

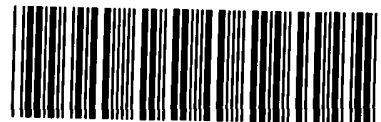
STRIPESTAR LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

Registered Number : 03786959

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STRIPESTAR LIMITED

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STRATEGIC REPORT**YEAR ENDED 31 DECEMBER 2016**

The Company is a wholly-owned subsidiary of Pendragon PLC and operates as part of the Evans Halshaw 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 and operates 40 franchises from 40 locations.

There have not been any significant changes in the Company's principal activities in the year under review.

As shown in the Company's profit and loss account on page 4, turnover decreased by 6.0% from £1,047,932,000 in the prior year to £985,480,000 in the current year and the result for the financial year improved from a £15,243,000 profit in 2015 to a profit of £15,505,000 in the current year. This turnover reduction was caused largely by the sale of one of the Company's motor vehicle dealerships in January 2016 which in 2015 accounted for a turnover of £43.6 million. This is reflected in a 6.7% decrease in unit vehicle sales in the year, however gross margins achieved by the Company have increased from 10.9% in 2015 to 11.3% in 2016. The motor vehicle dealership sold realised proceeds on sale of £3,016,000 and a profit on disposal of £1,328,000.

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 Evans Halshaw division, which includes the Company, is discussed in the 2016 financial statements of Pendragon PLC.

The balance sheet on page 5 of the financial statements shows that the net assets of the Company have increased by £15,651,000 to £44,050,000. This was due to the profit of £15,505,000 for the year and the net share based payments credit of £146,000.

One of the main risks facing the business is a potential 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. With regard to the UK's decision to leave the EU, we believe that the main risk factors are consumer confidence and the potential impact of Sterling/Euro exchange rates on vehicle prices. To date we have not experienced any noticeable change in our customers' behaviour. The Risk Control Group of Pendragon PLC has met to consider these risks and uncertainties, including the impact of Brexit, and will continue to monitor how these risks evolve. These risks are significant to the group and are also detailed in the group financial statements.

Stripestar 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

26 September 2017

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2016

The directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 31 December 2016.

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 final dividend (2015 : £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 (resigned 1 January 2017)
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.

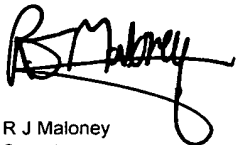
DISCLOSURE OF INFORMATION TO AUDITOR

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



R J Maloney
Secretary

Loxley House
Little Oak Drive
Annesley
Nottinghamshire
NG15 0DR
26 September 2017

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

The directors are responsible for preparing the Strategic Report, 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 STRIPESTAR LIMITED

We have audited the financial statements of Stripestar Limited for the year ended 31 December 2016 set out on pages 4 to 13. 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 2016 and of its 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 Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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.



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

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26 September 2017

PROFIT AND LOSS ACCOUNT**YEAR ENDED 31 DECEMBER 2016**

Note		2016 £000	2015 £000
2	TURNOVER	985,480	1,047,932
	Cost of sales	(874,105)	(933,672)
	GROSS PROFIT	111,375	114,260
	Distribution costs	(56,997)	(56,797)
	Administrative expenses	(32,746)	(34,878)
3	OPERATING PROFIT	21,632	22,585
18	Profit on disposal of businesses	1,328	-
	PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST	22,960	22,585
5	Interest payable	(4,159)	(3,941)
6	Interest receivable	726	578
	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	19,527	19,222
7	Taxation on profit on ordinary activities	(4,022)	(3,979)
	PROFIT FOR THE FINANCIAL YEAR	15,505	15,243

All amounts relate to continuing operations.

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.

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

The notes on pages 7 to 13 form part of these financial statements.

BALANCE SHEET**AT 31 DECEMBER 2016**

Note	2016 £000	2015 £000
FIXED ASSETS		
8 Intangible assets	1,672	1,717
9 Tangible assets	24,565	27,447
	26,237	29,164
CURRENT ASSETS		
10 Stocks	209,976	251,952
11 Debtors	25,786	27,033
Cash at bank and in hand	42,477	36,693
	278,239	315,678
12 CREDITORS: amounts falling due within one year	(260,326)	(316,343)
NET CURRENT ASSETS / (LIABILITIES)	17,913	(665)
TOTAL ASSETS LESS CURRENT LIABILITIES	44,150	28,499
13 CREDITORS : amounts falling due in more than one year	(100)	(100)
NET ASSETS	44,050	28,399
CAPITAL AND RESERVES		
15 Called up share capital	8,600	8,600
Share premium account	24,900	24,900
Profit and loss account	10,550	(5,101)
SHAREHOLDERS' FUNDS	44,050	28,399

Approved by the Board of Directors on 26 September 2017 and signed on its behalf by :



T P Holden
Director

Registered Company Number : 03786959

The notes on pages 7 to 13 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY**YEAR ENDED 31 DECEMBER 2016**

	Called up share capital £000	Share premium account £000	Retained earnings £000	Total £000
Balance at 1 January 2015	8,600	24,900	(20,487)	13,013
Total comprehensive income for 2015				
Profit for the year	-	-	15,243	15,243
Total comprehensive income for the year	-	-	15,243	15,243
Transactions with owners, recorded directly in equity				
Share based payments	-	-	143	143
Total contributions by and distributions to owners	-	-	143	143
Balance at 31 December 2015	8,600	24,900	(5,101)	28,399
Balance at 1 January 2016	8,600	24,900	(5,101)	28,399
Total comprehensive income for 2016				
Profit for the year	-	-	15,505	15,505
Total comprehensive income for the year	-	-	15,505	15,505
Transactions with owners, recorded directly in equity				
Share based payments	-	-	185	185
Income tax relating to share based payments	-	-	(39)	(39)
Total contributions by and distributions to owners	-	-	146	146
Balance at 31 December 2016	8,600	24,900	10,550	44,050

The notes on pages 7 to 13 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED 31 DECEMBER 2016****1 ACCOUNTING POLICIES****(a) Basis of preparation.**

Stripestar Limited is a company incorporated, domiciled and registered in England in the UK. The Company's registered number is 03786959 and the registered address is Loxley House, Little Oak Drive, Annesley, Nottinghamshire, NG15 0DR.

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 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.

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;
- 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:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- 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.

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 7 & 14 - 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 - key assumptions used in discounted cash flows for impairment testing. The value of the Company's goodwill is reviewed on an annual basis based on expected future cash flows of the cash generating units over which it is allocated. The risk is that the underlying performance of these cash generating units may not be as expected and the cash flows may not be sufficient to justify the carrying value of the goodwill. In addition the value of intangible assets are reliant upon them being able to generate income in the future which may not be certain. To mitigate these risks we assess actual outturns of previous estimates to test the robustness of adopted assumptions and adjust the estimating approach accordingly. Further details can be found in the financial statements of the annual report of Pendragon PLC.
- note 12 - 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 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 Company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The Company participates in the Pendragon group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS continued**YEAR ENDED 31 DECEMBER 2016****1 ACCOUNTING POLICIES continued**

(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 a deduction from the cost of the vehicles or parts to which they relate.

(c) Intangible assets. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure.

Other 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 tangible fixed assets by equal instalments over their estimated useful economic life as follows:

Leasehold properties - 2% per annum or over the period of the lease if less than 50 years

Plant and equipment - 10 to 33% per annum

Motor vehicles - 20 to 25% per annum.

(e) Stocks.

(i) Motor vehicle inventories 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 of stock are conducted on a daily basis utilising our market intelligence and analysis of the market which we conduct by segment and by model, these fair values are updated in the light of any changing trends by model line. The assessment of fair values involves an element of judgement and estimation, examples of which include assessing the current state of the market in a given segment, assessing the impact of the age and condition of the vehicle on its fair value and consideration of macro-economic factors as discussed in the risk overview. 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) Post-retirement benefits. 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) Share based payments. The Group operates a number of employee share option schemes. The fair value at the date at which the share options are granted is recognised in the profit and loss account on a straight line basis over the vesting period, taking into account the number of options that are expected to vest. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The number of options that are expected to become exercisable is reviewed at each balance sheet date and if necessary estimates are revised.

(i) 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.

NOTES TO THE FINANCIAL STATEMENTS continued**YEAR ENDED 31 DECEMBER 2016****1 ACCOUNTING POLICIES continued**

(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:

	2016 £000	2015 £000
Reg Vardy (VMC) Limited	2,437	1,511

During the year, the following amounts were paid to related parties in respect of vehicle purchases:

	2016 £000	2015 £000
Reg Vardy (VMC) Limited	1,976	1,616

At the year end, £12,000 was due from Reg Vardy (VMC) Limited (2015 : £12,000).

(k) Classification of financial instruments issued by the Company. In accordance with IAS 32, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- i) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- ii) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the Reconciliation of Movements in Shareholders' Funds.

(j) 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.

2 TURNOVER

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

3 OPERATING PROFIT

Operating profit has been arrived at after charging :

	2016 £000	2015 £000
Depreciation of tangible fixed assets - owned	4,953	5,148
Amortisation of other intangible assets	39	48
Audit fee / Auditor's remuneration	19	19
Operating lease charges - Plant & Equipment	59	94
Operating lease charges - Land & Buildings	8,077	8,056

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:

	2016 Number	2015 Number
Sales	482	472
Aftersales	870	852
Administration	570	558
	1,922	1,882

Costs incurred in respect of these employees were :

	2016 £000	2015 £000
Wages and salaries	46,540	45,611
Social security costs	4,243	4,089
Other pension costs	928	835
	51,711	50,535

No director of the Company received or waived any remuneration for services to the Company during the year (2015 : £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 £417,000 (2015 : £511,000).

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

5 INTEREST PAYABLE

	2016 £000	2015 £000
Stocking loan interest	2,723	1,912
Intra group loan interest	1,436	2,029
	4,159	3,941

6 INTEREST RECEIVABLE

	2016 £000	2015 £000
Bank interest receivable	726	578

7 TAXATION

	2016 £000	2015 £000
UK corporation tax at the UK average statutory rate of 20.00% (2015 : 20.25%)		
Current tax on income for the year	3,844	2,806
Adjustments in respect of prior periods	454	(307)
Total current tax	4,298	2,499
Deferred taxation:		
Origination and reversal of temporary differences	232	1,191
Adjustments in respect of prior periods	(508)	289
Total deferred tax	(276)	1,480
Tax on profit on ordinary activities	4,022	3,979

Factors affecting the tax charge for the period:

The tax assessed for the year is higher (2015 : higher) than the standard rate of corporation tax in the UK of 20.00% (2015 : 20.25%). The differences are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before tax	19,527	19,222
Tax on profit at the UK average statutory rate of 20.00% (2015 : 20.25%)	3,905	3,892
Effects of:		
Permanent differences arising in respect of fixed assets	34	10
Expenses not deductible in determining taxable profit	56	(54)
Effect of decrease in tax rate	81	149
Adjustments to tax charge in respect of previous periods	(54)	(18)
Tax on profit on ordinary activities	4,022	3,979

The reduction in the UK corporation tax rate to 20% (effective from 1 April 2015) was 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, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future tax charge accordingly. The deferred tax asset as at 31 December 2016 has been calculated based on the expected long term rate of 17% substantively enacted at the balance sheet date.

8 FIXED ASSETS - INTANGIBLE ASSETS

	Goodwill £000	Software £000	Total £000
Cost			
At 31 December 2015	1,588	436	2,024
Additions	-	35	35
Business disposals	(41)	-	(41)
Other disposals	-	(56)	(56)
At 31 December 2016	1,547	415	1,962
Amortisation			
At 31 December 2015	-	307	307
Charge for the year	-	39	39
Other disposals	-	(56)	(56)
At 31 December 2016	-	290	290
Net book value			
At 31 December 2016	1,547	125	1,672
At 31 December 2015	1,588	129	1,717

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

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

9 FIXED ASSETS - TANGIBLE ASSETS

	Short Leasehold Property £000	Plant & Equipment £000	Motor Vehicles £000	Total £000
Cost				
At 31 December 2015	774	17,798	24,313	42,885
Additions	36	1,802	32,334	34,172
Business disposals	(82)	(467)	(371)	(920)
Other disposals	(25)	(813)	(35,136)	(35,974)
At 31 December 2016	703	18,320	21,140	40,163
Depreciation				
At 31 December 2015	314	12,555	2,569	15,438
Business disposals	(5)	(338)	(88)	(431)
Other disposals	(11)	(769)	(3,582)	(4,362)
Charge for the year	52	1,588	3,313	4,953
At 31 December 2016	350	13,036	2,212	15,598
Net book value				
At 31 December 2016	353	5,284	18,928	24,565
At 31 December 2015	460	5,243	21,744	27,447

10 STOCKS

	2016 £000	2015 £000
New and used vehicles	204,953	245,844
Consignment vehicles	871	651
Vehicle parts and other stocks	4,152	5,457
	209,976	251,952

During the year £599,000 was recognised as an expense in respect of the write down of stocks (2015 : £787,000 expense).

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.

11 DEBTORS

	2016 £000	2015 £000
Trade debtors	7,490	13,090
Deferred tax (see note 14)	1,663	1,460
Prepayments	1,407	1,476
Other debtors	15,226	11,007
	25,786	27,033

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

12 CREDITORS : amounts falling due within one year

	2016 £000	2015 £000
Consignment vehicle liabilities	871	651
Payments received on account	1,696	1,952
Trade creditors	155,759	214,993
Amounts owed to group undertakings	64,716	64,990
UK Corporation tax	3,111	2,342
Other taxation and social security	18,194	13,874
Accruals and deferred income	15,979	17,541
	260,326	316,343

13 CREDITORS : amounts falling due in more than one year

	2016 £000	2015 £000
Shares classified as liabilities (see note 15)	100	100

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 2016

14 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:

	2016 £000	2015 £000
Deferred tax assets	1,663	1,460

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 2015	2,895	45	2,940
(Charged) to profit and loss	(1,465)	(15)	(1,480)
At 31 December 2015	1,430	30	1,460
At 1 January 2016	1,430	30	1,460
Transfer	-	(34)	(34)
Credited to profit and loss	199	77	276
(Charged) to equity	-	(39)	(39)
At 31 December 2016	1,629	34	1,663

The deferred tax asset in relation to fixed asset and other timing differences is shown within debtors (see note 11).

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

15 CALLED UP SHARE CAPITAL

	2016 £000	2015 £000
Allotted, called up and fully paid :		
8,600,000 (2015 : 8,600,000) Ordinary shares of £1.00 each	8,600	8,600
100,000 (2015 : 100,000) Preference shares of £1.00 each	100	100
	8,700	8,700
Shares classified as liabilities (see note 13)	100	100
Shares classified in shareholders' funds	8,600	8,600
	8,700	8,700

16 OPERATING LEASE ARRANGEMENTS

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 £000	2015 £000
Within one year	100	111
In the second to fifth years inclusive	14	24
	114	135

The Company leases properties from Pendragon Property Holdings Limited on terms allowing immediate termination by either party. As such no lease commitment is shown in respect of these properties. In addition there are other leases in respect of items of plant and equipment, including the rental of motor vehicles. None of the leases includes contingent rentals.

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

	2016 £000	2015 £000
Operating lease rentals payable	59	94
- hire of plant and machinery		
- property rentals	8,077	8,056

17 SHARE BASED PAYMENTS

The Company's parent, Pendragon PLC, has granted rights to its equity instruments to certain employees of the Company. Full details of these schemes are provided in the consolidated financial statements of Pendragon PLC for the year ended 31 December 2016.

The Company recognised a total expense of £185,000 (2015 : £143,000) relating to equity-settled share based payment transactions.

NOTES TO THE FINANCIAL STATEMENTS continuedYEAR ENDED 31 DECEMBER 2016

18 DISPOSALS

The Company disposed of a motor vehicle dealership on 11 January 2016 for net proceeds of £3,016,000.

Net assets at date of disposal

	Net book value £000
Intangible fixed assets	41
Tangible fixed assets	489
Stocks	1,261
Debtors	43
Creditors	(146)
	1,688
Profit on sale of business	1,328
Proceeds on sale (net of costs) satisfied in cash	3,016

19 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.

20 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 2016 the scheme had a deficit on an IAS 19 basis of £103,200,000 (2015 : £43,400,000).

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.

The triennial valuation of the pension scheme reflecting the position as at 31 December 2015 has been agreed in principle with the trustees. This will result in the Pendragon Group raising its annual contribution to the pension scheme to £7.0m from 1 January 2017 from £2.8m in the prior year and will increase by 2.25% per annum. The next triennial valuation of the pension scheme will reflect the position as at 31 December 2015 and is scheduled to be completed by 31 March 2017 at the latest.

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 £928,000 (2015 : £835,000).