PEM 2000 LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2017

Company Registration No. 02183014

PEM 2000 LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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OFFICERS AND PROFESSIONAL ADVISERS

The Board of Directors	R Ingram (Chairman) D Millard K Savage D Ardron N Taylor
Company Secretary	N Taylor
Registered Office	Suite 1 500 Pavilion Drive Northampton Business Park Brackmills Northampton NN4 7YJ
Auditors	KPMG LLP Chartered Accountants Altius House 1 North Fourth Street Milton Keynes MK9 1NE

PEM 2000 LIMITED

STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2017

The Directors present their strategic report on the affairs of the Company for the year ended 31 December 2017.

Principal Activity and Business Review

The Company's principal activity during the year was to hold property which it develops and rents to Perrys East Midlands Limited.

Performance

The directors are pleased with the performance of the Company during 2017 with the Company earning a profit after tax for the year of £759,109 compared to a profit of £367,388 in 2016.

The results of the Company are shown on page 10 of the financial statements.

Capital expenditure

The Company relocated its Chesterfield site to a brand new purpose built development in the centre of Chesterfield in May 2018.

During the year approximately £5 million has been capitalised with respect to the Chesterfield project. It is expected that the cost of the total project will be approximately £8 million. Part of this cost will be offset by the sale of the current Chesterfield dealership and associated properties. The sale of the current Chesterfield dealership has been agreed and will be expected to complete by August 2018.

In addition to the Chesterfield project the Company also commissioned a major refurbishment of its Worksop site which was estimated to cost £800,000. This project was completed during the year.

The directors are confident that the Company is in a good financial position and that there are exciting opportunities ahead.

Principal risks and uncertainties

The main risk factors are set out below but are not an exhaustive list of risks and uncertainties that could adversely impact on the Company's performance.

Key Management

The Company is dependent on its senior management team. Recruitment procedures and remuneration packages are regularly reviewed to ensure the Company attracts and retains management of the required level.

Liquidity

The Company finances its operations through a mixture of retained profits and bank borrowings. Movements in interest rates can impact profitability. In addition a withdrawal of financing facilities or failure to renew them as they expire could lead to an inability to finance trading. The utilisation of working capital is closely monitored and regular cash flow forecasts are prepared. The Company maintains relationships with several providers of finance to ensure that a comprehensive range of funding is available.

Information Systems

The Company is dependent upon a number of business critical computer systems which, if interrupted for any length of time, could impact on the efficient running of the Company's business. The Company has in place a business continuity plan to ensure that the Company can continue to operate should the systems be compromised.

The strategic report was approved on 30 August 2018 on behalf of the board by

K Savage
Director

PEM 2000 LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2017

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2017.

Dividends

No dividends have been paid or declared during the year.

Directors

The directors that served during the year were as follows:

R Ingram (Chairman from 1 January 2018)
D Millard
K Savage (Chairman to 31 December 2017)
D Ardron
N Taylor (appointed 1 January 2018)

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all steps that they ought to have taken as a director to make themself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Future Developments

Future developments are considered in the Strategic Review on pages 3 to 4.

Corporate and Social Responsibility

Corporate and Social Responsibility are important to the Company.

Health and Safety

Health and Safety is of prime importance to the Company. The Company has a consistent framework for Health and Safety applied to all operations.

Environmental matters

The Company's strategy on environmental matters is to ensure legal and regulatory compliance as well as seeking to reduce costs through effective resource management.

Community Support

The Company is proud to work with a diverse range of national and local charities and local community based organisations.

PEM 2000 LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2017

Strategic Report

Some information required by Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 has been included in the separate Strategic Report in accordance with section 414c(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Labour Standards and Human Rights

In 2015 the UK Government published the Modern Slavery Act (MSA) which places a duty on companies to make a public statement on the steps to minimise the possibility that slavery or human trafficking is happening in their own business or in their supply chain. This statement can be found on the Group's website at www.perrys.co.uk.

Auditors

Pusuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Registered Office:
Suite 1
500 Pavilion Drive
Northampton Business Park
Brackmills
Northampton
NN4 7YJ

Signed by order of the directors

N Taylor
Company Secretary

Approved by the directors on 30 August 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

The directors are responsible for preparing the Strategic Report and 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEM 2000 LIMITED

We have audited the financial statements of PEM 2000 Limited ("the Company") for the year ended 31 December 2017 which comprise the Income Statement and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

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 UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the provisions 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon. Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

P. Selvey.

Peter Selvey (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Altius House
1 North Fourth Street
Milton Keynes
MK9 1NE

Date: 30 August, 2018.

PEM 2000 LIMITED

INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	2016 £
Revenue	2	913,992	771,216
Administrative expenses	3	(72,784)	(76,078)
Operating profit		841,208	695,138
Finance costs	5	(20,490)	(325,070)
Profit on ordinary activities before tax		820,718	370,068
Taxation on ordinary activities	6	(61,609)	(2,680)
Profit on ordinary activities after tax		759,109	367,388
Other comprehensive income		-	-
Other comprehensive income for the year net of income tax		-	-
Total comprehensive income for the year		**759,109**	**367,388**

The notes on pages 13 to 23
form part of the financial statements

PEM 2000 LIMITED
Company Registration Number 2183014
BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 £	2016 £
Fixed assets			
Investment property	8	17,259,200	11,468,446
Debtors			
Prepayments	10	68,607	-
Total current assets		68,607	-
Creditors: Amounts falling due within one year			
Interest-bearing loans and borrowings	12	269,500	269,500
Amounts due to group undertakings		17,408,068	11,782,976
Trade and other payables	13	-	5,157
Current tax payable	7	58,663	6,632
Total current liabilities		17,736,231	12,064,265
Net current liabilities		(17,667,624)	(12,064,265)
Total assets less current liabilities		(408,424)	(595,819)
Creditors: Amounts falling due after one year			
Interest-bearing loans and borrowings	12	972,715	1,244,747
Derivative financial instruments	12	759,771	1,062,374
		1,732,486	2,307,121
Provision for liabilities			
Deferred tax liabilities	9	233,465	230,544
Total non-current liabilities		1,965,951	2,537,665
Net liabilities		(2,374,375)	(3,133,484)
Capital and reserves			
Share capital	11	2	2
Retained earnings		(2,374,377)	(3,133,486)
Total shareholders' funds		(2,374,375)	(3,133,484)

These financial statements were approved on 30 August 2018 on behalf of the board by

K Savage
Director

N Taylor
Director

The notes on pages 13 to 23 form part of the financial statements

PEM 2000 LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017

Year ended 31 December 2017	**Share capital £**	**Retained earnings £**	**Total £**
Balance at 1 January 2017	2	(3,133,486)	(3,133,484)
Profit for the year	-	759,109	759,109
Comprehensive income for the year	-	759,109	759,109
Balance at 31 December 2017	2	(2,374,377)	(2,374,375)

Year ended 31 December 2016	**Share capital £**	**Retained earnings £**	**Total £**
Balance at 1 January 2016	2	(3,500,874)	(3,500,872)
Profit for the year		367,388	367,388
Comprehensive income for the year	-	367,388	367,388
Balance at 31 December 2016	2	(3,133,486)	(3,133,484)

The notes on pages 13 to 23 form part of the financial statements

1 Significant accounting policies

PEM 2000 Limited (the "Company") is a company domiciled in the United Kingdom.

These financial statements were authorised for issue by the directors on 30 August 2018.

Statement of compliance

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRS's"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

The Company's ultimate parent undertaking (Perrys Group Limited) includes the Company in its consolidated financial statements. The consolidated financial statements of Perrys Group Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A cash flow statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRS's; and
- Disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements of Perrys Group Limited include the equivalent disclosures, the Company has also taken exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instrument Disclosures'.

- The disclosures required by IFRS7 and IFRS13 regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not either held as part of trading portfolio or derivatives.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

New accounting standards

The accounting policies applied by the Company in these financial statements are in accordance with Adopted IFRSs and are the same as those applied by the Company in its financial statements as at and for the year ended 31 December 2016. Amendments to IAS 1 were adopted for the first time for the financial year beginning 1 January 2016. This had no impact on the Company financial statements.

1 **Significant accounting policies** (continued)

Basis of preparation

The financial statements are presented in sterling. They are prepared on the historical cost basis as modified by the fair valuing of certain financial instruments.

The financial statements have been prepared on the going concern basis under the historic cost convention, as modified by the fair valuation of certain financial assets and liabilities (including derivative financial instruments) at fair value.

The financial statements show net liabilities of £2,374,375 of which £17,408,068 is owed to the parent company Perrys East Midlands Limited. The directors believe the accounts should be prepared on a going concern basis for the following reasons:

- The Company is profitable but dependent for its working capital on the continuing support of its parent and ultimate parent company.

- The directors have received confirmation that the ultimate parent company will continue to provide support to the company.

The preparation of financial statements in conformity with IFRSs requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

The directors considered the development, selection and disclosure of the Company's critical accounting policies and estimates.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation. The cost or deemed cost of each freehold and long leasehold building less its residual value is depreciated on a straight line basis over its estimated useful economic life of 50 years.

Capitalisation of borrowing costs

The Company capitalises borrowing costs which are directly attributable to the acquisition, construction or production of qualifying assets. Borrowing costs which do not meet this criteria are expensed.

1 **Significant accounting policies** (continued)

Disposal

The gain or loss arising on the disposal or retirement on an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value of the asset and is recognised in the income statement.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently at amortised cost less provision for impairment. Provision is made when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Impairment

The carrying amount of the Company's assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit and loss statement.

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

In respect of assets an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation if no impairment loss had been recognised.

Assets held for sale

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets are measured at the lower of their carrying amount and fair value less costs to sell. Once classified as held-for-sale, intangible assets, property plan and equipment are no longer amortised or depreciated.

1 Significant accounting policies (continued)

Share capital

Ordinary shares are classed as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings. Finance charges associated with arranging a bank facility are recognised in the income statement over the life of the facility. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently amortised at cost.

Revenue

Revenue is measured at invoiced amount and represents rental income from property which is occupied by Perrys East Midlands Limited.

Finance costs

Finance costs comprise interest payable on borrowings.

Costs of raising finance are initially offset against proceeds of the finance raised and then amortised over the life of the instrument.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment for tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets are provided to the extent that it is probable that taxable profits will be available against which deductible timing differences can be utilised. The carrying values of deferred tax assets are reviewed at each balance sheet date and recognised to the extent that it is probable that the related tax benefit will be realised.

1 **Significant accounting policies** (continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derivative financial instruments

Derivative financial instruments are used to reduce the exposure to interest rate movements. Derivative financial instruments are not held or issued for speculative purposes.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value. The fair value of a derivative financial instrument represents the difference between the value of the outstanding contracts at their contracted interest rates and a valuation calculated using the interest rates prevailing at the balance sheet date.

At the inception of the transaction the relationship between the hedging instruments and the hedged items, as well as its risk management objectives and strategy for undertaking the transaction are documented. Both at hedge inception and on an ongoing basis an assesment is made of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedaed items.

The fair values of derivative financial instruments are disclosed in note 12. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Any trading derivatives are classified as a current asset or liability.

1 Significant accounting policies (continued)

Fair value estimation

Interest rate swap contracts are marked to market to produce fair value valuations.

Critical judgements and estimations

The following are the critical judgements that the directors have made in applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Impairment

In testing for impairment, the directors have made certain assumptions concerning the future development of the business that are consistent with its annual budget. Whilst the directors consider these assumptions are realistic should these assumptions regarding the growth in profitability be unfounded then it is possible that assets included in the balance sheet could be impaired.

2 Revenue

Revenue represents the amounts derived from the provision of services in respect of rental income to other group companies.

3 Operating expenses

	2017	2016
	£	£
Auditor's remuneration	3,000	3,000
Depreciation on property	69,784	73,078
Other expenses	-	-
	72,784	76,078

4 Directors Emoluments

The Company has received services to the value of £100,000 relating to Directors who are paid by fellow subsidiaries.

5 Finance costs

	2017	2016
	£	£
Fair value movement on interest rate swap	(10,959)	275,292
On bank loans and overdrafts	31,449	49,778
	20,490	325,070

6 Income tax expense

Recognised in the income statement

	2017	2016
	£	£
Current tax expense		
Current year	65,320	6,632
Adjustments for prior years	(6,632)	(18)
Total current tax expense	58,688	6,614
Deferred tax expense		
Current year	(66)	9,466
Adjustments for prior years	2,987	(13,400)
Total deferred tax expense	2,921	(3,934)
Total income tax charge in the income statement	61,609	2,680

Reconciliation of effective tax rate

	2017	**2017**	2016	2016
	%	**£**	%	£
Profit before tax		820,718		370,068
Income tax using the domestic corporation tax rate	19.25%	157,960	20.0%	74,014
Non-deductible expenses	0.0%	-	0.0%	-
Capital allowances in deficit of depreciation	1.6%	13,078	3.9%	14,512
Transfer pricing	(9.9%)	(81,132)	(15.2%)	(56,346)
Other timing differences	(3.0%)	(24,586)	(6.9%)	(25,548)
Adjustments for prior years tax	(0.8%)	(6,632)	(0.0%)	(18)
Other adjustments for deferred tax	0.4%	2,921	(1.1%)	(3,934)
	7.5%	61,609	0.7%	2,680

The standard rate of tax applied to reported profit on ordinary activities is 19% (2016: 20%). A further reduction to 17% is due from 1 April 2020 and this change was substantively enacted on 15 September 2016. This will reduce future tax charges accordingly.

7 Current tax liabilities

The current tax liability of £58,663 (2016: £6,632) represents the amount of income taxes payable.

8 Investment property

2017

	£
Cost	
Balance at 1 January 2017	12,085,617
Additions	5,860,538
Balance at 31 December 2017	17,946,155
Depreciation and impairment losses	
Balance at 1 January 2017	617,171
Depreciation charge for the year	69,784
Balance at 31 December 2017	686,955
Carrying amounts	
At 31 December 2017	17,259,200

Of the balance at December 2017 £6,163,560 relates to the new dealership in Chesterfield which includes additions during the year of £5,152,560. This property is still under construction and accordingly depreciation has not been charged.

2016

Cost	
Balance at 1 January 2016	10,935,989
Additions	1,149,628
Balance at 31 December 2016	12,085,617
Depreciation and impairment losses	
Balance at 1 January 2016	544,093
Depreciation charge for the year	73,078
Balance at 31 December 2016	617,171
Carrying amounts	
At 31 December 2016	11,468,446

Security

Property loans and bank overdrafts are secured over the property, plant and equipment of the Company.

As at 31 December 2015 a valuation was performed by Jones Lang Lasalle of all freehold and long leasehold properties. The valuations were based on market value, assuming continuation of current use and indicated a surplus in carrying value of £760,000.

These valuations were not incorporated into the financial statements but confirm the directors' view that the book values of the properties are beneath their fair values. The directors believe that there have not been any material changes in circumstances which would lead to a significant change in the market valuation since 31 December 2015.

9 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017	2016	**2017**	2016	**2017**	2016
	£	£	**£**	£	**£**	£
Property	-	-	385,729	407,415	385,729	407,415
Other short term timing differences	(254)	(3,145)	-	-	(254)	(3,145)
Financial derivatives	(152,010)	(173,726)	-	-	(152,010)	(173,726)
Tax (assets)/liabilities	(152,264)	(176,871)	385,729	407,415	233,465	230,544

Movement in temporary differences during the year

	Balance 1 January 2017	Recognised in income	Recognised in equity	Balance 31 December 2017
	£	£	£	£
Property	407,415	(21,686)	-	385,729
Other short term timing differences	(3,145)	2,891	-	(254)
Financial derivatives	(173,726)	21,716	-	(152,010)
	230,544	2,921	-	233,465

	Balance 1 January 2016	Recognised in income	Recognised in equity	Balance 31 December 2016
	£	£	£	£
Property	444,774	(37,359)	-	407,415
Other short term timing differences	(3,357)	212	-	(3,145)
Financial derivatives	(206,939)	33,213	-	(173,726)
	234,478	(3,934)	-	230,544

The Company has remeasured its deferred tax liability at the end of the reporting period at 17%. The level of deferred tax is not expected to change significantly in the next year.

10 Trade and other receivables

	2017	2016
	£	£
Other receivables	4,863	-
Prepayments	63,744	-
	68,607	-

11 Capital and reserves

Share capital

	2017	2016
	£	£
2 Ordinary shares of £1 each	2	2

12 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings.

	2017	2016
	£	£
Non-current liabilities		
Secured bank loans	972,715	1,244,747
Interest rate swaps - cash flow hedges	759,771	1,062,374
	1,732,486	2,307,121

	2017	2016
	£	£
Current liabilities		
Current portion of secured bank loans	269,500	269,500

The Company has derivative financial instruments, in the form of interest rate swaps. There are three interest rate swaps which the company entered into on 12th January 2007. The fixed rate on all the contracts is 5%, with the floating rate being LIBOR and the notional principal on all contracts is £2,000,000. The Company has contracted to exchange the floating rate for the fixed rate. Two of the contracts are for fifteen years and will expire on 12 January 2022 and one contract is for twelve years expiring on 14 January 2019.

The contracts do not form an effective hedge and accordingly the gains and losses from changes in fair value of these derivatives are recognised immediately in the profit and loss account.

13 Trade and other payables

	2017	2016
	£	£
Accruals and deferred income	-	5,157

14 Capital commitments

Future capital expenditure authorised is as follows:

	2017 £	2016 £
Contracted for but not provided in the financial statements	1,130,349	-

The capital commitment relates to the dealership being developed at Spire Walk Chesterfield.

15 Related parties

Amounts due to Group undertakings are non-interest bearing and have been classed as current liabilities this year as they are due on demand.

16 Ultimate Parent Company and Control of the Company

The Company is a wholly owned subsidiary of Perrys Group Limited which is the ultimate parent company. Control of Perrys Group Limited is exercised by D Millard, one of its directors and shareholders.

Perrys Group Limited, which is incorporated in England and Wales, is the only undertaking which prepares group accounts including the financial statements of the Company. Copies of these accounts are available from Companies House, Crown Way, Cardiff CF14 3UZ.