

Registered No. 09881062

Hendy Automotive Limited

Report and Financial Statements

Year Ended
31 December 2017



Hendy Automotive Limited

Registered No: 07338323

Directors

S J Gulliford
P A Hendy
J M Moritz
A M Stevenson

Secretary

C A G Moir

Auditors

BDO LLP
Arcadia House
Maritime Walk
Ocean Village
Southampton
SO14 3TL

Bankers

HSBC Bank plc
2nd Floor
HSBC House
Mitchell Way
Southampton
SO18 2XU

Solicitors

Irwin Mitchell
Thomas Eggar House
Friary Lane
Chichester
West Sussex
PO19 1UF

Registered Office

School Lane
Chandlers Ford Industrial Estate
Eastleigh
Hampshire
SO53 4DG

Strategic report

Review of the business and future developments

The company was incorporated on the 19th November 2015 and was dormant until the 3rd June 2016 when it acquired the Lifestyle motor retail business and the Hendy motor retail business. These statutory accounts reflect the first full year of trading for the new group, whereas the prior year comparatives show only the initial 7 month period.

The Group's principal activities during the period continued to be the retailing, wholesaling, and repair of new and used vehicles, both car and commercial, for the Ford, Kia, Honda, Iveco, Mazda, Renault, Dacia, SEAT, Suzuki and MG franchises. Contributions were also made by the marketing of industrial engines worldwide, and the supply of parts and accessories across all sectors of the business.

The trading summary and key performance indicators for the year ended 31 December 2017 are as follows:

	2017	2016
Turnover (£'000)	532,794	300,055
Gross profit margin (%)	11.9	12.2
Return on sales (based on operating profit) (%)	1.6	1.6
Return on sales (based on profit before tax) (%)	0.9	0.9

The trading performance for 2017 held up extremely well as market conditions became more difficult. In addition to generating an operating profit of £8,769k (2016 - £4,840k) for the year, the business generated a net cash inflow of £4,785k (2016 – outflow of £4,028k)

Results were very strong on used car activity, and new commercial vehicle retail business. In terms of new vehicle sales, the Ford, Kia, Mazda and SEAT franchises performed well, but ongoing focus is required on the profitability of the other brands represented by the Group. After-Sales performance was good, particularly in Parts. The group's relationships with its manufacturer partners are of critical importance, and these relationships remain very positive, even where franchise profitability has not reached the required level.

The non-recurring costs of £574k incurred in 2017 (2016 - £669k) related to the reorganisation required to integrate the Hendy and Lifestyle businesses. This reorganisation was substantially complete by the end of 2017. The previous year's non-recurring costs of £669k were largely related to the same reorganisation (£551k), as well as £118k related to the closure of the company's commercial vehicle service and repair workshop in Devon.

The group has implemented a policy of revaluation of the group's freehold and long leasehold properties and therefore at year end these properties are held at fair value within the Statement of Financial Position.

The deficit on the closed defined benefit pension scheme is disclosed gross of the related deferred tax asset under FRS102. Contributions increased from £300k in the full year 2016 to £1,000k in 2017 under the deficit reduction plan agreed with the trustees. Under the same plan contributions will rise to £1,300k in 2018, and will remain at the same level in 2019. Under FRS102 rules there was a charge of £859k against profit, but encouragingly there was a gain of £5,014k in the Statement of Comprehensive Income, driven both by a modest rise on corporate bond yields, and by an adjustment in mortality rates under which the rate of increase of life expectancy has slowed down.

At year end the group had net assets totalling £17,798k (2016 £9,655k).

As part of the acquisitions in 2016 the group refinanced its debt with HSBC. It continues to have a good relationship with the bank, having adhered to all the lending covenants and met all repayment obligations in 2017.

Strategic report (continued)**Review of the business and future developments (continued)**

The underlying performance is further explained in the table below. This table shows the split of profit and of other comprehensive income for 2017, split between trading activity, non-recurring reorganisation costs, financing costs, the impacts both of property valuations and of the closed defined benefit pension scheme, and corporation tax.

	Year ended 31 December 2017		7 months ended 31 December 2016	
	P&L £'000	OCI £'000	P&L £'000	OCI £'000
Trading				
Trading EBITDA*	12,613		7,480	
Stocking interest	(2,182)		(892)	
	<hr/>	<hr/>	<hr/>	<hr/>
Trading EBITDA after stocking interest	10,431		6,588	
Depreciation of trading assets	(1,735)		(1,091)	
Restructuring & Reorganisation				
Non-recurring items	(574)		(669)	
Property				
Revaluation	-	347	-	358
Profit on investment property	-		95	
Goodwill Amortisation	(1,124)		(566)	
Defined Benefit Pension Scheme				
Profit & loss charge	(859)		(674)	
Net movement in assets and liabilities	-	5,014	-	(3,471)
Financing Charges				
Bank interest	(415)		(302)	
Other interest and finance charges	(52)		(194)	
Preference share dividends	(650)		(375)	
Corporation Tax				
Current tax	(1,340)		(736)	
Deferred tax	176	(1,076)	130	467
	<hr/>	<hr/>	<hr/>	<hr/>
Total	3,858	4,285	2,206	(2,646)

* Trading EBITDA is EBITDA plus exceptional costs, defined benefit pension scheme costs less fair value movement of investment properties.

Strategic report (*continued*)

Review of the business and future developments (*continued*)

In 2018 we continue to trade profitably and in line with the business plans and continue to review opportunities for growth as and when they arise.

There are no expected changes in the principal activities of the group in the foreseeable future.

Principal risks and uncertainties

There are risks to the future of businesses in any sector and within the motor trade. These include macroeconomic factors such as the broader state of the economy, and the prevailing attitude towards motor vehicles as compared with other means of transport, the fuel price, and interest rates. For dealer Groups such as Hendy, the position of the manufacturers with whom dealer agreements are held is a key risk, in terms of both product range and relationships. Hendy's aim is to manage its manufacturer relationships as proactively as possible. The company's credit risk is primarily attributable to its trade debtors. Credit risk is managed by running credit checks on new customers, setting appropriate account limits, and by monitoring payments against contractual agreements. Hendy minimises other risks by diversifying as widely as possible within the sector, so that its operations embrace as many different facets as possible. In this way, different areas of the Group support each other through fluctuations in performance.

By order of the Board



J M Moritz

Director

Date 4 May 2018

Directors' report

The directors present the company's annual report and the Group financial statements for the year ended 31 December 2017.

Results and dividends

The Group profit for the year, after taxation, amounted to £3,858k (2016 - £2,206k).

The directors authorised the declaration of dividends on preference shares totalling £650k (2016 - £375k) during the year.

The presentation of the financial statements is impacted by the inclusion of figures relating to movements in the Group's defined benefit pension fund, which closed in 2006. A fuller explanation of this is set out under 'Pension Fund' below and in Note 25.

Pension Fund

In common with many UK companies the Hendy Group's closed defined benefit pension scheme remains in deficit, with the figure having reduced by £5,155k (2016 calendar year – increase of £2,574k) in the full year 2017. This movement has been caused by a combination of a small increase in corporate bond yields, which are now slightly above the record low levels previously experienced, and a slow-down in the rate of increase of life expectancy. The deficit on the scheme is disclosed gross of the related deferred tax asset under FRS102. Contributions of £1,000k (2016 - £300k) were made in the full year 2017, which will rise to £1,300k in 2018 under the deficit reduction plan agreed with the trustees. The gross deficit fell from £17,212k to £12,057k in the year. Under FRS 102 rules this was reflected with a charge of £859k (2016 - £674k) against profit and a gain of £5,014k (2016 – charge of £3,471k) in the Statement of Comprehensive Income. The directors consider that the defined benefit pension scheme deficit is a long-term challenge rather than a short-term one.

Financial and credit risks

Financial risks are closely controlled through daily monitoring of cash flow and working capital requirements, and regular forecasts of profit and liquidity. There is little exposure to exchange rate risk as the Group's businesses are largely sterling based, and interest rate risk is managed through careful selection of appropriate borrowing and hedging facilities. In the continuing low-rate environment such policies have been relatively expensive, but are viewed as providing important long-term protection.

The Group's operations are financed by a mixture of equity in the form both of ordinary and preference share capital, and long-term bank loans. Further details of these loans are included in notes 18 to 21 to the accounts. At the year end, an interest rate swap was in place to cover £4.5 million (2016 - £4.5 million) of these borrowings.

The Group's credit risk is primarily attributable to its trade debtors. Credit risk is managed by running credit checks on new customers, setting appropriate account limits, and by monitoring payments against contractual agreements.

Directors

The directors during the year are listed on page 1.

Post balance sheet events

There have been no material post-balance sheet events which require reporting.

Directors' report (*continued*)

Disabled employees

The Group gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

Employee involvement

The Group is committed to involve all employees in the performance and development of the Group. Employees are encouraged to discuss with management matters of interest to the employee and subjects affecting day to day operations of the Group. Discussions take place monthly at each site with a representative Group of employees on a wide range of issues. Staff are also invited to contribute to a regular magazine distributed internally and to customers.

Auditors

All the current directors have taken all the steps they ought to have taken to make themselves aware of any information needed by the company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant information of which the auditors are unaware.


A resolution to re-appoint BDO LLP as auditors will be put to members at the forthcoming Annual General Meeting.

By order of the Board

J M Moritz

Director

Date 4 May 2018



Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the strategic report, 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 group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 group and company and of the profit or loss of the group 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; 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.

Independent auditor's report

to the members of Hendy Automotive Limited

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF HENDY AUTOMOTIVE LIMITED

Opinion

We have audited the financial statements of Hendy Automotive Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2017 which comprise the consolidated Statement of Comprehensive Income, the consolidated and company Statement of Financial Position, the consolidated and company Statement of Changes in Equity, the 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 of the Parent Company's affairs as at 31 December 2017 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 and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent auditor's report

to the members of Hendy Automotive Limited

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 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and 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.

Independent auditor's report

to the members of Hendy Automotive Limited

Matters on which we are required to report by exception

In the light of the 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 Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept 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 Directors' responsibilities statement, 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 determines 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.

Independent auditor's report

to the members of Hendy Automotive Limited

Auditor's responsibilities for the audit of the financial statements

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.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

BDO LLP

Stephen Le Bas (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor
Southampton
United Kingdom

Date **4/5/2018**

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2017

	Note	Year ended 31 December 2017 £'000	7 months to 31 December 2016 £'000
Turnover	3	532,802	300,055
Cost of sales		(469,262)	(263,478)
Gross profit		63,540	36,577
Administrative expenses - including exceptional costs of £574k (2016 - £669k)	9	(54,771)	(31,832)
Gain from changes in fair value of investment property		-	95
EBITDA*		11,628	6,497
Depreciation		(1,735)	(1,091)
Amortisation of intangible assets		(1,124)	(566)
Operating profit	4	8,769	4,840
Interest payable	7	(3,299)	(1,763)
Other finance cost	8	(448)	(265)
Profit on ordinary activities before taxation		5,022	2,812
Taxation charge on profit on ordinary activities	10	(1,164)	(606)
Profit for the financial year		3,858	2,206
Actuarial profits/(losses) on defined benefit pension scheme		5,014	(3,471)
Revaluation of freehold properties		347	358
Taxation in respect of other comprehensive income		(1,076)	467
Other comprehensive income/(expenditure)		4,285	(2,646)
Total comprehensive income/(expenditure) for the year		8,143	(440)

All amounts relate to continuing operations.

*EBITDA is earnings before interest, tax, depreciation and amortisation.

The notes on pages 20 to 43 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2017

Company number: 009881062	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Fixed assets					
Intangible assets	11	9,551		10,675	
Tangible assets	12	42,143		40,693	
Investment property	13	299		299	
Investments	14	10		10	
			52,003		51,677
Current assets					
Stock and work in progress	15	110,988		84,171	
Assets held for resale	16	-		1,145	
Debtors	17	29,005		23,830	
Cash at bank and in hand		757		7	
		140,750		109,153	
Creditors: amounts falling due within one year	18	(137,238)		(105,255)	
Net current assets			3,512		3,898
Total assets less current liabilities			55,515		55,575
Creditors: amounts due after more than one year	19		(23,830)		(26,861)
Provisions for liabilities	24		(1,830)		(1,847)
Net assets excluding pension fund liability			29,855		26,867
Pension fund liability	26		(12,057)		(17,212)
Net assets including pension fund liability			17,798		9,655
Capital and reserves					
Called up share capital	25		10,095		10,095
Freehold property revaluation reserve			705		358
Profit and loss account			6,998		(798)
			17,798		9,655

The financial statements were approved by the Board and authorised for issue on 4 May 2018

J M Moritz
Director

The notes on pages 20 to 43 form part of these financial statements.

Company Statement of Financial Position

at 31 December 2017

Company number: 009881062	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Fixed assets					
Investments	14		32,501		32,501
Current assets					
Debtors	17	17,044		21,024	
		<u>17,044</u>		<u>21,024</u>	
Creditors: amounts falling due within one year	18	<u>(15,329)</u>		<u>(15,611)</u>	
Net current assets			<u>1,715</u>		<u>5,413</u>
Total assets less current liabilities			<u>34,216</u>		<u>37,914</u>
Creditors: amounts due after more than one year	19		<u>(23,779)</u>		<u>(26,475)</u>
Net assets			<u>10,437</u>		<u>11,439</u>
Capital and reserves					
Called up share capital	25		10,095		10,095
Profit and loss account			342		1,344
			<u>10,437</u>		<u>11,439</u>

The company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not prepared its own Statement of Comprehensive Income in these financial statements. The loss after tax of the parent company for the year was £1,002,000 (2016 – profit of £1,344,000).

The financial statements were approved by the Board and authorised for issue on 4 May 2018



J M Moritz
Director

The notes on pages 20 to 43 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

Group	<i>Share capital £'000</i>	<i>Revaluation reserve £'000</i>	<i>Profit and loss account £'000</i>	<i>Total equity £'000</i>
At 1 January 2017	10,095	358	(798)	9,655
Profit for the year	-	-	3,858	3,858
Actuarial gain on pension scheme	-	-	5,014	5,014
Revaluation of freehold properties	-	347	-	347
Taxation in respect of other comprehensive income	-	-	(1,076)	(1,076)
Other comprehensive income for the year	-	347	3,938	4,285
Total comprehensive income for the year	-	347	7,796	8,163
Contributions by and distributions to owners				
Dividends	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-
31 December 2017	10,095	705	6,998	17,798

Consolidated Statement of Changes in Equity

for the 14 month period ended 31 December 2016

Group	Share capital £'000	Revaluation reserve £'000	Profit and loss account £'000	Total equity £'000
Capital introduced	10,095	-	-	10,095
Comprehensive income for the year				
Profit for the year	-	-	2,206	2,206
Actuarial loss on pension scheme	-	-	(3,471)	(3,471)
Revaluation of freehold properties	-	358	-	358
Taxation in respect of other comprehensive income	-	-	467	467
Other comprehensive income for the year	-	358	(3,004)	(2,646)
Total comprehensive income for the year	-	358	(798)	(440)
Contributions by and distributions to owners				
Dividends	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-
31 December 2016	10,095	358	(798)	9,655

Reserves

The Group's reserves are as follows:

- Called up share capital reserve represents the nominal value of shares issued.
- Revaluation reserve represents accumulated revaluation gains on freehold and long leasehold land and buildings.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

The notes on pages 20 to 43 form part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2017

Company	Share capital £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2017	10,095	1,344	11,439
Comprehensive income for the year			
Loss for the year	-	(1,002)	(1,002)
	<hr/>	<hr/>	<hr/>
Total comprehensive loss for the year	-	(1,002)	(1,002)
Contributions by and distributions to owners			
Dividends	-	-	-
	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	-	-
	<hr/>	<hr/>	<hr/>
31 December 2017	10,095	342	10,437
	<hr/>	<hr/>	<hr/>

Company Statement of Changes in Equity

for the 14 month period ended 31 December 2016

Company	Share capital £'000	Profit and loss account £'000	Total equity £'000
Capital introduced	10,095	-	10,095
Comprehensive income for the year			
Profit for the year	-	1,344	1,344
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	1,344	1,344
Contributions by and distributions to owners			
Dividends	-	-	-
	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	-	-
	<hr/>	<hr/>	<hr/>
31 December 2017	10,095	1,344	11,439
	<hr/>	<hr/>	<hr/>

Reserves

The Company's reserves are as follows:

- Called up share capital reserve represents the nominal value of shares issued.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

The notes on pages 20 to 43 form part of these financial statements.

Consolidated Statement of Cashflows

for the year ended 31 December 2017

	Year ended 31 December 2017 £'000	7 months to 31 December 2016 £'000
Cash flows from operating activities		
Profit for the financial year	3,858	2,206
Adjustments for:		
Depreciation of fixed assets	1,735	1,091
Amortisation of intangible assets	1,124	566
Net interest payable	3,747	2,028
Taxation expense	1,164	606
Difference between net pension expense and cash contribution	(589)	499
(Increase)/decrease in debtors	(6,082)	9,515
(Increase)/decrease in stocks	(26,817)	22,736
Increase/(decrease) in creditors	37,119	(45,335)
Fair value movement on investment property	-	(95)
Profit on sale of fixed assets	(3)	(238)
Cash from operations	15,256	(6,421)
Taxation paid	(1,837)	(217)
Net cash generated from operating activities	13,419	(6,638)
Cash flows from investing activities		
Acquisition of subsidiary undertakings	-	(31,282)
Cash acquired with subsidiary undertakings	-	12,197
Proceeds from sale of tangible fixed assets	63	2,696
Purchases of tangible fixed assets	(2,900)	(667)
Proceeds from sale of assets held for sale	1,145	-
Net cash from investing activities	(1,692)	(17,056)
Cash flows from financing activities		
Issue of share capital	-	13,600
Capital element of leases repaid	(811)	(246)
Loans advanced	-	24,000
Repayment of loans	(3,016)	(16,035)
Interest paid	(3,115)	(1,653)
Equity dividend paid	-	-
Net cash used in financing activities	(6,942)	19,666
Net increase/(decrease) in cash and cash equivalents	4,785	(4,028)
Cash and cash equivalents at beginning of year	(4,028)	-
Cash and cash equivalents at end of year	757	(4,028)
Cash and cash equivalents comprise:		
Cash at bank and in hand	757	7
Bank overdrafts	-	(4,035)
	757	(4,028)

The notes on pages 20 to 43 form part of these financial statements.

Notes to the financial statements

at 31 December 2017

1. Accounting policies

Hendy Automotive Limited is a company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the Group's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, and the Companies Act 2006.

The financial statements are prepared under the historical cost convention as modified by the revaluation of freehold and long leasehold land and buildings, and in accordance with the applicable accounting standards.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 2).

The following accounting policies have been applied:

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- The requirements of Section 33 Related party Disclosures paragraph 33.7;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the Group as a whole, in line with Section 11, Para 11.39 to 11.48.

Basis of consolidation

The consolidated financial statements present the results of Hendy Automotive Limited and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Notes to the financial statements

at 31 December 2017

1. Accounting policies (continued)

Revenue

Revenue from the sale of goods is recognised when significant risks and rewards of ownership have passed to the customer. This is deemed to be the earlier of delivery and or full payment. Revenue from rendering services is recognised when services are performed, provided the amount can be measured reliably.

Tangible fixed assets

Tangible fixed assets, other than investment properties and freehold and long leasehold land and buildings, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Revaluation of tangible fixed assets

Individual freehold and long leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Balance sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in Other Comprehensive Income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

Depreciation

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Freehold property	-	over 50 years
Leasehold property	-	over 50 years
Furniture, fixtures and fittings	-	10% to 17½% on cost
Plant and equipment	-	12½% to 20% on cost
Electronic office equipment	-	20% to 33 1/3% on cost
Motor vehicles	-	25% on cost, except for vintage vehicles which are not depreciated
Lease and hire vehicles	-	over the period of the contract to write down vehicles to estimated residual value. Estimated residual values are based upon current market values of used vehicles.

Notes to the financial statements

at 31 December 2017

1. Accounting policies (continued)

Investment properties

Investment property is carried at fair value determined by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the consolidated statement of comprehensive income.

Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Financial assets

Financial assets, other than derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life. If a reliable estimate cannot be made, the useful life of goodwill is presumed to be 10 years. Goodwill is being amortised to 'administrative expenses' over a period of 10 years.

Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Notes to the financial statements

at 31 December 2017

1. Accounting policies (continued)

Other Intangible assets

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see section related to critical estimates and judgements below).

The group's other intangible assets comprise licences to operate the manufacturer franchises and are amortised over a period of ten years.

Leased assets: Lessor

Incentive payments to new tenants to occupy the group's investment properties are treated as a reduction in revenue and initially recorded as prepayments. The payments are charged to profit or loss over the term of the lease. Where such prepayments relate to investment properties, the properties are carried at open market value less the amount of the unamortised incentive.

All other leases are treated as operating leases. Their annual rentals are credited to profit or loss on a straight-line basis over the term of the lease.

Leased assets: Lessee

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

Where the Group has a legal obligation, a dilapidations provision is created on inception of a lease. These provisions are a best estimate of the cost required to return leased properties to their original condition upon termination of the lease. Where the obligation arises from 'wear and tear', the provision is accrued as the 'wear and tear' occurs.

Notes to the financial statements

at 31 December 2017

1. Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value, as follows:

- | | | |
|-------------------------------------|---|--|
| Raw materials and goods for resale | - | purchase cost based on individual vehicle cost for vehicle stock and average cost for parts stock. |
| Work in progress and finished goods | - | cost of direct materials and labour plus attributable overheads based on a normal level of activity. |

Net realisable value is based on estimated selling price less any further costs expected to complete and sell.

Where the nature of the agreement with the manufacturer confers the benefit and associated risk of ownership to the company on consignment, such stock and the corresponding creditor are included on the balance sheet although legal title remains with the supplier until sold.

Current and deferred taxation

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

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 in the countries where the company's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met;

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Notes to the financial statements

at 31 December 2017

1. Accounting policies (continued)

Pensions

Contributions to the group's defined contribution pension scheme are charged to profit or loss in the year in which they become payable.

The group operates a group defined benefit pension plan.

The difference between the fair value of the assets held in the group's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the group's balance sheet as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the group either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Consideration has been given by the directors to the level of provision against vehicle stocks. In determining the provision required the directors have used guidance from independent valuation tools and their knowledge of the industry.
- Consideration of the key financial and demographic assumptions in relation to the defined benefit pension scheme. The Group engages with 3rd party actuaries to provide professional advice.

Notes to the financial statements

at 31 December 2017

3. Turnover

An analysis of turnover by activity is given below:

	<i>Year ended 31 December 2017 £'000</i>	<i>7 months to 31 December 2016 £'000</i>
Vehicle sales	472,266	264,609
Aftersales	60,499	35,248
Vehicle hire income	29	100
Other sales	8	98
	<hr/>	<hr/>
	532,802	300,055
	<hr/>	<hr/>

All turnover arose within the United Kingdom.

4 Operating profit

	<i>Year ended 31 December 2017 £'000</i>	<i>7 months to 31 December 2016 £'000</i>
This is stated after charging/(crediting):		
Fees payable to the group's auditor for the audit of the group's annual accounts	88	104
Fees payable to the group's auditor for other services:		
- taxation compliance services	16	37
- taxation advisory services	5	100
- other non-audit services	14	16
Depreciation and impairment of owned fixed assets	1,666	997
Depreciation and impairment of assets held under finance leases	69	94
Valuation (gain)/loss on investment properties	-	(95)
Amortisation of intangible assets	1,124	566
Operating lease rentals - land and buildings	2,649	1,678
Inventory recognised as an expense	493,106	272,955
Defined contribution pension cost	839	460
Defined benefit pension cost (see note 26)	411	409
	<hr/>	<hr/>

In addition to the above fees payable to the Group's auditors, £Nil (2016 - £673k) was paid in respect of corporate finance services. These have been capitalised as cost of investment.

Notes to the financial statements

at 31 December 2017

5. Directors' remuneration

	<i>Year ended 31 December 2017 £'000</i>	<i>7 months to 31 December 2016 £'000</i>
Group		
Emoluments	969	686
Company contributions to pension scheme	51	34
	No.	No.
Members of defined benefit pension scheme	1	1
Members of defined contribution pension schemes	3	3
Amounts in respect of the highest paid director are:		
	<i>£000</i>	<i>£000</i>
Emoluments	447	297
Company contributions to pension scheme	-	12
Accrued pension benefit	23	23

6. Staff costs

	<i>Year ended 31 December 2017 £'000</i>	<i>7 months to 31 December 2016 £'000</i>
Group		
Wages and salaries	31,857	18,296
Social security costs	3,178	1,799
Pension costs	839	460
	35,874	20,555

The average monthly number of employees during the year was 1,040 (2016 – 590).

There are no employees remunerated through the company.

Notes to the financial statements

at 31 December 2017

7. Interest payable

	Year ended 31 December 2017 £'000	7 months to 31 December 2016 £'000
Bank loans and overdrafts	415	302
Stocking interest	2,182	892
Finance charges payable under finance leases	44	84
Redeemable preference share dividend	650	375
Other interest payable	8	110
	<u>3,299</u>	<u>1,763</u>

8. Other finance income/ (costs)

	Year ended 31 December 2017 £'000	7 months to 31 December 2016 £'000
Net interest on defined benefit liability	<u>(448)</u>	<u>(265)</u>

9. Exceptional items

	Year ended 31 December 2017 £'000	7 months to 31 December 2016 £'000
Redundancy, recruitment and other costs incurred post acquisition	146	437
Group reorganisation and restructure	139	78
Closure of commercial vehicle workshop in Exeter	-	118
Refinancing of bank debt	-	36
Rebranding of business operations	216	-
Discontinued software subscriptions	73	-
	<u>574</u>	<u>669</u>

Notes to the financial statements

at 31 December 2017

10. Taxation on profit on ordinary activities

	Year ended 31 December 2017 £'000	7 months to 31 December 2016 £'000
The taxation charge is made up as follows:		
Current tax	1,400	736
Adjustments in respect of prior year	(52)	-
	<hr/>	<hr/>
Total current tax	1,348	736
	<hr/>	<hr/>
Deferred tax		
Origination and reversal of timing differences	(29)	(15)
Adjustments in respect of prior year	(14)	-
	<hr/>	<hr/>
Movement in deferred tax provision	(43)	(15)
Deferred tax on pension scheme liability	(141)	(115)
	<hr/>	<hr/>
Taxation charge on profit on ordinary activities	1,164	606
	<hr/>	<hr/>

Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19.25% (2016 - 20.00%). The differences are reconciled below:

	Year ended 31 December 2017 £'000	7 months to 31 December 2016 £'000
Profit on ordinary activities before tax	5,022	2,812
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20.00%)	967	562
	<hr/>	<hr/>
Effects of:		
Expenses not deductible for tax purposes	367	286
Deferred tax not recognised and tax rate difference	(104)	(619)
Defined benefit pension scheme charged to equity	-	560
Other movements	-	(183)
Adjustments in respect of previous periods	(66)	-
	<hr/>	<hr/>
Total tax charge for the year	1,164	606
	<hr/>	<hr/>

Notes to the financial statements

at 31 December 2017

10. Taxation on profit on ordinary activities (*continued*)

Factors that may affect future tax charges

The group has trading tax losses of £3.4m (2016 - £3.5m) to carry forward against future trading profits.

A deferred tax asset totalling £574k (2016 - £595k) on these losses has not been recognised due to the uncertainty over their recovery against future profits.

The Finance Act 2015 reduced the main rate of Corporation Tax from 20% to 19% with effect from 1 April 2017. In addition the Government has announced that from 1 April 2020 the Corporation Tax main rate will be further reduced to 17%. Accordingly, deferred tax balances recognised in the accounts as at the year-end have been calculated as using the 17% rate.

11. Intangible fixed assets

Group	Licences £000	Goodwill £000	Total £000
Cost:			
At 1 January 2017	8,972	2,269	11,241
At 31 December 2017	8,972	2,269	11,241
Amortisation:			
At 1 January 2017	532	34	566
Charge for the year	897	227	1,124
At 31 December 2017	1,429	261	1,690
Net book value:			
At 31 December 2017	7,543	2,008	9,551
At 31 December 2016	8,440	2,235	10,675

Goodwill arising on consolidation is being amortised over the directors' estimate of its useful life of 10 years. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Notes to the financial statements

at 31 December 2017

12. Tangible fixed assets

Group	Assets under course of construction £000	Freehold property £000	Long leasehold property £000	Short leasehold property £000	Plant, machinery and equipment £000	Motor vehicles £000	Total £000
Cost:							
At 1 January 2017	-	33,737	1,261	767	5,220	437	41,422
Additions	790	438	-	104	1,251	317	2,900
Disposals	-	-	-	-	(4)	(120)	(124)
Transfer	240	-	-	(412)	172	-	-
At 31 December 2017	1,030	34,175	1,261	459	6,639	634	44,198
Depreciation:							
At 1 January 2017	-	-	11	34	664	20	729
Charge for the year	-	347	20	74	1,246	48	1,735
Disposals	-	-	-	-	(62)	-	(62)
Revaluation	-	(347)	-	-	-	-	(347)
At 31 December 2017	-	-	31	108	1,848	68	2,055
Net book value: At 31 December 2017	1,030	34,175	1,230	351	4,791	566	42,143
At 31 December 2016	-	33,737	1,250	733	4,556	417	40,693

Within the figures above, assets held under finance leases comprised:

Motor vehicles	- net book value £55k (2016 - £87k)
Plant, machinery & equipment	- net book value £304k (2016 - £1,041k)

In June 2016, the freehold and long leasehold properties were valued at fair value by Lambert Smith Hampton (Chartered Surveyors). The valuations were undertaken in accordance with the Royal Institute of Chartered Surveyors' Appraisal and Valuation Manual. For the 31 December 2017 valuation, the directors have taken professional advice on movements in the property market since the last full valuation in order to inform their assessment as at the balance sheet date. The historic cost of freehold and long leasehold land and buildings is cost of £35,311k (2016 - £34,873k), accumulated depreciation based on historic cost of £631k (2016 - £255k), and net book value of £34,680k (2016 - £34,618k).

Notes to the financial statements

at 31 December 2017

13. Investment Property

Group	Total £000
Valuation:	
At 1 January 2017 and 31 December 2017	299

The investment property is valued by the directors based upon market knowledge and external data in estimating fair value.

The historic cost of the land and buildings is cost of £375k (2016 - £375k), accumulated depreciation based on historic cost of £68k (2016 - £62k), and net book value of £307k (2016 - £313k).

14. Fixed asset investments

Group	Unlisted investments £'000	Total £'000
Cost:		
At 1 January 2017 and at 31 December 2017	10	10

Company	Subsidiary undertakings £'000
Cost:	
At 1 January 2017 and 31 December 2017	10

The unlisted investments of the Group consist of 10,000 shares of £1 each in Retail Automotive Alliance Limited, shown at cost of £10k.

Notes to the financial statements

at 31 December 2017

14. Fixed asset investments (continued)

The subsidiary undertakings below are all incorporated in Great Britain, with the exception of F A Hendy & Lennox (Holdings) Espana SL, which is incorporated in Spain. All are wholly owned and, as at 31 December 2017, comprised:

Hendy Holdings Limited	- Holding company
Hendy Investments Limited	- Non-trading
Hendy Group Limited*	- Motor vehicle dealership
Lifestyle Europe Limited	- Non-trading
Lifestyle Europe Holdings Limited	- Non-trading
Lifestyle Bricks and Mortar Limited	- Non-trading
Hendy Lennox (Cosham) Limited *	- Dormant
Hendy Lennox (Havant) Limited*	- Dormant
Hendy Lennox (Exeter) Limited*	- Dormant
Hendy Lennox Trucks Limited*	- Dormant
Hendy Lennox Commercial Vehicles Limited*	- Dormant
Hendy Lennox Power Products Limited*	- Dormant
Hendy Lennox Vehicle Contracts Limited*	- Dormant
AVH Rentals Limited*	- Dormant
Hendy Leisure Limited*	- Dormant
Gentrac Systems Limited*	- Motor vehicle retailer
First Call Factors Limited*	- Dormant
F.A. Hendy & Lennox (Holdings) Espana, SL*	- Non-trading
Rayco Romsey Limited*	- Dormant

*Shares not held directly by Hendy Automotive Limited.

All of the subsidiary companies are registered at the same address as Hendy Automotive Limited, being School Lane, Chandlers Ford Industrial Estate, Eastleigh, Hampshire, SO53 4DG.

15. Stocks and work in progress

	<i>Group</i>	<i>Group</i>	<i>Company</i>	<i>Company</i>
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Vehicles	101,283	77,454	-	-
Parts and materials	9,571	6,638	-	-
Fuel and lubricants	134	79	-	-
	<u>110,988</u>	<u>84,171</u>	<u>-</u>	<u>-</u>

An Impairment loss of £2,523k (2016 - £1,741k) was recognised in cost of sales against stock during the year due to slow moving and obsolete stock.

Vehicles where the significant risks and rewards of ownership are deemed to have transferred to the company have been recognised on the statement of financial position as consignment stocks and equivalent creditor.

There is no difference between the replacement cost of stocks and the amounts stated above.

Notes to the financial statements

at 31 December 2017

16. Assets held for sale

Assets held for sale at the prior year end comprised a property that was being actively marketed at the balance sheet date. The property was sold during the year.

17. Debtors

	<i>Group</i> <i>2017</i> <i>£000</i>	<i>Group</i> <i>2016</i> <i>£000</i>	<i>Company</i> <i>2017</i> <i>£000</i>	<i>Company</i> <i>2016</i> <i>£000</i>
Trade debtors	14,174	9,920	-	-
Amounts owed by group undertakings	-	-	17,044	20,642
Other debtors	4,149	6,870	-	382
Prepayments and accrued income	8,598	4,047	-	-
Deferred taxation (note 24)	2,084	2,993	-	-
	<u>29,005</u>	<u>23,830</u>	<u>17,044</u>	<u>21,024</u>

All debtors fall due within one year.

18. Creditors: amounts fall due within one year

	<i>Group</i> <i>2017</i> <i>£000</i>	<i>Group</i> <i>2016</i> <i>£000</i>	<i>Company</i> <i>2017</i> <i>£000</i>	<i>Company</i> <i>2016</i> <i>£000</i>
Bank overdrafts	-	4,035	-	-
Bank loans (note 22)	1,600	2,000	1,600	2,000
Obligations under finance leases	205	981	-	-
Vehicle stocking loans	20,330	12,063	-	-
Trade creditors	108,107	76,441	-	-
Amounts owed to group undertakings	-	-	13,156	13,156
Other taxes and social security costs	907	2,073	-	-
Corporation tax	922	1,411	-	-
Other creditors	1,257	3,019	80	80
Accruals and deferred income	3,218	2,697	-	-
Redeemable preference share dividends	493	375	493	375
Interest rate swap	199	160	-	-
	<u>137,238</u>	<u>105,255</u>	<u>15,329</u>	<u>15,611</u>

The bank loans and overdrafts are secured by an unlimited debenture with all group companies over the assets of the group.

Finance leases are secured on the assets concerned.

Vehicle stocking loans are secured against the relevant vehicles concerned.

Notes to the financial statements

at 31 December 2017

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

	<i>Group</i>	<i>Group</i>	<i>Company</i>	<i>Company</i>
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank Loans (note 22)	17,084	19,700	17,084	19,700
Obligations under finance leases	51	177	-	-
Interest rate swaps	-	209	-	-
Other creditors	200	280	200	280
Redeemable preference share liability	6,495	6,495	6,495	6,495
	<u>23,830</u>	<u>26,861</u>	<u>23,779</u>	<u>26,475</u>

Analysis of obligations under finance lease:

	<i>Group</i>	<i>Group</i>	<i>Company</i>	<i>Company</i>
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
In more than one year but not more than two years	51	177	-	-
In more than two years but not more than five years	-	-	-	-
	<u>51</u>	<u>177</u>	<u>-</u>	<u>-</u>

The bank loans and overdrafts are secured by an unlimited debenture with all group companies over the assets of the group.

Finance leases are secured on the assets concerned.

The redeemable preference shares attract a fixed coupon rate of 10% and are therefore classified as debt. These shares may be redeemed by the company, subject to shareholder consent, on certain dates between 2019 and 2022.

20. Capital commitments

At 31 December 2017, the group had capital commitments contracted for but not provided totalling £1,400k (2016 - £Nil).

The company had no capital commitments as at the balance sheet date.

Notes to the financial statements

at 31 December 2017

21. Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	<i>Group</i>	<i>Group</i>
	<i>2017</i>	<i>2016</i>
	<i>£000</i>	<i>£000</i>
<i>Operating leases which expire</i>		
Within one year	2,547	2,158
Within two to five years	7,917	6,618
After five years	9,845	8,450
	<hr/>	<hr/>
	20,309	17,226
	<hr/>	<hr/>

The Company has no operating lease commitments.

22. Maturity of debt finance

	<i>Group</i>	<i>Group</i>
	<i>2017</i>	<i>2016</i>
	<i>£000</i>	<i>£000</i>
Amount due within one year	1,600	2,000
Amount due in more than one year but not more than two years	2,968	1,600
Amount due in more than two years but not more than five years	20,611	23,193
Amounts due after five years	-	1,402
	<hr/>	<hr/>
	25,179	28,195
	<hr/>	<hr/>
	<i>Company</i>	<i>Company</i>
	<i>2017</i>	<i>2016</i>
	<i>£000</i>	<i>£000</i>
Amount due within one year	1,600	2,000
Amount due in more than one year but not more than two years	2,968	1,600
Amount due in more than two years but not more than five years	20,611	23,193
Amount due after five years	-	1,402
	<hr/>	<hr/>
	25,179	28,195
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Notes to the financial statements

at 31 December 2017

23. Financial instruments

The Group financial instruments may be analysed as follows:

	<i>Group</i>	<i>Group</i>
	<i>2017</i>	<i>2016</i>
	<i>£000</i>	<i>£000</i>
Financial assets		
Financial assets measured at amortised cost	19,080	16,797
Financial liabilities		
Financial liabilities measured at fair value	(199)	(369)
Financial liabilities measured at amortised cost	(159,040)	(128,363)
	<u>(159,239)</u>	<u>(128,632)</u>

The Company financial instruments may be analysed as follows:

	<i>Company</i>	<i>Company</i>
	<i>2017</i>	<i>2016</i>
	<i>£000</i>	<i>£000</i>
Financial assets		
Financial assets measured at amortised cost	17,044	21,024
Financial liabilities		
Financial liabilities measured at amortised cost	(39,108)	(42,086)
Financial liabilities measured at fair value	-	-
	<u>(39,108)</u>	<u>(42,086)</u>

Financial assets measured at amortised cost comprise cash at bank, trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise bank overdrafts, bank loans, obligations under finance leases, vehicle stocking loans, trade creditors, amounts owed to group undertakings, other creditors, dividends, accruals and redeemable preference shares.

Financial liabilities measured at fair value comprise interest rate swaps.

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24. Deferred taxation

Full provision for deferred taxation has been made as follows:

Deferred Tax asset	2017	2016
<i>Group</i>	<i>£000</i>	<i>£000</i>
Defined benefit pension scheme	2,050	2,926
Fair value of interest rate swaps	34	67
	<u>2,084</u>	<u>2,993</u>
Included in debtors (Note 17)		
	<u>2,084</u>	<u>2,993</u>
Deferred Tax liability		
<i>Group</i>		
Accelerated capital allowances	(138)	(153)
Capital gains	(343)	(284)
Other timing differences	(1,349)	(1,410)
	<u>(1,830)</u>	<u>(1,847)</u>

The movements in deferred taxation during the current and previous periods are as follows:

	<i>Group</i>	<i>Group</i>	<i>Company</i>	<i>Company</i>
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January	1,146	-	-	-
On acquisition	-	549	-	-
Credited to the profit & loss account	184	130	-	-
(Charged)/credited to the other comprehensive income	(1,076)	467	-	-
	<u>254</u>	<u>1,146</u>	<u>-</u>	<u>-</u>
At 31 December	254	1,146	-	-

The company has no deferred tax liability of asset at year end.

Deferred tax has not been provided in respect of gains realised that have been rolled over into the acquisition cost of replacement assets as it is highly unlikely that the liability will crystallise. This tax will become payable if the replacement assets are sold and further rollover relief is not obtained. The estimated maximum amount of tax that would become payable in these circumstances is £251k (2016 - £576k).

Notes to the financial statements

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25. Share capital

	<i>Allotted, called up and fully paid</i>	
	2017	2016
	£000	£000
1,000,000 Ordinary shares of £0.10 each	100,000	100,000
74,250,000 Redeemable ordinary A shares of £0.10 each	7,425,000	7,425,000
25,650,000 Ordinary B shares of £0.10 each	2,565,000	2,565,000
50,000 Growth shares of £0.10 each	5,000	5,000
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	10,095,000	10,095,000
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The redeemable preference shares meet the criteria of a debt instrument and are disclosed in note 19 to the accounts.

The Ordinary shares and Growth shares hold full voting rights. The Redeemable ordinary A and Ordinary B shares hold no voting rights.

The Redeemable ordinary A shares are entitled to a fixed preferential dividend of 10% at the discretion of the directors. On a winding up, sale or return of capital, the Redeemable ordinary A shares have rights to a capital repayment from any amounts remaining after distributions to the holders of the Redeemable preference shares and in priority to the holders of the Ordinary B shares and Growth shares.

On a winding up, the holders of the Ordinary B shares have rights to a capital repayment from any amounts outstanding after distributions to the holders of the Redeemable preference shares and the Redeemable ordinary A shares.

26. Pension commitments

The Group operates both a defined benefit scheme and money purchase schemes.

The contributions charged to operating costs for money purchase schemes in the year were £839k (2016 - £460k), of which £75k (2016 - £81k) was accrued at the end of the year.

The pension cost relating to the defined benefit scheme is assessed every three years in accordance with the advice of a qualified actuary. The most recent formal valuation, at 1 April 2017, indicated that, on the basis of service to date and current salaries, the scheme's assets were sufficient to meet 70% of its liabilities. Contributions to the scheme by the employer are no longer payable in respect of accruing benefits. In accordance with an agreement reached with the trustees, deficit contributions of £1m per annum were paid into the scheme under the deficit reduction plan agreed with the trustees, increasing to £1.3m for the 2018 financial year.

The latest full actuarial valuation was updated to 31 December 2017 by a qualified actuary. As shown below, this showed a decrease of £3.7m in the pension fund liabilities from the point of acquisition, and a £1.5m increase in the value of the scheme's investments.

Notes to the financial statements

at 31 December 2017

26. Pension commitments (continued)

The major assumptions used by the actuary were as follows:

	2017	2016
Rate of increase in deferred pensions	2.1%	2.15%
Pension in payment increases	3.1%	3.15%
RPI inflation	3.1%	3.15%
Discount rate	2.6%	2.65%
Inflation	3.1%	3%
Rate of return on assets	2.6%	2.65%
Long term improvements	1.25	1.25

The underlying mortality assumption is based on the standard table known as SPA2 on a period of birth usage with medium cohort future improvement factors.

The amounts recognised in the balance sheet are as follows:

	2017 £000	2016 £000
Present value of scheme liabilities	(60,039)	(63,694)
Fair value of scheme assets	47,982	46,482
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Net pension liability	(12,057)	(17,212)
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Notes to the financial statements

at 31 December 2017

26. Pension commitments (continued)

The amounts recognised in the profit and loss account are as follows:

	2017 £000	2016 £000
Amounts recognised in profit and loss are as follows:		
<i>Included in administrative expenses:</i>		
Current service costs	(411)	(409)
Past service cost	-	-
	<u>(411)</u>	<u>(409)</u>
<i>Included in other finance costs:</i>		
Net interest cost	(448)	(265)
	<u>(448)</u>	<u>(265)</u>
Analysis of actuarial gain/(loss) recognised in other comprehensive income are as follows:		
Actual return less interest income included in net interest expense	2,483	5,622
Experience gains and losses arising on the scheme liabilities	-	-
Changes in assumptions underlying the present value of the scheme liabilities	1,455	(9,903)
	<u>3,938</u>	<u>(3,471)</u>
	2017 £000	2016 £000
Reconciliation of present value of scheme liabilities		
At beginning of the year/on acquisition	63,694	54,780
Interest cost	1,637	1,074
Actuarial (gain)/loss	(1,455)	9,093
Benefits paid	(3,837)	(1,253)
	<u>60,039</u>	<u>63,694</u>
At the end of the year	60,039	63,694
<i>Composition of scheme liabilities</i>		
Schemes wholly or partly funded	60,039	63,694

Notes to the financial statements

at 31 December 2017

26. Pension commitments (continued)

During the year, a number of pensioners elected to receive an increased, but fixed, annual pension. The effect of this was to reduce the overall pension liability for those members.

	2017 £000	2016 £000
Reconciliation of fair value of scheme assets		
At the start of the year/on acquisition	47,530	41,538
Interest income on plan assets	1,217	809
Actuarial gain/(loss)	2,483	5,622
Benefits paid	(3,837)	(1,253)
Contributions paid by the group	1,000	175
Expenses paid	(411)	(409)
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At the end of the year	47,982	46,482
	<hr/>	<hr/>
	%	%
Composition of plan assets		
Equities	27	35
Corporate Bonds	48	43
Property	3	3
Cash	1	1
Other	21	18
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	100	100
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Notes to the financial statements

at 31 December 2017

27. Related party transactions

The company has taken advantage of the exemption conferred by FRS 102 not to disclose transactions with its wholly owned subsidiaries.

During the year, dividends on preference shares, treated as being interest payable in substance, accrued to related parties totalling £650k (2016 - £375k), of which £493k (2016 - £375k) was accrued at the year end.

During the year, an advance of £98k was made by a related party to the Group. This amount is disclosed in other creditors on the balance sheet.

The directors are considered to be key management personnel. The total compensation paid to key management personnel for services provided to the Group was £1,182k (2016 - £1,254k).

28. Contingent liability

In respect of the previous acquisition of the Lifestyle Europe Holdings Limited business, further consideration of £400k is payable in the event of the disposal of an acquired property. At the balance sheet date, the directors considered the sale of the property to be remote and so no liability has been recognised.

29. Ultimate controlling party

In the opinion of the directors, the ultimate controlling parties are Mr J E Bailey and Mr P A Hendy.