

# REGISTRAR OF COMPANIES

**Merityre Specialists Limited**

**Annual Report and Financial Statements  
Year Ended 30 June 2018**

**Registration number: 00692635**



# **Merityre Specialists Limited**

## **Contents**

Company Information	1
Strategic Report	2 to 3
Directors' Report	4
Statement of Directors' Responsibilities	5
Independent Auditor's Report	6 to 8
Profit and Loss Account	9
Statement of Comprehensive Income	10
Balance Sheet	11
Statement of Changes in Equity	12
Statement of Cash Flows	13
Notes to the Financial Statements	14 to 32

# **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

**Company secretary** Mr G D Allen

**Registered office** Unit 33a West Way  
Andover  
Hampshire  
SP10 5JG

**Auditors** PKF Francis Clark  
Statutory Auditor  
Towngate House  
2-8 Parkstone Road  
Poole  
Dorset  
BH15 2PW

# **Merityre Specialists Limited**

## **Strategic Report**

**Year Ended 30 June 2018**

The directors present their strategic report for the year ended 30 June 2018.

### **Principal activity**

The principal activity of the company is that of selling motor vehicle tyres, batteries, wheels and exhausts.

### **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.

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.

### **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.

# Merityre Specialists Limited

## Strategic Report

Year Ended 30 June 2018

### ***Price risk, credit risk, liquidity risk and cash flow risk***

**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.

### **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 Apprentice scheme.

Membership of our trade association, the National Tyre Distributors Association, enable 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 Trading Standards authorities. At local level, branches have been supportive to local sports clubs, charities and events.

### **Future developments**

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.

Approved by the Board on 2 November 2018 and signed on its behalf by:



Mr N C Pope  
Director

# Merityre Specialists Limited

## Directors' Report

Year Ended 30 June 2018

The directors present their report and the financial statements for the year ended 30 June 2018.

### Directors of the company

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

Mr N C Pope

Mr J J Pope

Mr D Arnold

Mr J R A Spooner

Mr N H Taylor

In accordance with the Articles of Association, J J Pope and N H Taylor will retire from the board and, being eligible, will stand for re-appointment.

### Dividends

A final dividend of £10 (2017: £10) per share has been approved.

### Disclosure of information to the auditors

Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

### Change of auditors


PKF Francis Clark were appointed as auditor on 15 February 2018 and replaced the former auditor, Moore Stephens (South) LLP.

The auditor, PKF Francis Clark is deemed to be reappointed under section 487(2) of the Companies Act 2006.

### Other matters

In accordance with Section 414C(11) of the Companies Act 2006, information regarding financial instruments and future developments has been disclosed in the Strategic Report.

Approved by the Board on 2 November 2018 and signed on its behalf by:



Mr N C Pope  
Director

# **Merityre Specialists Limited**

## **Statement of Directors' Responsibilities**

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

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

# **Merityre Specialists Limited**

## **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 2018, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2018 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.



# **Merityre Specialists Limited**

## **Independent Auditor's Report to the Members of Merityre Specialists Limited**

### **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.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

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

### **Matters on which we are required to report by exception**

In the light of our 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 Statement of Directors' Responsibilities 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, 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.

## **Merityre Specialists Limited**

### **Independent Auditor's Report to the Members of Merityre Specialists Limited**

#### **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 [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Use of our report**

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

*Mark Johns .*

Mark Johns FCA FCCA (Senior Statutory Auditor)  
PKF Francis Clark, Statutory Auditor

Towngate House  
2-8 Parkstone Road  
Poole  
Dorset  
BH15 2PW

2 November 2018

# Merityre Specialists Limited

## Profit and Loss Account

Year Ended 30 June 2018

	Note	2018 £	(As restated) 2017 £
Turnover	3	28,130,116	27,386,733
Cost of sales		<u>(17,481,958)</u>	<u>(16,887,635)</u>
Gross profit		10,648,158	10,499,098
Distribution costs		(6,663,090)	(6,701,315)
Administrative expenses		(3,587,954)	(3,201,282)
Other operating income	4	<u>69,954</u>	<u>69,169</u>
Operating profit	5	467,068	665,670
Other interest receivable and similar income	9	181,050	217,000
Interest payable and similar charges	10	<u>(345,969)</u>	<u>(344,926)</u>
Profit before tax		302,149	537,744
Taxation	11	<u>(85,190)</u>	<u>(121,598)</u>
Profit for the financial year		<u><u>216,959</u></u>	<u><u>416,146</u></u>

The above results were derived from continuing operations.

# Merityre Specialists Limited

## Statement of Comprehensive Income

Year Ended 30 June 2018

		(As restated)
	2018 £	2017 £
Profit for the year	216,959	416,146
Surplus/(deficit) on property, plant and equipment revaluation	1,014,775	-
Deferred tax movement on revaluation	(104,407)	38,600
Remeasurement gain/loss on defined benefit pension schemes	706,000	(2,459,000)
Deferred tax relating to defined benefit deficit	(148,000)	420,000
	<u>1,468,368</u>	<u>(2,000,400)</u>
Total comprehensive income for the year	<u>1,685,327</u>	<u>(1,584,254)</u>

The notes on pages 14 to 32 form an integral part of these financial statements.


# Merityre Specialists Limited

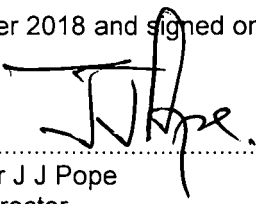
## Balance Sheet

30 June 2018

			(As restated)
	Note	2018 £	2017 £
<b>Fixed assets</b>			
Intangible assets	12	366,900	425,451
Tangible assets	13	6,624,690	5,756,793
		<u>6,991,590</u>	<u>6,182,244</u>
<b>Current assets</b>			
Stocks	14	2,485,169	2,662,100
Debtors	15	3,366,647	3,809,157
Cash at bank and in hand		840,466	591,972
		<u>6,692,282</u>	<u>7,063,229</u>
<b>Creditors:</b> Amounts falling due within one year	16	<u>(5,138,618)</u>	<u>(5,658,881)</u>
<b>Net current assets</b>		<u>1,553,664</u>	<u>1,404,348</u>
<b>Total assets less current liabilities</b>		<u>8,545,254</u>	<u>7,586,592</u>
<b>Creditors:</b> Amounts falling due after more than one year	16	<u>(1,148,097)</u>	<u>(1,279,639)</u>
<b>Provisions for liabilities</b>	19	<u>(244,707)</u>	<u>(121,300)</u>
<b>Net assets excluding pension asset/(liability)</b>		<u>7,152,450</u>	<u>6,185,653</u>
Defined benefit asset/liability	20	<u>(3,832,000)</u>	<u>(4,465,000)</u>
<b>Net assets</b>		<u><u>3,320,450</u></u>	<u><u>1,720,653</u></u>
<b>Capital and reserves</b>			
Called up share capital	21	8,553	8,553
Capital redemption reserve		1,447	1,447
Revaluation reserve		2,622,233	1,737,230
Profit and loss account		<u>688,217</u>	<u>(26,577)</u>
<b>Total equity</b>		<u><u>3,320,450</u></u>	<u><u>1,720,653</u></u>

Approved and authorised by the Board on 2 November 2018 and signed on its behalf by:

  
 .....  
 Mr N C Pope  
 Director

  
 .....  
 Mr J J Pope  
 Director

Company Registration Number: 00692635

The notes on pages 14 to 32 form an integral part of these financial statements.  
 Page 11

# Merityre Specialists Limited

## Statement of Changes in Equity

Year Ended 30 June 2018

	Share capital £	Capital redemption reserve £	Revaluation reserve £	Profit and loss account £	Total £
At 1 July 2017	8,553	1,447	1,737,230	(26,577)	1,720,653
Profit for the year	-	-	-	216,959	216,959
Other comprehensive income	-	-	910,368	558,000	1,468,368
Total comprehensive income	-	-	910,368	774,959	1,685,327
Dividends	-	-	-	(85,530)	(85,530)
Transfers	-	-	(25,365)	25,365	-
At 30 June 2018	8,553	1,447	2,622,233	688,217	3,320,450

	Share capital £	Capital redemption reserve £	Revaluation reserve £	Profit and loss account £	Total £
At 1 July 2016	8,582	1,418	1,735,080	1,665,350	3,410,430
Profit for the year	-	-	-	416,146	416,146
Other comprehensive income	-	-	38,600	(2,039,000)	(2,000,400)
Total comprehensive income	-	-	38,600	(1,622,854)	(1,584,254)
Dividends	-	-	-	(85,530)	(85,530)
Reduction of shares	(29)	-	-	(19,993)	(20,022)
Transfers	-	-	(36,450)	36,450	-
Redemption of shares	-	29	-	-	29
At 30 June 2017	8,553	1,447	1,737,230	(26,577)	1,720,653

The notes on pages 14 to 32 form an integral part of these financial statements.

# Merityre Specialists Limited

## Statement of Cash Flows

Year Ended 30 June 2018

		2018 £	(As restated) 2017 £
	Note		
<b>Cash flows from operating activities</b>			
Profit for the year		216,959	416,146
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	450,007	380,647
Profit on disposal of tangible assets		(6,657)	(11,084)
Impairment of property		38,960	-
Finance income	9	(181,050)	(217,000)
Finance costs	10	345,969	344,926
Defined benefit plan net finance cost		45,000	78,000
Contributions to defined benefit plans		(260,000)	(259,000)
Corporation tax	11	85,190	121,598
		<u>734,378</u>	<u>854,233</u>
Working capital adjustments			
Decrease/(increase) in stocks	14	176,931	(358,233)
Decrease/(increase) in trade debtors	15	438,510	(383,490)
(Decrease)/increase in trade creditors	16	<u>(479,438)</u>	<u>169,421</u>
Cash generated from operations		870,381	281,931
Corporation tax paid	11	<u>(96,345)</u>	<u>(62,269)</u>
Net cash flow from operating activities		<u>774,036</u>	<u>219,662</u>
<b>Cash flows from investing activities</b>			
Interest received		2,050	-
Acquisitions of tangible assets		(287,328)	(528,112)
Proceeds from sale of tangible assets		<u>10,449</u>	<u>11,084</u>
Net cash flows from investing activities		<u>(274,829)</u>	<u>(517,028)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(26,969)	(26,926)
Redemption of shares		-	(19,993)
Repayment of bank borrowing		(138,214)	(137,907)
Dividends paid		<u>(85,530)</u>	<u>(94,402)</u>
Net cash flows from financing activities		<u>(250,713)</u>	<u>(279,228)</u>
Net increase/(decrease) in cash and cash equivalents		248,494	(576,594)
Cash and cash equivalents at 1 July		<u>591,972</u>	<u>1,168,566</u>
Cash and cash equivalents at 30 June		<u><u>840,466</u></u>	<u><u>591,972</u></u>

The notes on pages 14 to 32 form an integral part of these financial statements.

# **Merityre Specialists Limited**

## **Notes to the Financial Statements**

**Year Ended 30 June 2018**

### **1 General information**

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

Unit 33a West Way

Andover

Hampshire

SP10 5JG

These financial statements were authorised for issue by the Board on 2 November 2018.

### **2 Accounting policies**

#### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **Statement of compliance**

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

#### **Basis of preparation**

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

#### **Judgements**

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.



# **Merityre Specialists Limited**

## **Notes to the Financial Statements**

**Year Ended 30 June 2018**

### **Key sources of estimation uncertainty**

The estimates and assumptions which have a risk of causing material adjustment to the carrying amount of assets and liabilities are as follows:

**Depreciation** - The company accounts for depreciation in line 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 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.

**Defined benefit liability** - The company uses a qualified actuary to value the pension scheme asset or liability each year. 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 subsequent periods..

### **Revenue recognition**

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of value added tax, 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 the dispatch of goods for retail 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.

### **Foreign currency transactions and balances**

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

### **Tax**

Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current corporation tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

# Merityre Specialists Limited

## Notes to the Financial Statements

### Year Ended 30 June 2018

Deferred tax is recognised on all timing differences at the balance sheet date unless indicated below. Timing differences are differences between taxable profits and the results as stated in the profit and loss account and other comprehensive income. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

#### **Tangible assets**

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

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.

#### **Depreciation**

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
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 and equipment	10% - 25% straight line
Motor vehicles	25% straight line

#### **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.

#### **Amortisation**

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

<b>Asset class</b>	<b>Amortisation method and rate</b>
Goodwill	over a 10 year period

# **Merityre Specialists Limited**

## **Notes to the Financial Statements**

**Year Ended 30 June 2018**

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

### **Trade debtors**

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at the transaction price less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

### **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.

### **Trade creditors**

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised at the transaction price.

### **Borrowings**

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

### **Leases**

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

# Merityre Specialists Limited

## Notes to the Financial Statements

Year Ended 30 June 2018

### Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

### Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

### Defined benefit pension obligation

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets. The defined benefit obligation is measured using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise.

## 3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2018 £	2017 £
Tyre sales	21,385,356	21,009,760
Other sales	6,744,760	6,376,973
	<u>28,130,116</u>	<u>27,386,733</u>

## 4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2018 £	2017 £
Sub lease rental income	<u>69,954</u>	<u>69,169</u>

# Merityre Specialists Limited

## Notes to the Financial Statements

Year Ended 30 June 2018

### 5 Operating profit

Arrived at after charging/(crediting)

	2018 £	2017 £
Depreciation expense	391,456	347,408
Amortisation expense	58,551	33,239
Foreign exchange gains	(93,230)	(163,082)
Profit on disposal of property, plant and equipment	<u>(6,657)</u>	<u>(11,084)</u>

### 6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2018 £	2017 £
Wages and salaries	5,596,289	5,404,623
Social security costs	536,454	482,526
Pension costs, defined contribution scheme	149,167	154,455
Staff pensions - admin fees	45,000	78,000
Other employee expense	<u>58,734</u>	<u>80,083</u>
	<u>6,385,644</u>	<u>6,199,687</u>

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

	2018 No.	2017 No.
Production	214	211
Administration and support	<u>33</u>	<u>27</u>
	<u>247</u>	<u>238</u>

# Merityre Specialists Limited

## Notes to the Financial Statements

Year Ended 30 June 2018

### 7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2018 £	2017 £
Remuneration	370,034	317,741
Contributions paid to money purchase schemes	8,133	8,433
	<u>378,167</u>	<u>326,174</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2018 No.	2017 No.
Accruing benefits under defined benefit pension scheme	3	3
Accruing benefits under money purchase pension scheme	<u>1</u>	<u>1</u>

In respect of the highest paid director:

	2018 £	2017 £
Remuneration	<u>129,787</u>	<u>111,061</u>

### 8 Auditor's remuneration

	2018 £	2017 £
Audit of the financial statements	<u>13,500</u>	<u>12,000</u>

### 9 Other interest receivable and similar income

	2018 £	2017 £
Interest income on bank deposits	2,050	-
Other finance income	<u>179,000</u>	<u>217,000</u>
	<u>181,050</u>	<u>217,000</u>

### 10 Interest payable and similar expenses

	2018 £	2017 £
Interest expense on other finance liabilities	26,969	26,926
Interest on the net defined benefit liability	<u>319,000</u>	<u>318,000</u>
	<u>345,969</u>	<u>344,926</u>

# Merityre Specialists Limited

## Notes to the Financial Statements

Year Ended 30 June 2018

### 11 Taxation

Tax charged/(credited) in the profit and loss account

	2018 £	(As restated) 2017 £
<b>Current taxation</b>		
UK corporation tax	67,489	93,671
UK corporation tax adjustment to prior periods	<u>(5,299)</u>	<u>(2,273)</u>
	62,190	91,398
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	<u>23,000</u>	<u>30,200</u>
Tax expense in the income statement	<u>85,190</u>	<u>121,598</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2017 - lower than the standard rate of corporation tax in the UK) of 19% (2017 - 20%).

The differences are reconciled below:

	2018 £	(As restated) 2017 £
Profit before tax	<u>302,149</u>	<u>537,744</u>
Corporation tax at standard rate	57,408	107,549
Decrease from effect of different UK tax rates on some earnings	-	(1,183)
Effect of expense not deductible in determining taxable profit (tax loss)	(234)	795
Decrease in UK and foreign current tax from adjustment for prior periods	(5,299)	(2,273)
Tax increase from effect of capital allowances and depreciation	40,163	33,928
Tax increase from revaluation losses	7,402	-
Tax decrease relating to defined benefit scheme payments	(14,250)	(16,000)
Rounding	<u>-</u>	<u>(1,218)</u>
Total tax charge	<u>85,190</u>	<u>121,598</u>

# Merityre Specialists Limited

## Notes to the Financial Statements

Year Ended 30 June 2018

### Deferred tax

Deferred tax assets and liabilities

	Asset £	Liability £
<b>2018</b>		
ACA's	-	69,000
Revaluations	-	175,707
Retirement benefit obligations	800	-
	<u>800</u>	<u>244,707</u>
<b>2017</b>		
ACA's	-	50,000
Revaluations	-	71,300
Retirement benefit obligations	4,800	-
	<u>4,800</u>	<u>121,300</u>

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

	2018 £	2017 £
Deferred tax arising on:		
Revaluation of property	104,407	(38,600)
Actuarial differences recognised as other comprehensive income	148,000	(420,000)
	<u>252,407</u>	<u>(458,600)</u>



# Merityre Specialists Limited

## Notes to the Financial Statements

Year Ended 30 June 2018

### 12 Intangible assets

	Goodwill £	Total £
<b>Cost or valuation</b>		
At 1 July 2017	664,774	664,774
At 30 June 2018	664,774	664,774
<b>Amortisation</b>		
At 1 July 2017	239,323	239,323
Amortisation charge	58,551	58,551
At 30 June 2018	297,874	297,874
<b>Carrying amount</b>		
At 30 June 2018	366,900	366,900
At 30 June 2017	425,451	425,451

# Merityre Specialists Limited

## Notes to the Financial Statements

Year Ended 30 June 2018

### 13 Tangible assets

	Land and buildings £	Furniture, fittings and equipment £	Motor vehicles £	Other property, plant and equipment £	Total £
<b>Cost or valuation</b>					
At 1 July 2017	6,275,902	255,819	656,334	1,732,483	8,920,538
Revaluations	736,478	-	-	-	736,478
Additions	33,765	64,841	87,928	100,794	287,328
Disposals	(18,404)	(108,944)	(63,902)	(659,212)	(850,462)
At 30 June 2018	<u>7,027,741</u>	<u>211,716</u>	<u>680,360</u>	<u>1,174,065</u>	<u>9,093,882</u>
<b>Depreciation</b>					
At 1 July 2017	988,939	226,923	405,456	1,542,427	3,163,745
Charge for the year	164,189	14,164	115,499	97,604	391,456
Revaluation	(239,339)	-	-	-	(239,339)
Eliminated on disposal	(18,404)	(108,944)	(60,110)	(659,212)	(846,670)
At 30 June 2018	<u>895,385</u>	<u>132,143</u>	<u>460,845</u>	<u>980,819</u>	<u>2,469,192</u>
<b>Carrying amount</b>					
At 30 June 2018	<u>6,132,356</u>	<u>79,573</u>	<u>219,515</u>	<u>193,246</u>	<u>6,624,690</u>
At 30 June 2017	<u>5,286,963</u>	<u>28,896</u>	<u>250,878</u>	<u>190,056</u>	<u>5,756,793</u>

Included within the net book value of land and buildings above is £4,945,000 (2017 - £4,218,167) in respect of freehold land and buildings, £800,000 (2017 - £649,446) in respect of long leasehold land and buildings and £387,356 (2017 - £419,060) in respect of short leasehold and buildings.

### Revaluation

The fair value of the company's Freehold & Leasehold Property was revalued on 30 June 2018 by an independent valuer.

The company's freehold property and the long leasehold property at Wallington were valued by Willett Tippet, Chartered Surveyors, on 30th June 2018, with inspection between 24th May and 30th May 2018. Other than one property which was valued at market value due to the nature of the property, the valuation is on the existing use value and is based on vacant possession. The valuation is in accordance with Practise Statement of the RICS Valuation - Professional Standards, Global and UK edition, January 2014 (revised April 2015) "The Red Book". No allowance for any taxation, or expenses and costs that may arise on disposal have been included in the valuation. The valuation was completed on a property by property basis rather than a portfolio basis.

Had this class of asset been measured on a historical cost basis, the carrying amount would have been £2,975,200 (2017 - £3,048,544).

# Merityre Specialists Limited

## Notes to the Financial Statements

Year Ended 30 June 2018

### 14 Stocks

	2018 £	2017 £
Finished goods and goods for resale	<u>2,485,169</u>	<u>2,662,100</u>

The cost of stocks recognised as an expense in the year amounted to £17,481,958 (2017 - £16,887,635).

### 15 Debtors

	Note	2018 £	2017 £
Trade debtors		2,645,983	3,306,443
Other debtors		5,718	3,207
Prepayments		714,146	494,707
Deferred tax assets	11	<u>800</u>	<u>4,800</u>
		<u>3,366,647</u>	<u>3,809,157</u>

### 16 Creditors

	Note	2018 £	(As restated) 2017 £
<b>Due within one year</b>			
Loans and borrowings	17	138,287	144,959
Trade creditors		3,766,750	4,392,015
Corporation tax		59,516	93,671
Social security and other taxes		538,801	421,938
Dividends payable		85,530	85,530
Other creditors		24,123	1,276
Accrued expenses		<u>525,611</u>	<u>519,492</u>
		<u>5,138,618</u>	<u>5,658,881</u>
<b>Due after one year</b>			
Loans and borrowings	17	<u>1,148,097</u>	<u>1,279,639</u>

# Merityre Specialists Limited

## Notes to the Financial Statements

Year Ended 30 June 2018

### 17 Loans and borrowings

	2018 £	2017 £
<b>Non-current loans and borrowings</b>		
Bank borrowings	<u>1,148,097</u>	<u>1,279,639</u>

	2018 £	2017 £
<b>Current loans and borrowings</b>		
Bank borrowings	<u>138,287</u>	<u>144,959</u>

Included in the loans and borrowings are the following amounts due after more than five years:

	2018 £	2017 £
After more than five years by instalments	<u>622,398</u>	<u>712,398</u>

### Bank loans and overdrafts after five years

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

The bank loans comprise 3 loans, as follows:

£213,993 - repayable by monthly instalments over 15 years commencing September 2007 and bearing interest at the company's bankers base rate plus 1% per annum.

£125,169 - repayable by 60 quarterly instalments commencing in 2011 and bearing interest at the company's banker's base rate plus 3% per annum.

£947,222 - repayable over 15 years commencing May 2016 and bearing interest at the company's banker's base rate plus 1.5% per annum.

# Merityre Specialists Limited

## Notes to the Financial Statements

Year Ended 30 June 2018

### 18 Obligations under leases and hire purchase contracts

#### Operating leases

The total of future minimum lease payments is as follows:

	2018 £	2017 £
Not later than one year	685,905	688,270
Later than one year and not later than five years	2,129,665	1,252,095
Later than five years	5,189,621	2,204,935
	<u>8,005,191</u>	<u>4,145,300</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £795,253 (2017 - £832,459).

#### Operating leases - lessor

The total of future minimum lease payments is as follows:

	2018 £	2017 £
Not later than one year	40,000	35,500
Later than one year and not later than five years	50,163	49,630
	<u>90,163</u>	<u>85,130</u>

### 19 Deferred tax and other provisions

	Deferred tax £	Total £
At 1 July 2017	121,300	121,300
Increase (decrease) in existing provisions	123,407	123,407
At 30 June 2018	<u>244,707</u>	<u>244,707</u>

### 20 Pension and other schemes

#### Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £149,167 (2017 - £154,455).

# Merityre Specialists Limited

## Notes to the Financial Statements

Year Ended 30 June 2018

### Defined benefit pension schemes

#### Merityre Specialists Limited Pension & Life Assurance Scheme

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

The assets of the scheme are held separately from those of the company, comprising a united With-Profits policy held with Aviva, an investment portfolio with Harpsden Wealth Management and cash balances.

The date of the most recent comprehensive actuarial valuation was 01 February 2016. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out on 30 June 2018 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 £4,731,000 as at 30 June 2018 compared to £5,512,000 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 further 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 £30,000 (2017: £63,000) plus £15,000 (2017: £15,000) in respect of administration fees. As no further benefits are accruing under the system, the service cost for the year ending 30 June 2018 represents the death in service premiums.

During the year to 30 June 2018 the employer contributed £260,000 (2017: £259,000). As a result there was an excess of contributions paid over the current and past service costs of £215,000 (2017: £181,000), and this less the excess of notional interest computed on the pension scheme liabilities over the expected return on pension scheme assets of £140,000 (2017: £101,000) has resulted in a reduction of the scheme deficit.

#### ***Reconciliation of scheme assets and liabilities to assets and liabilities recognised***

The amounts recognised in the statement of financial position are as follows:

	2018 £	2017 £
Fair value of scheme assets	7,311,000	6,825,000
Present value of defined benefit obligation	(12,042,000)	(12,337,000)
	(4,731,000)	(5,512,000)
Deferred tax balance	899,000	1,047,000
Defined benefit pension scheme deficit	<u>(3,832,000)</u>	<u>(4,465,000)</u>

# Merityre Specialists Limited

## Notes to the Financial Statements

Year Ended 30 June 2018

### ***Defined benefit obligation***

Changes in the defined benefit obligation are as follows:

	<b>2018</b> <b>£</b>
Present value at start of year	12,337,000
Current service cost	30,000
Interest cost	319,000
Actuarial gains and losses	(499,000)
Benefits paid	(145,000)
Present value at end of year	<u>12,042,000</u>

### ***Fair value of scheme assets***

Changes in the fair value of scheme assets are as follows:

	<b>2018</b> <b>£</b>
Fair value at start of year	6,825,000
Interest income	179,000
Return on plan assets, excluding amounts included in interest income/(expense)	207,000
Employer contributions	260,000
Benefits paid	(145,000)
Administration fees	(15,000)
Fair value at end of year	<u>7,311,000</u>

### ***Analysis of assets***

The major categories of scheme assets are as follows:

	<b>2018</b> <b>£</b>	<b>2017</b> <b>£</b>
Cash and cash equivalents	1,374,468	1,494,675
Equity instruments	3,633,567	3,187,275
Debt instruments	870,009	702,975
Unitised-With-Profits policy	1,432,956	1,440,075
	<u>7,311,000</u>	<u>6,825,000</u>

### ***Return on scheme assets***

	<b>2018</b> <b>£</b>	<b>2017</b> <b>£</b>
Return on scheme assets	<u>386,000</u>	<u>225,000</u>

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

# Merityre Specialists Limited

## Notes to the Financial Statements

Year Ended 30 June 2018

### *Principal actuarial assumptions*

The principal actuarial assumptions at the statement of financial position date are as follows:

	<b>2018</b>	<b>2017</b>
	<b>%</b>	<b>%</b>
Discount rate	2.60	2.60
Future pension increases	3.50	3.70
Inflation	3.20	3.40

### *Post retirement mortality assumptions*

	<b>2018</b>	<b>2017</b>
	<b>Years</b>	<b>Years</b>
Current UK pensioners at retirement age - male	22.00	23.00
Current UK pensioners at retirement age - female	25.00	25.00
Future UK pensioners at retirement age - male	24.00	24.00
Future UK pensioners at retirement age - female	26.00	27.00

The amounts recognised in profit or loss are as follows:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Interest on scheme (assets) / liabilities	140,000	101,000

Other finance income / costs are included in the profit and loss account within interest receivable or interest payable and similar charges.

The actuarial gains recognised in the Statement of Comprehensive Income was £558,000 (2017: losses of £2,039,000).



# Merityre Specialists Limited

## Notes to the Financial Statements

Year Ended 30 June 2018

### 21 Share capital

#### Allotted, called up and fully paid shares

	No.	2018 £	No.	2017 £
Ordinary of £1 each	<u>8,553</u>	<u>8,553</u>	<u>8,553</u>	<u>8,553</u>

### 22 Financial guarantee contracts

There is a deferred guarantee in favour of H M Revenue & Customs.

The amount of the financial guarantee contract is £15,000.

### 23 Financial instruments

#### Categorisation of financial instruments

	2018 £	2017 £
Financial assets that are debt instruments measured at amortised cost	<u>3,492,167</u>	<u>3,901,622</u>
	<u>3,492,167</u>	<u>3,901,622</u>
Financial liabilities measured at amortised cost	<u>5,688,398</u>	<u>(6,382,587)</u>
	<u>5,688,398</u>	<u>(6,382,587)</u>

### 24 Prior year adjustment

In the prior year, an accrual for backdated rent was under-provided.

	£
Original profit and loss reserves as at 30 June 2017	5,814
Additional rent accrual	(40,364)
Decrease in corporation tax creditor	7,973
<b>Restated profit and loss reserves as at 30 June 2017</b>	<b><u>(26,577)</u></b>

# **Merityre Specialists Limited**

## **Notes to the Financial Statements**

**Year Ended 30 June 2018**

### **25 Related party transactions**

#### **Transactions with directors**

Dividends totalling £52,960 (2017: £52,960) 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 (2017: £239,406) was paid on a commercial basis to the company. As at the balance sheet this company was owed £nil (2017: £nil). Rent paid in advance and representing one quarter paid in advance amounted to £58,434 (2017: £58,434). The above transactions were conducted on an arm's length basis and following the advice of the company's property agents.

### **26 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.