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Consolidated Financial Statements Gates Group Limited

For the Year Ended 31 October 2017



Registered number: 03087549

Company Information

Directors	H Greenall S Greenall R H Threadgold
Company secretary	R H Threadgold
Registered number	03087549
Registered office	Gates Corner Edinburgh Way Harlow Essex CM20 2EG
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Priory Place New London Road Chelmsford CM2 0PP

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Group Strategic Report

For the Year Ended 31 October 2017

Introduction

Gates Group Limited, 'the group' continues to carry on the business of garage proprietors and vehicle distributors, and continue to sell new and used vehicles, the servicing and repair of vehicles and the supply of spare parts.

Business review

This review is prepared taking into account the size and complexity of the business and the risks and uncertainties the business faces. The group has a good financial position for the year. The marketplace in which the group operates remains extremely competitive in all sectors, from franchise dealers and from independent traders and operators of servicing and repair facilities. We are of course subject to consumer spending patterns and consumers' overall level of disposable income within our economy.

Principal risks and uncertainties

The group has several areas of risk and uncertainty:-

- 1) **Economic conditions**
Profitability is influenced by the economic environment in which the group operates. Unemployment and consumer confidence levels impact on discretionary spending including vehicle purchases. In addition, fuel prices and changes in the level of taxation on vehicles also have a direct influence on the company's sales.
- 2) **Vehicle manufacturer dependency**
The group is dependent upon its manufacturer partner, Ford Motor Company Limited, for a significant proportion of its profitability. Changes to the financial condition, product development cycle, or production and distribution capabilities of our partner may impact our results.
- 3) **Used vehicle prices**
The value of used vehicles can decline as demand and supply of such vehicles fluctuates within the market. Declining prices reduce used vehicle margins and increase the level of vehicle write downs against the value of the company's used vehicle inventory. The group monitors the movement in the used vehicle market and updates inventory prices and stock values as market conditions change.
- 4) **Liquidity and financing risk**
The group finances its operations through a mixture of retained profits, bank borrowings and trade credit from both suppliers and the manufacturer's finance company. Movements in the interest rate on the group's facilities can impact profitability. In addition, a withdrawal of financing facilities or failure to renew them as they expire could lead to a reduction in the trading ability of the group. The utilisation of facilities is closely monitored.
- 5) **Information systems**
The group is dependent upon a number of business critical computer systems which, if interrupted for any length of time, could impact on the efficient running of the group's business.
- 6) **Legislative changes to vehicle distribution**
The revised Block Exemption Regulations abolished restrictions on the number of dealers operating within a territory and allowed the provision of aftersales support to be separate from the sale of new vehicles. The regulations therefore included the potential for additional competition to the franchised dealer network. The Board believes that through a focus on customer experience and a full partnership approach with the manufacturer, the impact of the regulations will be minimal for the group.

Group Strategic Report (continued)

For the Year Ended 31 October 2017

Key financial performance indicators

We consider that our key financial performance indicators are those that communicate the financial performance and strength of the group as whole, those being turnover, gross margin, profit before tax and return on capital employed.

The turnover of the business, by division, was as follows:

	2017 £'000	2016 £'000
Sales of new vehicles	57,793	50,616
Sales of used vehicles	80,710	62,625
Servicing and repairs	5,606	4,186
Sales of spare parts	5,772	4,431
Leasing of vehicles	507	-
	<u>150,388</u>	<u>121,858</u>

Other key performance indicators

The group achieved an increase in turnover in the overall level of sales across all business areas with the exception of the sale of spare parts. New and used vehicle sales increased substantially on the prior year. Whilst overall gross profit increased on the previous year, the gross profit margin increased in the year.

Overall operating profit increased from a profit of £1,473,595 to a profit of £2,135,720. The group saw increased distribution expenses as a result of increased level of sales and expansion of the business and increased administrative expenses as a result of the expansion of the business, and continues to examine ways in which these costs can be further controlled.

Return on capital employed increased from 5.4% in 2016 to 6.7% in 2017. Return on capital employed is calculated as profit before interest and tax divided by capital employed, which constitutes total assets less current liabilities, less investments, less cash, plus overdrafts and other short term borrowings.

We continue to investigate ways of further improving profitability and also of reducing the level of capital employed in the business, so as to further improve returns. However, with the above risks and uncertainties in mind, we are aware that any plans for the development of the business may be subject to unforeseen events outside of our control.

This report was approved by the board and signed on its behalf.



H Greenall

Director

Date: 19 April 2018

Directors' Report

For the Year Ended 31 October 2017

The directors present their report and the financial statements for the year ended 31 October 2017.

Results and dividends

The profit for the year, after taxation, amounted to £1,451,087 (2016: £852,214).

The directors do not propose a final dividend. The dividend paid during the year was £407,698 (2016: £250,891).

Directors

The directors who served during the year were:

H Greenall (Chairman)

S Greenall

R H Threadgold

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Donations

Charitable donations of £1,150 (2016: £5,994) were made during the period.

Employees

The group continues to maintain regular works committees at every site to allow non managerial employees to discuss any matters of concern directly with the directors.

Directors' Report (continued)

For the Year Ended 31 October 2017

Employment of disabled persons

The group recognises its obligation towards disabled persons and endeavours to provide employment, subject to the company's operations and the abilities of the disabled persons. If an existing employee became disabled, every effort would be made to ensure continuity of employment and the appropriate training would be given.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Subsequent event

On 21 December 2017 the group purchased the assets of four businesses in North London from Ford Retail Ltd; these businesses were located in Woodford Green, Walthamstow, Enfield and Potters Bar for a total consideration of £9,978,198.

Auditors

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board and signed on its behalf.



R H Threadgold

Secretary

Date: 19 April 2018



Independent Auditor's Report to the Shareholders of Gates Group Limited

Opinion

We have audited the financial statements of Gates Group Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 October 2017, which comprise the Consolidated Statement of comprehensive income, the Consolidated and Company Statements of financial position, the Consolidated Statement of cash flows, the Consolidated and Company Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

Who we are reporting to

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.

Independent Auditor's Report to the Shareholders of Gates Group Limited (continued)

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the Strategic report and Directors' 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 matters prescribed by the Companies Act 2006

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

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



Independent Auditor's Report to the Shareholders of Gates Group Limited (continued)

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement on page 3, 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 Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.



Independent Auditor's Report to the Shareholders of Gates Group Limited (continued)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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. The description forms part of our Auditor's report.

A handwritten signature in black ink that reads "Graham Mummery UK LLP".

Graham Mummery (Senior statutory auditor)
for and on behalf of

Grant Thornton UK LLP

Chartered Accountants

Statutory Auditor

Chelmsford

19 April 2018

Consolidated Statement of Comprehensive Income

For the Year Ended 31 October 2017

		31 October 2017	Period ended 31 October 2016
	Note	£	£
Turnover		150,388,122	121,857,886
Cost of sales		(129,745,215)	(105,662,851)
Gross profit		20,642,907	16,195,035
Distribution costs	5	(11,318,798)	(8,892,307)
Administrative expenses		(7,188,389)	(5,829,133)
Operating profit	5	2,135,720	1,473,595
Interest receivable and similar income	9	-	58,947
Interest payable and expenses	10	(619,377)	(798,582)
Profit before taxation		1,516,343	733,960
Tax on profit	11	(65,256)	118,254
Profit for the financial year		1,451,087	852,214
Unrealised surplus/(deficit) on revaluation of tangible fixed assets		1,600,401	(233,436)
Other comprehensive income for the year		1,600,401	(233,436)
Total comprehensive income for the year		3,051,488	618,778

There were no recognised gains and losses for 2017 or 2016 other than those included in the consolidated statement of comprehensive income.

The notes on pages 16 to 40 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 October 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	13	518,583	582,084
Tangible assets	14	32,757,591	23,521,669
Investments	15	10,000	10,000
		<u>33,286,174</u>	<u>24,113,753</u>
Current assets			
Stocks	16	26,448,724	22,650,484
Debtors: amounts falling due after more than one year	17	184,616	-
Debtors: amounts falling due within one year	17	4,743,060	5,529,588
		<u>31,376,400</u>	<u>28,180,072</u>
Creditors: amounts falling due within one year	19	(32,822,449)	(29,515,889)
Net current liabilities		<u>(1,446,049)</u>	<u>(1,335,817)</u>
Total assets less current liabilities		<u>31,840,125</u>	<u>22,777,936</u>
Creditors: amounts falling due after more than one year	20	(15,982,948)	(9,876,989)
Provisions for liabilities			
Deferred taxation	23	(646,415)	(333,975)
		<u>(646,415)</u>	<u>(333,975)</u>
Net assets		<u>15,210,762</u>	<u>12,566,972</u>
Capital and reserves			
Called up share capital	24	6,769	6,769
Share premium account	25	44,071	44,071
Revaluation reserve	25	3,209,537	1,609,136
Capital redemption reserve	25	897,877	897,877
Profit and loss account	25	11,052,508	10,009,119
		<u>15,210,762</u>	<u>12,566,972</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

H Greenall
Director

Date: 19 April 2018

The notes on pages 16 to 40 form part of these financial statements.

Company Statement of Financial Position

As at 31 October 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	14	28,110,689	21,239,791
Investments	15	4,550,632	4,550,632
		<u>32,661,321</u>	<u>25,790,423</u>
Current assets			
Debtors: amounts falling due within one year	17	507,334	217,659
Cash at bank and in hand	18	102,202	38,349
		<u>609,536</u>	<u>256,008</u>
Creditors: amounts falling due within one year	19	(102,708)	(174,343)
Net current assets		<u>506,828</u>	<u>81,665</u>
Total assets less current liabilities		<u>33,168,149</u>	<u>25,872,088</u>
Creditors: amounts falling due after more than one year	20	(28,385,793)	(21,994,659)
Provisions for liabilities			
Deferred taxation	23	(232,119)	(250,023)
		<u>(232,119)</u>	<u>(250,023)</u>
Net assets		<u><u>4,550,237</u></u>	<u><u>3,627,406</u></u>
Capital and reserves			
Called up share capital	24	6,769	6,769
Capital redemption reserve	25	70,395	70,395
Profit and loss account brought forward		3,550,242	3,699,604
Profit/(loss) for the year		1,330,529	(613,771)
Other changes in the profit and loss account		(407,698)	464,409
Profit and loss account carried forward		<u>4,473,073</u>	<u>3,550,242</u>
		<u><u>4,550,237</u></u>	<u><u>3,627,406</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



H Greenall

Director

Date: 19 April 2018

The notes on pages 16 to 40 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 31 October 2017

	Called up share capital £	Share premium account £	Capital redemption reserve £	Revaluation reserve £	Profit and loss account £	Total equity £
At 1 January 2016	8,727	44,071	897,877	1,842,572	9,617,496	12,410,743
Comprehensive income for the period						
Profit for the period	-	-	-	-	852,214	852,214
Other comprehensive income (Deferred taxation - prior year)	-	-	-	(233,436)	-	(233,436)
Total comprehensive income for the period	-	-	-	(233,436)	852,214	618,778
Dividends paid	-	-	-	-	(250,891)	(250,891)
Issue of preference shares	-	-	-	-	(1,958)	(1,958)
Repurchase of own shares	-	-	-	-	1,958	1,958
Repurchase of own shares	(1,958)	-	-	-	-	(1,958)
Redemption of preference shares	-	-	-	-	(209,700)	(209,700)
Total transactions with owners	(1,958)	-	-	-	(460,591)	(462,549)
At 1 November 2016	6,769	44,071	897,877	1,609,136	10,009,119	12,566,972
Comprehensive income for the year						
Profit for the year	-	-	-	-	1,451,087	1,451,087
Surplus on revaluation of freehold property	-	-	-	1,600,401	-	1,600,401
Total comprehensive income for the year	-	-	-	1,600,401	1,451,087	3,051,488
Dividends: Equity capital	-	-	-	-	(407,698)	(407,698)
Total transactions with owners	-	-	-	-	(407,698)	(407,698)
At 31 October 2017	6,769	44,071	897,877	3,209,537	11,052,508	15,210,762

Company Statement of Changes in Equity

For the Year Ended 31 October 2017

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2016	8,727	70,395	3,699,604	3,778,726
Comprehensive income for the period				
Loss for the period	-	-	(613,771)	(613,771)
Total comprehensive income for the period	-	-	(613,771)	(613,771)
Contributions by and distributions to owners				
Dividends paid	-	-	(250,891)	(250,891)
Issue of preference shares	-	-	(1,958)	(1,958)
Repurchase of own shares	-	-	1,958	1,958
Repurchase of own shares	(1,958)	-	-	(1,958)
Redemption of preference shares	-	-	(209,700)	(209,700)
Distribution received from subsidiary undertaking	-	-	925,000	925,000
Total transactions with owners	(1,958)	-	464,409	462,451
At 1 November 2016	6,769	70,395	3,550,242	3,627,406
Comprehensive income for the period				
Profit for the year	-	-	1,330,529	1,330,529
Total comprehensive income for the year	-	-	1,330,529	1,330,529
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(407,698)	(407,698)
Total transactions with owners	-	-	(407,698)	(407,698)
At 31 October 2017	6,769	70,395	4,473,073	4,550,237

Consolidated Statement of Cash Flows

For the Year Ended 31 October 2017

	2017 £	2016 £
Cash flows from operating activities		
Profit for the financial year	1,451,087	852,214
Adjustments for:		
Amortisation of intangible assets	63,501	52,916
Depreciation of tangible assets	704,518	561,450
Interest paid	619,377	798,582
Interest received	-	(58,947)
Taxation charge	75,637	(118,254)
Decrease/(increase) in stocks	(3,798,240)	(2,006,618)
Decrease/(increase) in debtors	601,912	(2,420,754)
Increase in creditors	979,554	3,666,875
Corporation tax received/(paid)	-	(103,450)
Net cash generated from operating activities	697,346	1,224,014
Cash flows from investing activities		
Purchase of tangible fixed assets	(8,012,247)	(6,062,952)
Sale of tangible fixed assets	-	978,075
Purchase of short term unlisted investments	-	(10,000)
Net cash from investing activities	(8,012,247)	(5,094,877)

Consolidated Statement of Cash Flows (continued)

For the Year Ended 31 October 2017

	2017 £	2016 £
Cash flows from financing activities		
New secured loans	6,771,763	9,919,218
Repayment of loans	-	(4,563,398)
Shares treated as debt - redeemed	-	(209,700)
Dividends paid	(407,698)	(250,891)
Interest paid	(635,436)	(832,168)
Net cash used in financing activities	5,728,629	4,063,061
Net (decrease)/increase in cash and cash equivalents	(1,586,272)	192,198
Cash and cash equivalents at beginning of year	(4,635,369)	(4,827,567)
Cash and cash equivalents at the end of year	(6,221,641)	(4,635,369)
Cash and cash equivalents at the end of year comprise:		
Bank overdrafts	(6,221,641)	(4,635,369)
	(6,221,641)	(4,635,369)

The notes on pages 16 to 40 form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 31 October 2017

1. General information

The entity is a private limited company, limited by shares, and is the parent company of the group incorporated within the United Kingdom with its registered office being Gates Corner, Edinburgh Way, Harlow, Essex, CM20 2EG.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

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

The company has also taken advantage of the the exemptions allowed under FRS 102 section 33 'Related party disclosures' not to show transactions with other wholly-owned companies in the group; and under section 7 'Statement of cash flows' not to prepare a cash flow statement for the parent company.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 January 2014.

2.3 Going concern

The directors consider the group has adequate resources to continue in operational existence for the foreseeable future with net assets of £15,228,656 and sufficient cash generation to meet debt repayments as they fall due.

Notes to the Financial Statements

For the Year Ended 31 October 2017

2. Accounting policies (continued)

2.4 Revenue

The group's revenue comes from the leasing of vehicles on either operating leases or finance leases. When a vehicle is leased on an operating lease revenue is recognised on a monthly basis across the term of the lease with the recognition beginning when the customer has taken delivery of the vehicle. On finance leases two elements of revenue are recognised. An initial value for the sale of the vehicle is recognised upon delivery to the customer as the risks and rewards have substantially transferred. This is calculated as the lower of the present value of minimum lease payments and the normal sales price. Further revenue is recognised on a monthly basis as the finance debtor is unwound.

Revenue represents the total value, excluding value added tax, of sales of vehicles and parts together with the amounts invoiced to customers for servicing and for the rental of vehicles. It also includes commission receivable on arranging finance for customer purchases. Revenue is attributable to the principal activity of the Group and is UK based.

2.5 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated statement of comprehensive income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Notes to the Financial Statements

For the Year Ended 31 October 2017

2. Accounting policies (continued)

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold buildings	- 2 % per annum on revalued amount
Plant and equipment	- 6.67% to 36% per annum on cost

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated statement of comprehensive income.

2.7 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Statement of financial position date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the Consolidated statement of comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Notes to the Financial Statements

For the Year Ended 31 October 2017

2. Accounting policies (continued)

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.12 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

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

Notes to the Financial Statements

For the Year Ended 31 October 2017

2. Accounting policies (continued)

2.13 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.14 Finance costs

Finance costs are charged to the Consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.16 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 January 2016 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.17 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

2.18 Employee Share Ownership Trust (ESOT)

In accordance with UITF38, contributions to the ESOT are shown as a deduction from reserves and are not recognised in the profit and loss account until such time the shares vest unconditionally with the employees.

Notes to the Financial Statements

For the Year Ended 31 October 2017

2. Accounting policies (continued)

2.19 Interest income

Interest income is recognised in the Consolidated statement of comprehensive income using the effective interest method.

2.20 Borrowing costs

All borrowing costs are recognised in the Consolidated statement of comprehensive income in the year in which they are incurred.

2.21 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated statement of comprehensive income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

Notes to the Financial Statements

For the Year Ended 31 October 2017

2. Accounting policies (continued)

2.22 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income 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 and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates. Key estimates and judgements are included within the financial statements in relation to the fair value of investment property within the parent company; and in relation to the fair value of freehold fixed assets at the consolidated level.

4. Turnover

All turnover arose within the United Kingdom.

Notes to the Financial Statements

For the Year Ended 31 October 2017

5. Operating profit

The operating profit is stated after charging:

	31 October 2017	Period ended 31 October 2016
	£	£
Depreciation of plant and equipment	502,962	365,640
Depreciation of freehold buildings	234,972	195,810
Amortisation of intangible assets, including goodwill	63,501	52,916
Rental expenditure - land and buildings	84,521	72,953
Rental income - land and buildings	(6,100)	(108,884)

6. Auditor's remuneration

	31 October 2017	Period ended 31 October 2016
	£	£
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	41,500	37,000
Fees payable to the Group's auditor and its associates in respect of:		
Audit-related assurance services	3,500	-
Taxation compliance services	8,820	8,800

Notes to the Financial Statements

For the Year Ended 31 October 2017

7. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Wages and salaries	10,365,468	8,050,057	-	-
Social security costs	1,043,114	792,973	-	-
Cost of defined contribution scheme	366,741	293,330	-	-
	11,775,323	9,136,360	-	-

The company operates a stakeholder defined contribution pension scheme for the benefit of the employees and directors. The assets of the scheme are administered by an independent pensions provider. Pension payments recognised as an expense during the period amount to £366,741 (2016: £293,330).

The average monthly number of employees, including the directors, during the year was as follows:

	31 October 2017 No.	Period ended 31 October 2016 No.
Management	49	36
Administration	48	37
Distribution	217	216
	314	289

The Company has no employees other than the directors, who did not receive any remuneration (2016: £Nil).

Notes to the Financial Statements

For the Year Ended 31 October 2017

8. Directors' remuneration

	31 October 2017 £	Period ended 31 October 2016 £
Directors' emoluments	647,342	431,861
Company contributions to defined contribution pension schemes	90,350	126,809
	<u>737,692</u>	<u>558,670</u>

During the year retirement benefits were accruing to 3 directors (2016: 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £474,567 (2016: £310,984).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £10,000 (2016: £52,251).

9. Interest receivable

	31 October 2017 £	Period ended 31 October 2016 £
Other interest receivable	-	58,947

10. Interest payable and similar charges

	31 October 2017 £	Period ended 31 October 2016 £
Bank interest payable	619,377	433,480
Preference share dividends	-	30,734
Other interest payable	-	334,368
	<u>619,377</u>	<u>798,582</u>

Notes to the Financial Statements

For the Year Ended 31 October 2017

11. Taxation

	31 October 2017 £	Period ended 31 October 2016 £
Corporation tax		
Current tax on profits for the year	386,162	274,300
Adjustments in respect of previous periods	(305,542)	(403,921)
Total current tax	<u>80,620</u>	<u>(129,621)</u>
Deferred tax		
Origination and reversal of timing differences	6,864	5,902
Adjustments in respect of previous periods	(22,228)	24,008
Effect of tax rate changes on opening balances	-	(18,543)
Total deferred tax	<u>(15,364)</u>	<u>11,367</u>
Taxation on profit on ordinary activities	<u>65,256</u>	<u>(118,254)</u>

Notes to the Financial Statements

For the Year Ended 31 October 2017

11. Taxation (continued)**Factors affecting tax charge for the year/period**

The tax assessed for the year/period is higher than (2016 - lower than) the standard rate of corporation tax in the UK of 19.41% (2016: 20%). The differences are explained below:

	31 October 2017 £	Period ended 31 October 2016 £
Profit on ordinary activities before tax	<u>1,516,343</u>	<u>733,960</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.41% (2016 - 20%)	294,322	146,792
Effects of:		
Expenses not deductible for tax purposes	27,729	83,281
Capital allowances for year/period in excess of depreciation	46,811	56,826
Adjustments to tax in respect of previous periods	(327,770)	(379,913)
Adjustments to tax in respect of changes in tax rate	(974)	(19,585)
Other items	25,138	(5,655)
Total tax charge for the year/period	<u>65,256</u>	<u>(118,254)</u>

Factors that may affect future tax charges

As announced in the 2016 Budget the UK corporation tax has decreased to 19% effective from 1 April 2017 with a further reduction in the tax rate for year beginning on 1 April 2020 to 17%. This rate became substantively enacted when the 2016 Finance Act received Royal Assent on 15 September 2016 and therefore 17% has been used as the prevailing rate for the deferred tax liability recognised in the period.

12. Dividends

	2017 £	2016 £
Interim dividend paid of 65.00p (2016: 40.00p) per ordinary share	407,698	250,891
2.00% Cumulative preference share dividends	<u>30,396</u>	<u>30,734</u>

Dividend declared post year end of £Nil (2016: £Nil).

Notes to the Financial Statements

For the Year Ended 31 October 2017

13. Intangible assets

Group and Company

	Goodwill £
Cost	
At 1 November 2016	635,000
At 31 October 2017	<u>635,000</u>
Amortisation	
At 1 November 2016	52,916
Charge for the year	63,501
At 31 October 2017	<u>116,417</u>
Net book value	
At 31 October 2017	<u>518,583</u>
At 31 October 2016	<u>582,084</u>

On 8 January 2016 the group acquired the trade and assets of a Ford Dealership business in St Albans, as part of Gates Group Limited's wider acquisition of the trade, assets and property of this dealership. Goodwill arising on the acquisition of the business has been capitalised. The purchase of the business has been accounted for by the acquisition method of accounting.

Goodwill is being amortised in line with the accounting policy applied by the group

The calculation of the goodwill balance above is a departure from FRS 102 section 19 in relation to the requirement for the consideration that is included within the goodwill calculation to be the amount stated within the contracts between the two parties. This departure is required under FRS 102.3.4 so as to present a true and fair view of the underlying transaction.

The directors have concluded that this departure from FRS 102 section 19 results in the financial statements presenting a true and fair view of the company's financial position, financial performance and cash flows. Furthermore, the financial statements have complied with FRS 102, except that it has departed from this particular requirement of FRS 102 section 19, in order to achieve fair presentation.

If the company had complied with the treatment prescribed under FRS 102 section 19 then the consideration used above would have increased and resulted in goodwill of £1,560,000. In turn this would have led to an impact on Gates Group Limited (the entity), where the consideration for property purchased by that entity would have fallen by the same amount and led to negative goodwill.

Notes to the Financial Statements

For the Year Ended 31 October 2017

14. Tangible fixed assets

Group

	Freehold property £	Plant and machinery £	Total £
Cost or valuation			
At 1 November 2016	22,598,633	3,698,917	26,297,550
Additions	6,351,533	1,928,515	8,280,048
Disposals	-	(417,194)	(417,194)
Revaluations	1,928,194	-	1,928,194
At 31 October 2017	<u>30,878,360</u>	<u>5,210,238</u>	<u>36,088,598</u>
Depreciation			
At 1 November 2016	370,782	2,405,099	2,775,881
Charge for the year on owned assets	234,972	502,962	737,934
Disposals	-	(182,808)	(182,808)
At 31 October 2017	<u>605,754</u>	<u>2,725,253</u>	<u>3,331,007</u>
Net book value			
At 31 October 2017	<u>30,272,606</u>	<u>2,484,985</u>	<u>32,757,591</u>
At 31 October 2016	<u>22,227,851</u>	<u>1,293,818</u>	<u>23,521,669</u>

The group's portfolio of properties are carried at revalued cost with external valuations carried out at a frequency of three to five years.

In the current year three properties were revalued by Savills, Chartered Surveyors and these valuations have been reflected within the financial statements. All other properties have been subject to external valuation within the last three to five years and as such were not revalued in the year.

All valuations are carried out on the basis of market value and the directors have determined that, where an external valuation has not taken place in the year, there has been no material change in the value of these properties since the date of the last full valuation.

Tangible fixed assets with a carrying value of £32,757,591 (2016: £23,521,669) are pledged as security for the group's bank loans.

Notes to the Financial Statements

For the Year Ended 31 October 2017

14. Tangible fixed assets (continued)

Company

	Freehold property £	Plant and machinery £	Total £
Cost or valuation			
At 1 November 2016	21,357,906	1,038,413	22,396,319
Additions	6,351,533	-	6,351,533
Revaluations	818,921	-	818,921
At 31 October 2017	<u>28,528,360</u>	<u>1,038,413</u>	<u>29,566,773</u>
Depreciation			
At 1 November 2016	370,782	785,746	1,156,528
Charge for the year on owned assets	234,972	64,584	299,556
At 31 October 2017	<u>605,754</u>	<u>850,330</u>	<u>1,456,084</u>
Net book value			
At 31 October 2017	<u>27,922,606</u>	<u>188,083</u>	<u>28,110,689</u>
At 31 October 2016	<u>20,987,124</u>	<u>252,667</u>	<u>21,239,791</u>

The company's portfolio of properties are carried at revalued cost with external valuations carried out at a frequency of three to five years.

In the current year two properties were revalued by Savills, Chartered Surveyors and these valuations have been reflected within the financial statements. All other properties have been subject to external valuation within the last three to five years and as such were not revalued in the year.

All valuations are carried out on the basis of market value and the directors have determined that, where an external valuation has not taken place in the year, there has been no material change in the value of these properties since the date of the last full valuation.

Tangible fixed assets with a carrying value of £28,110,689 (2016: £21,239,791) are pledged as security for the company's bank loans.

Notes to the Financial Statements

For the Year Ended 31 October 2017

15. Fixed asset investments

Group

	Unlisted investments £
Cost or valuation	
At 1 November 2016	10,000
At 31 October 2017	10,000
Net book value	
At 31 October 2017	10,000
At 31 October 2016	10,000

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Frank G Gates Limited	Ordinary	100 %	Garage proprietors
Gates Financial Solutions Limited	Ordinary	100 %	Dormant company
Gates Leasing Limited	Ordinary	100 %	Vehicle leasing and contract hire
Gates of Hertford LLP	Ordinary	100 %	Property holding partnership

These companies are registered and operate in England and have the same registered office as Gates Group Limited. Their results are included within these consolidated accounts and all investments are unlisted.

At a Group level there is also a £10,000 investment held in an unlisted security investment representing a 4% holding in Retail Automotive Alliance Ltd. This is assessed to be recorded in the financial statements as its fair value.

Notes to the Financial Statements

For the Year Ended 31 October 2017

15. Fixed asset investments (continued)

Company

Investments
in subsidiary
companies
£

Cost or valuation

At 1 November 2016

4,550,632

At 31 October 2017

4,550,632

Net book value

At 31 October 2017

4,550,632

At 31 October 2016

4,550,632

16. Stocks

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Work in progress (goods to be sold)	55,421	36,004	-	-
Finished goods and goods for resale	26,393,303	22,614,480	-	-
	<u>26,448,724</u>	<u>22,650,484</u>	<u>-</u>	<u>-</u>

Stock recognised in cost of sales during the year as an expense was £124,984,742 (2016: £102,565,725).

An impairment loss of £363,299 (2016: £307,635) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

Notes to the Financial Statements

For the Year Ended 31 October 2017

17. Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Due after more than one year				
Other debtors	184,616	-	-	-
	<u>184,616</u>	<u>-</u>	<u>-</u>	<u>-</u>
Due within one year				
Trade debtors	3,066,747	3,389,144	3,778	48,934
Other debtors	285,062	7,362	393,762	-
Prepayments and accrued income	1,391,251	2,133,082	109,794	168,725
	<u>4,743,060</u>	<u>5,529,588</u>	<u>507,334</u>	<u>217,659</u>

All amounts shown under debtors fall due for payment within one year.

An impairment loss of £34,686 (2016: £20,717) was recognised against trade debtors.

18. Cash and cash equivalents

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cash at bank and in hand	-	-	102,202	38,349
Less: bank overdrafts	(6,221,641)	(4,635,369)	-	-
	<u>(6,221,641)</u>	<u>(4,635,369)</u>	<u>102,202</u>	<u>38,349</u>

Notes to the Financial Statements

For the Year Ended 31 October 2017

19. Creditors: Amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Bank overdrafts	6,221,641	4,635,369	-	-
Trade creditors	22,539,557	21,208,623	7	12,604
Corporation tax	312,982	293,905	-	69,855
Other taxation and social security	1,000,213	939,320	-	-
Other creditors	735,003	731,907	-	-
Accruals and deferred income	1,982,657	1,686,478	72,305	71,597
Preference dividends payable	30,396	20,287	30,396	20,287
	<u>32,822,449</u>	<u>29,515,889</u>	<u>102,708</u>	<u>174,343</u>

20. Creditors: Amounts falling due after more than one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Bank loans	15,888,024	9,873,718	15,888,024	9,873,718
Amounts owed to group undertakings	-	-	12,494,498	12,117,670
Other creditors	91,653	-	-	-
2.00% Cumulative redeemable preference shares	3,271	3,271	3,271	3,271
	<u>15,982,948</u>	<u>9,876,989</u>	<u>28,385,793</u>	<u>21,994,659</u>

In relation to amounts owed to group undertakings these are not payable in instalments. These are payable after 5 years.

Legal mortgages are held over the freehold and leasehold and a fixed and floating charge exists over all current and future assets of the group. The loans are held under a Revolving Credit Facility and there are no capita repayments in the first five years; interest is calculated by reference to the three month LIBOR.

21. Loans: Amounts falling due after more than 5 years

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Bank loans	15,888,024	9,873,718	15,888,024	9,873,718
	<u>15,888,024</u>	<u>9,873,718</u>	<u>15,888,024</u>	<u>9,873,718</u>

Notes to the Financial Statements

For the Year Ended 31 October 2017

22. Financial instruments

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Financial assets				
Financial assets measured at fair value through profit or loss	10,000	10,000	-	-
Financial assets that are debt instruments measured at amortised cost	3,536,425	23,647,295	185,955	48,934
Financial assets that are equity instruments measured at cost less impairment	-	-	4,550,632	4,550,632
Cash and equivalents	(6,221,641)	(4,635,369)	102,202	38,349
	<u>(2,675,216)</u>	<u>19,021,926</u>	<u>4,838,789</u>	<u>4,637,915</u>
	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Financial liabilities				
Financial Liabilities measured at amortised cost	(25,287,613)	(23,647,295)	(12,597,206)	(12,222,158)
	<u>(25,287,613)</u>	<u>(23,647,295)</u>	<u>(12,597,206)</u>	<u>(12,222,158)</u>

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise bank overdrafts and loans, trade and other creditors, amounts owed to group undertakings, accruals and deferred income and preference shares.

23. Deferred taxation**Group**

	2017 £	2016 £
At beginning of year	(333,975)	(89,172)
Charged to profit or loss	15,353	-
Charged to other comprehensive income	(327,793)	(244,803)
At end of year	<u>(646,415)</u>	<u>(333,975)</u>

Notes to the Financial Statements

For the Year Ended 31 October 2017

23. Deferred taxation (continued)

Company

	2017 £	2016 £
At beginning of year	(250,023)	(15,749)
Charged to profit or loss	17,904	(234,274)
At end of year	(232,119)	(250,023)

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Accelerated capital allowances	(106,765)	(84,156)	(250,023)	(250,023)
Other timing differences	(539,650)	(249,819)	17,904	-
	(646,415)	(333,975)	(232,119)	(250,023)

Notes to the Financial Statements

For the Year Ended 31 October 2017

24. Share capital

	2017 £	2016 £
Shares classified as equity		
Allotted, called up and fully paid		
676,927 Ordinary shares of £0.01 each	<u>6,769</u>	<u>6,769</u>
	2017 £	2016 £
Shares classified as debt		
Allotted, called up and fully paid		
161,294 "A" Cumulative Preference shares of £0.01 each	1,613	1,613
70,000 "B" Cumulative Preference shares of £0.01 each	700	700
72,708 "C" Cumulative Preference shares of £0.01 each	727	727
23,090 "D" Cumulative Preference shares of £0.01 each	231	231
	<u>3,271</u>	<u>3,271</u>

On 29 March 2016 the company reduced its ordinary share capital by canceling and extinguishing 195,798 1p ordinary shares of a total value of £1,958.

On 30 March 2016 the company changed the name and designation of its cumulative redeemable preference shares to "A" cumulative redeemable preference shares and also issued three new classes of shares. These shares were issued as follows:

- 100,000 1p "B" cumulative redeemable preference shares
- 72,708 1p "C" cumulative redeemable preference shares
- 23,090 1p "D" cumulative redeemable preference shares

The respective rights of each of these classes of shares can be found within the articles of association of the company on Companies House.

On 30 September 2016 30,000 of the 1p "B" cumulative preference shares were redeemed at £7 per share.

Notes to the Financial Statements

For the Year Ended 31 October 2017

25. Reserves

Share premium account

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Revaluation reserve

The revaluation reserve represents surpluses on the revaluation of fixed assets.

Capital redemption reserve

This is a non-distributable reserve held for the purposes of fulfilling redemption of issued capital.

Profit and loss account

Includes all current and prior periods retained profits and losses.

26. Contingent liabilities

There is a contingent liability in respect of guarantees given by the company relating to the bank loans and overdrafts of the group undertakings. At 31 October 2017 this amounted to £Nil (2016: £Nil).

27. Capital commitments

As at the period end the group had capital commitments of £Nil (2016: £5,913,403).

28. Pension commitments

The company pays contributions to employees' individual pension policies operated by Royal London. The policies provide for benefits on a defined contribution basis and the underlying assets are held by the pension provider.

The company made contributions during the year of £230,664 (2016: £420,139). Contributions totalling £1,031 (2016: £2,865) were payable to the policies at the year end and are included in creditors.

29. Commitments under operating leases

At 31 October 2017 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2017 £
Not later than 1 year	248,917
Later than 1 year and not later than 5 years	392,492
	<hr/>
	641,409
	<hr/>

Notes to the Financial Statements

For the Year Ended 31 October 2017

30. Financial Risk Management

The group has exposure to three main areas of risk - liquidity risk, customer credit risk exposure and interest rate risk.

Liquidity risk

The objective of the group in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The group expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations the group has credit facilities available. Given the maturity of the bank loan note in note 21 and 22 the group is in position to meet its commitments as they come due.

Customer credit exposure

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

Interest rate risk

The group borrows from its bankers using either overdrafts or term loans whose tenure depends on the nature of the asset and management's view of the future direction of interest rate.

31. Directors' benefits: advances, credits and guarantees

During the period, the company paid expenses of £101,054 (2016: £326,160) on behalf of Mr H Greenall who was charged interest of £211 (2016: £2,665). Mr Greenall made repayments of £103,697 (2016: £396,114) during the period leaving a balance of £Nil (2016: £14,662) outstanding as at 31 October 2017. Mr Greenall is charged interest on his current account of 4.0%.

During the period, the company paid expenses of £13,273 (2016: £6,815) on behalf of Mr R H Threadgold who was charged interest of £69 (2016: £5). Mr Threadgold made repayments of £13,342 (2016: £7,022) during the period leaving a balance of £Nil (2016: £Nil) outstanding as at 31 October 2017. Mr Threadgold is charged interest on his current account of 4.0%.

32. Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard 102 section 33 paragraph 33.7 'Related Party Disclosures', not to disclose details of transactions with companies that are included in the consolidated financial statements of Gates Group Limited as the company controls 100% of voting rights of all subsidiaries.

During the year the company paid dividends to the directors of the company, in respect of their shareholdings, as follows:

H & Mrs S Greenall	£470,698	(2016: £250,891)
R H Threadgold	£Nil	(2016: £Nil).

Notes to the Financial Statements

For the Year Ended 31 October 2017

33. Post balance sheet events

On 21 December 2017 the group purchased the assets of four businesses in North London from Ford Retail Ltd; these businesses were located in Woodford Green, Walthamstow, Enfield and Potters Bar for a total consideration of £9,978,198.

34. Controlling party

Mr Greenall is the ultimate controlling party of the company.