REGISTERED NUMBER: 02696872 (England and Wales)

R Stratton & Co Ltd.

Strategic Report, Directors' Report and

Audited Financial Statements for the Year Ended 31 December 2017

R Stratton & Co Ltd.

Contents of the Financial Statements
for the Year Ended 31 December 2017

R Stratton & Co Ltd.

Strategic Report
for the Year Ended 31 December 2017

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

Principal activity and business review
The company's principal activity during the year comprised the operation of motor dealerships involving the sale, maintenance and repair of motor vehicles and the supply of related accessories.

The company's profit/(loss) before tax for the year was £8,117,000 (2016: £9,416,000) Further details with regard to the trading results for the year and the amount transferred to reserves are set out in the profit and loss account.

The company's net assets as at 31 December 2017 were £20,141,000 (2016 : £14,775,000).

Principal risks and uncertainties
The management of the business and the execution of the company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the company are considered to relate to competition from both national and independent retailers and employee retention.

Further discussion of these risks and uncertainties, in the context of the Sytner Group as a whole, is provided in the strategic report for Sytner Group Limited, which does not form part of this report.

Key performance indicators
The company is part of the Sytner Group. The development, performance and position of the group, which includes this company, is provided in the strategic report for Sytner Group Limited, which does not form part of this report.

Future developments
The Company's focus for the future is to organically grow the business, along with its franchise partners, and to progress acquisitions where opportunities arise.

The Company is part of the Sytner Group and further discussion regarding the Groups development is provided in the strategic report for Sytner Group Limited, which does not form part of this report.

Approved by the board and signed on its behalf by:

A Collinson - Director

27 September 2018

R Stratton & Co Ltd.

Directors' Report
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
An interim dividend of £1,000,000 (2016 : £2,500,000) was paid during the year, the directors do not recommend the payment of a final dividend (2016 : £Nil).

Future developments
Details of future developments can be found in the Strategic report.

Directors
The directors shown below have held office during the whole of the period from 1 January 2017 to the date of this report.

A Collinson
D Edwards
R H Kurnick
J R Mallett
G E Nieuwenhuys
L E W Vaughan

Financial risk management
The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

The Company is part of the Sytner Group and it's financial risks are managed at a Group level. Further discussion of the management of these risks is provided in the strategic report for Sytner Group Limited, which does not form part of this report.

Auditor
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The auditors, Deloitte LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

Approved by the board and signed on its behalf by:

A Collinson - Director

27 September 2018

R Stratton & Co Ltd.

Statement of Directors' Responsibilities
for the Year Ended 31 December 2017

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 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), including Financial Reporting Standard 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 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 accounting standards 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.

Report of the Independent Auditors to the Members of
R Stratton & Co Ltd.

Opinion
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 including Financial Reporting Standard 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.

We have audited the financial statements of R Stratton & Co Ltd. (the 'company') which comprise:
- the profit and loss account and other comprehensive income
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies and
- the related notes 1 -21.

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).

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 auditor's 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 are required by ISAs (UK) to report in respect of the following matters where:
- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report , other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

Report of the Independent Auditors to the Members of
R Stratton & Co Ltd.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, 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 is 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.

Auditor's 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 an auditor's report 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 auditor's report.

Report on other legal and regulatory requirements

Opinions 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.

Peter Gallimore FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom

28 September 2018

R Stratton & Co Ltd.

Profit and loss account and other comprehensive income
for the Year Ended 31 December 2017

	Notes	2017 £'000	2016 £'000
TURNOVER	4	232,680	239,289
Cost of sales		(208,399)	(215,562)
GROSS PROFIT		24,281	23,727
Distribution costs		(9,926)	(8,892)
Administrative expenses		(5,412)	(4,763)
		8,943	10,072
Interest payable and similar expenses	7	(826)	(656)
PROFIT BEFORE TAXATION	8	8,117	9,416
Tax on profit	9	(1,751)	(2,034)
PROFIT FOR THE FINANCIAL YEAR		6,366	7,382
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		6,366	7,382

The notes form part of these financial statements

R Stratton & Co Ltd. (Registered number: 02696872)

Balance Sheet
31 December 2017

	Notes	2017 £'000	2016 £'000
FIXED ASSETS			
Intangible assets	11	77	90
Tangible assets	12	13,282	7,130
		13,359	7,220
CURRENT ASSETS			
Stocks	13	43,751	28,367
Debtors: amounts falling due within one year	14	16,959	15,630
Cash at bank and in hand		3,730	11,462
		64,440	55,459
CREDITORS			
Amounts falling due within one year	15	(57,550)	(47,846)
NET CURRENT ASSETS		6,890	7,613
TOTAL ASSETS LESS CURRENT LIABILITIES		20,249	14,833
PROVISIONS FOR LIABILITIES	17	(108)	(58)
NET ASSETS		20,141	14,775
CAPITAL AND RESERVES			
Called up share capital	18	150	150
Profit and loss account		19,991	14,625
SHAREHOLDERS' FUNDS		20,141	14,775

The financial statements were approved by the Board of Directors on 27 September 2018 and were signed on its behalf by:

A Collinson - Director

R Stratton & Co Ltd.

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

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 January 2016	150	9,743	9,893
Changes in equity			
Dividends	-	(2,500)	(2,500)
Total comprehensive income	-	7,382	7,382
Balance at 31 December 2016	150	14,625	14,775
Changes in equity			
Dividends	-	(1,000)	(1,000)
Total comprehensive income	-	6,366	6,366
Balance at 31 December 2017	150	19,991	20,141

The notes form part of these financial statements

1. **General information**

R Stratton & Co Ltd., (the "Company") is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The Company's registered office address is 2 Penman Way, Grove Park, Enderby, Leicester.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

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.

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Penske Automotive Group Inc include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 Share Based Payments.
- 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.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on page 1. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

2. **Accounting policies - continued**

Turnover
Turnover, which arises wholly in the United Kingdom from the Company's principal activity, being that of the operation of motor dealerships, is the amount derived from the provision of goods and services falling within the Company's ordinary activities after deduction of trade discounts and value added tax.

Turnover is recognised in most cases on despatch of vehicles and parts and after service work is completed. In some instances, a customer may pay in full for the vehicle and accept responsibility for it but request that the company retains possession of the vehicle for delivery at a specified later date. Turnover is recognised on these transactions at the point of payment as the Company believes that the risks and rewards of ownership have substantially transferred.

Goodwill
Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Negative goodwill
Negative goodwill arising on business combinations in respect of acquisitions is included on the balance sheet immediately below any positive goodwill and released to the profit and loss account in the periods in which the non-monetary assets arising on the same acquisition are recovered. Any excess exceeding the fair value of non-monetary assets acquired shall be recognised in profit or loss in the periods expected to benefit.

Amortisation
Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

For acquisitions on or before 31 December 2013 - 20 years
For acqusitions on or after 1 January 2014 - 10 years

Intangible assets - franchise value
Franchise value is calculated as the net present value of future revenue generated from holding a franchise including the gross profit on new cars, warranty repairs and franchise parts.

Amortisation
Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

Franchise value - 10 years

2. **Accounting policies - continued**

Tangible fixed assets
Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

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:

Freehold land and buildings - 50 years
Short leasehold land and buildings - over lease term
Fixtures and equipment and motor vehicles - between 3 and 10 years
Courtesy Vehicles - 4 years

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.

Stocks
Stocks are stated at the lower of cost and net realisable value and include interest bearing consignment vehicles. Cost incurred in bringing each product to its present location and condition is based on purchase price less trade discounts. Net realisable value is based on estimated selling price less further costs expected to be incurred to disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Vehicle parts stock is stated at average cost.

2. **Accounting policies - continued**

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.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognised in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Investments in subsidiaries, jointly controlled entities and associates

Investments in subsidiaries, jointly controlled entities and associates are carried at cost less impairment changes recognised in other comprehensive income in accordance with FRS 102.17.15.

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 provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

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

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

2. **Accounting policies - continued**

Foreign currencies
Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Pension costs and other post-retirement benefits
The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Expenses
Operating leases
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.

Finance leases
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

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). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset/are expensed as incurred.
Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.
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 company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

2. **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 Company.
At the acquisition date, the Company 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.
When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill.
Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.
FRS 102 section 27 grants certain exemptions from the full requirements of FRS 102 in the transition period. The Company elected not to restate business combinations that took place prior to 1 January 2014. In respect of acquisitions prior to 1 January 2014, goodwill is included on the basis of its deemed cost, which represents the amount recorded under old UK GAAP. Intangible assets previously included in goodwill, are not recognised separately.

Impairment of assets
Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets
An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.
Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets
For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.
For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.
Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the directors are required to make judgements (other than those involving estimations) that may a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies
Goodwill and other intangibles
The group reviews goodwill and other intangibles for indicators of impairment as discussed in the respective accounting policy in note 1. The identification and calculation of impairment requires significant judgement by management.

Key sources of estimation uncertainty
Deferred tax
Determining income tax provisions involves judgment on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used and on temporary differences where it is probable that there will be taxable revenue against which these can be offset. Management has made judgments as to the probability of future taxable revenues being generated against which tax losses will be available for offset.
Stocks
The assessment of the fair value of stocks utilises market knowledge and history of recent activity, whilst this is deemed to be appropriate it is possible that ultimate sales return will vary from those assumed.

4. Turnover

The Company's turnover is derived in the United Kingdom from the Company's principal activity that being the operation of motor dealerships.

5. Staff numbers and costs

	2017 £'000	2016 £'000
Wages and salaries	5,413	5,111
Social security costs	993	664
Other pension costs	232	215
	6,638	5,990

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

	2017	2016
Workshop staff	83	73
Sales and distribution	49	44
Administration	33	26
	165	143

6. Directors' emoluments

	2017 £'000	2016 £'000
Directors' emoluments for services to the company	79	95
Pension contributions	1	2

	2017 £'000	2016 £'000
Remuneration of the highest paid director (excluding pension contributions)	38	45
Pension contributions of the highest paid director	1	1

The directors' remuneration disclosed is not included in staff costs above as the directors are not remunerated by this Company and no charge has been made for the services provided, the costs and their average number being included in the financial statements of Sytner Group Limited. The same is true for the prior year.

The directors who served during the year are all directors of an intermediate parent company, Sytner Group Limited and are remunerated by that Company, with the exception of RH Kurnick who is remunerated by Penske Automotive Group, Inc., a Company registered in Michigan, USA. The Company is not charged for the services provided by the directors, all costs being included in the financial statements of Sytner Group Limited, the above disclosures represent the amount that would be allocated to the Company were they to be charged.

The remuneration of RH Kurnick is disclosed in the financial statements of Penske Automotive Group, Inc., it is not practicable to allocate his remuneration to individual companies in this Group.

7. Interest payable and similar expenses

	2017 £'000	2016 £'000
Bank interest	191	8
Stocking loan interest	635	648
	826	656

8. Profit before taxation

The profit is stated after charging:

	2017 £'000	2016 £'000
Depreciation - owned assets	786	568
Loss on disposal of fixed assets	6	-
Goodwill amortisation	13	13
Operating lease rentals	996	942

The audit fee for the current and prior year has been borne on this company's behalf by another group company, for which no recharge has been made.

Amounts receivable by the company's auditor in respect of services to the company, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the company's intermediate parent Sytner Group Limited.

9. Taxation

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

	2017 £'000	2016 £'000
Current tax:		
UK corporation tax	1,713	2,007
Adjustment in respect of previous years	(12)	-
Total current tax	1,701	2,007
Deferred tax:		
Origination of timing differences	36	34
Effect of change in tax rate	(4)	(7)
Adjustment in respect of previous year	18	-
Total deferred tax	50	27
Tax on profit	1,751	2,034

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 £'000	2016 £'000
Profit before tax	8,117	9,416
Profit multiplied by the standard rate of corporation tax in the UK of 19.250% (2016 - 20%)	1,562	1,883
Effects of:		
Expenses not deductible for tax purposes	187	158
Adjustments to tax charge in respect of previous periods	6	-
Reduction in rate on deferred tax balances	(4)	(7)
Total tax charge	1,751	2,034

Factors that may affect future current and total tax charges
Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The deferred tax asset/liability at 31 December 2016 has been calculated based on these rates.

Due to the mature and stable nature of the company's business, we do not expect the net value of deferred tax assets and liabilities to materially change during the year ended 31 December 2018.

10. Dividends

	2017 £'000	2016 £'000
Ordinary shares of £1 each		
Interim	1,000	2,500

11. Intangible fixed assets

	Goodwill £'000
Cost	
At 1 January 2017	
and 31 December 2017	271
Amortisation	
At 1 January 2017	181
Amortisation for year	13
At 31 December 2017	194
Net book value	
At 31 December 2017	77
At 31 December 2016	90

12. Tangible fixed assets

	Freehold property £'000	Short leasehold £'000	Fixtures & equipment £'000
Cost			
At 1 January 2017	2,118	3,200	4,766
Additions	4,309	962	1,599
Disposals	-	-	(283)
Reclassification/transfer	444	-	-
At 31 December 2017	6,871	4,162	6,082
Depreciation			
At 1 January 2017	183	550	2,593
Charge for year	74	213	490
Eliminated on disposal	-	-	(265)
Reclassification/transfer	31	-	-
At 31 December 2017	288	763	2,818
Net book value			
At 31 December 2017	6,583	3,399	3,264
At 31 December 2016	1,935	2,650	2,173

12. Tangible fixed assets - continued

	Motor vehicles £'000	Courtesy vehicles £'000	Totals £'000
Cost			
At 1 January 2017	164	367	10,615
Additions	25	-	6,895
Disposals	-	(367)	(650)
Reclassification/transfer	-	-	444
At 31 December 2017	189	-	17,304
Depreciation			
At 1 January 2017	144	15	3,485
Charge for year	9	-	786
Eliminated on disposal	-	(15)	(280)
Reclassification/transfer	-	-	31
At 31 December 2017	153	-	4,022
Net book value			
At 31 December 2017	36	-	13,282
At 31 December 2016	20	352	7,130

Included in cost of land and buildings is freehold land of £413,000 (2016 - £0) which is not depreciated.

Included within cost is £2,134,000 of assets in the course of construction which have not been depreciated.

Courtesy vehicles are funded by stocking loans which are secured on the vehicles to which they relate.

13. Stocks

	2017 £'000	2016 £'000
Vehicles for resale	22,801	13,920
Consignment stock	19,878	13,564
Parts	1,072	883
	43,751	28,367

14. Debtors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade debtors	5,681	6,959
Amounts owed by group undertakings	7,108	6,881
Other debtors	3,668	1,348
Prepayments and accrued income	502	442
	16,959	15,630

15. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Stocking loans	13,358	9,900
Trade creditors	3,377	12,966
Consignment stock liability	26,611	13,564
Corporation tax	857	1,003
Social security and other taxes	184	152
Value Added Tax	1,769	2,462
Other creditors	8,841	4,849
Accruals and deferred income	2,553	2,950
	57,550	47,846

The stocking loans are secured on the vehicles to which they relate and bear interest related to Finance House base rates.

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

16. Leasing agreements

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

	2017 £'000	2016 £'000
Within one year	1,512	1,251
Between one and five years	6,048	4,939
In more than five years	22,044	18,917
	29,604	25,107

17. Provisions for liabilities

	2017 £'000	2016 £'000
Deferred tax		
Accelerated capital allowances	101	55
Other timing differences	7	3
	108	58

	Deferred tax £'000
Balance at 1 January 2017	58
Charge to Profit and loss account and other comprehensive income during year	50
Balance at 31 December 2017	108

There are no assets on which deferred tax has not been recognised. The company does not anticipate any material reversal of the deferred tax liability above.

Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where the asset and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity in the Company.

18. Called up share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2017 £'000	2016 £'000
150,000	Ordinary	£1	150	150

19. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company. Contributions to the scheme are charged to the profit and loss account in the year they are incurred.

20. Ultimate parent company

The company is a subsidiary undertaking and under the control of Penske Automotive Group, Inc., incorporated in Michigan, USA, registered office address 2555 Telegraph Road, Bloomfield Hills, Detroit, MI 48302, USA.

Penske Automotive Group, Inc. is also the largest group in which the results of the company are consolidated. The consolidated financial statements are available from 2555 Telegraph Road, Bloomfield Hills, Detroit, MI 48302, USA.

The smallest group in which the results are consolidated is that headed by Sytner Group Limited incorporated in England and Wales, registered office address 2 Penman Way, Grove Park, Leicester, LE19 1ST. The consolidated financial statements are available to the public from the registrar of companies.

21. Contingent liabilities

The company is party to cross guarantees in respect of Sytner Group Limited and its subsidiaries in favour of certain lenders to the Group.

As at 31 December 2017 the gross borrowings outstanding under the Group's bank facilities in aggregate were £35,000,000 (2016 : £41,195,000).