age, ethnic origin, religion or (except where it directly affects safety or job performance) disability. The principle of equality also applies to career development opportunities and to our operations, human resources practices and management processes.

Employment of disabled people is considered on merit with regard only to the ability of the applicant to carry out the function required. Arrangements to enable disabled people to carry out the function required will be made if it is reasonable to do so. A colleague becoming disabled would, where appropriate, be offered retraining.

Health and Safety

The policies of the Group, which includes the Company, on health and safety, as well as goals and controls in place are set out in the Corporate and Social Responsibility Report in the Vertu Motors plc annual report, which does not form part of this report.

Communication

Whilst individual achievement is always recognised, good teamwork is at the core of how we operate our business. At the heart of this is good communication. Every colleague has a stake in the business and we want everyone to feel that their voice can be heard. The Company utilises many formal and informal channels to achieve this.

Political donations

The Company did not make any political donations in the year (2020: £Nil).

s172 Statement

Employees
From the perspective of the Board, as a result of the Group governance structure, the Group Board has taken the lead in carrying out the duties of a Board in respect of the Company's employees, including engaging with them, having regard to their interests and the effect of that regard (including on the principal decisions taken by the Company during the financial year). The Board of the Company has also considered the relevant matters where appropriate. An explanation of how the Group Board has carried out these responsibilities (for the Group and the Company) is set out on pages 4-7 of the Group's annual report, which does not form part of this report.

Other Stakeholders
Similarly, from the perspective of the Board, as a result of the Group governance structure, the Group Board has taken the lead in carrying out the duties of the Board in respect of the Company's other stakeholders. The Board of the Company has also considered relevant matters where appropriate. An explanation of how the Directors on the Group Board have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year is set out (for the Group and the Company) on pages 4-7 of the Group's annual report, which does not form part of this report.

Approved by the Board and signed on its behalf by:

K Anderson
Director
16 November 2021

Vertu House
Fifth Avenue Business Park
Team Valley
Gateshead
Tyne and Wear
NE11 0XA

Statement of Directors' Reponsibilities

For the year ended 28 February 2021

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"), and applicable law. 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Each of the Directors confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Directors' Report and Strategic Report include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

Statement of Income and Retained Earnings

For the year ended 28 February 2021

	Note	**Year ended 28 February 2021 £'000**	Year ended 29 February 2020 £'000
Turnover		**211,501**	132,512
Cost of sales		**(181,133)**	(117,427)
Gross profit		**30,368**	15,085
Distribution costs		**(19,351)**	(9,500)
Administrative expenses		**(8,713)**	(5,004)
Operating profit	2	**2,304**	581
Interest payable and similar charges	5	**(591)**	(638)
Profit/(loss) before taxation		**1,713**	(57)
Tax on (profit)/loss	6	**(278)**	7
Profit/(loss) for the financial year	17	**1,435**	(50)
Retained losses at beginning of the year	17	**(494)**	(444)
Retained profit/(losses) at end of the year	17	**941**	(494)

The notes on pages 9 to 19 form part of these financial statements.

All results are derived from continuing operations.

Balance Sheet

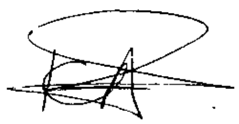
As at 28 February 2021

	Note	28 February 2021 £'000	29 February 2020 £'000
Fixed assets			
Goodwill	8	**188**	-
Intangible assets	9	**483**	-
Tangible assets	10	**2,425**	1,246
		3,096	1,246
Current assets			
Stocks	12	**81,898**	36,853
Debtors	13	**5,507**	2,842
Cash at bank and in hand		**251**	159
Total current assets		**87,656**	39,854
Creditors: amounts falling due within one year	14	**(88,301)**	(40,084)
Net current liabilities		**(645)**	(230)
Total assets less current liabilities		**2,451**	1,016
Net assets		**2,451**	1,016
Capital and reserves			
Called up share capital	16	**1,510**	1,510
Profit and loss account	17	**941**	(494)
Total shareholders' funds		**2,451**	1,016

The notes on pages 9 to 19 form part of these financial statements.

For the year ended 28 February 2021 the Company was entitled to exemption under section 479A of the Companies Act 2006. No members have required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006. The Directors acknowledge their responsibility for complying with the requirement.

These financial statements were approved by the Board of Directors on 16 November 2021 and were signed on its behalf by:



K Anderson
Director

Notes to the Financial Statements

For the year ended 28 February 2021

1. Principal accounting policies

General information

Vertu Motors (Continental) Limited is a private company limited by shares and it is incorporated in England. The address of its registered office is Vertu House, Fifth Avenue Business Park, Team Valley, Gateshead, NE11 0XA. The Company's registered number is 02156457.

The principal activity of the Company is the sale and servicing of motor vehicles.

Statement of compliance

The financial statements of Vertu Motors (Continental) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Exemptions for qualifying entities under FRS 102

The Company has taken advantage of the following exemptions in paragraph 1.12 of FRS 102:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows of Vertu Motors plc, the ultimate parent company, includes the Company's cash flows;
- from certain financial instruments disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures;
- from disclosing the Company key management personnel compensation.

Basis of preparation

The Company is a wholly-owned subsidiary of Vertu Motors plc and is included in the consolidated financial statements of Vertu Motors plc which are publicly available.

The Company has taken the exemption from an audit for the year ended 28 February 2021 by virtue of s479A of Companies Act 2006. In order to allow the Company to take the audit exemption, per s479c of the Companies Act 2006, the parent company Vertu Motors plc has given a statutory guarantee of all the outstanding liabilities of the Company as at 28 February 2021. Such guarantees are enforceable against Vertu Motors plc by any person to whom any such liability is due.

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with Companies Act 2006 and applicable accounting standards in the United Kingdom.

In order to prepare the financial statements on the going concern basis, the Directors have considered detailed financial projections for a period of 12 months from the date of signing the financial statements ('Review Period') in respect of the Group, viewed in conjunction with the parent company guarantee noted above. These projections are based on detailed annual business plans, for the year ending 28 February 2022 as well as the known financial performance of the Group in the period subsequent to 28 February 2021, projected forward to cover the Review Period.

The Directors have also considered sensitivity analysis performed in respect of these forecasts to model the impact of a potential further 3 month period of COVID-19 related sales restrictions taking place later in the year ending 28 February 2022, based on assumptions driven by analysis of the actual trends that the Group experienced during the latest restrictions imposed in the year ended 28 February 2021. This analysis did not indicate any issues with the Group's ability to operate within its banking facilities during the Review Period.

1. Principal accounting policies (continued)

Basis of preparation (continued)

Along with other subsidiary companies of the Group, the Company participates in the Group's banking facilities and the Directors have therefore considered cash flow projections of the Group, banking and other working capital facilities available to the Group and the statutory guarantee provided by Vertu Motors plc to the Company as set out above. Details of the Group's banking facilities are set out in note 26 of the Vertu Motors plc consolidated financial statements.

By their very nature forecasts and projections are inherently uncertain, however, the forecasts so prepared show that the Group will operate within its committed facilities throughout the Review Period.

The principal accounting policies, which have been consistently applied throughout the year and the preceding year, are set out below.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the asset. Assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end. Depreciation is provided at rates calculated to write off the cost of tangible fixed assets less their estimated residual values, on a straight-line basis over their estimated useful lives, as follows:

Leasehold improvements	Over the lease term
Plant and machinery	10% - 20%
Fixtures and fittings	10% - 50%

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the year in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Operating leases

Costs in respect of operating leases are charged to profit and loss on a straight-line basis over the term of the lease.

1. **Principal accounting policies (continued)**

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis. In respect of work in progress and finished goods, cost includes overheads, transportation, and duty costs where appropriate. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow moving and defective stocks.

Vehicles held on consignment may be physically present at dealerships however title is retained by the manufacturer. If the vehicle consignment is unsold after a period of time it begins to accrue interest from the manufacturer and at the point interest starts to accrue, the vehicle is recorded as an asset with a corresponding creditor, to reflect the asset and funding element of the transaction. This is in order to record the economic substance of the transaction rather than just the legal form. Other vehicle inventory is recognised upon title passing to the Company, typically on physical receipt.

Turnover

Turnover for the sale of goods and services is measured at the fair value of consideration receivable, net of Value Added Tax and any discounts.

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. In practice this means that revenue is recognised when vehicles or parts are invoiced and physically despatched or when a service has been undertaken.

Turnover also comprises commissions receivable for arranging vehicle financing and related insurance products where the Company acts as agent on behalf of a principal. Commissions are based on agreed rates and income is recognised when the finance and/or insurance package that the customer has entered into commences. Typically, this is on delivery of the vehicle. Such commissions are recognised within turnover.

The Company is managed as one business and one geographical segment. The business comprises dealership operations where dealerships operate a number of different business streams such as new vehicle sales, used vehicle sales and aftersales operations. Management is organised based on the dealership operations as a whole rather than the specific business streams. Therefore, no further segmental analysis is shown, other than that disclosed within the body of these financial statements.

Manufacturer rebates

Vehicle specific rebates from manufacturers are recognised when it is probable that the economic benefit will flow to the Company and the value can be reliably measured. In practice, this means that vehicle specific manufacturer rebates are recognised when the vehicle to which the rebate relates, has been invoiced and physically despatched. In the case of non-vehicle specific related rebates from suppliers, these are recognised in profit and loss upon achievement of the specific agreed supplier criteria. Manufacturer rebates are recognised within Cost of Sales.

Pensions

The Company participates in a Group personal pension arrangement. The pension cost charge disclosed in note 3 represents contributions payable by the Company to this arrangement.

Goodwil and other intangible assets

Goodwill arising in respect of a business combination, representing the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired, is capitalised and amortised on a straight-line basis over its estimated useful life.

1. Principal accounting policies (continued)

Goodwil and other intangible assets (continued)

Intangible assets, for example, franchise relationships acquired as part of a business combination, are capitalised separately from goodwill if the asset is separable and if the fair value can be measured reliably on initial recognition. Such assets are stated at fair value less accumulated amortisation. Amortisation is provided on a straight-line basis over their expected useful lives. Goodwill and other intangible assets currently held by the Company are being amortised on a straight-line basis over ten years.

The Company evaluates the carrying value of goodwill and other intangible assets in each financial year to determine if there has been an impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account.

2. Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):	**Year ended 28 February 2021 £'000**	Year ended 29 February 2020 £'000
Staff costs (note 3)	**17,344**	*9,090*
Depreciation of tangible fixed assets (note 10)	**657**	320
Rentals under operating leases	**1,394**	891
Amortisation of goodwill (note 8)	**5**	-
Amortisation of intangible assets (note 9)	**12**	-
Profit on sale of fixed assets	**(8)**	-

3. Wages and salaries

	Year ended 28 February 2021 £'000	Year ended 29 February 2020 £'000
Wages and salaries	**15,176**	8,086
Social security costs	**1,707**	886
Other pension costs	**461**	118
	17,344	9,090

The above wages and salaries expense for the year ended 28 February 2021 includes £2,428,000 (2020: £Nil) of government grant income in respect of the coronavirus job retention scheme.

4. *Employee numbers*

The average monthly number of persons employed by the Company, were as follows:

	Year ended 28 February 2021 Number	Year ended 29 February 2020 Number
Administration	**57**	46
Sales & distribution	**173**	81
Service, parts & bodyshop	**256**	95
	486	222

4. Employee numbers (continued)

To demonstrate the impact of acquisitions and the transfer in of businesses on the above figures, the actual year end number of people employed is as follows:

	Year ended 28 February 2021 Number	Year ended 29 February 2020 Number
Administration	**75**	42
Sales & distribution	**276**	88
Service, parts & bodyshop	**419**	97
	770	227

5. Interest payable and similar charges

	Year ended 28 February 2021 £'000	Year ended 29 February 2020 £'000
Bank interest	**162**	118
Vehicle stocking interest	**429**	520
	591	638

6. Tax on profit/(loss)

a) Analysis of tax

	Year ended 28 February 2021 £'000	Year ended 29 February 2020 £'000
Current tax		
Uk Corporation tax	**200**	-
Total current tax charge	**200**	-
Deferred tax		
Origination and reversal of timing differences	**84**	(8)
Impact of change in tax rate	**(4)**	1
Adjustment in respect of prior years	**(2)**	-
Total deferred tax charge/(credit) (note 15)	**78**	(7)
Tax charge/(credit) on profit	**278**	(7)

6. Tax on profit/(loss) (continued)

b) Factors affecting taxation charge/(credit) in the year

The tax charge/(credit) assessed for the year is lower (2020: lower) than the standard rate of corporation tax in the UK (19%).

	Year ended 28 February 2021 £'000	Year ended 29 February 2020 £'000
Profit/(loss) before tax	**1,713**	(57)
Profit/(loss) multiplied by the standard rate of tax in the UK of 19% (2020: 19%)	**325**	(11)
Expenses not deductible for tax purposes	**3**	2
Non qualifying depreciation	**11**	-
Deferred tax on assets acquired	**94**	-
Adjustments in respect of prior years	**(2)**	-
Group relief received for no consideration	**(149)**	1
Impact of change in tax rate	**(4)**	1
Total tax charge/(credit) for the year	**278**	(7)

In the July 2020 Finance Act it was enacted that the previously announced reduction in the UK rate of corporation tax to 17% would not occur and the corporation tax rate would instead be held at 19%. As this was substantively enacted during the year ended 28 February 2021, deferred tax assets and liabilities have been remeasured at 19%.

On 3rd March 2021, the Chancellor announced that the headline UK corporation tax rate will rise to 25% from 1st April 2023. As the increase had not been enacted by the balance sheet date, the further revaluation of deferred tax assets and liabilities from 19% to 25% will be applied in the year ending 28 Februrary 2022.

During the year ending 28 February 2022, the net reversal of deferred tax assets and liabilities is expected to decrease the corporation tax charge by £105,000. This is due to the reversal of timing differences in relation to accelerated capital allowances and the change in deferred tax rate from 19% to 25%.

7. Dividends

The Directors do not recommend payment of a dividend for this financial year (2020: £Nil).

8. Goodwill

	£'000
Cost	
At 1 March 2020	-
Additions (note 11)	193
At 28 February 2021	**193**
Accumulated amortisation	
At 1 March 2020	-
Charge for the year	5
At 28 February 2021	**5**
Net book value	
At 28 February 2021	**188**
At 29 February 2020	-

The goodwill arising on the acquisition of unincorporated businesses is being amortised over 10 years.

9. Intangible assets

	Franchise Relationships £'000
Cost	
At 1 March 2020	-
Additions (note 11)	495
At 28 February 2021	**495**
Accumulated amortisation	
At 1 March 2020	-
Charge for the year	12
At 28 February 2021	**12**
Net book value	
At 28 February 2021	**483**
At 29 February 2020	-

Intangible assets relating to franchise relationships arising on the acquisition of unincorporated businesses are being amortised over 10 years.

10. Tangible fixed assets

	Leasehold Improvements	Plant and machinery	Fixtures and fittings	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 March 2020	-	4,886	2,446	7,332
Intercompany transfers	987	1,279	1,357	3,623
Additions	25	281	49	355
Acquisitions (note 11)	-	460	258	718
Disposals	-	(1)	(48)	(49)
At 28 February 2021	**1,012**	**6,905**	**4,062**	**11,979**
Accumulated Depreciation				
At 1 March 2020	-	4,284	1,802	6,086
Intercompany transfers	600	1,060	1,165	2,825
Charge for the year	78	312	267	657
Disposals	-	-	(14)	(14)
At 28 February 2021	**678**	**5,656**	**3,220**	**9,554**
Net book value				
At 28 February 2021	**334**	**1,249**	**842**	**2,425**
At 29 February 2020	-	602	644	1,246

Intercompany transfers relates to assets transferred from fellow subsidiary companies of the Group.

11. Business combinations

On 1 April 2020 the trade and assets of two Mercedes-Benz outlets, one Jeep outlet and a vehicle preparation centre in Buckinghamshire were hived into Vertu Motors (Continental) Limited from Hughes of Beaconsfield Limited, a fellow subsidiary of the Group.

Details of the net assets hived up at fair value are:

	Fair Value
	£'000
Plant, vehicles and equipment	329
Stock	14,365
Trade and other debtors	1,636
Cash at bank and in hand	78
Trade and other creditors	(15,344)
Net assets transferred	**1,064**

On 6 December 2020, the Company acquired the business and assets of a market area of 12 sales outlets located in York, Sunderland, Teesside, Durham and Malton. These five locations each represent the BMW and MINI franchises, in addition to a BMW Motorrad motorcycle operation in Sunderland and a used car operation located in York. The Business was acquired from The Cooper Group Limited, part of Inchcape plc. The consideration has been funded from existing cash resources.

11. Business combinations (continued)

Details of the net assets acquired at fair value and goodwill arising on acquisition are as follows:

	Fair Value
	£'000
Intangible assets (note 9)	495
Fixed assets (note 10)	718
Stocks	21,886
Trade and other debtors	13
Trade and other creditors	(20,171)
Net assets acquired	2,941
Goodwill (note 8)	193
Consideration satisfied in cash	**3,134**

12. Stocks

	28 February 2021 £'000	29 February 2020 £'000
Vehicle stock	**45,486**	15,606
Interest bearing consignment stock	**34,043**	20,643
Parts, accessories and other stock	**2,369**	604
	81,898	36,853

13. Debtors

	28 February 2021 £'000	29 February 2020 £'000
Trade debtors	**5,083**	1,048
Amounts owed by Group undertakings	**-**	1,616
Deferred tax (note 15)	**23**	32
Prepayments and accrued income	**74**	136
Other debtors	**-**	10
Value Added Tax	**327**	-
	5,507	2,842

Amounts owed by Group undertakings are unsecured, interest free and carry no fixed repayment date.

14. Creditors: amounts falling due within one year

	28 February 2021 £'000	29 February 2020 £'000
Trade creditors	**42,026**	9,034
Interest bearing consignment stock liabilities	**34,043**	20,643
Amounts owed by Group undertakings	**7,136**	-
Accruals and deferred income	**5,084**	2,548
Other taxation and social security	**12**	-
Other borrowings	-	7,142
Value Added Tax	-	717
	88,301	40,084

Other borrowing at 29 February 2020 related to amounts owed in respect of used car stocking facilities.

15. Deferred tax asset

	28 February 2021 £'000	29 February 2020 £'000
At beginning of year	**32**	25
Intercompany transfer	**69**	-
(Charged)/credited to profit and loss account (note 6)	**(78)**	7
At end of year	**23**	32

Total deferred tax asset:

	28 February 2021 £'000	29 February 2020 £'000
Accelerated capital allowances	**111**	29
Other short term timing differences	**(88)**	3
At end of year	**23**	32

16. Called up share capital

	28 February 2021 £'000	29 February 2020 £'000
Allotted, called up and fully paid:		
1,510,000 (2020 : 1,510,000) ordinary shares of £1 each	**1,510**	1,510

17. Profit and loss account

	£'000
At 1 March 2020	(494)
Profit for the year	1,435
At 28 February 2021	**941**

18. Commitments under operating leases

At 28 February 2021, the future aggregate minimum lease payments, under non-cancellable operating leases, are as follows:

	Vehicles 28 February 2021 £'000	Vehicles 29 February 2020 £'000	Land and Buildings 28 February 2021 £'000	Land and Buildings 29 February 2020 £'000
Operating leases which expire:				
Within 1 year	**53**	3	**716**	-
Within 2 to 5 years	**61**	-	**2,760**	-
Over 5 years	**-**	-	**5,064**	-
	114	3	**8,540**	-

19. Related parties

The Company has a related party relationship with its Directors and other wholly owned subsidiaries of Vertu Motors plc. The Company is exempt from the requirements of FRS 102 to disclose transactions between Group companies as all subsidiaries are controlled by Vertu Motors plc who have produced consolidated financial statements.

During the year to 28 February 2021, no vehicles were bought or sold from or to the Company by the Directors. The value of these transactions for the year ended 28 February 2021 and the year ended 29 February 2020 is presented below.. All of these transactions were pursuant to an employee vehicle ownership plan available to Executive Directors and certain Senior Managers. No outstanding balances were due to or from the Company in respect of these transactions at 28 February 2021 (2020: £Nil).

2021	**Bought from the Company**		**Sold to the Company**	
	Number of *vehicles*	**Purchase *Price* £'000**	**Number of *vehicles***	**Purchase *Price* £'000**
M Rich	2	184	1	147

2020	**Bought from the Company**		**Sold to the Company**	
	Number of vehicles	**Purchase Price *£'000***	**Number of vehicles**	**Purchase Price *£'000***
D Crane	-	-	1	54

20. Ultimate parent company and controlling party

The Company's ultimate parent company and ultimate controlling party is Vertu Motors plc.

Vertu Motors plc is the parent undertaking of the smallest and largest group of undertakings to consolidate the financial statements. The consolidated financial statements of Vertu Motors plc can be obtained from: The Company Secretary, Vertu House, Fifth Avenue Business Park, Team Valley, Gateshead, Tyne and Wear, NE11 0XA.

21. Contingent liability

Along with other members of the Vertu Motors plc group of companies, the Company is party to cross guarantee arrangements in respect of the Group bank borrowings. At 28 February 2021 the Group had drawn £54,100,000 of bank borrowings (2020: £44,100,000).