

Company Registration No. 00587618 (England and Wales)

**LEEDS COMMERCIAL LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2018**



# LEEDS COMMERCIAL LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Mr C J Miller Mr P R Bumford Mr P J Graham Mr J G Wilson
<b>Company number</b>	00587618
<b>Registered office</b>	The Roundhouse Wellington Road Leeds West Yorkshire LS12 1DR
<b>Auditor</b>	BHP LLP 1st Floor, Mayesbrook House Lawnswood Business Park Redvers Close Leeds LS16 6QY
<b>Solicitors</b>	Keoghs LLP 2 The Parklands Bolton BL6 4SE

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# LEEDS COMMERCIAL LIMITED

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# **LEEDS COMMERCIAL LIMITED**

## **STRATEGIC REPORT**

***FOR THE YEAR ENDED 30 SEPTEMBER 2018***

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### **Fair review of the business**

The company has continued to maintain six operating depots: Leeds, Bradford, Barnsley, Sherburn, Manchester and Bristol. All depots were fully operational during the year and have contributed positively to the result for the year.

### **Principal risks and uncertainties**

The commercial vehicle hire market continues to be highly competitive with rental rates remaining under pressure. This could result in a loss of key customers to competitors. The company manages this risk by developing and maintaining strong relationships with key customers and ensuring it offers a market leading level of service.

The company recognises the risks arising from of a failure to deliver key support and engineering services to the highest standards. The business has an unwavering dedication to maintenance compliance and health and safety which means customers can be reassured about the quality and condition of the vehicles. The company has invested in the latest IT systems to manage, schedule and control maintenance. In addition it works with vehicle manufacturers and bodybuilders to improve and develop the fleet with better and safer methods of working for drivers and operators.

The business needs to secure hire purchase funding from a number of lenders to fund the purchase of new vehicles. It currently has a ready source of funding at competitive rates in excess of foreseeable requirements.

The company's borrowings are a mix of fixed and variable interest rates. Any increases in the variable rate could increase future borrowing costs. The directors monitor interest rate fluctuations and would consider available financial instruments to limit exposure should the need arise. No such financial instruments are currently considered necessary.

The construction sector has always been a key sector for the business due to its need for large volumes of specialist vehicles but the business continues to seek opportunities to diversify its client base into other areas to reduce its exposure to any one sector.

The realisable value of the fleet at the point of disposal depends on the state of the used vehicle market at the time. This can be volatile due to fluctuations in demand, exchange rates and the cost of new vehicles. Consequently depreciation rates are set to ensure vehicle carrying values are not overstated.

Factors in the general economy which can potentially impact the business include inflation, interest rates and BREXIT. At the present time the directors' have no specific areas of significant concern but will continue to monitor the impact of these issues.

# LEEDS COMMERCIAL LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

### Key performance indicators

		<u>Year on year variance</u>
		<u>%</u>
Turnover	Up	9.7%
Gross profit	Up	0.4%
Gross profit %	Down	(2.5%)
Administrative expenses	Up	(9.4%)
Hire purchase interest payable	Down	21.0%
Profit before tax	Down	(3.3%)
Original cost of fleet	Up	12.1%
NBV of fleet	Up	13.0%
Fleet size	Up	9.0%
Utilisation rates	Up	3.1%
Hire purchase obligations	Up	(15.8%)
Ratio of hire purchase to NBV	Up	(2.0%)
Employees	Up	2.6%
<b>Note – a positive variance indicates an increase in incomes and assets or decrease in costs and liabilities</b>		

Turnover increased 9.7% year on year to £33.1M due to the 9.0% growth in fleet numbers and a 3.1% improvement in vehicle utilisation, which averaged 83.6% in the year. The company continued to concentrate on acquiring more specialist vehicles with higher capital and rental values. The gross original cost of the motor vehicle fleet increased by 12.1%, to end the year in excess of £100M, and net book value also increased by 13.0%.

Gross profit was up by just 0.4% at £9.2M. The reduction in gross profit % was mainly attributable to the first-year depreciation charge on net vehicle additions and higher maintenance charges.

Administration expenses increased as the business invested in improving depot infrastructure and staff resources. The fall in HP interest resulted from substantially reduced interest rates on new deals, whilst more expensive older deals matured.

Overall the profit before tax reduced by just 0.1M and lower tax charges resulted in the profit for the financial year available to shareholders being maintained.

During the year the business invested 27.9M in new assets, sold vehicles for 9.9M, generated £14.5M from net operating activities and increased HP lending by net £5.4M. The closing HP obligation represented 80.8% (2017: 78.8%) of the fleet net book value.

# **LEEDS COMMERCIAL LIMITED**

## **STRATEGIC REPORT (CONTINUED)**


***FOR THE YEAR ENDED 30 SEPTEMBER 2018***

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### **Future developments**

The directors anticipate that the company will remain profitable in the year to 30 September 2019. Although the market is competitive, demand for the rental fleet has remained strong and the results in the first quarter have been encouraging.

The company will continue to seek new opportunities to grow organically and through acquisition but only when growth can be achieved profitably.



Mr C J Miller  
Director  
27 February 2019

# **LEEDS COMMERCIAL LIMITED**

## **DIRECTORS' REPORT**

### ***FOR THE YEAR ENDED 30 SEPTEMBER 2018***

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

#### **Principal activities**

The principal activity of the company continued to be that of commercial vehicle hire and sales.

#### **Directors**

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

Mr C J Miller  
Mr P R Bumford  
Mr P J Graham  
Mr J G Wilson

#### **Results and dividends**

The results for the year are set out on page 8.

Ordinary dividends were paid amounting to £1,002,330. The directors do not recommend payment of a further dividend.

#### **Auditor**

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

#### **Statement of directors' responsibilities**

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

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

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

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

# LEEDS COMMERCIAL LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 30 SEPTEMBER 2018**

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### **Statement of disclosure to auditor**

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

### **Quality, Environmental and Health & Safety matters**

The company is committed to maintaining its Quality and Environmental Management Systems and is accredited under ISO 9001 and ISO 14001 respectively. In addition, during the year, the company gained accreditation for Health & Safety under OHSAS 18001.

On behalf of the board



Mr C J Miller

**Director**

27 February 2019



# LEEDS COMMERCIAL LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF LEEDS COMMERCIAL LIMITED

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#### Opinion

We have audited the financial statements of Leeds Commercial Limited (the 'company') for the year ended 30 September 2018 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

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

#### Conclusions relating to going concern

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

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

#### Other information

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

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

We have nothing to report in this regard.

#### Opinions on other matters prescribed by the Companies Act 2006

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

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

# LEEDS COMMERCIAL LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF LEEDS COMMERCIAL LIMITED

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

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

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

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

### Responsibilities of directors

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

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

### Auditor's responsibilities for the audit of the financial statements

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

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

### Use of our report

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



**Michael Jackson (Senior Statutory Auditor)**  
for and on behalf of BHP LLP

28 February 2019

**Chartered Accountants**  
**Statutory Auditor**

1st Floor, Mayesbrook House  
Lawnswood Business Park  
Redvers Close  
Leeds  
LS16 6QY

# LEEDS COMMERCIAL LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	2018 £	2017 £
Turnover	3	33,077,605	30,162,980
Cost of sales		(23,923,612)	(21,049,540)
<b>Gross profit</b>		<b>9,153,993</b>	<b>9,113,440</b>
Administrative expenses		(4,457,378)	(4,072,749)
Other operating income		17,500	19,740
<b>Operating profit</b>	4	<b>4,714,115</b>	<b>5,060,431</b>
Interest receivable and similar income	7	676	8,642
Interest payable and similar expenses	8	(897,046)	(1,120,126)
<b>Profit before taxation</b>		<b>3,817,745</b>	<b>3,948,947</b>
Tax on profit	9	(736,564)	(848,886)
<b>Profit for the financial year</b>		<b>3,081,181</b>	<b>3,100,061</b>

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

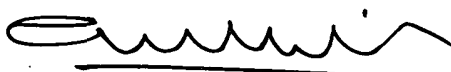
# LEEDS COMMERCIAL LIMITED

## BALANCE SHEET

AS AT 30 SEPTEMBER 2018

	Notes	2018 £	£	2017 £	£
<b>Fixed assets</b>					
Tangible assets	11	51,764,671		46,160,509	
Investment properties	12	411,090		411,090	
		<u>52,175,761</u>		<u>46,571,599</u>	
<b>Current assets</b>					
Stocks	14	126,174		195,925	
Debtors	15	6,878,236		5,593,459	
Cash at bank and in hand		2,897,193		2,111,038	
		<u>9,901,603</u>		<u>7,900,422</u>	
<b>Creditors: amounts falling due within one year</b>	16	(20,583,488)		(20,157,806)	
<b>Net current liabilities</b>		<u>(10,681,885)</u>		<u>(12,257,384)</u>	
<b>Total assets less current liabilities</b>		<u>41,493,876</u>		<u>34,314,215</u>	
<b>Creditors: amounts falling due after more than one year</b>	17	(23,226,237)		(18,125,427)	
<b>Net assets</b>		<u><u>18,267,639</u></u>		<u><u>16,188,788</u></u>	
<b>Capital and reserves</b>					
Called up share capital	22	195,300		195,300	
Capital redemption reserve		62,825		62,825	
Profit and loss reserves		18,009,514		15,930,663	
<b>Total equity</b>		<u><u>18,267,639</u></u>		<u><u>16,188,788</u></u>	

The financial statements were approved by the board of directors and authorised for issue on 27 February 2019 and are signed on its behalf by:



Mr C J Miller  
Director

Company Registration No. 00587618

# LEEDS COMMERCIAL LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
<b>Balance at 1 October 2016</b>		195,300	62,825	13,836,665	14,094,790
<b>Year ended 30 September 2017:</b>					
Profit and total comprehensive income for the year		-	-	3,100,061	3,100,061
Issue of share capital	22	195,300	-	-	195,300
Dividends	10	-	-	(1,006,063)	(1,006,063)
Reduction of shares	22	(195,300)	-	-	(195,300)
<b>Balance at 30 September 2017</b>		195,300	62,825	15,930,663	16,188,788
<b>Year ended 30 September 2018:</b>					
Profit and total comprehensive income for the year		-	-	3,081,181	3,081,181
Dividends	10	-	-	(1,002,330)	(1,002,330)
<b>Balance at 30 September 2018</b>		195,300	62,825	18,009,514	18,267,639

# LEEDS COMMERCIAL LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	2018 £	£	2017 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	28	16,440,873		14,396,260	
Interest paid		(897,046)		(1,120,126)	
Income taxes paid		(1,052,696)		(879,588)	
<b>Net cash inflow from operating activities</b>		<b>14,491,131</b>		<b>12,396,546</b>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(27,863,402)		(18,345,451)	
Proceeds on disposal of tangible fixed assets		9,850,716		10,459,866	
Interest received		676		8,642	
<b>Net cash used in investing activities</b>		<b>(18,012,010)</b>		<b>(7,876,943)</b>	
<b>Financing activities</b>					
Repayment of borrowings		(61,953)		1,146,906	
Net movement on hire purchase obligations		5,371,317		(6,077,900)	
Dividends paid		(1,002,330)		(1,006,063)	
<b>Net cash generated from/(used in) financing activities</b>		<b>4,307,034</b>		<b>(5,937,057)</b>	
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>786,155</b>		<b>(1,417,454)</b>	
Cash and cash equivalents at beginning of year		2,111,038		3,528,492	
<b>Cash and cash equivalents at end of year</b>		<b>2,897,193</b>		<b>2,111,038</b>	

# LEEDS COMMERCIAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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### 1 Accounting policies

#### Company information

Leeds Commercial Limited is a private company limited by shares incorporated in England and Wales. The registered office is The Roundhouse, Wellington Road, Leeds, West Yorkshire, LS12 1DR.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

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

#### 1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

#### 1.4 Tangible fixed assets

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

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

Freehold buildings	2% straight line
Leasehold buildings	2% straight line
Fixtures and fittings	25% reducing balance
Motor vehicles	20% to 25% reducing balance
Motor vehicles for hire	20% to 25% reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Fixed assets held for a period of 10 years are fully written down to reflect their economic value of zero.

#### 1.5 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. The surplus or deficit on revaluation is recognised in the profit and loss account.

# LEEDS COMMERCIAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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### 1 Accounting policies

(Continued)

#### 1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

#### 1.8 Cash at bank and in hand

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

#### 1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.



# LEEDS COMMERCIAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

### 1 Accounting policies

(Continued)

#### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

#### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

#### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

#### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Derecognition of financial liabilities**

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

# LEEDS COMMERCIAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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### 1 Accounting policies

(Continued)

#### 1.10 Equity instruments

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

#### 1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

##### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

##### *Deferred tax*

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### 1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### 1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

#### 1.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

# LEEDS COMMERCIAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

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### 1 Accounting policies

(Continued)

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

### 2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### **Critical judgements**

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

#### ***Depreciation***

The depreciation policy has been set according to management's experience of the useful lives of a typical asset in each category. It is not considered practical to use a per unit basis to allocate depreciation. The depreciation charged during the year was £16,402,962 (2017: £14,623,733) which the directors feel is a fair reflection of the benefits derived from consumption of the tangible fixed assets in use during the period.

#### ***Amortisation of interest costs on hire purchase agreements***

The interest costs on hire purchase agreements are amortised over the life of the agreement to which it relates. The directors feel this is a fair reflection of the benefits derived from the hire purchase agreement.

# LEEDS COMMERCIAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

### 3 Turnover and other revenue

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

	2018 £	2017 £
<b>Turnover analysed by class of business</b>		
Vehicle hire	33,077,605	30,162,980

### 4 Operating profit

	2018 £	2017 £
Operating profit for the year is stated after charging/(crediting):		
Fees payable to the company's auditor for the audit of the company's financial statements	9,550	9,400
Depreciation of owned tangible fixed assets	3,148,674	2,510,626
Depreciation of tangible fixed assets held under hire purchase agreements	13,254,288	12,113,107
Profit on disposal of tangible fixed assets	(3,994,438)	(3,671,718)
Cost of stocks recognised as an expense	7,498,211	6,309,092
Operating lease charges	739,218	661,603

### 5 Employees

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

	2018 Number	2017 Number
Administration	47	47
Sales	14	13
Other	95	92
	156	152

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	5,339,274	4,949,764
Social security costs	595,281	564,307
Pension costs	145,795	190,758
	6,080,350	5,704,829

# LEEDS COMMERCIAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

### 6 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	467,470	436,395
Company pension contributions to defined contribution schemes	16,932	47,041
	<u>484,402</u>	<u>483,436</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2017 - 3)

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

	2018 £	2017 £
Remuneration for qualifying services	<u>144,857</u>	<u>143,834</u>

### 7 Interest receivable and similar income

	2018 £	2017 £
<b>Interest income</b>		
Interest on bank deposits	-	1,100
Other interest income	676	7,542
	<u>676</u>	<u>8,642</u>

### 8 Interest payable and similar expenses

	2018 £	2017 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on hire purchase contracts	885,275	1,120,126
<b>Other finance costs:</b>		
Other interest	11,771	-
	<u>897,046</u>	<u>1,120,126</u>

# LEEDS COMMERCIAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

### 9 Taxation

	2018 £	2017 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	967,884	1,012,675
Adjustments in respect of prior periods	-	13,138
<b>Total current tax</b>	<u>967,884</u>	<u>1,025,813</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	<u>(231,320)</u>	<u>(176,927)</u>
<b>Total tax charge</b>	<u>736,564</u>	<u>848,886</u>

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

	2018 £	2017 £
Profit before taxation	<u>3,817,745</u>	<u>3,948,947</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.50%)	725,372	770,045
Tax effect of expenses that are not deductible in determining taxable profit	10,787	11,388
Adjustments in respect of prior years	-	13,138
Effect of change in corporation tax rate	-	28,358
Permanent capital allowances in excess of depreciation	11,498	14,040
Deferred tax adjustments in respect of prior years	-	(18,624)
Other	<u>(11,093)</u>	<u>30,541</u>
<b>Taxation charge for the year</b>	<u>736,564</u>	<u>848,886</u>

### 10 Dividends

	2018 £	2017 £
Interim paid	<u>1,002,330</u>	<u>1,006,063</u>

# LEEDS COMMERCIAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

### 11 Tangible fixed assets

	Freehold buildings £	Leasehold buildings £	Fixtures and fittings £	Motor vehicles £	Motor vehicles for hire £	Total £
<b>Cost</b>						
At 1 October 2017	2,499,975	794,801	1,433,512	704,074	91,013,555	96,445,917
Additions	38,700	31,282	103,222	415,763	27,274,435	27,863,402
Disposals	-	-	(316,530)	(337,739)	(16,299,739)	(16,954,008)
Transfers	-	-	-	584,582	(584,582)	-
At 30 September 2018	2,538,675	826,083	1,220,204	1,366,680	101,403,669	107,355,311
<b>Depreciation and impairment</b>						
At 1 October 2017	420,556	103,501	1,125,836	307,120	48,328,395	50,285,408
Depreciation charged in the year	50,322	10,196	113,435	211,096	16,017,913	16,402,962
Eliminated in respect of disposals	-	-	(316,530)	(156,633)	(10,624,567)	(11,097,730)
Transfers	9,433	-	(9,433)	371,811	(371,811)	-
At 30 September 2018	480,311	113,697	913,308	733,394	53,349,930	55,590,640
<b>Carrying amount</b>						
At 30 September 2018	2,058,364	712,386	306,896	633,286	48,053,739	51,764,671
At 30 September 2017	2,079,419	691,300	307,676	396,954	42,685,160	46,160,509

# LEEDS COMMERCIAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

### 11 Tangible fixed assets (Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under hire purchase agreements.

	2018 £	2017 £
Motor vehicles	39,762,858	35,994,873
Depreciation charge for the year in respect of hire purchase assets	13,254,288	12,113,107

Freehold & leasehold land and buildings with a carrying amount of £2,770,750 (2017 - £2,770,719) have been pledged to secure borrowings of the company. The company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

Assets under hire purchase obligations are secured against the assets to which they relate.

### 12 Investment property

	2018 £
Fair value	
At 1 October 2017 and 30 September 2018	411,090

Investment property comprises 3 properties in Harrogate, Yeadon and Pontefract, Yorkshire. The fair value of the investment property has been arrived at on the basis of the properties cost. The directors have reviewed the value of the properties in turn and are of the opinion that the fair value is not materially different to that of the original cost.

### 13 Financial instruments

All financial assets and liabilities are held at amortised cost.

### 14 Stocks

	2018 £	2017 £
Stock of parts	126,174	195,925



# LEEDS COMMERCIAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

### 15 Debtors

	2018 £	2017 £
<b>Amounts falling due within one year:</b>		
Trade debtors	5,599,417	4,780,937
Prepayments and accrued income	1,047,499	812,522
	<u>6,646,916</u>	<u>5,593,459</u>
Deferred tax asset (note 20)	231,320	-
	<u>6,878,236</u>	<u>5,593,459</u>

### 16 Creditors: amounts falling due within one year

	Notes	2018 £	2017 £
Obligations under hire purchase agreements	19	16,096,319	15,825,812
Other borrowings	18	1,185,158	1,247,111
Trade creditors		1,646,148	974,050
Corporation tax		449,188	534,000
Other taxation and social security		223,820	593,712
Other creditors		569,993	572,817
Accruals and deferred income		412,862	410,304
		<u>20,583,488</u>	<u>20,157,806</u>

### 17 Creditors: amounts falling due after more than one year

	Notes	2018 £	2017 £
Obligations under hire purchase agreements	19	<u>23,226,237</u>	<u>18,125,427</u>

### 18 Loans and overdrafts

	2018 £	2017 £
Other loans	<u>1,185,158</u>	<u>1,247,111</u>
Payable within one year	<u>1,185,158</u>	<u>1,247,111</u>

# LEEDS COMMERCIAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

### 19 Hire purchase obligations

	2018 £	2017 £
Future minimum hire purchase payments due under hire purchase agreements:		
Within one year	16,096,319	15,825,812
In two to five years	23,226,237	18,125,427
	<u>39,322,556</u>	<u>33,951,239</u>

Hire purchase payments represent rentals payable by the company for certain items of plant and machinery. Agreements include purchase options at the end of the period, and no restrictions are placed on the use of the assets. The average hire purchase term is 4 years. Hire purchase agreements are on a mixture of fixed and variable repayment basis and no arrangements have been entered into for contingent rental payments.

### 20 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Assets 2018 £	Assets 2017 £
<b>Balances:</b>		
Accelerated capital allowances	<u>231,320</u>	<u>-</u>
<b>Movements in the year:</b>		2018 £
Liability at 1 October 2017		-
Credit to profit or loss		(231,320)
Liability/(Asset) at 30 September 2018		<u>(231,320)</u>

### 21 Retirement benefit schemes

	2018 £	2017 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	<u>145,795</u>	<u>190,758</u>

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

# LEEDS COMMERCIAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

### 22 Share capital

	2018 £	2017 £
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
135,450 Ordinary A shares of £1 each	135,450	135,450
29,925 Ordinary B shares of £1 each	29,925	29,925
29,925 Ordinary C shares of £1 each	29,925	29,925
	<u>195,300</u>	<u>195,300</u>

The Ordinary A, Ordinary B and Ordinary C shares are entitled to vote at shareholders meetings and are entitled to receive dividends.

The holder of the Ordinary A shares holds the casting vote.

### 23 Financial commitments, guarantees and contingent liabilities

The company's bankers hold a debenture including a fixed charge over all freehold and leasehold property, First Fixed charge over book and other debtors, chattels, goodwill and uncalled capital, both present and future; and First Floating Charge over all assets and undertakings both present and future.

### 24 Operating lease commitments

#### Lessee

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

	2018 £	2017 £
Within one year	258,692	331,758
Between two and five years	451,207	613,086
In over five years	907,295	1,014,350
	<u>1,617,194</u>	<u>1,959,194</u>

### 25 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2018 £	2017 £
Acquisition of tangible fixed assets	<u>19,374,619</u>	<u>8,381,600</u>

# LEEDS COMMERCIAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

### 26 Related party transactions

#### Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2018 £	2017 £
Aggregate compensation	144,857	156,695

### 27 Directors' transactions

Dividends totalling £1,002,330 (2017 - £1,000,976) were paid in the year in respect of shares held by the company's directors.

### 28 Cash generated from operations

	2018 £	2017 £
Profit for the year after tax	3,081,181	3,100,061
<b>Adjustments for:</b>		
Taxation charged	736,564	848,886
Finance costs	897,046	1,120,126
Investment income	(676)	(8,642)
Gain on disposal of tangible fixed assets	(3,994,438)	(3,671,718)
Depreciation and impairment of tangible fixed assets	16,402,962	14,623,733
<b>Movements in working capital:</b>		
Decrease/(increase) in stocks	69,751	(9,416)
(Increase) in debtors	(1,053,457)	(388,378)
Increase/(decrease) in creditors	301,940	(1,218,392)
<b>Cash generated from operations</b>	<b>16,440,873</b>	<b>14,396,260</b>