

Mike Pulman Holdings Limited

**Directors' report and consolidated
financial statements**

Registered number 07346666

31 December 2017



Contents

Officers and Professional Advisers	1
Strategic Report	2
Directors' report	5
Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements	6
Independent auditor's report to the members of Mike Pulman Holdings Limited	7
Consolidated Profit and Loss Account and Other Comprehensive Income	9
Consolidated Balance Sheet	10
Company Balance Sheet	11
Consolidated Cash Flow Statement	12
Statement of Changes in Equity	13
Notes	15

Officers and professional advisers

Directors

M Pulman
I Buckle
E Pulman
J Pulman

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 2017.

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

On a macro level we forecasted the UK economy to slow from 2% growth in 2016 to 1.6% in 2017. On a positive note 2017 growth turned out to be 1.8% despite ongoing doubts over the economic impact of Brexit. Whilst the fall was less than expected it represented the lowest growth since 2012 and 2017 UK GDP growth looks weak in comparison to global growth of 3.0%, Eurozone 2.5% and US GDP growth of 2.3%.

A key factor behind the overall slowdown was, as predicted, a moderation in consumer spending growth to around 1.6% in 2017 caused by a squeeze on household spending power from higher inflation and sluggish wage growth.

It is becoming increasingly clear that uncertainty surrounding Brexit is starting to hold back business investment in the UK. In a climate of relatively low inflation and cheap finance we would have expected investment to be picking up strongly in line with global and Eurozone growth. The expected export boost from the weaker pound does not appear to have materialised, exporters' margins and inflation appear to have increased instead.

At retailer level 2017 turned out to be very similar to 2016. The first quarter was very strong fuelled by a change in vehicle excise duty and manufacturers reacted strongly with support and supply to coincide with a rush to register cars before 31 March. Post first quarter the market returned to flatter levels and eventually a push market. It was generally accepted that the market for new cars shrunk somewhere between 4% and 8% in 2017. Subsequent oversupply and shrinking consumer spending power led to a squeeze on margins in the second half which, married with targets which became unrealistic, spoiled what had begun as a very positive year.

The directors are pleased with result, how the business reacted especially in the second half of 2017 and the continued progress of the company.

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.

	2017 £000	2016 £000
Turnover	80,000	79,309
Profit before tax	574	567
Cash at bank	1,434	1,654

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:

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

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.

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 group 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.

Future developments

At macro level the reduction in consumer spending growth to 1.6% seen in 2017 is forecast to fall to just 1.1% in 2018. This reflects a continued squeeze on household spending power from higher inflation, higher interest rates and sluggish wage growth. Despite the lowest unemployment rate since 1975 we expect only a modest increase in earnings growth to 2.5% on average in 2018, compared with 2.7% average inflation.

After raising interest rates in November, the Bank of England is currently keeping rates on hold as it waits for more information on the Brexit negotiations. Our view is that this will not continue much longer and expect two further rises in 2018 further impacting on consumer spending and more importantly sentiment.

We predict 2018 growth in the economy to be between 1.4% and 1.6%. High employment levels and weak productivity seem likely to continue with wages growth paying the price. It remains a concern that any growth rate can be sustained with low levels of unemployment and a falling rate of immigration due to Brexit. It remains hard to understand the logic of leaving the EU to try and become an economic powerhouse like Germany and free up significant amounts of Government spending which is slowly being shown to no longer be the case.

In the first quarter of 2018 we have already seen poor numbers from the high street. The first quarter of 2018 has not been as successful as the same quarter in 2017 partly due to the continued shrinkage of the new car market. Beyond that the rest of 2018 looks flat at best. Order levels are low and without stimulus from the manufacturers we believe that 2018 will mirror 2017. Manufacturers who had hedged sterling in 2016/17 have now had to reprice into 2018 and it is becoming increasingly obvious that supply is shifting into the Eurozone where returns for the manufacturers are better and not exposed to exchange rate risk. In addition, it remains to be seen what affect the new Worldwide Harmonised Light Vehicle Test, (the WLTP laboratory test measures fuel consumption and CO2 emissions from passenger cars, as well as their pollutant emissions), regulations will have on model choice and supply. Nonetheless the UK continues to be a strong market for all manufacturers and thus it is likely that they will continue to support the UK despite any sluggishness in UK economic conditions.

Strategic report *(continued)*

Future developments *(continued)*

To encourage customers all of our Brands are launching an array of new models with focus on petrol, hybrid and pure electric. Volkswagen Group continues to be at the forefront of a digital revolution in motor retailing and there are exciting times ahead for retailers. The Pulman Group continues to expand and invest in the latest showroom designs, staff training and resources to embrace this forthcoming technology.

We will continue to monitor our culture which we firmly believe differentiates us from other retailers for staff, customers and suppliers.

Signed on behalf of the board



I Buckle
Director

Pulman Abbey Road
Framwellgate Moor
Durham
DH1 5HA

11 May 2018

Directors' report

The directors present their directors' report for the year ended 31 December 2017.

Proposed dividend

The directors do not recommend the payment of a final dividend (2016: *£nil*). An ordinary interim dividend of £306,000 (2016: £150,000) was paid during the year.

Directors

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

M Pulman
I Buckle
E Pulman
J Pulman

Financial instruments

The Group's financial instruments comprise borrowings (principally bank loans and loans from Volkswagen Bank UK), cash, share capital, and various items that arise directly from operations (such as trade debtors, trade creditors etc). The main purpose of these financial instruments is to raise finance for the company's operations and to manage liquidity risk. The main risks arising from the company's financial instruments are interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks. These policies have remained unchanged throughout the year.

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

11 May 2018

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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

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

Opinion

We have audited the financial statements of Mike Pulman Holdings Limited ("the company") for the year ended 31 December 2017 which comprise the consolidated profit and loss account and other comprehensive income, consolidated balance sheet, company balance sheet, consolidated cash flow statement, group and company statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

(continued)

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

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

11 May 2018

Consolidated profit and loss account and other comprehensive income
for the year ended 31 December 2017

	<i>Note</i>	2017 £000	2016 £000
Turnover	2	80,000	79,309
Cost of sales		(75,572)	(74,737)
Gross profit		4,428	4,572
Administrative expenses		(3,635)	(3,780)
Operating profit		793	792
Interest receivable and similar income	6	-	1
Interest payable and similar activities	7	(219)	(226)
Profit before taxation	2-7	574	567
Tax on profit	8	(139)	(112)
Profit for the financial year		435	455
Other comprehensive income		-	-
Total comprehensive income for the year		435	455

All of the above arise from continuing operations.

Consolidated balance sheet
at 31 December 2017

	<i>Note</i>	2017 £000	£000	2016 £000	£000
Fixed assets					
Tangible assets	11		4,161		4,345
			<u>4,161</u>		<u>4,345</u>
Current assets					
Stocks	14	8,883		9,569	
Debtors	15	1,908		1,711	
Cash at bank and in hand		1,434		1,654	
		<u>12,225</u>		<u>12,934</u>	
Creditors: amounts falling due within one year	16	(11,502)		(12,146)	
Net current assets			<u>723</u>		<u>788</u>
Total assets less current liabilities			<u>4,884</u>		<u>5,133</u>
Creditors: amounts falling due after more than one year	17		(1,996)		(2,386)
Provisions for liabilities	19		(99)		(87)
Net assets			<u>2,789</u>		<u>2,660</u>
Capital and reserves					
Called up share capital	21		75		75
Profit and loss account			2,714		2,585
Shareholders' funds			<u>2,789</u>		<u>2,660</u>

These financial statements were approved by the board of directors on 11 May 2018 and were signed on its behalf by:



I Buckle
Director

Company balance sheet
at 31 December 2017

	<i>Note</i>	2017 £000	£000	2016 £000	£000
Fixed assets					
Tangible fixed assets	11				-
Investment property	12		3,036		2,836
Investments	13		75		75
			<u>3,111</u>		<u>2,911</u>
Current assets					
Debtors (including £99,000 due after more than one year (2016: £259,000))	15	875		938	
Cash at bank and in hand		-		88	
		<u>875</u>		<u>1,026</u>	
Creditors: amounts falling due within one year	16	<u>(1,793)</u>		<u>(1,453)</u>	
Net current liabilities			(918)		(427)
Total assets less current liabilities			2,193		2,484
Creditors: amounts falling due after more than one year	17		(1,898)		(2,386)
Provisions for liabilities	19		(7)		(7)
Net assets			<u>288</u>		<u>91</u>
Capital and reserves					
Called up share capital	21		75		75
Profit and loss account			213		16
Shareholders' funds			<u>288</u>		<u>91</u>

These financial statements were approved by the board of directors on 11 May 2018 and were signed on its behalf by:



I Buckle
Director

Company registered number: 07346666

Consolidated cash flow statement
for the year ended 31 December 2017

	2017 £000	2016 £000
Cash flows from operating activities		
Profit for the year	435	455
<i>Adjustments for:</i>		
Depreciation, amortisation and impairment	322	303
Interest receivable	-	(1)
Interest payable and similar charges	219	226
Taxation	139	112
	<hr/>	<hr/>
	1,115	1,095
Increase in trade and other debtors	(197)	(608)
Decrease/(increase) in stocks	686	(751)
(Decrease)/increase in trade and other creditors	(752)	1,549
Tax paid	(77)	(99)
	<hr/>	<hr/>
Net cash from operating activities	775	1,186
	<hr/>	<hr/>
Cash flows from investing activities		
Proceeds from sale of tangible fixed assets	-	13
Acquisition of tangible fixed assets	(138)	(1,749)
	<hr/>	<hr/>
Net cash from investing activities	(138)	(1,736)
	<hr/>	<hr/>
Cash flows from financing activities		
Proceeds from new borrowings	-	1,427
Repayment of borrowings	(332)	(160)
Interest paid	(219)	(226)
Dividends paid	(306)	(150)
	<hr/>	<hr/>
Net cash from financing activities	(857)	891
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(220)	341
Cash and cash equivalents at 1 January	1,654	1,313
	<hr/>	<hr/>
Cash and cash equivalents at 31 December	1,434	1,654
	<hr/>	<hr/>

Statement of changes in equity
as at 31 December 2017

Group

	Share capital £000	Profit and loss account £000	Total equity £000
As at 1 January 2016	75	2,280	2,355
Total comprehensive income for the year			
Profit for the year	-	455	455
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	455	455
	<hr/>	<hr/>	<hr/>
Transactions with owners, directly recorded in equity			
Dividends	-	(150)	(150)
	<hr/>	<hr/>	<hr/>
Total distributions to owners	-	(150)	(150)
	<hr/>	<hr/>	<hr/>
As at 31 December 2016	75	2,585	2,660
	<hr/>	<hr/>	<hr/>
As at 1 January 2017	75	2,585	2,660
Total comprehensive income for the year			
Profit for the year	-	435	435
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	75	3,020	3,095
	<hr/>	<hr/>	<hr/>
Transactions with owners, directly recorded in equity			
Dividends	-	(306)	(306)
	<hr/>	<hr/>	<hr/>
Total distributions to owners	-	(306)	(306)
	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2017	75	2,714	2,789
	<hr/>	<hr/>	<hr/>

Statement of changes in equity (continued)
as at 31 December 2017

Company	Share capital £000	Profit and loss account £000	Total equity £000
As at 1 January 2016	75	31	106
Total comprehensive income for the year			
Profit for the year	-	135	135
Total comprehensive income for the year	-	135	135
Transactions with owners, directly recorded in equity			
Dividends	-	(150)	(150)
Total distribution to owners	-	(150)	(150)
As at 31 December 2016	75	16	91
As at 1 January 2017	75	16	91
Total comprehensive income for the year			
Profit for the year	-	503	503
Total comprehensive income for the year	75	519	594
Transactions with owners, directly recorded in equity			
Dividends	-	(306)	(306)
Total distributions to owners	-	(306)	(306)
As at 31 December 2017	75	213	288

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.

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

- Business combinations – Business combinations that took place prior to 1 January 2016 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.

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, Volkswagen consignment stock financing and bank loans. The Group's business is performing well and generated net cash of £0.5m (2016: £1.0m) from operating activities. At the year end the Group had cash funds of £1.4m (2016: £1.7m) and net assets of £2.8m (2016: £2.7m).

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 2017. 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.

The Group was created on 1 January 2013 when Mike Pulman Holdings Limited assumed control of Mike Pulman Limited, Pulman SEAT Limited and Pulman Skoda Limited via a share for share exchange. The Directors considered that the criteria under FRS 6 'Acquisitions and Mergers' for the formation of the Group had been met in respect of this group reorganisation and accordingly merger accounting principles were adopted. The group accounts have been prepared, therefore, on the basis that the group has always existed in its current form.

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.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

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 it is 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.

	2017 £000	2016 £000
Sale of goods	73,205	74,250
Rendering of services and commissions	6,795	5,059
	<u>80,000</u>	<u>79,309</u>

3 Notes to the profit and loss account

	2017 £000	2016 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Depreciation and other amounts written off tangible fixed assets:		
Owned	322	303
Hire of land and buildings - operating leases	391	391
	<u> </u>	<u> </u>
<i>Auditor's remuneration:</i>		
Audit of these financial statements	3	5
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries of the company	27	27
Tax compliance services	8	8
All other services	1	2
	<u> </u>	<u> </u>

4 Remuneration of directors

	2017 £000	2016 £000
Directors' emoluments	411	436
Company contributions to personal pension schemes	36	33
	<u> </u>	<u> </u>

The aggregate of emoluments of the highest paid director was £294,970 (2016: £326,220). Company pension contributions of £10,000 (2016: £16,562) 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	
	2017	2016
Money purchase schemes	2	2

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	
	2017	2016
Administration and management	30	30
Sales	80	72
After sales	82	80
	192	182

The aggregate payroll costs of these persons were as follows:

	Group	
	2017	2016
	£000	£000
Wages and salaries	5,838	5,265
Social security costs	550	501
Other pension costs (note 24)	207	156
	6,595	5,922

6 Interest receivable and similar income

	2017	2016
	£000	£000
Bank interest	-	1

7 Interest payable and similar charges

	2017	2016
	£000	£000
Bank loans and overdrafts	61	51
Stock holding interest on vehicles held as consignment stock	158	175
	219	226

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

	2017 £000	£000	2016 £000	£000
<i>UK corporation tax</i>				
Current tax on income for the period	130		123	
Adjustments in respect of prior periods	(3)		(38)	
	<hr/>		<hr/>	
Total current tax		127		85
<i>Deferred tax (see note 19)</i>				
Origination/reversal of timing differences	12		13	
Effect of decreased tax rate	-		14	
	<hr/>		<hr/>	
Total deferred tax		12		27
		<hr/>		<hr/>
Total tax		139		112
		<hr/>		<hr/>

Reconciliation of effective tax rate

	2017 £000	2016 £000
Profit for the year	435	455
Total tax expense	139	112
	<hr/>	<hr/>
Profit excluding taxation	574	567
Tax using the UK corporation tax rate of 19.25% (2016: 20.00%)	111	113
Adjustments in respect of prior periods	(3)	(38)
Fixed asset differences	24	28
Expenses not deductible for tax purposes	13	7
Other short term timing differences	(6)	2
	<hr/>	<hr/>
Total tax expense in profit or loss	139	112
	<hr/>	<hr/>

Factors that may affect future, current and total tax charges

Reductions in the main rate of UK corporation tax by one percent to 19% by 1 April 2016 (effective from 1 April 2017), and to 18% (effective 1 April 2020), became substantively enacted on 26 October 2015. A further rate reduction to 17% (effective 1 April 2020) was announced in the Budget on 16 March 2016, and therefore the effect of these rate reductions on the deferred tax balances as at 31 December 2017 has been included in the figures above.

Notes (continued)

9 Dividends

The aggregate amount of dividends comprises:

	2017 £000	2016 £000
Dividends declared and paid in respect of the financial year	306	150

10 Intangible fixed assets

Group	Goodwill £000
<i>Cost</i>	
At 1 January 2017 and 31 December 2017	833
<i>Amortisation</i>	
At 1 January 2017 and 31 December 2017	833
<i>Net book value</i>	
At 31 December 2017	-
At 31 December 2016	-

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.

Notes (continued)

11 Tangible fixed assets

Group	Land and buildings £000	Leasehold property improvements £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Computer and technology equipment £000	Total £000
<i>Cost</i>						
At beginning of year	2,836	1,293	941	430	690	6,190
Additions	8	-	97	16	17	138
At end of year	2,844	1,293	1,038	446	707	6,328
<i>Depreciation</i>						
At beginning of year	-	340	679	225	601	1,845
Charge for year	-	135	97	50	40	322
At end of year	-	475	776	275	641	2,167
<i>Net book value</i>						
At 31 December 2017	2,844	818	262	171	66	4,161
At 31 December 2016	2,836	953	262	205	89	4,345

The Company has no tangible fixed assets.

12 Investment properties

Company	Total £000
<i>At valuation</i>	
At beginning of year	2,836
Revaluation	200
At end of year	3,036

The investment property comprises the latest Skoda Retail Concept in Durham. The property opened in May 2017 and is leased to Pulman Skoda Limited. The historic cost of the property is £2,836,000 (2016: £2,836,000). This property is classified as tangible fixed assets in the group.

Notes (continued)

13 Investments

Company	Shares in group undertakings £000
<i>Cost and net book value</i>	
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.

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
<i>Subsidiary undertaking</i>			
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%

The registered addresses of these companies are the same as that of the parent company as provided on page 1.

14 Stocks

	2017 £000	Group 2016 £000
Goods for resale	8,883	9,569

Finished goods recognised as cost of sales in the year amounted to £71,442,000 (2016: £67,874,000). Included within goods for resale is consignment stock of £2,716,115 (2016: £3,142,934). A corresponding liability is held within creditors. The Company has no stocks.

Notes (continued)

15 Debtors

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Trade debtors	682	744	-	-
Amounts owed by group undertakings	-	-	875	938
Prepayments and accrued income	429	365	-	-
Other debtors	797	602	-	-
	<u>1,908</u>	<u>1,711</u>	<u>875</u>	<u>938</u>

Amounts owed by group undertakings are unsecured, interest free, and repayable on demand. Amounts owed by group undertakings to the Company include £99,000 due after more than one year (2016: £259,000).

16 Creditors: amounts falling due within one year

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Bank and other loans (note 18)	390	333	230	333
Trade creditors	8,446	9,739	-	-
Amounts owed to group undertakings	-	-	1,523	1,108
Corporation tax	129	79	26	-
Accruals and deferred income	1,308	1,339	-	6
Other taxation and social security	950	650	-	-
Amounts owed to related parties	14	6	14	6
Other creditors	265	-	-	-
	<u>11,502</u>	<u>12,146</u>	<u>1,793</u>	<u>1,453</u>

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		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Bank and other loans (note 18)	<u>1,996</u>	<u>2,386</u>	<u>1,898</u>	<u>2,386</u>

The parent and subsidiary undertakings are party to an arrangement to secure the £2,386,000 (2016: £2,719,000) bank and other loans.

Notes (continued)

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	2017 £000	2016 £000
Bank and term loan facility	GBP	LIBOR plus 2.25%	2020	2,128	2,300
Volkswagen Bank United Kingdom loan	GBP	LIBOR plus 2.56%	2019	258	419
				<u>2,386</u>	<u>2,719</u>

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 through to July 2019.

The bank term loan is secured by a deed of priority with Volkswagen Bank United Kingdom. It is repayable in quarterly instalments of £57,500 through to January 2019, rising to £118,000 for the three quarters ending October 2019 with a final payment of £1.49m in December 2019.

19 Provisions for liabilities

	Deferred taxation £000
Group	
At beginning of year	87
Charge to the profit and loss for the year (note 8)	12
At end of year	<u>99</u>

The elements of deferred taxation are as follows:

	2017 £000	2016 £000
Difference between accumulated depreciation and amortisation and capital allowances	102	90
Other timing differences	(3)	(3)
Liability	<u>99</u>	<u>87</u>

	Deferred taxation £000
Company	
At beginning of year	7
Charged to the profit and loss account	-
At end of year	<u>7</u>

The above arises on differences between accumulated depreciation and capital allowances.

No deferred tax liability has been recognised on the investment property valuation (note 12) on the grounds of materiality.

Notes (continued)

20 Financial instruments

The carrying amounts of the financial assets and liabilities include:

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £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	682	744	-	-
- Amounts owed by related undertakings	-	-	875	938
- Other debtors	797	602	-	-
	1,479	1,346	875	938
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	(2,386)	(2,719)	(2,386)	(2,719)
- Trade creditors	(8,446)	(9,739)	-	-
- Amounts owed to group undertakings	-	-	(1,523)	(1,108)
- Amounts owed to related undertakings	(14)	(6)	(14)	(6)
- Accruals	(1,308)	(1,339)	-	-
- Other creditors	(265)	-	-	-
	(12,419)	(13,803)	(3,923)	(3,833)

21 Called up share capital

	2017 £000	2016 £000
Allotted, called up and fully paid		
75,300 Ordinary shares of £1 each	75	75

Notes (continued)

22 Reserves

Group	Profit and loss account £000
At beginning of year	2,585
Profit for the year	435
Dividends paid on equity shares	(306)
At end of year	2,714
Company	Profit and loss account £000
At beginning of year	16
Profit for the year	503
Dividends paid on equity shares	(306)
At end of year	213

Included in the company profit and loss reserves is £200,000 (2016: £nil) relating to the revaluation of the investment property. This amount is not distributable.

23 Commitments

Non-cancellable operating leases are payable as follows:

Group	2017 Land and buildings £000	2016 Land and buildings £000
Less than one year	348	391
Between one and five years	831	1,108
More than five years	403	575
	1,582	2,074

The Company has no non-cancellable operating leases in the current or prior year.

Capital commitments

Contracts placed for future capital expenditure not provided in the financial statements amount to £nil (2016: £nil).

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 £206,919 (2016: £156,326).

Contributions amounting to £25,332 (2016: £20,246) were payable to the scheme at the year end and are included in creditors.

Notes (continued)

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 £53,140 (2016: £92,715) due to Krystal Ball Software Limited. £28,750 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.

28 Post Balance Sheet Event

On 12 March 2018 a new subsidiary company, Taxi Sales UK Limited, was set up. The principal activities of this company will be similar to the group activities.