

Registration number: 06978507

S and M Tyres Holdings Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 January 2018

GBJ LLP
Statutory Auditor
Sterling House
27 Hatchlands Road
Redhill
Surrey
RH1 6RW



S and M Tyres Holdings Limited

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S and M Tyres Holdings Limited

Strategic Report for the Year Ended 31 January 2018

The directors present their strategic report for the year ended 31 January 2018.

Principal activity

The principal activity of the group is selling tyres; we sell to the public and local businesses through fourteen fast-fit centres that trade as Elite Garages. We wholesale tyres to the motor trade across southern England as EG Wholesale. In addition we operate eight petrol stations in West Sussex, Surrey, Hampshire and Cornwall.

Fair review of the business

We consider the key financial performance indicators are those that communicate the financial performance and strength of the company as a whole being turnover and gross margin.

The products that we deal in are closely related to the price of oil and the exchange rate of the dollar, these factors along with interest rates and the effect of our competitors are the major risks and uncertainties we face.

The petrol forecourts saw a decrease in fuel volume of 1.2% however the value increase was 3.95%. There was an increase in shop turnover of 2.2% partly attributable to the popularity of the Post Offices we have added in three of our branches, overall the forecourt operation showed a 3.67% increase in turnover. Gross margin rose by 2.4%. If the opportunities arise we hope to add further Post Offices to our forecourts in the future.

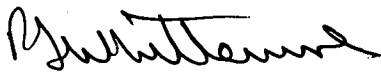
The tyre based side of our operation had a difficult year. In terms of the figures, both the retail and wholesale businesses supplied virtually the same quantity of goods as last year. The value increases shown through the year reflected the large increases in the cost of raw materials. Retail saw a value increase in turnover of 6.4% and wholesale 15.1%. The gross profit for the year decreased by 8.5%. During the year we finished moving all of our head office functions into our site at Partridge Green and there have been many organisational changes made that will result in an improved performance in the next financial year.

Our total turnover for the year increased to £45.2m (2017 - £44.1m) an increase of 2.7% and our gross profit decreased to £4.1m (2017 - £4.2m) a 4.0% fall.

Principal risks and uncertainties

The risks and uncertainties in our business are affected by international exchange rates, commodity prices and general business confidence. Changes in the level of competition from other tyre sellers and petrol retailers will also have a bearing.

Approved by the Board on 25 October 2018 and signed on its behalf by:



.....
R J Whittemore
Company secretary and director

S and M Tyres Holdings Limited

Directors' Report for the Year Ended 31 January 2018

The directors present their report and the for the year ended 31 January 2018.

Directors of the group

The directors who held office during the year were as follows:

R J Whittemore - Company secretary and director

M P Whittemore

S D Whittemore

Financial instruments

Objectives and policies

The group does not actively use financial instruments as part of its financial risk management. The group's policy is to finance working capital through the use of loan advances. The group is exposed to the usual credit and cash flow risk associated with selling on credit. The Directors do not consider any other risks attaching to the use of financial instruments to be material to an assessment of the group's financial position or results for the year.

Price risk, credit risk, liquidity risk and cash flow risk

The business' principal financial instruments comprise bank balances, trade debtors, trade creditors and loans to the business. The main purpose of the instruments is to finance the business' operations.

In respect of bank balances, the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility by management of credit facilities.

Trade debtors are managed in respect of credit and cash flow risk by the regular monitoring of amounts outstanding for both time and credit limits. The amounts presented in the balance sheet are net of allowances for doubtful debtors.


It is the group's policy to ensure settlement of supplier invoices in accordance with the stated terms.

The business manages the liquidity risk by ensuring that there are sufficient funds available for operations.

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved by the Board on 25 October 2018 and signed on its behalf by:



.....
R J Whittemore

Company secretary and director

S and M Tyres Holdings Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual 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 or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

S and M Tyres Holdings Limited

Independent Auditor's Report to the Members of S and M Tyres Holdings Limited

Opinion

We have audited the financial statements of S and M Tyres Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 January 2018, which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated 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 Financial Reporting Standard 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 group's and the parent company's affairs as at 31 January 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group 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 group's or the parent 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 directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

S and M Tyres Holdings Limited

Independent Auditor's Report to the Members of S and M Tyres Holdings Limited

Opinion on other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the group and the parent 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 where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities [set out on page 3], 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 group's and the parent 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 group or the parent 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

S and M Tyres Holdings Limited

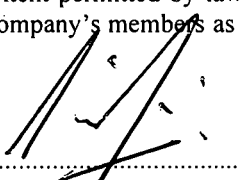
Independent Auditor's Report to the Members of S and M Tyres Holdings Limited

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



.....
Nigel Green (Senior Statutory Auditor)
For and on behalf of GBJ LLP, Statutory Auditor

Sterling House
27 Hatchlands Road
Redhill
Surrey
RH1 6RW

25 October 2018

S and M Tyres Holdings Limited

Consolidated Profit and Loss Account for the Year Ended 31 January 2018

| | Note | 2018 £ | 2017 £ |
|--|------|---------------------|---------------------|
| Turnover | 3 | 45,288,212 | 44,113,302 |
| Cost of sales | | <u>(41,176,617)</u> | <u>(39,831,291)</u> |
| Gross profit | | 4,111,595 | 4,282,011 |
| Administrative expenses | | (3,554,606) | (3,406,057) |
| Other operating income | | <u>261,038</u> | <u>234,867</u> |
| Operating profit | 4 | 818,027 | 1,110,821 |
| Income from other fixed asset investments | | 246,395 | 158,396 |
| Other interest receivable and similar income | 5 | 86 | 162 |
| Interest payable and similar expenses | 6 | <u>(61,106)</u> | <u>(51,761)</u> |
| Profit before tax | | 1,003,402 | 1,217,618 |
| Taxation | 10 | <u>(184,138)</u> | <u>(241,438)</u> |
| Profit for the financial year | | <u>819,264</u> | <u>976,180</u> |
| Profit/(loss) attributable to: | | | |
| Owners of the company | | <u>819,264</u> | <u>976,180</u> |

The above results were derived from continuing operations.

The group has no recognised gains or losses for the year other than the results above.

S and M Tyres Holdings Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 January 2018

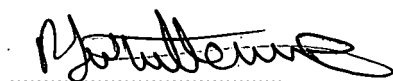
| | 2018 | 2017 |
|--|-----------------------|-----------------------|
| | £ | £ |
| Profit for the year | <u>819,264</u> | <u>976,180</u> |
| Total comprehensive income for the year | <u><u>819,264</u></u> | <u><u>976,180</u></u> |
| Total comprehensive income attributable to: | | |
| Owners of the company | <u><u>819,264</u></u> | <u><u>976,180</u></u> |

The notes on pages 14 to 29 form an integral part of these financial statements.

S and M Tyres Holdings Limited
(Registration number: 06978507)
Consolidated Balance Sheet as at 31 January 2018

| | Note | 2018 £ | 2017 £ |
|--|------|--------------------|--------------------|
| Fixed assets | | | |
| Tangible assets | 12 | 10,060,391 | 9,336,259 |
| Investment property | 13 | 583,232 | 583,232 |
| Investments | | 787,482 | 541,087 |
| Other financial assets | 15 | 8,239 | 8,239 |
| | | <u>11,439,344</u> | <u>10,468,817</u> |
| Current assets | | | |
| Stocks | 16 | 2,688,971 | 2,603,821 |
| Debtors | 17 | 3,488,313 | 4,365,238 |
| Cash at bank and in hand | | 4,300 | 4,350 |
| | | <u>6,181,584</u> | <u>6,973,409</u> |
| Creditors: Amounts falling due within one year | 19 | <u>(8,921,066)</u> | <u>(8,911,432)</u> |
| Net current liabilities | | <u>(2,739,482)</u> | <u>(1,938,023)</u> |
| Total assets less current liabilities | | 8,699,862 | 8,530,794 |
| Creditors: Amounts falling due after more than one year | 19 | (2,406,168) | (2,647,392) |
| Provisions for liabilities | 20 | <u>(123,818)</u> | <u>(125,805)</u> |
| Net assets | | <u>6,169,876</u> | <u>5,757,597</u> |
| Capital and reserves | | | |
| Called up share capital | 22 | 100 | 100 |
| Profit and loss account | | <u>6,169,776</u> | <u>5,757,497</u> |
| Equity attributable to owners of the company | | <u>6,169,876</u> | <u>5,757,597</u> |
| Total equity | | <u>6,169,876</u> | <u>5,757,597</u> |

Approved and authorised by the Board on 25 October 2018 and signed on its behalf by:



R J Whittemore

Company secretary and director

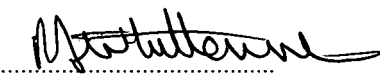
The notes on pages 14 to 29 form an integral part of these financial statements.

S and M Tyres Holdings Limited
(Registration number: 06978507)
Balance Sheet as at 31 January 2018

| | Note | 2018 £ | 2017 £ |
|---|------|--------------------|--------------------|
| Fixed assets | | | |
| Tangible assets | 12 | 8,681,734 | 7,810,698 |
| Investment property | 13 | 583,232 | 583,232 |
| Investments | 14 | <u>316,767</u> | <u>316,767</u> |
| | | 9,581,733 | 8,710,697 |
| Creditors: Amounts falling due within one year | 19 | <u>(5,882,951)</u> | <u>(5,190,197)</u> |
| Net assets | | <u>3,698,782</u> | <u>3,520,500</u> |
| Capital and reserves | | | |
| Called up share capital | | 100 | 100 |
| Profit and loss account | | <u>3,698,682</u> | <u>3,520,400</u> |
| Total equity | | <u>3,698,782</u> | <u>3,520,500</u> |

The company made a profit after tax for the financial year of £585,267 (2017 - profit of £825,897).

Approved and authorised by the Board on 25 October 2018 and signed on its behalf by:



 R J Whittemore
 Company secretary and director

S and M Tyres Holdings Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 January 2018 Equity attributable to the parent company

| | Share capital £ | Profit and loss account £ | Total £ | Total equity £ |
|----------------------------|--------------------|---------------------------------|------------|-------------------|
| At 1 February 2017 | 100 | 5,757,497 | 5,757,597 | 5,757,597 |
| Profit for the year | - | 819,264 | 819,264 | 819,264 |
| Total comprehensive income | - | 819,264 | 819,264 | 819,264 |
| Dividends | - | (406,985) | (406,985) | (406,985) |
| At 31 January 2018 | 100 | 6,169,776 | 6,169,876 | 6,169,876 |

| | Share capital £ | Profit and loss account £ | Total £ | Total equity £ |
|----------------------------|--------------------|---------------------------------|------------|-------------------|
| At 1 February 2016 | 100 | 5,452,739 | 5,452,839 | 5,452,839 |
| Profit for the year | - | 976,180 | 976,180 | 976,180 |
| Total comprehensive income | - | 976,180 | 976,180 | 976,180 |
| Dividends | - | (671,422) | (671,422) | (671,422) |
| At 31 January 2017 | 100 | 5,757,497 | 5,757,597 | 5,757,597 |

The notes on pages 14 to 29 form an integral part of these financial statements.

S and M Tyres Holdings Limited

Statement of Changes in Equity for the Year Ended 31 January 2018

| | Share capital £ | Profit and loss account £ | Total £ |
|----------------------------|--------------------|---------------------------------|------------|
| At 1 February 2017 | 100 | 3,520,400 | 3,520,500 |
| Profit for the year | - | 585,267 | 585,267 |
| Total comprehensive income | - | 585,267 | 585,267 |
| Dividends | - | (406,985) | (406,985) |
| At 31 January 2018 | 100 | 3,698,682 | 3,698,782 |

| | Share capital £ | Profit and loss account £ | Total £ |
|----------------------------|--------------------|---------------------------------|------------|
| At 1 February 2016 | 100 | 3,365,925 | 3,366,025 |
| Profit for the year | - | 825,897 | 825,897 |
| Total comprehensive income | - | 825,897 | 825,897 |
| Dividends | - | (671,422) | (671,422) |
| At 31 January 2017 | 100 | 3,520,400 | 3,520,500 |

The notes on pages 14 to 29 form an integral part of these financial statements.

S and M Tyres Holdings Limited

Consolidated Statement of Cash Flows for the Year Ended 31 January 2018

| | Note | 2018 £ | 2017 £ |
|--|------|--------------------|--------------------|
| Cash flows from operating activities | | | |
| Profit for the year | | 819,264 | 976,180 |
| Adjustments to cash flows from non-cash items | | | |
| Depreciation and amortisation | 4 | 391,898 | 385,909 |
| Finance income | | (246,481) | (158,558) |
| Finance costs | 6 | 61,106 | 51,761 |
| Income tax expense | 10 | 184,138 | 241,438 |
| | | <u>1,209,925</u> | <u>1,496,730</u> |
| Working capital adjustments | | | |
| Increase in stocks | 16 | (85,150) | (609,010) |
| Decrease/(increase) in trade debtors | 17 | 876,925 | (1,962,886) |
| Increase in trade creditors | 19 | 124,227 | 1,753,123 |
| Cash generated from operations | | 2,125,927 | 677,957 |
| Income taxes paid | 10 | (190,050) | (227,328) |
| Net cash flow from operating activities | | <u>1,935,877</u> | <u>450,629</u> |
| Other asset movement | | | |
| Interest received | | 86 | 162 |
| Acquisitions of tangible assets | | (1,153,561) | (936,246) |
| Sale of tangible assets | | 24,703 | 54,081 |
| Other movement | | (13,464) | 13,630 |
| Net cash flows from investing activities | | <u>(1,142,236)</u> | <u>(868,373)</u> |
| Cash flows from financing activities | | | |
| Interest paid | 6 | (61,106) | (51,761) |
| Proceeds from bank borrowing draw downs | | - | 904,500 |
| Repayment of bank borrowing | | (190,510) | (240,000) |
| Dividends paid | | (406,985) | (671,422) |
| Net cash flows from financing activities | | <u>(658,601)</u> | <u>(58,683)</u> |
| Net increase/(decrease) in cash and cash equivalents | | 135,040 | (476,427) |
| Cash and cash equivalents at 1 February | | <u>(1,250,985)</u> | <u>(774,558)</u> |
| Cash and cash equivalents at 31 January | | <u>(1,115,945)</u> | <u>(1,250,985)</u> |

The notes on pages 14 to 29 form an integral part of these financial statements.

S and M Tyres Holdings Limited

Notes to the Financial Statements for the Year Ended 31 January 2018

1 General information

The company is a private company limited by share capital, incorporated in the United Kingdom.

The address of its registered office is:
EG Wholesale, Elite House Star Road
Partridge Green
Horsham
West Sussex
RH13 8RA

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The presentation currency is sterling.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 January 2018.

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £585,267, (2017 - £825,897).

S and M Tyres Holdings Limited

Notes to the Financial Statements for the Year Ended 31 January 2018

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Profit and Loss Account from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

An entity is treated as a joint venture where the group is party to a contractual agreement with one or more parties from outside the group to undertake an economic activity that is subject to joint control.

In the consolidated accounts joint ventures are accounted for using the equity method.

Going concern

The financial statements have been prepared on a going concern basis.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Group's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts.

The Group recognises revenue when:

The amount of revenue can be reliably measured;
it is probable that future economic benefits will flow to the entity;
and specific criteria have been met for each of the Group's activities.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

S and M Tyres Holdings Limited

Notes to the Financial Statements for the Year Ended 31 January 2018

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the consolidated financial statements.

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

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, as follows:

| Asset class | Depreciation method and rate |
|---------------------|--|
| Freehold property | Straight line over fifty years |
| Leasehold property | Straight line over the life of the lease |
| Plant and machinery | 25% reducing balance basis |
| Motor vehicles | 25% reducing balance basis |

Investment property

Investment property is carried at fair value, derived from the current market prices for comparable real estate determined annually by the directors. The directors use observable market prices, adjusted if necessary for any difference in the nature, location or condition of the specific asset. Changes in fair value are recognised in profit or loss.

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised over its useful life, which shall not exceed ten years if a reliable estimate of the useful life cannot be made.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

| Asset class | Amortisation method and rate |
|--------------------|-------------------------------------|
| Goodwill | 100% in year of acquisition |

Investments

Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Inventories

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method for fuel stock. Tyre stock is valued using the average cost method.

At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

S and M Tyres Holdings Limited

Notes to the Financial Statements for the Year Ended 31 January 2018

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

3 Revenue

The analysis of the group's revenue for the year from continuing operations is as follows:

| | 2018 £ | 2017 £ |
|----------------------------|-------------------|-------------------|
| Sale of goods and services | 41,646,299 | 40,420,519 |
| Rendering of services | 3,641,913 | 3,692,783 |
| | <u>45,288,212</u> | <u>44,113,302</u> |

4 Operating profit

Arrived at after charging/(crediting)

| | 2018 £ | 2017 £ |
|----------------------|----------------|----------------|
| Depreciation expense | <u>391,898</u> | <u>385,909</u> |

5 Other interest receivable and similar income

| | 2018 £ | 2017 £ |
|----------------------------------|-----------|------------|
| Interest income on bank deposits | 36 | 77 |
| Other finance income | 50 | 85 |
| | <u>86</u> | <u>162</u> |

S and M Tyres Holdings Limited

Notes to the Financial Statements for the Year Ended 31 January 2018

6 Interest payable and similar expenses

| | 2018 £ | 2017 £ |
|---|---------------|---------------|
| Interest on bank overdrafts and borrowings | 2,894 | 1,869 |
| Interest expense on other finance liabilities | 58,212 | 49,892 |
| | <u>61,106</u> | <u>51,761</u> |

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

| | 2018 £ | 2017 £ |
|--|------------------|------------------|
| Wages and salaries | 4,942,649 | 4,802,832 |
| Social security costs | 382,935 | 369,308 |
| Pension costs, defined contribution scheme | 71,294 | 74,614 |
| Other employee expense | 25,536 | 31,043 |
| | <u>5,422,414</u> | <u>5,277,797</u> |

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

| | 2018 No. | 2017 No. |
|----------------------------|-------------|-------------|
| Production | 227 | 221 |
| Administration and support | 12 | 13 |
| Other departments | 3 | 3 |
| | <u>242</u> | <u>237</u> |

8 Directors' remuneration

The directors' remuneration for the year was as follows:

| | 2018 £ | 2017 £ |
|--------------|---------------|---------------|
| Remuneration | <u>43,609</u> | <u>32,104</u> |

S and M Tyres Holdings Limited

Notes to the Financial Statements for the Year Ended 31 January 2018

9 Auditors' remuneration

| | 2018 £ | 2017 £ |
|--|---------------|---------------|
| Audit of these financial statements | 1,250 | 1,100 |
| Audit of the financial statements of subsidiaries of the company pursuant to legislation | 14,100 | 14,100 |
| | <u>15,350</u> | <u>15,200</u> |
| Other fees to auditors | | |
| Taxation compliance services | <u>1,700</u> | <u>1,700</u> |

10 Taxation

Tax charged/(credited) in the income statement

| | 2018 £ | 2017 £ |
|---|----------------|----------------|
| Current taxation | | |
| UK corporation tax | 186,125 | 230,197 |
| UK corporation tax adjustment to prior periods | - | 1,453 |
| | <u>186,125</u> | <u>231,650</u> |
| Deferred taxation | | |
| Arising from origination and reversal of timing differences | <u>(1,987)</u> | <u>9,788</u> |
| Tax expense in the income statement | <u>184,138</u> | <u>241,438</u> |

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2017 - higher than the standard rate of corporation tax in the UK) of 19.16% (2017 - 20%).

The differences are reconciled below:

| | 2018 £ | 2017 £ |
|---|------------------|------------------|
| Profit before tax | <u>1,003,402</u> | <u>1,217,618</u> |
| Corporation tax at standard rate | 192,305 | 243,524 |
| Decrease from effect of joint-ventures and associates results reported net of tax | (47,209) | (31,679) |
| Effect of expense not deductible in determining taxable profit (tax loss) | 23,856 | 5,545 |
| Increase in UK and foreign current tax from adjustment for prior periods | - | 1,453 |
| Tax increase from effect of capital allowances and depreciation | 7,613 | 4,142 |
| Tax (decrease)/increase from other short-term timing differences | (1,987) | 9,788 |
| Tax increase from effect of unrelieved tax losses carried forward | <u>9,560</u> | <u>8,665</u> |
| Total tax charge | <u>184,138</u> | <u>241,438</u> |

S and M Tyres Holdings Limited

Notes to the Financial Statements for the Year Ended 31 January 2018

Deferred tax

Group

Deferred tax assets and liabilities

It is not possible to estimate the future reversal of the deferred tax liability.

11 Intangible assets

Group

| | Goodwill £ | Total £ |
|--------------------------|-----------------------|--------------------|
| Cost or valuation | | |
| At 1 February 2017 | <u>27,500</u> | <u>27,500</u> |
| At 31 January 2018 | <u>27,500</u> | <u>27,500</u> |
| Amortisation | | |
| At 1 February 2017 | <u>27,500</u> | <u>27,500</u> |
| At 31 January 2018 | <u>27,500</u> | <u>27,500</u> |
| Carrying amount | | |
| At 31 January 2018 | <u>-</u> | <u>-</u> |
| At 31 January 2017 | <u>-</u> | <u>-</u> |

S and M Tyres Holdings Limited

Notes to the Financial Statements for the Year Ended 31 January 2018

12 Tangible assets

Group

| | Land and buildings £ | Short leasehold land and buildings £ | Plant and machinery £ | Motor vehicles £ | Total £ |
|--------------------------|----------------------------|--|-----------------------------|------------------------|-------------------|
| Cost or valuation | | | | | |
| At 1 February 2017 | 8,359,315 | 612,871 | 2,194,827 | 983,608 | 12,150,621 |
| Additions | 943,706 | - | 147,610 | 62,245 | 1,153,561 |
| Disposals | - | - | (30,722) | (98,425) | (129,147) |
| At 31 January 2018 | <u>9,303,021</u> | <u>612,871</u> | <u>2,311,715</u> | <u>947,428</u> | <u>13,175,035</u> |
| Depreciation | | | | | |
| At 1 February 2017 | 691,034 | 290,701 | 1,335,431 | 497,196 | 2,814,362 |
| Charge for the year | 72,670 | 30,987 | 160,724 | 127,517 | 391,898 |
| Eliminated on disposal | - | - | (17,894) | (73,722) | (91,616) |
| At 31 January 2018 | <u>763,704</u> | <u>321,688</u> | <u>1,478,261</u> | <u>550,991</u> | <u>3,114,644</u> |
| Carrying amount | | | | | |
| At 31 January 2018 | <u>8,539,317</u> | <u>291,183</u> | <u>833,454</u> | <u>396,437</u> | <u>10,060,391</u> |
| At 31 January 2017 | <u>7,668,281</u> | <u>322,170</u> | <u>859,396</u> | <u>486,412</u> | <u>9,336,259</u> |

Included within the net book value of land and buildings above is £8,539,317 (2017 - £7,668,281) in respect of freehold land and buildings and £291,183 (2017 - £322,170) in respect of short leasehold land and buildings.

S and M Tyres Holdings Limited

Notes to the Financial Statements for the Year Ended 31 January 2018

Company

| | Land and buildings £ | Total £ |
|--------------------------|----------------------------|-------------------------|
| Cost or valuation | | |
| At 1 February 2017 | 8,118,495 | 8,118,495 |
| Additions | <u>943,706</u> | <u>943,706</u> |
| At 31 January 2018 | <u>9,062,201</u> | <u>9,062,201</u> |
| Depreciation | | |
| At 1 February 2017 | 307,797 | 307,797 |
| Charge for the year | <u>72,670</u> | <u>72,670</u> |
| At 31 January 2018 | <u>380,467</u> | <u>380,467</u> |
| Carrying amount | | |
| At 31 January 2018 | <u><u>8,681,734</u></u> | <u><u>8,681,734</u></u> |
| At 31 January 2017 | <u><u>7,810,698</u></u> | <u><u>7,810,698</u></u> |

Included within the net book value of land and buildings above is £8,681,734 (2017 - £7,810,698) in respect of freehold land and buildings.

13 Investment properties

Group

| | |
|--|----------------|
| | 2018 |
| | £ |
| At 1 February | <u>583,232</u> |
| There has been no valuation of investment property by an independent valuer. | |

Company

| | |
|--|----------------|
| | 2018 |
| | £ |
| At 1 February | <u>583,232</u> |
| There has been no valuation of investment property by an independent valuer. | |

S and M Tyres Holdings Limited

Notes to the Financial Statements for the Year Ended 31 January 2018

14 Investments

Company

| | 2018 £ | 2017 £ |
|-------------------------------|----------------|----------------|
| Investments in subsidiaries | 100 | 100 |
| Investments in joint ventures | 316,667 | 316,667 |
| | <u>316,767</u> | <u>316,767</u> |

Subsidiaries

Cost or valuation

| | |
|--|------------|
| At 1 February 2017 and 31 January 2018 | <u>100</u> |
|--|------------|

Carrying amount

| | |
|--------------------|------------|
| At 31 January 2018 | <u>100</u> |
| At 31 January 2017 | <u>100</u> |

Joint ventures

Cost

| | |
|--|----------------|
| At 1 February 2017 and 31 January 2018 | <u>316,667</u> |
|--|----------------|

Carrying amount

| | |
|--------------------|----------------|
| At 31 January 2018 | <u>316,667</u> |
| At 31 January 2017 | <u>316,667</u> |

Aggregate financial information of joint ventures

| | 2018 £ | 2017 £ |
|-------------------|--------------------|--------------------|
| Total assets | 12,405,432 | 11,763,573 |
| Total liabilities | <u>(9,676,660)</u> | <u>(9,774,060)</u> |
| Net assets | <u>2,728,772</u> | <u>1,989,513</u> |
| Revenues | <u>32,189,379</u> | <u>26,758,530</u> |
| Profit or loss | <u>739,259</u> | <u>475,235</u> |

S and M Tyres Holdings Limited

Notes to the Financial Statements for the Year Ended 31 January 2018

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

| Undertaking | | | Registered office | Holding | Proportion of voting rights and shares held | |
|------------------------------|--|--|-------------------|---------|---|------|
| | | | | | 2018 | 2017 |
| Subsidiary undertakings | | | | | | |
| S and M Tyres Limited | | EG Wholesale Elite House Star Road Partridge Green Horsham West Sussex RH13 8RA United Kingdom | Ordinary | 100% | 100% | |
| Joint ventures | | | | | | |
| Group Tyre Wholesale Limited | Group House Park Street Aylesbury Buckinghamshire HP20 1QN United Kingdom | Ordinary | 33.33% | 33.33% | | |

The principal activity of S and M Tyres Limited is tyre wholesale and petrol forecourts.

The profit for the financial period of Group Tyre Wholesale Limited was £739,259 and the aggregate amount of capital and reserves at the end of the period was £2,728,772.

The financial period end of Group Tyre Wholesale Limited is 31 December.

15 Other financial assets

Group

| | Financial assets at cost less impairment £ | Total £ |
|-------------------------------------|---|------------|
| Non-current financial assets | | |
| Cost or valuation | | |
| At 1 February 2017 | 8,239 | 8,239 |
| At 31 January 2018 | 8,239 | 8,239 |
| Carrying amount | | |
| At 31 January 2018 | 8,239 | 8,239 |
| At 31 January 2017 | 8,239 | 8,239 |

S and M Tyres Holdings Limited

Notes to the Financial Statements for the Year Ended 31 January 2018

16 Stocks

| | Group | | Company | |
|-------------------|------------------|------------------|-----------|-----------|
| | 2018 £ | 2017 £ | 2018 £ | 2017 £ |
| Other inventories | <u>2,688,971</u> | <u>2,603,821</u> | <u>-</u> | <u>-</u> |

Group

The cost of stocks recognised as an expense in the year amounted to £36,600,060 (2017 - £35,425,681).

17 Debtors

| | Group | | Company | |
|---------------|------------------|------------------|-----------|-----------|
| | 2018 £ | 2017 £ | 2018 £ | 2017 £ |
| Trade debtors | 2,652,034 | 2,381,772 | - | - |
| Other debtors | 309,291 | 1,158,006 | - | - |
| Prepayments | <u>526,988</u> | <u>825,460</u> | <u>-</u> | <u>-</u> |
| | <u>3,488,313</u> | <u>4,365,238</u> | <u>-</u> | <u>-</u> |

18 Cash and cash equivalents

| | Group | | Company | |
|--------------|--------------|--------------|-----------|-----------|
| | 2018 £ | 2017 £ | 2018 £ | 2017 £ |
| Cash on hand | <u>4,300</u> | <u>4,350</u> | <u>-</u> | <u>-</u> |

19 Creditors

| | | Group | | Company | |
|--|------|------------------|------------------|------------------|------------------|
| | Note | 2018 £ | 2017 £ | 2018 £ | 2017 £ |
| Due within one year | | | | | |
| Loans and borrowings | 23 | 1,331,775 | 1,442,443 | - | - |
| Trade creditors | | 5,738,480 | 5,603,073 | - | - |
| Amounts due to related parties | 26 | - | - | 5,881,351 | 5,188,697 |
| Social security and other taxes | | 511,693 | 673,759 | - | - |
| Outstanding defined contribution pension costs | | 10,104 | 12,026 | - | - |
| Other payables | | 549,280 | 571,281 | - | - |
| Accruals | | 673,462 | 498,653 | 1,600 | 1,500 |
| Corporation tax liability | 10 | <u>106,272</u> | <u>110,197</u> | <u>-</u> | <u>-</u> |
| | | <u>8,921,066</u> | <u>8,911,432</u> | <u>5,882,951</u> | <u>5,190,197</u> |
| Due after one year | | | | | |
| Loans and borrowings | 23 | <u>2,406,168</u> | <u>2,647,392</u> | <u>-</u> | <u>-</u> |

S and M Tyres Holdings Limited

Notes to the Financial Statements for the Year Ended 31 January 2018

20 Deferred tax and other provisions

Group

| | Deferred tax £ | Total £ |
|--|-------------------|----------------|
| At 1 February 2017 | 125,805 | 125,805 |
| Increase (decrease) in existing provisions | (1,987) | (1,987) |
| At 31 January 2018 | <u>123,818</u> | <u>123,818</u> |

The provision relates to the origination and reversal of timing differences.

21 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £71,294 (2017 - £74,614).

Contributions totalling £12,026 (2017 - £10,800) were payable to the scheme at the end of the year and are included in creditors.

22 Share capital

Allotted, called up and fully paid shares

| | 2018 | | 2017 | |
|--------------------------------|------------|------------|------------|------------|
| | No. | £ | No. | £ |
| Ordinary 'A' shares of £1 each | 51 | 51 | 51 | 51 |
| Ordinary 'B' shares of £1 each | 28 | 28 | 28 | 28 |
| Ordinary 'C' shares of £1 each | 17 | 17 | 17 | 17 |
| Ordinary 'D' shares of £1 each | 4 | 4 | 4 | 4 |
| | <u>100</u> | <u>100</u> | <u>100</u> | <u>100</u> |

Rights, preferences and restrictions

Ordinary A shares have the following rights, preferences and restrictions:

Ordinary A shares have full rights to voting and are entitled to a dividend if declared on this class of share.

Ordinary B shares have the following rights, preferences and restrictions:

Ordinary B shares have full rights to voting and are entitled to a dividend if declared on this class of share.

Ordinary C shares have the following rights, preferences and restrictions:

Ordinary C shares have full rights to voting and are entitled to a dividend if declared on this class of share.

Ordinary D shares have the following rights, preferences and restrictions:

Ordinary D shares have full rights to voting and are entitled to a dividend if declared on this class of share.

S and M Tyres Holdings Limited

Notes to the Financial Statements for the Year Ended 31 January 2018

23 Loans and borrowings

| | Group | | Company | |
|---|------------------|------------------|----------|----------|
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Non-current loans and borrowings | | | | |
| Bank borrowings | 2,181,168 | 2,397,392 | - | - |
| Other borrowings | 225,000 | 250,000 | - | - |
| | <u>2,406,168</u> | <u>2,647,392</u> | <u>-</u> | <u>-</u> |

| | Group | | Company | |
|-------------------------------------|------------------|------------------|----------|----------|
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Current loans and borrowings | | | | |
| Bank borrowings | 211,530 | 187,108 | - | - |
| Bank overdrafts | 1,120,245 | 1,255,335 | - | - |
| | <u>1,331,775</u> | <u>1,442,443</u> | <u>-</u> | <u>-</u> |

Group

Bank borrowings

Barclays loan is denominated in sterling with a nominal interest rate of 1.65%, and the final instalment is due to be paid on 10 July 2030. The carrying amount at year end is £1,508,772 (2017 - £1,650,000).

Barclays loan is denominated in sterling with a nominal interest rate of 1.65%, and the final instalment is due to be paid on 9 June 2022. The carrying amount at year end is £883,927 (2017 - £904,500).

Bank loans are secured by fixed and floating charges via inter-company cross guarantee's.

Other borrowings

Included within other borrowings is a loan of £225,000 from S D Whittemore which is secured on freehold property. The rate of interest charged is 4.00%.

Included in the loans and borrowings are the following amounts due after more than five years:

| | 2018 | 2017 |
|---|------------------|------------------|
| | £ | £ |
| After more than five years by instalments | <u>1,335,047</u> | <u>1,049,074</u> |

S and M Tyres Holdings Limited

Notes to the Financial Statements for the Year Ended 31 January 2018

24 Obligations under lease contracts

Group

Operating leases

The total of future minimum lease payments is as follows:

| | 2018 | 2017 |
|---|-----------------------|-----------------------|
| | £ | £ |
| Not later than one year | 117,237 | 124,209 |
| Later than one year and not later than five years | 468,948 | 214,004 |
| Later than five years | <u>178,877</u> | <u>93,103</u> |
| | <u><u>765,062</u></u> | <u><u>431,316</u></u> |

The amount of non-cancellable operating lease payments recognised as an expense during the year was £124,209 (2017 - £159,270).

25 Dividends

| | 2018 | 2017 |
|---|-----------------------|-----------------------|
| | £ | £ |
| Interim dividend of £4,069.85 (2017 - £6,714.22) per ordinary share | <u><u>406,985</u></u> | <u><u>671,422</u></u> |

26 Related party transactions

Group

Summary of transactions with associates

Group Tyre (UK) Limited

S and M Tyres Limited has a 10% interest in Group Tyre (UK) Limited. During the year purchases of £118,357 (2017 - £105,626) were made from Group Tyre (UK) Limited. At the balance sheet date the amount due to Group Tyre (UK) Limited was £2,344 (2017 - £3,131).

Summary of transactions with joint ventures

Group Tyre Wholesale Limited

The parent company S and M Tyres Holdings Limited has a 33.3% interest in Group Tyre Wholesale Limited. During the year the company made sales of £530,483 (2017 - £1,859,097) to Group Tyre Wholesale Limited and acquired goods of £523,278 (2017 - £296,050). At the balance sheet date the amount due from Group Tyre Wholesale Limited was £93,754 (2017 - £11,983). At the balance sheet date the amount due to Group Tyre Wholesale Limited was £97,975 (2017 - £36,063).

S and M Tyres Holdings Limited

Notes to the Financial Statements for the Year Ended 31 January 2018

27 Parent and ultimate parent undertaking

These financial statements are available upon request from EG Wholesale, Elite House Star Road, Partridge Green, Horsham, West Sussex RH13 8RA.

The ultimate controlling party is R J Whittemore.