

# **Sandal Motors (Bayern) Limited**

## **Reports and Financial Statements**

31 December 2017

TUESDAY



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18/09/2018

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COMPANIES HOUSE

Registered No. 1381018

**Directors**

D Bosomworth

T J Simons

J Carter

**Secretary**

T J Simons

**Auditors**

Ernst & Young LLP

1 Bridgewater Place

Water Lane

Leeds

LS11 5QR

**Bankers**

Yorkshire Bank plc

4 Victoria Place

Manor Road

Leeds

LS11 5AE

**Registered Office**

Dewsbury Road

Wakefield

WF2 9BE

## Strategic report

The Directors present their strategic report for the year ended 31 December 2017.

### Review of the business

The principal activity of the Company during the year was within the motor industry.

### Key performance indicators

2017 was a challenging year and the financial results were adversely affected by a number of key factors in particular a softening of the new private and corporate car market coupled with new registration targets ahead of market demand. The first quarter of 2017 was buoyed by impending increases to vehicle excise duty rates which took effect in April 2017. However, demand in subsequent quarters reduced amidst a degree of political and economic uncertainty which was further compounded in the middle of the year by the widespread demonisation of the diesel car. This resulted in a significant reduction in the number of diesel models sold in 2017 compared to the previous year.

Accordingly, manufacturer targets represented a significant challenge, a more competitive market place in which supply exceeded demand, which led to a reduction in gross margin and a significant number of self-registrations which more than doubled the number of demonstration and pre-registered vehicles in 2017.

In December 2017, despite trading on the assumption of achieving Q4 targets we took a difficult strategic decision to miss Q4 2017 manufacturer targets since the financial and operational impact of continuing to self-register vehicles and the resulting impact on 2018 was considered to be too great. Whilst financially painful in 2017 it enabled the business to implement a strategy for 2018 to return Wakefield to profit.

The financial impact of the target position in 2017 had a double whammy effect, resulting in a greater focus on new vehicle sales and whilst used retail BMW vehicle sales remained strong in terms of both volume and profit, the increased mix of demonstration and pre-registration vehicles resulted in an overall reduced gross profit. In addition our stock and working capital remained similar which resulted in less retail used stock available and accordingly a reduction in this important sales channel. Similarly parts purchase targets increased in 2017 resulting in a significant reduction in group parts purchase bonus compared to 2016.

During the year turnover increased by approximately £8.1 million compared with 2016, although both gross and net profit reduced.

The principal reason for the increase in turnover was increased sales of new and used MINI vehicles and other used vehicle sales although sales of new corporate BMW and MINI vehicles fell by some 11% and 39% respectively in 2017 compared with 2016. The overall level of sales of new BMW's fell by 4% compared to 2016.

### Unique one-off factors affecting 2017

There were also a number of factors and events which occurred in 2017 which are neither reflections of underlying performance nor a sequence of events that will occur in 2018, in particular relating to staffing issues which had a detrimental impact on profit but have now been fully resolved in 2018.

In 2017 we completed a conversion to a new computer system, which is now running successfully after initial teething issues and downtime during the implementation period which did have a negative impact on service bookings and revenue.

Operational expenses increased in 2017, with additional cost relating to storage accommodation, as a direct result of increased new stock levels. Similarly depreciation increased by £55,000 (prior to adjustments regarding the revaluation) in this period reflecting the significant investment in both BMW and MINI facilities in 2016 and 2017. Marketing costs and vehicle stocking both increased in the period reflecting a drive to push new vehicle sales to the market.

Strong control and management of the working capital of the business enabled the sound cash position to continue, with all reinvestment funded by cash reserves with no mortgage, leaving the business unencumbered by any bank loans.

## Strategic report (continued)

Average employee numbers increased by 1.5% compared with 2016 with training costs maintained to further improve and develop standards and strategies appropriate for the long-term success of the company.

### Risks and Sensitivity

The principal risks and sensitivity affecting the company's trading activity surround the general demand within the new car market and the impact of any political changes thereon, product availability and model changes and the impact of the economic environment. The Directors seek to manage the sensitivity and cyclical changes to the business through robust processes and a proactive management culture, focusing on all aspects of the business to mitigate these risks wherever possible.



T J Simons  
Secretary

28 June 2018

## Directors' report

The directors present their report for the year ended 31 December 2017.

### Directors

The directors who served the company during the year were as follows:

D Bosomworth

T J Simons

J Carter

### Results and dividends

The loss for the year after taxation amounted to £517,482 (2016 - profit of £1,230). The directors do not recommend a final dividend (2016 - £Nil).

### Future Developments

The Directors aim to maintain and enhance the management policies that have resulted in significant growth in recent years and which have enabled the business to remain robust despite the variable economic trading conditions. The outlook for 2018 remains positive and the Directors are confident that the policies and actions deployed will ensure the business operates on a sound financial and operational footing.

### 2018 Strategy and Profit Improvement

#### *New Cars*

The strategic decision taken in Q4 2017 resulted in low levels of demonstration/pre-registered vehicles in stock at the beginning of 2018 and rather than having to retail a mixture of pre-registered cars and new retail cars in 2018, we have sole unfettered focus on new retail sales, counting towards target bonus achievement, which have been achieved in 2018.

#### *Used Cars*

Sandal has operated a successful, profitable used BMW business for many years, however whilst the overall volumes have grown the percentage mix and actual sale of retail BMW's has been hampered by stock levels containing a heavier mix of nearly new vehicles in 2017. In 2018 we aim to increase our stock holding of BMW used retail cars to generate additional profit streams and further develop this important aspect of the business.

Additional measures to improve performance include the introduction of some further cost control measures and initiatives, new performance related bonus pay structures geared towards key business factors and profitability and enhancement to the in-house marketing resource with further investment behind our social media channels.

The BMW and MINI brands continue to develop exciting and desirable new models. With the all new BMW X2 launched in Q1 2018 and later in the year a new BMW X4, new BMW X5, BMW i8 Roadster and all new BMW 8 Series Coupe.

In 2019, an outstanding range of new models are due to be launched, including all new BMW 3 Series saloon and 4 Series Coupe, both significant volume models, a further development of the new 8 series range with Convertible, Gran Coupé and M8 derivatives and new niche products with the Z4, X7 and an electric MINI

Actions and measures taken to improve operational efficiency, management policies, marketing initiatives and a continuing control of costs, coupled with new model introductions, are assisting the performance of the business in 2018, with profitability and sales in the first trimester of 2018 broadly as anticipated. Accordingly, the Directors anticipate that turnover and operating profit in 2018 will show an improvement on 2017.

## Directors' report (continued)

### Going Concern

The company's business activities, together with the factors likely to affect its future development, financial position and performance, risks and sensitivity are set out in the Strategic Report on pages 2-3.

The company has a positive cash position and several funding lines available, which are currently under-utilised and can be drawn down as required. The properties are all fully paid for and the directors believe that the company is well placed to manage its business risks successfully.

On the basis of the above, the Directors are of the opinion that the company and the group have sufficient evidence and adequate resources to continue in operational existence for the foreseeable future.

Accordingly, the annual report and accounts are prepared on the going concern basis.

### Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board



T J Simons

Director

28 June 2018

## Statement of directors' responsibilities

The directors are responsible 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 then apply them consistently;
- make judgments and 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 auditors' report**

## **to the members of Sandal Motors (Bayern) Limited**

We have audited the financial statements of Sandal Motors (Bayern) Limited for the year ended 31 December 2017 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, and the related notes 1 to 18, 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 FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its loss 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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

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

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

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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



# **Independent auditors' report**

**to the members of Sandal Motors (Bayern) Limited (continued)**

## **Other information (continued)**

information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

## **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

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


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

# Independent auditors' report

to the members of Sandal Motors (Bayern) Limited (continued)

## 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.



Peter Buckler (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Leeds  
28 June 2017

## Notes:

1. The maintenance and integrity of the Sandal Motors (Bayern) Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Income statement

for the year ended 31 December 2017

		2017	2016
	Notes	£	£
<b>Turnover</b>	2	82,637,637	74,556,117
Cost of sales		<u>(79,962,262)</u>	<u>(71,282,993)</u>
<b>Gross Profit</b>		2,675,375	3,273,124
Administrative expenses		<u>(3,012,903)</u>	<u>(3,052,669)</u>
<b>Operating (Loss)/Profit</b>	3	(337,528)	220,455
Interest payable and similar charges	6	<u>(258,814)</u>	<u>(196,580)</u>
<b>(Loss)/Profit on ordinary activities before taxation</b>		(596,342)	23,875
Tax	7	<u>78,860</u>	<u>(22,645)</u>
<b>(Loss)/Profit for the financial year</b>		<u>(517,482)</u>	<u>1,230</u>

All amounts relate to continuing activities.

## Statement of comprehensive income

for the year ended 31 December 2017

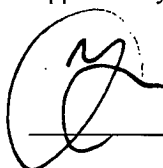
	2017	2016
	£	£
(Loss)/Profit for the financial year	<u>(517,482)</u>	<u>1,230</u>
<b>Total comprehensive (loss)/income for the year</b>	<u>(517,482)</u>	<u>1,230</u>

## Statement of financial position

at 31 December 2017

	Notes	2017 £	2016 £
<b>Fixed assets</b>			
Tangible assets	9	7,011,968	5,929,422
<b>Current assets</b>			
Stock	10	10,831,512	10,088,380
Debtors	11	4,280,330	3,456,988
Cash at bank and in hand		52,755	304,727
		15,164,597	13,850,095
<b>Creditors: amounts falling due within one year</b>	12	(14,554,898)	(12,976,728)
<b>Net current assets</b>		609,699	873,367
<b>Total assets less current liabilities</b>		7,621,667	6,802,789
<b>Creditors: amounts falling due after more than one year</b>	13	(1,407,649)	(1,409,158)
<b>Provisions for liabilities</b>			
Deferred taxation	7(c)	(130,736)	(96,167)
<b>Net assets</b>		6,083,282	5,297,464
<b>Capital and reserves</b>			
Called up share capital	15	50,000	50,000
Revaluation reserve		1,303,300	-
Profit and loss account		4,729,982	5,247,464
<b>Shareholders' funds</b>		6,083,282	5,297,464

Approved by the Board of Directors on 28 June 2018 and signed on its behalf by:



T J Simons  
Director

## Statement of changes in equity

at 31 December 2017

	<i>Notes</i>	<i>Share capital £</i>	<i>Revaluation reserve</i>	<i>Profit and loss account £</i>	<i>Total shareholders' funds £</i>
At 1 January 2016		50,000	-	5,246,234	5,296,234
Profit for the year		-	-	1,230	1,230
Dividend paid		-	-	-	-
At 31 December 2016 and 1 January 2017		50,000	-	5,247,464	5,297,464
Loss for the year		-	-	(517,482)	(517,482)
Revaluations		-	1,303,300	-	1,303,300
Dividend paid		-	-	-	-
At 31 December 2017	15	50,000	1,303,300	4,729,982	6,083,282

## Notes to the financial statements

at 31 December 2017

### 1. Accounting policies

#### **Statement of Compliance**

Sandal Motors (Bayern) Limited is a company incorporated in England. The registered office is Dewsbury Road, Wakefield, WF2 9BE.

The company's financial statements have been prepared in compliance with FRS 102.

#### **Basis of preparation**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The financial statements are prepared in sterling which is the functional currency of the company.

The following disclosure exemptions have been adopted:

- The requirement to present a statement of cash flows and related notes
- The requirements relating to certain disclosures in respect of related party transactions.
- The requirements relating to certain disclosures in respect of key management personnel

#### **Revenue Recognition**

Turnover from the sale of goods is recognised in the profit and loss account, net of discounts, when the significant risks and rewards of ownership have been transferred to the buyer. In general, this occurs when vehicles or parts have been supplied or when the customer has signed for the goods.

#### **Related party transactions**

The company has taken advantage of the exemption provided by paragraph 33.1A of FRS 102, from disclosing transactions entered into between two or more members of a group where all members are wholly owned.

#### **Tangible fixed assets**

All fixed assets are initially recorded at cost.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Freehold property	–	over 50 years
Leasehold property	–	over the lease term
Machinery and equipment	–	8½% - 50% on cost
Motor vehicles	–	25% - 33⅓% on cost
Office equipment	–	25% - 50% on cost

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Fixed assets are periodically revalued to ensure the correct carrying value is maintained in the accounts. A formal revaluation will take place at least every 5 years.

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Vehicles held on consignment from the manufacturer are included in the balance sheet as it is considered that the company enjoys the benefits and carries the risk of ownership. The associated liability is included in trade creditors.

## Notes to the financial statements

at 31 December 2017

### *Deferred taxation*

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### *Leasing and hire purchase commitments*

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

### *Pensions*

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

### *Group relief payments*

The group takes advantage of provisions within the Taxes Act which enable certain tax benefits available in one group company to be transferred to another group company. Consideration is passed for this benefit based on the cash tax saving of the receiving entity.

### *Judgements and estimates*

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

### *Used vehicle stock valuation*

Vehicle inventories are stated at the lower of cost and net realisable value (fair value less costs to sell). Fair values are assessed using third party industry valuation data supplemented as appropriate by the market intelligence of the management team.

## Notes to the financial statements

at 31 December 2017

### 2. Turnover

Turnover represents the amounts receivable from the provision of goods and services, including finance commission, stated net of value added tax.

The turnover and pre-tax profit is wholly attributable to the main activity, as described in the directors' report, and has been generated in the United Kingdom.

Turnover is analysed as follows:

	2017 £	2016 £
Sales of vehicles	75,232,221	66,934,479
After sales & other	7,405,416	7,621,638
	<u>82,637,637</u>	<u>74,556,117</u>

### 3. Operating Loss

This is stated after charging:

	2017 £	2016 £
Auditors' remuneration – audit services (company only)	13,000	13,000
– audit services (parent undertaking)	2,000	2,000
– taxation services	7,148	18,009
Depreciation of owned fixed assets	315,337	325,148
Depreciation of assets held under finance leases and hire purchase contracts	13,419	9,833
Operating lease rentals – land and buildings	<u>195,000</u>	<u>195,000</u>



## Notes to the financial statements

at 31 December 2017

### 4. Directors' remuneration

	2017 £	2016 £
Remuneration	<u>283,053</u>	<u>325,108</u>
Contributions paid to defined contribution pension schemes	<u>16,480</u>	<u>16,836</u>
	<i>No.</i>	<i>No.</i>
Members of defined contribution pension schemes	<u>3</u>	<u>3</u>

The remuneration, excluding pension contributions, of the highest paid director was £111,028 (2016 – £126,010). The amount of contributions paid into a money purchase scheme on behalf of the highest paid director was £13,200 (2016 – £13,200).

### 5. Staff costs

	2017 £	2016 £
Wages and salaries	3,740,183	3,547,408
Social security costs	375,161	362,235
Other pension costs	73,495	75,752
	<u>4,188,839</u>	<u>3,985,395</u>

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

	<i>No.</i>	<i>No.</i>
Management, office, sales and workshop	<u>132</u>	<u>130</u>

### 6. Interest payable and similar charges

	2017 £	2016 £
Bank loans	38,412	22,000
Finance charges payable under finance leases	220,402	174,580
	<u>258,814</u>	<u>196,580</u>

## Notes to the financial statements

at 31 December 2017

### 7. Tax

(a) Tax on profit on ordinary activities

The tax on profit is made up as follows:

	2017 £	2016 £
<b>Current tax:</b>		
UK corporation tax on the profit for the year	-	22,225
Adjustments in respect of previous periods	(31,316)	(3,274)
Total current tax (note 7(b))	(31,316)	18,951
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(79,365)	11,853
Adjustment in respect of previous years	22,557	(1,317)
Change in rate of deferred tax	9,264	(6,842)
Total deferred tax (note 7(c))	(47,544)	3,694
Tax on profit on ordinary activities	(78,860)	22,645

(b) Factors affecting the current tax liability for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20.0% (2016 – 20.0%). The differences are explained below:

	2017 £	2016 £
Loss on ordinary activities before tax	(596,342)	23,875
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 – 20.0%)	(114,779)	4,775
<b>Effects of:</b>		
Expenses not deductible for tax purposes	30,335	29,302
Effects of group relief/other reliefs	5,080	-
Adjustments in respect of previous periods	(8,744)	(4,590)
Change in rate of deferred tax	9,264	(6,842)
Current tax for the year (note 7(a))	(78,860)	22,645

(c) Deferred tax

	2017 £	2016 £
Capital allowances in advance of depreciation	130,736	96,167

## Notes to the financial statements

at 31 December 2017

### 7. Tax (continued)

(c) Deferred tax (continued)

	£
At 1 January 2017	96,167
Profit and loss account movement arising during the year	(70,101)
Adjustments in respect of previous periods	22,557
Deferred tax charge in equity for the period	82,112
Rounding	1
At 31 December 2017	<u>130,736</u>

(d) Factors that may affect future tax charges

The 2015 Summer Finance Bill, which was substantively enacted in October 2015, included provisions to reduce the main rate of UK corporation tax to 19% effective from 1 April 2017 and 18% with effect from 1 April 2020. The 2016 Finance Act then superseded this, introducing a reduction in the UK corporation tax rate to 17% from 1 April 2020.

Accordingly these rates have been applied in the measurements of the deferred tax assets and liabilities at 31 December 2017.

### 8. Dividends

	2017	2016
	£	£
Dividend declared on ordinary shares	<u>-</u>	<u>-</u>

## Notes to the financial statements

at 31 December 2017

### 9. Tangible fixed assets

	<i>Freehold land and buildings</i>	<i>Leasehold land and property</i>	<i>Plant and machinery</i>	<i>Motor vehicles</i>	<i>Total</i>
	£	£	£	£	£
Cost:					
At 1 January 2017	5,483,693	340,200	3,286,707	156,756	9,267,356
Additions	-	-	108,001	-	108,001
Revaluation	483,010	-	-	-	483,010
Disposals	-	-	-	-	-
At 31 December 2017	5,966,703	340,200	3,394,708	156,756	9,858,367
Depreciation:					
At 1 January 2017	830,403	40,200	2,395,045	72,286	3,337,934
Revaluation Adjustment	(820,291)	-	-	-	(820,291)
Charge for the year	85,761	-	229,575	13,420	328,756
Disposals	-	-	-	-	-
At 31 December 2017	95,873	40,200	2,624,620	85,706	2,846,399
Net book value:					
At 31 December 2017	5,870,830	300,000	770,088	71,050	7,011,968
At 1 January 2017	4,653,290	300,000	891,662	84,470	5,929,422

The net book value of machinery and equipment and motor vehicles above includes an amount of £71,045 (2016 – £84,470) in respect of assets held under finance leases.

The freehold land and buildings at the Wakefield site was revalued on 1 January 2017 by the Directors on the basis of professional advice. The carrying value of the revalued freehold land and buildings is £5.97m. Had the assets been carried at cost the carrying value would have been £4.51m.

### 10. Stock

	2017	2016
	£	£
Vehicles on consignment	2,627,974	1,196,096
Other vehicles	7,888,439	8,534,230
Other stocks	315,099	358,054
	<u>10,831,512</u>	<u>10,088,380</u>

Stocks recognised as an expense in the period were £69,320,605 (2016: £ 64,124,602)

## Notes to the financial statements

at 31 December 2017

### 11. Debtors

	2017	2016
	£	£
Trade debtors	2,179,615	1,760,036
Amounts owed by group undertakings	1,611,912	887,742
Corporation Tax Asset	113,429	-
Other debtors	111,833	28,827
Prepayments and accrued income	263,541	780,383
	<u>4,280,330</u>	<u>3,456,988</u>

### 12. Creditors: amounts falling due within one year

	2017	2016
	£	£
Loan	80,004	-
Obligations under finance leases (note 14)	6,449,794	7,405,273
Trade creditors	7,193,826	4,865,951
Taxes and social security costs	264,857	89,709
Other creditors	202,108	146,859
Accruals and deferred income	364,309	468,936
	<u>14,554,898</u>	<u>12,976,728</u>

Included within trade creditors are amounts totalling £2,627,974 (2016 – £1,196,096) due to BMW Finance (GB) Limited in respect of consignment stock. These are secured by fixed and floating charges on the assets of the company. These loans are principally stocking loans.

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

	2017	2016
	£	£
Directors' loans	1,119,000	1,409,158
Other loan	288,649	-
	<u>1,407,649</u>	<u>1,409,158</u>

## Notes to the financial statements

at 31 December 2017

### 14. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows:

	2017	2016
	£	£
Amounts payable:		
Within one year	6,449,794	7,405,274
More than one year	-	-
	<u>6,449,794</u>	<u>7,405,274</u>

The total balance of £6,449,794 (2016 – £7,405,274) is secured on specific stock vehicles.

### 15. Issued share capital

		2017		2016
	No.	£	No.	£
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	50,000	<u>50,000</u>	50,000	<u>50,000</u>

### 16. Other financial commitments

At 31 December 2017, the future minimum rentals payable under non-cancellable operating leases are as follows:

	<i>Land and buildings</i>	
	2017	2016
	£	£
Within one year:	48,750	195,000
In two to five years	-	48,750
In over five years	<u>-</u>	<u>-</u>

## Notes to the financial statements

at 31 December 2017

### 17. Related party transactions

Transactions with directors:

Included within creditors due after more than one year are loans made by the directors, D Bosomworth and T J Simons and by a close family member of a director, S Bosomworth. Interest is charged at the Bank of England base rate plus a commercial interest premium. There are no fixed terms for repayment.

In addition, there is an amount owed from a director, D Bosomworth, of £929 (2016 – £4,922). Movements on the loan account are as follows:

	£
Amount owing at 1 January 2017	4,922
Movements during the year	(3,993)
Amount owing at 31 December 2017	<u>929</u>

### 18. Ultimate parent undertaking and controlling party

The company's ultimate parent undertaking and controlling party is Findpath Limited, a company incorporated in England and Wales. Copies of the group financial statements are available from Sandal Motors, Dewsbury Road, Wakefield, WF2 9BE.