Micheldever Tyre Services Limited

Annual report and financial statements

Registered number 1817398

31 March 2017

Contents

Strategic Report

The Company results for the year and financial position of the Company are shown as annexed financial statements.

After a period of price deflation the impact of the pound weakening following the referendum in June and raw material cost increases has led to price inflation from July onwards, particularly in the prices of premium and latterly of budget tyres. This has inflated turnover and also made mid-range tyres, where price increases have been much less significant, much more competitive. We have continued to focus on margin rather than unit or revenue growth and on providing the best possible value to our customers.

We have continued to successfully execute our retail acquisition strategy, adding eighteen new retail centres through the financial year (see note 2 in the annexed financial statements) and a further three acquisitions have been completed since the year end. The pipeline of opportunities remains extremely strong.

On February 10th the company was acquired by Sumitomo Rubber Industries Limited (SRI). We believe that being part of the sixth largest tyre manufacturer in the world will give the company the stability and support to continue to execute our long term strategy in the future

The Company expects market conditions to continue to improve slowly during the coming year with the age of the UK car parc supporting continued growth in the premium and particularly mid-range segments. With a weakening pound continuing to create inflationary pressure in the UK market and a significant number of retail acquisitions expected to be made during the period, we expect to be able to grow turnover with continued improvement in margin and strong cash generation.

Risks and uncertainties

The Company is proactive in its assessment of market and competitive risk, ensuring that any developments are understood and mitigating actions put in place to combat any associated risks.

The Company no longer use derivative instruments to manage exchange risk as exchange rate fluctuations typically feed directly into market prices.

The Company maintains usual commercial insurance policies for a business of this type. Group credit risk is managed separately for each customer and, where appropriate, a credit limit is set for the customer based on previous experience of the customer and third party credit ratings. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers. To manage credit risk further the Group operates a trade insurance policy. The Company has exposure to two further areas of risk – foreign exchange currency exposure and liquidity risk (see note 25 in the annexed financial statements).

The result of the UK vote to leave the European Union has caused considerable market uncertainty, which has resulted in a significant weakening of sterling against the US dollar and the Euro, the main currencies used by the Company for imported goods. The effect on the Company's operations is unlikely to become clear until full details emerge about how the UK will seek to engineer its exit from the EU and the EU responds.

Going concern

The financial statements have been prepared on the going concern basis, which assumes that we will continue trading and that our immediate parent company does not remove their financial support in the form of intercompany loan in the next 12 months. Based on the available facilities and confirmation received from the parent Company of continued support until August 2018, the Directors have reviewed financial projections and cash flow forecasts for the next year, and are satisfied that the Group has adequate resources to continue in operation for the foreseeable future and consequently the financial statements continue to be prepared on a going concern basis.

Strategic Report *(continued)*

Key performance indicator

The key focus for the Company is maximising normalised EBITDA. This is defined as operating profit before depreciation and amortisation, impairment of investments, profit on disposal of assets and after adjusting for one off or non-recurring items as determined by management. During 2017 the non-recurring items were significant and these items of expenditure related solely to the sale of the business. Management were satisfied with the level of Normalised EBITDA in the context of target performance.

	2017	2016
	£000	£000
Operating profit	**7,184**	7,513
Amortisation *(note 5)*	**7,304**	5,947
Depreciation *(note 5)*	**5,376**	4,384
Impairment of investments in non-trading subsidiaries *(note 5)*	**110**	-
Profit on disposal of assets *(note 4)*	**(127)**	(105)
One off and non-recurring items *(note 5)*	**1,282**	281
Normalised EBITDA	**21,129**	18,020

D Wilkes
Director

9th August 2017

Directors' report

The directors present their directors' report and financial statements for the year to 31 March 2017.

Principal activities

The main activity of the Company in the year under review was that of a distributor of tyres, automotive products and associated services.

Proposed dividend

The directors do not recommend the payment of a dividend (2016: £nil).

Future developments and subsequent events

The Company seeks continuous improvement and is developing a series of initiatives to further enhance its service offering to customers. The proven retail acquisition strategy will continue to be pursued, and following the year end three further acquisitions have been completed.

Directors and directors' interests

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

M. Boxford – Chairman (resigned 3rd February 2017)
D. Wilkes
A.G. Baldwin (resigned 16th March 2017)
J. Cowles
S. Hiorns (resigned 16th March 2017)
D. Haddock (resigned 16th March 2017)
A. Smith (resigned 16th March 2017)
A. Hohana (Appointed 16th March 2017)
I. Ishida (Appointed 16th March 2017)
Y. Kuroda (Appointed 16th March 2017)

Directors' report *(continued)*

Employees

The Directors are fully committed to policies which ensure equal opportunities for all staff. All sections of the population have equal access to jobs offered by the Company and no person receives less favourable consideration because of gender, ethnic or national origin, disability, religion, marital status, sexuality or responsibility for dependants.

Information relating to conditions of employment, health and safety and other relevant matters is circulated to staff and regular meetings are held with staff representatives on matters likely to affect the interests of the Company and its staff.

Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person.

Where existing employees become disabled, it is the Company's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Political and charitable contributions

The Company made no political contributions during the year (2016: £nil). Donations to UK charities amounted to £2,565 (2016: £6,696).

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware. Each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

D.Wilkes
Director

Micheldever Station
Winchester
Hampshire
SO21 3AP

Statement of directors' responsibilities in respect of the Strategic Report and the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including *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 Company and of their profit or loss for that period. In preparing each of the Company 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;
- 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 its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

KPMG LLP
Gateway House
Tollgate
Chandlers Ford
SO53 3TG
United Kingdom

Independent auditor's report to the members of Micheldever Tyre Services Limited

We have audited the financial statements of Micheldever Tyre Services Limited for the year ended 31 March 2017 set out on pages 8 to 33. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Independent auditor's report to the members of Micheldever Tyre Services Limited, *(continued)*

Opinion on other matter prescribed by the Companies Act 2006 (*continued*)

- Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and

- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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, 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.

W. Smith

William Smith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Gateway House
Tollgate
Chandlers Ford
SO53 3TG

10th August 2017.

Profit and Loss Account and Other Comprehensive Income
for the year ended 31st March 2017

	Note	**2017 Total £000**	**2017 Total £000**	2016 Total £000	2016 Total £000
Turnover	*3*		**329,322**		316,386
Turnover					
Continuing Operations		**319,689**		305,946	
Acquisitions		**9,633**		10,440	
Cost of sales			**(233,350)**		(234,246)
Gross profit			**95,972**		82,140
Distribution costs			**(83,910)**		(70,535)
Administrative expenses			**(5,138)**		(4,309)
Other operating income	*4*		**260**		217
Operating profit			**7,184**		7,513
Operating profit					
Continuing Operations		**5,591**		6,022	
Acquisitions		**1,593**		1,491	
Other interest receivable and similar income	*8*		**8**		5
Income from shares in group undertakings	*8*		**2,504**		-
Interest payable and similar expenses	*9*		**(5,256)**		(3,948)
Amounts written off investments	*9*		**(2,394)**		-
Profit before taxation			**2,046**		3,570
Tax on profit	*10*		**(1,217)**		(927)
Profit for the financial year			**829**		2,643

There are no other gains or losses in the period

The notes on pages 11-33 form part of these financial statements

Balance Sheet
at 31st March 2017

	Note	**2017** **£000**	**£000**	2016 £000	£000
Fixed assets					
Investment	*13*	**2,947**		-	
Intangible assets					
Goodwill	*11*	**23,353**		18,986	
Other intangibles	*11*	**2,581**		3,307	
		25,934		22,293	
Tangible assets	*12*	**14,821**		12,744	
			43,702		35,037
Current assets					
Stocks	*14*	**48,426**		38,819	
Debtors	*15*	**47,692**		71,302	
Cash at bank and in hand	*16*	**18,422**		7,391	
		114,540		117,512	
Creditors: amounts falling due within one year	*17*	**(114,500)**		(108,239)	
Net current assets			**40**		9,273
Total assets less current liabilities			**43,742**		44,310
Creditors: amounts falling due after more than one year	*18*	**(960)**		(2,046)	
Provisions for liabilities					
Other provisions	*22*	**(333)**		(644)	
			(1,293)		(2,690)
Net assets			**42,449**		41,620
Capital and reserves					
Called up share capital	*24*		**50**		50
Profit and loss account	*24*		**42,399**		41,570
Shareholders' equity			**42,449**		41,620

These financial statements were approved by the board of directors on 9th August 2017 and were signed on its behalf by:

D Wilkes
Director

Company registered number: 1817398

The notes on pages 11-33 form part of these financial statements

Statement of Changes in Equity

	Called up Share capital	**Profit and loss account**	**Total equity**
	£000	**£000**	**£000**
Balance at 31st March 2015	50	38,927	38,977
Total comprehensive income for the period			
Profit or loss	-	2,643	2,643
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	2,643	2,643
Balance at 31 March 2016	**50**	**41,570**	**41,620**
Total comprehensive income for the period			
Profit or loss	-	829	829
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	829	829
Balance at 31st March 2017	**50**	**42,399**	**42,449**

The notes on pages 11-33 form part of these financial statements

Notes
(forming part of the financial statements)

1 Accounting policies

Micheldever Tyre Services Limited is a company limited by shares and incorporated and domiciled in the UK.

The financial statements have been prepared in accordance with applicable UK accounting standards and with the requirements of the Companies Act 2006, except as explained in Note 2.

These company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company proposes to adopt FRS 101 in its next financial statements. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Under FRS102 (revised) the directors have taken advantage of the exemption to prepare a cash flow as the Company is a subsidiary of Micheldever Group Limited who is supplying a cash flow for statutory purposes.

The company has taken advantage of exemption under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis. Tangible and intangible assets are recognised at historical cost less associated depreciation and amortisation. The Company does not have any investment in Associates.

1.2 Going concern

The financial statements have been prepared on the going concern basis, which assumes that we will continue trading and that our immediate parent company does not remove their financial support in the next 12 months. Based on the available facilities and confirmation of continued support from the parent company, the Directors have reviewed financial projections and cash flow forecasts for the next year, and are satisfied that the Group has adequate resources to continue in operation for the foreseeable future and consequently the financial statements continue to be prepared on a going concern basis.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Notes *(continued)*

1 Accounting policies *(continued)*

1.4 Basic financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.5 Investments in subsidiaries

Investments in subsidiaries are carried at historical cost less any impairment.

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.14 below.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

- Leasehold property — Life of lease
- Plant and machinery — 5 years
- Fixtures and fittings — 5 years
- Motor Vehicles — 4 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

1.7 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the Company recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

Notes *(continued)*

1 Accounting policies *(continued)*

1.8 Intangible assets, goodwill and negative goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Other intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of intangible asset acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Customer lists 2 years

The basis for choosing these useful lives is based on the expected customer retention of 44% in the 24 months following acquisition.

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 10 years

The Company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. Stock used to service the customer contract that is accounted for as a linked transaction is not separately identifiable, and as such is recognised on the balance sheet.

1.10 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Impairment excluding stocks and deferred tax assets (continued)

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.11 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.12 Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.13 Turnover

Turnover comprises the value of sales excluding value added tax and trade discounts. All sales are derived from the distribution of tyres and other automotive products.

Turnover and cost of sales on one customer contract (where tyres are delivered by the Company but sold back to the tyre suppliers, for them to sell to the customer directly) are treated as linked transactions, and the turnover and cost of sales are recognised as a net transaction. However, associated stock, trade debtors, and trade creditor balances are recognised gross on the balance sheet.

Notes *(continued)*

1 Accounting policies *(continued)*

1.14 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

1.15 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For non-depreciable assets that are measured using the revaluation model, or investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the asset/property, except when the investment property has a limited useful life and the objective of the entity's business model is to consume substantially all of the value through use. In the latter case the tax rate that is expected to apply to the reversal of the related difference is used. Deferred tax balances are not discounted.

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.16 Judgements and estimates

The preparation of consolidated financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In this regard the useful life for customer list and required level for dilapidation provision involves a higher degree of judgement and is explained in more detail in the related note 1.8 and note 22.

2 Acquisitions and disposal of businesses

Acquisitions in the current period

During the course of the year the Company acquired the trade and assets of CarTec UK Ltd. In addition the Company acquired 100% of the issued share capital of Bell Silencer Services Ltd (acquired on 9th May 2016), The 10th March Group (acquired on 23rd May 2016), P&R Autocentres (acquired on 11th July 2016), Denton Tyre Centre Ltd (acquired on 25th July 2016), Treadmark Tyres Ltd (acquired on 17th October 2016) and Largedouble Ltd (acquired on 21st March 2017 for £11,757,231 (including professional fees).

Under the acquisition method of accounting the resulting goodwill of £8,573,711 arising on all the acquisitions was capitalised and will be written off over 10 years, being the period over which the directors estimate the value of the businesses to exceed the value of the underlying assets. The value of the customer list relating to these acquisitions was £2,371,042 and will be written off over 24 months from acquisition date.

The net assets of the businesses were taken into the books of Micheldever Tyre Services Limited at fair value at the dates of acquisition. The date of acquisition is the date that the trade and assets were hived up into the Company. In addition the Company acquired the remaining 50% of Fleet Tyre Network for £2,798,030 on 10th February 2017.

Effect of acquisition

The acquisition had the following effect on the Company's assets and liabilities:

	Book values	Fair value adjustments	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:			
Tangible fixed assets	564	(564)	-
Stocks	1,399	(70)	1,329
Trade and other debtors	1,982	(482)	1,500
Cash	1,003	(8)	995
Trade and other creditors	(2,716)	227	(2,489)
Provisions	(24)	(96)	(120)
Customer List		2,371	2,371
Deferred tax liability related to intangible asset		(403)	(403)
Net identifiable assets and liabilities	2,208	975	3,183
Total cost of business combination:			
Consideration paid:			
Initial cash price paid			11,280
Legal and consultancy costs			477
Total consideration			11,757
Goodwill on acquisition			8,574

The expected useful life of goodwill arising from these acquisitions is 10 years.

Notes *(continued)*

2 Acquisitions and disposal of businesses *(continued)*

The acquisition of Denton Tyre Centre Ltd (acquired on 25th July 2016) is included in the above analysis but is deemed by the Directors as a material transaction, and therefore is also disclosed in isolation below. During the period from acquisition Denton Tyre Centre Ltd contributed turnover of £4,675,448. This acquisition had the following effect on the Company's assets and liabilities:

	Book values	Fair value adjustments	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:			
Tangible fixed assets	400	(400)	-
Stocks	886	(35)	851
Trade and other debtors	899	(39)	860
Cash	693	2	695
Trade and other creditors	(1,027)	(25)	(1,052)
Provisions	-	(26)	(26)
Customer List	-	422	422
Deferred tax liability related to intangible asset	-	(72)	(72)
Net identifiable assets and liabilities	1,851	(173)	1,678
Total cost of business combination:			
Consideration paid:			
Initial cash price paid			4,453
Legal and consultancy costs			94
Total consideration			4,547
Goodwill on acquisition			2,869

The expected useful life of goodwill arising from these acquisitions is 10 years

Operating profit disclosed on the face of the profit and loss account for acquisitions is purely the operating profit of the trading locations before allocation of any central costs.

Notes *(continued)*

2 Acquisitions of businesses *(continued)*

Acquisitions in the prior period

In the comparative period the Company acquired the trade and assets of Europit Colchester and tangible fixed assets and leasehold interests in HiQ Southport, HiQ Manchester and HiQ Preston. In addition the Company acquired 100% of the issued share capital of Walkers Tyre Services Ltd (acquired on 8th June 2015), The Maxtread Group Ltd (acquired on 15th June 2015), Autofit (Ipswich) Ltd (acquired on 13th July 2015), Alba Tyres Ltd and Tires 4less Limited (acquired on 5th October 2015), Harolds Tyres Ltd (acquired on 12th October 2015), Hawleys Tyre Services Ltd (acquired on 9th November 2015), Welwyn Tyre & MOT Centre Ltd (acquired on 14th December 2015) and TW Tyres Autocentre Ltd (acquired on 15th February 2016) for £11,115,873 (including professional fees).

Under the acquisition method of accounting the resulting goodwill of £7,398,247 arising on all the acquisitions was capitalised and will be written off over 10 years, being the period over which the directors estimate the value of the businesses to exceed the value of the underlying assets. The value of the customer list relating to these acquisitions was £3,404,846 and will be written off over 24 months from acquisition date.

The net assets of the businesses were taken into the books of Micheldever Tyre Services Limited at fair value at the dates of acquisition. The date of acquisition is the date that the trade and assets were hived up into the Company.

	Book values	**Fair value adjustments**	**Recognised values on acquisition £000**
Acquiree's net assets at the acquisition date:			
Tangible fixed assets	1,306	(1,306)	-
Stocks	1,371	(81)	1,290
Trade and other debtors	1,550	(3)	1,547
Cash	1,131	323	1,454
Trade and other creditors	(3,588)	41	(3,547)
Provisions	-	(431)	(431)
Customer List	-	4,086	4,086
Deferred tax liability related to intangible asset	-	(681)	(681)
Net identifiable assets and liabilities	1,770	1,948	3,718
Total cost of business combination:			
Consideration paid:			
Initial cash price paid			9,996
Legal and consultancy costs			1,120
Total consideration			11,116
Goodwill on acquisition			7,398

The expected useful life of goodwill arising from these acquisitions is 10 years

Notes *(continued)*

2 Acquisitions of businesses *(continued)*

The directors have aggregated the acquisitions made during the prior year as they consider none of the acquisitions to be individually material. In regard to these acquisitions the availability, quality and comparability of pre-acquisition financial information was limited.

The cost of the company's investment in subsidiary undertakings reflects the underlying fair value of its net assets and goodwill at the time of acquisition. As a result of net assets transfer, the value of the Company's investments in acquired businesses fell below the amount at which it was stated in the Company's accounting records. Schedule 1 to the Companies Act 2006 The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) requires that the investment be written down accordingly and that the amount be charged as a loss in the company's profit and loss account. However, the directors consider that, as there has been no overall loss to the Company, it would fail to give a true and fair view to charge that diminution to the Company's profit and loss account for the year and it should instead be re-allocated to goodwill and the identifiable net assets transferred, so as to recognise in the company's individual balance sheet the effective cost to the company of those net assets, goodwill and any separately identifiable intangible assets.

Fair value adjustments

All tangible fixed assets are written down to £nil on acquisition as the directors reasonably estimate that they will need to be replaced shortly after acquisition.

Notes *(continued)*

3 Turnover

The turnover and profit before taxation are attributable to the one principal activity of the Company with turnover being predominantly in the UK with overseas sales being immaterial.

4 Other operating income

	2017	2016
	£000	£000
Utility costs recharged to tenants	**133**	111
Income from providing training services	**-**	1
Net gain on disposal of tangible fixed assets	**127**	105
	260	217

5 Expenses and auditor's remuneration

	2017	2016
	£000	£000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation and other amounts written off tangible fixed assets:		
Owned	**4,323**	2,769
Leased	**1,053**	1,615
Amortisation of intangible assets and goodwill	**7,304**	5,947
One-off costs associated with Company sale	**1,282**	-
Waiver of intercompany loans	**110**	-
Hire of other assets - operating leases	**7,666**	6,592

Auditor's remuneration:

	2017	2016
	£000	£000
Company		
- audit	**113**	108
- fees receivable by the auditors and their associates in respect of tax services	**70**	31
- other services	**19**	18

6 Staff numbers and costs

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

	Number of employees	
	2017	2016
Selling & Distribution	**1,469**	1,264
Administration	**61**	55
	1,530	1,319

Notes *(continued)*

6 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows:

	2017	2016
	£000	£000
Wages and salaries	43,261	35,957
Social security costs	3,942	3,267
Contributions to defined contribution plans	487	319
	47,690	39,543

7 Directors' remuneration

	2017	2016
	£000	£000
Directors' remuneration	5,103	1,199
Company contributions to money purchase pension plans	78	78

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £1,113,783 *(2016 :£220,500)*, and company pension contributions of £17,640 *(2016:£17,640)* were made to a money purchase scheme on his behalf.

Included in the directors remuneration figure above of £5,102,596 is £4,054,642 relating to bonus payments that were paid directly by Graphite and have therefore not been charged through the income statement.

	Number of directors	
	2017	2016
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	6	6

8 Other interest receivable and similar income

	2017	2016
	£000	£000
Interest received	8	5
Dividends received from subsidiary undertakings	2,504	-
Total other interest receivable and similar income	2,512	5

Notes *(continued)*

9 Interest payable and similar expenses

	2017 £000	2016 £000
On bank loans and overdrafts	**1,121**	1,081
On all other loans	**955**	871
Write-off of capitalised loan agreement costs amortised into profit or loss	**2,913**	1,674
Impairment of investments in subsidiary undertakings	**2,394**	-
Finance charges payable in respect of finance leases and hire purchase contracts	**267**	229
On interest rate swaps	**-**	93
Total other interest payable and similar expenses	**7,650**	3,948

10 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2017 £000	£000	2016 £000	£000
Current tax				
Current tax on income for the period		**1,844**		1,263
Adjustments in respect of prior periods		**(483)**		101
Total current tax		**1,361**		1,364
Deferred tax				
Origination and reversal of timing differences	**(383)**		(951)	
Change in tax rate	**65**		81	
Adjustments in respect of prior periods	**174**		433	
Total deferred tax		**(144)**		(437)
Total tax		**1,217**		927

Reconciliation of income tax recognised in profit and loss and directly in goodwill

	2017 £000 Current tax	2017 £000 Deferred tax	2017 £000 Acquired in business combinations	2017 £000 Total tax	2016 £000 Current tax	2016 £000 Deferred tax	2016 £000 Acquired in business combinations	2016 £000 Total tax
Recognised in Profit and loss account	**1,361**	**(144)**	**-**	**1,217**	1,364	(437)	-	927
Arising from business combinations	**-**	**-**	**403**	**403**	-	-	681	681
Total tax	**1,361**	**(144)**	**403**	**1,620**	1,364	(437)	681	1,608

Notes *(continued)*

10 Taxation *(continued)*

Analysis of current tax recognised in profit and loss

	2017	2016
	£000	£000
UK corporation tax	1,361	1,364

Reconciliation of effective tax rate

	2017	2016
	£000	£000
Profit for the year	829	2,643
Total tax expense	1,217	927
Profit excluding taxation	2,046	3,570
Tax using the UK corporation tax rate of 20% (2016: 20 %)	409	714
Expenses not deductible	48	28
Income not taxable	-	-
Fixed asset differences	1,152	(34)
Adjustment in respect of prior periods (deferred tax)	174	433
Adjust closing deferred tax rate to average rate of 17%	65	81
Adjustment to b/f values	-	45
Adjustment in respect of prior periods (corporation tax)	(483)	101
Group relief surrendered	(148)	(441)
Total tax expense included in profit or loss	1,217	927

The Budget on 8 July 2015 announced changes in the main UK corporation tax rate. The rate (currently 20%) will reduce to 19% from 1 April 2017 and to 18% from 1 April 2020. The reduction in tax rates was included in the 2015-2016 Finance Act which was substantively enacted for the purposes of IFRS and UK GAAP (i.e., having completed its Commons stages) on 26 October 2015.

The effective rate of 18% from 1 April 2020 is to be further reduced to 17%. This further reduction in tax rates was included in the 2016 Finance Act which was substantively enacted for the purposes of IFRS and UK GAAP (i.e., having completed its Commons stages) on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 March 2017 has been calculated based on these rates.

Notes *(continued)*

11 Intangible assets and goodwill

	Goodwill £000	Customer List £000	Total £000
Cost			
Balance at 31st March 2016	53,639	5,078	58,717
Other acquisitions – externally purchased (note 2)	8,574	2,371	10,945
Transfer from customer list to goodwill	681	(681)	-
Balance at 31st March 2017	62,894	6,768	69,662
Amortisation and impairment			
Balance at 31st March 2016	34,653	1,771	36,424
Amortisation for the year	4,705	2,599	7,304
Transfer from customer list to goodwill	183	(183)	-
Balance at 31st March 2017	39,541	4,187	43,728
Net book value			
At 31st March 2016	18,986	3,307	22,293
At 31st March 2017	**23,353**	**2,581**	**25,934**

Amortisation and impairment charge

The amortisation, impairment charge and impairment reversals are recognised in the following line items in the profit and loss account:

	2017 £000	2016 £000
Distribution Expenses	**7,304**	5,947
	7,304	5,947

Notes *(continued)*

12 Tangible fixed assets

	Leasehold property £000	Plant and Machinery £000	Fixtures & fittings £000	Motor Vehicles £000	Under construction £000	Total £000
Cost						
Balance at 31st March 2016	9,762	9,891	6,959	15,500	171	42,283
Additions	2,820	1,140	652	2,754	131	7,497
Transfer	-	171	-	-	(171)	-
Disposals	(2,398)	(5,733)	(2,754)	(1,665)	-	(12,550)
Balance at 31st March 2017	10,184	5,469	4,857	16,589	131	37,230
Depreciation and impairment						
Balance at 31st March 2016	5,250	7,957	4,883	11,449	-	29,539
Depreciation charge for the year	1,477	838	926	2,135	-	5,376
Disposals	(2,398)	(5,733)	(2,754)	(1,621)	-	(12,506)
Balance at 31st March 2017	4,329	3,062	3,055	11,963	-	22,409
Net book value						
At 31st March 2016	4,512	1,934	2,076	4,051	171	12,744
At 31st March 2017	**5,855**	**2,407**	**1,802**	**4,626**	**131**	**14,821**

Leased plant and equipment, fixtures and fittings and motor vehicles

At 31st March 2017 the net carrying amount of motor vehicles leased under a finance lease was £902,144 *(2016: £3,136,797)*. The leased equipment secures lease obligations (see note 20). Depreciation for the year on these assets was £467,695 *(2016: £1,189,871)*

At 31st March 2017 the net carrying amount of plant and equipment leased under a finance lease was £1,804,949 *(2016: £1,465,855)*. The leased equipment secures lease obligations (see note 20). Depreciation for the year on these assets was £541,541 *(2016: £369,972)*

At 31st March 2017 the net carrying amount of fixtures and fittings leased under a finance lease was £75,294 *(2016: £131,493)*. The leased equipment secures lease obligations (see note 20). Depreciation for the year on these assets was £43,923 *(2016: £55,255)*

Tangible fixed assets under construction

The expenditure on assets in the course of construction totalled £130,997 as at 31st March 2017 *(2016: £171,148)*

Tangible fixed assets additions

During the year £2,746,608 of additions were funded directly by the finance leasing companies.

Notes *(continued)*

13 Fixed asset investments

13 Fixed asset investments

	£000
Cost	
Balance at 31st March 2016	-
Additions	5,341
Balance at 31st March 2017	**5,341**
Provisions	
Balance at 31st March 2016	-
Impairment losses	2,394
Balance at 31st March 2017	**2,394**
Net book value	
At 31st March 2016	-
At 31st March 2017	**2,947**

As part of the true and fair override adopted by the Directors (see note 2) the company recognised neither the residual cost of investment in subsidiary undertakings and associated intercompany payable (representing the value of assets hived up from those statutory entities to the Company on acquisition) nor the subsequent impairment of the investment, receipt of dividend income or the benefit of intercompany loan waivers from those subsidiary undertakings. During the current accounting period the Directors changed the presentation of the component elements of this transaction from a net to a gross basis, although in aggregate their effect is £nil, and therefore these items have been individually recognised. The value of investments in non-trading subsidiaries at 31st March 2017 of £149,004 reflects the residual value of the net assets of those entities at that date, the remaining element of fixed asset investments as at 31st March 2017 relates to the Company's investment of 100% of the share capital of Fleet Tyre Network Ltd.

Notes *(continued)*

13 Fixed asset investments *(continued)*

13 Fixed asset investments

Other than Fleet Tyre Network Limited all the companies below are non-trading companies and all their assets and liabilities have been transferred to Micheldever Tyre Services Limited.

The undertakings in which the Company's interest at the year-end is more than 20% are as follows:

	Country of incorporation	Registered number	Principal activity	Class and percentage of shares held
Martin Brian Ltd	England & Wales	03473541	Non-trading	100% Ordinary
Fleet Tyre Network Ltd	England & Wales	07888473	Provision of tyre & automotive services	100% Ordinary (2016:50%)
Southam Tyres Ltd	England & Wales	04305554	Non-trading	100% Ordinary
Treadfast Cradley Ltd	England & Wales	07289676	Non-trading	100% Ordinary
Treadfast Tyres Ltd	England & Wales	00774524	Non-trading	100% Ordinary
Walkers Tyre Services Ltd	England & Wales	00692024	Non-trading	100% Ordinary
The Maxtread Group	England & Wales	05735191	Non-trading	100% Ordinary
Tyre Exchange Supersites Ltd	England & Wales	08337370	Non-trading	100% Ordinary
Maxtread Tyres 2 Trade Ltd	England & Wales	08337408	Non-trading	100% Ordinary
Autofit (Ipswich) Ltd	England & Wales	03138730	Non-trading	100% Ordinary
Tires 4 Less Ltd	England & Wales	03001040	Non-trading	100% Ordinary
Alba Tyres Ltd	England & Wales	01885402	Non-trading	100% Ordinary
Harolds Tyres Ltd	England & Wales	04390410	Non-trading	100% Ordinary
Welwyn Tyre & MOT Centre Ltd	England & Wales	07105797	Non-trading	100% Ordinary
TW Tyres Autocentre Ltd	England & Wales	07835449	Non-trading	100% Ordinary
Hawleys Tyre Services Ltd	England & Wales	00690399	Non-trading	100% Ordinary
Bell Silencer Services Ltd	England & Wales	01306667	Non-trading	100% Ordinary
The 10th March Group	England & Wales	04715834	Non-trading	100% Ordinary
P&R Autocentres	England & Wales	03525491	Non-trading	100% Ordinary
Denton Tyre Centre Ltd	England & Wales	03571013	Non-trading	100% Ordinary
Treadmark Tyres Ltd	England & Wales	06676117	Non-trading	100% Ordinary
Largedouble Ltd	England & Wales	02009038	Non-trading	100% Ordinary

All of the above companies have a registered address of Micheldever Station, Winchester, Hampshire, SO21 3AP.

Notes *(continued)*

14 Stocks

	2017 £000	2016 £000
Finished goods	**48,536**	38,932
Allowance for stock obsolescence	**(110)**	(113)
	48,426	38,819

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £254,422,423 *(2016: £247,428,568)*.

15 Debtors

	2017 £000	2016 £000
Trade debtors	**42,573**	42,791
Allowance for doubtful debts	**(45)**	(35)
Other debtors	**122**	248
Deferred tax assets (see note 21)	**466**	726
Prepayments	**3,125**	2,520
Amounts due from parent undertaking	**-**	24,728
Amounts due from other group companies	**1,451**	324
	47,692	71,302
Due within one year	**47,692**	71,302

The provision for bad and doubtful debts is based on specific risk assessment and reference to past default experience.

Credit risk is managed separately for each customer and, where appropriate, a credit limit is set for the customer based on previous experience of the customer and third party credit ratings. The Company has no significant concentration of credit risk, with exposure spread over a large number of customers. To manage credit risk further the Company operates a trade insurance policy.

Notes *(continued)*

16 Cash and cash equivalents/ bank overdrafts

	2017 £000	2016 £000
Cash at bank and in hand	**18,422**	7,391

17 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Bank loans and overdrafts (see note 19)	**4**	22,551
Amounts due to parent undertaking	**25,019**	-
Amounts due to subsidiary undertakings	**149**	-
Obligations under finance leases (see note 19)	**1,134**	1,942
Corporation Tax	**1,543**	1,027
Trade creditors	**77,853**	74,773
Taxation and social security	**6,850**	5,700
Accruals	**1,948**	2,246
	114,500	108,239

Amounts due to parent and subsidiary undertakings are repayable on demand and there is no interest charged on this balance.

18 Creditors: amounts falling after more than one year

	2017 £000	2016 £000
Obligations under finance leases (see note 19)	**960**	2,046
	960	2,046

Notes *(continued)*

19 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2017	2016
	£000	£000
Creditors falling due more than one year		
Finance lease liabilities	**960**	2,046
	960	2,046
Creditors falling due within less than one year		
Bank Loans and overdrafts	**4**	22,551
Finance lease liabilities	**1,134**	1,942
	1,138	24,493

Following the sale of the Company to Sumitomo Rubber Industries Limited the existing shareholder and bank loans were repaid in full.

Certain plant and machinery and motor vehicles are held under finance lease arrangements. Finance lease liabilities are secured by the related assets held under finance leases (see note 12). The lease agreements generally include fixed lease payments and a purchase option at the end of the lease term.

For working capital the Company uses an overdraft and cash resources. The overdraft is repayable on demand.

20 Other interest-bearing loans and borrowings

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2017	Minimum lease payments 2016
	£000	£000
Less than one year	**1,134**	1,942
Between one and five years	**960**	2,046
	2,094	3,988

The minimum lease payments represent only the capital value outstanding under finance lease obligations. These obligations were fully repaid shortly after the year end, and therefore all interest that would have accrued between 31st March 2017 and the scheduled repayment date would not be paid.

Notes *(continued)*

21 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017	2016	**2017**	2016	**2017**	2016
	£000	£000	**£000**	£000	**£000**	£000
Accelerated capital allowances	**(664)**	(887)	**-**	-	**(664)**	(887)
Intangible assets	**-**	-	**439**	448	**439**	448
Other	**(241)**	(287)	**-**	-	**(241)**	(287)
Net tax (assets) / liabilities	**(905)**	(1,174)	**439**	448	**(466)**	(726)

22 Provisions

	Property dilapidation £000
Balance at 31st March 2016	(644)
Provisions used during the year	311
Balance at 31st March 2017	**(333)**

The directors have taken professional advice in order to set the required level of provision required for the leasehold properties within the Company. We expect these dilapidations to be realised between 5 and 20 years.

The Company had no provisions for liabilities and charges *(2016: £nil)*

23 Employee benefits

Defined contribution plans

The Company operates a defined contribution pension plan and makes contributions to the personal pension plans of some employees. The total expense relating to these plans in the year was £408,597 *(2016: £241,251)*.

The Company was also charged by Micheldever Group Limited with the cost of the contributions to the defined contribution schemes operated on behalf of its directors. The total contributions charged in the year amounted to £78,147 *(2016: £78,147)*.

Notes *(continued)*

24 Capital and reserves

Share capital and reserves

	2017	2016
	£000's	£000's
Authorised		
250,000 Ordinary shares of £1 each	**250**	250
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	**50**	50

	Profit and loss account
	£000
At beginning of year	41,570
Profit for the year	829
At end of year	**42,399**

25 Financial instruments

The Company has exposures to three main areas of risk - foreign exchange currency exposure, liquidity risk and customer credit exposure.

Foreign exchange transactional currency exposure
The Company is exposed to currency exchange rate risk due to certain purchases being denominated in non-Sterling currencies. These products are commoditised and fast moving and therefore prevailing exchange rates are reflected in the market price. The Company adjusts its currency rates on a monthly basis and manages balance sheet risk by managing its foreign currency denominated assets to match foreign currency denominated liabilities at each period end.

Liquidity risk
The objective of the Company in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The Company expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations the Company has credit facilities available.

Customer credit exposure
The Company may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The Company is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by our close customer relationships and by credit insurance.

Notes *(continued)*

26 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2017	2016
	£000	£000
Less than one year	**6,782**	6,177
Between one and five years	**19,805**	21,659
More than five years	**12,356**	14,436
	38,943	42,272

The Directors have considered that the repayment period be disclosed based on the full term of the lease, as opposed to the first break date, on the basis that it is unlikely that the break clause will be triggered.

During the year £7,665,807 was recognised as an expense in the profit and loss account in respect of operating leases *(2016: £6,592,287).*

27 Commitments

Capital commitments

Contractual commitments to purchase tangible fixed assets at the year-end were zero *(2016:zero).*

Guarantees

Micheldever Tyre Services Limited had granted guarantees to overseas suppliers at the balance sheet date amounting to £7,760,000 *(2016: £15,329,580).*

Micheldever Tyre Services Limited has a bank bond issued to HMRC to guarantee its import duty and VAT amounting to £450,000 *(2016: £450,000).*

Micheldever Tyre Services Limited has a bank overdraft facility amounting to £2,000,000 *(2016: £2,000,000).*

Micheldever Tyre Services Limited has credit card facilities of £100,000 *(2016: £50,000).*

There is a cross guarantee in place with the companies bankers under which the Micheldever Group Limited is liable for the liabilities of Micheldever Tyre Services Limited and Micheldever Tyre Services Limited is liable for the liabilities of Micheldever Group Limited. All guarantees are supported by Sumitomo Rubber Industries Limited.

28 Ultimate controlling party

The accounts of the Company are consolidated into those of the parent entity, Micheldever Group Limited, a company incorporated in the UK. The latest published accounts may be obtained from Micheldever Group Limited, Micheldever Station, Winchester, Hants SO21 3AP.

The accounts of the Group are consolidated into those of the ultimate controlling party Sumitomo Rubber Industries Limited, a company incorporated in Japan. The latest published accounts may be obtained from www.srigroup.co.jp/english/ir/library/financialreport