

REGISTERED NUMBER: 02180511 (England and Wales)

Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 December 2017
for
Westgate Motors Limited



ASE Audit LLP
Statutory Auditors & Chartered Accountants
Rowan Court
Concord Business Park
Manchester
Greater Manchester
M22 0RR

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for the Year Ended 31 December 2017

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Westgate Motors Limited
Company Information
for the Year Ended 31 December 2017

DIRECTORS:

D M Keith
A M Keith

REGISTERED OFFICE:

Moody Lane
Grimsby
North East Lincolnshire
DN31 2SY

REGISTERED NUMBER:

02180511 (England and Wales)

AUDITORS:

ASE Audit LLP
Statutory Auditors & Chartered Accountants
Rowan Court
Concord Business Park
Manchester
Greater Manchester
M22 0RR

Westgate Motors Limited (Registered number: 02180511)

Strategic Report
for the Year Ended 31 December 2017

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

PRINCIPAL ACTIVITY

The principal activity of the company is that of a motor vehicle garage, which involves the sale of new and used vehicles, parts and accessories together with the provision of mechanical and body repair services and repairs.

Westgate Motors Limited (Registered number: 02180511)

Strategic Report
for the Year Ended 31 December 2017

REVIEW OF BUSINESS

The year has been a pleasing one with a 26% growth in profit before tax.

The Honda showroom has been refreshed to bring it in line with the Skoda and Seat showrooms.

Our financial performance has improved year on year significantly as shown in the table below:

	2017 (£m)	2016 (£m)	% Change
Turnover	27.6	25.9	6.6%
Gross profit	1.3	1.25	4.0%
Operating profit	0.75	0.57	31.6%
Profit before tax	0.72	0.57	26.3%
Profit for the year	0.57	0.45	26.7%
Shareholders funds	3.26	2.69	21.2%

Analysis of performance and development

Sales volumes			New cars		Used cars			
	Skoda	Seat	Honda	Total	Skoda	Seat	Honda	Total
2017	333	295	174	802	336	311	326	973
2016	313	266	171	750	292	331	324	947

New to used ratio

2017	0.82:1
2016	0.79:1

Sales per sale executive

	New retail	Used retail	Total retail
2017	80	97	178
2016	75	95	170

	2017	2016
Sales expenses per retail unit	605	610
Sales expenses as % of gross profit	54%	54%

Overhead absorption by aftersales income

	2017 £	2016 £
Aftersales income	344,598	385,780
General overheads	531,211	669,304
Aftersales absorption %	65%	58%
Service GP% on labour sales	69%	71%
Service expenses as % of gross profit	62%	59%
Parts GP% on parts sales	23%	24%
Parts expenses as % of gross profit	51%	49%

Overall the business has progressed well compared with last year and as we continue to achieve our manufacturer targets we are well placed to achieve our plans for 2018.

Our Statement of Financial Position is strong and our cash position is very positive.

Future developments

The Board are pleased that D M Keith Ltd have negotiated on Robert Addison's retirement to acquire 100% of the share capital of Westgate Motors Limited in Grimsby on 31 January 2018. Our current brand partners have helped us to achieve this goal.

Strategic Report
for the Year Ended 31 December 2017

PRINCIPAL RISKS AND UNCERTAINTIES

There are certain risks which could materially and adversely impact the company's result compared to expectation. A summary of the key risks is set out below. This is not an exhaustive list of the factors that could adversely impact group profitability.

EMISSIONS CONTROL

There were a number of issues during the prior year including the EA189 engine emissions control scandal surrounding the Volkswagen Group. Fortunately the Skoda and SEAT brands do not appear to have been affected as much as the Volkswagen brand itself, although there are concerns that the customer base has lost trust in the brands diesel engines in particular which might be leading to a preference in customer minds towards petrol engine cars. We cannot predict how this may develop, but will watch this area of demand in consultation with our brands.

GENERAL ECONOMIC CONDITIONS

The general economic environment and levels of consumer and business confidence have a direct impact on levels of demand in the motor retail sector. In addition, fuel prices, interest rates, and levels of unemployment can all significantly impact sales levels. Demand levels are closely monitored by the business on an on-going basis (via sales and enquiry analysis) and action taken accordingly if these measures deviate from expectation.

BREXIT

A "Hard" Brexit may have an impact on the UK car market from March 2019 with possible rises in the cost of vehicles and parts from overseas due to adverse exchange rates and higher tariffs.

Per SMMT "Import tariffs alone could push up the list price of cars imported to the UK from the continent by an average of £1,500 if brands and their retail networks were unable to absorb these additional costs." This would affect demand for new car sales with selling price rises inevitable, although used car volumes may increase.

MANUFACTURER RELATIONSHIPS

The company relies on the strength of its relationships with the vehicle manufacturers to deliver a significant component of company profitability. Changes in the fortunes and strategy of the company's key manufacturer partners could directly and materially impact the company's result. This risk is mitigated by the fact that the company represents a number different brands, thereby reducing exposure to any one manufacturer partner.

USED VEHICLE PRICES

Used vehicle price volatility can present a significant risk in the event that the market price moves rapidly between the point of purchase and the point of sale of a used vehicle. This leads to reduced margins and increased provisions on unsold stock. This risk is mitigated by a combination of regular monitoring of the used vehicle market by the company's used car buyers, a focus on stock turn to reduce the length of time that used vehicles are held in stock, and regular review and re-pricing to ensure that vehicles are priced competitively in the market.

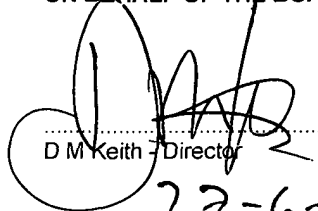
COMPANY PEOPLE AND REPUTATION

The company has invested heavily in its people and its reputation over a number of years. It is therefore reliant on these individuals to a degree in delivering the company result and reinforcing the underlying Westgate brand. The company undertakes a regular review of remuneration and packages to ensure that it attracts and retains the best people.

KEY PERFORMANCE INDICATORS

Key performance indicators have been included within the review of business.

ON BEHALF OF THE BOARD:


.....
D M Keith - Director
Date: 27-6-18

Westgate Motors Limited (Registered number: 02180511)

**Report of the Directors
for the Year Ended 31 December 2017**

The directors present their report with the financial statements of the company for the year ended 31 December 2017.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2017.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

Mrs N E Addison - resigned 5 September 2017

D M Keith and A M Keith were appointed as directors after 31 December 2017 but prior to the date of this report.

R C G Addison ceased to be a director after 31 December 2017 but prior to the date of this report.

FINANCIAL INSTRUMENTS

The company uses a number of financial instruments which include loans, cash, equity investments and other various items such as trade debtors and trade creditors which arise directly from its operations.

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

The directors review and agree policies for the management of each of these risks which are noted below. These policies are consistent with those from the previous year.

LIQUIDITY RISK

The company seeks to manage risk by ensuring sufficient liquidity is available to meet foreseeable needs to invest cash assets safely and profitably.

The company's policy throughout the year has been to achieve this objective through the day to day involvement of management in business decisions rather than through setting maximum or minimum liquidity ratios.

INTEREST RISK

The company finances its operations through other external borrowings. The company's exposure to interest rate fluctuations on its borrowings is managed by the use of fixed and floating facilities. The Statement of Financial Position includes trade debtors and creditor which do not attract interest.

The company policy throughout the year has been to achieve its objective of managing interest rate risk through day to day involvement of management in business decisions rather than through setting maximum or minimum levels for the level of fixed interest rate borrowings.

CREDIT RISK

The company's principal financial assets are freehold property, stock, cash and trade debtors. The credit risk associated with freehold property, stock and cash is limited and therefore the principal credit risk arises from its trade debtors.

In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. These credit limits are reviewed regularly by the directors together with the aged debtors and collection history.

DISCLOSURE IN THE STRATEGIC REPORT

The Directors review of business, and his consideration of the risks and uncertainties surrounding the business can be found in the Strategic Report.

Report of the Directors
for the Year Ended 31 December 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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;
- 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.


STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) 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 in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, ASE Audit LLP, will be proposed for re-appointment in accordance with Section 485 of the Companies Act 2006.

ON BEHALF OF THE BOARD:


.....
D M Keith - Director

Date: 27-6-18

Report of the Independent Auditors to the Members of
Westgate Motors Limited

Opinion

We have audited the financial statements of Westgate Motors Limited (the 'company') for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Statement of Cash Flows, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Report of the Independent Auditors to the Members of
Westgate Motors Limited

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Our responsibilities for the audit of the financial statements

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 a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

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.

ASE Audit LLP

Beverley Richardson FCA (Senior Statutory Auditor)
for and on behalf of ASE Audit LLP
Statutory Auditors & Chartered Accountants
Rowan Court
Concord Business Park
Manchester
Greater Manchester
M22 0RR

Date: 5.7.18

Westgate Motors Limited (Registered number: 02180511)

Statement of Comprehensive Income
for the Year Ended 31 December 2017

	Notes	2017 £	2016 £
TURNOVER	3	27,583,698	25,906,835
Cost of sales		26,281,101	24,649,414
GROSS PROFIT		1,302,597	1,257,421
Administrative expenses		555,994	688,566
OPERATING PROFIT	5	746,603	568,855
Interest receivable and similar income		3,335	1,028
		749,938	569,883
Interest payable and similar expenses	6	31,596	-
PROFIT BEFORE TAXATION		718,342	569,883
Tax on profit	7	146,569	124,223
PROFIT FOR THE FINANCIAL YEAR		571,773	445,660
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		571,773	445,660


The notes form part of these financial statements

Westgate Motors Limited (Registered number: 02180511)

Statement of Financial Position
31 December 2017

	Notes	2017 £	2016 £
FIXED ASSETS			
Tangible assets	9	1,293,658	1,342,200
CURRENT ASSETS			
Stocks	10	2,918,388	3,683,941
Debtors	11	503,582	808,566
Cash at bank and in hand		1,121,740	3,622
		<u>4,543,710</u>	<u>4,496,129</u>
CREDITORS			
Amounts falling due within one year	12	(2,551,437)	(3,122,148)
NET CURRENT ASSETS		<u>1,992,273</u>	<u>1,373,981</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,285,931</u>	<u>2,716,181</u>
PROVISIONS FOR LIABILITIES	17	(28,182)	(30,205)
NET ASSETS		<u><u>3,257,749</u></u>	<u><u>2,685,976</u></u>
CAPITAL AND RESERVES			
Called up share capital	18	100,000	100,000
Retained earnings	19	3,157,749	2,585,976
SHAREHOLDERS' FUNDS		<u><u>3,257,749</u></u>	<u><u>2,685,976</u></u>

The financial statements were approved by the Board of Directors on 3-7-18 and were signed on its behalf by:


A M Keith - Director

Westgate Motors Limited (Registered number: 02180511)

Statement of Changes in Equity
for the Year Ended 31 December 2017

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2016	100,000	2,240,316	2,340,316
Changes in equity			
Dividends	-	(100,000)	(100,000)
Total comprehensive income	-	445,660	445,660
Balance at 31 December 2016	100,000	2,585,976	2,685,976
Changes in equity			
Total comprehensive income	-	571,773	571,773
Balance at 31 December 2017	100,000	3,157,749	3,257,749

The notes form part of these financial statements

Westgate Motors Limited (Registered number: 02180511)

Statement of Cash Flows
for the Year Ended 31 December 2017

	Notes	2017 £	2016 £
Cash flows from operating activities			
Cash generated from operations	1	1,358,822	(365,906)
Interest paid		(31,596)	-
Tax paid		(125,553)	(111,495)
Net cash from operating activities		<u>1,201,673</u>	<u>(477,401)</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(16,654)	(13,049)
Sale of tangible fixed assets		10,400	8,042
Interest received		3,335	1,028
Net cash from investing activities		<u>(2,919)</u>	<u>(3,979)</u>
Cash flows from financing activities			
Equity dividends paid		-	(100,000)
Net cash from financing activities		<u>-</u>	<u>(100,000)</u>
Increase/(decrease) in cash and cash equivalents		<u>1,198,754</u>	<u>(581,380)</u>
Cash and cash equivalents at beginning of year	2	(77,014)	504,366
Cash and cash equivalents at end of year	2	<u><u>1,121,740</u></u>	<u><u>(77,014)</u></u>

The notes form part of these financial statements

Notes to the Statement of Cash Flows
for the Year Ended 31 December 2017

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2017	2016
	£	£
Profit before taxation	718,342	569,883
Depreciation charges	57,191	64,124
(Profit)/loss on disposal of fixed assets	(2,395)	1,789
Finance costs	31,596	-
Finance income	(3,335)	(1,028)
	<u>801,399</u>	<u>634,768</u>
Decrease/(increase) in stocks	1,058,047	(586,763)
Decrease/(increase) in trade and other debtors	304,984	(510,133)
(Decrease)/increase in trade and other creditors	(805,608)	96,222
	<u>1,358,822</u>	<u>(365,906)</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 December 2017

	31.12.17	1.1.17
	£	£
Cash and cash equivalents	1,121,740	3,622
Bank overdrafts	-	(80,636)
	<u>1,121,740</u>	<u>(77,014)</u>

Year ended 31 December 2016

	31.12.16	1.1.16
	£	£
Cash and cash equivalents	3,622	504,366
Bank overdrafts	(80,636)	-
	<u>(77,014)</u>	<u>504,366</u>

Notes to the Financial Statements
for the Year Ended 31 December 2017

1. STATUTORY INFORMATION

Westgate Motors Limited is a private company, limited by shares, registered in England & Wales. The company's registered office address and principal place of business is Moody Lane, Grimsby, North East Lincolnshire, DN31 2SY.

The company's registered number is disclosed within the Statement of Financial Position.

The presentation currency of the financial statements is the Pound Sterling (£).

The principal activity of company is disclosed within the Strategic Report.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Significant judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the reporting date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Consignment stock

Vehicles held on consignment have been included in vehicle stock on the basis that the company has determined that it holds the significant risks and rewards attached to these vehicles.

Stock valuation

Stock valuation is regularly monitored against age profile and market demand. Management use a number of market tools during the appraisal process including Glass' and CAP valuation guides. The directors maintain oversight of ageing stock profiles and a monthly review of any provision required is performed.

Property, plant and equipment assets

Property, plant and equipment are reviewed for impairment if events or circumstances indicate that the carrying value may not be recoverable. When an impairment review is carried out the recoverable value is determined based on value in use calculations which require estimates to be made of future cash flows.

Incentives and other rebates from brand partners

The company receives income in the form of various incentives which are determined by our brand partners. The amount received is generally based on achieving specific objectives such as a specified sales volume, as well as other objectives including maintaining brand partner standards which may include, but are not limited to, retail centre image and design requirements, customer satisfaction survey results and training standards. Objectives are generally set and measured on either a quarterly or annual basis.

Where incentives are based on a specific sales volume or number of registrations, the related income is recognised as a reduction in cost of sales when it is reasonably certain that the income has been earned. This is generally the later of the date the related vehicles are sold or registered or when it is reasonably certain that the related target will be met. Where incentives are linked to retail centre image and design requirements, customer satisfaction survey results or training standards, they are recognised as a reduction in cost of sales when it is reasonably certain that the incentive will be received for the relevant period.

The company may also receive contributions towards advertising, promotional and rent expenditure. Where such contributions are received they are recognised as a reduction in the related expenditure in the period to which they relate.

Turnover

Turnover from the sale of goods is recognised in the Statement of Comprehensive Income, net of discounts and value added tax, when the significant risks and rewards of ownership have been transferred to the buyer. In general this occurs when vehicles or parts have been supplied or when a service has been completed.

Commission income is accounted for on a receivable basis.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

2. ACCOUNTING POLICIES - continued

Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Consolidated Statement of Comprehensive Income during the period in which they are incurred.

Land and buildings	-	2% straight line
Fixtures and fittings	-	15% - 25% reducing balance
Motor vehicles	-	25% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the Consolidated Statement of Comprehensive Income.

Stocks

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

Consignment stock

Consignment vehicles that are regarded effectively as being under the control of the company due to the transfer of the risks and responsibilities, are included within stocks on the Statement of Financial Position, although legal title has not passed to the company, in accordance with FRS 102. The corresponding liability is included within trade creditors.

Financial instruments

The fair values of the company's financial assets, cash and cash equivalents, and financial liabilities (which include liabilities in respect of consignment stock) are assumed to approximate to their book value. The company does not enter into derivative financial instruments.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

2. ACCOUNTING POLICIES - continued

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

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.

Leasing commitments

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payments obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

3. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by class of business is given below:

	2017 £	2016 £
Sale of goods	26,288,593	24,841,072
Rendering of services	1,045,392	1,065,763
Commissions receivable	249,713	-
	<u>27,583,698</u>	<u>25,906,835</u>

All turnover arose within the UK.

4. EMPLOYEES AND DIRECTORS

	2017 £	2016 £
Wages and salaries	1,385,382	1,467,681
Social security costs	130,588	137,572
Other pension costs	19,552	59,408
	<u>1,535,522</u>	<u>1,664,661</u>

The average number of employees during the year was as follows:

	2017	2016
Administration and support	6	6
Sales and service	44	46
	<u>50</u>	<u>52</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2017**

4. EMPLOYEES AND DIRECTORS - continued

	2017 £	2016 £
Directors' remuneration	<u>19,115</u>	<u>18,099</u>

5. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2017 £	2016 £
Other operating leases	38,800	40,238
Depreciation - owned assets	57,191	64,124
(Profit)/loss on disposal of fixed assets	(2,395)	1,789
Auditors' remuneration	12,000	15,000
Auditors' remuneration for non audit work	<u>3,000</u>	<u>-</u>

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2017 £	2016 £
Bank interest	6,634	-
Stocking loan interest	<u>24,962</u>	<u>-</u>
	<u>31,596</u>	<u>-</u>

7. TAXATION

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	2017 £	2016 £
Current tax:		
UK corporation tax	147,943	124,904
Prior year tax adjustment	<u>649</u>	<u>-</u>
Total current tax	148,592	124,904
Deferred tax	<u>(2,023)</u>	<u>(681)</u>
Tax on profit	<u>146,569</u>	<u>124,223</u>

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2017 £	2016 £
Profit before tax	<u>718,342</u>	<u>569,883</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19.250% (2016 - 20%)	138,281	113,977
Effects of:		
Expenses not deductible for tax purposes	4,679	3,825
Depreciation in excess of capital allowances	5,231	7,102
Adjustments to tax charge in respect of previous periods	(1,105)	-
Difference in deferred tax rates	<u>(517)</u>	<u>(681)</u>
Total tax charge	<u>146,569</u>	<u>124,223</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2017**

7. TAXATION - continued

Factors that may affect future tax charges

A reduction in the corporation tax rate from 20% to 19% from 1 April 2019 and to 17% from 1 April 2020 was substantively enacted on 6 September 2016. Future tax liabilities will reduce accordingly.

8. DIVIDENDS

	2017 £	2016 £
Ordinary shares shares of £1 each		
Final	-	100,000

9. TANGIBLE FIXED ASSETS

	Land and Buildings £	Fixtures and fittings £	Motor vehicles £	Totals £
COST				
At 1 January 2017	1,600,839	331,128	46,259	1,978,226
Additions	-	16,654	-	16,654
Disposals	-	(8,712)	(46,259)	(54,971)
At 31 December 2017	1,600,839	339,070	-	1,939,909
DEPRECIATION				
At 1 January 2017	360,543	239,450	36,033	636,026
Charge for year	32,017	19,421	5,753	57,191
Eliminated on disposal	-	(5,180)	(41,786)	(46,966)
At 31 December 2017	392,560	253,691	-	646,251
NET BOOK VALUE				
At 31 December 2017	1,208,279	85,379	-	1,293,658
At 31 December 2016	1,240,296	91,678	10,226	1,342,200

Included within the net book value of land and buildings above is £289,977 (2016: £296,042) in respect of freehold land and buildings and £918,302 (2016: £944,254) in respect of long leasehold land and buildings.

Fixed assets with a carrying value of £1,293,658 (2016: £1,342,200) are pledged as security for the Company's overdraft facility.

10. STOCKS

	2017 £	2016 £
Vehicle stock	2,872,453	3,683,941
Parts and accessories	45,935	-
	2,918,388	3,683,941

Stock recognised in cost of sales during the year as an expense amounts to £24,388,995 (2016: £23,252,276).

An impairment loss movement of £2,188 (2016: £862) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

All stocks are pledged as security for the bank facilities.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2017**

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Trade debtors	480,901	680,979
Other debtors	-	112,705
Prepayments	22,681	14,882
	<u>503,582</u>	<u>808,566</u>

An impairment loss of £Nil (2016: £Nil) was recognised against trade debtors.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Bank loans and overdrafts (see note 13)	-	80,636
Trade creditors	2,182,338	2,689,578
Tax	147,943	124,904
Social security and other taxes	30,695	62,573
VAT	104,947	-
Accruals	85,514	164,457
	<u>2,551,437</u>	<u>3,122,148</u>

13. LOANS

An analysis of the maturity of loans is given below:

	2017 £	2016 £
Amounts falling due within one year or on demand:		
Bank overdrafts	-	80,636
	<u>-</u>	<u>80,636</u>

14. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2017 £	2016 £
Within one year	3,433	41,192
Between one and five years	-	164,768
In more than five years	-	2,759,864
	<u>3,433</u>	<u>2,965,824</u>

15. SECURED DEBTS

The following secured debts are included within creditors:

	2017 £	2016 £
Bank overdraft	-	80,636
Vehicle funding	1,379,451	2,350,073
	<u>1,379,451</u>	<u>2,430,709</u>

The bank overdraft facility is secured on the assets of the company.

Vehicle funding loans are secured directly against the respective funded vehicles.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2017**

16. FINANCIAL INSTRUMENTS

	2017 £	2016 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>480,901</u>	<u>793,684</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(2,267,852)</u>	<u>(2,934,671)</u>

Financial assets measured at amortised cost comprise of trade and other debtors as well as items of accrued income included within prepayments.

Financial liabilities measured at amortised cost comprise of trade creditors, accruals where a cash settlement will take place, and other loans.

17. PROVISIONS FOR LIABILITIES

	2017 £	2016 £
Deferred tax	<u>28,182</u>	<u>30,205</u>
		Deferred tax
		£
Balance at 1 January 2017		30,205
Accelerated capital allowances		(1,075)
Short term timing differences		<u>(948)</u>
Balance at 31 December 2017		<u>28,182</u>

18. CALLED UP SHARE CAPITAL

Number:	Class:	Nominal value:	2017 £	2016 £
100,000	Ordinary shares	£1	<u>100,000</u>	<u>100,000</u>

19. RESERVES

Retained earnings

This reserve includes all current and prior period retained profits and losses less dividends paid.

20. PENSION COMMITMENTS

The company makes contributions into a group pension scheme on behalf of its employees and makes contributions into certain employees personal pension contributions. The pension cost charge for the year represents contributions payable by the company to the scheme, which amounted to £19,552 (2016: £59,408).

21. RELATED PARTY DISCLOSURES

During the year the company made sales totalling £11,080 (2016: £50,212) to Thorpe Homes & Design LLP, in which R Addison is a member. Amounts outstanding at year end were £Nil (2016: £16,065).

During the year the company paid rent of £41,192 (2016: £40,238) to James Hay Pension Limited, in which RCG Addison is a beneficiary.

The directors consider themselves to be the key management within the business, directors remuneration amounted to £19,506 (2016: £18,099).

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

22. POST BALANCE SHEET EVENTS

On 31 January 2018 D M Keith Limited acquired 100% of the called up share capital within the company, consideration amounted to £4,095,000.

23. ULTIMATE CONTROLLING PARTY

During the financial period under review the ultimate controlling party was R C G Addison by virtue of his 100% ownership of the called up share capital. Following the acquisition of 100% of the share capital of the company on 31 January 2018 D M Keith Limited became the ultimate parent company.