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Gemini Accident Repair Centres Limited

Report of the Directors and Consolidated Financial Statements

For the Year Ended 31 December 2018

Registration Number: 06628091 (England and Wales)

Contents of the Consolidated Financial Statements for the year ended 31 December 2018

GEMINI ACCIDENT REPAIR CENTRES LIMITED

Company Information
for the year ended 31 December 2018

Directors:	D J Sargeant P Coleman T Hopkins
Registered office:	Gemini House Gemini Business Park Stourport Road Kidderminster DY11 7QL
Registered number:	06628091 (England and Wales)
Auditors:	Haines Watts Birmingham LLP 5-6 Greenfield Crescent Edgbaston Birmingham B15 3BE
Solicitors:	Harrison Clark Rickerbys 5 Deansway Worcester Worcestershire WR12 2JG

Group Strategic Report
for the year ended 31 December 2018

The directors present their strategic report of the company and the group for the year ended 31 December 2018.

Review of business

We aim to present a balanced and comprehensive review of the development and performance of the business during the year and its position at the year end. Our review is consistent with the size and nature of the business and is written in the context of risks and uncertainties faced.

The group is a motor accident repairer with multiple garages.

We consider that our key financial performance indicators are those that communicate the financial performance and strength of the group as a whole, these being turnover, gross margin and operating profit.

During the year turnover increased by 22.6% to £49,888,560 while gross profit margin was £19,761,215 or 39.6% (2017 £16,645,049 40.91%).

The operating profit was £1,024,561 (2017 £658,189). After adjustments for interest the pre-tax profit was £972,404 (2017 £587,205).

The Directors are satisfied with the results for the year, which are in line with expectations. The Gemini Group has undergone rapid expansion in the last four years, most notably the acquisition of the subsidiary companies ADR Accident Repair Centres Limited on 24 August 2015 and Duddingston Coachworks on 6 November 2017 and the opening of several new sites.The acquisition restructuring costs and new site integration costs have placed pressures on profit margins during this trading period but these new sites are trading profitably within the "group".

Principal risks and uncertainties

The business environment in which we operate continues to be challenging. The motor accident repairs market in the UK is highly competitive. In addition the economic outlook for the economy generally is increasingly uncertain as a result of Brexit. However our unique business model and processes means the group continues to operate efficiently and profitably.

On behalf of the board:

P Coleman - Director

27 September 2019

Report of the Directors
for the year ended 31 December 2018

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2018.

Change of name
The parent company passed a special resolution on 27 June 2019 changing its name from Gemini Repairs Limited to Gemini Accident Repair Centres Limited.

Dividondo
No dividends will be distributed for the year ended 31 December 2018.

Directors
The directors during the year under review were:

D J Sargeant
P Coleman
T Hopkins

The beneficial interests of the directors holding office on 31 December 2018 in the issued share capital of the company were as follows:

	31.12.18	1.1.18
Ordinary £1 shares		
D J Sargeant	150	150
P Coleman	50	50
T Hopkins	800	800

Financial instruments
Liquidity risk
The group manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the group has sufficient liquid resources to meet the operating needs of the business.

Interest rate risk
The group is exposed to fair value interest rate risk on its fixed rate borrowings and cash flow interest rate risk on floating rate deposits, bank overdrafts and loans. The group uses interest rate derivatives to manage the mix of fixed and variable rate debt so as to reduce its exposure to changes in interest rates.

Credit risk
Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board. All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Employment policies
Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the group continues and that the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement
The group policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the group's performance.

Report of the Directors
for the year ended 31 December 2018

Statement of directors' responsibilities
The directors are responsible for preparing the Group Strategic Report, the Report of the Directors 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 the group and of the profit or loss of the group for that period. 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;
- 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 and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to auditors
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

Auditors
Michael Kay & Company Limited were acquired by Haines Watts Birmingham LLP during the year. As a consequence Michael Kay & Company Limited resigned as auditor and Haines Watts Birmingham LLP were appointed in their place.In accordance with Section 485 of the Companies Act 2006, a resolution proposing that Haines Watts Birmingham LLP be re-appointed as auditor will be put to the Annual General Meeting.

On behalf of the board:

P Coleman - Director

27 September 2019

Report of the Independent Auditors to the Members of
Gemini Accident Repair Centres Limited

Opinion
We have audited the financial statements of Gemini Accident Repair Centres Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the Consolidated Statement of Income and Retained Earnings, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement and Notes to the Consolidated Cash Flow Statement, 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 affairs as at 31 December 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's 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 in the Group Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors 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 Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Report of the Directors 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 group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the Statement of Directors' Responsibilities set out on page four, 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 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.

Auditors' 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 a Report of the Auditors 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 www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

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 a Report of the Auditors 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.

Michael Kay (Senior Statutory Auditor)
for and on behalf of Haines Watts Birmingham LLP
5-6 Greenfield Crescent
Edgbaston
Birmingham
B15 3BE

27 September 2019

Consolidated Statement of Income and Retained Earnings for the year ended 31 December 2018

	Notes	2018 £	2017 £
Turnover	3	**49,888,560**	40,684,462
Cost of sales		**(30,127,345)**	(24,039,413)
Gross profit		**19,761,215**	16,645,049
Distribution costs		**(2,236,789)**	(1,772,736)
Administrative expenses		**(16,594,560)**	(14,219,124)
		929,866	653,189
Other operating income	4	**94,695**	5,000
Operating profit	6	**1,024,561**	658,189
Interest payable and similar expenses	9	**(52,157)**	(70,984)
Profit before taxation		**972,404**	587,205
Tax on profit	10	**(315,546)**	(171,486)
Profit for the financial year		**656,858**	415,719
Retained earnings at beginning of year		**1,619,031**	1,203,312
Retained earnings for the group at end of year		**2,275,889**	1,619,031
Profit attributable to:			
Owners of the parent		**656,858**	415,719

The notes form part of these financial statements

Consolidated Balance Sheet
31 December 2018

	Notes	£	2018 £	£	2017 £
Fixed assets					
Intangible assets	12		-		-
Tangible assets	13		6,372,584		4,535,183
Investments	14		-		-
			6,372,684		4,535,183
Current assets					
Stocks	15	616,437		900,936	
Debtors	16	8,677,710		6,737,798	
Cash at bank and in hand		10,629		1,715	
		9,304,776		7,640,449	
Creditors					
Amounts falling due within one year	17	11,795,408		8,880,483	
Net current liabilities			(2,490,632)		(1,240,034)
Total assets less current liabilities			3,881,952		3,295,149
Creditors					
Amounts falling due after more than one year	18		(1,287,007)		(1,513,122)
Provisions for liabilities	22		(318,056)		(161,996)
Net assets			2,276,889		1,620,031
Capital and reserves					
Called up share capital	23		1,000		1,000
Retained earnings	24		2,275,889		1,619,031
Shareholders' funds			2,276,889		1,620,031

The financial statements were approved by the Board of Directors on 27 September 2019 and were signed on its behalf by:

P Coleman - Director

The notes form part of these financial statements

Company Balance Sheet
31 December 2018

	Notes	£	2018 £	£	2017 £
Fixed assets					
Intangible assets	12		-		-
Tangible assets	13		6,372,584		4,535,183
Investments	14		50,100		50,100
			6,422,684		4,585,283
Current assets					
Stocks	15	616,437		900,936	
Debtors	16	8,639,461		6,737,697	
Cash at bank and in hand		10,629		1,715	
		9,266,527		7,640,348	
Creditors					
Amounts falling due within one year	17	11,845,508		8,968,731	
Net current liabilities			(2,578,981)		(1,328,383)
Total assets less current liabilities			3,843,703		3,256,900
Creditors					
Amounts falling due after more than one year	18		(1,287,007)		(1,513,122)
Provisions for liabilities	22		(318,056)		(161,996)
Net assets			2,238,640		1,581,782
Capital and reserves					
Called up share capital	23		1,000		1,000
Retained earnings	24		2,237,640		1,580,782
Shareholders' funds			2,238,640		1,581,782
Company's profit for the financial year			656,858		1,083,410

The financial statements were approved by the Board of Directors on 27 September 2019 and were signed on its behalf by:

P Coleman - Director

The notes form part of these financial statements

Consolidated Cash Flow Statement
for the year ended 31 December 2018

	Notes	2018 £	2017 £
Cash flows from operating activities			
Cash generated from operations	1	**2,437,462**	915,104
Interest paid		**(52,157)**	(70,984)
Tax paid		**(44,502)**	(8,457)
Net cash from operating activities		**2,340,803**	836,663
Cash flows from investing activities			
Purchase of tangible fixed assets		**(2,203,784)**	(3,049,686)
Sale of tangible fixed assets		**417**	520,533
Purchase of business		**-**	(667,213)
Net cash from investing activities		**(2,203,367)**	(3,196,366)
Cash flows from financing activities			
New loans in year		**-**	707,000
Loan repayments in year		**(67,624)**	(39,467)
Capital repayments in year		**(157,637)**	(114,177)
Amount withdrawn by directors		**(93,744)**	-
Proceeds from borrowings		**-**	555,556
Repayment of borrowings		**(333,333)**	(333,334)
Net cash from financing activities		**(652,338)**	775,578
Decrease in cash and cash equivalents		**(514,902)**	(1,585,125)
Cash and cash equivalents at beginning of year	2	**(679,607)**	905,518
Cash and cash equivalents at end of year	2	**(1,194,509)**	(679,607)

The notes form part of these financial statements

Notes to the Consolidated Cash Flow Statement
for the year ended 31 December 2018

1. **Reconciliation of profit before taxation to cash generated from operations**

	2018	2017
	£	£
Profit before taxation	**972,404**	587,205
Depreciation charges	**663,361**	612,304
Profit on disposal of fixed assets	**(417)**	(101,442)
Impairment of intangible fixed assets	**-**	650,315
Exceptional items	**105,000**	-
Finance costs	**52,157**	70,984
	1,792,505	1,819,366
Decrease/(increase) in stocks	**284,499**	(214,742)
Increase in trade and other debtors	**(1,849,753)**	(1,650,328)
Increase in trade and other creditors	**2,210,211**	960,808
Cash generated from operations	**2,437,462**	915,104

2. **Cash and cash equivalents**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2018

	31/12/18	1/1/18
	£	£
Cash and cash equivalents	**10,629**	**1,715**
Bank overdrafts	**(1,205,138)**	**(681,322)**
	(1,194,509)	**(679,607)**

Year ended 31 December 2017

	31/12/17	1/1/17
	£	£
Cash and cash equivalents	1,715	1,314,265
Bank overdrafts	(681,322)	(408,747)
	(679,607)	905,518

1. **Statutory information**

Gemini Accident Repair Centres Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

2. **Accounting policies**

Basis of preparing the financial statements
These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling , which is the functional currency of the company. Monetary a mounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Basis of consolidation
In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

The consolidated financial statements incorporate those of Gemini Repairs Limited and its subsidiaries and all of its subsidiaries (ie entities that the g roup controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2018 . Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the g roup.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Going concern
At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Significant judgements and estimates
In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

continued...

2. **Accounting policies - continued**

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from work in progress is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 5 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

continued...

2. **Accounting policies - continued**

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Long leasehold	- 10% on cost
Plant and machinery	- 20% on reducing balance and 15% on cost
Fixtures and fittings	- 33% on cost and 15% on reducing balance
Motor vehicles	- 33% on cost and 25% on reducing balance

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

The directors consider that the freehold property is maintained in such a state of repair that the residual value is at least equal to the net book value. As a result, the corresponding depreciation would not be material and therefore is not charged in the profit and loss account.

No depreciation is provided in respect of freehold land.

Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

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

Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

continued...

2. **Accounting policies - continued**

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

continued...

2. **Accounting policies - continued**

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

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets
Basic financial assets, which include debtors and cash and bank balances, are initially measured attransaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets
Financial assets, other than those held at fair value through profit and loss , are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

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

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities
Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

continued...

2. **Accounting policies - continued**

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Leases

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Pension costs and other post-retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Short term employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stocks or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

continued...

3. **Turnover**

The turnover and profit before taxation are attributable to the one principal activity of the group.

An analysis of turnover by class of business is given below:

	2018	2017
	£	£
Labour sales	22,488,705	16,365,351
Parts and materials sales	27,399,855	24,319,111
	49,888,560	40,684,462

4. **Other operating income**

	2018	2017
	£	£
Rents received	94,695	-
Sundry receipts	-	5,000
	94,695	5,000

5. **Employees and directors**

	2018	2017
	£	£
Wages and salaries	15,175,473	12,638,586
Social security costs	1,467,800	1,248,250
Other pension costs	254,225	184,078
	16,897,498	14,070,914

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

	2018	2017
Directors	3	3
Head office admin	16	16
Other	571	477
	590	496

The average number of employees by undertakings that were proportionately consolidated during the year was 590 (2017 - 496).

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2017 - 2).

Directors' remuneration amounted to £155,548 (2017 £350,526).

6. **Operating profit**

The operating profit is stated after charging/(crediting):

	2018	2017
	£	£
Other operating leases	1,681,958	1,269,340
Depreciation - owned assets	693,461	583,087
Profit on disposal of fixed assets	(417)	(101,442)
Goodwill amortisation	-	29,218
Cost of stocks recognised as an expense	18,357,163	14,604,507

continued...

7. **Auditors' remuneration**

	2018 £	2017 £
Fees payable to the company's auditors for the audit of the company's financial statements	**18,500**	13,000
Auditors' remuneration for non audit work	-	3,633

8. **Exceptional items**

	2018 £	2017 £
Exceptional items	**(105,000)**	-

The exceptional item consists of additional consideration payable for the cost of acquisition of Duddingston Coachworks Limited which has been regarded as impaired and thus written off to the profit and loss account.

9. **Interest payable and similar expenses**

	2018 £	2017 £
Bank interest	**19,917**	14,797
Interest on finance lease	**32,240**	56,187
	52,157	70,984

10. **Taxation**

Analysis of the tax charge
The tax charge on the profit for the year was as follows:

	2018 £	2017 £
Current tax:		
UK corporation tax	**159,486**	44,506
Deferred tax	**156,060**	126,980
Tax on profit	**315,546**	171,486

UK corporation tax has been charged at 19%.

Reconciliation of total tax charge included in profit and loss
The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2018 £	2017 £
Profit before tax	**972,404**	587,205
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19.250%)	**184,757**	113,037
Effects of:		
Expenses not deductible for tax purposes	**33,089**	6,476
Capital allowances in excess of depreciation	**(58,360)**	(9,856)
Utilisation of tax losses	-	(195,962)
Deferred tax movement	**156,060**	126,980
Amortisation on assets not qualifying for tax allowances	-	130,811
Total tax charge	**315,546**	171,486

continued...

11. **Individual income statement**

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

12. **Intangible fixed assets**

Group

	Goodwill £
Cost	
At 1 January 2018	
and 31 December 2018	**760,857**
Amortisation	
At 1 January 2018	
and 31 December 2018	**760,857**
Net book value	
At 31 December 2018	-
At 31 December 2017	-

Company

	Goodwill £
Cost	
At 1 January 2018	
and 31 December 2018	**73,748**
Amortisation	
At 1 January 2018	
and 31 December 2018	**73,748**
Net book value	
At 31 December 2018	-
At 31 December 2017	-

continued...

Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2018

13. Tangible fixed assets

Group

	Freehold property £	Long leasehold £	Plant and machinery £
Cost			
At 1 January 2018	1,102,500	524,555	4,709,942
Additions	-	376,073	1,474,809
At 31 December 2018	1,102,500	900,628	6,184,751
Depreciation			
At 1 January 2018	-	209,337	2,980,793
Charge for year	-	67,425	457,014
At 31 December 2018	-	276,762	3,437,807
Net book value			
At 31 December 2018	1,102,500	623,866	2,746,944
At 31 December 2017	1,102,500	315,218	1,729,149

	Fixtures and fittings £	Motor vehicles £	Totals £
Cost			
At 1 January 2018	1,595,479	1,723,051	9,655,527
Additions	178,822	501,158	2,530,862
At 31 December 2018	1,774,301	2,224,209	12,186,389
Depreciation			
At 1 January 2018	1,191,127	739,087	5,120,344
Charge for year	101,110	67,912	693,461
At 31 December 2018	1,292,237	806,999	5,813,805
Net book value			
At 31 December 2018	482,064	1,417,210	6,372,584
At 31 December 2017	404,352	983,964	4,535,183

continued...

13. **Tangible fixed assets - continued**

Company

	Freehold property £	Long leasehold £	Plant and machinery £
Cost			
At 1 January 2018	1,102,500	524,556	4,709,942
Additions	-	376,073	1,474,809
At 31 December 2018	1,102,500	900,629	6,184,751
Depreciation			
At 1 January 2018	-	209,337	2,980,793
Charge for year	-	67,425	457,014
At 31 December 2018	-	276,762	3,437,807
Net book value			
At 31 December 2018	1,102,500	623,867	2,746,944
At 31 December 2017	1,102,500	315,219	1,729,149

	Fixtures and fittings £	Motor vehicles £	Totals £
Cost			
At 1 January 2018	1,595,479	1,723,051	9,655,528
Additions	178,822	501,158	2,530,862
At 31 December 2018	1,774,301	2,224,209	12,186,390
Depreciation			
At 1 January 2018	1,191,128	739,087	5,120,345
Charge for year	101,110	67,912	693,461
At 31 December 2018	1,292,238	806,999	5,813,806
Net book value			
At 31 December 2018	482,063	1,417,210	6,372,584
At 31 December 2017	404,351	983,964	4,535,183

14. **Fixed asset investments**

Company

	Shares in group undertakings £
Cost	
At 1 January 2018 and 31 December 2018	50,100
Net book value	
At 31 December 2018	50,100
At 31 December 2017	50,100

continued...

14. Fixed asset investments - continued

The group or the company's investments at the Balance Sheet date in the share capital of companies include *the following:*

Subsidiaries

ADR Accident Repair Centres Limited
Registered office: 2 Water Court, Water Street, Birmingham, B3 1HP
Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

Duddingston Coachworks Limited
Registered office: 34 West Telferton, Portobello, Edinburgh, EH7 6UL
Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

15. Stocks

	Group		Company	
	2018	**2017**	**2018**	**2017**
	£	**£**	**£**	**£**
Work-in-progress	**616,437**	900,936	**616,437**	900,936

16. Debtors: amounts falling due within one year

	Group		Company	
	2018	**2017**	**2018**	**2017**
	£	**£**	**£**	**£**
Trade debtors	**5,952,232**	4,740,654	**5,952,232**	4,740,653
Other debtors	**1,961,116**	1,397,953	**107,024**	1,396,567
Connected company debtor	**-**	-	**1,815,843**	3,486
Directors' loan accounts	**93,744**	-	**93,744**	-
Prepayments and accrued income	**670,618**	599,191	**670,618**	596,991
	8,677,710	6,737,798	**8,639,461**	6,737,697

17. Creditors: amounts falling due within one year

	Group		Company	
	2018	**2017**	**2018**	**2017**
	£	**£**	**£**	**£**
Bank loans and overdrafts (see note 19)	**1,294,643**	748,217	**1,294,643**	748,217
Hire purchase contracts (see note 20)	**198,563**	126,574	**198,563**	126,574
Trade creditors	**5,821,336**	4,734,961	**5,821,336**	4,734,961
Amounts owed to group undertakings	**-**	-	**50,100**	88,248
Corporation tax	**159,491**	44,506	**159,491**	44,506
Social security and other taxes	**510,484**	345,098	**510,484**	345,098
VAT	**549,721**	350,953	**549,721**	350,953
Other creditors	**904,815**	781,724	**904,815**	781,724
Accruals and deferred income	**2,356,355**	1,748,450	**2,356,355**	1,748,450
	11,795,408	8,880,483	**11,845,508**	8,968,731

continued...

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

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Bank loans (see note 19)	607,904	698,138	607,904	698,138
Hire purchase contracts (see note 20)	540,214	342,762	540,214	342,762
Other creditors	138,889	472,222	138,889	472,222
	1,287,007	1,513,122	1,287,007	1,513,122

19. Loans

An analysis of the maturity of loans is given below:

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Amounts falling due within one year or on demand:				
Bank overdrafts	1,205,138	681,322	1,205,138	681,322
Bank loans	89,505	66,895	89,505	66,895
	1,294,643	748,217	1,294,643	748,217
Amounts falling due between one and two years:				
Bank loans - 1-2 years	126,509	607,904	126,509	607,904
Amounts falling due between two and five years:				
Bank loans - 2-5 years	481,395	90,234	481,395	90,234

20. Leasing agreements

Minimum lease payments fall due as follows:

Group

	Hire purchase contracts	
	2018	2017
	£	£
Net obligations repayable:		
Within one year	198,563	126,574
Between one and five years	540,214	342,762
	738,777	469,336

Company

	Hire purchase contracts	
	2018	2017
	£	£
Net obligations repayable:		
Within one year	198,563	126,574
Between one and five years	540,214	342,762
	738,777	469,336

continued...

20. **Leasing agreements - continued**

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 to 5 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Group

	Non-cancellable operating leases	
	2018	2017
	£	£
Within one year	**1,445,825**	**1,745,616**
Between one and five years	**3,225,219**	**2,880,414**
In more than five years	**332,524**	**2,005,187**
	5,003,568	**6,631,217**

Company

	Non-cancellable operating leases	
	2018	2017
	£	£
Within one year	**1,445,825**	**1,745,616**
Between one and five years	**3,225,219**	**2,880,414**
In more than five years	**332,524**	**2,005,187**
	5,003,568	**6,631,217**

Operating lease payments represent rentals payable by the company for certain of its properties and vehicles. Leases are negotiated at fixed rentals for an average term of 3 to 5 years. Rentals are negotiated at the market rates prevailing at the time of entering into the contract.

21. **Financial instruments**

Group

The carrying amount of financial assets (debt instruments) carried at amortised cost is £8,007,092 (2017 £6,138,607).

The carrying amount of financial liabilities measured at amortised cost is £9,506,364 (2017 £7,904,598).

Company

The carrying amount of financial assets (debt instruments) carried at amortised cost is £7,968,843 (2017 £6,140,706).

The carrying amount of financial liabilities measured at amortised cost is £9,556,464 (2017 £7,992,846).

22. **Provisions for liabilities**

	Group		**Company**	
	2018	**2017**	**2018**	**2017**
	£	**£**	**£**	**£**
Deferred tax	**318,056**	161,996	**318,056**	161,996

continued...

22. **Provisions for liabilities - continued**

Group

	Deferred tax
	£
Balance at 1 January 2018	161,996
Provided during year	156,060
Balance at 31 December 2018	318,056

Company

	Deferred tax
	£
Balance at 1 January 2018	161,996
Charge to Income Statement during year	156,060
Balance at 31 December 2018	318,056

The deferred tax liability is expected to reverse by approximately £10,000 within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

23. **Called up share capital**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2018 £	2017 £
1,000	Ordinary	£1	1,000	1,000

24. **Reserves**

Group

	Retained earnings
	£
At 1 January 2018	1,619,031
Profit for the year	656,858
At 31 December 2018	2,275,889

Company

	Retained earnings
	£
At 1 January 2018	1,580,782
Profit for the year	656,858
At 31 December 2018	2,237,640

continued...

25. **Directors' advances, credits and guarantees**

The following advances and credits to directors subsisted during the years ended 31 December 2018 and 31 December 2017:

	2018	2017
	£	£
D J Sargeant and P Coleman		
Balance outstanding at start of year	-	-
Amounts advanced	93,744	-
Amounts repaid	-	-
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	93,744	-

The unsecured and interest free advances to directors were repaid on 5 April 2019.

26. **Related party disclosures**

Entities over which the entity has control, joint control or significant influence

	2018	2017
	£	£
Sales	-	2,306,424
Amount due from related party	-	3,486
Amount due to related party	-	88,248

Other related parties

	2018	2017
	£	£
Sales	3,663	143,000
Purchases	943,145	821,000
Amount due from related party	1,815,843	1,304,094

During the year, a total of key management personnel compensation of £155,548 (2017 - £350,526) was paid.

27. **Ultimate controlling party**

The ultimate controlling party is T Hopkins.