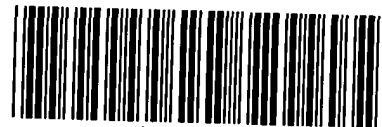


# **National Tyre Service Limited**

## **Annual report**

Registered number 00986754  
for the year ended 31 December 2019

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## Contents

	<b>Page</b>
Strategic report	3
Directors' report	4
Independent auditors' report to the members of National Tyre Service Limited	7
Statement of comprehensive income	10
Balance sheet	11
Statement of changes in equity	12
Notes to the financial statements	13

## Strategic Report

The directors present their strategic report for the company for the year ended 31 December 2019.

### Review of the Business

The principal activity of the company is the distribution, retailing and servicing of tyres and other auto products in the replacement market.

The profit for the financial year is £4,947,000 (2018: £4,217,000).

The company's operating profit has improved on the previous year. The directors will continue to implement their strategy to further improve trading performance in the coming year.

The company's net asset position has increased to £14,157,000 (2018: £13,810,000).

The impact of the COVID-19 pandemic is described in the Directors' Report.

### 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 affecting the company are considered to relate to competition from both national and independent retailers, employee retention, and product availability.

Each of these risk areas along with other areas of the business are continually reviewed and monitored by senior management to ensure they are continually updating their knowledge to minimise the risk impacts to the company's performance and ongoing strategies.

### Key performance indicators

The directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the performance or position of the company.

On behalf of the Board



J. Taylor  
Director

Regent House  
Heaton Lane  
Stockport  
Cheshire  
SK4 1BS

12 August 2020

## **Directors' report**

The directors present their report and the audited financial statements for the year ended 31 December 2019.

### **Results and future developments**

The profit for the financial year of £4,947,000 (2018: £4,217,000) has been transferred to reserves.

The company's operating profit has improved on the previous year. The directors will continue to implement their strategy to further improve trading performance for the foreseeable future.

The company's net asset position has increased to £14,157,000 (2018: £13,810,000).

The directors have paid a dividend to Axle Group Ltd of £4,600,000 (2018: £3,500,000).

### **Covid-19 and Going Concern**

On 11 March 2020 the World Health Organisation declared that the COVID-19 outbreak was a pandemic, and on 23 March 2020 the United Kingdom entered into lockdown. This limited the ability of the company to continue to service its customers, as the public were instructed to not leave home except for 'limited purposes' or for 'key workers' performing their role.

As a result of the COVID-19 shutdown, from 23 March 2020 the company temporarily hibernated 91 branches and 9 mobile service vehicles to the general public due to COVID restrictions. 149 branches supported by 51 mobile service vehicles remained open to support the critical workforce capability. From 1 April 2020 a significant number of the company's workforce were furloughed under the Government Job Retention Scheme.

From 1 August 2020, the business is fully operational with all branch facilities open and a small number of employees remaining on furlough.

In adopting the going concern basis for preparing the financial statements, the Directors have considered the business activities and the Company's principle risks and uncertainties in the context of the current operating environment. The current and plausible future impact of COVID-19 on the Company's activities and performance has also been considered by the Directors in preparing its going concern assessment.

The Company's ability to continue as a going concern is reliant upon funding from its ultimate parent company, Axle Group Holdings Limited, and the Directors have obtained confirmation from the parent company that it will continue to support the business for the period of at least twelve months from the date of approval of these financial statements.

### **Directors**

The directors who held office during the year and up to the date of signing the financial statements were as follows:

A Revie  
J Caldwell  
J Taylor

### **Financial risk management**

The company recognises its operations expose it to a variety of financial risks. The company has in place policies to manage such risks which are periodically reviewed at Board level.

#### *Credit risk*

The company has implemented policies that require credit checks on potential customers before sales are made. Where appropriate the company has in place debt insurance.

#### *Liquidity risk*

The company has implemented a policy to ensure the company has sufficient funds to manage its working capital requirements through the utilisation of invoice discounting finance and short term borrowing.

## Directors' report (continued)

### *Commodities price risk*

The company does not perceive a significant exposure to commodities price risk to its operations. The directors periodically review the appropriateness of this view.

### *Interest rate cash flow risk*

The company has a policy of maintaining any debt requirements at fixed rates. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

### **Disabled persons**

It is the company's policy to give full consideration to applications for employment from disabled persons, bearing in mind their particular aptitudes and abilities. All disabled persons employed by the company have the opportunity for training, development and career progression.

### **Employee involvement**

Communications with employees at the company's numerous and geographically diverse establishments about matters concerning, or of interest to them, are provided by a system of briefing meetings at branch, regional and company level. This is supported by employee manuals, notice boards and by the company information circulars.

Within all establishments, induction arrangements provide employees with an initial understanding of the company's business as well as making them aware of matters that more directly concern their employment such as safety rules and terms and conditions of their work.

The consultative/negotiating machinery provides several stages for discussions, allowing involvement with both local and full time officials of the recognised Trade Union.

On a company and regional basis, management, through regular business reviews and operating reports, inform, explain and discuss with employees the financial performance and where possible, the future plans of the sector of the company in which they work.

## **SECTION 172(1) STATEMENT**

The Directors of National Tyre Service Limited must act in accordance with a set of general duties. These include a duty under Section 172 of the Companies Act to promote the success of the company and in doing so they must have regard (amongst other things) to the factors summarised below :-

- a. the likely consequences of any decision in the long term,
- b. the interests of the company's employees,
- c. the need to foster the company's business relationships with suppliers, customers and others,
- d. the impact of the company's operations on the community and the environment,
- e. the desirability of the company maintaining a reputation for high standards of business conduct, and
- f. the need to act fairly as between members of the company.

**Strategy:** Our plan is designed to have a long-term beneficial impact on the company and to contribute to the growth of the business. This involves effectively identifying, evaluating, managing and mitigating the risks that the company faces, and continuing to evolve our approach to risk management. For details on our principal risks and uncertainties refer to page 3 of these financial statements.

**High Standard of Business Conduct:** The company has a focus of engagement in high ethical standards, openness and trust, and these values inform the company's decision making and define its shared culture. Responsible business conduct is fundamental to the long-term success of the company. The business does not compromise on this and having the discipline and consistency of this approach is fundamental to defining the company's reputation.

**Engagement with employees:** Our behaviour is aligned with the expectations of our people, who are at the heart of our services. For our business to succeed we need to manage our people's performance and develop and bring through talent while ensuring we operate as efficiently as possible. For further details on our people please see above..

**Engagement with Suppliers:** The company looks to work with suppliers that embrace standards of ethical behaviour that is consistent with the company's own. The company procurement team lead the relationship with the supplier base centering on regular touchpoints allowing for positive engagement.

## Directors' report (continued)

**Engagement with Customers:** The company is committed to providing leading customer service and the relationship with the customer base is centred on regular communication flows. The company has developed a customer charter which outlines the commitments we make to every single customer to ensure that they receive the best service that we can provide. The company monitor interactions with customers through customer surveys, customer feedback and regular internal audits.

**Engagement with the Community and Environment:** The company proactively considers and reviews the impact it has on the local community as part of the delivery of long-term business performance.

### Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors 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.

### Disclosure of information to the auditors

So far as each of the directors is aware, there is no relevant audit information of which the company's auditors are unaware and each of the directors believes that all the steps that ought to have been taken in order to make them aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### Independent auditors

A resolution for the re-appointment of PricewaterhouseCoopers LLP as independent auditors of the company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board



J Taylor  
Director

Regent House  
Heaton Lane  
Stockport  
Cheshire  
SK4 1BS

12 August 2020

## **Independent auditors' report to the members of National Tyre Service Limited Report on the audit of the financial statements**

### **Opinion**

In our opinion, National Tyre Service Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 31 December 2019; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Independence***

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Conclusions relating to going concern**

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

***Independent auditors' report to the members of National Tyre Service Limited  
(continued)***

**Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

***Strategic Report and Directors' Report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

**Responsibilities for the financial statements and the audit**

***Responsibilities of the directors for the financial statements***

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

***Auditors' 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 auditors' 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.



***Independent auditors' report to the members of National Tyre Service Limited  
(continued)***

***Use of this report***

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**Other required reporting**

***Companies Act 2006 exception reporting***

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility



Kenneth Wilson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Glasgow 12 August 2020

**Statement of Comprehensive Income**  
*for the year ended 31 December 2019*

	<i>Note</i>	<b>2019</b> <b>£000</b>	<b>2018</b> <b>£000</b>
<b>Turnover</b>	<b>4</b>	<b>144,427</b>	<b>140,758</b>
Cost of sales		<u>(73,370)</u>	<u>(72,982)</u>
Gross profit		<b>71,057</b>	<b>67,776</b>
Administrative expenses		<u>(65,908)</u>	<u>(63,355)</u>
<b>Operating profit</b>	<b>5</b>	<b>5,149</b>	<b>4,421</b>
Interest payable and similar expenses	<b>8</b>	<u>(202)</u>	<u>(204)</u>
<b>Profit before taxation</b>		<b>4,947</b>	<b>4,217</b>
Tax on profit	<b>9</b>	<u>-</u>	<u>-</u>
<b>Profit for the financial year</b>		<u><b>4,947</b></u>	<u><b>4,217</b></u>

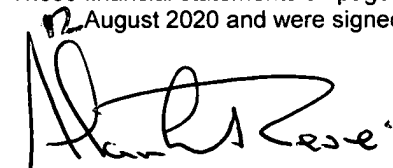
All turnover and operating profit of the company is derived from continuing operations.

**Balance sheet**  
as at 31 December 2019

	Note	2019		2018	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Intangible assets	10		260		410
Tangible assets	11		<u>11,890</u>		<u>9,360</u>
			12,150		9,770
<b>Current assets</b>					
Stocks	13	7,936		6,295	
Debtors	14	<u>58,397</u>		<u>50,047</u>	
		66,333		56,342	
<b>Creditors: amounts falling due within one year</b>	16	<u>(64,326)</u>		<u>(52,302)</u>	
<b>Net current assets</b>			<u>2,007</u>		<u>4,040</u>
<b>Total assets less current Liabilities</b>			<u>14,157</u>		<u>13,810</u>
<b>Capital and reserves</b>					
Called up share capital	17		1		1
Retained earnings			<u>14,156</u>		<u>13,809</u>
<b>Total shareholders' funds</b>			<u>14,157</u>		<u>13,810</u>

The notes on pages 13 to 26 are an integral part of these financial statements.

These financial statements on pages 10 to 26 were approved by the Board of directors on 12 August 2020 and were signed on its behalf by:



A Revie  
Director

**National Tyre Service Limited**  
**Registered number: 00986754**

**Statement of Changes in Equity**  
*for the year ended 31 December 2019*

	<b>Called up share capital</b>	<b>Retained earnings</b>	<b>Total Shareholders' Funds</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance as at 1 January 2018	1	13,092	13,093
Profit for the financial year and total comprehensive income	-	4,217	4,217
Dividends	-	(3,500)	(3,500)
	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2018	1	13,809	13,810
Profit for the financial year and total comprehensive Income	-	4,947	4,947
Dividends paid	-	(4,600)	(4,600)
	<hr/>	<hr/>	<hr/>
<b>Balance as at 31 December 2019</b>	<b>1</b>	<b>14,156</b>	<b>14,157</b>

## **Notes to the financial statements**

*for the year ended 31 December 2019*

### **1) General information**

National Tyre Service Limited (the "Company") is a private company limited by shares and is incorporated in United Kingdom. The address of its registered office is Regent House, Heaton Lane, Stockport, Cheshire, SK4 1BS.

The principal activity of the Company is distribution, retailing and servicing of tyres and other auto products in the replacement market.

### **2) Statement of compliance**

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

### **3) Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **a) Basis of preparation**

These financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain tangible fixed assets.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in 'Critical accounting judgements and key source of estimation uncertainty' section of this note.

#### **b) Going concern**

In adopting the going concern basis for preparing the financial statements, the Directors have considered the business activities and the Company's principle risks and uncertainties in the context of the current operating environment. The current and plausible future impact of COVID-19 on the Company's activities and performance has also been considered by the Directors in preparing its going concern assessment.

The Company's ability to continue as a going concern is reliant upon funding from its ultimate parent company, Axle Group Holdings Limited, and the Directors' have obtained confirmation from the parent company that it will continue to support the business for the period of at least twelve months from the date of approval of these financial statements.

#### **c) Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions, have been complied with. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. National Tyre Service Limited is a qualifying entity as its results are consolidated into the financial statements of Axle Group Holdings Limited which are publicly available.

**Notes to the financial statements (continued)**  
*for the year ended 31 December 2019*

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

**c) Exemptions for qualifying entities under FRS 102(continued)**

As a qualifying entity, the Company has taken advantage of the following exemptions:

- i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
- iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
- iv) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

**d) Consolidated financial statements**

The company is a wholly owned subsidiary of Axle Group Holdings Limited. It is included in the consolidated financial statements of Axle Group Holdings Limited which are publicly available. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

**e) Foreign currencies**

**(i) Functional and presentation currency**

The Company's functional and presentation currency is the pound sterling.

**(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in other comprehensive income.

**f) Turnover**

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers. Turnover is recognised on despatch of goods or completion of services performed.

**g) Exceptional items**

The company classifies charges or credits that have a material impact on the company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the company.

**h) Employee benefits**

The company provides a range of benefits to employees, including bonus arrangements, paid holiday arrangement and defined contribution pension plans.

**(i) Short term benefits**

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

**Notes to the financial statements (continued)**  
*for the year ended 31 December 2019*

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

**h) Employee benefits (continued)**

**(ii) Defined contribution pension plans**

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contribution into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

**i) Taxation**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

**(i) Current tax**

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

**(ii) Deferred tax**

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These 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 recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

**j) Goodwill**

Purchased goodwill, (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising in respect of acquisitions is capitalised. Goodwill is amortised by equal annual instalments over its estimated useful life, which the directors have assessed to be 10 years.

**k) Intangible assets**

Computer software is stated at cost less accumulated amortisation. Software is amortised over its estimated useful life, of 3 years, on a straight line basis.

**l) Tangible assets**

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment. Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:





**Notes to the financial statements (continued)**  
*for the year ended 31 December 2019*

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

**n) Impairment of non-financial assets (Continued)**

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive income.

**o) Investments**

Investment in subsidiary company is held at historical cost less accumulated impairment losses.

The Company has taken advantage of the exemption under paragraph 35.10(f) FRS 102 in respect of measurement of investments in subsidiaries on the date of transition to FRS 102 (1 January 2014) and continues to measure investment at their existing carrying value (which can determined to be deemed cost).

**p) Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Stocks are recognised as an expense in the period in which the related turnover is recognised. The stock is measured by using the most recent purchase price.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of comprehensive income. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the statement of comprehensive income.

**q) Cash and cash equivalents**

Cash and cash equivalents comprises cash in hand and deposits repayable on demand, less overdraft payable on demand.

**r) Financial instruments**

The Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

**(i) Financial assets**

Basic financial assets, including trade and other debtors and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in statement of comprehensive income.

**Notes to the financial statements (continued)**  
*for the year ended 31 December 2019*

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

**r) Financial instruments**

**(i) Financial assets (Continued)**

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

**(ii) Financial liabilities**

Basic financial liabilities, including trade and other creditors, bank loans and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

The Company does not hold or issue derivative financial instruments.

**(iii) Offsetting**

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**s) Related party disclosures**

The Company has taken advantage of the exemption, as provided by paragraph 33.1A of FRS 102 and does not disclose transactions with members of the same group that are wholly owned. The Company discloses transactions with related parties which are not wholly owned with the same group.

**t) Critical accounting judgements and key source of estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

**Notes to the financial statements (continued)**  
*for the year ended 31 December 2019*

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

**t) Critical accounting judgements and key source of estimation uncertainty (continued)**

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

**(i) Useful economic lives of tangible/intangible assets**

The annual depreciation/amortisation charge for tangible/intangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 and 11 for the carrying amount of the intangible and tangible fixed assets, and note 3(k) and 3(l) for the useful economic lives for each class of assets.

**(ii) Inventory provisioning**

The company sells tyres and other auto products and is subject to changing consumer demands and trends. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 13 for the net carrying amount of the inventory.

**(iii) Impairment of debtors**

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 14 for the net carrying amount of the debtors.

**Notes to the financial statements** *(continued)*  
for the year ended 31 December 2019

**4) Turnover**

Turnover in both the current year and prior year is generated from the principal activity of the company, which is carried out wholly within the United Kingdom.

	2019 £000	2018 £000
Sale of goods	144,427	140,758
	<u>144,427</u>	<u>140,758</u>

**5) Operating profit**

	2019 £000	2018 £000
<i>Operating profit is stated after charging:</i>		
Auditors' remuneration:		
Audit	45	45
Tax compliance	20	20
Depreciation of tangible assets	1,711	1,616
Amortisation of intangible assets	150	166
Operating lease rentals	6,641	6,433

**6) Remuneration of directors**

The directors are employed and remunerated by Axle Group Limited in respect of their services to the Axle group as a whole. No emoluments were paid to the directors in respect of their services to the Company in the year ended 31 December 2019 (2018: £nil).

**7) Staff numbers and costs**

The average monthly number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	2019 Number	2018 Number
Field staff	1,081	1,042
Other	165	158
	<u>1,246</u>	<u>1,200</u>

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	29,980	28,838
Social security costs	2,462	2,413
Other pension cost	749	584
	<u>33,191</u>	<u>31,835</u>

**Notes to the financial statements** *(continued)*  
for the year ended 31 December 2019

**8) Interest payable and similar expenses**

	2019 £000	2018 £000
On bank loans and overdrafts	<u>202</u>	<u>204</u>
	<u>202</u>	<u>204</u>

**9) Tax on profit**

	2019 £000	2018 £000
<b>Current tax</b>		
UK corporation tax on profits for the year	-	-
<b>Total current tax</b>	<u>-</u>	<u>-</u>
Total tax per statement of comprehensive income	<u>-</u>	<u>-</u>

The charge for the year can be reconciled to the profit per the statement of comprehensive income as follows :

	2019 £000	2018 £000
Profit for the year before taxation	4,947	4,217
Tax on profit at standard UK tax rate of 19.00% (2018: 19.00%)	940	801
<i>Effects of:</i>		
Expenses not deductible	89	85
Timing differences	-	8
Fixed assets	(515)	22
Losses	(514)	(916)
Tax charge for the year	<u>-</u>	<u>-</u>

	2019 £000	2018 £000
<b>Deferred tax</b>		
Provision at start of year	3,496	3,496
Deferred tax charge to the statement of comprehensive income	-	-
Provision at end of year	<u>3,496</u>	<u>3,496</u>

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted) . This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

**Notes to the financial statements** (continued)  
for the year ended 31 December 2019

**10) Intangible assets**

	Software £000	Goodwill £000	Total £000
<b>Cost</b>			
At 1 January 2019	136	1,044	1,180
Additions	-	-	-
Disposals	-	-	-
<b>31 December 2019</b>	<b>136</b>	<b>1,044</b>	<b>1,180</b>
<b>Accumulated amortisation</b>			
At 1 January 2019	44	726	770
Amortisation	46	104	150
Disposals	-	-	-
<b>At 31 December 2019</b>	<b>90</b>	<b>830</b>	<b>920</b>
<b>Net book value</b>			
<b>At 31 December 2019</b>	<b>46</b>	<b>214</b>	<b>260</b>
At 31 December 2018	92	318	410

The amortisation expenses are included within the administrative expenses line in the statement of comprehensive income.

**11) Tangible assets**

	Freehold land and buildings £000	Long leasehold £000	Short leasehold £000	Plant and equipment £000	Total £000
<b>Cost or valuation</b>					
At 1 January 2019	1,671	-	5,262	6,928	13,861
Additions at cost	-	-	567	3,674	4,241
<b>At 31 December 2019</b>	<b>1,671</b>	<b>-</b>	<b>5,829</b>	<b>10,602</b>	<b>18,102</b>
<b>Accumulated depreciation</b>					
At 1 January 2019	-	-	2,010	2,491	4,501
Charge for year	-	-	601	1,110	1,711
<b>At 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>2,611</b>	<b>3,601</b>	<b>6,212</b>
<b>Net book value</b>					
<b>At 31 December 2019</b>	<b>1,671</b>	<b>-</b>	<b>3,218</b>	<b>7,001</b>	<b>11,890</b>
At 31 December 2018	1,671	-	3,252	4,437	9,360

**Notes to the financial statements** (continued)  
for the year ended 31 December 2019

## 12) Investments

The principal companies in which the company's interest at the year end is more than 20% are as follow :

	Country of incorporation	Principal Activity	Class of shares held	
<b>Subsidiary undertakings</b>				
Wondertrack Ltd	Ireland	Dormant	100%	Ordinary
<b>Address of registered office:</b> 1 Stokes Place, St Stephens Green, Dublin 2, 216410				
Channel Islands Tyre Company Limited	Jersey	Tyre retail	100%	Ordinary
<b>Address of registered office:</b> 31 Commercial Buildings St Helier Jersey. JE1 1BU				

## 13) Stocks

	2019 £000	2018 £000
Finished goods and goods for resale	7,936	6,295

Deducted from stock during the year is an amount for Consignment stock for Cooper Tires totalling £1,094,000 (2018: £1,077,000). The stock ledger balance is maintained by Cooper Tires and the title will not pass to National Tyre Service Limited until a sale agreement has been made. Cooper Tires reserve the right to obtain the stock at any time and National Tyre Service Limited will remain liable for any damage/loss of stock during the period of the contract.

Deducted from stock during the year is an amount for Consignment stock for Bridgestone Europe NV/SA UK Branch totalling £1,399,000 (2018: £1,347,000). The stock ledger balance is maintained by Bridgestone Europe NV/SA UK Branch and the title will not pass to National Tyre Service Limited until a sale agreement has been made. Bridgestone Europe NV/SA UK Branch reserve the right to obtain the stock at any time and National Tyre Service Limited will remain liable for any damage/loss of stock during the period of the contract.

## 14) Debtors

	2019 £000	2018 £000
<b>Amounts falling due within one year</b>		
Trade debtors	5,212	5,995
Amounts owed by group undertakings	41,168	33,331
Other debtors	5,819	4,951
Deferred tax asset (note 9)	3,496	3,496
Prepayments and accrued income	2,702	2,274
	<u>58,397</u>	<u>50,047</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand

**Notes to the financial statements** (continued)  
for the year ended 31 December 2019

	2019	2018
	£000	£000
<b>15) Deferred tax</b>		
Asset at start of year	3,496	3,496
Deferred tax charge to the statement of comprehensive income	-	-
Asset at end of year	<u>3,496</u>	<u>3,496</u>

The company has a deferred tax asset which is not reflected in these financial statements of £3,870,607 (2018: £4,793,000). The recognised deferred tax asset consists only of losses.

**16) Creditors: amounts falling due within one year**

	2019	2018
	£000	£000
Bank loans and overdrafts	3,272	3,876
Trade creditors	18,027	15,951
Amounts owed to group undertakings	37,455	25,666
Taxation and social security	2,369	2,200
Accruals and deferred income	3,203	4,609
	<u>64,326</u>	<u>52,302</u>

Included within the bank loans and overdraft is invoice discounting facilities of £2,956,000 (2018: £3,602,000) which are secured against trade receivables.

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

**17) Called up share capital**

	2019	2018
	£000	£000
<b>Allotted, issued and fully paid</b>		
Equity: 149,010,224 (2018: 149,010,224) ordinary shares of £0.0000067 each (2018: £0.0000067 each)	1	1

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.



**Notes to the financial statements** *(continued)*  
*for the year ended 31 December 2019*

**18) Financial Commitments**

At 31 December the Company had future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2019 £000	2018 £000
Not later than one year	10,741	5,886
Later than one year and not later than five	38,169	21,390
Later than five years	52,436	57,806
	<u>101,346</u>	<u>85,082</u>

**19) Pension scheme**

The pension cost in respect of the defined contribution scheme is £749,000 (2018: £584,000). Included in creditors is £160,000 (2018: £102,000) in respect of this cost.

**20) Related party disclosures**

The company has taken exemption from providing certain related party transaction disclosures as mentioned in the accounting policy note on page 15.

The company has a relationship with Revie Investments Limited, which is controlled by Mrs J Revie, a director. During the year a rental of £680,000 (2018: £661,000) was paid to Revie Investments Limited in relation to the lease of properties.

The company has a relationship with Auchingramont Investments, a company which is controlled by Mr A Revie, a director. During the year a rental of £167,000 (2018: £125,000) was paid to Auchingramont Investments in relation to the lease of properties.

During the year the Company purchased stock totalling £22,000 (2018: £10,000) from Delti Com AG, a company in which Alan L Revie, director, has a minority interest. At the year end there was a net creditor position of £5,000 (2018: £1,000).

**21) Ultimate parent company and controlling party**

The Company's immediate parent company is Axle Group Limited.

The Company's ultimate parent company and controlling party is Axle Group Holdings Limited, a company registered in Scotland.

Copies of the financial statements are available from The Registrar of Companies, Companies House, Fourth Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh EH3 9FF.

**Notes to the financial statements** *(continued)*  
*for the year ended 31 December 2019*

**25) Post Balance Sheet Event**

On 11 March 2020 the World Health Organisation declared that the COVID-19 outbreak was a pandemic, and on 23 March 2020 the United Kingdom entered into lockdown. This limited the ability of the company to continue to service its customers, as the public were instructed to not leave home except for 'limited purposes' or for 'key workers' performing their role.

As a result of the COVID-19 shutdown, from 23 March 2020 the company temporarily hibernated 91 branches and 9 mobile service vehicles to the general public due to COVID restrictions. 149 branches supported by 51 mobile service vehicles remained open to support the critical workforce capability. From 1 April 2020 a significant number of the company's workforce were furloughed under the Government Job Retention Scheme.

The outbreak of the COVID-19 will likely have an impact on the customers as well as on the supply chain. Considering that the spread of the virus accelerated during the first quarter of 2020, this event was classified as a non-adjusting event for accounting purposes. Given the uncertainties on scope and length as well as the ongoing developments, the Company cannot give accurate or reliable estimates on the potential quantitative impacts currently. This may result in an overall challenged and volatile market environment. The assessment on the ability of the company to operate as a going concern is disclosed in Note 3.