Crystal Motor Group Limited

Report and financial statements

For the year ended 31 December 2016

Company Number 04813767

Crystal Motor Group Limited
Report and financial statements
for the year ended 31 December 2016

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Crystal Motor Group Limited
Officers and professional advisers
for the year ended 31 December 2016

The Board of Directors	D. Gupta M.D. Raban
Company Secretary	S.R. Jones
Registered Office	Airport House The Airport Cambridge CB5 8RY United Kingdom
Banker	Barclays Bank plc 9-11 St. Andrew's Street Cambridge CB2 3AA
Solicitor	Dentons UKMEA LLP The Pinnacle 170 Midsummer Boulevard Milton Keynes MK9 1FE

Crystal Motor Group Limited
Strategic Report
for the year ended 31 December 2016

Review of the business

The activities of the Company continue to consist primarily of vehicle sales, servicing of vehicles and associated activities.

The Company's financial performance is assessed primarily by turnover as disclosed in the primary statements and gross profit.

Following the UK referendum on EU membership in June 2016, the overall UK economy has entered a period of economic uncertainty. This was reflected in a slowing of growth of new car registrations in the second half of 2016, increasing by 1.2% (H1: 3.2%). Despite this, our performance in the second half of the Year strengthened.

Turnover grew to £34,492,000 (2015: £26,631,000). This turnover growth has been in part due to a growing UK vehicle parc (particularly in vehicles aged between 1-3 years old where customers typically return to franchised dealerships for aftersales services) but also due to a number of continuing management initiatives.

Market growth in new vehicle sales continues to be driven by the availability of low interest finance. Personal contract purchase (PCP) with minimal or zero deposit requirements and affordable monthly payments have been instrumental in driving the new retail market.

Key performance indicators

	2015	2014
Turnover (£'000)	34,492	26,631
Gross profit (%)	8.15%	11.37%
Gross profit (£'000)	2,812	3,027

Principal risks and uncertainties

The Company faces a range of risks and uncertainties. Set out below are the principal risks and uncertainties the Directors believe could have the most significant adverse impact on the Company's business. The risks and uncertainties described below are not intended to be an exhaustive list.

Economic conditions
A deterioration in the economic conditions in the UK could result in reduced consumer confidence and spending, reduced demand for products and limitations on the Company's ability to increase or maintain its pricing. In addition, governments may impose taxes and implement other measures to manage the economic conditions in ways that adversely affect the Company's business. Any of the foregoing could have a material adverse effect on the Company's prospects, results of operations and financial condition.

The outcome of the referendum on 23 June 2016 regarding the UK's ongoing membership of the European Union has given rise to a period of economic uncertainty and current industry forecasts are for a decline in the new vehicle market in the UK where the Company operates. In addition, the fall in the value of Sterling since the referendum result has impacted the price of new vehicles which may further impact consumer demand.

A significant number of vehicles are sold with financing and, as such, a deterioration of the economic conditions in the UK or a rise in interest rates could lead to a reduction in such finance offers and increased difficulty for customers to obtain such financing.

Vehicle manufacturers
The Company depends on the successful performance of its vehicle manufacturer partners and its continuing relationships with them. In particular, it relies on the availability of stock finance facilities extended by such manufacturers and other external finance providers. It also benefits from bonuses paid upon meeting sales targets and marketing incentives established by such manufacturers and external finance providers. Manufacturers' performance can be affected by factors such as general economic conditions, disruptions to their business and reputational risks.

The Company's retail business operates through franchise agreements with vehicle manufacturers. These franchise agreements are typically for a length of between two and five years. At any point in time, therefore, the Company will be in the process of renewing such agreements, in common with other franchise businesses and the wider motor industry. Manufacturers may refuse to renew or terminate their franchise agreements with the Company.

Principle risks and uncertainties *(continued)*

Fluctuations in prices in the used car market
The Company's financial performance may be affected by fluctuations in prices in the used car market. Such price fluctuations could impact its retail business as, due to the nature of its operations, the Company maintains a significant inventory of used vehicles.

Funding structure
Liquidity and Credit – One of the Company's main sources of cash flows is debt financing. Although credit availability has recovered from tighter access conditions during the past global credit crunch, a withdrawal of financing facilities or a failure to renew them as they expire could still lead to a significant reduction in the trading ability of the Company or the need to dispose of assets. The other main source of funding for the Company's operations is manufacturers' trade credit, which could also be withdrawn or its conditions tightened. Should such manufacturer trade credit be withdrawn management believe the Company would be able to access alternative sources of funding, however, there can be no guarantee that any alternative sources of funding could be obtained on similar terms, therefore this may have an adverse effect on the Company's financial performance.

Interest rates – Fluctuations in interest rates could increase the cost of borrowing for the Company and have a negative impact on its financial performance.

Operating margins – In line with other businesses in the motor industry, the Company's operating margins may be considered to be low compared to other industries. A significant portion of the Company's operating costs are fixed. These fixed costs need to be carefully controlled in order to ensure the profitability of the Company and the Directors believe they have adequate procedures in place to monitor the Company's on going profitability. Were the Company to experience a downturn in sales, these high fixed costs could put pressure on the Company's financial resources and could have an adverse effect on the Company's business, prospects, results of operations and financial condition.

Regulatory compliance
The Company is subject to a regulatory compliance risk which can arise from a failure to comply fully with the laws, regulations or codes applicable, for example, those set out by the Financial Conduct Authority, Trading Standards, Vehicle Operators and Services Agency (VOSA), local authorities and the manufacturers we represent. Non-compliance can lead to fines, enforced suspension from sales of general insurance products or public reprimand or, in the extreme, closure of parts of the business.

Health and safety
The Company's operations include the maintenance and servicing of motor vehicles which involves both manual work and the use of industrial equipment. The Company must therefore comply with laws and regulations concerning risk assessment, the management and control of health and safety risks, the safety of premises, physical locations, equipment, processes and systems of work. To mitigate the risk of breach, and in addition to its own health and safety assessments, the Company engages third parties to undertake regular inspections of its plant and equipment in accordance with statutory obligations and to assess the safety of the Company's working environments.

Environmental
The Company must comply with environmental laws and regulations concerning emissions, waste and waste waters (including trade effluent), vehicle movements, industrial noise, energy efficiency, the storage of oil and the control of other hazardous substances. Any breach of such laws and regulations could lead to fines, penalties and/or compensation and could lead to the temporary cessation of business activities at the Company's premises. In addition to its own internal assessments, the Company engages third parties to undertake inspections of its premises to assess the risk of breach of environmental laws and regulations.

Competition
The 'block exemption' regulations under EC law suspend normal competition rules to allow motor manufacturers and distributors to operate specialised distribution and repair outlets. Any significant change to this position (including any changes which may occur as a result of the UK ceasing to be a member of the European Union) could have an adverse impact on the Company's motor franchise operations.

Principle risks and uncertainties *(continued)*

Information risk

The Company is dependent on the efficient and uninterrupted operation of its information technology and computer systems, which are vulnerable to damage or interruption from power loss, telecommunications failures, sabotage, vandalism or similar misconduct. Whilst the Company has put in place insurance cover, and also contingency and disaster recovery plans, in order to mitigate the impact of such failures, it can never be certain that these plans could cover every eventuality or situation or fully recompense every loss.

Cyber security

Whilst the Company does not complete vehicle sales to customers via the internet or its websites, it does utilise the internet and its websites significantly in the marketing of its products and services, particularly used cars. In common with other businesses, the Company is therefore at risk of 'denial of service' attacks on its websites which could impact the Company's trading performance if its websites are affected for a prolonged period. In addition, the Company stores certain customer information electronically and therefore faces risks associated with unauthorised access to that data which could have reputational and/or regulatory consequences for the Company. The Company monitors its security policies and processes in order to mitigate (but cannot eliminate) the risks associated with cyber security.

Staff retention

The Company relies on a number of key employees, both in its management and its operations, with specialised skills and extensive experience in their respective fields. Any failure by the Company to recruit, replace, retain or motivate suitably qualified and experienced employees could impact its growth or its sales performance, increase its wage costs and adversely affect its business, results of operations and financial condition.

Approval

This Strategic Report was approved by order of the board on 27 April 2017.

S.R. Jones
Company Secretary

Crystal Motor Group Limited
Directors' Report
for the year ended 31 December 2016

Directors

The Directors of the Company throughout the year were:

D. Gupta
M.D. Raban

Results and dividends

The loss for the year, after tax, amounted to £791,000 (2015: £470,000). No dividends have been paid during the year (2015: £nil)

Going concern

The Company's balance sheet at 31 December 2016 shows a net current liability position, an overdraft and is loss making. However, this position is being funded through the Company's treasury arrangement with other Marshall Motor Holdings plc group companies which enables the Company to meet its liabilities as they fall due. The Company has received a letter of support from its parent company.

On the basis of their assessment of the Company's financial position, including the Company's current dependence on the treasury function managed by Marshall Motor Holdings plc, the Directors have reasonable expectations that the Company will be able to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Events since the balance sheet date

There are no material post balance sheet events that have been identified.

Future developments

The Company is owned by Marshall Motor Holdings plc ("the Group").

The Group's strategic vision is to be regarded as the UK's premiere automotive retail and leasing group. The Group will continue to focus on achieving this goal through:

- the performance optimisation of the business
- offering outstanding customer service
- demonstrating retailing excellence
- building strong relations with our brand partners and key suppliers, and

by being a great place to work.

Employment of disabled persons

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement

During the year, the policy of providing employees with information about the Company has been continued through the newsletter 'Marshall Matters', team briefings and through our global email network. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Approval

This Directors' Report was approved by order of the board on 27 April 2017.

S.R. Jones
Company Secretary

Crystal Motor Group Limited
Statement of Directors' Responsibilities
For the year ended 31 December 2016

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Company 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 its profit or loss for that year.

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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Crystal Motor Group Limited
Income Statement
for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Turnover	4	34,492	26,631
Cost of sales		(31,680)	(23,604)
Gross profit		2,812	3,027
Administrative expenses		(3,756)	(3,576)
Operating loss		(944)	(549)
Interest payable and similar charges	7	(45)	(19)
Loss on ordinary activities before taxation	5	(989)	(568)
Tax on loss on ordinary activities	8	198	98
Loss for the financial year		**(791)**	**(470)**

All of the activities of the Company are classed as continuing.

Crystal Motor Group Limited
Statement of Comprehensive Income
for the year ended 31 December 2016

	2016 £'000	2015 £'000
Loss for the financial year	(791)	(470)
Deferred tax	-	1
Other comprehensive income for the year	-	1
Total comprehensive expense for the year	**(791)**	**(469)**

The notes on pages 12 to 20 form part of these financial statements.

Crystal Motor Group Limited
Statement of Financial Position
as at 31 December 2016

	Note	£'000	2016 £'000	£'000	2015 £'000
Fixed assets					
Tangible assets	9		841		852
Current assets					
Inventories	10	6,311		5,728	
Debtors	11	785		731	
Cash at bank and in hand		2		2	
		7,098		6,461	
Creditors: Amounts falling due within one year	12	(7,648)		(6,230)	
Net current (liabilities)/assets			(550)		231
Total assets less current liabilities			291		1,083
Creditors: Amounts falling due after more than one year	13		(13)		(11)
Provision for liabilities - deferred tax	15		(48)		(51)
Net assets			**230**		**1,021**
Capital and reserves					
Called-up share capital	17		250		250
Revaluation reserve			164		164
Profit and loss account			(184)		607
Shareholders' funds			**230**		**1,021**

For the year ended 31 December 2016 the Company was entitled to exemption under section 479A of the Companies Act 2006. No members have required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006. The Directors acknowledge their responsibility for complying with the requirements of the Companies Act 2006 with respect to accounting records and for the preparation of accounts.

The financial statements were approved by the Board of Directors and authorised for issue on 27 April 2017.

M D Rh

M.D. Raban
Director

Company Number: 04813767

Crystal Motor Group Limited
Statement of Changes in Equity
for the year ended 31 December 2016

	Called up share capital £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2015	250	164	1,076	1,490
Loss for the financial year	-	-	(470)	(470)
Other comprehensive income	-	-	1	1
Total comprehensive expense for the year	-	-	(469)	(469)
At 31 December 2015	**250**	**164**	**607**	**1,021**
Loss for the financial year	-	-	(791)	(791)
Total comprehensive expense for the year	-	-	(791)	(791)
At 31 December 2016	**250**	**164**	**(184)**	**230**

1. Basis of preparation

Crystal Motor Group Limited (company number: 04813767) is a private limited liability company incorporated in England and Wales. The registered office is Airport House, The Airport, Newmarket Road, Cambridge, CB5 8RY. The financial statements have been prepared in compliance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The financial statements of Crystal Motor Group Limited were authorised for issue by the Board of Directors on 27 April 2017.

The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000.

The Company accounts have also adopted the following disclosure exemptions:
- Presentation of a cash-flow statement and related notes
- Financial instrument-related disclosures
- Key management personnel compensation disclosures
- Related party disclosures with wholly owned subsidiaries within the Group.

These exemptions have been applied as the Company is a qualifying entity and the shareholders of the Company have been notified in writing and no objection has been made to the use of the exemptions. The name of the parent company where Crystal Motor Group Limited is consolidated is Marshall Motor Holdings plc and copies of the group financial statements are available from Airport House, The Airport, Newmarket Road, Cambridge, CB5 8RY.

The Company has taken the exemption from an audit for the year ended 31 December 2016 by virtue of s479A of the Companies Act 2006. In order to allow the Company to take the audit exemption, the parent company Marshall Motor Holdings plc has given a statutory guarantee of all the outstanding liabilities of the Company as at 31 December 2016.

Under section 479C of the Companies Act 2006, the parent company Marshall Motor Holdings plc has guaranteed all outstanding liabilities to which the Company was subject at the end of 31 December 2016 until they are satisfied in full. Such guarantees are enforceable against Marshall Motor Holdings plc by any person to whom any such liability is due.

Going concern

The Company's balance sheet at 31 December 2016 shows a net current liability position, an overdraft and is loss making. However, this position is being funded through the Company's treasury arrangement with other Marshall Motor Holdings plc group companies which enables the Company to meet its liabilities as they fall due. The Company has received a letter of support from its parent company.

On the basis of their assessment of the Company's financial position, including the Company's current dependence on the treasury function managed by Marshall Motor Holdings plc, the Directors have reasonable expectations that the Company will be able to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

2. Accounting policies

Turnover

Turnover is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Turnover is measured at the fair value of the consideration received, excluding value added tax. The following criteria must also be met before revenue is recognised:

Sale of goods
Turnover in respect of new and used vehicle sales is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually when a customer takes possession of a vehicle, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or expected to be incurred in respect of the transaction can be measured reliably.

Rendering of services
Turnover in respect of other services is recognised once the service has been provided and relates to aftersales services.

Accounting policies *(continued)*

Tangible assets

Tangible fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Estimated residual values are included in the calculation of depreciation. The useful lives applicable are:

Freehold buildings	- 50 years
Leasehold land and buildings	- over the life of the lease
Plant and machinery (including fixtures and fittings, motor vehicles and computer equipment)	- 3-4 years

The freehold land and buildings were revalued to fair value of £650,000 as at 31 December 2013 (the date of transition) and this value has been used as deemed cost at that date. Depreciation has been provided on these assets from 1 January 2014.

Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the profit and loss account for the year.

If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account for the year.

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell, after making due allowance for obsolete and slow moving items.

Inventories held on consignment are recognised on the balance sheet when the terms of a consignment agreement and commercial practice indicate that the principal benefit of owning the inventory (the ability to sell it) and principal risks of ownership (inventory holding cost, responsibility for safe-keeping and some risk of obsolescence) rest with the Company.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Accounting policies *(continued)*

Leasing – as lessee

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease. Lease incentives are recognised over the lease term on a straight line basis.

Pensions

The Company operates a defined contribution scheme for its employees. Contributions are charged to the income statement as they become payable in accordance with the rules of the scheme.

Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

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

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is calculated without discounting using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition in a business combination, the tax expense (income) is presented either in the income statement, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the Company has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

3. Significant judgements and estimates

The Company makes judgements and estimates concerning the future. The judgements and estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

Estimated useful life of property, plant and equipment and impairment testing

The Company estimates the useful life and residual values of intangible assets, property, plant and equipment and reviews these estimates at each financial year end. The Company also tests for impairment when a trigger event occurs or annually as appropriate.

Operating lease commitments

The Company occupies a variety of commercial buildings as a lessee and therefore obtains the use of property, plant and equipment. The classification of such leases as operating or finance lease requires the Group to determine, based on an evaluation of the terms and conditions of the arrangements, whether the lease transfers the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

Significant judgements and estimates *(continued)*

Inventory valuation

Motor vehicle inventories are stated at the lower of cost and net realisable value (fair value less costs to sell). Fair values are assessed using reputable industry valuation data which is based upon recent industry activity and forecasts. Whilst this data is deemed representative of current value it is possible that ultimate sales values can vary from those applied.

Tax

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. Judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing or level of future taxable income.

4. Turnover

Turnover is all attributable to the principal activity of the Company, which is car and commercial vehicle sales, distribution and service. All turnover arises from continuing activities within the United Kingdom and is stated net of VAT.

Turnover is analysed as follows.

	2016 £'000	2015 £'000
Sale of goods - vehicle sales	33,466	25,662
Rendering of services - aftersales	1,026	969
	34,492	**26,631**

5. Loss before tax

This is arrived at after charging:

	2016 £'000	2015 £'000
Depreciation of tangible fixed assets	51	45
Operating leases	205	149
Auditor's remuneration - audit of the financial statements	-	6

6. Staff costs

Staff costs consist of:

	2016 £'000	2015 £'000
Wages and salaries	1,685	1,684
Social security costs	175	125
Other pension costs	27	20
	1,887	**1,829**

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

	2016 No.	2015 No.
Administration	12	9
Sales and aftersales	55	52
	67	**61**

The costs of Directors' services are borne by Marshall Motor Holdings plc.

7. Interest payable and similar charges

	2016 £'000	2015 £'000
Inventory financing charges	45	19

8. Tax

a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	£'000	2016 £'000	£'000	2015 £'000
UK corporation tax				
Current tax on losses for the year		(195)		(110)
Adjustment in respect of previous periods		-		(33)
Total current tax		(195)		(143)
Deferred tax				
Origination and reversal of timing differences	2		2	
Prior year adjustments	-		42	
Effect of change in tax rates	(5)		1	
Total deferred tax		(3)		45
Taxation on loss on ordinary activities		**(198)**		**(98)**

b) Factors affecting the total tax charge

The tax assessed for the year is the same as the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2016 £'000	2015 £'000
Loss on ordinary activities before tax	(989)	(568)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 20.0% (2015 - 20.25%)	(198)	(115)
Effects of:		
Expenses not deductible for tax purposes	5	7
Adjustments in respect of previous periods	-	9
Effect of change in tax rates	(5)	1
Total tax credit for the period	**(198)**	**(98)**

c) Factors that may affect future tax charges

The applicable tax rate for the current year is 20% (2015: 20.25%) following the reduction in the main rate of UK corporation tax from 21% to 20% with effect from 1 April 2015.

A reduction to the corporation tax rate to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2016 and a further reduction to 17% (effective from 1 April 2020) was substantively enacted on 9 September 2016.

This will reduce the Company's future current tax charge accordingly and reduce the deferred tax asset at 31 December 2016 (which has been calculated based on the expected long term rate of 17% substantively enacted at the balance sheet date).

For further information on deferred tax balances see note 15.

9. Tangible fixed assets

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 January 2016	650	191	633	1,474
Additions	1	-	40	41
Disposals	-	-	(377)	(377)
At 31 December 2016	651	191	296	1,138
Depreciation				
At 1 January 2016	10	78	534	622
Charge for the year	8	7	36	51
On disposals	-	-	(376)	(376)
At 31 December 2016	18	85	194	297
Net book value				
At 31 December 2016	633	106	102	841
At 31 December 2015	**640**	**113**	**99**	**852**

If freehold land & buildings had not been revalued they would have been included at the following historical cost:

	2016 £'000	2015 £'000
Historic cost	700	700
Cumulative depreciation based on historical cost	(127)	(113)
Historic net book value	**573**	**587**

10. Inventories

	2016 £'000	2015 £'000
Work in progress	2	4
Finished goods	6,309	5,724
	6,311	**5,728**

The replacement cost of inventories is not significantly different from the value included in the balance sheet.

Inventory recognised in cost of sales during the year as an expense was £30,882,000 (2015: £22,586,000).

At 31 December 2016 the Company held new cars on consignment from manufacturers of £2,021,000 (2015 - £1,677,000) which are included in finished goods. All of these vehicles have a right of return to the manufacturer which is rarely executed. No deposit has been paid for these vehicles, and the terms of consignment vary by manufacturer and are between 90 days and 1 year.

11. Debtors

	2016 £'000	2015 £'000
Trade debtors	430	444
Amounts owed by Group undertakings	271	112
Other debtors	71	99
Prepayments and accrued income	13	76
	785	**731**

12. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Bank overdrafts	3,713	2,305
Trade creditors		
- Vehicle financing arrangements	2,021	1,742
- Other trade creditors	531	801
Amounts owed to Group undertakings	884	927
Corporation tax	1	1
Taxation and social security	315	284
Other creditors	4	47
Accruals and deferred income	179	123
	7,648	**6,230**

The Company finances the purchase of new and used vehicle inventories using vehicle funding facilities provided by various lenders including the captive finance companies associated with brand partners. These finance arrangements generally have a maturity of 90 days or less and the Company is normally required to repay amounts outstanding on the earlier of the sale of the vehicles that have been funded under the facilities or the stated maturity date.

Amounts due to finance companies in respect of vehicle funding are included within trade payables and disclosed under vehicle financing arrangements.

Vehicle financing facilities are subject to LIBOR-based (or similar) interest rates. The interest incurred under these arrangements is included within finance costs and classified as inventory financing charges.

Management considers the carrying amount of trade and other payables to approximate to their fair value.

13. Creditors: amounts falling due after more than one year

	2016 £'000	2015 £'000
Long term accruals	13	11

Long term accruals relate to service plan payments.

14. Leasing commitments

The Company's future minimum operating lease payments are as follows:

	2016 £'000	2015 £'000
Within one year	166	157
Between one and five years	380	628
In more than five years	443	781
	989	**1,566**

15. Provision for liabilities - deferred taxation

	2016 £'000	2015 £'000
At 1 January	51	7
Changes in provision	(3)	44
At 31 December	**48**	**51**

The provision for deferred tax consists of the tax effect of timing differences in respect of:

	2016 £'000	2015 £'000
Excess of depreciation over capital allowances on fixed assets	22	21
Other timing differences	26	30
Total deferred taxation	**48**	**51**

The amount of the net reversal of deferred tax expected to occur next year is £2,000 (2015: £2,000), relating to the reversal of existing timing differences on tangible fixed assets.

16. Pensions

As described in note 2 the Company participates in a pension scheme which is operated by Marshall of Cambridge (Holdings) Limited for the benefit of its employees which is a defined contribution scheme. The scheme is funded by the payment of contributions to a trustee administered fund which is kept independently from the assets of Marshall of Cambridge (Holdings) Limited.

The total pension cost for the year for the Company in respect of defined contribution schemes was £23,000 (2015- £20,000).

The total unpaid pension contributions outstanding at the year-end were £2,000 (2015: £nil).

17. Share capital

	2016 £'000	2015 2015
Allotted, called up and fully paid:		
250,000 ordinary shares of £1 each	250	250

18. Reserves

Called-up share capital – represents the nominal value of shares that have been issued.

Revaluation reserve – used to record increase in the fair value of land & buildings and decreases to the extent that such decrease relates to an increase on the same asset. These amounts are not distributable to shareholders as dividends as the gains are not realised.

Profit and loss account – includes all current and prior period profits and losses.

19. Transactions with related parties

	Sales to	Purchases from	Year-end balance
2016	**£'000**	**£'000**	**£'000**
Other related parties			
Marshall of Ipswich Limited	-	-	-
Marshall Thermo King Limited	-	-	-
	-	-	-
2015			
Other related parties			
Marshall of Ipswich Limited	-	5	-
Marshall Thermo King Limited	-	3	(3)
	-	**8**	**(3)**

Outstanding balances with Group entities are unsecured, interest free and are expected to be settled in cash. During the year ended 31 December 2016, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2015: nil)

The parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member is Marshall of Cambridge (Holdings) Limited and is therefore considered to be the ultimate parent company. The parent company of the smallest such group is Marshall Motor Holdings plc and this is also the immediate parent undertaking.

Copies of the Group financial statements can be obtained from Marshall of Cambridge (Holdings) Limited, Airport House, The Airport, Cambridge, CB5 8RY.