GTG TRAINING LIMITED

ANNUAL REPORT

For the year ended 31 December 2017

Registered Number: 290157 (Scotland)

GTG TRAINING LIMITED

DIRECTORS, PRINCIPAL OFFICERS AND ADVISERS

DIRECTORS
E Hawthorne *BA CA*
K J McLean *BAcc (Hons) CA*
S Willis
C S Henry *BA (Hons) FCIPD*

COMPANY SECRETARY
S K Thorpe *BA (Hons) FCA*

REGISTERED OFFICE
454 Hillington Road
Glasgow G52 4FH

PRINCIPAL BANKERS
The Royal Bank of Scotland plc
1304 Duke Street
Glasgow G31 5PZ

AUDITORS
Ernst & Young LLP
G1, 5 George Square
Glasgow G2 1DY

TAX ADVISERS
Ernst & Young LLP
G1, 5 George Square
Glasgow G2 1DY

VAT ADVISERS
Deloitte LLP
1 City Square
Leeds LS1 2AL

GTG TRAINING LIMITED

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2017.

Principal activity and review of the business

The Company's principal activities during the year were the provision of industrial and administration training and the provision of training for the Road Transport Industry.

The Company's key financial and other performance indicators during the year were as follows:

	2017	*2016*	*Change*
Revenue	£11,456,583	£10,455,423	9.6%
Operating profit	£625,604	£402,312	55.5%
Modern Apprenticeship Training Programme "Achiever to Leaver" ratio	2.9:1	2.9:1	

The Company is pleased to report a year of successful trading, once again increasing revenue on prior year across all three centres. This growth is largely attributed to commercial sales throughout all disciplines, including a notable uplift in revenue from facilities hire at our state of the art training centres in Edinburgh and Wolverhampton.

In 2017 the Company continued to invest in facilities to enhance the training experience for apprentices, with the opening of a second Automotive Training Centre in Glasgow. The newly refurbished centre at Kilbirnie Street has facilities for maintenance of heavy goods vehicles and passenger carrying vehicles, which are both new offerings for our training programmes. We continue to be committed to providing high quality apprenticeship programmes aswell as a comprehensive range of commercial training courses.

Skills Development Scotland and the Education and Skills Funding Agency set a number of targets as part of the funding agreement for Modern Apprenticeship programmes. The "Achiever to Leaver" ratio, a key ratio which measures the efficiency of the training provided, is the number of candidates achieving qualification against the number of candidates leaving the programme prior to completion. The "Achiever to Leaver" ratio for the year was 2.9:1 (2016: 2.9:1).

Having experienced a record number of achievers in 2016 across all three main apprenticeship areas of Automotive, Logistics and Business Skills, the Company is pleased to have maintained the Achiever to Leaver ratio through 2017, enjoying a healthy apprenticeship portfolio with timely completions. It is expected that the total number of completions will increase in 2018 and the Company will strive to maintain timely outcomes for our apprentices.

The Government's Apprenticeship Levy was introduced in April 2017, encouraging UK wide investment in workforce apprenticeship training by levy paying employers. GTG is proud to be listed as an approved training provider to employers through the Digital Apprenticeship Service.

It is expected that both turnover and operating profit will continue to grow in the coming year. The Company looks forward to developing both existing and new relationships with our commercial and levy paying customer base in England, while promoting our new Kilbirnie Street training centre to achieve further expansion in Scotland.

STRATEGIC REPORT

Principal risks and uncertainties

The main risks associated with the Company's operations are set out below:

Financial instrument risks: The Company's principal financial instruments comprise cash and cash equivalents. Other financial assets and liabilities, such as trade creditors and trade debtors, arise directly from operating activities.

Credit risk: The Company has external debtors; however, the Company undertakes assessments of its customers in order to ensure that credit is not extended where there is a likelihood of default.

Liquidity risk: The Company aims to mitigate liquidity risk by managing cash generated by its operations.

General economic conditions: The Company's performance is influenced by general economic conditions, business confidence and public spending. Business confidence in the UK remains fragile as a result of the wider economic conditions and therefore discretionary expenditure has been reduced by many customers, which will have undoubtedly impacted on their training budgets. The Company is also reliant to an extent on public bodies funding, or part-funding, training initiatives. Significant decreases in the availability of public funding could adversely affect the results of the Company.

On behalf of the Board

E Hawthorne
Director
28 March 2018

GTG TRAINING LIMITED

DIRECTORS' REPORT

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

Results and dividends

The profit on ordinary activities before taxation for the year amounted to £358,424 (2016 - £402,312). The profit for the year after taxation amounted to £262,898 (2016 - £286,849).

The Directors do not recommend the payment of a dividend (2016 - nil). The profit of £262,898 (2016 - £286,849) has been transferred to reserves.

A further review of the business and its principal risks is included in the Strategic Report on pages 2-3.

Going concern

The Company's banking facilities are part of the Arnold Clark Automobiles Limited group arrangements. Arnold Clark Automobiles Limited have also provided an inter-company loan. After making enquiries, the Directors believe that the Company and the wider group have adequate resources to meet their liabilities as they fall due for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

Employees

Regular meetings are held between management and employees to allow a free flow of information and exchange of ideas. Information relevant to employees is provided through an employee portal, which is available to all members of staff.

The Company gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately covered by a disabled person.

With regard to existing employees and those who have become disabled during the year, the Company has continued to examine ways and means of providing continuing employment under normal terms and conditions and to provide training, career development and promotion wherever appropriate.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 1. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each Director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant information and to establish that the Company's auditors are aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board

E Hawthorne
Director
28 March 2018

GTG TRAINING LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law 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 FRS 101 "Reduced Disclosure Framework"). 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 those financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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.

INDEPENDENT AUDITOR'S REPORT
to the members of GTG Training Limited

Opinion

We have audited the financial statements of GTG Training Limited for the year ended 31 December 2017 which comprise Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 14, 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 FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view 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 Auditor's responsibilities for the audit of the financial statements section of our report below. 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.

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.

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 other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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 Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In 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 Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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 https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Ernst & Young LLP

Mark Harvey
Senior Statutory Auditor
for and on behalf of Ernst & Young LLP,
Statutory Auditor, Glasgow
28 March 2018

GTG TRAINING LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Notes	*2017* £	*2016* £
Revenue	4	11,456,583	10,455,423
Cost of sales		(6,600,242)	(5,936,124)
Gross profit		4,856,341	4,519,299
Administrative expenses		(4,246,552)	(4,143,065)
Other operating income		15,815	26,078
Operating profit	5	625,604	402,312
Finance costs		(267,180)	-
Profit before tax from continuing operations		358,424	402,312
Tax on profit on ordinary activities	7	(95,526)	(115,463)
Profit for the year from continuing operations		262,898	286,849
Other comprehensive income		-	-
Total comprehensive income for the year		262,898	286,849

All operations were classed as continuing operations in the year.

GTG TRAINING LIMITED

STATEMENT OF FINANCIAL POSITION
at 31 December 2017

	Notes	2017 £	2016 £
Assets			
Non-current assets			
Property, plant and equipment	8	15,480,440	14,394,295
Current assets			
Trade and other receivables	9	1,705,250	1,504,040
Cash at bank		2,043,827	1,871,388
		3,749,077	3,375,428
Total assets		19,229,517	17,769,723
Equity and liabilities			
Called up share capital	10	1,000	1,000
Profit and loss account		4,738,052	4,475,154
Total equity		4,739,052	4,476,154
Non-current liabilities			
Financial liabilities	11	10,942,540	10,942,540
Deferred taxation	7	269,990	282,501
		11,212,530	11,225,041
Current liabilities			
Trade and other payables	12	3,169,838	1,935,132
Income tax payable		108,097	133,396
		3,277,935	2,068,528
Total liabilities		14,490,465	13,293,569
Total equity and liabilities		19,229,517	17,769,723

Approved by the Board on 28 March 2018

E Hawthorne
Director

GTG TRAINING LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

	Share capital £	*Profit and loss account* £	*Total* £
At 1 January 2016	1,000	4,188,305	4,189,305
Total comprehensive income	-	286,849	286,849
At 31 December 2016	1,000	4,475,154	4,476,154
At 1 January 2017	1,000	4,475,154	4,476,154
Total comprehensive income	-	262,898	262,898
At 31 December 2017	1,000	4,738,052	4,739,052

1. Corporate information

GTG Training Limited is a privately owned company incorporated in Scotland under the Companies Act 2006. The Company's registration number is 290157. The address of the registered office is 454 Hillington Road, Glasgow, G52 4FH.

Information on the Company's operations and its principal activities are set out in the Strategic Report on pages 2-3.

2. Statement of compliance with FRS 101

The results of GTG Training Limited ("the Company") are included in the consolidated financial statements of Arnold Clark Automobiles Limited. Copies of the financial statements of Arnold Clark Automobiles Limited are available from The Registrar of Companies, Companies House, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FT.

The financial statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) as issued September 2015. The financial statements are prepared under the historical cost convention. The Company has elected to prepare the Statement of Financial Position in an adapted format, as permitted under the standard, so that it is prepared in a consistent format to the Consolidated Statement of Financial Position prepared by Arnold Clark Automobiles Limited.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2017. The financial statements are presented in Sterling.

3. Summary of significant accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law including FRS 101 "Reduced Disclosure Framework").

The Company has taken advantage of the following disclosure exemptions under FRS 101:

a) the requirements of IFRS 7 Financial Instruments: Disclosures;

b) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
   - (i) paragraph 79(a)(iv) of IAS 1;
   - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;

c) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS1 Presentation of Financial Statements;

d) the requirements of IAS 7 Statement of Cash Flows;

e) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;

f) the requirements of paragraph 17 of IAS24 Related Party Disclosures;

g) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and

h) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of assets.

In each instance equivalent disclosures are included in the consolidated financial statements of the group in which the Company is consolidated.

3. Summary of significant accounting policies (continued)

Standards issued but not yet effective.

Management have conducted a review of the requirements of accounting standard IFRS 15 Revenue from Contracts with Customers, and assessed the impact expected in the period of initial application, being the year ending 31 December 2018. The review has indicated that the standard will not have a significant impact on the results of operations and financial position in the period of initial application.

A full review of standards in issue but not yet effective can be viewed in the financial statements of the parent entity, Arnold Clark Automobiles Limited.

Going concern

The Company's business activities, a review of the business and a description of the principal risks and uncertainties, together with the Company's financial risk management processes and narrative regarding its exposure to key financial risks are outlined in the Strategic Report.

The Company's banking facilities are part of the Arnold Clark Automobiles Limited group arrangements. The Company's properties are funded from reserves and an inter-company loan from its parent company, which is subject to review for repayment in full at 31 December 2026. After making enquiries, the Directors believe that the Company and the wider group have adequate resources to meet their liabilities as they fall due for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

Property, plant and equipment

Property, plant and equipment is stated at historical cost, net of accumulated depreciation and accumulated impairment losses, if any. Historic cost is the invoice price of the item less any discounts or rebates receivable plus any separately charged delivery or installation costs.

Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, as follows:

Land and buildings	: Freehold	-	2% - 5%
Plant and equipment	: Plant and training equipment	-	10% - 25%
	: Computer equipment	-	25%
	: Fixtures and fittings	-	12% - 25%
Motor vehicles		-	16% - 35%

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Operating lease payments are recognised as an operating expense in the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the lease term.

3. Summary of significant accounting policies (continued)

Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Profit or Loss and Other Comprehensive Income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Revenue recognition

Revenue 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, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Sales of goods are recognised when the goods are delivered. Sales of services are recognised when the service has been provided, except in relation to the provision of certain government funded apprentice training programmes, where revenue includes an element that is recognised over the duration of the long-term training based on the expected pass rates.

3. **Summary of significant accounting policies (continued)**

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss or loans and receivables as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Statement of Profit or Loss and Other Comprehensive Income. The losses arising from impairment are recognised in the Statement of Profit or Loss and Other Comprehensive Income in finance costs for loans and in cost of sales or other operating expenses for receivables. Interest is not recognised on short term receivables where the interest would be immaterial. This category generally applies to trade and other receivables.

Impairment of financial assets

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income. Interest income (recorded as finance income in the Statement of Profit or Loss and Other Comprehensive Income) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the Statement of Profit or Loss and Other Comprehensive Income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or other payables.

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

Pension costs

The Company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Company. The annual contributions payable are charged to the Statement of Profit or Loss and Other Comprehensive Income.

3. Summary of significant accounting policies (continued)

Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require an adjustment, in future periods, to the carrying amount of the assets or liabilities affected.

In the opinion of the Directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree that would warrant their description as significant.

4. Revenue

Turnover represents the invoiced amounts derived from the provision of goods and services to customers (stated net of value added tax) during the year. The revenue and pre-tax profit all arises in the UK and is attributable to the Company's principal continuing activities.

5. Operating profit

	2017	*2016*
	£	*£*
This is stated after charging / (crediting):		
Depreciation of tangible fixed assets	833,262	820,383
Gain on sale of tangible fixed assets	(1,697)	(5,822)

The auditors remuneration of £8,000 (2016 - £8,000) was paid by the parent company, Arnold Clark Automobiles Ltd.

6. Employee benefit expenses

	2017	*2016*
	£	*£*
Wages and salaries	5,173,087	4,789,608
Social security costs	496,558	451,568
Pension costs	120,004	118,908
	5,789,649	5,360,084

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

	2017	*2016*
	No.	*No.*
Office and management	192	185

Directors emoluments during the year were as follows:

	2017	*2016*
	£	*£*
Emoluments	160,596	147,129

Directors emoluments are apportioned across group companies based on service to each company. These are payable by Arnold Clark Automobiles Limited, the ultimate parent company.

7. Tax

The major components of the income tax expense are as follows:

	2017	2016
	£	£
Current tax:		
UK Corporation tax charge	108,097	133,396
Adjustments in respect of prior periods	(60)	(6,318)
Deferred tax:		
Origination and reversal of timing differences	(83)	(10,113)
Adjustment in respect of prior periods	(3)	5,080
Effect of changes in tax rates	(12,425)	(6,582)
Income tax reported in the Statement of Profit or Loss	95,526	115,463

There was no tax charged to the Statement of Other Comprehensive Income in either year.

The reconciliation of the tax expense and the accounting profit multiplied by the standard rate of corporation tax for each year is as follows:

	2017	2016
	£	£
Accounting profit before income tax	358,424	402,312
At UK corporation tax rate of 19.25% (2016 - 20.00%)	68,997	80,463
Tax effect of non-deductible expenses or non-taxable items of income	39,017	42,820
Effect of changes in tax rates	(12,425)	(6,582)
Adjustments in respect of current income tax of prior periods	(60)	(6,318)
Adjustments in respect of deferred tax of prior periods	(3)	5,080
At the effective income tax rate of 26.7% (2016: 28.7%)	95,526	115,463

The deferred tax included in the Statement of Financial Position is as follows:

	2017	2016
	£	£
Accelerated capital allowances	269,990	285,793
Other timing differences	-	(3,292)
Provision for deferred tax	269,990	282,501

Factors that may affect future tax charges:

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax liability at 31 December 2017 has been calculated based on these rates.

8. Property, plant and equipment

	Land and buildings	*Plant and equipment*	*Motor vehicles*	*Total*
	£	*£*	*£*	*£*
Cost:				
At 1 January 2017	14,514,584	2,479,790	1,314,479	18,308,853
Additions	1,294,789	424,340	598,873	2,318,002
Disposals	(2,475)	(5,488)	(619,177)	(627,140)
At 31 December 2017	15,806,898	2,898,642	1,294,175	19,999,715
Depreciation:				
At 1 January 2017	1,717,885	1,649,131	547,542	3,914,558
Provided during the year	275,657	293,084	264,521	833,262
Disposals	-	(5,365)	(223,180)	(228,545)
At 31 December 2017	1,993,542	1,936,850	588,883	4,519,275
Net book value:				
At 31 December 2017	13,813,356	961,792	705,292	15,480,440
At 31 December 2016	12,796,699	830,659	766,937	14,394,295

The net book value of land and buildings comprise:

	2017	*2016*
	£	*£*
Freehold	12,809,443	12,796,699
Leasehold	1,003,913	-
	13,813,356	12,796,699

9. Trade and other receivables

	2017	*2016*
	£	*£*
Trade debtors	1,289,644	1,149,150
Prepayments and accrued income	393,295	352,514
Amounts due from group undertakings	22,311	2,376
	1,705,250	1,504,040

10. Share capital

	Authorised		Allotted, called up and fully paid	
	2017	*2016*	*2017*	*2016*
	No.	*No.*	*£*	*£*
Ordinary shares of £1 each	1,000	1,000	1,000	1,000

11. Financial liabilities

Interest-bearing loans and borrowings

	2017	*2016*
	£	*£*
Non-current interest-bearing loans and borrowings	10,942,540	10,942,540

This represents a loan between the Company and the ultimate parent company, Arnold Clark Automobiles Limited. The loan attracts interest at 2.15% per annum above the Bank of England Base Rate payable annually in arrears. The loan is not required to be repaid prior to 31 December 2026.

12. Trade and other payables

	2017	*2016*
	£	*£*
Trade creditors	437,463	303,679
Other taxes and social security costs	97,209	203,595
Other creditors	244,215	228,969
Accruals and deferred income	563,768	659,505
Amounts due to group undertakings	1,827,183	539,384
	3,169,838	1,935,132

13. Contingent liabilities

Under the terms of an inter-company guarantee, the parent company and its trading subsidiaries have jointly and severally guaranteed repayment of all sums due to The Royal Bank of Scotland plc by any of the parties to the guarantee. At 31 December 2017, the other companies included in the guarantee had net funds of £117,037,000 (2016 - £108,507,000) due from The Royal Bank of Scotland plc.

14. Ultimate parent undertaking and controlling party

The Directors report that Arnold Clark Automobiles Limited (registered in Scotland) is the Company's ultimate parent company. This is the only parent undertaking for which group financial statements are drawn up and of which the Company is a member. The address from which copies of these group financial statements are available to the public is: The Registrar of Companies, Companies House, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FT.

The Directors consider that Lady Clark is the Company's ultimate controlling party by virtue of her office, her shareholding and the shareholdings of her immediate family.

The Company is wholly owned by Arnold Clark Automobiles Limited and has taken advantage of the exemption in FRS 101 from disclosing transactions with Arnold Clark Automobiles Limited and with other wholly owned subsidiaries.