

APEC LIMITED

**Annual Report and Financial
Statements for the year ended
31 December 2017**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2017**

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S C Fisher
T M Wainwright
D Andre
A S Brown
J-J M Lafont
J F Coombes

COMPANY SECRETARY

J F Coombes

REGISTERED OFFICE

Bridge House
3 Timothy's Bridge Road
Stratford upon Avon
Warwickshire
England
CV37 9NQ

BANKERS

HSBC
4th Floor
3 Temple Quay
Bristol
BS1 6DZ

AUDITOR

Ernst & Young LLP
Statutory Auditor
1 Bridgewater Place
Water Lane
Leeds
West Yorkshire
LS11 5QR
United Kingdom

STRATEGIC REPORT

For the year ended 31 December 2017

The Directors, in preparing this strategic report have complied with section 414c of the Companies Act 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was the wholesale distribution of motor vehicle parts. The Directors do not foresee any significant changes to the future prospects of the business or its main activities.

STRATEGIC AND OPERATIONAL REVIEW

Sales increased for the year by 20.7% as the Company continued to invest in its core-braking proposition. Competition remains fierce in the market place, particularly from lower cost, lower quality products, however the continued active customer pricing management initiative together with excellent supplier support has enabled the Company to create some efficiencies, and ensure that profitability remained consistent with the prior year. With the sales growth, and a modest increase in overheads, reported operating profit has increased by £0.7m to £3.6m.

The business functions as a result of successful partnerships with its stakeholders, and the Directors would like to thank customers and suppliers for their support and acknowledge the commitment and effort of all colleagues across the year.

Company outlook

The Company has made a good start to the current financial year with the result that the Company is ahead of budget.

Key Performance Indicators

There are three primary measures that the Directors consider to be Key Performance Indicators, which are Revenue, Profit Before Tax and Net Assets.

Revenue increased year on year by 20.7% to £45.8m which contributed to a year on year increase in Profit before Tax of £0.6m. Net Assets increased by £1.3m to £19.2m.

Principal risks and uncertainties

The Company's business activities, financial condition, results of operations or the Company's share price could be affected by any or all of the following principal risks or uncertainties:

Global economy

The UK is currently experiencing modest growth after a period of economic recovery. APEC Limited is a market leader in its sector and the business has expanded through focus on its core proposition. The Company's business has generally proved to be resilient against this background.

Information systems

The Company is dependent upon a number of business critical systems which, if interrupted for any length of time, could have a material effect on the efficient running of the business. The board has implemented a series of contingency plans which would enable the Company to resume operations within a short space of time, thus mitigating the likelihood of material loss.

Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to individual customers is subject to a limit, which is reassessed regularly by the board.

Foreign exchange risk

The Company is exposed to foreign exchange risks primarily with respect to its US dollars and euro purchases. The Company uses forward currency contracts in order to limit the foreign exchange risk on these transactions. Forward currency contracts are only entered into within the pre-approved limits set by the board of Directors.

STRATEGIC REPORT (continued)
For the year ended 31 December 2017

STRATEGIC AND OPERATIONAL REVIEW (continued)

Liquidity and financing

The Company is dependent upon funding from Alliance Automotive Group represented by its ultimate parent Company, Genuine Parts Company and its subsidiaries.

Approved and authorised for issue by the board and signed on their behalf by:

A handwritten signature in black ink, appearing to read 'J F Coombes', written in a cursive style.

J F Coombes

Director

17 September 2018

DIRECTORS' REPORT

For the year ended 31 December 2017

The Directors present the annual report and audited financial statements for the year ended 31 December 2017.

DIVIDENDS

During the year, an interim dividend was paid of £nil (2016: £nil). The Directors do not recommend the payment of a final dividend (2016: £nil).

DIRECTORS

The following were Directors of the Company during the year and thereafter, except as noted:

S C Fisher
N A Davis (resigned 30th Nov 2017)
T M Wainwright (appointed 30th Nov 2017)
D Andre
A S Brown
J-J M Lafont
J F Coombes (appointed 31st Dec 2017)

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

COMPANY SECRETARIES

The following officers fulfilled the role of Company Secretary during the year and thereafter, except as noted:

J C Eden (resigned 31st Dec 2017)
J F Coombes (appointed 31st Dec 2017)

EMPLOYEE INVOLVEMENT

We believe that our people have a right to be kept informed. Regular discussions take place to keep people updated and to seek out their ideas and opinions.

Face-to-face dialogue between managers and staff takes place regularly, to ensure staff are kept informed regarding the business and in turn able to feed information back into the business.

All employment policies have been upgraded to conform with current legislation.

It is the Company's policy to encourage career development for all employees to help staff achieve job satisfaction and increase personal motivation.

EMPLOYMENT OF DISABLED PERSONS

The Company's recruitment policy sympathetically considers applications for employment from the disabled where they have the necessary abilities and skills to perform the job. If any employee becomes disabled during employment with the Company every effort is made to retrain that employee to perform a job appropriate to his/her abilities and skills.

It is the Company's policy to encourage career development for its employees, including the disabled for whom further training is arranged, if necessary, to allow for special needs.

DIRECTORS' REPORT (continued)

For the year ended 31 December 2017

GOING CONCERN

The company's assets and support from fellow group companies is adequate to meet its financial commitments for a period of at least the next 12 months. Further details in relation to the going concern assessment are shown in note 1 to the financial statements.

DISCLOSURE OF INFORMATION TO THE AUDITORS

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

AUDITORS

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

Approved by the board and signed by:



J F Coombes

Director

17 September 2018

DIRECTORS' RESPONSIBILITIES STATEMENT

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 including FRS 102). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF APEC LIMITED

Opinion

We have audited the financial statements of Apec Limited for the year ended 31 December 2017 which the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 17, 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 company's affairs as at 31 December 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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

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

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF APEC LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

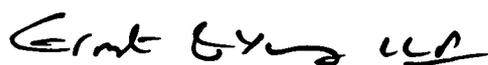
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF APEC LIMITED

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.



Eddie Diamond (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds, UK
27 September 2018

INCOME STATEMENT**For the year ended 31 December 2017**

	Note	2017 £'000	2016 £'000
Revenue	2	45,816	37,971
Cost of sales		(36,646)	(30,259)
Gross Profit		9,170	7,712
Selling and distribution costs		(568)	(551)
Administrative costs		(5,010)	(4,305)
Operating Profit		3,592	2,856
Finance charges	3	(193)	(11)
Profit on ordinary activities before taxation	4	3,399	2,845
Taxation on profit on ordinary activities	5	(716)	(546)
Profit for the financial year		2,683	2,299

The accompanying notes form an integral part of these financial statements.

All turnover and results for the year and the prior year arise from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME**For the year ended 31 December 2017**

	2017 £	2016 £
Profit for the financial year	2,683	2,299
Cash flow hedges		
(Losses)/gains arising during the year	(1,349)	823
Other comprehensive income	1,363	823
Total comprehensive income attributable to equity shareholders of the Company	1,363	3,122

The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 £'000	2016 £'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	4,718	4,764
Deferred tax	14	112	127
		<u>4,830</u>	<u>4,891</u>
CURRENT ASSETS			
Inventories	9	12,829	10,028
Trade and other receivables	10	18,755	18,740
Cash and cash equivalents		795	643
		<u>32,379</u>	<u>29,411</u>
TOTAL ASSETS		<u>37,209</u>	<u>34,302</u>
CURRENT LIABILITIES			
Trade and other payables	11	(17,648)	(16,107)
Current tax liabilities	13	(389)	(356)
		<u>(18,037)</u>	<u>(16,463)</u>
NET CURRENT ASSETS		<u>14,342</u>	<u>12,948</u>
TOTAL LIABILITIES		<u>(18,037)</u>	<u>(16,463)</u>
NET ASSETS		<u>19,172</u>	<u>17,839</u>
CAPITAL AND RESERVES			
Called up share capital	15	2	2
Retained earnings		19,403	16,721
Cash flow hedge reserve		(233)	1,116
		<u>19,172</u>	<u>17,839</u>
SHAREHOLDER'S EQUITY		<u>19,172</u>	<u>17,839</u>

The financial statements of Apec Limited, registered number 00851110 were approved and authorised for issue by the Board of Directors on 17 September 2018 and were signed on its behalf by:



J F Coombes
Director

STATEMENT OF CHANGES IN EQUITY**For the year ended 31 December 2017**

	Called – up share capital £'000	Retained earnings £'000	Total £'000
As at 1 January 2016	2	14,735	14,737
Profit for the year	-	2,299	2,299
Foreign exchange gain	-	823	823
Total comprehensive income for the year	-	3,122	3,122
Prior years' tax adjustment	-	(20)	(20)
Dividends paid	-	-	-
As at 31 December 2016	<u>2</u>	<u>17,837</u>	<u>17,839</u>
Profit for the year	-	2,683	2,683
Foreign exchange loss	-	(1,349)	(1,349)
Total comprehensive income for the year	-	1,334	1,334
Prior years' tax adjustment	-	(1)	(1)
Dividends paid	-	-	-
As at 31 December 2017	<u><u>2</u></u>	<u><u>19,170</u></u>	<u><u>19,172</u></u>

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2017****1. ACCOUNTING POLICIES**

The principal accounting policies adopted 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.

General information

Apec Limited is a private Company limited by shares, incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Bridge House, 3, Timothy's Bridge Road, Stratford-upon-Avon, Warwickshire, CV37 9NQ.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The nature of the Company's operations and its principal activities are set out in the Strategic report.

Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis as specified in the accounting policies below.

The company is a qualifying entity for the purposes of applying the reduced disclosure framework. The company has taken advantage of the following disclosure exemptions:

- (a) The requirements of Section 7 Statement of Cash Flows meaning the company has not prepared a Statement of Cash flows;
- (b) The requirement of Section 33 Related Party Disclosures paragraph 33.7
- (c) The requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv)

In addition, the company has taken advantage of the scope exemption in Section 33 Related Party Disclosures and not disclosed transactions entered into with other wholly-owned members of its group.

The company has notified its shareholder, who does not object to, the use of the disclosure exemptions.

Going concern

The directors have carried out a review of the company's resources and assessed the challenges presented by the current economic climate. They consider the company to have sufficient cash resources to not require any additional external borrowings in the foreseeable future. In addition, the company and its fellow subsidiary companies are indirectly funded by a loan from GPC Europe Holdings BV, a subsidiary of the company's ultimate parent undertaking, Genuine Parts Company. Ongoing trading and working capital funding is provided by a line of credit guaranteed by the ultimate parent undertaking. Based on this and after making enquiries, the directors are satisfied that the company is able to adopt the going concern basis in preparing the annual report and financial statements.

Property, plant and equipment

Assets are stated at their net book value. All assets are recorded at historical cost.

Plant and machinery are depreciated at 15% per annum.

Office equipment is depreciated at 15% per annum.

Computer equipment is depreciated at 33.33% per annum.

Inventories

Inventories are valued at the lower of cost or net realisable value.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

1. ACCOUNTING POLICIES (continued)

Revenue

Revenue is measured at invoice price, excluding value added taxes, and principally comprises parts sales. Parts sales are recognised when substantially all risks and rewards have been transferred to the customer. This is generally at the time of delivery to the customer. Revenue is generated within the United Kingdom.

Operating profit

Operating profit is stated before net interest costs and debt issue costs.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated at the rates ruling at that date. Any transaction differences are dealt with in the income statement.

Pension costs

The Company provides pension arrangements for employees under a defined contribution scheme. Contributions are charged to the income statement in the year in which they are payable.

Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks and financial institutions, bank and cash balances, and liquid investments, net of bank overdrafts.

Financial assets and liabilities

The fair values of the Company's trade receivables, cash and cash equivalents, bank overdrafts, trade payables and hire purchase liabilities with maturity of less than one year are assumed to approximate to their book value.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax is provided in full, using the liability method, on taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the Statement of Financial Position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Derivative financial instruments and hedge accounting

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Company uses foreign exchange forward contracts to hedge these exposures. The Company does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the policies approved by the board of Directors of the holding Company, which provides written principles on the use of financial derivatives.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

1. ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged items affect net profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the entity's accounting policies, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

Upon assessment, the Directors have concluded that there are no critical accounting judgements applied within these Financial Statements.

Key source of estimation uncertainty

The Directors consider stock provisioning to be the only area of estimation uncertainty.

Stock provisions are calculated using a mathematical model, which has been used historically. The model uses factual sales history and identifies any stockholding in excess of 12 months forecast sales.

2. REVENUE

	2017	2016
	£'000	£'000
To external customers	45,816	37,971

All revenue relates to trading within the United Kingdom. There is only one class of business being the distribution of automotive parts.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

3. NET FINANCE (COSTS)/INCOME

	2017	2016
	£'000	£'000
Interest payable:		
Bank loans and overdrafts	(11)	(4)
Intergroup interest	(182)	(34)
Interest receivable:		
Intergroup interest	-	27
Net finance (charges)/income	<u>(193)</u>	<u>(11)</u>

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2017	2016
	£'000	£'000
Profit on ordinary activities before taxation is calculated after taking into account the following items:		
Cost of inventory	36,646	30,259
Staff costs (note 6)	3,503	2,905
Depreciation	398	283
Fees payable to the Company's auditor for the audit of the Company's annual accounts	9	8
Profit on disposal of fixed assets	45	16
	<u>45</u>	<u>16</u>

There were no non-audit fees payable to the auditor (2016 – nil).

5. TAX ON PROFIT

The tax charge comprises:

	2017	2016
	£'000	£'000
Current tax on profit		
UK corporation tax	695	596
Adjustments in respect of prior years		
UK corporation tax	6	(52)
Total current tax	<u>701</u>	<u>544</u>
Deferred tax		
Origination and reversal of timing differences	20	32
Effect of increase in tax rate on opening liability	-	9
Decrease in estimate of recoverable deferred tax asset	(5)	(39)
Total deferred tax	<u>15</u>	<u>2</u>
Total tax on profit	<u>716</u>	<u>546</u>

The standard rate of tax applied to reported profit is 19.25% (2016: 20.00%). Reductions in the UK corporation tax rate from 20% to 19% (effective 1 April 2017) and 17% (effective 1 April 2020) were substantively enacted

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

on 26 October 2015 and 6 September 2016 respectively. Accordingly, deferred tax has been calculated using a tax rate of 17%.

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

5. TAX ON PROFIT (continued)

	2017	2016
	£'000	£'000
Profit before tax	<u>3,399</u>	<u>2,845</u>
Tax on profit at standard UK corporation tax rate of 19.25% (2016: 20.00%)	660	569
Effects of:		
- Expenses not deductible for tax purposes	14	16
- Fixed asset differences	44	49
- Changes in rates	(3)	4
- Adjustments to tax charge in respect of previous years	1	(92)
Total tax charge for year	<u>716</u>	<u>546</u>
Deferred tax		
Deferred tax is provided as follows:		
	2017	2016
	£'000	£'000
Accelerated capital allowances	37	75
Other timing differences	75	52
Provision for deferred tax	<u>112</u>	<u>127</u>

Deferred tax assets and liabilities are offset only where the Group has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the Group.

There is no expiry date on timing differences, unused tax losses or tax credits.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2017 £'000	2016 £'000
Directors' remuneration		
Emoluments	224	231
Company contributions to money purchase schemes	7	7
The number of Directors who:		
	No.	No.
Are members of a money purchase pension scheme	1	1

For those Directors who are remunerated by the Company the detail is given above.

The emoluments of those Directors who are also Directors of other group Companies were borne by other group Companies and not recharged. Their management of the Company forms only a small part of their responsibilities within the wider Alliance Automotive Group and so it is not possible to accurately identify that element of their remuneration which is directly attributable to the Company (2016: same).

	2017 £'000	2016 £'000
Remuneration of highest paid Director		
Emoluments	224	231
Company contributions to money purchase schemes	7	7
	No.	No.
Average number of persons employed (including Directors)		
Productive	85	67
Sales and distribution	5	5
Administration	21	17
	111	89
	£'000	£'000
Staff costs during the year (including Directors)		
Wages and salaries	3,171	2,609
Social security costs	261	225
Pension costs (see note 17)	71	71
	3,503	2,905

7. DIVIDENDS PAID

	2017 £'000	2016 £'000
Ordinary equity shares		
Interim dividend of £nil per share (2016: £nil)	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

8. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £'000	Plant and machinery £'000	Office equipment and computers £'000	Total £'000
Cost				
At 1 January 2017	4,092	1,065	1,131	6,288
Additions	-	286	129	415
Disposals	-	(259)	-	(259)
At 31 December 2017	<u>4,092</u>	<u>1,092</u>	<u>1,260</u>	<u>6,444</u>
Accumulated depreciation				
At 1 January 2017	38	734	752	1,524
Charge for the year	72	186	140	398
Disposals	-	(196)	-	(196)
At 31 December 2016	<u>110</u>	<u>724</u>	<u>892</u>	<u>1,726</u>
Net book value				
At 31 December 2017	3,982	368	368	4,718
At 31 December 2016	<u>4,054</u>	<u>331</u>	<u>379</u>	<u>4,764</u>

9. INVENTORIES

	2017 £'000	2016 £'000
Finished goods and goods for resale	<u>12,829</u>	<u>10,028</u>

10. TRADE AND OTHER RECEIVABLES

	2017 £'000	2016 £'000
Net trade receivables	3,392	12,503
Amounts owed by fellow group company	9,947	-
Amounts owed by parent company	3,100	3,100
Derivatives valuation asset	-	1,116
Other debtors	119	84
Prepayments and accrued income	2,197	1,937
	<u>18,755</u>	<u>18,740</u>

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

The average credit period on sales of goods is 106 days (2016: 122 days).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

11. TRADE AND OTHER PAYABLES

	2017	2016
	£'000	£'000
Trade payables	6,117	6,286
Amounts owed to parent company	676	3,993
Amounts owed to fellow group company	2,785	-
Derivatives valuation liability	233	-
Taxation and social security	1,018	614
Accruals and deferred income	6,819	5,214
	<u>17,648</u>	<u>16,107</u>

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

The average credit period taken for trade purchases is 78 days (2016: 85 days).

12. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in the accounting policies section.

Categories of financial instruments

	2017	2016
	£'000	£'000
Financial assets		
Cash	795	643
Loans and receivables	16,439	15,603
Derivatives valuation	-	1,116
Financial liabilities		
Trade and other payables	9,578	10,279
Derivatives valuation	233	-
	<u> </u>	<u> </u>

Financial instruments carried at fair value

The fair values of the Company's financial instruments are categorised as Level 2, based on the degree to which the fair value is observable. Level 2 fair value measurements are those derived from inputs other than unadjusted quoted prices in active markets (Level 1 categorisation) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Financial Risk Management Objectives

The Company is a wholly owned subsidiary of Genuine Parts Company and the Group Corporate function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks and may choose to use derivative financial instruments to hedge these risks exposures. Compliance with policies and exposure limits is reviewed by Group

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

12. FINANCIAL INSTRUMENTS (continued)

Financial Risk Management Objectives (continued)

management on a continuous basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Company has not held any derivative financial instruments in the current or prior year.

Market Risk

The Group's activities expose it primarily to the financial risks of changes in interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- forward interest rate risk; and
- manage interest rate risk.

The market risks are managed at a Company level through stress and scenario analysis.

During the course of the year there has been no change to the market risk or manner in which the Group manages its exposure.

Foreign Currency Risk Management

The Company undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

Interest Rate Risk Management

The Group and Company are exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and define risk appetite; ensure optimal hedging strategies are applied, by either positioning the Statement of Financial Position or protecting interest expense through different interest rate cycles.

Credit Risk Management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties is controlled by counterparty limits that are reviewed and approved by the Risk Management committee annually.

Trade receivables are spread across a large number of counterparties.

The Group does not have any significant credit exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Group's Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted contractual maturities of the financial

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

12. FINANCIAL INSTRUMENTS (continued)

Liquidity Risk Management (continued)

liabilities including interest that will accrue to those liabilities except where the Company is entitled and intends to repay the liability before its maturity.

	1-3 months £'000	Total £'000
2017		
Fixed interest rate instruments	9,578	9,578
2016		
Fixed interest rate instruments	10,279	10,279

13. CURRENT TAX LIABILITIES

	2017 £'000	2016 £'000
Corporation tax	389	356

14. DEFERRED TAX

Deferred tax is calculated in full on temporary timing differences under the liability method using a tax rate of 17 % (2016: 17%). The movement on the deferred tax account is as shown below:

	2017 £'000	2016 £'000
At 1 January	127	129
(Charged) / credited to income statement	(15)	(2)
At 31 December	112	127

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the year are shown on the following page.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and the intention is to settle the balances net.

	2017 £'000	2016 £'000
Deferred tax assets:		
Short term timing differences	37	75
Accelerated tax depreciation	75	52
	112	127

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

All the deferred tax assets were available for offset against deferred tax liabilities and hence the net deferred tax provision is as follows:

Net deferred tax asset	<u>112</u>	<u>127</u>
15. CALLED UP SHARE CAPITAL		
	2017	2016
	£'000	£'000
Authorised		
2,000 ordinary shares of £1 each	<u>2</u>	<u>2</u>
Allotted, called up and fully paid		
2,000 ordinary shares of £1 each	<u>2</u>	<u>2</u>

16. PENSIONS

The charge relating to the defined contribution schemes in the year was £71,000 (2016: £71,000). An amount of £12,000 is included in accruals at the year-end (2016: £12,000).

17. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The Company is a 100% owned subsidiary of FPS Distribution Limited, the immediate parent undertaking which is registered in England and Wales. Copies of the financial statements are available from FPS Distribution Limited, Bridge House, 3, Timothy's Bridge Road, Stratford-upon-Avon, Warwickshire, CV37 9NQ.

FPS Distribution Limited's immediate parent undertaking is Alliance Automotive UK Limited, a company incorporated in England & Wales.

The ultimate parent undertaking and the smallest and largest group to consolidate the company's financial statements is Genuine Parts Company, a company incorporated in the United States of America and quoted on the New York Stock Exchange.

Copies of the consolidated financial statements of the Genuine Parts Company, which include this company, can be obtained from 2999 Wildwood Parkway, Atlanta, Georgia, GA 30339, USA.