Mike Pulman Holdings Limited

Directors' report and consolidated financial statements

Registered number 07346666

31 December 2015

Contents

Officers and Professional Advisers

Directors

M Pulman
I Buckle

Secretary

I Buckle

Registered office

Pulman Abbey Road
Framwellgate Moor
Durham
DH1 5HA

Independent Auditor

KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Strategic report

The directors present their strategic report for the year ended 31 December 2015.

Principal activities

The principal activities of the group are the sale and repair of motor vehicles and associated parts.

Business model

It remains the group's goal to deliver a fantastic customer experience with nothing left to chance. The business continues to be one of Volkswagen Group's best retailers which is recognition of the fantastic efforts of the team in delivering the group's goal.

Excellent culture is at the heart of our business model and is vital to our continued success. We measure our culture regularly and take action where we feel it is needed.

Business review

The group continues to work with the Volkswagen Group and other regional partners to promote, strengthen and improve the market share of the Volkswagen Group in the North East of England.

The UK economy continued to improve during 2015 albeit at a lower rate than in any post-recession recovery period and indeed it slowed toward the end of 2015. Whilst the strength of the pound caused concern amongst exporters at importer level in motor retailing the opposite was true. Exchange gains drove in part the profitability of the major foreign manufacturers and in the face of declining BRIC markets, they pushed sales through new records in the most profitable European markets, namely the UK and Germany. This was helped in part by the low cost of money fuelling highly competitive financing products and in part consumers making good use of their new spending power due to low inflation and oil prices.

The directors are pleased with the continued profitability of the Group after a very difficult year. Push activity in the market lead to unrealistic volumes of new cars being registered in the UK and downward pressure on margins was apparent. Resulting pre-registered cars took vital margin from the used car business and increased new car target pressure from Brands meant in some cases that volume bonuses were missed. Further an unexpected emissions issue arose in the final quarter of 2016 which effected all Volkswagen Group products and ultimately the financial performance and customer focus of the Group. The resilience of our customer loyalty and culture was undoubtedly tested but we are confident that we, along with the Volkswagen Group, can regain the trust of our customers.

It is the group's goal to deliver a fantastic customer experience and customer satisfaction continues at very high levels. The group is proud be one of SEAT's and Skoda's top 10 retailers and to consistently remain in the top quartile of all UK Volkswagen Retailers.

The group has continued its investment programme in the latest Volkswagen Group Retailer Concepts. Following the complete refurbishment of the Volkswagen site in Sunderland in 2014, the Durham Volkswagen site was completed in 2015. This has been followed by the £2.7m development of the latest Skoda Retail Concept in Durham which opened in May 2016.

Principal risks and uncertainties

The management of the business and the execution of the group's strategy are subject to a number of risks. The directors consider key business risks and uncertainties affecting the group to be:

Competition

The group operates in a highly competitive market particularly around price and customer service. This results in not only downward pressure on margins but also in the risk that we will not meet our customers' expectations. The group analyses external and internal customer satisfaction surveys, data trends, enquiry reports and mystery shops to ensure it meets or exceeds every customer's expectations Further the group continually reviews its processes and procedures to ensure it continues to outperform the market.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

Employees

We know our employees are vital to the success of the group. Failure to maintain morale, retain key individuals and the inability to recruit people with the right skills could adversely impact on the group's results. All employees are given a personal development plan and regular review meetings with their line manager. They are actively encouraged to offer ideas and suggestions to improve all aspects of the business. Our transparent approach means that all employees are made aware of developments within the business at appropriate times. The group continues to be an Investor in People and an active supporter of the Volkswagen apprentice and qualification programme.

Price risks

The principal price risks arise from holding vehicle stocks which are either inappropriate for resale or are bought at too high a price, relative to a fast moving market place and downward competitive pressure on after-sales revenues. The group mitigates this by having an entrepreneurial and empowered approach to customer service together with a strict stock control policy.

Supply chain

The group is, in part, dependent upon an external supply chain for new Volkswagen Group cars and parts. Failures within this external supply chain could mean the group does not meet all of its customer service and financial objectives. This risk is mitigated as much as possible by managing anticipating demand, planning and maintaining stocks accordingly.

Key Performance Indicators

The directors have developed in-house software, which gives them and the management teams real time internet access to the key financial measures pertinent to the success of the business. The directors are satisfied with the performance of the group in respect of these key measures.

	2015	2014
	£000	£000
Turnover	**68,684**	67,506
Profit before tax	**369**	824
Cash at bank	**1,313**	1,397

Future developments

In 2016 we expected the UK economy to gain better balance but at the cost of slightly slower growth. However, in June 2016 the UK made an historical decision to leave the European Union. It is too early to tell what the implications of this decision may be in the long term but it is vital now that uncertainty is removed from the economic and political climate as quickly as possible. Our initial view of Brexit is that the boost to spending power enjoyed by consumers in 2015 may begin to fade as inflation gradually picks up and oil prices rise, although in the short to medium term this is not seen as a major risk. Further a depreciating pound, as has been seen since Brexit, may also reduce the exchange gains enjoyed by foreign manufacturers and could impact their profitability in the UK.

Strategic report *(continued)*

Future developments *(continued)*

To offset these risks our Brands will launch a number of new and improved SUV models to drive profitability though growth in market share, something we believe we are well placed to benefit from following the completion of a £4m investment programme in our sites.

There will remain a risk that worries in BRIC markets, especially China, will continue to force manufacturers to push sales in the UK rather than allow a more natural pull approach which could result in downward pressure on margins. In the long term to 2020 the potential for a rise in the cost of money could affect the competitiveness of financing products. This will need to be closely monitored by all parties to ensure renewal strategies remain relevant. We will actively review our strategies and forecasts in the light of developing economic conditions. We will also continue to monitor our culture, costs and pricing to ensure that we remain ahead of both Volkswagen Group's and our aspirations for the business.

Signed on behalf of the board

I Buckle

I Buckle
Director

Pulman Abbey Road
Framwellgate Moor
Durham
DH1 5HA

14 July 2016

Directors' report

The directors present their directors' report for the year ended 31 December 2015.

Proposed dividend

The directors do not recommend the payment of a final dividend *(2014: £nil)*. An ordinary interim dividend of £420,000 *(2014: £199,173)* was paid during the year.

Directors

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

M Pulman
I Buckle

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

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.

By order of the board

I Buckle
Director

Pulman Abbey Road
Framwellgate Moor
Durham
DH1 5HA

14 July 2016

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 group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company 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 parent company's transactions and 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Independent auditor's report to the members of Mike Pulman Holdings Limited

We have audited the financial statements of Mike Pulman Holdings Limited for the year ended 31 December 2015 set out on pages 9 to 29. 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 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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 6, 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 Group's and Parent Company's affairs as at 31 December 2015 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.

Independent auditor's report to the members of Mike Pulman Holdings Limited
(continued)

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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.

Paul Moran (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

14 July 2016

Consolidated Profit and Loss Account and Other Comprehensive Income

for the year ended 31 December 2015

	Note	**2015**	2014
		£000	£000
Turnover	*2*	**68,684**	67,506
Cost of sales		**(64,771)**	(63,195)
Gross profit		**3,913**	4,311
Administrative expenses		**(3,385)**	(3,344)
Other operating expense	*3*	**-**	(30)
Operating profit		**528**	937
Interest receivable and similar income	*6*	**-**	3
Interest payable and similar activities	*7*	**(159)**	(116)
Profit on ordinary activities before taxation	*2-7*	**369**	824
Tax on profit on ordinary activities	*8*	**(111)**	(189)
Profit for the financial year		**258**	635
Other comprehensive income		**-**	-
Total comprehensive income for the year		**258**	635

All of the above arise from continuing operations.

Consolidated Balance Sheet
at 31 December 2015

	Note	2015 £000	£000	2014 £000	£000
Fixed assets					
Tangible assets	*11*		2,912		865
			2,912		865
Current assets					
Stocks	*14*	8,818		8,198	
Debtors	*15*	1,103		939	
Cash at bank and in hand		1,313		1,397	
		11,234		10,534	
Creditors: amounts falling due within one year	*16*	(10,578)		(8,837)	
Net current assets			656		1,697
Total assets less current liabilities			3,568		2,562
Creditors: amounts falling due after more than one year	*17*		(1,153)		-
Provisions for liabilities	*19*		(60)		(45)
Net assets			2,355		2,517
Capital and reserves					
Called up share capital	*21*		75		75
Profit and loss account			2,280		2,442
Shareholders' funds			2,355		2,517

These financial statements were approved by the board of directors on 14 July 2016 and were signed on its behalf by:

I Buckle
Director

Company Balance Sheet
at 31 December 2015

	Note	2015 £000	£000	2014 £000	£000
Fixed assets					
Tangible assets	*11*		43		43
Investment property	*12*		1,524		-
Investments	*13*		75		75
			1,642		118
Current assets					
Debtors (including £407,000 due after more than one year *(2014:£nil)*)	*15*	837		336	
Cash at bank and in hand		-		140	
		837		476	
Creditors: amounts falling due within one year	*16*	(1,220)		(494)	
Net current liabilities			(383)		(18)
Total assets less current liabilities			1,259		100
Creditors: amounts falling due after more than one year	*17*		(1,153)		-
Net assets			106		100
Capital and reserves					
Called up share capital	*21*		75		75
Profit and loss account			31		25
Shareholders' funds			106		100

These financial statements were approved by the board of directors on 14 July 2016 and were signed on its behalf by:

I Buckle
Director

Company registered number: 07346666

Cash Flow Statement
for the year ended 31 December 2015

	Note	**2015**	2014
		£000	£000
Cash flows from operating activities			
Profit for the year		**258**	635
Adjustments for:			
Depreciation, amortisation and impairment		**232**	190
Interest payable and similar charges		**159**	116
Loss on sale of tangible fixed assets		**-**	30
Taxation		**111**	189
		760	1,160
(Increase)/decrease in trade and other debtors		**(167)**	458
Increase in stocks		**(620)**	(1,977)
Increase in trade and other creditors		**1,507**	1,160
Increase in provisions		**15**	-
		1,495	801
Dividends paid		**(420)**	(199)
Tax paid		**(173)**	(223)
Net cash from operating activities		**902**	379
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**9**	500
Acquisition of tangible fixed assets		**(2,288)**	(287)
Net cash from investing activities		**(2,279)**	213
Cash flows from financing activities			
Proceeds from new borrowings		**1,534**	-
Repayment of borrowings		**(82)**	-
Interest paid		**(159)**	(116)
Net cash from financing activities		**1,293**	(116)
Net (decrease)/increase in cash and cash equivalents		**(84)**	476
Cash and cash equivalents at 1 January		**1,397**	921
Cash and cash equivalents at 31 December		**1,313**	1,397

Statements of Changes in Equity
As at 31 December 2015

Group

	Share capital £000	Profit and loss account £000	Total equity £000
As at 1 January 2014	75	2,006	2,081
Total comprehensive income for the year			
Profit for the year	-	635	635
Total comprehensive income for the year	-	635	635
Transactions with owners, directly recorded in equity			
Dividends	-	(199)	(199)
Total distributions to owners	-	(199)	(199)
As at 31 December 2014	75	2,442	2,517
As at 1 January 2015	75	2,442	2,517
Total comprehensive income for the year			
Profit for the year	-	258	258
Total comprehensive income for the year	-	258	258
Transactions with owners, directly recorded in equity			
Dividends	-	(420)	(420)
Total distributions to owners	-	(420)	(420)
Balance as at 31 December 2015	75	2,280	2,355

Statement of Changes in Equity *(continued)*
As at 31 December 2015

Company

	Share capital £000	Profit and loss account £000	Total equity £000
As at 1 January 2014	75	92	167
Total comprehensive income for the year			
Profit for the year	-	132	132
Total comprehensive income for the year	75	132	132
Transactions with owners, directly recorded in equity			
Dividends	-	(199)	(199)
Total distribution to owners	-	(199)	(199)
As at 31 December 2014	75	25	100
As at 1 January 2015	75	25	100
Total comprehensive income for the year			
Profit for the year	-	426	426
Total comprehensive income for the year	-	426	426
Transactions with owners, directly recorded in equity			
Dividends	-	(420)	(420)
Total distributions to owners	-	(420)	(420)
As at 31 December 2015	75	31	106

Notes
(forming part of the financial statements)

1 Accounting policies

Mike Pulman Holdings Ltd (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Business combinations – Business combinations that took place prior to 1 January 2014 have not been restated.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included a second time;
- Certain disclosures required by FRS 102.26 Share Based Payments; and,
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS 102, the Group and Company has not retrospectively changed its accounting under old UK GAAP for derecognition of financial assets and liabilities before the date of transition.

Judgements made by the directors, in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 25.

The financial statements are prepared in accordance with applicable United Kingdom accounting standards, which have been applied consistently throughout the current and prior periods. The particular accounting policies adopted in dealing with items considered material to the financial statements are described below.

Measurement convention

The financial statements are prepared on the historical cost basis except that investment property is stated at fair value.

Going concern

The Group manages its day to day working capital requirements through cash generated from its operations and Volkswagen consignment stock financing. The Group's business is performing well and generated cash of £0.9m from operating activities. At the year end the Group had cash funds of £1.3m and net assets of £2.4m.

After making enquiries, the directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to prepare these financial statements on a going concern basis.

Notes *(continued)*

1 Accounting policies *(continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2015. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Leasehold property — 10 years
- Plant and equipment — 10-33% per annum
- Fixtures and fittings — 15% per annum
- Computer and technology equipment — 33% per annum
- Motor vehicles — 33% per annum

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Notes *(continued)*

1 Accounting policies *(continued)*

Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle.

Cost represents purchase cost plus appropriate overheads in bringing the stock to their present condition and location. Net realisable value is based upon the estimated selling price less further costs expected to be incurred to completion and disposal.

Consignment vehicles are regarded as being effectively under the control of the company and are included within stocks on the balance sheet as the company has the significant risks and rewards of ownership even though legal title has not yet passed. The corresponding liability is included in trade creditors

Impairment excluding stocks, investment properties and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes *(continued)*

1 Accounting policies *(continued)*

Impairment excluding stocks, investment properties and deferred tax assets (continued)

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than investment property, stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the parent Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Turnover

Turnover from the sale of goods is recognised in the profit and loss account net of discounts and VAT when the significant risks and rewards of ownership have been transferred to the buyer, usually when the customer takes title to the vehicle. Turnover from the provision of services is recognised in the profit and loss account when the service has been completed.

Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Notes *(continued)*

1 Accounting policies *(continued)*

Expenses (continued)

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss 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 provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company (or Group as the case may be) 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 (or Group); and

b) 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 (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Notes *(continued)*

1 Accounting policies *(continued)*

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Group. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Cash

Cash for the purpose of the cash flow statement comprises cash in hand less overdrafts payable on demand.

2 Turnover

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

	2015	2014
	£000	£000
Sale of goods	**63,742**	63,247
Rendering of services and commissions	**4,942**	4,259
	68,684	67,506

3 Notes to the profit and loss account

	2015	2014
	£000	£000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation and other amounts written off tangible fixed assets:		
Owned	**232**	190
Hire of plant and machinery - operating leases	**-**	3
Auditor's remuneration:		
Audit of these financial statements	**5**	4
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries of the company	**26**	24
Other services relating to taxation	**7**	7
All other services	**7**	7

Other operating income comprises a loss on disposal of investment properties of £nil *(2014: £30,000).*

4 Remuneration of directors

	2015	2014
	£000	£000
Directors' emoluments	**373**	408
Company contributions to personal pension schemes	**48**	117

The aggregate of emoluments of the highest paid director was £266,246 *(2014: £266,339).* Company pension contributions of £32,167 *(2014: £102,775)* were made to a money purchase scheme on his behalf.

Notes *(continued)*

4 Remuneration of directors *(continued)*

Retirement benefits are accruing to the following number of directors under:

	Number of directors 2015	2014
Money purchase schemes	**2**	2

Total compensation of key management personnel (including the directors) in the year amounted to £466,026 *(2014: £571,460).*

5 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 Group	
	2015	2014
Administration and management	**31**	30
Sales	**59**	58
After sales	**71**	71
	161	159

The aggregate payroll costs of these persons were as follows:

	Group	
	2015	2014
	£000	£000
Wages and salaries	**4,068**	4,071
Social security costs	**417**	414
Other pension costs (note 24)	**154**	192
	4,639	4,677

6 Interest receivable and similar income

	2015	2014
	£000	£000
Bank interest	**-**	3

7 Interest payable and similar charges

	2015	2014
	£000	£000
Interest payable	**159**	116

Interest payable mostly relates to stock holding interest on vehicles held as consignment stock.

Notes *(continued)*

8 Taxation

Total tax expense recognised in the profit and loss account

	2015 £000	£000	2014 £000	£000
UK corporation tax				
Current tax on income for the period	96		192	
Adjustments in respect of prior periods	-		(19)	
Total current tax		96		173
Deferred tax (see note 19)				
Origination/reversal of timing differences	16		(2)	
Effect of decreased tax rate	(5)		-	
Adjustment in respect of prior years	4		18	
Total deferred tax		15		16
Total tax		111		189

Reconciliation of effective tax rate

	2015 £000	2014 £000
Profit for the year	258	635
Total tax expense	111	189
Profit excluding taxation	369	824
Tax using the UK corporation tax rate of 20.25% *(2014: 21.49%)*	74	177
Adjustments in respect of prior periods	4	(1)
Fixed asset differences	26	3
Expenses not deductible for tax purposes	11	10
Other short term timing differences	(4)	(16)
Total tax expense in profit or loss	111	173

Factors that may affect future, current and total tax charges

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

Notes *(continued)*

9 Dividends

The aggregate amount of dividends comprises:

	2015 £000	2014 £000
Dividends declared and paid in respect of the financial year	**420**	199

10 Intangible fixed assets

Group	Goodwill £000
Cost	
At 1 January 2015 and 31 December 2015	833
Amortisation	
At 1 January 2015 and 31 December 2015	833
Net book value	
At 31 December 2015	-
At 31 December 2014	-

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. The above goodwill was amortised over a period of three years, being the best estimate of its useful economic life. The goodwill arose on the acquisition of the SEAT business.

11 Tangible fixed assets

Group	Assets under construction £000	Leasehold property improvements £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Computer and technology equipment £000	Motor vehicles £000	Total £000
Cost							
At beginning of year	43	648	665	240	575	20	2,191
Additions	1,524	622	33	46	45	18	2,288
Disposals	-	-	-	-	-	(20)	(20)
At end of year	1,567	1,270	698	286	620	18	4,459
Depreciation							
At beginning of year	-	87	550	158	518	13	1,326
Charge for year	-	111	55	23	40	3	232
Disposals	-	-	-	-	-	(11)	(11)
At end of year	-	198	605	181	558	5	1,547
Net book value							
At 31 December 2015	**1,567**	**1,072**	**93**	**105**	**62**	**13**	**2,912**
At 31 December 2014	43	561	115	82	57	7	865

Notes *(continued)*

11 Tangible fixed assets *(continued)*

Company	Assets under construction £000	Total £000
Cost		
At beginning of year	43	43
Additions	-	-
At end of year	43	43
Depreciation		
At beginning of year	-	-
Charge for year	-	-
At end of year	-	-
Net book value		
At 31 December 2015	**43**	**43**
At 31 December 2014	43	43

12 Investment properties

	Group 2015 £000	Company 2015 £000
At valuation		
At beginning of year	-	-
Assets under construction	-	**1,524**
At end of year	-	**1,524**

The investment properties under construction relate to the development of the latest Skoda Retail Concept in Durham. The property will be leased to Pulman Skoda Limited on completion. The fair value of the investment property is considered to be materially comparable to the cost. This property is classified as tangible fixed assets in the group.

13 Investments

Company	Shares in group undertakings £000
Cost and net book value	
At beginning and end of year	75

The above represents the nominal value of shares issued arising on a group reorganisation as the company took advantage of the Companies Act 2006 merger relief provisions.

Notes *(continued)*

13 Investments *(continued)*

The principal undertakings in which the Company's interest at the year end is more than 20% are as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held Company
Subsidiary undertaking			
Mike Pulman Limited	United Kingdom	Sale of motor vehicles	Ordinary shares 100%
Pulman SEAT Limited	United Kingdom	Sale of motor vehicles	Ordinary shares 100%
Pulman Skoda Limited	United Kingdom	Sale of motor vehicles	Ordinary shares 100%

14 Stocks

	Group	
	2015	2014
	£000	£000
Goods for resale	**8,818**	8,198

Finished goods recognised as cost of sales in the year amounted to £61,401,000 *(2014: £58,051,000)*. Included with goods for resale is consignment stock of £4,673,218 *(2014: £3,454,998)*. A corresponding liability is held within creditors. The company has no stocks.

15 Debtors

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Trade debtors	**497**	458	**270**	-
Amounts owed by group undertakings	**-**	-	**567**	316
Prepayments and accrued income	**222**	288	**-**	-
Other debtors	**384**	193	**-**	-
Corporation tax	**-**	-	**-**	20
	1,103	939	**837**	336

Amounts owed by group undertakings are unsecured, interest free, and repayable on demand. Amounts owed by group undertakings in the Company include £407,000 due after more than one year *(2014:£nil)*)

16 Creditors: amounts falling due within one year

	Group		Company	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Bank and other loans (note 18)	**299**	-	**299**	-
Trade creditors	**8,748**	7,430		-
Amounts owed to group undertakings	**-**	-	**899**	482
Corporation tax	**95**	170	**12**	-
Accruals and deferred income	**846**	587	**-**	-
Other taxation and social security	**580**	638	**-**	-
Amounts owed to related parties	**10**	12	**10**	12
	10,578	8,837	**1,220**	494

Notes *(continued)*

16 Creditors: amounts falling due within one year *(continued)*

Volkswagen Bank United Kingdom Limited, a significant trade creditor, has a fixed and floating charge over the assets of the company and allows a deed of priority to the company's bankers up to the amount of the overdraft balance (if any).

Amounts owed to group undertakings are unsecured, interest free, and repayable on demand.

17 Creditors: amounts falling due after more than one year

	Group 2015 £000	2014 £000	Company 2015 £000	2014 £000
Bank and other loans (note 18)	**1,153**	-	**1,153**	-

The parent and subsidiary undertakings are party to an arrangement to secure the £1,452,000 *(2014: £nil)* bank and other loans.

18 Interest bearing loans and borrowings

Loans repayable included within creditors are analysed as follows:
Terms and debt repayment schedule

Group and company	Currency	Nominal interest rate	Year of maturity	2015 £000	2014 £000
Bank and term loan facility	GBP	LIBOR plus 2.25%	2020	**884**	-
Volkswagen Bank United Kingdom loan	GBP	LIBOR plus 2.56%	2019	**568**	-
				1,452	-

During 2015 the company and group entered into a committed bank facility to fund the development of the new Skoda Retail Concept site in Durham. This facility comprises a £2.2m flexible development facility with the option to convert to a term loan on maturity. The maturity of the development facility occurs at the earlier of the completion of the development of the site or 31 July 2016. In accordance with the presentation requirements of FRS 102.4 'Statement of financial position' this liability has been classified according to the latest maturity date of the financing over which the company has discretion under this arrangement. At 31 December 2015 £884,000 of this facility was utilised, £137,500 has been classified in creditors amounts due within one year, with the balance of £746,500 classified as non-current loan creditors. Subsequent to the year end, the term loan option has been exercised by the company.

The secured Volkswagen Bank United Kingdom loan is secured by means of a fixed charge over certain of the Group's land and buildings. The loan is repayable monthly and matures in 2019.

19 Provisions for liabilities

	Deferred taxation £000
Group	
At beginning of year	45
Charge to the profit and loss for the year (note 8)	15
At end of year	**60**

Notes *(continued)*

19 Provisions for liabilities *(continued)*

The elements of deferred taxation are as follows:

	2015 £000	2014 £000
Difference between accumulated depreciation and amortisation and capital allowances	63	48
Other timing differences	(3)	(3)
Liability	60	45

	Deferred taxation £000
Company	
At beginning and end of period	-

20 Financial instruments

The carrying amounts of the financial assets and liabilities include:

	Group 2015 £000	Group 2014 £000	Company 2015 £000	Company 2014 £000
Financial assets at fair value through profit or loss				
- Derivative financial instruments	-	-	-	-
Financial assets that are debt instruments measured at amortised cost				
- Trade receivables	497	458	270	-
- Amounts owed by related undertakings	-	-	567	316
- Other debtors	384	193	-	-
	881	651	837	316
Financial assets that are equity instruments measured at cost less impairment	-	-	-	-
Financial liabilities measured at fair value through profit or loss				
- Derivative financial instruments	-	-	-	-
Financial liabilities measured at amortised cost				
- Bank and other loan facilities	(1,452)	-	(1,452)	-
- Trade creditors	(8,748)	(7,430)	-	-
- Amounts owed to group undertakings	-	-	(899)	(482)
- Amounts owed to related undertakings	(10)	(12)	(10)	(12)
- Accruals and deferred income	(846)	(587)	-	-
	(11,056)	(8,029)	(2,361)	(494)
Loan commitments measured at cost less impairment	-	-	-	-

Notes *(continued)*

21 Called up share capital

	2015	2014
	£000	£000
Allotted, called up and fully paid		
Ordinary shares of £1 each	**75**	75

22 Reserves

Group	**Profit and loss account**
	£000
At beginning of year	2,442
Profit for the year	258
Dividends paid on equity shares	(420)
At end of year	**2,280**

Company	**Profit and loss account**
	£000
At beginning of year	25
Profit for the year	426
Dividends paid on equity shares	(420)
At end of year	**31**

23 Commitments

Non-cancellable operating leases are payable as follows:

Group	**2015 Land and buildings**	2014 Land and buildings
	£000	£000
Less than one year	**391**	320
Between one and five years	**1,419**	1,482
More than five years	**540**	868
	2,350	2,670

Capital commitments

Contracts placed for future capital expenditure not provided in the financial statements amount to £1.1m *(2014: £nil)*.

Notes *(continued)*

24 Pension scheme

Defined contribution pension scheme

The Group contributes to a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Group to these schemes and amounted to £154,042 *(2014: £192,053)*.

Contributions amounting to £19,872 *(2014: £11,420)* were payable to the scheme at the year end and are included in creditors.

25 Accounting estimates and judgements

In the preparation of the financial statements, it is necessary for the management of the company to make estimates and certain presumptions that can affect the valuation of the assets and liabilities and the outcome of the income statement. The actual outcome may differ from these estimates and presumptions. The most significant judgement made in these accounts relates to the accounting for consignment stock (note 14). The directors have concluded that consignment vehicles are effectively under the control of the company and therefore should be included within stocks on the balance sheet as the company has the significant risks and rewards of ownership even though legal title has not yet passed. The corresponding liability is included in trade creditors.

26 Related party disclosures

Included in other creditors is £69,386 *(2014: £62,806)* due to Krystal Ball Software Limited. £6,580 was charged for use of the software during the year. The directors and shareholders of Krystal Ball Software Limited are Mike Pulman and Ian Buckle. These amounts are unsecured and interest free with no fixed repayment dates.

27 Ultimate controlling party

The ultimate controlling party of Mike Pulman Holdings Limited is Mike Pulman.