

Bristol Street First Investments Limited

Registered number 00251237

Directors' report and financial statements

For the year ended 28 February 2017

WEDNESDAY



A6ISNHZ7

A08

08/11/2017

#161

COMPANIES HOUSE

Contents

Strategic report	1
Directors' report	2
Statement of Directors' responsibilities	5
Profit and loss account	6
Statement of other comprehensive income	7
Balance sheet	8
Statement of changes in equity	9
Notes to the financial statements	10

Strategic report

For the year ended 28 February 2017

The Directors present their Strategic Report of the Company for the year ended 28 February 2017.

Review of business and future developments

Turnover has increased by £19.5m (2.2%) to £905.4m for the year and operating profit has increased by £3.3m (51.6%) to £9.7m. Net assets have increased by £1.6m (4%) as a result of £8.6m total comprehensive income and a £7m dividend paid in the year.

The key factors impacting the financial performance for the year ended 28 February 2017 and financial position at 28 February 2017 are consistent with these of the Company's parent Vertu Motors plc. Accordingly, a review of the financial performance and position of the group, headed by Vertu Motors plc ("the Group"), together with details of likely future developments of the Group, which includes the Company, are discussed in the Group's annual report which does not form part of this report.

The Directors consider the trading results for the year ended 28 February 2017 to be satisfactory. The Profit and Loss Account for the year is set out on page 6.

The Company has a number of Key Performance Indicators ("KPI's") by which it monitors its business. These include sales volumes by channel, gross profit per unit and in the after-sales arena, measures such as workshop efficiency and recovery rates. An analysis of these KPI's is set out in the Strategic Report on page 10 - 20 of the Group Annual Report.

Principal risks and uncertainties

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

Approved by the Board and signed on its behalf by:



M Sherwin

Director

27 October 2017

Vertu House

Fifth Avenue Business Park

Team Valley

Gateshead

Tyne and Wear

NE11 0XA

Directors' report

For the year ended 28 February 2017

The Directors present their annual report and the financial statements of the Company for the year ended 28 February 2017. The registered number of the Company is 00251237.

Principal activities

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

Review of business and future developments

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

Financial risk management

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

Liquidity risk

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

Credit risk

It is the Company's policy to invest cash and assets safely and profitably. To control credit risk, counterparty credit limits are set by reference to published credit ratings. The Company considers the risk of material loss in the event of non-performance by a financial counterparty to be low. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned in note 14.

Interest rate risk

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

Dividends

Dividends of 32.86p per share totalling £7,000,000 were paid in the year to 28 February 2017 (2016: 28.17p per share totalling £6,000,000).

Political donations

The Company did not make any political contributions in the year (2016: £Nil).

Directors and Directors' interests

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

R T Forrester
K Anderson
D Crane
M Sherwin
S Ferry
I Harrison

None of the Directors had a beneficial interest in the share capital of the Company during the year ended 28 February 2017.

R T Forrester and M Sherwin are also Directors of the ultimate parent undertaking, Vertu Motors plc and their interests in the share capital of group undertakings are disclosed in the financial statements of that Company.

Directors' report (continued)

For the year ended 28 February 2017

Colleagues

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

Values

- **Passion**

We are proud of our Company and dedicated to its purpose. We are enthusiastic, enjoy challenges and are eager for success.

- **Respect**

We are friendly and courteous in all our relationships with colleagues, customers and suppliers.

- **Professionalism**

We are reliable and consistent and we excel in the standards and presentation of our people, products and premises.

- **Integrity**

We are trustworthy and honest in all that we say and do and take responsibility for our own actions.

- **Recognition**

We appreciate the endeavours of our colleagues. We praise their achievements and enjoy celebrating their success.

- **Opportunity**

We have a vision of what can be achieved and provide colleagues with personal development, supportive training and exciting career progression.

- **Commitment**

We are all determined to achieve total customer satisfaction by providing a service built on trust.

Employment Policies

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

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

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

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

Directors' report (continued)

For the year ended 28 February 2017

Communication

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

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'M Sherwin', with a long horizontal flourish extending to the right.

M Sherwin

Director

27 October 2017

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

Statement of Directors' responsibilities

For the year ended 28 February 2017

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"), and applicable law. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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

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

Profit and Loss Account

For the year ended 28 February 2017

		Year ended 28 February 2017 £'000	Year ended 29 February 2016 £'000
	Note		
Turnover		905,421	885,920
Cost of sales		(824,462)	(810,536)
Gross profit		80,959	75,384
Distribution costs		(50,072)	(47,545)
Administrative expenses		(21,224)	(21,464)
Operating profit	3	9,663	6,375
Interest receivable and similar income	6	1,067	1,291
Interest payable and similar charges	7	-	(334)
Profit on ordinary activities before taxation		10,730	7,332
Tax on profit on ordinary activities	8	(1,081)	(1,512)
Profit for the financial year		9,649	5,820

All results are derived from continued operations. The notes on pages 10 to 20 form part of the financial statements.

Statement of Other Comprehensive Income

For the year ended 28 February 2017

		Year ended 28 February 2017 £'000	Year ended 29 February 2016 £'000
	Note		
Profit for the year		9,649	5,820
Other comprehensive (expense) / income:			
Actuarial (loss) / gain for the year	17	(1,354)	550
Deferred tax on actuarial (loss) / gain for the year	16	271	(111)
Total other comprehensive (expense) / income		(1,083)	439
Total comprehensive income for the financial year		8,566	6,259

Balance Sheet

As at 28 February 2017

		28 February 2017 £'000	29 February 2016 £'000
	Note		
Fixed assets			
Goodwill	11	272	301
Tangible assets	12	4,036	1,616
Retirement benefit asset	17	1,884	4,424
		<u>6,192</u>	<u>6,341</u>
Current assets			
Stocks	13	208,476	282,044
Debtors	14	62,556	70,050
Cash at bank and in hand		5,153	5,097
Total current assets		<u>276,185</u>	<u>357,191</u>
Creditors: amounts falling due within one year	15	<u>(241,698)</u>	<u>(323,936)</u>
Net current assets		<u>34,487</u>	<u>33,255</u>
Total assets less current liabilities		<u>40,679</u>	<u>39,596</u>
Provisions for liabilities	16	(97)	(580)
Net assets		<u>40,582</u>	<u>39,016</u>
Capital and reserves			
Called up share capital	18	21,301	21,301
Profit and loss account	19	19,281	17,715
Total shareholders' funds		<u>40,582</u>	<u>39,016</u>

The notes on pages 10 to 20 form part of the financial statements.

For the year ended 28 February 2017 the Company was entitled to exemption under section 479A of the Companies Act 2006. No members have required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006. The directors acknowledge their responsibility for complying with the requirements of the Companies Act 2006 with respect to accounting records and for the preparation of accounts.

These financial statements were approved by the board of Directors on 27 October 2017 and were signed on its behalf by:



M Sherwin
Director

Statement of Changes in Equity

For the year ended 28 February 2017

	Note	Ordinary share capital £'000	Profit & loss account £'000	Total shareholders' funds £'000
As at 1 March 2015		21,301	17,456	38,757
Profit for the financial year		-	5,820	5,820
Actuarial gain for the year	17	-	550	550
Deferred tax on actuarial gain		-	(111)	(111)
Total comprehensive income for the year		-	6,259	6,259
Dividends paid	9	-	(6,000)	(6,000)
As at 29 February 2016		21,301	17,715	39,016
Profit for the financial year		-	9,649	9,649
Actuarial loss for the year	17	-	(1,354)	(1,354)
Deferred tax on actuarial loss		-	271	271
Total comprehensive income for the year		-	8,566	8,566
Dividends paid	9	-	(7,000)	(7,000)
As at 28 February 2017		21,301	19,281	40,582

Notes to the Financial Statements

For the year ended 28 February 2017

1. Principal accounting policies

General information

Bristol Street First Investments Limited is a private company limited by shares and it is incorporated in England. The address of its registered office is Vertu House, Fifth Avenue Business Park, Team Valley, Gateshead, NE11 0XA. The Company's registered number is 00251237.

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

Statement of compliance

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

Exemptions for qualifying entities under FRS 102

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

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows of Vertu Motors plc, the ultimate parent company, includes the Company's cash flows;
- from the financial instruments disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures;
- from disclosing the Company key management personnel compensation as required by FRS 102 paragraph 33.7.

Basis of preparation

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been consistently applied throughout the year and the preceding financial year, are set out below.

The Company is a wholly-owned subsidiary of Vertu Motors plc and is included in the consolidated financial statements of Vertu Motors plc which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

The Company has taken the exemption from an audit for the year ended 28 February 2017 by virtue of s479A of Companies Act 2006. In order to allow the Company to take the audit exemption, the parent company Vertu Motors plc has given a statutory guarantee of all the outstanding liabilities of the Company as at 28 February 2017.

Under section 479C of the Companies Act 2006, the parent company Vertu Motors plc has guaranteed all outstanding liabilities to which the Company was subject at the end of 28 February 2017 until they are satisfied in full. Such guarantees are enforceable against Vertu Motors plc by any person to whom any such liability is due.

Intangible assets

Goodwill arising in respect of a business combination, representing the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired, is capitalised and amortised on a straight-line basis over its useful life. For business combinations occurring subsequent to 1 March 2014, the date of the Company's transition to FRS 102, the useful life is 10 years. Goodwill arising on business combinations prior to the date of transition has a useful life of 20 years.

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

Notes to the Financial Statements (continued)

For the year ended 28 February 2017

1. Principal accounting policies (continued)

Operating leases

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

Tangible fixed assets and depreciation

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

Plant, vehicles and equipment	4 – 10 years
-------------------------------	--------------

Stocks

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

The manufacturer invoices new vehicle stock on release from their factory and therefore, although the vehicle may not be present at a Company location, title has passed and therefore the vehicle is recognised in stock upon receipt of the invoice. Other vehicle stock is recognised upon title passing to the Company, typically on physical receipt.

Taxation

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

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

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

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

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

Notes to the Financial Statements (continued)

For the year ended 28 February 2017

1. Principal accounting policies (continued)

Turnover

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

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

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

Manufacturer rebates

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

Pensions

The Company operates a trust based defined benefit pension scheme, which was closed to new entrants and future accrual in May 2003. Participating employers of this scheme are Bristol Street First Investments Limited, Bristol Street Fourth Investments Limited, Vertu Motors (VMC) Limited, Motor Nation Car Hypermarkets Limited, Bristol Street Commercials (Italia) Limited and Bristol Street Group Limited. There is no contractual agreement or policy for allocating the scheme assets and liabilities to the individual participating employer, however as Bristol Street First Investments Limited represented the largest participant, the defined pension scheme surplus (to the extent that it is recoverable) or deficit has been recognised in full in these financial statements.

Typically defined benefit schemes define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The assets of the defined benefit scheme are held separately from the assets of the Company. Pension scheme assets or liabilities are calculated as the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

In addition, a Group personal pension arrangement under which the Company pays fixed contributions into an individual's funds, is in place. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay employees the benefits relating to employee service in the current and prior years. Contributions into this scheme are recognised in the financial statements in the year in which they are payable.

Notes to the Financial Statements (continued)

For the year ended 28 February 2017

2. Directors' Emoluments

No Director received remuneration from the Company in respect of the year ended 28 February 2017 (2016: £Nil).

The emoluments of the Directors are paid by the parent Company. All of the Directors' services to this Company and to a number of fellow subsidiaries are of a non-executive nature and their emoluments are deemed to be attributable to their services to the parent Company. Accordingly, the details in note 4 include no emoluments in respect of these Directors.

3. Operating profit

Operating profit is stated after charging/(crediting):

	Year ended 28 February 2017 £'000	Year ended 29 February 2016 £'000
Wages and salaries (note 4)	44,354	41,686
Depreciation of tangible fixed assets – owned assets (note 12)	666	633
Amortisation of intangible fixed assets (note 11)	29	29
Profit on disposal of tangible fixed assets	(3)	-
Operating lease payments	4,364	4,195

4. Wages and salaries

	Year ended 28 February 2017 £'000	Year ended 29 February 2016 £'000
Wages and salaries	40,029	37,606
Social security costs	3,953	3,730
Other pension costs	372	350
	<u>44,354</u>	<u>41,686</u>

5. Employee numbers

The average monthly number of persons (excluding Directors), employed by the Company, analysed by category, was as follows:

	Year ended 28 February 2017 Number	Year ended 29 February 2016 Number
By activity:		
Sales and distribution	569	581
Service, parts and bodyshop	520	527
Administration	238	245
	<u>1,327</u>	<u>1,353</u>

6. Interest receivable and similar income

	Year ended 28 February 2017 £'000	Year ended 29 February 2016 £'000
Bank interest receivable	30	-
Vehicle stocking interest	873	1,177
Net finance income in respect of defined benefit pension scheme	164	114
	<u>1,067</u>	<u>1,291</u>

Notes to the Financial Statements (continued)

For the year ended 28 February 2017

7. Interest payable and similar charges

	Year ended 28 February 2017 £'000	Year ended 29 February 2016 £'000
Bank interest payable	-	334
	<u>-</u>	<u>334</u>

8. Tax on profit on ordinary activities

a) Analysis of tax

	Year ended 28 February 2017 £'000	Year ended 29 February 2016 £'000
Current tax		
UK Corporation tax on profits for the year	1,484	1,500
Adjustments in respect of prior years	(191)	(71)
Total current tax	<u>1,293</u>	<u>1,429</u>
Deferred tax		
Origination and reversal of timing differences	(253)	154
Adjustments in respect of prior years	(6)	(5)
Impact of change in tax rate	47	(66)
Total deferred tax credit (note 16)	<u>(212)</u>	<u>83</u>
Tax on profit on ordinary activities	<u>1,081</u>	<u>1,512</u>

b) Factors affecting taxation charge in the year

The tax assessed for the year is lower (2016: higher) as the standard rate of corporation tax in the UK (20%).

	Year ended 28 February 2017 £'000	Year ended 29 February 2016 £'000
Profit on ordinary activities, before taxation	10,730	7,332
Profit on ordinary activities multiplied by the standard tax in the UK of 20% (2016: 20.08%)	2,146	1,472
Non qualifying depreciation	10	1
Non-deductible expenses	19	17
Adjustments in respect of prior years	(197)	(76)
Group relief for no consideration	(607)	-
Rate differences	47	(66)
Other permanent relief	(17)	(21)
Deferred tax on pension liabilities acquired	(320)	-
Pension contributions settled by associate	-	185
Total tax charge for the year	<u>1,081</u>	<u>1,512</u>

The standard rate of Corporation Tax in the UK changed to 20% with effect from 1 April 2015. Accordingly the Company's profits for this financial year are taxed at a rate of 20%. The standard rate of Corporation Tax in the UK will be 19% with effect from 1 April 2017.

Notes to the Financial Statements (continued)

For the year ended 28 February 2017

8. Tax on profit on ordinary activities (continued)

b) Factors affecting taxation charge in the year (continued)

The Finance Act 2016, substantively enacted on 6 September 2016, included provisions to reduce the rate of corporation tax to 17% with effect from 1 April 2020. Accordingly, these rates have been applied when calculating deferred tax assets and liabilities as at 28 February 2017.

During the year ending 28 February 2018, the net reversal of deferred tax assets and liabilities is expected to decrease the corporation tax charge by £59,000. This is primarily due to the reversal of timing differences in relation to depreciation in excess of capital allowances.

9. Dividends per share

Dividends of 32.86p per share totalling £7,000,000 were paid in the year to 28 February 2017 (2016: 28.17p per share totalling £6,000,000).

10. Investments in subsidiary undertakings

	£'000
Cost	
At 1 March 2016 and 28 February 2017	640
Accumulated impairment	
At 1 March 2016 and 28 February 2017	640
Net book value	
At 1 March 2016 and 28 February 2017	-

The investment value was fully impaired in a previous financial year following receipt of a dividend from the subsidiary undertaking.

Subsidiary undertakings (ordinary shares 100% owned and incorporated within England and Wales) as at 29 February 2016 were:

Company	Principal activity
Boydslaw 103 Limited	Dormant company
Dunfermline Autocentre Limited*	Dormant company

*Held indirectly by the Company.

11. Goodwill

	£'000
Cost	
At 1 March 2016 and 28 February 2017	730
Accumulated amortisation	
At 1 March 2016	429
Amortisation charge	29
At 28 February 2017	458
Net book value	
At 28 February 2017	272
At 29 February 2016	301

The goodwill arising on the acquisition of unincorporated businesses following the date of transition to FRS 102 is being amortised over 10 years. Goodwill arising on acquisitions of unincorporated businesses prior to the date of transition to FRS 102 is being amortised over 20 years.

Notes to the Financial Statements (continued)

For the year ended 28 February 2017

12. Tangible assets

	Freehold property £'000	Plant, vehicles and equipment £'000	Total £'000
Cost			
At 1 March 2016	-	7,876	7,876
Intercompany transfer	2,397	(258)	2,139
Additions	-	1,069	1,069
Disposals	-	(1,238)	(1,238)
At 28 February 2017	2,397	7,449	9,846
Accumulated depreciation			
At 1 March 2016	-	6,260	6,260
Intercompany transfer	149	(105)	44
Charge for the financial year	20	646	666
Disposals	-	(1,160)	(1,160)
At 28 February 2017	169	5,641	5,810
Net book value			
At 28 February 2017	2,228	1,808	4,036
At 29 February 2016	-	1,616	1,616

The transfer into freehold property relates to the Ford dealership in Hamilton currently operated by the Company, for which the freehold was previously held by another Group undertaking. Transfers out of plant, vehicles and equipment relate to the transfer of plant, vehicles and equipment to other Group undertakings.

13. Stocks

	2017 £'000	2016 £'000
Vehicle stocks	203,025	275,844
Parts, accessories and other stocks	5,451	6,200
	208,476	282,044

Vehicle stocks include new vehicles invoiced not yet paid and held by manufacturers to the order of the Company of £168,981,000 (2016: £243,829,000). A corresponding liability is held within trade creditors.

14. Debtors

	2017 £'000	2016 £'000
Trade debtors	12,620	10,307
Amounts owed by Group undertakings	42,465	41,567
Value added tax	7,034	17,251
Prepayments and accrued income	437	925
	62,556	70,050

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

15. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	230,736	314,055
Other creditors	3,220	2,572
Corporation tax	-	34
Social security and other taxes	300	255
Accruals and deferred income	7,442	7,020
	241,698	323,936

Notes to the Financial Statements (continued)

For the year ended 28 February 2017

16. Provisions for liabilities

	Deferred Tax £'000
At 1 March 2016	580
Credited to profit and loss account (note 8(a))	(212)
Credited to other comprehensive income	(271)
At 28 February 2017	97

Total deferred tax liability:

	2017 £'000	2016 £'000
Pensions	320	797
Accelerated capital allowances	(214)	(201)
Other short term timing differences	(9)	(16)
Total deferred tax liability	97	580

17. Pension scheme

Defined benefit scheme

The Group operates a trust based defined benefit pension scheme, "Bristol Street Pension Scheme", which has three defined benefit sections in which accrual ceased on 31 May 2003. The assets of the scheme are held separately from those of the Group, being held in separate funds by the Trustees of the Bristol Street Pension Scheme.

During the year ended 29 February 2016, Vertu Motors plc acquired another defined benefit pension scheme, SHG Pension Scheme, with the acquisition of SHG Holdings Limited in the same period. On 27 February 2017, the assets and liabilities of the SHG Pension Scheme were merged into the Bristol Street Pension Scheme.

The Company is a participating employer in the Bristol Street Pension Scheme and as there is no contractual agreement for charging the net defined benefit cost of the scheme between the individual participating employers, the surplus has been recognised in full in these financial statements.

The amounts recognised in the profit and loss account are as follows:

	Year ended 28 February 2017 £'000	Year ended 29 February 2016 £'000
Scheme expenses	133	162
Net interest income (note 6)	(164)	(114)
Total (income)/expense in the profit and loss account	(31)	48

The amounts recognised in the statement of total recognised gains and losses are as follows:

	Year ended 28 February 2017 £'000	Year ended 29 February 2016 £'000
Actuarial (losses)/gains on defined benefit obligations	(8,505)	1,753
Actual return on assets less interest	7,151	(1,203)
Actuarial (loss)/gain, recognised in other comprehensive income	(1,354)	550

Notes to the Financial Statements (continued)

For the year ended 28 February 2017

17. Pension scheme (continued)

The amounts recognised in the balance sheet are as follows:

	28 February 2017 £'000	29 February 2016 £'000
Fair value of scheme assets	55,108	38,003
Present value of funded obligations	(53,224)	(33,579)
Net pension asset	1,884	4,424

Changes in the present value of the defined benefit obligations are as follows:

	28 February 2017 £'000
Opening defined benefit obligation	33,579
Interest on scheme liabilities	1,170
Actuarial gain	8,505
Benefits paid	(1,242)
Liabilities assumed in scheme merger	11,212
Closing defined benefit obligation	53,224

Changes in the fair value of scheme assets are as follows:

	28 February 2017 £'000
Opening fair value of scheme assets	38,003
Interest income	1,334
Contributions by employer	380
Return on assets excluding interest income	7,151
Benefits paid	(1,242)
Scheme expenses	(133)
Assets acquired in scheme merger	9,615
Closing fair value of scheme assets	55,108

The fair value of the major categories of scheme assets are as follows:

	28 February 2017 £'000	29 February 2016 £'000
Equities and Diversified group funds	24,578	14,942
Bonds	1,731	109
Liability driven Investment Funds	28,635	22,826
Other	164	126
	55,108	38,003

The principal actuarial assumptions as at the balance sheet date were:

	2017 %	2016 %
Discount rate	2.40	3.55
Rate of increase in pensions in payment	3.50	3.10
Inflation	2.50	2.10

Notes to the Financial Statements (continued)

For the year ended 28 February 2017

18. Called up share capital

	2017 £'000	2016 £'000
Authorised:		
21,301,333 ordinary shares of £1 each	<u>21,301</u>	<u>21,301</u>
Allotted and fully paid:		
21,301,333 ordinary shares of £1 each	<u>21,301</u>	<u>21,301</u>

19. Profit and loss account

	£'000
At 1 March 2016	17,715
Profit for the financial year	9,649
Actuarial loss for the year	(1,354)
Deferred tax on actuarial loss	271
Dividends paid	<u>(7,000)</u>
At 28 February 2017	<u>19,281</u>

20. Commitments under operating leases

The future aggregate minimum lease payments, under non-cancellable operating leases, is set out below:

	Plant, machinery and vehicles 28 February 2017 £'000	Plant, machinery and vehicles 29 February 2016 £'000
Within 1 year	1,789	1,753
Within 2 to 5 years	<u>530</u>	<u>489</u>
	<u>2,319</u>	<u>2,242</u>

21. Contingencies

Gains

Additional amounts may be receivable from HM Revenue and Customs, "HMRC", in respect of overpayments in Value Added Tax in previous years. These will not be recognised until they have been agreed.

22. Related parties

The Company has a related party relationship with its subsidiaries and with its Directors and key management.

The Company is exempt from the requirements of FRS 102 to disclose transactions between group companies as all subsidiaries are wholly owned by Vertu Motors plc who have produced consolidated financial statements.

23. Ultimate parent company and controlling party

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

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

Notes to the Financial Statements (continued)

For the year ended 28 February 2017

24. Contingent liability

Along with other members of the Vertu Motors plc group of companies, the Company is party to cross guarantee arrangements in respect of the Group's borrowings. At 28 February 2017 the Group had drawn £10,000,000 of borrowings (2016: £14,000,000).