

Mitchell North West Limited

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Company number 2416390

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Mitchell North West Limited

COMPANY INFORMATION

For the year ended 31 December 2017

DIRECTORS

Mr M S Mitchell
Mrs A L Mitchell
Mr N G Crowden
Mrs J Oliver

SECRETARY

Mrs J Oliver

REGISTERED OFFICE:

Stanney Mill Lane
Cheshire Oaks
Chester
CH2 4RG

REGISTERED NUMBER:

2416390 (England and Wales)

AUDITORS:

RSM UK Audit LLP
Chartered Accountants
One City Place
Queens Road
Chester
CH1 3BQ

Mitchell North West Limited

Strategic Report

For the year ended 31 December 2017

The Directors present the Strategic Report and Financial Statements for the year ended 31 December 2017.

We are pleased to report another profitable year, in spite of the current uncertainties in the economy following the referendum vote to exit the EC and government plans on restriction of air pollutants to name but two. The past few years have witnessed a huge growth in the automotive sector with car sales volumes increasing year on year. 2017 has seen a correction to this trend as customers recognise current uncertainties. It is anticipated that this "correction" will continue into 2018. Manufacturer investment and development of new technologies will be key to the long term future of the Trade.

As a business, we have delivered 98 fewer new cars and 122 fewer used cars in 2017 vs 2016. We have also seen new car margins squeezed as dealers nationally chase manufacturer targets and the much relied on bonuses.

Our Aftersales Department has benefitted from a number of warranty recall programmes. Labour sales are up 9% year on year and parts sales have also grown as a result of this extra demand.

A significant upgrade to our Lexus facility was undertaken in 2017 – the new look is ultra-modern and draws on the information technology interactive concepts that are an increasing feature of modern life.

The main Key Performance Indicators which we rely on internally are Return on Sales and Staff Turnover. We have achieved a ROS of 4.2% vs an industry average of 1.24%. There are two aspects to achieving this rate of return – margin retention at the point of sale and a strong emphasis on cost control. Our remuneration packages for our senior managers is based on a low basic salary plus a percentage of their departmental profit which helps to focus their efforts! Our staff turnover rate remains low compared to the general trend in the motor trade. Our turnover rate for the year was 8% vs an industry average of almost 40%. A number left to start their own businesses having gained relevant expertise whilst in our employ. 65% of staff have five or more years of service reflecting the relationship we enjoy between employer and employee. This in turn builds confidence with our customers who know that they will be dealing with a "familiar face" each time they visit.

The strength of our balance sheet has improved year on year. Net current assets have grown by £1.3m improving our Quick Ratio. Our cash balance also improved. The company is in a very secure position as demonstrated by these ratios. Additionally being debt-free indicates our ability to withstand the current economic uncertainties. The main risks we currently face are the unknowns of Brexit and the changing Government policies towards the environment. The effect of the "demonisation" of diesel cars has resulted in a weakening of demand and hence residual values. We are therefore being more diligent about our stockholdings. There is often a "checks and balances" effect and it is perfectly plausible that any reduction in values can create its own future consumer demand. Our manufacturer partners have a more long-term view of the situation. The well-established Lexus hybrid brand is ideally placed to capitalise on the switch away from diesel. Mazda are part of a joint-venture with Toyota (Lexus' parent company) in the development of future hybrid engines. This adds further resilience to our business.

The economy in general and the motor trade in particular is at the crossroads of change. Some of these changes will present major challenges as we face the currently unknown impact of Brexit. Others bring with them the potential of excitement as vehicle technology, consumer vehicle funding models and the impact of IT take us into the future.

As ever, we remain grateful for the support of our motor manufacturer partners, the commitment of our teams and the loyalty of our many, many customers.

ON BEHALF OF THE BOARD



Mrs J Oliver
Director

Date: 31 JANUARY 2018

Mitchell North West Limited

REPORT OF THE DIRECTORS

For the year ended 31 December 2017

The Directors present their report and Financial Statements of the company for the year ended 31 December 2017.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of franchised motor dealers.

DIVIDENDS

Dividends totalling £10.75 per share were voted during the year on the Ordinary £1 shares. M S Mitchell, A L Mitchell and N G Crowden waived their entitlement to certain dividends during the course of the year.

The total distribution of dividends for the year ended 31 December 2017 is £315,000 (2016 - £3,320,000).

DIRECTORS

The Directors during the year under review were:

Mr M S Mitchell
Mrs A L Mitchell
Mr N G Crowden
Mrs J Oliver

CHARITABLE DONATIONS

During the year ended 31 December 2017, donations totalling £244,048 (2016 - £300,581) were made to charitable organisations. We continue to support projects locally, nationally and overseas which have captured our imagination as worthwhile initiatives.

STRATEGIC REPORT

The review of the business, future developments, key performance indicators and principal risks and uncertainties are included in the Strategic Report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report and 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).

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 and loss account of the company for that period.

In preparing those financial statements, Directors are required to: -

- a. Select suitable accounting policies and then apply them consistently;
- b. Make judgments and estimates that are reasonable and prudent;
- c. Prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

Mitchell North West Limited

REPORT OF THE DIRECTORS

For the year ended 31 December 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITORS

RSM UK Audit LLP has indicated their willingness to continue in office

ON BEHALF OF THE BOARD:



Mrs J Oliver - Director

Date: 31 January 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MITCHELL NORTH WEST LIMITED

For the year ended 31 December 2017

Opinion on financial statements

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

In our opinion, the financial statements:

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

Conclusions relating to going concern

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

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

Other information

The 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 our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in 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 the directors' report have been prepared in accordance with applicable legal requirements.

Mitchell North West Limited

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the 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 directors' responsibilities statement set out on pages 3 and 4, 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: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's 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.



Alison Ashley (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditors
and Chartered Accountants, One City Place, Queens Road, Chester, CH1 3BQ

31/1/18

Mitchell North West Limited

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

		2017	2016
	Notes	£	£
Turnover	2	48,235,622	51,329,703
Cost of sales		<u>(44,825,840)</u>	<u>(46,953,845)</u>
GROSS PROFIT		3,409,782	4,375,858
Administrative expenses		<u>(1,385,598)</u>	<u>(1,374,296)</u>
OPERATING PROFIT		2,024,184	3,001,562
Interest payable and similar charges	3	<u>(517)</u>	<u>(1,215)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	2,023,667	3,000,347
Taxation	6	<u>(308,414)</u>	<u>(608,342)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>1,715,253</u>	<u>2,392,005</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,715,253</u>	<u>2,392,005</u>

Mitchell North West Limited

STATEMENT OF FINANCIAL POSITION

At 31 December 2017

Company registration number 2416390

	Notes	2017 £	2016 £
FIXED ASSETS			
Tangible assets	8	3,719,731	3,737,458
CURRENT ASSETS			
Stocks	9	6,556,441	6,025,058
Debtors due within one year	10	1,494,886	2,097,313
Cash at bank and in hand		578,192	434,960
		<u>8,629,519</u>	<u>8,557,331</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	11	5,438,256	6,720,674
NET CURRENT ASSETS		<u>3,191,263</u>	<u>1,836,657</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,910,994	5,574,115
Provisions for liabilities	12	(345,384)	(408,758)
NET ASSETS		<u>6,565,610</u>	<u>5,165,357</u>
CAPITAL AND RESERVES			
Called up share capital	13	100,000	100,000
Profit and loss account		<u>6,465,610</u>	<u>5,065,357</u>
TOTAL EQUITY		<u>6,565,610</u>	<u>5,165,357</u>

The Financial Statements on pages 7 to 22 were approved by the Board of Directors and authorised for issue on 31/1/18 and are signed on its behalf by:



J Oliver
Director

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Notes	Share Capital £	Profit and loss account £	Total £
Balance at 1 January 2016		100,000	5,993,352	6,093,352
Profit and total comprehensive income for the year		-	2,392,005	2,392,005
Transactions with owners in their capacity as owners:-				
Dividends	7		(3,320,000)	(3,320,000)
Balance at 31 December 2016		<u>100,000</u>	<u>5,065,357</u>	<u>5,165,357</u>
Profit and total comprehensive income for the year			1,715,253	1,715,253
Transactions with owners in their capacity as owners:-				
Dividends	7		(315,000)	(315,000)
Balance at 31 December 2017		<u>100,000</u>	<u>6,465,610</u>	<u>6,565,610</u>

Mitchell North West Limited

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 £	2016 £
OPERATING ACTIVITIES			
Cash generated from operations	14	3,021,011	2,748,006
Interest paid		(517)	(1,215)
Income taxes paid		(865,618)	(283,248)
NET CASH FROM OPERATING ACTIVITIES		<u>2,154,876</u>	<u>2,463,543</u>
INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(186,857)	(123,112)
Proceeds on disposal of tangible fixed assets		213	-
NET USED IN INVESTING ACTIVITIES		<u>(186,644)</u>	<u>(123,112)</u>
FINANCING ACTIVITIES			
Repayment of borrowings		-	(120,000)
Dividends paid		(1,825,000)	(1,823,865)
NET USED IN FINANCING ACTIVITIES		<u>(1,825,000)</u>	<u>(1,943,865)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		143,232	396,566
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	14	434,960	38,394
NET CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>578,192</u>	<u>434,960</u>
Relating to: -			
Bank balances and short term deposits included in cash at bank and in hand		578,192	434,960

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

ACCOUNTING POLICIES

GENERAL INFORMATION

Mitchell North West Limited ("the Company") is a private company limited by shares domiciled and incorporated in England.

The address of the Company's registered office and principal place of business is Stanney Mill Lane, Cheshire Oaks, Chester CH2 4RG.

The Company's principal activities are franchised motor dealers. The nature of the Company's operations is the sale and maintenance of motor vehicles.

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102) and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention.

Monetary amounts in these financial statements are rounded to the nearest whole £1.

GOING CONCERN

In the opinion of the Directors and having taken into account all relevant factors, the Company continues to operate as a "going concern". We continue to enjoy the support of our Bankers in terms of our overdraft facility and our relationships with our Motor Manufacturers continue to be strong. In spite of the uncertainties arising "post-Brexit" we are confident in the continuing success of the business.

FUNCTIONAL AND PRESENTATIONAL CURRENCIES

The financial statements are presented in sterling which is the functional currency of the Company.

TURNOVER

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales.

Sales of motor vehicles, parts and accessories are recognised at the earlier of full payment or delivery to the customer. Service work is recognised at the completion of the agreed work.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

TANGIBLE FIXED ASSETS

Tangible fixed assets are measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of each asset to its estimated residual value on a "straight line" basis over its expected useful life, as follows:-

Land	Nil
Freehold buildings	Over 50 years
Leasehold property	Over the term of the lease
Fixtures, fittings and equipment	Between 3 and 4 years
Computer equipment	3 years
Motor and other	4 years

IMPAIRMENTS OF FIXED ASSETS

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Company estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairment losses are recognised in the statement of comprehensive income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in the statement of comprehensive income. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

STOCKS

Stocks are valued at the lower of cost and estimated selling price, less costs to complete and sell. Cost represents the purchase price of the item, plus any additional costs to bring it to a saleable state.

At each reporting date, the Company assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell, is recognised as an impairment loss in the statement of comprehensive income.

Reversals of impairment losses are also recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

CONSIGNMENT STOCK

New vehicle consignment stocks are included in the financial statements which require the substance of the transaction to take precedence over the legal form. Where the terms of consignment stock agreements are such that the stock meets the definition of an asset of the company then it is recognised in the financial statements. The stocks note in the financial statements quantifies the consignment stocks held at the year end.

TAXATION

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Current and deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

EMPLOYEE BENEFITS

The costs of short-term employee benefits are recognised as a liability and an expense.

The holiday year for Mitchell North West Limited ends at the reporting date and employees are not entitled to carry forward unused holiday.

RETIREMENT BENEFITS

Defined contribution plans

For defined contribution schemes the amount charged to the statement of comprehensive income is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

FINANCIAL INSTRUMENTS

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Trade debtors

Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in the statement of comprehensive income for the excess of the carrying value of the trade debtor over the estimated recoverable amount. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in the statement of comprehensive income.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Trade creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. 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 the year-end stock provision.

2. TURNOVER

An analysis of the Company's turnover by class of business is as follows:

	2017 £	2016 £
Sale of Motor Vehicles / Servicing and Parts	48,235,622	51,329,703
All of the Company's turnover is within the United Kingdom		

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2017 £	2016 £
Interest arising on;		
Bank loans and overdrafts	517	215
Other loans	-	1,000
	<u>517</u>	<u>1,215</u>

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2017 £	2016 £
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	204,584	210,771
Stock (note 9):		
- amounts expensed to cost of sales	44,685,880	46,831,629
- impairment losses recognised in cost of sales (See note 1.)	139,960	122,216
	<u>44,825,844</u>	<u>47,154,616</u>

Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows:

	2017 £	2016 £
Audit services - statutory audit of the company	<u>14,060</u>	<u>13,650</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

5. EMPLOYEES

The average monthly number of persons (including Directors) employed by the Company during the year was:

	2017	2016
Selling and related occupations	91	89
Administration	21	20
Total	112	109

	2017 £	2016 £
Staff costs for the above persons:		
Wages and salaries	2,881,399	2,814,238
Social security costs	287,337	279,476
Pension costs	19,189	18,419
	3,187,925	3,112,133

DIRECTORS

	2017 £	2016 £
In respect of the Directors of Mitchell North West Limited		
Emoluments	46,813	54,733
Company contributions to money purchase pension schemes	2,000	2,000
	48,813	56,733
The number of directors to whom retirement benefits are accruing under money purchase schemes was:	1	1

6. TAXATION

	2017 £	2016 £
Current tax		
UK corporation tax	392,102	636,207
Adjustment in respect of prior year	(20,314)	(4,883)
Total current tax	371,788	631,324
Deferred tax		
Origination and reversal of timing differences	(63,374)	(22,982)
Total deferred tax	(63,374)	(22,982)
Total tax charge	308,414	608,342

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

6. TAXATION (continued)

Factors affecting the tax charge for the year

The tax assessment for the year is higher than the standard rate of corporation tax in the UK.
The differences are explained below:

	2017 £	2016 £
Company profit on ordinary activities before tax	2,023,667	3,000,347
Company profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2016 : 20%).	384,496	600,069
Effects of:		
Expenses that are not deductible in determining taxable profit	3,537	580
Effect of change in corporation tax rate	(35,678)	(13,932)
Other timing differences	(23,586)	26,508
Profit on sale of fixed assets	(41)	-
Adjustment to tax charge in respect of previous year	(20,314)	(4,883)
Tax expense	308,414	608,342

Mitchell North West Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

7. DIVIDENDS

	2017 £	2016 £
Ordinary shares of £1 each:		
Final paid - £10.75 (2016:- £56.00)	315,000	3,320,000
	<u>315,000</u>	<u>3,320,000</u>

M S Mitchell, A L Mitchell and N G Crowden have waived their entitlement to certain dividends during the course of the year.

8. TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £	Leasehold property £	Fixtures, Fittings & Equipment £	Motor / other £	Computers £	Total £
Cost						
At 1 January 2017	4,114,183	100,000	1,109,461	10,901	321,247	5,655,792
Additions			181,117		5,740	186,857
Disposal			(43,462)			(43,462)
At 31 December 2017	<u>4,114,183</u>	<u>100,000</u>	<u>1,247,116</u>	<u>10,901</u>	<u>326,987</u>	<u>5,799,187</u>
Depreciation						
At 1 January 2017	787,002	-	809,265	6,497	315,570	1,918,334
Provided in year	66,735		132,908	1,289	3,652	204,584
Disposal			(43,462)			(43,462)
At 31 December 2017	<u>853,737</u>	<u>-</u>	<u>898,711</u>	<u>7,786</u>	<u>319,222</u>	<u>2,079,456</u>
Net book value						
31 December 2017	<u>3,260,446</u>	<u>100,000</u>	<u>348,405</u>	<u>3,115</u>	<u>7,765</u>	<u>3,719,731</u>
31 December 2016	<u>3,327,181</u>	<u>100,000</u>	<u>300,196</u>	<u>4,404</u>	<u>5,677</u>	<u>3,737,458</u>

Security against land and buildings

The Company has pledged Land and Buildings, having a net book value of £3,260,446 to secure all monies due or to become due to Barclays Bank plc. by way of a fixed charge.

Included in cost of land and buildings is land of £800,000 (2016 - £800,000) which is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

9. STOCKS

	2017 £	2016 £
Stock of goods for resale	6,556,441	6,025,058

The company holds consignment stock which is legally owned by Mazda UK Limited, Lexus (GB) Limited and Škoda UK Limited, on terms that give the company the right to sell the stock in the normal course of business or, at the company's option, to return if unsold. The value of the consignment stock included in stocks and current liabilities at the 31 December 2017 is £1,300,879 (2016 - £1,281,440)

10. DEBTORS

	2017 £	2016 £
Amounts falling due within one year:		
Trade debtors	1,133,033	1,701,998
Other debtors	143,078	234,810
Prepayments and accrued income	218,775	160,505
	<u>1,494,886</u>	<u>2,097,313</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Trade creditors	3,067,480	2,247,376
Consignment creditors	1,300,879	1,281,440
Other taxation and social security costs	382,817	575,863
Corporation tax	142,103	635,943
Other creditors	-	1,510,000
Accruals and deferred income	544,977	470,052
	<u>5,438,256</u>	<u>6,720,674</u>

Debentures dated 26 July 2010 and 14 December 2004 were created by the company for securing all monies due or to become due to Toyota Financial Services (UK) Plc. and Santander Consumer (UK) Plc. The debentures are secured on the freehold property and fixtures of the company with deed of priority in place over each asset of the company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

12. PROVISIONS FOR LIABILITIES

	Deferred Taxation £
1 January 2017	408,758
Utilised in the year / additional provision in year	(63,374)
31 December 2017	<u>345,384</u>

The major deferred tax liabilities and assets recognised by the Company are:

Deferred tax liabilities:	2017 £	2016 £
Accelerated capital allowances	220,004	283,378
Rolled over gain	125,380	125,380
	<u>345,384</u>	<u>408,758</u>

13. SHARE CAPITAL & RESERVES

SHARE CAPITAL

	Ordinary shares of £1 each
	Number
Allotted, issued and fully paid:	
1 January 2017 and 31 December 2017	<u>100,000</u>

Ordinary share rights

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

RESERVES

Reserves of the Company represent the following:

Retained earnings

Cumulative comprehensive income net of distributions to owners

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

14. RECONCILIATION OF PROFIT AFTER TAX TO NET CASH GENERATED FROM OPERATIONS

	2017	2016
	£	£
Profit after tax	1,715,253	2,392,005
Adjustments for:		
Depreciation of tangible fixed assets	204,584	210,771
(Gain)/loss on disposal of tangible fixed assets	(213)	-
Interest payable	517	1,215
Taxation	308,414	608,342
Decrease/(increase) in stock	(531,383)	682,355
Decrease/(increase) in trade and other debtors	602,427	(740,891)
Increase/(decrease) in trade and other creditors	721,412	(405,791)
Cash generated from operations	<u>3,021,011</u>	<u>2,748,006</u>

CASH AND CASH EQUIVALENTS

	2017	2016
	£	£
Cash and cash equivalents represent:-		
Cash at bank	<u>578,192</u>	<u>434,960</u>

15. FINANCIAL INSTRUMENTS

	2017	2016
	£	£
Carry amount of financial assets		
Debt instruments measured at amortised costs	<u>1,276,111</u>	<u>1,936,808</u>
 Carrying amount of financial liabilities		
Measured at amortised costs	<u>4,913,336</u>	<u>5,508,868</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

16. RELATED PARTY TRANSACTIONS

Transactions between the Company and its related parties are disclosed below:

	2017 £	2016 £
Dividends paid to Directors	315,000	3,320,000

The Directors are the shareholders of Company and total dividends received by them during the year were £315,000 (2016 - £3,320,000). M S Mitchell, A L Mitchell and N G Crowden waived their entitlement to certain dividends during the course of the year.

The directors have outstanding loans to the company at the year end of nil. (2016 £1,510,000). The full amount has been repaid during the period.

During the year, the Company also entered into the following transactions with related parties:

The Company made charitable donations of £174,036 during the year (2016 - £218,210) to the ZoomZoom Trust of which M S Mitchell and A L Mitchell are Trustees. A donation of £40,683 (2016 - £51,010) was made to The Captain's Trust of which N G Crowden is a Trustee, and £11,300 (2016 - £14,170) was made to the Auxiliarum Trust of which J Oliver is a Trustee.

17. REMUNERATION OF KEY MANAGEMENT PERSONNEL

The total remuneration of the Directors, who are considered to be the key management personnel of the Company, was £48,813. (2016: £56,733).

18. ULTIMATE CONTROLLING PARTY

The majority shareholders and ultimate controlling parties are Mr M S and Mrs A L Mitchell.