

**Border Cars Group Limited**  
**Strategic report, director's report and financial Statements**  
**For the Year Ended 31 August 2016**

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## **Border Cars Group Limited**

### **Company Information**

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|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Director</b>             | M V Fusco                                                                                                                                          |
| <b>Company secretary</b>    | C A Stairmand                                                                                                                                      |
| <b>Registered number</b>    | SC508621                                                                                                                                           |
| <b>Registered office</b>    | 130-132 Terregles Street<br>Dumfries<br>Dumfriesshire<br>DG2 9DX                                                                                   |
| <b>Independent auditors</b> | ASE Audit LLP<br>Chartered Accountants & Statutory Auditors<br>Rowan Court<br>Concord Business Park<br>Manchester<br>Greater Manchester<br>M22 0RR |

## **Border Cars Group Limited**

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**Border Cars Group Limited**  
**Group Strategic Report**  
**For the Year Ended 31 August 2016**

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## **Introduction**

The director presents his strategic report for the year ended 31 August 2016.

## **Business review**

The Group's principal activities during the year was the servicing and selling of motor vehicles. The business continued with a major objective of increasing the stock turn of motor vehicles at all sites by selling or trading older stock at low prices, all to improve the used vehicle and pre-registered stock profile. This exercise will continue to a lesser extent in the following year when the Board expects turnover to be similar and net profit to improve.

The business has grown rapidly in the past four years and in 2015 hived up six limited entities into one group company. During this growth the group has doubled the number of staff and installed new systems in most areas including a new dealer management system. This refreshed and larger infrastructure has taken time to "bed in" but it is now settling well.

The company has maintained its gross profit margin and achieved 10.6% in comparison to 11.9% in 2015.

## **Principal risks and uncertainties**

The business recognises that all organisations face an element of risk with both their current operation and with future growth strategies. Border Cars looks at a risk mitigation strategy by continually discussing the issues at large and, as required, agreeing relevant action points. The management team considers all types of analysis, not as an infrequent simple snapshot in time, but instead the team looks at strengths, weaknesses, opportunities and threats monthly, and each manager is asked to discuss them at their monthly meetings. The business considers the key areas of franchise risk, market risk, people risk and competitive risk. The director is continuing to monitor the potential impact of 'Brexit' which could, potentially, have an adverse impact on interest rates, the strength of sterling and the imposition of tariffs.

## **Franchise Risk**

The business started with one franchise over 30 years ago. In those days, if this one franchise experienced a difficult year the business would also find things hard. However, with a current basket of eight franchises the management team are content all reasonable steps have been taken to mitigate against franchise risk. The business does not believe there are any long-term issues with any one of the current franchises and although one or two may waiver from time to time (and this can affect short-term profits), all have a strong international and stable presence. For all franchises the business keeps a close eye on money owed by way of bonus or warranty payments, on national sales and penetration rates and on quality or PR issues.

## **Market Risk**

The condition of the economy affects every business. Border Cars monitors statistics such as showroom traffic, advertising costs per unit sold and average sales per week. The business responds accordingly by communicating with its own database and customer parc, and, maintains a positive and pro-active stance if regional or national confidence slips. In addition, economies of scale have a positive effect throughout the business.

The current market poses challenges from subdued customer spending but the company is satisfied with the current year results.

## Border Cars Group Limited

### Group Strategic Report For the Year Ended 31 August 2016

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#### People Risk

Good people are at the heart of any good business. The management team has increased in size as talented individuals have been promoted from within, and as new individuals have been employed from external established motor trade groups. All are rewarded with remuneration packages above the average for the sector, and the level of rewards are linked to the performance of the business. The management team discusses key roles regularly and always considers what might happen if anyone left, or could no longer carry out their role.

#### Competitive Risk

The business reviews the competition in the motor trade in the form of both the national players and the good local operators. Competitor labour rates are checked monthly, as are on-line vehicle adverts. There are some good operators in Dumfries, Carlisle, Workington and Ayr but no particular motor trade business causes the business any concern.

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



.....  
**M V Fusco**  
Director

Date: 04/04/2017

## **Border Cars Group Limited**

### **Director's Report For the Year Ended 31 August 2016**

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The director presents his report and the financial statements for the year ended 31 August 2016.

#### **Results and dividends**

The loss for the year, after taxation, amounted to £392,800 (2015: loss £402,945).

The company did not pay any dividends in the current or previous year.

#### **Director**

The director who served during the year was:

M V Fusco

#### **Financial instruments**

The company's operations expose it to a variety of financial risks which include credit risk, liquidity risk and interest rate risk. The company has in place risk management policies, which are implemented by the company's finance department. These policies, which are consistent with those from the previous year, seek to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and related finance costs.

##### **Interest rate risk:**

Bank borrowings are used in peak periods, however due to the limited use of this facility and recent stability in low interest rate provision, the Director does not deem it necessary to hedge against interest rate fluctuations.

##### **Liquidity risk:**

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance. The company makes efforts to manage the financial risk by the monitoring of cashflow to ensure that the company is able to meet its foreseeable debts as they fall due and to invest any cash assets profitably.

##### **Credit risk:**

The company's principal financial assets are stock and trade debtors. The credit risk associated with stock is limited and therefore the principal credit risk arises from its trade debtors.

*In order to manage credit risk, the director sets limits for customers based on a combination of payment history and third party credit references. These credit limits are reviewed regularly by the director together with the aged debtors and collection history.*

#### **Future developments**

The director considers that the company has implemented many changes in the last few years and as a result will perform satisfactorily for 2016/2017. Apart from ongoing corporate identity changes for some franchises there are no major developments planned and the business is focused on returning to profits

#### **Employee involvement**

The company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. During the year, the policy of providing employees with information about the group has been continued through regular meetings held between local management and employees to allow a free flow of information and ideas.

## **Border Cars Group Limited**

### **Director's Report (continued) For the Year Ended 31 August 2016**

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#### **Director's responsibilities statement**

The director is responsible for preparing the Group Strategic Report, the Director's Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is satisfied that he gives 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 director is required to:

- select suitable accounting policies for the Group's financial statements 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The director is 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 enable him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

#### **Disclosure of information to auditors**

The director at the time when this Director's Report is approved has confirmed that:

- so far as he is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- he 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 auditors are aware of that information.

**Border Cars Group Limited**

**Director's Report (continued)  
For the Year Ended 31 August 2016**

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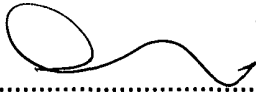
**Post balance sheet events**

There have been no significant events affecting the Group since the year end.

**Auditors**

The auditors, ASE Audit LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



.....  
M V Fusco  
Director

Date: 04/06/2017

**Independent Auditors' Report to the Shareholders of Border Cars Group Limited**

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We have audited the financial statements of Border Cars Group Limited for the year ended 31 August 2016, set out on pages 8 to 40. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the 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'.

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 Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of Directors and Auditors**

As explained more fully in the Director's Responsibilities Statement on page 4, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Group Strategic Report and the Director's Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 August 2016 and of the Group's profit or loss 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.

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

In our opinion the information given in the Group Strategic Report and the Director's Report for the financial year for which the financial statements are prepared is consistent with those financial statements.

**Independent Auditors' Report to the Shareholders of Border Cars Group Limited (continued)**

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

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

- adequate accounting records have not been kept 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*ASE Audit LLP*

Robert Jones BA FCA (Senior Statutory Auditor)

for and on behalf of

**ASE Audit LLP**

Chartered Accountants

Statutory Auditors

Rowan Court

Concord Business Park

Manchester

Greater Manchester

M22 0RR

Date: 4.4.17

# Border Cars Group Limited

## Consolidated Statement of Comprehensive Income For the Year Ended 31 August 2016

|                                             | Note | 2016<br>£        | 2015<br>£         |
|---------------------------------------------|------|------------------|-------------------|
| Turnover                                    | 4    | 80,738,017       | 103,905,599       |
| Cost of sales                               |      | (72,207,378)     | (91,588,107)      |
| <b>Gross profit</b>                         |      | <b>8,530,639</b> | <b>12,317,492</b> |
| Administrative expenses                     |      | (9,177,398)      | (12,350,005)      |
| Other operating income                      | 5    | 694,371          | 383,498           |
| <b>Operating profit</b>                     | 6    | <b>47,612</b>    | <b>350,985</b>    |
| Interest receivable and similar income      | 10   | -                | 12,658            |
| Interest payable and expenses               | 11   | (429,287)        | (556,723)         |
| <b>Loss before taxation</b>                 |      | <b>(381,675)</b> | <b>(193,080)</b>  |
| Tax on loss                                 | 12   | (11,125)         | (209,865)         |
| <b>Loss for the year</b>                    |      | <b>(392,800)</b> | <b>(402,945)</b>  |
| <b>(Loss) for the year attributable to:</b> |      |                  |                   |
| Owners of the parent Company                |      | (392,800)        | (402,945)         |
|                                             |      | <b>(392,800)</b> | <b>(402,945)</b>  |

There were no recognised gains and losses for 2016 or 2015 other than those included in the consolidated statement of comprehensive income.

There was no other comprehensive income for 2016 (2015:£NIL).

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

**Border Cars Group Limited**  
**Registered number: SC508621**  
**Consolidated Statement of Financial Position**  
**As at 31 August 2016**

|                                                            | Note | 2016<br>£         | 2015<br>£         |
|------------------------------------------------------------|------|-------------------|-------------------|
| <b>Fixed assets</b>                                        |      |                   |                   |
| Tangible assets                                            | 15   | 9,788,636         | 9,426,650         |
| Investment property                                        | 16   | 300,000           | 300,000           |
|                                                            |      | <u>10,088,636</u> | <u>9,726,650</u>  |
| <b>Current assets</b>                                      |      |                   |                   |
| Stocks                                                     | 17   | 16,099,142        | 18,541,937        |
| Debtors: amounts falling due within one year               | 18   | 2,499,711         | 2,835,235         |
| Cash at bank and in hand                                   | 19   | 1,486,851         | 1,115,058         |
|                                                            |      | <u>20,085,704</u> | <u>22,492,230</u> |
| Creditors: amounts falling due within one year             | 20   | (20,173,362)      | (22,030,486)      |
| <b>Net current (liabilities)/assets</b>                    |      | <u>(87,658)</u>   | <u>461,744</u>    |
| <b>Total assets less current liabilities</b>               |      | <u>10,000,978</u> | <u>10,188,394</u> |
| Creditors: amounts falling due after more than one year    | 21   | (3,233,096)       | (3,049,080)       |
| <b>Provisions for liabilities</b>                          |      |                   |                   |
| Deferred taxation                                          | 24   | (246,782)         | (225,414)         |
|                                                            |      | <u>(246,782)</u>  | <u>(225,414)</u>  |
| <b>Net assets excluding pension asset</b>                  |      | <u>6,521,100</u>  | <u>6,913,900</u>  |
| <b>Net assets</b>                                          |      | <u>6,521,100</u>  | <u>6,913,900</u>  |
| <b>Capital and reserves</b>                                |      |                   |                   |
| Called up share capital                                    | 25   | 12                | 12                |
| Revaluation reserve                                        | 26   | 774,638           | 774,638           |
| Profit and loss account                                    | - 26 | 5,746,450         | 6,139,250         |
| <b>Equity attributable to owners of the parent Company</b> |      | <u>6,521,100</u>  | <u>6,913,900</u>  |
|                                                            |      | <u>6,521,100</u>  | <u>6,913,900</u>  |

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

  
.....  
**M V Fusco**  
Director

Date: 04/04/2017  
The notes on pages 16 to 40 form part of these financial statements.

**Border Cars Group Limited**  
**Registered number: SC508621**  
**Company Statement of Financial Position**  
**As at 31 August 2016**

|                                                         | Note | 2016<br>£         | 2015<br>£          |
|---------------------------------------------------------|------|-------------------|--------------------|
| <b>Fixed assets</b>                                     |      |                   |                    |
| Tangible assets                                         | 15   | 9,788,632         | 9,426,650          |
| Investment property                                     | 16   | 300,000           | 300,000            |
|                                                         |      | <u>10,088,632</u> | <u>9,726,650</u>   |
| <b>Current assets</b>                                   |      |                   |                    |
| Stocks                                                  | 17   | 16,099,146        | 18,541,937         |
| Debtors: amounts falling due within one year            | 18   | 2,499,701         | 2,798,416          |
| Cash at bank and in hand                                | 19   | 1,486,851         | 1,115,058          |
|                                                         |      | <u>20,085,698</u> | <u>22,455,411</u>  |
| Creditors: amounts falling due within one year          | 20   | (20,173,352)      | (28,978,539)       |
| <b>Net current liabilities</b>                          |      | <u>(87,654)</u>   | <u>(6,523,128)</u> |
| <b>Total assets less current liabilities</b>            |      | <u>10,000,978</u> | <u>3,203,522</u>   |
| Creditors: amounts falling due after more than one year | 21   | (3,233,096)       | (3,049,080)        |
| <b>Provisions for liabilities</b>                       |      |                   |                    |
| Deferred taxation                                       | 24   | (246,780)         | (225,414)          |
|                                                         |      | <u>(246,780)</u>  | <u>(225,414)</u>   |
| <b>Net assets excluding pension asset</b>               |      | <u>6,521,102</u>  | <u>(70,972)</u>    |
| <b>Net assets/(liabilities)</b>                         |      | <u>6,521,102</u>  | <u>(70,972)</u>    |
| <b>Capital and reserves</b>                             |      |                   |                    |
| Called up share capital                                 | 25   | 12                | 12                 |
| Revaluation reserve                                     | 26   | 774,638           | 165,000            |
| Profit and loss account                                 | 26   | 5,746,452         | (235,984)          |
|                                                         |      | <u>6,521,102</u>  | <u>(70,972)</u>    |

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

  
 .....  
**M V Fusco**  
 Director

Date: 04/09/2017  
 The notes on pages 16 to 40 form part of these financial statements.

**Border Cars Group Limited**

**Consolidated Statement of Changes in Equity  
For the Year Ended 31 August 2016**

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|                                          | <b>Called up<br/>share capital</b> | <b>Revaluation<br/>reserve</b> | <b>Profit and<br/>loss account</b> | <b>Total equity</b> |
|------------------------------------------|------------------------------------|--------------------------------|------------------------------------|---------------------|
|                                          | <b>£</b>                           | <b>£</b>                       | <b>£</b>                           | <b>£</b>            |
| At 1 September 2015                      | 12                                 | 774,638                        | 6,139,250                          | 6,913,900           |
| <b>Comprehensive income for the year</b> |                                    |                                |                                    |                     |
| Loss for the year                        | -                                  | -                              | (392,800)                          | (392,800)           |
|                                          | <hr/>                              | <hr/>                          | <hr/>                              | <hr/>               |
| <b>At 31 August 2016</b>                 | <b>12</b>                          | <b>774,638</b>                 | <b>5,746,450</b>                   | <b>6,521,100</b>    |
|                                          | <hr/>                              | <hr/>                          | <hr/>                              | <hr/>               |

**Border Cars Group Limited**

**Consolidated Statement of Changes in Equity  
For the Year Ended 31 August 2015**

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|                                            | Called up<br>share capital | Revaluation<br>reserve | Profit and<br>loss account | Total equity     |
|--------------------------------------------|----------------------------|------------------------|----------------------------|------------------|
|                                            | £                          | £                      | £                          | £                |
| At 1 April 2014                            | 12                         | 774,638                | 6,542,195                  | 7,316,845        |
| <b>Comprehensive income for the period</b> |                            |                        |                            |                  |
| Loss for the period                        | -                          | -                      | (402,945)                  | (402,945)        |
|                                            | <hr/>                      | <hr/>                  | <hr/>                      | <hr/>            |
| <b>At 31 August 2015</b>                   | <b>12</b>                  | <b>774,638</b>         | <b>6,139,250</b>           | <b>6,913,900</b> |
|                                            | <hr/> <hr/>                | <hr/> <hr/>            | <hr/> <hr/>                | <hr/> <hr/>      |

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

**Border Cars Group Limited**

**Company Statement of Changes in Equity  
For the Year Ended 31 August 2016**

|                                              | <b>Called up<br/>share capital</b> | <b>Revaluation<br/>reserve</b> | <b>Profit and<br/>loss account</b> | <b>Total equity</b>     |
|----------------------------------------------|------------------------------------|--------------------------------|------------------------------------|-------------------------|
|                                              | <b>£</b>                           | <b>£</b>                       | <b>£</b>                           | <b>£</b>                |
| At 1 September 2015                          | <b>12</b>                          | <b>165,000</b>                 | <b>(235,984)</b>                   | <b>(70,972)</b>         |
| <b>Comprehensive income for the period</b>   |                                    |                                |                                    |                         |
| Profit for the year                          | <u>-</u>                           | <u>-</u>                       | <u>6,592,074</u>                   | <u>6,592,074</u>        |
| Transfer of revaluation of freehold property | <u>-</u>                           | <u>-</u>                       | <u>(609,638)</u>                   | <u>(609,638)</u>        |
| Transfer of revaluation of freehold property | <u>-</u>                           | <u>609,638</u>                 | <u>-</u>                           | <u>609,638</u>          |
| <b>At 31 August 2016</b>                     | <u><b>12</b></u>                   | <u><b>774,638</b></u>          | <u><b>5,746,452</b></u>            | <u><b>6,521,102</b></u> |

**Border Cars Group Limited**

**Company Statement of Changes in Equity  
For the Year Ended 31 August 2015**

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|                                            | <b>Called up<br/>share capital</b> | <b>Revaluation<br/>reserve</b> | <b>Profit and<br/>loss account</b> | <b>Total equity</b> |
|--------------------------------------------|------------------------------------|--------------------------------|------------------------------------|---------------------|
|                                            | <b>£</b>                           | <b>£</b>                       | <b>£</b>                           | <b>£</b>            |
| At 1 April 2014                            | 12                                 | 165,000                        | -                                  | 165,012             |
| <b>Comprehensive income for the period</b> |                                    |                                |                                    |                     |
| Loss for the period                        | -                                  | -                              | (235,984)                          | (235,984)           |
|                                            |                                    |                                |                                    |                     |
| <b>At 31 August 2015</b>                   | <b>12</b>                          | <b>165,000</b>                 | <b>(235,984)</b>                   | <b>(70,972)</b>     |

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

**Border Cars Group Limited**

**Consolidated Statement of Cash Flows  
For the Year Ended 31 August 2016**

|                                                               | 2016<br>£        | 2015<br>£          |
|---------------------------------------------------------------|------------------|--------------------|
| <b>Cash flows from operating activities</b>                   |                  |                    |
| Loss for the financial year                                   | (392,800)        | (402,945)          |
| <b>Adjustments for:</b>                                       |                  |                    |
| Depreciation of tangible assets                               | 333,679          | 308,183            |
| Loss on disposal of tangible assets                           | (2,226)          | (11,979)           |
| Interest paid                                                 | 429,287          | 556,724            |
| Interest received                                             | -                | (12,658)           |
| Taxation                                                      | 11,124           | 209,865            |
| Decrease/(increase) in stocks                                 | 2,442,791        | (3,223,942)        |
| Decrease in debtors                                           | 298,714          | 1,551,523          |
| (Decrease) in creditors                                       | (1,770,655)      | (444,860)          |
| Corporation tax                                               | (3,649)          | (207,305)          |
| <b>Net cash generated from operating activities</b>           | <b>1,346,265</b> | <b>(1,677,394)</b> |
| <b>Cash flows from investing activities</b>                   |                  |                    |
| Purchase of tangible fixed assets                             | (1,008,252)      | (649,574)          |
| Sale of tangible fixed assets                                 | 314,815          | 11,979             |
| Interest received                                             | -                | 12,658             |
| <b>Net cash from investing activities</b>                     | <b>(693,437)</b> | <b>(624,937)</b>   |
| <b>Cash flows from financing activities</b>                   |                  |                    |
| New secured loans                                             | -                | 3,054,291          |
| Repayment of loans                                            | (178,857)        | -                  |
| Other new loans                                               | 327,108          | -                  |
| Repayment of other loans                                      | -                | (596,082)          |
| Interest paid                                                 | (429,286)        | (556,725)          |
| <b>Net cash used in financing activities</b>                  | <b>(281,035)</b> | <b>1,901,484</b>   |
| <b>Net increase/(decrease) in cash and cash equivalents</b>   | <b>371,793</b>   | <b>(400,847)</b>   |
| Cash and cash equivalents at beginning of year                | 1,115,058        | 1,515,905          |
| <b>Cash and cash equivalents at the end of year</b>           | <b>1,486,851</b> | <b>1,115,058</b>   |
| <b>Cash and cash equivalents at the end of year comprise:</b> |                  |                    |
| Cash at bank and in hand                                      | 1,486,851        | 1,115,058          |
|                                                               | <b>1,486,851</b> | <b>1,115,058</b>   |

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

## **Border Cars Group Limited**

### **Notes to the Financial Statements For the Year Ended 31 August 2016**

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#### **1. General information**

Border Cars Group Limited is a company domiciled and incorporated in Scotland. The company's registered office is 130-132 Terregles Street, Dumfries, Dumfriesshire, DG2 9DX. There is no principal place of business. The principal activity is disclosed in the Strategic report.

#### **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.

Information on the impact of first-time adoption of FRS 102 is given in note 32.

##### **Going Concern**

At the balance sheet date the Group had net current liabilities of £87,658. The director prepares budgets and cash flow projections which demonstrate that the Group can manage its working capital and generate sufficient operating cash flows to enable it to meet its liabilities as they fall due. These projections include the ongoing renewal of banking facilities which the director has reasonable expectation will occur and so the director considers it appropriate to prepare the financial statements on a going concern basis.

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 judgment in applying the Group's accounting policies (see note 3).

The Groups functional currency is sterling (£).

The following principal accounting policies have been applied:

##### **2.2 Basis of consolidation**

The financial statements consolidate the accounts of Border Cars Group Limited and all of its subsidiary undertakings ('subsidiaries').

On 31 August 2015 Border Cars Group Limited acquired the shares of all its wholly owned subsidiaries as part of a group reconstruction. The group reconstruction has been accounted for in accordance with the principals of merger accounting since the shareholders of Border Cars Group Limited are the same as the former shareholders of all the wholly owned subsidiaries, and their rights, relative to each other are unchanged. Therefore the shareholders have a continuing interest in the business, both before and after its transfer to Border Cars Group Limited. Consequently, these financial statements have been prepared as if Border Cars Group Limited had always been the holding company.

Under the principals of merger accounting, the assets and liabilities of all wholly owned subsidiaries Limited have been brought in at their book values under the accounting policies of Border Cars Group Limited. In addition, the income, expenditure and cashflows of the wholly owned subsidiaries have been included for the entire previous financial year. The comparative profit and loss account, balance sheet and cashflow at 31 August 2015 is presented being the comparative accounting period for the published group financial statements.

**Notes to the Financial Statements  
For the Year Ended 31 August 2016**

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**2. Accounting policies (continued)**

**2.3 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

**Sale of goods**

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

**Commissions**

Commissions are accounted for on a receivable basis, and are recognised as and when the criteria has been achieved.

Notes to the Financial Statements  
For the Year Ended 31 August 2016

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**2. Accounting policies (continued)**

**2.4 Intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the revaluation model, intangible assets shall be carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated amortisation and subsequent impairment losses - provided that the fair value can be determined by reference to an active market.

Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting date.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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.

**2.5 Tangible fixed assets**

Tangible fixed assets under the cost model, other than investment properties, 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.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on the following basis.

Depreciation is provided on the following basis:

|                       |                       |
|-----------------------|-----------------------|
| Freehold property     | - 0.5% per annum      |
| Plant and machinery   | - 15% - 25% per annum |
| Motor vehicles        | - 25% per annum       |
| Fixtures and fittings | - 15% - 25% per annum |
| Office equipment      | - 25% per annum       |
| Computer equipment    | - 15% - 25% per annum |

Notes to the Financial Statements  
For the Year Ended 31 August 2016

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**2. Accounting policies (continued)**

**2.6 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.

**2.7 Investment property**

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Consolidated Statement of Comprehensive Income.

**2.8 Stocks**

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.

**Consignment stock**

Consignment vehicles which bear considerably more of the risks and responsibilities of ownership are regarded effectively as being under the control of the company and, in accordance with FRS 102 are included in stocks on the balance sheet, although legal title has not passed to the company. The corresponding liability is included in trade creditors and is secured directly on these vehicles.

**2.9 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.

**2.10 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.

Notes to the Financial Statements  
For the Year Ended 31 August 2016

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**2. Accounting policies (continued)**

**2.11 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.

**2.12 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.

**2.13 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.

**Notes to the Financial Statements  
For the Year Ended 31 August 2016**

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**2. Accounting policies (continued)**

**2.14 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 April 2014 to continue to be charged over the period to the first market rent review rather than the term of the lease.

**2.15 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.

**2.16 Interest income**

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

**2.17 Borrowing costs**

All borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the year in which they are incurred.

**2.18 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 August 2016

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2. Accounting policies (continued)

2.19 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.

Deferred tax is not discounted.

**Notes to the Financial Statements  
For the Year Ended 31 August 2016**

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

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

**Consignment stock**

Vehicles held on consignment have been included within 'finished goods' within 'inventories' on the basis that the Group has determined that it holds the significant risks and rewards attached to these vehicles.

**Property, plant and equipment assets**

Property, plant and equipment are reviewed for impairment if events or circumstances indicate that the carrying value may not be recoverable. When an impairment review is carried out the recoverable value is determined based on the value in use calculations which require estimates to be made of future cash flows.

**Incentives and other rebates from brand partners**

The group receives income in the form of various incentives which are determined by our brand partners. The amount we received is generally based on achieving specific objectives such as a specified sales volume, as well as other objectives including maintaining brand partner standards which may include, but is not limited to, retail centre image and design requirements, customer satisfaction survey results and training standards. Objectives are generally set and measured on either a quarterly or annual basis.

Where incentives are based on a specific sales volume or number of registrations, the related income is recognised as an increase in sales when it is reasonably certain that the income has been earned. This is generally the later of the date the related vehicles are sold or registered when it is reasonably certain that the related target will be met. Where incentives are linked to retail centre image and design requirements, customer satisfaction survey results or training standards, they are recognised as an increase in sales when it is reasonably certain that the incentive will be received for the relevant period.

The group may also receive contributions towards advertising, promotional and rent expenditure. Where such contributions are received they are recognised as a reduction in the related expenditure in the period to which they relate.

**4. Turnover**

An analysis of turnover by class of business is as follows:

|                       | 2016<br>£         | 2015<br>£          |
|-----------------------|-------------------|--------------------|
| Sale of goods         | 77,417,920        | 99,975,502         |
| Provision of services | 3,320,097         | 3,930,097          |
|                       | <u>80,738,017</u> | <u>103,905,599</u> |

All turnover arose within the United Kingdom.

**Border Cars Group Limited**

**Notes to the Financial Statements  
For the Year Ended 31 August 2016**

**5. Other operating income**

|                        | <b>2016</b>    | <b>2015</b> |
|------------------------|----------------|-------------|
|                        | <b>£</b>       | <b>£</b>    |
| Other operating income | <b>22,852</b>  | 54,083      |
| Commissions receivable | <b>671,519</b> | 329,415     |
|                        | <b>694,371</b> | 383,498     |

**6. Operating profit**

The operating profit is stated after charging:

|                                       | <b>2016</b>    | <b>2015</b> |
|---------------------------------------|----------------|-------------|
|                                       | <b>£</b>       | <b>£</b>    |
| Depreciation of tangible fixed assets | <b>333,679</b> | 308,183     |
| Other operating lease rentals         | <b>100,972</b> | 81,401      |
| Defined contribution pension cost     | <b>44,748</b>  | 56,432      |

During the year, no director received any emoluments (2015 - £NIL).

**7. Auditors' remuneration**

|                                                                                                                 | <b>2016</b>   | <b>2015</b> |
|-----------------------------------------------------------------------------------------------------------------|---------------|-------------|
|                                                                                                                 | <b>£</b>      | <b>£</b>    |
| Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements | <b>14,832</b> | 14,832      |
| <b>Fees payable to the Group's auditor and its associates in respect of:</b>                                    |               |             |
| Taxation compliance services                                                                                    | <b>3,708</b>  | 3,708       |
| Other services relating to taxation                                                                             | -             | 27,785      |
| All other services                                                                                              | -             | 31,925      |
|                                                                                                                 | <b>3,708</b>  | 63,418      |

**Border Cars Group Limited**

**Notes to the Financial Statements  
For the Year Ended 31 August 2016**

**8. Employees**

Staff costs were as follows:

|                                     | 2016<br>£        | 2015<br>£        |
|-------------------------------------|------------------|------------------|
| Wages and salaries                  | 6,041,046        | 7,951,899        |
| Social security costs               | 513,756          | 701,980          |
| Cost of defined contribution scheme | 44,748           | 56,432           |
|                                     | <u>6,599,550</u> | <u>8,710,311</u> |

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

|                      | 2016<br>No. | 2015<br>No. |
|----------------------|-------------|-------------|
| Management and Admin | 52          | 51          |
| Sales                | 110         | 105         |
| Production           | 165         | 160         |
|                      | <u>327</u>  | <u>316</u>  |

**9. Director's remuneration**

The highest paid director received remuneration of £NIL (2015 - £NIL).

**10. Interest receivable**

|                           | 2016<br>£ | 2015<br>£     |
|---------------------------|-----------|---------------|
| Other interest receivable | -         | 12,658        |
|                           | <u>-</u>  | <u>12,658</u> |

**11. Interest payable and similar charges**

|                        | 2016<br>£      | 2015<br>£      |
|------------------------|----------------|----------------|
| Bank interest payable  | 99,072         | 157,455        |
| Stocking loan interest | 330,215        | 399,268        |
|                        | <u>429,287</u> | <u>556,723</u> |

**Border Cars Group Limited**

**Notes to the Financial Statements  
For the Year Ended 31 August 2016**

**12. Taxation**

|                                                  | <b>2016<br/>£</b> | <b>2015<br/>£</b> |
|--------------------------------------------------|-------------------|-------------------|
| <b>Corporation tax</b>                           |                   |                   |
| Current tax on profits for the year              | -                 | 13,891            |
| Adjustments in respect of previous periods       | <b>(10,242)</b>   | 10,570            |
|                                                  | <b>(10,242)</b>   | 24,461            |
| <b>Total current tax</b>                         | <b>(10,242)</b>   | 24,461            |
| <b>Deferred tax</b>                              |                   |                   |
| Origination and reversal of timing differences   | <b>21,367</b>     | 185,404           |
| <b>Total deferred tax</b>                        | <b>21,367</b>     | 185,404           |
| <b>Taxation on profit on ordinary activities</b> | <b>11,125</b>     | 209,865           |

**Border Cars Group Limited**

**Notes to the Financial Statements  
For the Year Ended 31 August 2016**

**12. Taxation (continued)**

**Factors affecting tax charge for the year/period**

The tax assessed for the year/period is lower than (2015: lower than) the standard rate of corporation tax in the UK of 20% (2015: 20%). The differences are explained below:

|                                                                                                                   | 2016<br>£            | 2015<br>£             |
|-------------------------------------------------------------------------------------------------------------------|----------------------|-----------------------|
| Loss on ordinary activities before tax                                                                            | <u>(381,675)</u>     | <u>(193,082)</u>      |
| (Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20%) | (76,334)             | -                     |
| <b>Effects of:</b>                                                                                                |                      |                       |
| Capital allowances for year/period in excess of depreciation                                                      | (15,662)             | -                     |
| Utilisation of tax losses                                                                                         | -                    | 13,891                |
| Adjustments to tax charge in respect of prior periods                                                             | (10,242)             | 10,570                |
| Revenue in capital                                                                                                | (650)                | -                     |
| Unrelieved tax losses carried forward                                                                             | 92,646               | -                     |
| Deferred Tax                                                                                                      | <u>21,367</u>        | <u>185,404</u>        |
| <b>Total tax charge for the year/period</b>                                                                       | <u><b>11,125</b></u> | <u><b>209,865</b></u> |

**Factors that may affect future tax charges**

A reduction in the corporation tax rate from 20% to 19% from 1 April 2019 and to 18% from 1 April 2020 was substantively enacted on 18 November 2015. Future tax liabilities will reduce accordingly and deferred tax has been provided at 18% in these financial statements.

The group has total tax losses to carry forward of £2,255,571 (2015: £1,792,342).

**13. Parent company profit for the year**

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent Company for the year/period was £6,592,075 (2015: loss £235,984).

**Border Cars Group Limited**

**Notes to the Financial Statements  
For the Year Ended 31 August 2016**

**14. Intangible assets**

**Group and Company**

|                       | <b>Goodwill<br/>£</b> |
|-----------------------|-----------------------|
| <b>Cost</b>           |                       |
| At 1 September 2015   | <u>60,000</u>         |
| At 31 August 2016     | <u>60,000</u>         |
| <b>Amortisation</b>   |                       |
| At 1 September 2015   | <u>60,000</u>         |
| At 31 August 2016     | <u>60,000</u>         |
| <b>Net book value</b> |                       |
| At 31 August 2016     | <u>-</u>              |
| At 31 August 2015     | <u>-</u>              |

**Border Cars Group Limited**

**Notes to the Financial Statements  
For the Year Ended 31 August 2016**

**15. Tangible fixed assets**

**Group**

|                                       | <b>Freehold<br/>property<br/>£</b> | <b>Plant and<br/>machinery<br/>£</b> | <b>Motor<br/>vehicles<br/>£</b> | <b>Fixtures and<br/>fittings<br/>£</b> |
|---------------------------------------|------------------------------------|--------------------------------------|---------------------------------|----------------------------------------|
| <b>Cost or valuation</b>              |                                    |                                      |                                 |                                        |
| At 1 September 2015                   | 8,528,277                          | 969,181                              | 1,008,293                       | 296,718                                |
| Additions                             | 79,805                             | 49,460                               | 822,044                         | 20,141                                 |
| Disposals                             | -                                  | -                                    | (399,206)                       | -                                      |
| At 31 August 2016                     | <u>8,608,082</u>                   | <u>1,018,641</u>                     | <u>1,431,131</u>                | <u>316,859</u>                         |
| <b>Depreciation</b>                   |                                    |                                      |                                 |                                        |
| At 1 September 2015                   | 202,692                            | 717,531                              | 386,556                         | 183,396                                |
| Charge for the period on owned assets | 35,455                             | 75,105                               | 148,806                         | 28,506                                 |
| Disposals                             | -                                  | -                                    | (86,616)                        | -                                      |
| At 31 August 2016                     | <u>238,147</u>                     | <u>792,636</u>                       | <u>448,746</u>                  | <u>211,902</u>                         |
| <b>Net book value</b>                 |                                    |                                      |                                 |                                        |
| At 31 August 2016                     | <u><u>8,369,935</u></u>            | <u><u>226,005</u></u>                | <u><u>982,385</u></u>           | <u><u>104,957</u></u>                  |
| At 31 August 2015                     | <u><u>8,325,585</u></u>            | <u><u>251,651</u></u>                | <u><u>621,737</u></u>           | <u><u>113,322</u></u>                  |

**Border Cars Group Limited**

**Notes to the Financial Statements  
For the Year Ended 31 August 2016**

**15. Tangible fixed assets (continued)**

|                                       | Office<br>equipment<br>£ | Computer<br>equipment<br>£ | Total<br>£              |
|---------------------------------------|--------------------------|----------------------------|-------------------------|
| <b>Cost or valuation</b>              |                          |                            |                         |
| At 1 September 2015                   | 9,221                    | 666,814                    | 11,478,504              |
| Additions                             | -                        | 36,802                     | 1,008,252               |
| Disposals                             | -                        | -                          | (399,206)               |
| At 31 August 2016                     | <u>9,221</u>             | <u>703,616</u>             | <u>12,087,550</u>       |
| <b>Depreciation</b>                   |                          |                            |                         |
| At 1 September 2015                   | 3,149                    | 558,531                    | 2,051,855               |
| Charge for the period on owned assets | 1,518                    | 44,289                     | 333,679                 |
| Disposals                             | -                        | -                          | (86,616)                |
| At 31 August 2016                     | <u>4,667</u>             | <u>602,820</u>             | <u>2,298,918</u>        |
| <b>Net book value</b>                 |                          |                            |                         |
| At 31 August 2016                     | <u><u>4,554</u></u>      | <u><u>100,796</u></u>      | <u><u>9,788,632</u></u> |
| At 31 August 2015                     | <u><u>6,072</u></u>      | <u><u>108,283</u></u>      | <u><u>9,426,650</u></u> |

Tangible fixed assets with a carrying value of £9,788,632 (2015: £9,426,650) are pledged as security for the company's bank loans

Border Cars Group Limited

Notes to the Financial Statements  
For the Year Ended 31 August 2016

15. Tangible fixed assets (continued)

Company

|                                          | Freehold<br>property<br>£ | Plant and<br>machinery<br>£ | Motor<br>vehicles<br>£ | Fixtures<br>and fittings<br>£ | Office<br>equipment<br>£ |
|------------------------------------------|---------------------------|-----------------------------|------------------------|-------------------------------|--------------------------|
| <b>Cost or valuation</b>                 |                           |                             |                        |                               |                          |
| At 1 September 2015                      | 8,528,277                 | 969,181                     | 1,008,293              | 296,718                       | 9,221                    |
| Additions                                | 79,805                    | 49,460                      | 822,044                | 20,141                        | -                        |
| Disposals                                | -                         | -                           | (399,206)              | -                             | -                        |
| At 31 August 2016                        | <u>8,608,082</u>          | <u>1,018,641</u>            | <u>1,431,131</u>       | <u>316,859</u>                | <u>9,221</u>             |
| <b>Depreciation</b>                      |                           |                             |                        |                               |                          |
| At 1 September 2015                      | 202,692                   | 717,531                     | 386,556                | 183,396                       | 3,149                    |
| Charge for the period on owned<br>assets | 35,455                    | 75,105                      | 148,806                | 28,506                        | 1,518                    |
| Disposals                                | -                         | -                           | (86,616)               | -                             | -                        |
| At 31 August 2016                        | <u>238,147</u>            | <u>792,636</u>              | <u>448,746</u>         | <u>211,902</u>                | <u>4,667</u>             |
| <b>Net book value</b>                    |                           |                             |                        |                               |                          |
| At 31 August 2016                        | <u>8,369,935</u>          | <u>226,005</u>              | <u>982,385</u>         | <u>104,957</u>                | <u>4,554</u>             |
| At 31 August 2015                        | <u>8,325,585</u>          | <u>251,651</u>              | <u>621,737</u>         | <u>113,322</u>                | <u>6,072</u>             |

**Border Cars Group Limited**

**Notes to the Financial Statements  
For the Year Ended 31 August 2016**

**15. Tangible fixed assets (continued)**

|                                       | <b>Computer<br/>equipment<br/>£</b> | <b>Total<br/>£</b> |
|---------------------------------------|-------------------------------------|--------------------|
| <b>Cost or valuation</b>              |                                     |                    |
| At 1 September 2015                   | 666,814                             | 11,478,504         |
| Additions                             | 36,802                              | 1,008,252          |
| Disposals                             | -                                   | (399,206)          |
| At 31 August 2016                     | <u>703,616</u>                      | <u>12,087,550</u>  |
| <b>Depreciation</b>                   |                                     |                    |
| At 1 September 2015                   | 558,531                             | 2,051,855          |
| Charge for the period on owned assets | 44,289                              | 333,679            |
| Disposals                             | -                                   | (86,616)           |
| At 31 August 2016                     | <u>602,820</u>                      | <u>2,298,918</u>   |
| <b>Net book value</b>                 |                                     |                    |
| At 31 August 2016                     | <u>100,796</u>                      | <u>9,788,632</u>   |
| At 31 August 2015                     | <u>108,283</u>                      | <u>9,426,650</u>   |

**Border Cars Group Limited**

**Notes to the Financial Statements  
For the Year Ended 31 August 2016**

**16. Investment property**

**Group**

|                          | <b>Freehold<br/>investment<br/>property<br/>£</b> |
|--------------------------|---------------------------------------------------|
| <b>Valuation</b>         |                                                   |
| At 1 September 2015      | <u>300,000</u>                                    |
| <b>At 31 August 2016</b> | <u><u>300,000</u></u>                             |

The 2016 valuations were made by the director, on an open market value for existing use basis.

**At 31 August 2016**

If the Investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

|               | <b>2016<br/>£</b>     | <b>2015<br/>£</b>     |
|---------------|-----------------------|-----------------------|
| Historic cost | <u>135,000</u>        | <u>135,000</u>        |
|               | <u><u>135,000</u></u> | <u><u>135,000</u></u> |

**Company**

|                          | <b>Freehold<br/>investment<br/>property<br/>£</b> |
|--------------------------|---------------------------------------------------|
| <b>Valuation</b>         |                                                   |
| At 1 September 2015      | <u>300,000</u>                                    |
| <b>At 31 August 2016</b> | <u><u>300,000</u></u>                             |

The 2016 valuations were made by the director, on an open market value for existing use basis.

**Border Cars Group Limited**

**Notes to the Financial Statements  
For the Year Ended 31 August 2016**

**17. Stocks**

|          | <b>Group<br/>2016<br/>£</b> | <b>Group<br/>2015<br/>£</b> | <b>Company<br/>2016<br/>£</b> | <b>Company<br/>2015<br/>£</b> |
|----------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Vehicles | <b>15,127,438</b>           | 17,674,606                  | <b>15,127,442</b>             | 17,674,606                    |
| Parts    | <b>971,704</b>              | 867,331                     | <b>971,704</b>                | 867,331                       |
|          | <b><u>16,099,142</u></b>    | <u>18,541,937</u>           | <b><u>16,099,146</u></b>      | <u>18,541,937</u>             |

An impairment loss of £nil (2015: £nil) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

Stock recognised in cost of sales during the year as an expense was £71,138,541 (2015: £93,821,170).

Stock to the value of £16,099,142 (2015: £18,541,937) is pledged as security for vehicle funding and bank loans.

**18. Debtors**

|                                | <b>Group<br/>2016<br/>£</b> | <b>Group<br/>2015<br/>£</b> | <b>Company<br/>2016<br/>£</b> | <b>Company<br/>2015<br/>£</b> |
|--------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Trade debtors                  | <b>1,915,517</b>            | 2,144,583                   | <b>1,915,508</b>              | 2,144,575                     |
| Other debtors                  | -                           | 36,811                      | -                             | -                             |
| Prepayments and accrued income | <b>584,194</b>              | 653,841                     | <b>584,193</b>                | 653,841                       |
|                                | <b><u>2,499,711</u></b>     | <u>2,835,235</u>            | <b><u>2,499,701</u></b>       | <u>2,798,416</u>              |

An impairment loss of £nil (2015: £nil) was recognised against trade debtors.

**19. Cash and cash equivalents**

|                          | <b>Group<br/>2016<br/>£</b> | <b>Group<br/>2015<br/>£</b> | <b>Company<br/>2016<br/>£</b> | <b>Company<br/>2015<br/>£</b> |
|--------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Cash at bank and in hand | <b>1,486,851</b>            | 1,115,058                   | <b>1,486,851</b>              | 1,115,058                     |
|                          | <b><u>1,486,851</u></b>     | <u>1,115,058</u>            | <b><u>1,486,851</u></b>       | <u>1,115,058</u>              |

A limited guarantee has been given by Mr M V Fusco and Mrs L S Fusco for £2,200,000 dated 27th August 2015.

**Border Cars Group Limited**

**Notes to the Financial Statements  
For the Year Ended 31 August 2016**

**20. Creditors: Amounts falling due within one year**

|                                    | <b>Group<br/>2016<br/>£</b> | <b>Group<br/>2015<br/>£</b> | <b>Company<br/>2016<br/>£</b> | <b>Company<br/>2015<br/>£</b> |
|------------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Bank loans                         | <b>3,339,718</b>            | 3,375,482                   | <b>3,339,718</b>              | 3,375,482                     |
| Trade creditors                    | <b>15,989,887</b>           | 17,758,121                  | <b>15,989,887</b>             | 17,758,121                    |
| Amounts owed to group undertakings | -                           | -                           | -                             | 7,241,626                     |
| Corporation tax                    | -                           | 50,702                      | -                             | -                             |
| Taxation and social security       | <b>203,255</b>              | 259,629                     | <b>203,255</b>                | 259,629                       |
| Other creditors                    | <b>472,235</b>              | 247,919                     | <b>472,235</b>                | 5,059                         |
| Accruals and deferred income       | <b>168,267</b>              | 338,633                     | <b>168,257</b>                | 338,622                       |
|                                    | <b><u>20,173,362</u></b>    | <u>22,030,486</u>           | <b><u>20,173,352</u></b>      | <u>28,978,539</u>             |

**21. Creditors: Amounts falling due after more than one year**

|             | <b>Group<br/>2016<br/>£</b> | <b>Group<br/>2015<br/>£</b> | <b>Company<br/>2016<br/>£</b> | <b>Company<br/>2015<br/>£</b> |
|-------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Bank loans  | <b>2,849,990</b>            | 2,993,082                   | <b>2,849,990</b>              | 2,993,082                     |
| Other loans | <b>383,106</b>              | 55,998                      | <b>383,106</b>                | 55,998                        |
|             | <b><u>3,233,096</u></b>     | <u>3,049,080</u>            | <b><u>3,233,096</u></b>       | <u>3,049,080</u>              |

**Border Cars Group Limited**

**Notes to the Financial Statements  
For the Year Ended 31 August 2016**

**22. Loans**

Analysis of the maturity of loans is given below:

|                                            | <b>Group<br/>2016<br/>£</b> | <b>Group<br/>2015<br/>£</b> | <b>Company<br/>2016<br/>£</b> | <b>Company<br/>2015<br/>£</b> |
|--------------------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| <b>Amounts falling due within one year</b> |                             |                             |                               |                               |
| Bank loans                                 | <u>3,339,718</u>            | <u>3,375,482</u>            | <u>3,339,718</u>              | <u>3,375,482</u>              |
| <b>Amounts falling due 1-2 years</b>       |                             |                             |                               |                               |
| Other loans                                | <u>383,106</u>              | <u>55,998</u>               | <u>383,106</u>                | <u>55,998</u>                 |
| <b>Amounts falling due 2-5 years</b>       |                             |                             |                               |                               |
| Bank loans                                 | <u>2,849,990</u>            | <u>2,993,082</u>            | <u>2,849,990</u>              | <u>2,993,082</u>              |
|                                            | <u><b>6,572,814</b></u>     | <u><b>6,424,562</b></u>     | <u><b>6,572,814</b></u>       | <u><b>6,424,562</b></u>       |

A bank loan with Barclays bears interest at 2.3% above the bank's base rate. This loan is secured by a fixed and floating charge over the groups assets.

The bank loan with Royal Bank of Scotland bears interest at 2% above the bank's base rate. This loan is secured by a fixed and floating charge over the groups assets.

**23. Financial instruments**

|                                                                       | <b>Group<br/>2016<br/>£</b> | <b>Group<br/>2015<br/>£</b> | <b>Company<br/>2016<br/>£</b> | <b>Company<br/>2015<br/>£</b> |
|-----------------------------------------------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| <b>Financial assets</b>                                               |                             |                             |                               |                               |
| Financial assets that are debt instruments measured at amortised cost | <u>3,626,038</u>            | <u>3,583,774</u>            | <u>3,626,029</u>              | <u>3,546,955</u>              |
|                                                                       | <u><b>3,626,038</b></u>     | <u><b>3,583,774</b></u>     | <u><b>3,626,029</b></u>       | <u><b>3,546,955</b></u>       |
| <b>Financial liabilities</b>                                          |                             |                             |                               |                               |
| Financial liabilities measured at amortised cost                      | <u>(23,203,204)</u>         | <u>(24,764,176)</u>         | <u>(23,203,192)</u>           | <u>(31,762,931)</u>           |
|                                                                       | <u><b>(23,203,204)</b></u>  | <u><b>(24,764,176)</b></u>  | <u><b>(23,203,192)</b></u>    | <u><b>(31,762,931)</b></u>    |

Financial assets measured at amortised cost comprise trade and other debtors as well as items of accrued income included within prepayments.

Financial liabilities measured at amortised cost comprise trade creditors, accruals where a cash settlement will take place, bank loans and other loans.

**Border Cars Group Limited**

**Notes to the Financial Statements  
For the Year Ended 31 August 2016**

**24. Deferred taxation**

**Group**

|                           | 2016<br>£        |
|---------------------------|------------------|
| At beginning of year      | (225,414)        |
| Charged to profit or loss | (21,367)         |
| <b>At end of year</b>     | <b>(246,781)</b> |

**Company**

|                           | 2016<br>£        |
|---------------------------|------------------|
| At beginning of year      | (225,414)        |
| Charged to profit or loss | (21,367)         |
| <b>At end of year</b>     | <b>(246,781)</b> |

The provision for deferred taxation is made up as follows:

|                                | Group<br>2016<br>£ | Company<br>2016<br>£ |
|--------------------------------|--------------------|----------------------|
| Accelerated capital allowances | (225,414)          | (225,414)            |
| Accelerated capital allowances | (21,367)           | (21,367)             |
|                                | <b>(246,781)</b>   | <b>(246,781)</b>     |

**25. Share capital**

|                                           | 2016<br>£ | 2015<br>£ |
|-------------------------------------------|-----------|-----------|
| <b>Shares classified as equity</b>        |           |           |
| <b>Allotted, called up and fully paid</b> |           |           |
| 12 Ordinary shares shares of £1 each      | 12        | 12        |

## **Border Cars Group Limited**

### **Notes to the Financial Statements For the Year Ended 31 August 2016**

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#### **26. Reserves**

##### **Investment property revaluation reserve**

This reserve includes cumulative non-distributable gains on property revaluations.

##### **Profit and loss account**

This reserve includes all current and prior period retained profits and losses.

#### **27. Contingent liabilities**

The company is liable with group companies to its bankers in respect of overdrafts and loans operated by those companies under their terms of an unlimited multilateral guarantee. The full potential liability at the balance sheet date, after formal offset of credit balances, was £2,738,014 (2015: £2,848,374).

#### **28. Pension commitments**

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £44,748 (2015: £56,432). Contributions totalling £nil (2015: £nil) were payable to the fund at the reporting date.

#### **29. Related party transactions**

Included within other creditors is an amount of £319,901 (2015: 242,860) owed to Casa Mia, which is a related party by the virtue of being under common control of M V Fusco.

M V Fusco, a director of the company received £57,000 (2015: £75,056) in relation to rent on a building of which he is the owner.

At the year end the company owed M V Fusco £63,205 (2015: £55,998), this interest free loan is not repayable in less than one year.

The company has taken exemptions under FRS 102 not to disclose transactions entered into between two or more members of wholly owned group companies.

#### **30. Controlling party**

The company is under control of M V Fusco by virtue of his 50% shareholding and holding directorship.

## Border Cars Group Limited

### Notes to the Financial Statements For the Year Ended 31 August 2016

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#### 31. Subsidiary undertakings

The following were subsidiary undertakings of the Company:

| Name                            | Country of incorporation | Class of shares | Holding | Principal activity |
|---------------------------------|--------------------------|-----------------|---------|--------------------|
| Border Cars (Ayr) Limited       | UK                       | Ordinary        | 100 %   | Non trading        |
| Border Cars (Carlisle) Limited  | UK                       | Ordinary        | 100 %   | Non trading        |
| Border Cars (Dumfries) Limited  | UK                       | Ordinary        | 100 %   | Non trading        |
| Border Cars (Lillyhall) Limited | UK                       | Ordinary        | 100 %   | Non trading        |
| Border Cars (Stranraer) Limited | UK                       | Ordinary        | 100 %   | Non trading        |
| Border Cars Limited             | UK                       | Ordinary        | 100 %   | Non trading        |

**Border Cars Group Limited**

**Notes to the Financial Statements For the Year Ended 31 August 2016**

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**32. First time adoption of FRS 102**

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.