Company Registration No. 00692635 (England and Wales)

MERITYRE SPECIALISTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

MERITYRE SPECIALISTS LIMITED

COMPANY INFORMATION

Directors	Mr N C Pope Mr J J Pope Mr D Arnold Mr J R A Spooner Mr N H Taylor
Secretary	Mr G D Allen
Company number	00692635
Registered office	West Way Walworth Industrial Estate Andover Hampshire SP10 5JG
Auditor	Moore Stephens (South) LLP 33 The Clarendon Centre Salisbury Business Park Dairy Meadow Lane Salisbury Wiltshire SP1 2TJ

MERITYRE SPECIALISTS LIMITED

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MERITYRE SPECIALISTS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2017

The directors present the strategic report for the year ended 30 June 2017.

Fair review of the business
The company has completed a further year, and the directors are content with the final result, achieved in a climate that is proving challenging to many.

Principal risks and uncertainties
The directors are unaware of any specific risks facing the company, other than those normally faced by any organisation.

Financial risk management
The company's operations expose it to a variety of financial risks that include the effects of changes in market prices, credit risk, liquidity risk, exchange rate risk and interest rate risk. The company has in place a management programme that seeks to limit the adverse effects of the above risks on the financial performance of the company.

Price risk
The company is exposed to price risk as a result of competitive pressures, exchange rate effects on imports and exports, and economic factors of a global nature that affect raw material and logistic prices and hence the cost of finished products.

Credit risk
The majority of the company's revenue is derived from "cash" sales, but policies have been implemented that ensure appropriate credit checks are made on potential account customers before sales are made.

Liquidity risk
The company actively maintains a mixture of bank deposits to guard against banking crisis or failure. On the whole, expansion is financed out of cash flow, except where substantial investment in property is required, in which case long-term debt finance is secured to ensure the company has sufficient funds for day to day operations and future expansion of the network.

Exchange rate risk
The company implements a number of strategies to manage exchange rate risk, including maintaining foreign currency accounts, and purchasing foreign currency in advance to ensure known prices for imported goods.

Interest rate risk
The company utilises interest bearing debt to help finance expansion. The directors have implemented a policy of maintaining such debt at both fixed and variable rates, including the use of interest rate caps, where considered advantageous and to provide certainty.

Defined benefit pension scheme
The directors continue to take steps to ensure that the company fulfils its obligation to eliminate the pension scheme deficit. In order to mitigate the obligation and financial risk involved, and following actuarial advice, steps were taken many years ago to cease future accruals and to close the scheme to new members.

Development and performance
Whilst continued expansion of the retail network is constantly under review the emphasis for the future is to develop further services from existing outlets, to provide increased service offerings to both our retail and trade customers.

Key performance indicators
The directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the business.

Other information and explanations

Corporate Responsibility
The Company believes that it has obligations to its staff and society in general. A full range of staff benefits are in place, including a range of pension benefits, as well as an ongoing training programme across the Company, including an Apprenticeship scheme.

Membership of our trade association, the National Tyre Distributors Association, enables the Company to actively participate in matters of road safety. In particular, efforts to minimise the illegal sale of part worn tyres has seen the Company contribute to the voluntary levy to finance enforcement action by Trading Standards authorities. At local level, branches have been supportive to local sports clubs, charities and events.

On behalf of the board

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Mr N C Pope
Director
19/02/2018

MERITYRE SPECIALISTS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2017

The directors present their annual report and financial statements for the year ended 30 June 2017.

Principal activities
The principal activity of the company continued to be that of selling motor vehicle tyres, batteries, wheels and exhausts.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr N C Pope
Mr J J Pope
Mr D Arnold
Mr G D Allen (Resigned 30 September 2016)
Mr J R A Spooner
Mr N H Taylor

In accordance with the Articles of Association, D Arnold, N C Pope and J R A Spooner will retire from the board and, being eligible, will stand for re-appointment.

Results and dividends
The results for the year are set out on page 7.

A final dividend of £10 (2016: £11) per share has been approved.

Market value of land and buildings
The company's freehold and long leasehold properties were last professionally valued as at 30 June 2015 and this value has been included in the accounts.

Acquisition of own shares
During the year the company purchased and cancelled a total of 29 fully paid ordinary shares of £1 each in the capital of the company, for a total consideration of £19,993. At the time when the duly approved purchase contracts were signed by each party, the shares being purchased represented 0.34% of the called-up share capital.

Auditor
The auditor, Moore Stephens (South) LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

....

Mr N C Pope
Director
Date: 19/2/18

MERITYRE SPECIALISTS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2017

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MERITYRE SPECIALISTS LIMITED

Opinion

We have audited the financial statements of Merityre Specialists Limited (the 'company') for the year ended 30 June 2017 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement Of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

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

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

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

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

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

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

Robert MacDonald (Senior Statutory Auditor)
for and on behalf of Moore Stephens (South) LLP
Chartered Accountants

23/02/2018

33 The Clarendon Centre
Salisbury Business Park
Dairy Meadow Lane
Salisbury
Wiltshire
SP1 2TJ

MERITYRE SPECIALISTS LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 £	2016 £
Turnover	3	27,386,733	25,768,755
Cost of sales		(16,887,635)	(15,703,175)
Gross profit		10,499,098	10,065,580
Distribution costs		(6,701,315)	(6,367,985)
Administrative expenses		(3,160,918)	(3,221,089)
Other operating income		69,169	70,712
Operating profit	4	706,034	547,218
Interest receivable and similar income	7	217,000	257,000
Interest payable and similar expenses	8	(344,926)	(354,632)
Amounts written off investments	9	-	(1,123)
Profit before taxation		578,108	448,463
Tax on profit	10	(129,571)	(93,952)
Profit for the financial year		448,537	354,511

The Income Statement has been prepared on the basis that all operations are continuing operations.

MERITYRE SPECIALISTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	£	£
Profit for the year	448,537	354,511
Other comprehensive income		
Actuarial loss on defined benefit pension schemes	(2,459,000)	(876,000)
Tax relating to other comprehensive income	458,600	158,400
Other comprehensive income/(deficit) for the year	(2,000,400)	(717,600)
Total comprehensive income/(deficit) for the year	(1,551,863)	(363,089)

MERITYRE SPECIALISTS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

		2017		2016	
	Notes	£	£	£	£
Fixed assets					
Goodwill	12		425,451		458,690
Tangible assets	13		5,756,793		5,576,089
			6,182,244		6,034,779
Current assets					
Stocks	15	2,662,100		2,303,867	
Debtors	16	3,809,157		3,435,867	
Cash at bank and in hand		591,972		1,168,566	
		7,063,229		6,908,300	
Creditors: amounts falling due within one year	17	(5,626,490)		(5,483,022)	
Net current assets			1,436,739		1,425,278
Total assets less current liabilities			7,618,983		7,460,057
Creditors: amounts falling due after more than one year	18		(1,279,639)		(1,403,727)
Provisions for liabilities	20		(121,300)		(139,900)
Net assets excluding pension liability			6,218,044		5,916,430
Defined benefit pension liability	22		(4,465,000)		(2,506,000)
Net assets			1,753,044		3,410,430
Capital and reserves					
Called up share capital	23		8,553		8,582
Revaluation reserve	24		1,737,230		1,735,080
Capital redemption reserve	25		1,447		1,418
Profit and loss reserves	26		5,814		1,665,350
Total equity			1,753,044		3,410,430

The financial statements were approved by the board of directors and authorised for issue on 19/02/2018 and are signed on its behalf by:

....	....
Mr N C Pope	Mr J J Pope
Director	**Director**

Company Registration No. 00692635

MERITYRE SPECIALISTS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Share capital £	Revaluation reserve £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 July 2015		8,652	1,728,680	1,348	2,177,228	3,915,908
Year ended 30 June 2016:						
Profit for the year		-	-	-	354,511	354,511
Other comprehensive income/ (losses):						
Actuarial loss on defined benefit plans		-	-	-	(876,000)	(876,000)
Tax relating to other comprehensive losses		-	6,400	-	152,000	158,400
Total comprehensive income/(losses) for the year		-	6,400	-	(369,489)	(363,089)
Dividends	**11**	-	-	-	(94,402)	(94,402)
Redemption of shares	**23**	-	-	70	(47,987)	(47,917)
Reduction of shares	**23**	(70)	-	-	-	(70)
Balance at 30 June 2016		8,582	1,735,080	1,418	1,665,350	3,410,430
Year ended 30 June 2017:						
Profit for the year		-	-	-	448,537	448,537
Other comprehensive income/ (losses):						
Actuarial loss on defined benefit plans		-	-	-	(2,459,000)	(2,459,000)
Tax relating to other comprehensive losses		-	38,600	-	420,000	458,600
Total comprehensive losses for the year		-	38,600	-	(1,590,463)	(1,551,863)
Dividends	**11**	-	-	-	(85,530)	(85,530)
Redemption of shares	**23**	-	-	29	(19,993)	(19,964)
Reduction of shares	**23**	(29)	-	-	-	(29)
Transfers		-	(36,450)	-	36,450	-
Balance at 30 June 2017		8,553	1,737,230	1,447	5,814	1,753,044

MERITYRE SPECIALISTS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 £	2017 £	2016 £	2016 £
Cash flows from operating activities					
Cash generated from operations	33		281,931		758,392
Interest paid			(26,926)		(8,632)
Income taxes paid			(62,269)		(50,808)
Net cash inflow from operating activities			192,736		698,952
Investing activities					
Purchase of tangible fixed assets		(528,112)		(1,422,244)	
Proceeds on disposal of tangible fixed assets		11,084		-	
Proceeds on disposal of fixed asset investments		-		2,334	
Net cash used in investing activities			(517,028)		(1,419,910)
Financing activities					
Redemption of shares		(19,993)		(47,987)	
Repayment of bank loans (2016 includes an advance of £1,100,000)		(137,907)		1,030,234	
Dividends paid		(94,402)		(95,172)	
Net cash (used in)/generated from financing activities			(252,302)		887,075
Net (decrease)/increase in cash and cash equivalents			(576,594)		166,117
Cash and cash equivalents at beginning of year			1,168,566		1,002,449
Cash and cash equivalents at end of year			591,972		1,168,566

1 Accounting policies

Company information
Merityre Specialists Limited is a private company limited by shares incorporated in England and Wales. The registered office is West Way, Walworth Industrial Estate, Andover, Hampshire, SP10 5JG.

1.1 Accounting convention
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 amounts in these financial statements are rounded to the nearest £1.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 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.

1.3 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.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods for retail and under CIF terms for export), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Other significant revenue and costs

Interest on defined benefit pension scheme assets and liabilities
The interest income and cost is determined by multiplying the defined benefit pension scheme assets and liabilities by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The interest is recognised in profit or loss as other finance revenue or cost.

Remeasurement changes in respect of defined benefit pension scheme assets and liabilities
Remeasurement changes comprising actuarial gains and losses on the defined benefit pension scheme are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

1.4 Intangible fixed assets - goodwill
Purchased goodwill arising on acquisition is capitalised, classified as an asset on the balance sheet and amortised over its estimated useful life up to a maximum of 10 years. Goodwill is reviewed for impairment annually if circumstances emerge that indicate that the carrying value may not be recoverable.

1 Accounting policies **(Continued)**

1.5 Tangible fixed assets

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

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	2% straight line
Leasehold land and buildings	over the length of the lease
Plant and machinery	20% - 25% straight line
Fixtures, fittings & equipment	10% - 25% straight line
Motor vehicles	25% straight line

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 credited or charged to profit or loss.

Properties whose fair value can be measured reliably are held under the revaluation model and are carried at a revalued amount, being their fair value at the date of valuation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value of the land and buildings is usually considered to be their market value.

Revaluation gains and losses are recognised in other comprehensive income and accumulated in equity, except to the extent that a revaluation gain reverses a revaluation loss previously recognised in profit or loss or a revaluation loss exceeds the accumulated revaluation gains recognised in equity; such gains and losses are recognised in profit or loss.

1.6 Impairment of fixed assets

At each reporting period end date, the company 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.

Recoverable amount is the higher of fair value, less costs to sell, and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset 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 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 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.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price, after making due allowance for obsolete and slow moving items. Cost is determined after taking into consideration volume rebates.

1 Accounting policies **(Continued)**

1.8 Cash at bank and in hand

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

1.9 Financial instruments

The company 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 company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Basic financial assets

Basic financial assets classified as recoverable within one year, which include debtors and cash and bank balances, are measured at transaction price.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

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. The impairment loss 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.

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 company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans 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 receipts discounted at a market rate of interest.

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.

1 Accounting policies **(Continued)**

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 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 before taxation as reported in the income statement because it excludes items of income or expense that are either taxable or deductible in other years (timing differences) or not subject to taxation or allowed as a deductible expense for taxation purposes (permanent differences). The company'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.

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 income statement, 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 when the company has 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.

1 Accounting policies **(Continued)**

1.12 Employee benefits

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.

1.13 Retirement benefits

The company participates in defined contribution retirement benefit schemes for the benefit of its employees. Contributions payable by the company to the schemes are charged as an expense as they fall due. The assets of the schemes are held separately from the company in independently administered funds.

The company also operates a defined benefit pension scheme for certain employees. The assets of the scheme are held separately from those of the company.

The pension scheme liabilities and cost of providing benefits under the defined benefit plan are determined using the projected unit credit method, and based on actuarial advice.

The net interest element is determined by multiplying the net defined benefit liability by an appropriate discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurement changes comprise actuarial gains and losses and are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

The defined net benefit pension liability is included in the statement of financial position net of the related deferred tax and comprises the total of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price as at the company's year end.

1.14 Leases

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease.

Property rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

2 Judgements and key sources of estimation uncertainty

In the application of the company'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.

Key sources of estimation uncertainty
The estimates and assumptions which have a risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Depreciation
The company accounts for depreciation in accordance with FRS 102. The depreciation expense is the allocation of the cost of an asset over the periods in which the asset will be used. Judgements are, therefore, required to be made, and subsequently regularly reviewed, on the estimated useful life of the company's assets.

Stock provision
In accordance with FRS 102 the company makes provision against the cost of slow moving and obsolete stock. This is to ensure that the stock is carried in the statement of financial position at the lower of cost and estimated selling price. Judgements are, therefore, required to be made on the future saleability of stock when calculating the required provision.

3 *Turnover and other revenue*

An analysis of the company's turnover is as follows:

	2017	2016
	£	£
Turnover		
Tyre sales	18,715,094	19,659,151
Other sales	8,671,639	6,109,604
	27,386,733	25,768,755
Other significant revenue		
Notional interest income on defined benefit pension scheme assets	217,000	257,000

4 Operating profit

	2017	2016
Operating profit for the year is stated after charging/(crediting):	£	£
Exchange gains	(163,082)	(355,903)
Fees payable to the company's auditor for the audit of the company's financial statements	12,000	12,000
Depreciation of owned tangible fixed assets	347,408	300,570
Profit on disposal of tangible fixed assets	(11,084)	-
Amortisation of intangible assets	33,239	33,239
Cost of stocks recognised as an expense	16,887,635	15,702,210
Operating lease charges	792,095	835,364

Exchange differences recognised in profit or loss during the year amounted to £163,082 (2016 - £355,903).

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2017	2016
	Number	Number
Production and sales staff	211	200
Management and office staff	27	27
	238	227

Their aggregate remuneration comprised:

	2017	2016
	£	£
Wages and salaries	5,404,623	5,351,797
Social security costs	482,526	459,137
Pension costs	232,455	274,198
	6,119,604	6,085,132

Other pension costs *are amounts charged to operating profit and comprise defined contribution scheme* costs of £154,455 (2016: £190,198) and defined benefit scheme costs of £78,000, comprising death in service premiums of £63,000 and administration fees of £15,000 (2016: £70,000 and £14,000, respectively), but exclude the notional interest and actuarial loss arising on the assets and liabilities of the defined benefit pension scheme, which are included in interest receivable and payable and the statement of other comprehensive income, respectively.

6 Directors' remuneration

	2017	2016
	£	£
Remuneration for qualifying services	317,741	437,073
Company pension contributions to defined contribution schemes	8,433	20,893
	326,174	457,966

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2016 - 3).

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 3 (2016 - 3).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2017	2016
	£	£
Remuneration for qualifying services	111,061	127,859
Company pension contributions to defined contribution schemes	-	5,938

Remuneration for qualifying services disclosed above of for all the directors, includes £44,859 (2016: £40,235) in respect of benefits in kind.

7 Interest receivable and similar income

	2017	2016
	£	£
Interest income		
Interest on the net defined benefit asset	217,000	257,000

8 Interest payable and similar expenses

	2017	2016
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	26,926	8,632
Other finance costs:		
Interest on the net defined benefit liability	318,000	346,000
	344,926	354,632

9 Amounts written off investments

	2017	2016
	£	£
Gain/(loss) on disposal of fixed asset investments	-	(1,123)

10 Taxation

	2017	2016
	£	£
Current tax		
UK corporation tax on profits for the current period	101,644	71,284
Adjustments in respect of prior periods	(2,273)	668
Total current tax	99,371	71,952
Deferred tax		
Origination and reversal of timing differences	30,200	22,000
Total tax charge	129,571	93,952

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2017	2016
	£	£
Profit before taxation	578,108	448,463
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2016: 20.00%)	115,622	89,693
Tax effect of expenses that are not deductible in determining taxable profit	795	2,573
Adjustments in respect of prior years	(2,273)	668
Effect of change in corporation tax rate	(1,283)	-
Depreciation on assets not qualifying for tax allowances	31,780	21,798
Amortisation on assets not qualifying for tax allowances	2,148	2,148
Timing differences relating to pension scheme costs	(16,000)	(23,400)
Rounding	(1,218)	472
Taxation charge for the year	129,571	93,952

10 Taxation **(Continued)**

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2017	2016
	£	£
Deferred tax arising on:		
Revaluation of property	(38,600)	(6,400)
Actuarial differences recognised as other comprehensive income	(420,000)	(152,000)
	(458,600)	(158,400)

11 Dividends

The proposed final dividend for the year ended 30 June 2017 is:

		2017	2016
	Per share	Total	Total
	£	£	£
Ordinary shares	10.00	85,530	94,402

12 Intangible fixed assets

	Goodwill
	£
Cost	
At 1 July 2016 and 30 June 2017	664,774
Amortisation and impairment	
At 1 July 2016	206,084
Amortisation charged for the year	33,239
At 30 June 2017	239,323
Carrying amount	
At 30 June 2017	425,451
At 30 June 2016	458,690

13 Tangible fixed assets

	Freehold land and buildings	Leasehold land and buildings	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost or valuation						
At 1 July 2016	4,050,506	1,909,713	1,624,993	249,039	745,744	8,579,995
Additions	283,016	32,667	107,490	6,780	98,159	528,112
Disposals	-	-	-	-	(187,569)	(187,569)
At 30 June 2017	4,333,522	1,942,380	1,732,483	255,819	656,334	8,920,538
Depreciation and impairment						
At 1 July 2016	32,625	797,412	1,461,665	217,512	494,692	3,003,906
Depreciation charged in the year	82,440	76,462	80,762	9,411	98,333	347,408
Eliminated in respect of disposals	-	-	-	-	(187,569)	(187,569)
At 30 June 2017	115,065	873,874	1,542,427	226,923	405,456	3,163,745
Carrying amount						
At 30 June 2017	4,218,457	1,068,506	190,056	28,896	250,878	5,756,793
At 30 June 2016	4,017,882	1,112,300	163,328	31,527	251,052	5,576,089

13 Tangible fixed assets **(Continued)**

The company's freehold property and the long leasehold property at Wallington were valued by Willett Tippett, Chartered Surveyors, on 30th June 2015, with inspection between the 5th and 6th August 2015. The valuation is the Existing Use value and is based on vacant possession. The valuation is in accordance with the Practise Statement of the RICS Valuation - Professional Standards, Global and UK edition, January 2014 "The Red Book". No allowance for any taxation, or expenses and costs that may arise on disposal has been included in the valuation. The valuation was completed on a property by property basis rather than a portfolio basis.

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	2017	2016
	£	£
Cost	3,721,311	3,438,295
Accumulated depreciation	(672,767)	(599,412)
Carrying value	3,048,544	2,838,883

The revaluation surplus is disclosed in note 24.

14 Financial instruments

	2017	2016
	£	£
Carrying amount of financial assets		
Debt instruments measured at amortised cost	3,901,622	4,061,179
Carrying amount of financial liabilities		
Measured at amortised cost	6,382,547	6,477,190

15 Stocks

	2017	2016
	£	£
Finished goods and goods for resale	2,662,100	2,303,867

16 Debtors

	2017	2016
Amounts falling due within one year:	**£**	**£**
Trade debtors	3,306,443	2,880,994
Other debtors	3,207	11,620
Prepayments and accrued income	494,707	528,253
	3,804,357	3,420,867

	2017	2016
Amounts falling due after more than one year:	**£**	**£**
Deferred tax asset (note 21)	4,800	15,000
Total debtors	3,809,157	3,435,867

17 Creditors: amounts falling due within one year

	Notes	2017 £	2016 £
Bank loans and overdrafts	19	144,959	158,778
Trade creditors		4,392,015	4,207,601
Corporation tax		101,644	64,542
Other taxation and social security		421,938	345,017
Dividends payable		85,530	94,402
Other creditors		1,276	1,354
Accruals and deferred income		479,128	611,328
		5,626,490	5,483,022

18 Creditors: amounts falling due after more than one year

	Notes	2017 £	2016 £
Bank loans and overdrafts	19	1,279,639	1,403,727

Amounts included above which fall due after five years are as follows:

	2017 £	2016 £
Payable by instalments	712,398	768,616

19 Loans and overdrafts

	2017	2016
	£	£
Bank loans	1,424,598	1,562,505
Payable within one year	144,959	158,778
Payable after one year	1,279,639	1,403,727

The long-term loans are secured by a fixed charge over certain of the company's freehold properties.

The bank loans comprise three loans, as follows:

£262,207 - repayable by monthly instalments over 15 years commencing September 2007 and bearing interest at 6% per annum.

£141,836 - repayable by 60 quarterly instalments commencing in 2011 and bearing interest at the company's banker's base rate plus 3% per annum.

£1,020,555 - repayable over 15 years commencing May 2016 and bearing interest at the company's banker's base rate plus 1.5% per annum.

20 Provisions for liabilities

	Notes	2017 £	2016 £
Deferred tax liabilities	21	121,300	139,900

21 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Balances:	Liabilities 2017 £	Liabilities 2016 £	Assets 2017 £	Assets 2016 £
ACAs	50,000	30,000	-	-
Revaluations	71,300	109,900	-	-
Retirement benefit obligations	-	-	4,800	15,000
	121,300	139,900	4,800	15,000

21 Deferred taxation (Continued)

	2017
Movements in the year:	£
Liability at 1 July 2016	124,900
Charge to profit or loss	30,200
Credit to revaluation reserve	(38,600)
Liability at 30 June 2017	116,500

22 Retirement benefit schemes

	2017	2016
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	154,455	190,198

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The charge to profit or loss in respect of defined contribution schemes was £154,455 (2016 - £190,198).

22 Retirement benefit schemes **(Continued)**

Defined benefit schemes

The company operates a defined benefit pension scheme for certain employees, the Merityre Specialists Pensions & Life Assurance Scheme.

The assets of the scheme are held separately from those of the company, comprising a unitised With-Profits policy held with Aviva, an investment portfolio with Harpsden Wealth Management and cash balances. The two investment portfolios previously held with Standard Life Wealth were transferred to Harpsden Wealth Management during the year.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by a qualified actuary and employee of Aviva, the pension scheme administrators. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method. As explained in the following notes, the scheme showed a deficit of £5,512,000 as at 30 June 2017 compared to £3,133,000 12 months earlier.

In order to reduce the deficit and fund ongoing liabilities the company has, following actuarial advice, closed the scheme to new members as from 1 February 2003 and ceased future accruals from February 2005.

Contributions to the scheme are charged to the income statement so as to spread the cost of pensions over the employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial and interim valuations, using the projected unit credit method. The current service cost charge for the year was £63,000 (2016: £70,000) plus £15,000 (2016: £14,000) in respect of administration fees. As no further benefits are accruing under the scheme, the service cost for the year ended 30 June 2017 represents the death in service premiums.

Over the year to 30 June 2017 the employer contributed £259,000 (2016: £290,000). As a result there was an excess of contributions paid over the current and past service costs of £181,000 (2016: £206,000), and this less the excess of the notional interest computed on the pension scheme liabilities over the expected return on pension scheme assets of £101,000 (2016: £89,000) has resulted in a reduction of the scheme deficit and an corresponding increase in the company's profit before taxation of £80,000 (2016: £117,000), respectively.

Key assumptions	**2017** %	**2016** %
Discount rate	2.6	3.3
Expected rate of increase of pensions in payment	3.7	3.0
Expected rate of salary increases	3.4	3.0

Mortality assumptions	**2017**	**2016**
Assumed life expectations on retirement at age 65:	**Years**	**Years**
Retiring today		
- Males	22.5	22.4
- Females	25.1	25.0
Retiring in 20 years		
- Males	23.9	23.9
- Females	26.6	26.5

22 Retirement benefit schemes **(Continued)**

Amounts recognised in the income statement	2017 £	2016 £
Current service cost	63,000	70,000
Net interest on defined benefit liability/(asset)	101,000	89,000
Other costs and income	15,000	14,000
Total costs	179,000	173,000

Amounts taken to other comprehensive income	2017 £	2016 £
Actual return on scheme assets	(225,000)	83,000
Less: calculated interest element	217,000	257,000
Return on scheme assets excluding interest income	(8,000)	340,000
Actuarial changes related to obligations	2,467,000	536,000
Total costs	2,459,000	876,000

The amounts included in the statement of financial position arising from the company's obligations in respect of defined benefit plans are as follows:

	2017 £	2016 £
Present value of defined benefit obligations	12,337,000	9,706,000
Fair value of plan assets	(6,825,000)	(6,573,000)
Deficit in scheme	5,512,000	3,133,000
Related deferred tax balance (asset)	(1,047,000)	(627,000)
Total liability recognised	4,465,000	2,506,000

Movements in the present value of defined benefit obligations	2017 £
Liabilities at 1 July 2016	9,706,000
Current service cost	63,000
Benefits paid	(217,000)
Actuarial gains and losses	2,467,000
Interest cost	318,000
At 30 June 2017	12,337,000

The defined benefit obligations arise from plans which are wholly or partly funded.

22 Retirement benefit schemes **(Continued)**

Movements in the fair value of plan assets	2017 £
Fair value of assets at 1 July 2016	6,573,000
Interest income	217,000
Return on plan assets (excluding amounts included in net interest)	8,000
Benefits paid	(217,000)
Contributions by the employer (excluding £50,000 committed but not paid until after 30 June 2016)	259,000
Other	(15,000)
At 30 June 2017	6,825,000

Fair value of plan assets at the reporting period end	2017 £	2016 £
Equity instruments	3,187,275	4,135,500
Debt instruments	702,975	815,400
Unitised With-Profits policy	1,440,075	1,461,200
Cash	1,494,675	110,900
Amount due from employer	-	50,000
	6,825,000	6,573,000

23 Share capital

	2017 £	2016 £
Ordinary share capital		
Issued and fully paid		
8,553 Ordinary shares of £1 each	8,553	8,582
	8,553	8,582

23 Share capital (Continued)

Reconciliation of movements during the year:

	Ordinary Number
At 1 July 2016	8,582
Purchased and cancelled	(29)
At 30 June 2017	8,553

During the year the company purchased and cancelled a total of 29 fully paid ordinary shares of £1 each in the capital of the company, for a total consideration of £19,993. At the time when the duly approved purchase contracts were signed by each party, the shares being purchased represented 0.34% of the called-up share capital.

24 Revaluation reserve

	2017 £	2016 £
At beginning of year	1,735,080	1,728,680
Deferred tax on revaluation of tangible assets	38,600	6,400
Transfer to retained earnings	(36,450)	-
At end of year	1,737,230	1,735,080

The revaluation reserve is net of the deferred taxation on the surplus arising on the revaluation of properties and amounting to £71,300 (2016: £109,900).

25 Capital redemption reserve

	2017 £	2016 £
At beginning of year	1,418	1,348
Transfers	29	70
At end of year	1,447	1,418

26 Profit and loss reserves

	2017	2016
	£	£
At the beginning of the year	1,665,350	2,177,228
Profit for the year	448,537	354,511
Dividends declared in the year and unpaid at year end	(85,530)	(94,402)
Transfer from revaluation reserve	36,450	-
Actuarial differences recognised in other comprehensive income	(2,459,000)	(876,000)
Tax on actuarial differences	420,000	152,000
Share redemption or reduction	(19,993)	(47,987)
At the end of the year	5,814	1,665,350

27 Financial commitments, guarantees and contingent liabilities

There is a deferred guarantee of £15,000 (2016: £15,000) in favour of H M Revenue & Customs.

28 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017	2016
	£	£
Within one year	688,270	681,586
Between two and five years	1,252,095	1,476,834
In over five years	2,204,935	1,652,186
	4,145,300	3,810,606

29 Capital commitments

Amounts authorised by the directors but not contracted or provided in the financial statements:

	2017	2016
	£	£
Acquisition of tangible fixed assets	-	250,000

30 Related party transactions

Remuneration of key management personnel
The remuneration of key management personnel is as follows.

	2017	2016
	£	£
Aggregate compensation	255,174	457,966

31 Directors' transactions

Dividends totalling £52,962 (2016 - £58,256) were paid in the year in respect of shares held by the company's directors.

Two of the directors, J J Pope and N C Pope, have a controlling interest in the shares of Merityre Properties Limited. During the year rent and insurance amounting to £239,406 (2016: £239,406) was paid on a commercial basis to this company. As at the balance sheet date this company was owed £nil (2016: £nil). Rent paid in advance and representing one quarter paid in advance amounted to £58,434 (2016: £58,434). The above transactions were conducted on an arm's length basis and following the advice of the company's property agents.

32 Controlling party

There is no single controlling party. J J Pope and N C Pope have day to day control by virtue of their combined 60.49% shareholding.

33 Cash generated from operations

	2017	2016
	£	£
Profit for the year after tax	448,537	354,511
Adjustments for:		
Taxation charged	129,571	93,952
Finance costs	344,926	354,632
Investment income	(217,000)	(257,000)
Gain on disposal of tangible fixed assets	(11,084)	-
Amortisation and impairment of intangible assets	33,239	33,239
Depreciation and impairment of tangible fixed assets	347,408	300,570
(Gain)/loss on sale of investments	-	1,123
Pension scheme non-cash movement	(181,000)	(206,000)
Movements in working capital:		
(Increase) in stocks	(358,233)	(110,925)
(Increase) in debtors	(383,490)	(368,834)
Increase in creditors	129,057	563,124
Cash generated from operations	281,931	758,392