

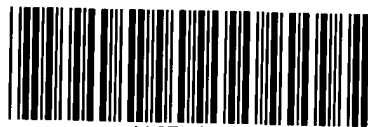
# **SG International Holdings Limited and its subsidiaries**

Registration number 09670387

Annual report and financial statements

For the year ended 30 June 2017

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**SG International Holdings Limited and its subsidiaries**  
(Reg. No. 09670387)

**Annual report and financial Statements**  
*for the year ended 30 June 2017*

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# SG International Holdings Limited and its subsidiaries

## Strategic report

*for the year ended 30 June 2017*

The directors present their strategic report for the year ended 30 June 2017 for SG International Holdings Limited and its subsidiaries ("the Company").

### Principal activities

The principal activity in which the Company is engaged is the holding of investment. Its subsidiaries are involved in the provision of time-critical delivery services across Europe (Supply Chain Europe) and suppliers of Ford cars and vans and aftersales care to private motorists and businesses (Dealerships UK).

### Review of the business

#### *Supply Chain Europe*

The results are not comparable as only eight months' results were included for the year ended 30 June 2016. The SG IN tIME results were acceptable given the market conditions. For the year ended 30 June 2017, revenue was £115.7 million, EBITDA was £11.9 million, operating profit was £6.9 million and profit before taxation was £2.8 million. The operating profit margin declined to 6.0% from 6.9% in the previous year.

SG IN tIME managed to secure new contracts during the year. In Euro-terms, SG IN tIME reported good growth on the back of sales volume increase of 7.2% in the second half of 2017. The amortisation of PPA intangibles for the year amounted to £4.3 million.

#### *Dealerships UK*

Dealerships UK delivered an excellent set of results. Strong overall vehicle sales growth of 17.9% (2016: 3.2%) was shown, with new vehicle sales growth of 16.7% (2016: 2.4%) and used vehicle sales growth of 20.4% (2016: 4.9%) being achieved during the year. The Ford and Kia operations all performed above market sales benchmarks and the contribution from services was satisfactory. The results include Essex Auto Group's results for four months. Essex Auto Group was acquired effective 1 March 2017 for £25.2 million and consists of five Ford (one being the flagship in Basildon), two Kia, one Mazda and one Fiat dealerships.

Allen Ford (UK) was restructured within the group on 30 June 2016 to fall under the structure of the Company. Hence, the results are not comparable as the Consolidated Statement of Profit and Loss for the year ended 30 June 2016 does not include the results for Allen Ford (UK). For the year ended 30 June 2017, revenue was £396.1 million, EBITDA was £12.0 million, operating profit was £10.9 million and profit before taxation was £9.6 million.

Dealerships UK is expecting good growth in the new and second hand vehicle market in the UK. The influence of Brexit on the UK economy is still unknown and may affect the UK dealership market as all Ford vehicles are imported from Europe. At this stage we don't expect it to have a significant impact on the Group. Allen Ford is also looking at existing and new brand expansion through the acquisition of additional dealerships.

# SG International Holdings Limited and its subsidiaries

## Strategic report

for the year ended 30 June 2017 (continued)

### Supply Chain Europe

The risks identified are as follows:

Material risks	Management of these risks
Volkswagen recovery slower than anticipated	<ul style="list-style-type: none"><li>• Securing new contracts</li><li>• Cost cutting initiatives</li></ul>
Brexit uncertainty renegotiations of trade agreements between Eurozone countries and the UK	<ul style="list-style-type: none"><li>• Developments in terms of timing and the renegotiation of trade contracts will be monitored closely by the Group</li></ul>

The opportunities identified are as follows:

- Continue to explore new business opportunities, particularly in the Southern and Eastern European environments.

### Dealerships UK

Material risks	Management of these risks
New vehicle market: New commercial stock availability continues to be poor. This is particularly frustrating as demand remains strong. Although the business is taking advantage of improved margins, the poor stock availability may at some point affect contribution and overall profitability.	Monitoring market conditions and ensuring ahead of market trends.
Key management: The loss of any senior executives will potentially create management and leadership challenges in this highly competitive market.	Succession planning is ongoing and the management and reporting structures of the business are regularly reviewed and adapted to accommodate this where necessary.
Dilapidations: The onerous nature of UK leases with regard to the dilapidation process and cost at the end of a lease is an area of concern and of potential unbudgeted cost to the business.	Consider budgeting for any potential costs that may arise, as well as undertaking intensive initial assessments of all properties.
Brexit: The long-term effect of Brexit on the UK economy when trade agreements are renegotiated.	Ford vehicles are imported from Europe into the United Kingdom and trade negotiations and the timing thereof will be closely monitored.

# SG International Holdings Limited and its subsidiaries

## Strategic report

*for the year ended 30 June 2017 (continued)*

The opportunities identified by Dealerships UK are as follows:

- New vehicle sales – Ford continues to be the market leader in the UK and Dealerships UK has a strong Ford presence with flagship dealerships in key locations.
- Fleet and Commercial – Demand continues to be high for commercial vehicles in the UK, and our dealerships are geographically well positioned to take advantage of this segment.
- Used vehicle sales – Interest rates remain low and stable, with no likely increase in the next 12 months; therefore the relatively buoyant used car market is expected to continue. The introduction of fixed interest rates has proved successful so far and potentially enhances the ability to sell added value products.
- Service and Parts – A growing new vehicle car park, offset slightly by extended service intervals, continues to create an opportunity for improved cost absorption and margin mix. Parts internet sales continue to grow.
- Ownership of strategic properties – Availability of properties in the UK is limited and thus, relocation at the end of a lease is often difficult and costly. Fortunately, the lease terms on the existing sites are long, while significant advantage can be derived through strategic property ownership. If the economy continues to grow and interest rates remain stable, it is likely that commercial property prices will increase and make it more costly to acquire in the future.

## Social and Ethics Responsibilities

### *Dealerships UK*

*Community:* Allen Ford is a Motability Premier Partner. Motability is the leading car scheme in the UK for disabled people, enabling them to use their UK government-funded mobility allowance to lease a new car. This means that there is a minimum of two fully trained Motability specialists at each of its sites, focused on providing disabled customers with the best information and advice in order to help them choose a vehicle that suits their requirements.

### *Dealerships' UK activities included:*

- Support for the British Heart Foundation, Cancer Research, Jan Jacobs Lymphoma Charity and Havens House Hospice.
- A donation to a special needs school.
- Sponsorship of various foundations and trusts.
- Sponsorship of local sports clubs.

## SG International Holdings Limited and its subsidiaries

### Strategic report

*for the year ended 30 June 2017 (continued)*

#### Outlook for 2017

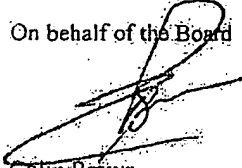
##### *Supply Chain Europe*

Subsequent to year-end, SG IN TIME acquired an 89.5% interest in Ader, a Spanish courier and express transport operator, for €11.6 million. Ader, founded in 1992, has 17 offices throughout Spain and 15 operations in the Eurozone. Ader specialises in the provision of dedicated and exclusive transport and logistics solutions. SG IN TIME was encouraged by a large OEM to establish a direct presence in Spain in order to service the increase in locally manufactured parts volumes in the Iberian environment. Ader has been SG IN TIME's local network partner in Spain for 15 years.

##### *Dealerships UK*

Dealerships UK is expecting a slowdown in growth in the new vehicle market given the uncertainty pertaining to the effect of Brexit and the speculation regarding the change in Government policies on shifting diesel technology used towards the latest cleaner Euro 6 diesel standard. Since April 2017, there has been a marked decline in new vehicle registrations. The UK economy has been resilient following the announcement of Brexit, however, once implemented, may affect the UK dealership market as all Ford vehicles are imported from Europe. On 4 July 2017, Dealerships UK acquired Slough Motor Corporation, which owns six Ford, and two Suzuki dealerships in Kent and Berkshire, for £24.0 million. Both the Essex Auto Group and Slough Motor Corporation acquisitions are complementary to Allen Ford's existing businesses.

On behalf of the Board



Colin Brown  
Director

13 December 2017

## SG International Holdings Limited and its subsidiaries

### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

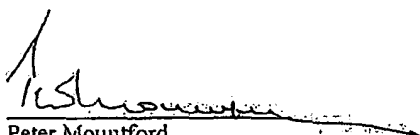
Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

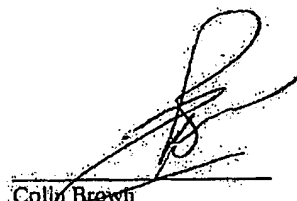
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



Peter Mountford  
Authorised director



Colin Brown  
Authorised director

# **SG International Holdings Limited and its subsidiaries**

## **Directors' report**

*for the year ended 30 June 2017*

The directors present their report which forms part of the Consolidated Annual Financial Statements of SG International Holdings Limited (the Company) and its subsidiaries (the Group) for the year ended 30 June 2017.

### **Nature of business**

The Company operates as a holding company of a group of companies involved in providing time-critical delivery services across Europe and car dealerships in the UK.

### **Financial results**

The results of the Company and the state of its affairs are set out in the attached financial statements and do not require further comment.

### **Directors and secretary**

The following were directors during the year and to the date of this report:

P Mountford  
C Brown  
A Chambers  
P Wood

The secretary of the Company is Higgs Secretarial Limited.

### **Holding company**

The Company's holding company is Bluefin Investments Limited, which is registered in Mauritius and which owns 100% of the Company's ordinary shares. The Company's ultimate holding company is Super Group Limited, which is registered in the Republic of South Africa.

### **Share capital**

The issued share capital is detailed in note 17 of the financial statements.

### **Registered office**

The Company's registered office and postal addresses are:

Allen Ford  
Tachbrook Park Drive  
Warwick, CV34 6SY

### **Subsequent events**

Subsequent events are detailed in Note 31 of the financial statements.



## SG International Holdings Limited and its subsidiaries

### Directors' report

*for the year ended 30 June 2017 (continued)*

#### Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

#### Disclosure of information to auditor

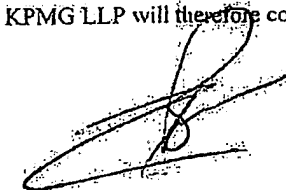
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors is aware of that information.

#### Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report.

#### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.



Colin Brown  
13 December 2017

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SG INTERNATIONAL HOLDINGS LIMITED**

### **Opinion**

We have audited the financial statements of SG International Holdings Limited ("the company") for the year ended 30 June 2017 which comprise the statements of financial position, statements of comprehensive income, statements of changes in equity, statements of cash flows and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

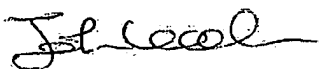
### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



**John Leech (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

14 December 2017

# SG International Holdings Limited and its subsidiaries

## Statements of financial position

as at 30 June 2017

		Group		Company	
	Note	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>Assets</b>					
<b>Non-current</b>					
Property, plant and equipment	3	41 396	20 176	—	—
Intangible assets	4	31 212	34 164	—	—
Goodwill	5	123 600	106 182	—	—
Loans to fellow subsidiaries	6	4	4	3 489	4
Deferred tax assets	7	1 817	1 707	—	—
Investments in subsidiaries	8	—	—	89 022	73 422
		<b>198 029</b>	<b>162 233</b>	<b>92 511</b>	<b>73 426</b>
<b>Current assets</b>					
Inventories	9	97 855	91 986	—	—
Trade and other receivables	10	48 026	36 681	295	107
Cash and cash equivalents	11	38 084	18 875	6 778	89
		<b>183 965</b>	<b>147 542</b>	<b>7 073</b>	<b>196</b>
<b>Total assets</b>		<b>381 994</b>	<b>309 775</b>	<b>99 584</b>	<b>73 622</b>
<b>Equity</b>					
Capital and reserves attributable to equity holders	17	78 354	46 192	55 306	39 934
Non-controlling interests	18	15 236	14 053	—	—
<b>Total equity</b>		<b>93 590</b>	<b>60 245</b>	<b>55 306</b>	<b>39 934</b>
<b>Non-current liabilities</b>					
Interest-bearing borrowings	12	72 115	76 886	16 853	23 800
Non-controlling interest put option	13	8 121	9 670	8 121	9 670
Loans from fellow subsidiaries	16	36 460	29 935	—	207
Provisions	15	159	134	—	—
Deferred tax liabilities	7	11 615	11 282	—	—
		<b>128 470</b>	<b>127 907</b>	<b>24 974</b>	<b>33 677</b>
<b>Current liabilities</b>					
Interest-bearing borrowings	12	18 032	234	17 807	—
Trade and other payables	14	138 482	119 426	108	—
Taxation payable		1 650	1 356	—	—
Provisions	15	1 343	607	—	11
Loans from fellow subsidiaries	16	427	—	1 389	—
		<b>159 934</b>	<b>121 623</b>	<b>19 304</b>	<b>11</b>
<b>Total liabilities</b>		<b>288 404</b>	<b>249 530</b>	<b>44 278</b>	<b>33 688</b>
<b>Total equity and liabilities</b>		<b>381 994</b>	<b>309 775</b>	<b>99 584</b>	<b>73 622</b>

These financial statements were approved by the Board of Directors on 12 December 2017 and were signed on its behalf by:  
Colin Brown

(Registration Number 09670387)

# SG International Holdings Limited and its subsidiaries

## Statements of comprehensive income for the year ended 30 June 2017

		Group	
	Note	2017 £'000	2016 £'000
Revenue	19	511 741	65 240
Cost of sales	22.2	(426 818)	(42 698)
Gross profit		84 923	22 542
Other operating income	20	11 557	1 268
Other operating expenses	21	(73 379)	(16 489)
Earnings before interest, tax, depreciation and amortisation		23 101	7 321
Depreciation and amortisation	22.1	(6 528)	(2 856)
Operating profit		16 573	4 465
Finance income	23.1	2	313
Finance costs	23.2	(6 402)	(2 714)
Net financing expense		(6 400)	(2 401)
Profit before tax		10 173	2 064
Taxation	24	(2 600)	(389)
Profit for the year		7 573	1 675
Profit for the year attributable to:			
Non-controlling interest	18	429	423
Equity holders of SG International Holdings Limited		7 144	1 252
		7 573	1 675
Other comprehensive income for the year			
Items that are or may be subsequently classified to profit or loss:			
Foreign currency translation adjustment		2 808	6 757
Total comprehensive income for the year		10 381	8 432
Total comprehensive income for the year attributable to:			
Non-controlling interest		1 183	2 399
Equity holders of SG International Holdings Limited		9 198	6 033
		10 381	8 432

## SG International Holdings Limited and its subsidiaries

### Statements of changes in equity

for the year ended 30 June 2017

Group

	Share capital £'000	Share premium £'000	Retained earnings £'000	Other reserves £'000	Total £'000	Non- controlling interests £'000	Total equity £'000
Balance at 3 July 2015	—	—	—	—	—	—	—
<b>Changes in equity for the year</b>							
Shares allotted	36 097	13 525	—	—	49 622	—	49 622
<b>Other comprehensive income for the year</b>							
Foreign operation translation adjustment	—	—	—	4 988	4 988	1 976	6 964
Profit for the year	—	—	1 252	—	1 252	423	1 675
<b>Total comprehensive income for the year</b>	—	—	1 252	4 988	6 240	2 399	8 639
<b>Transactions with equity partners</b>							
Non-controlling interest in respect of subsidiaries acquired – IN TIME	—	—	—	—	—	11 654	11 654
Non-controlling interest put option movements	—	—	(9 670)	—	(9 670)	—	(9 670)
<b>Balance at 30 June 2016</b>	<b>36 097</b>	<b>13 525</b>	<b>(8 418)</b>	<b>4 988</b>	<b>46 192</b>	<b>14 053</b>	<b>60 245</b>
<b>Changes in equity for the year</b>							
Shares allotted	—	21 416	—	—	21 416	—	21 416
<b>Other comprehensive income for the year</b>							
Foreign operation translation adjustment	—	—	—	2 054	2 054	754	2 808
Profit for the year	—	—	7 144	—	7 144	429	7 573
<b>Total comprehensive income for the year</b>	—	—	7 144	2 054	9 198	1 183	10 381
<b>Transactions with equity partners</b>							
Non-controlling interest put option movements	—	—	1 548	—	1 548	—	1 548
<b>Balance at 30 June 2017</b>	<b>36 097</b>	<b>34 941</b>	<b>274</b>	<b>7 042</b>	<b>78 354</b>	<b>15 236</b>	<b>93 590</b>

## SG International Holdings Limited and its subsidiaries

### Statements of changes in equity for the year ended 30 June 2017 (continued)

Company	Share capital £'000	Share premium £'000	Retained earnings £'000	Other reserves £'000	Total equity £'000
Balance at 3 July 2015	—	—	—	—	—
<b>Changes in equity for the year</b>					
Shares allotted	36 097	13 525	—	—	49 622
<b>Other comprehensive income for the year</b>					
Foreign operation translation adjustment	—	—	—	—	—
Loss for the year	—	—	(18)	—	(18)
<b>Total comprehensive income for the year</b>	—	—	(18)	—	(18)
<b>Transactions with equity partners</b>					
Non-controlling interest put option movements	—	—	(9 670)	—	(9 670)
<b>Balance at 30 June 2016</b>	<b>36 097</b>	<b>13 525</b>	<b>(9 688)</b>	<b>—</b>	<b>39 934</b>
<b>Changes in equity for the year</b>					
Shares allotted	—	21 416	—	—	21 416
<b>Other comprehensive income for the year</b>					
Foreign operation translation adjustment	—	—	—	—	—
Loss for the year	—	—	(7 592)	—	(7 592)
<b>Total comprehensive income for the year</b>	—	—	(7 592)	—	(7 592)
<b>Transactions with equity partners</b>					
Non-controlling interest put option movements	—	—	1 548	—	1 548
<b>Balance at 30 June 2017</b>	<b>36 097</b>	<b>34 941</b>	<b>(15 732)</b>	<b>—</b>	<b>55 306</b>

# SG International Holdings Limited and its subsidiaries

## Statements of cash flows for the year ended 30 June 2017

		Group		Company	
	Note	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>Cash flows from operating activities</b>					
Cash generated from operations	25	24 053	5 775	(1 109)	(112)
Finance income	23.1	2	313	–	–
Finance costs		(6 402)	(2 504)	(952)	(2)
Taxation paid	26	(3 335)	(2 674)	–	–
Cash dividends received		–	–	4 000	–
<b>Net cash from operating activities</b>		<b>14 318</b>	<b>910</b>	<b>1 939</b>	<b>(114)</b>
<b>Cash flows from investing activities</b>					
Additions to property, plant and equipment	3	(7 435)	(619)	–	–
Additions to intangibles	4	(209)	(128)	–	–
Proceeds on disposals of property, plant and equipment		254	70	–	–
Proceeds on disposals of intangibles		1	–	–	–
Investment in subsidiaries		(21 608)	(48 875)	(25 223)	(73 422)
<b>Net cash from investing activities</b>		<b>(28 997)</b>	<b>(49 552)</b>	<b>(25 223)</b>	<b>(73 422)</b>
<b>Cash flows from financing activities</b>					
Proceeds from the issue of share capital		21 416	49 622	21 416	49 622
Interest bearing borrowings (repaid)/raised		7 167	(9 333)	10 860	23 800
Loans from/to fellow subsidiaries (repaid)/raised		6 745	29 931	(2 303)	203
<b>Net cash from financing activities</b>		<b>35 328</b>	<b>70 220</b>	<b>29 973</b>	<b>73 625</b>
<b>Net increase in cash and cash equivalents</b>		<b>20 649</b>	<b>21 578</b>	<b>6 689</b>	<b>89</b>
Cash and cash equivalents at beginning of year		18 875	–	89	–
Effect of exchange rate fluctuations on cash held		(1 440)	(2 703)	–	–
<b>Cash and cash equivalents at end of year</b>		<b>38 084</b>	<b>18 875</b>	<b>6 778</b>	<b>89</b>



# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017

### 1. Accounting policies

#### 1.1 Nature of operations

The principal activities of SG International Holdings Limited and its subsidiaries include vehicle dealerships and operations in the niche logistics sector of time-critical delivery services ("TDS"). Countries of operation include the UK, Germany, Sweden, Hungary, Romania, the Czech Republic and Poland.

#### 1.2 Subsequent events

The subsequent events have been disclosed in note 31 of the financial statements.

#### 1.3 Material changes

There have been no material changes in the financial or trading position of the Company and its subsidiaries (the Group) between 30 June 2017 and the date of the approval of the financial statements. Refer to note 31 for subsequent events.

#### 1.4 General information and statement of compliance with IFRSs

SG International Holdings Limited (the "Company") is a company incorporated and domiciled in the UK. Its registered office and principal place of business is Allen Ford, Tachbrook Park Drive, Warwick, CV34 6SY.

The consolidated financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") as issued by the International Accounting Standards Board (IASB).

#### 1.5 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. The accounting policies have been applied consistently by Group entities. The accounting policies are relevant to both the group (consolidated financial statements) and the company (separate financial statements).

##### *Basis of measurement*

The financial statements of the Group and Company have been prepared on the historical cost basis, except for:

- financial assets and financial liabilities (including derivative instruments) measured at fair value through profit or loss; and
- financial assets and financial liabilities designated as hedging instruments measured at fair value through profit or loss.

The financial statements are prepared on the going-concern basis.

The financial statements are presented in Pound Sterling (GBP), the currency of the parent, and all values are rounded to the nearest thousand (GBP'000), except when otherwise indicated.

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 1. Accounting policies (continued)

#### 1.5 Accounting policies (continued)

##### Statement of compliance

##### *Basis of preparation*

The financial statements are prepared in compliance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and interpretations of those standards as adopted by the International Accounting Standards Board and Financial Pronouncements as issued by the Financial Reporting Standards Council.

Under section 408 of the Companies Act 2006, the company is exempt from the requirement to present its own profit and loss account.

##### *Use of estimates and judgements*

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates, judgements and assumptions that affect reported amounts. It also requires management to exercise its judgement in the process of applying the accounting policies.

Actual results may vary from these estimates. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 32. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future periods affected.

At reporting date the following standards and interpretations were in issue but not yet effective:

##### *Effective for the financial year commencing 1 July 2017*

- Disclosure Initiative (Amendments to IAS 7)

##### *Effective for the financial year commencing 1 July 2018*

- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 9 *Financial Instruments*
- IFRIC 22 *Foreign Currency Transactions and Advance Considerations*

##### *Effective for the financial year commencing 1 July 2019*

- IFRS 16 *Leases*

The Group has been holding workshops with their external auditors, KPMG, to determine the potential impact of the adoption of IFRS 15, IFRS 9 and IFRS 16 on the Financial Statements.

IFRS 15 – Revenue from Contracts with Customers replaces IAS 18 – Revenue, and provides a single comprehensive model for revenue recognition based on the satisfaction of performance obligations and additional disclosures in respect of revenue. The initial assessment indicates that there will be no material impact on the Group.

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 1. Accounting policies (continued)

#### 1.5 Accounting policies (continued)

##### Statement of compliance (continued)

IFRS 9 – Financial Instruments replaces IAS 39 Financial instruments. The initial assessment indicates that the impairment allowance of receivables currently estimated on the incurred loss model will be estimated on an expected credit loss model and is not expected to have a material impact on the Group.

IFRS 16 – Leases replaces IAS 17 – Leases, introduced changes to lessee accounting, in particular, the recognition of leases currently classified as operating leases. The standard requires a lessee to recognise a right-of-use asset, representing its rights to use the underlying lease asset, and a lease liability representing its obligation to make lease payments, with certain exceptions for short-term leases or leases of low-value assets, on the Statement of Financial Position. The initial assessment indicates that the present value of operating rental commitments in respect of property and rental and transport fleet disclosed in note 27 be recorded as a financial liability with a corresponding capitalised non-current asset on the Statement of Financial Position. A corresponding amortised finance cost and non-current asset depreciation will be recorded as opposed to the current operating lease expense (refer note 21) in the Statement of Comprehensive Income.

The Board's initial view on the other standards not yet effective is that the impact is not expected to be material.

The group will adopt the above standards and interpretations when they become effective.

##### Basis of consolidation

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested for impairment annually. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

##### Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Non-controlling interest at the acquisition date is determined as the non-controlling shareholder's proportionate share of the fair value of the net assets of subsidiaries acquired. Goodwill is excluded when allocating the non-controlling shareholders proportionate share of the fair value of assets and liabilities acquired. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes these interests to have a deficit balance.

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

##### Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related Non-controlling interests (NCI) and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 1. Accounting policies (continued)

#### 1.5 Accounting policies (continued)

##### *Transactions eliminated on consolidation*

Inter-company transactions, balances and unrealised gains and losses between Group entities are eliminated on consolidation.

##### *Goodwill*

Goodwill on acquisition is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

The acquisition method of accounting is used to account for the acquisition of business.

The consideration transferred is measured as the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date irrespective of the extent of any non-controlling interest. Any excess of the consideration transferred over the at acquisition date fair values of the identifiable net assets acquired is recognised as goodwill. If the consideration transferred is less than the fair value at acquisition date of the Group's share of the net assets of the subsidiary acquired (i.e. discount on acquisition), the difference is recognised directly in profit or loss.

At acquisition date fair values of the identifiable assets and liabilities are determined by reference to market values of those or similar items, where available, or by discounting expected future cash flows to present values using a market-related discount rate.

Goodwill arising on a business combination is allocated among the Group's CGUs that are expected to benefit from synergies as a result of the business combination. This allocation is based on management's assessment of the synergies gained and is not dependent on the location of the acquired assets.

Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated, are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes.

##### *Transaction costs*

Costs related to acquisitions, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination are expensed as incurred.

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 1. Accounting policies (continued)

#### 1.5 Accounting policies (continued)

##### Property, plant and equipment

Property, plant and equipment, excluding land and buildings, are stated at cost less accumulated depreciation and any accumulated impairment losses. Land and buildings are measured at fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Land is not depreciated. Cost includes expenditure that is directly attributable to the acquisition of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance expenditures are charged to profit or loss during the financial year in which they are incurred.

The depreciable amount of the asset is recognised in profit or loss on a straight-line basis. The current estimated useful lives are as follows:

Buildings	20 to 50 years
Leasehold improvements	5 to 6 years
Rental and transport vehicles	4 to 10 years
Furniture and fittings	6 years
Computer equipment	3 to 5 years
Plant and workshop equipment	4 to 7 years

Depreciation of an asset commences when it is available for use and is in the location and condition necessary for it to be capable of operating in the manner intended by management. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Fair value of land and buildings is determined by reference to market-based evidence. This is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at measurement date.

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use.

Gains or losses on the disposal of property, plant and equipment are credited or charged to the profit or loss and are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment.

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 1. Accounting policies (continued)

#### 1.5 Accounting policies (continued)

Group as lessor

##### *Finance leases*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. The transaction is accounted for as a sale of an asset.

The selling price is recorded at the present value of the minimum lease payments receivable with a corresponding finance lease receivable recorded on the statement of financial position.

Lease payments received are allocated between capital repayments and interest income using the effective interest method to achieve a constant rate of interest on the remaining balance of the lease receivable.

##### *Operating leases*

Leases of assets under which substantially all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Group as lessee

##### *Finance leases*

Leases where the Group assumes substantially all the benefits and risks of ownership incidental to ownership of the item are classified as finance leases.

Finance leases are capitalised as property, plant and equipment at the lower of fair value and the present value of the minimum lease payments at the inception of the lease with an equivalent amount being stated as a finance lease borrowing.

The capitalised amount is depreciated over the asset's useful life. Where there is no reasonable certainty that ownership of the asset will be obtained at the end of the lease, the capitalised amount is depreciated over the shorter of the asset's useful life and the lease term.

Lease payments are allocated between capital repayments and borrowing costs using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the borrowing.

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 1. Accounting policies (continued)

#### 1.5 Accounting policies (continued)

##### *Operating leases*

Leases of assets under which substantially all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases.

Lease payments, net of any incentives received from the lessor under an operating lease, are recognised in profit or loss over the lease term on a straight-line basis and the leased assets are not recognised on the Group's statement of financial position.

##### *Intangible assets*

##### *Internally generated*

No value is attributed to internally generated trademarks or similar rights and assets. Costs incurred on these items are charged to profit or loss in the year in which they are incurred.

##### *Acquired both separately and as part of a business combination*

Intangible assets acquired separately are measured initially at cost and those acquired through a business combination at acquisition date fair value. Cost includes the fair value of the consideration transferred to acquire the asset. Intangible assets are carried at cost (or fair value at acquisition) less any accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Intangible assets are amortised unless they have an indefinite useful life.

Amortisation is recognised in profit or loss on a straight-line basis over the current expected useful life of the intangible asset.

An intangible asset has an indefinite useful life when, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. Indefinite useful life intangible assets are tested for impairment annually.

The amortisation method and amortisation period for intangible assets with a finite useful life is reviewed annually at each financial year-end. The current estimated useful lives are as follows:

Software	3 to 7 years;
Trade name	Various depending on trade name expected life;
Customer relations	Various depending on assessment of relationship

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 1. Accounting policies (continued)

#### 1.5 Accounting policies (continued)

##### *Software*

Purchased software and the direct costs associated with the customisation and installation thereof are capitalised. Expenditure on internally developed software is capitalised if it meets the criteria for capitalising development expenditure and will probably generate economic benefits exceeding costs beyond one year. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Expenditure incurred to restore or maintain the originally assessed future economic benefits of existing software systems is recognised in profit or loss.

##### *Provisions*

A provision is recognised when there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are determined by discounting the expected future cash flows to their present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in discounted provisions as a result of the passage of time is recognised as a finance cost in profit or loss.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting the obligations under the contract. Where the contractual residual value for motor vehicles exceeds the anticipated proceeds from the contract at reporting date, an onerous contract provision for residual risk is recognised. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected cost of continuing with the contract.

##### *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring and transporting the inventory to its present location and condition.

Cost is determined as follows:

- New, used and demonstration vehicles – Actual unit cost on a first-in first-out basis.
- Consumables and other inventory – Weighted average cost.
- Parts, accessories and automotive components – Actual unit cost on a first-in first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion, selling expenses and provision for obsolete and damaged stock.

##### *Income tax*

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss, except to the extent that it relates to a business combination, items recognised directly in equity or other comprehensive income.



# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 1. Accounting policies (continued)

#### 1.5 Accounting policies (continued)

##### *Current taxation*

The current tax charge is the expected tax payable on the taxable income for the year using tax rates enacted or subsequently enacted at the reporting date and any adjustments to tax payable in respect of prior years. In situations when there is doubt regarding the tax treatment of a transaction, a provision is recognised based on the best estimate of the amount of tax payable.

##### *Deferred taxation*

Deferred tax is recognised in respect of all temporary differences between the carrying values of assets and liabilities for accounting purposes and the amounts used for tax purposes. No deferred tax is provided on temporary differences relating to:

- the initial recognition of goodwill;
- the initial recognition (other than in a business combination) of an asset or liability to the extent that neither accounting nor taxable profit is affected on acquisition; and
- temporary differences relating to interests in subsidiaries and equity-accounted investees to the extent it is probable these will not reverse in the foreseeable future.

The amount of deferred tax is determined using tax rates enacted or substantively enacted in the relevant jurisdictions at reporting dates that are expected to apply when the asset is realised or liability settled. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income tax levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously. A deferred tax asset is recognised for all deductible temporary differences, including unused tax losses, to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be realised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the expected recovery or settlement of the carrying amount of the underlying assets and liabilities. Deferred tax liabilities have not been provided on undistributed earnings of foreign subsidiaries and associates where those earnings are not expected to be distributed.

The effect on deferred tax of any changes in tax rates is recognised in profit or loss, except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

##### *Value added taxation (VAT)*

The net amount of VAT and GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 1. Accounting policies (continued)

#### 1.5 Accounting policies (continued)

##### Foreign currencies

##### *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in GBP, rounded to the nearest thousand, which is the Company's functional and Company's and Group's presentation currency.

##### *Transactions and balances*

Transactions in foreign currencies are accounted for at rates of exchange ruling on the date of the transactions. Gains and losses arising from the settlement of such transactions are recognised in profit or loss. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the reporting date.

Unrealised translation differences on such monetary assets and liabilities are recognised in profit or loss in the year in which they occur.

##### *Foreign operations*

The results and financial position of all the Group entities that have a functional currency different from the Group presentation currency are translated into the presentation currency.

Assets and liabilities of foreign operations are translated at rates of exchange ruling at the reporting date. Income and expenditure of foreign operations are translated at the rate of exchange at the transaction date or the average rate of exchange for the reporting period. Gains or losses arising on the translation of foreign operations are recognised in other comprehensive income and presented as foreign currency translation reserves in equity. Where the operation is not a wholly owned subsidiary, the relevant proportionate share of the translation difference is allocated to non-controlling interests.

On consolidation, exchange differences arising from the translation of a monetary item that forms part of a reporting entity's net investment in foreign operations, including the borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and presented as a foreign currency translation reserve in equity.

When a foreign operation is sold or partly sold resulting in a loss of control, the share of the related cumulative gains and losses, including taxes, previously recognised in the foreign currency translation reserve is reclassified to profit or loss on disposal as part of the gain or loss on disposal.

When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant portion of the cumulative foreign currency translation reserve is reallocated to non-controlling interests.

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 1. Accounting policies (continued)

#### Impairment of assets

##### *Non-financial assets*

The Group's non-financial assets, other than inventories and deferred tax assets are reviewed whenever events or changes in circumstances indicate that the carrying amount may not be recovered. If any such indication exists then the asset's or cash-generating unit's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

A cash-generating unit is the smallest identifiable asset group that generates cash flows which are largely independent from other assets and groups.

Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit or group of cash-generating units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost of disposal. Corporate assets are allocated proportionately to the cash-generating unit that uses the asset when performing the impairment test.

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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

##### *Financial assets*

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of assets is impaired.

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 1. Accounting policies (continued)

#### 1.5 Accounting policies (continued)

##### *Financial assets (continued)*

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal of impairment losses for financial assets measured at amortised cost is recognised in profit or loss.

Financial assets are written off only when all reasonable attempts at recovery have been taken and failed.

When a financial asset moves out of its arranged trading terms, an impairment allowance is not recognised when these terms are considered renegotiated.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, short-term money market instruments and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are measured at amortised cost. Foreign cash balances are translated using the exchange rate at the reporting date.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above net of outstanding bank overdrafts.

##### *Financial instruments*

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables. Non-derivative financial instruments are recognised initially at fair value.

##### *Financial assets*

All purchases and sales of financial assets are recognised on the trade date, being the date that the Group commits to purchase or sell the asset.

The Group classifies its financial assets into the following categories:

- Measured at fair value through profit or loss; and
- Loans and receivables.

The classification is dependent on the purpose for which the financial asset is acquired. Management determines the classification of its financial assets on initial recognition.

The amount recognised on initial recognition in respect of financial assets not subsequently measured at fair value through profit or loss includes transaction costs associated with the financial asset (such as advisors' and agents' fees and commissions, duties and levies by regulatory agencies).

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 1. Accounting policies (continued)

#### 1.5 Accounting policies (continued)

##### *Financial assets measured at fair value through profit or loss*

Financial assets are classified as measured at fair value through profit or loss, if acquired principally for the purpose of selling in the short term, they form part of a portfolio with a pattern of short-term profit taking, or if so designated by management.

Derivatives are also categorised as financial assets at fair value through profit or loss unless they are designated as hedges.

Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the reporting date.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

They are included in current assets, except for receivables with maturities greater than 12 months after the reporting date. These are classified as non-current assets. Current asset loans and receivables are included in trade and other receivables in the statement of financial position. Trade receivables, which generally have 30- to 90-day terms, are recognised and carried at amortised cost less impairment losses, generally being the original invoice amount less an allowance for any uncollectable amounts. An allowance for impairment is made when collection of the full amount is no longer probable according to the original terms of the receivables. Bad debts are written off when identified.

Other receivables are stated at amortised cost less impairment losses using the effective interest method.

##### *Subsequent measurement*

After initial recognition, financial assets, which are classified as measured at fair value through profit or loss, are measured at fair value.

Gains or losses on financial assets measured at fair value through profit or loss are recognised in profit or loss.

Foreign exchange gains and losses, interest calculated in respect of interest-bearing financial assets on the effective interest method and dividends are recognised directly in profit or loss. For financial assets carried at amortised cost, gains and losses are recognised in profit or loss when the assets are derecognised or impaired.

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 1. Accounting policies (continued)

#### 1.5 Accounting policies (continued)

##### *Non-derivative financial liabilities*

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

##### *Derivative financial instruments*

The Group uses derivative financial instruments such as foreign currency contracts (FECs) to hedge its risks associated with foreign currency and interest-rate fluctuations. Such derivative financial instruments are recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value at each reporting date.

Transaction costs are recognised in profit or loss as incurred. Gains and losses arising from changes in fair value are included in profit or loss in the year in which the change arises.

##### *Non-controlling interest put options*

Non-controlling interest put options are put options over non-controlling interests accounted for using the present access method. Written put options in respect of which the Group does not have an unconditional right to avoid the delivery of cash, are recognised as financial liabilities. Under this method, the non-controlling interest is not derecognised when the financial liability in respect of the put option is recognised, as the non-controlling interest still has present access to the economic benefits associated with the underlying ownership interest. Non-controlling interest put options are initially recognised at the present value of expected future cash flows and subsequently remeasured at the present value of expected future cash flows with any changes in value (accretion and interest) through equity.

##### *Offset*

Financial instruments are offset and the net amount reported in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### *Derecognition of financial assets and financial liabilities*

A financial asset is derecognised when the contractual rights to cash flows expire or there is a transfer of the rights to receive contractual cash flows in a transaction in which substantially all the risks and rewards are transferred. A financial liability is derecognised when it is legally extinguished.

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements for the year ended 30 June 2017 (continued)

### 1. Accounting policies (continued)

#### 1.5 Accounting policies (continued)

##### Employee benefits

##### *Short-term employee benefits*

Remuneration paid to employees for services rendered is recognised in profit or loss as the services are provided.

An accrual is made for accumulated unpaid and unutilised leave.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under a short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### *Post-retirement benefits*

The Group operates a number of defined contribution plans under which it pays fixed contributions into separate retirement funds. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior years. The fund assets are held in separate trustee administered funds.

The plans are generally funded by payments from employees and the relevant Group companies. Contributions to defined contribution plans are recognised in profit or loss in the year to which they relate.

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 1. Accounting policies (continued)

#### 1.5 Accounting policies (continued)

##### Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. The difference between the issue price and the nominal value is recognised as an increase in share premium.

##### Revenue

Revenue is recognised net of indirect taxes, rebates and trade discounts and represents the fair value of amounts receivable in respect of the sale of products and services rendered.

Revenue is recognised when the following criteria are met:

- there is no continuing involvement in the asset;
- delivery has occurred or services have been rendered and the significant risks and rewards of ownership have been transferred to the purchaser;
- costs can be reliably measured;
- the selling price is fixed or determinable; and
- collectability is reasonably assured.

The timing of revenue recognition is as follows:

##### Revenue from:

- the sale of products is recognised when risks and rewards of ownership have been transferred to the buyer and the Group no longer retains continuing managerial involvement associated with ownership;
- licence fees and royalties are recognised on an accrual basis;
- dividends received are recognised when the right to receive payment is established;
- interest received is recognised on a time proportion basis using the effective interest method; and

##### Revenue from full maintenance leases

Revenues comprise the various service components as included in contract billings such as rental charge, maintenance, interest and fuel management fees.

The contract billings may include pass-on costs such as insurance and other fixed overhead recoveries. Rental charges from full maintenance leases are recognised in profit or loss over the period of the full maintenance lease contracts on a straight-line basis.



# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 1. Accounting policies (continued)

#### 1.5 Accounting policies (continued)

##### *Revenue from full maintenance leases (continued)*

Where vehicle maintenance is provided as part of a full maintenance lease or managed maintenance contract, the maintenance agreement is separated from the lease agreement. The maintenance portion that has been billed but where services have not yet been rendered is recorded as a deferred revenue liability called fund reserves in the statement of financial position. The portion that is expected to be earned in the next 12 months is recorded as deferred income in trade and other payables.

Sales of maintenance services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual cost of services provided as a proportion of the total cost of services to be provided plus a reasonable profit on those services.

The deferred maintenance revenue fund for each major customer contract is valued annually by determining spending patterns and applying this to forecast funding requirements and discounting to determine the present value of the deferred revenue. Independent valuations are obtained when necessary.

Surpluses or deficits resulting from the actuarial valuation are recognised in profit or loss.

Contract maintenance costs are recognised in profit or loss when incurred.

##### Operating profit

Operating profit comprises profit before net finance costs, income from investments and income tax expense.

##### Net interest

Net interest is calculated as finance cost after deducting interest received.

##### Fair value hierarchy

When measuring fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorised in to different levels in a fair value hierarchy, based on the inputs used and the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 2. Acquisitions in the current year

#### Essex Auto Group Limited

The Group acquired 100% of Essex Auto Group Limited (EAG) in the United Kingdom on 01 March 2017 for a consideration of GBP 25.2 million. The acquisition of EAG will expand the Group's dealership footprint in the United Kingdom.

The fair value of assets acquired and liabilities assumed at the acquisition date were:

	2017 £'000	2016 £'000
Property, plant and equipment	(15 759)	(19 692)
Intangible assets	—	(32 088)
Deferred tax assets	—	(53)
Inventories	(42 642)	(91 996)
Trade and other receivables	(72)	(35 081)
Provision for impairment of trade receivables	—	277
Cash and cash equivalents	(3 615)	(24 893)
Non-controlling interest	—	11 654
Interest bearing borrowings	3 510	78 124
Deferred tax liabilities	1 030	9 230
Income tax payable	—	2 560
Provisions	—	2 011
Trade and other payables	44 835	119 096
Fair value of assets acquired	(12 713)	19 149
Goodwill	(12 510)	(92 915)
Cash consideration transferred	(25 223)	(73 766)
Cash acquired	3 615	24 893
<b>Cash outflow</b>	<b>(21 608)</b>	<b>(48 873)</b>

Goodwill recognised on the acquisition of EAG amounts to £12 510 000.

Goodwill is attributable mainly to the skills and technical talent of the workforce and synergies expected to be achieved from integrating the acquired business into the Group's existing operations. None of the goodwill is expected to be deductible for tax purposes.

The Group performed a PPA exercise on the EAG dealerships. The initial assessment indicated that no additional intangible assets were identified.

The values identified in relation to the acquisitions are provisional as at 30 June 2017.

In the prior year the group acquired 75% of the issued share capital of IN TIME GmbH. Effective 30 June 2016 Allen Ford (UK) Limited was transferred to the structure of SG International Holdings Limited. The 2016 comparative amounts shown in this note relate to these two acquisitions in the prior year.

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements for the year ended 30 June 2017 (continued)

### 2. Acquisitions in the current year (continued)

#### Impact of the acquisition on the results of the Group

	2017 £'000	2016 £'000
From the acquisition dates, the acquired businesses contributed:		
Revenue	68 716	65 240
Profit before tax	1 555	2 973
Attributable profit	1 244	2 550

If the above acquisitions had occurred on 1 July 2016, the contribution to the Group results would have been:

Revenue	165 129	427 847
Profit before tax	2 001	12 682
Attributable profit	1 601	9 854

### 3. Property, plant and equipment

	Land, buildings and leasehold improvements £'000	Plant and workshop equipment £'000	Furniture and workshop equipment £'000	Computer equipment £'000	Rental and transport fleet £'000	Total £'000
<b>2017</b>						
<i>Cost</i>						
Balance at the beginning of the year	15 847	562	2 949	329	831	20 518
Additions	5 566	281	1 246	221	121	7 435
Disposals	—	(54)	(395)	(39)	(47)	(535)
Acquisition of business	15 511	2	246	—	—	15 759
Net exchange differences	—	36	37	21	45	139
Balance at the end of the year	36 924	827	4 083	532	950	43 316
<i>Depreciation and impairment</i>						
Balance at the beginning of the year	—	(109)	(87)	(45)	(101)	(342)
Current year depreciation	(384)	(208)	(979)	(99)	(156)	(1 826)
Disposal accumulated depreciation	—	5	201	38	28	272
Net exchange differences	—	(10)	(4)	(3)	(7)	(24)
Balance at the end of the year	(384)	(322)	(869)	(109)	(236)	(1 920)
<b>Carrying amount at the end of the year</b>	<b>36 540</b>	<b>505</b>	<b>3 214</b>	<b>423</b>	<b>714</b>	<b>41 396</b>
<b>2016</b>						
<i>Cost</i>						
Balance at 3 July 2015	—	—	—	—	—	—
Additions	—	149	186	229	55	619
Disposals	—	(68)	(10)	(1)	(31)	(110)
Acquisition of business	15 847	425	2 627	68	725	19 692
Net exchange differences	—	56	146	33	82	317
Balance at the end of the year	15 847	562	2 949	329	831	20 518
<i>Depreciation and impairment</i>						
Balance at 3 July 2015	—	—	—	—	—	—
Current year depreciation	—	(98)	(78)	(41)	(90)	(307)
Net exchange differences	—	(11)	(9)	(4)	(11)	(35)
Balance at the end of the year	—	(109)	(87)	(45)	(101)	(342)
<b>Carrying amount the end of the year</b>	<b>15 847</b>	<b>453</b>	<b>2 862</b>	<b>284</b>	<b>730</b>	<b>20 176</b>

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements for the year ended 30 June 2017 (continued)

### 4. Intangible assets

	Trade name £'000	Software £'000	Customer relationships £'000	Total £'000
<b>2017</b>				
<i>Cost</i>				
Balance at the beginning of the year	7 656	2 327	27 485	37 468
Additions	–	209	–	209
Disposals	–	(107)	–	(107)
Net exchange differences	405	123	1 252	1 780
Balance at the end of the year	8 061	2 552	28 737	39 350
<i>Amortisation and impairment</i>				
Balance at the beginning of the year	–	(197)	(3 107)	(3 304)
Amortisation for the year	–	(332)	(4 370)	(4 702)
Disposals	–	107	–	107
Net exchange differences	–	(15)	(224)	(239)
Balance at the end of the year	–	(437)	(7 701)	(8 138)
Carrying amount at end of the year	8 061	2 115	21 036	31 212
Analysis of balance at the end of the year				
<b>2017</b>				
Purchased	8 061	2 115	21 036	31 212
Internally generated	–	–	–	–
	8 061	2 115	21 036	31 212
Intangible assets with indefinite useful life	8 061	–	–	8 061
Intangible assets with definite useful life	–	2 115	21 036	23 151
	8 061	2 115	21 036	31 212

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 4. Intangible assets (continued)

2016	Trade name £'000	Software £'000	Customer relationships £'000	Total £'000
<i>Cost</i>				
Balance at 3 July 2015	–	–	–	–
Acquisitions through business combinations	6 894	1 968	23 226	32 088
Additions	–	128	–	128
Net exchange differences	762	231	4 259	5 252
Balance at the end of the year	7 656	2 327	27 485	37 468
<i>Amortisation and impairment</i>				
Balance at 3 July 2015	–	–	–	–
Amortisation for the year	–	(179)	(2 845)	(3 024)
Net exchange differences	–	(18)	(262)	(280)
Balance at the end of the year	–	(197)	(3 107)	(3 304)
Carrying amount at end of the year	7 656	2 130	24 378	34 164
Analysis of balance at the end of the year				
2016				
Purchased	7 656	2 130	24 378	32 034
Internally generated	–	–	–	–
	7 656	2 130	24 378	34 164
Intangible assets with indefinite useful life	7 656	–	–	7 656
Intangible assets with definite useful life	–	2 130	24 378	26 508
	7 656	2 130	24 378	34 164

During the prior year the acquisition of the trade marks, software and customer relations arose from the acquisitions of IN tIME Holdings GmbH (IN tIME) and with the group restructure of Allen Ford (UK) Limited.

### 5. Goodwill

	2017 £'000	2016 £'000
<i>Cost</i>		
Balance at the beginning of the year	106 182	–
Acquisitions of business	12 510	92 915
Net exchange differences	4 908	13 267
Balance at the end of the year	123 600	106 182
<i>Goodwill per cash-generating unit</i>		
Supply chain – Offshore	98 294	93 386
Dealerships UK	25 306	12 796
	123 600	106 182

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 5. Goodwill (continued)

Goodwill acquired through business combinations has been attributed to individual cash-generating units. The carrying amount of goodwill is subject to annual impairment tests using forecasts of future cash flows and the value-in-use method. No impairment was required in the current or prior year. Write-down of other assets' carrying values in the relevant cash-generating unit was not required. These calculations use projected earnings based on historic operating results.

#### *Impairment testing for cash generating units containing goodwill*

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. The impairment test was based on a value-in-use approach. Value-in-use was determined by discounting the future cash flows generated from the continuing use of the business and was based on the following key assumptions:

#### *Supply Chain – Europe*

- Cash flows were projected based on actual operating results, a five year forecast assuming revenue growth between 5.7% and 6.7% and a terminal value assuming a 1.0% revenue growth.
- Direct costs were forecast based on the margins historically achieved by the business.
- A pre-tax discount rate of 7.7% was applied in determining the recoverable amount. The discount rate reflects the specific risks related to the cash-generating unit.
- The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external and internal data sources.

#### *Dealerships – Dealerships UK*

- Cash flows were projected based on actual operating results and a five year forecast assuming 1.5% revenue growth.
- Direct costs were forecast based on the margins historically achieved by the business.
- Overheads were forecast based on the margins historically achieved by the business adjusted for once off expenditure required.
- A pre-tax discount rate of 13.0% was applied in determining the recoverable amount. The discount rate reflects the specific risks related to the cash generating-unit.
- The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external and internal data sources.

Sensitivity analysis has not been presented due to the headroom available on the impairment test based on a value-in-use approach and the Directors do not consider there to be a reasonably possible change in assumptions that would result in the carrying value exceeding the value-in-use.

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 6. Loans to fellow subsidiaries

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Super Group (EU Investments) Limited	4	4	4	4
Essex Auto Group Limited (EAG)	—	—	3 485	—
	<u>4</u>	<u>4</u>	<u>3 489</u>	<u>4</u>

The interest-free loan is receivable from Super Group (EU Investments) Limited, a fellow subsidiary. The loan is unsecured and receivable on demand.

The loan receivable by the Company from EAG is unsecured and receivable on demand.

### 7. Deferred tax assets/(liabilities)

	2017 £'000	2016 £'000
<b>Movement summary</b>		
Balance at beginning of year	(9 575)	—
– deferred tax liabilities	(11 282)	—
– deferred tax assets	1 707	—
Temporary differences	1 250	1 014
Acquisition of business	(1 030)	(10 713)
Translation adjustment	(443)	124
Balance at end of year	(9 798)	(9 575)
– deferred tax liabilities	(11 615)	(11 282)
– deferred tax assets	1 817	1 707
<b>Analysis of balance at end of year by type of temporary difference</b>		
Accelerated depreciation	(93)	209
Revaluation of land and buildings and investment property fair value	(1 011)	—
Provisions and fund reserves	—	6
Working capital items	29	—
Intangibles acquired	(8 333)	(9 945)
Other	(390)	154
	<u>(9 798)</u>	<u>(9 575)</u>

Deferred tax assets have been recognised only to the extent that the amount of unused tax losses relating to the Group's operations can be carried forward indefinitely and there is evidence that it is probable that sufficient taxable profits will be available in the future to utilise tax losses carried forward.

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements for the year ended 30 June 2017 (continued)

### 8. Investments in subsidiaries

Name	Principal place of business/ country of incorporation	Currency	Owner-ship interest %	Registered address	£'000 At cost
<b>2017</b>					
IN tIME Holding GmbH	Germany	EUR	75	Am Kirchhorster See 1, 30916 Isernhagen, Germany	36 097
Allen Ford (UK) Limited	UK	GBP	100	Tachbrook Park Drive, Leamington Spa, Warwick, CV 34 6SY	37 325
Essex Auto Group Limited (EAG)	UK	GBP	100	Tachbrook Park Drive, Leamington Spa, Warwick, CV 34 6SY	25 223
					<u>98 645</u>
Less: Impairment of non-current receivables					<u>(9 623)</u>
					<u>89 022</u>
<b>2016</b>					
IN tIME Holding GmbH	Germany	EUR	75		36 097
Allen Ford (UK) Limited	UK	GBP	100		<u>37 325</u>
					<u>73 422</u>



# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements for the year ended 30 June 2017 (continued)

9. Inventories	2017 £'000	2016 £'000
New vehicles	60 767	67 892
Used vehicles	22 000	13 637
Demo vehicles	11 904	7 568
Parts and accessories	2 949	2 616
Work in progress	5	133
Other inventory	230	140
	<b>97 855</b>	<b>91 986</b>

The write-down of inventories to net realisable value amounted to £nil (2016 – £2 204 000). The write-down is included in cost of sales.

Included in inventory is a provision for obsolete stock of £1 248 000 (2016: £84 000).

### Additional disclosures – Inventories

	Carrying value of inventory:		
	carried at net realisable value £'000	held under interest-free floor plan obligations £'000	held under interest-bearing floor plan obligations £'000
<b>2017</b>			
New vehicles	–	43 538	17 231
Used vehicles	–	9 882	12 118
Demo vehicles	11 904	2 793	9 111
Parts and accessories	2 949	–	–
Other inventory	233	–	–
	<b>15 086</b>	<b>56 123</b>	<b>38 460</b>

### Additional disclosures – Inventories (continued)

	Carrying value of inventory:		
	carried at net realisable value £'000	held under interest-free floor plan obligations £'000	held under interest-bearing floor plan obligations £'000
<b>2016</b>			
New vehicles	–	47 607	20 285
Used vehicles	13 637	–	5 657
Demo vehicles	7 568	–	5 499
Parts and accessories	2 616	–	–
Other inventory	217	–	–
	<b>24 038</b>	<b>47 607</b>	<b>31 441</b>

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements for the year ended 30 June 2017 (continued)

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>10. Trade and other receivables</b>				
Trade receivables	44 799	31 225	–	–
Sundry receivables	373	2 150	194	107
Prepayments	2 438	2 893	101	–
VAT	169	237	–	–
Deposits	234	20	–	–
Staff debtors	13	156	–	–
<b>Trade and other receivables</b>	<b>48 026</b>	<b>36 681</b>	<b>295</b>	<b>107</b>

Trade receivables are reported after a provision for doubtful debts of £153,000 (2016 – £194,000).

There were no intercompany trade and other receivables transactions during the year under review.

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<i>Currency analysis</i>				
Pound Sterling	25 327	16 248	295	107
Euro	22 699	20 433	–	–
	<b>48 026</b>	<b>36 681</b>	<b>295</b>	<b>107</b>
<b>11. Cash and cash equivalents/ bank overdrafts</b>				
Cash and cash equivalents	38 084	18 875	6 778	89
Bank overdrafts	–	–	–	–
	<b>38 084</b>	<b>18 875</b>	<b>6 778</b>	<b>89</b>
<i>Currency analysis</i>				
Pound Sterling	24 144	12 586	6 778	89
Euro	13 940	6 289	–	–
	<b>38 084</b>	<b>18 875</b>	<b>6 778</b>	<b>89</b>

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

	2017 £'000	2016 £'000
<b>12. Interest-bearing borrowings</b>	<b>20 345</b>	<b>7 128</b>
<b>12.1 Secured property borrowings</b>		
Property borrowings bearing interest at three month Libor plus 175 basis points (2016 – three month Libor plus 175 basis points) and is secured by land, buildings and property with a carrying value of £19 755 000 (2016 – £12,812,000) and are repayable in quarterly payments with the final bullet payment due in May 2020.	10 345	7 128
Bridging finance bearing interest at three-month Libor plus 210 basis points and is secured by shares in EAG, shareholder guarantees and property of £15 600 000 and is repayable in full on 13 March 2018.	10 000	–
<b>12.2 Acquisition borrowings</b>	<b>69 802</b>	<b>69 992</b>
The credit facility bears interest at three month Libor plus 300 basis points (2016 – three-month Libor plus 300 basis points) and is repayable quarterly with the final bullet payment due in December 2018. The facility is secured by shares in Allen Ford.	16 660	23 800
The credit facility bears interest at three month Euribor plus 250 basis points (2016 – three month Euribor plus 250 basis points) and is repayable every six months with the final payment in September 2020. The facility is secured by shares in IN tIME.	13 116	16 439
The credit facility bears interest at three month Euribor plus 300 basis points (2016 – three month Euribor plus 300 basis points), quarterly interest payments with the final bullet payment due at the end of October 2021. The facility is secured by shares in IN tIME.	32 026	29 753
The credit facility bears interest at three-month Libor plus 300 basis points and is secured by shares in EAG and Allen Ford. Payments are made quarterly, with a 25% bullet payment in March 2021.	8 000	–
<b>Total interest-bearing borrowings</b>	<b>90 147</b>	<b>77 120</b>
<b>Short-term portion reflected under current liabilities</b>	<b>(18 032)</b>	<b>(234)</b>
<b>Long-term portion reflected under non-current liabilities</b>	<b>72 115</b>	<b>76 886</b>
<b>Secured property borrowings</b>	<b>10 345</b>	<b>7 128</b>
<b>Acquisition borrowings</b>	<b>61 770</b>	<b>69 758</b>
<b>Repayment terms</b>		
Year 1 (short-term interest-bearing borrowings)	18 032	234
Year 2	20 162	14 893
Year 3 – 5	46 465	27 823
Longer than 5 years	5 488	34 170
	<b>90 147</b>	<b>77 120</b>
<b>Currency analysis</b>		
Pound Sterling	45 005	30 928
Euro	45 142	46 192
	<b>90 147</b>	<b>77 120</b>

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

	2017 £'000	2016 £'000
<b>13. Non-controlling interest put option</b>		
The Group entered into business combinations which included clauses whereby the non-controlling interest equity holders are able to put 100% of their shareholding to the Group for a limited time period at the expiry date of the respective options.		
<b>IN tIME Holding GmbH</b>		
The put option available to the non-controlling interest is exercisable from 30 June 2020 to 30 June 2025. The value of the put option is based on an estimation of the enterprise value at the initial exercise date. The agreement indicates that the enterprise value is calculated by applying a price earnings multiple of 7.5 to the average of the preceding 3 years audited EBITDA of IN tIME and adjusting the result by adding cash and deducting the debt on the specific date.		
In arriving at the option value at 30 June 2020, an average EBITDA of EUR 15 913 000 (2016 – EUR 17 979 000) and a pre-tax discount rate of 7.7% (2016 – 7.3%) was used. This is a level 3 fair value valuation.		
The discount rate used is adjusted to reflect the most affordable funding available to the Group at the reporting date.	8 121	9 670
The following table shows a reconciliation from the opening to closing balances of level 3 financial instruments carried at fair value:		
<b>Financial liabilities – Put option liabilities</b>		
Balance at the beginning of the year	9 670	–
Movement of NCI liability in statement of changes in equity	(1 549)	9 670
<i>Comprising:</i>		
Subsidiary acquired	–	8 000
Fair value and foreign currency translation adjustment	(1 549)	1 670
Balance at the end of the year	8 121	9 670
<b>Sensitivity analysis:</b>		
<b>Financial liabilities – Put option liabilities</b>		
The significant assumption included in the fair value measurement of the put option liabilities relates to the projected earnings that is not observable in the market. The following table shows how the fair value of the liabilities would change if the earnings assumption was increased by 100bps:		
	Fair value £'000	Increase in liability £'000
IN tIME	8 329	208

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

14. Trade and other payables	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade payables	6 940	6 267	—	—
Floorplan payables	99 304	94 790	—	—
Interest bearing floorplan	44 928	37 662	—	—
Interest free floorplan	54 376	57 128	—	—
Trade payables – vehicles	10 235	4 131	—	—
Accruals	13 070	12 562	—	—
VAT payable	1 040	642	—	—
Sundry payables	7 893	1 034	108	—
	<b>138 482</b>	<b>119 426</b>	<b>108</b>	<b>—</b>

There were no intercompany Trade and other payables transactions during the year under review.

	2017 £'000	2016 £'000
<b>Currency analysis</b>		
Pound Sterling	125 820	109 180
Euro	12 662	10 246
	<b>138 482</b>	<b>119 426</b>

15. Provisions	Employee- related provisions £'000	Other provisions £'000	Total £'000
<b>Group</b>			
<b>2017</b>			
<b>Movement summary</b>			
Balance at the beginning of the year	134	607	741
Increase in provisions	715	1 563	2 278
Provisions reversed	—	(75)	(75)
Payments against provision	(129)	(1 367)	(1 496)
Translation adjustment	20	34	54
Balance at the end of the year	<b>740</b>	<b>762</b>	<b>1 502</b>
Short-term	581	762	1 343
Long-term	159	—	159
Balance at the end of the year	<b>740</b>	<b>762</b>	<b>1 502</b>

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements for the year ended 30 June 2017 (continued)

### 15. Provisions (continued)

Group (continued)	Employee- related provisions £'000	Other provisions £'000	Total £'000
2016			
<b>Movement summary</b>			
Balance at 3 July 2015	—	—	—
Increase in provisions	352	404	756
Provisions reversed	(233)	—	(233)
Payments against provision	(1 046)	(769)	(1 815)
Acquisition of business	1 048	963	2 011
Translation adjustment	13	9	22
Balance at the end of the year	134	607	741
Short-term	—	607	607
Long-term	134	—	134
Balance at the end of the year	134	607	741
<b>Company</b>			
2017			
<b>Movement summary</b>			
Balance at the beginning of the year	—	11	11
Increase in provisions	—	—	—
Provisions reversed	—	(11)	(11)
Balance at the end of the year	—	—	—
Short-term	—	—	—
Long-term	—	—	—
Balance at the end of the year	—	—	—
2016			
<b>Movement summary</b>			
Balance at 3 July 2015	—	—	—
Increase in provisions	—	11	11
Balance at the end of the year	—	11	11
Short-term	—	11	11
Long-term	—	—	—
Balance at the end of the year	—	11	11

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 15. Provisions (continued)

Employee-related liabilities relate to pension provisions. The pension provision is estimated based on the expected payment which will be made in respect of the services provided in the current financial year.

The residual value provision is the shortfall between the carrying and the settlement value of the vehicle at the termination date of the lease. Residual values are determined taking into account generally accepted industry-based market forecasts adjusted where necessary to take into account factors specific to the asset. Assumptions in these models include future projected interest rates and market value data published in the relevant countries.

Other provisions include long service awards earned in terms of legislation in some foreign jurisdictions, expected rebates payable and pending legal, employee claims and audit fees.

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>16. Loans from fellow subsidiaries</b>				
<b>Non-current</b>				
Super Group (EU Investments) Limited	36 460	29 935	–	–
Bluefin Investments Limited – non interest bearing	–	–	–	207
	<u>36 460</u>	<u>29 935</u>	<u>–</u>	<u>207</u>
<b>Current</b>				
Bluefin Investments Limited – interest bearing	107	–	107	–
Bluefin Investments Limited – non-interest bearing	320	–	320	–
Allen Ford (UK) Limited	–	–	962	–
	<u>427</u>	<u>–</u>	<u>1 389</u>	<u>–</u>
<b>Split of capital and interest</b>				
Amount advanced	34 324	28 342	1 385	207
Interest accrued until 30 June 2017	<u>2 563</u>	<u>1 593</u>	<u>4</u>	<u>–</u>
	<u>36 887</u>	<u>29 935</u>	<u>1 389</u>	<u>207</u>

The balance owing to Super Group (EU Investments) Limited is unsecured, bears interest at 8% per annum and has a fixed term of eight years.

The interest bearing loan from Bluefin Investments Limited is unsecured, bears interest at Libor 1 month +3% and has no fixed repayment terms. The non-interest bearing loan from Bluefin Investments Limited is unsecured, interest free and has no fixed repayment terms.

The balance owing by the Company to Allen Ford (UK) Limited is unsecured, interest free and has no fixed repayment.

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements for the year ended 30 June 2017 (continued)

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>17. Capital and reserves</b>				
Share capital	36 097	36 097	36 097	36 097
Share premium	34 941	13 525	34 941	13 525
Retained earnings	274	(8 418)	(15 732)	(9 688)
Other reserves (refer note 17.1)	7 042	4 988	—	—
	<u>78 354</u>	<u>46 192</u>	<u>55 306</u>	<u>39 934</u>
<i>Issued share capital</i>				
1 ordinary share subscribed for £1 on 3 July 2015	*	*	*	*
36 096 689 ordinary shares of £1 each allotted on 14 October 2015	36 097	36 097	36 097	36 097
1 ordinary share subscribed for £1 on 28 September 2016	*	*	*	*
1 ordinary share subscribed for £1 on 10 January 2017	*	*	*	*
1 ordinary share subscribed for £1 on 13 March 2017	*	*	*	*
1 ordinary share subscribed for £1 on 23 June 2017	*	*	*	*
	<u>36 097</u>	<u>36 097</u>	<u>36 097</u>	<u>36 097</u>

### *Rights and restrictions related to share capital*

All shares rank equally with  
regard to the company's  
residual assets.

\* Less than GBP 1 000.

	2017 £'000	2016 £'000
<b>17.1 Other reserves</b>		
Translation reserve	<u>7 042</u>	<u>4 988</u>

The translation reserve comprises all foreign exchange differences arising from the translation of entities reporting in currencies other than the presentation currency of the holding company.



# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

	IN tIME £'000 2017	IN tIME £'000 2016
<b>18. Non-controlling interests</b>		
Non-current assets	130 598	127 930
Current assets	36 762	26 689
Non-current liabilities	(91 417)	(86 609)
Current liabilities	(14 999)	(11 798)
Net assets	60 944	56 212
Revenue	115 679	65 240
Profit after tax	1 717	1 675
Other comprehensive income	—	—
Total comprehensive income	1 717	1 675
Cash flows from operating activities	7 037	1 217
Cash flows from investing activities	(956)	(751)
Cash flows from financing activities	1 144	48 502
Net change in cash and cash equivalents	7 225	48 969
NCI percentage	25.0%	25.0%
Carrying amount of NCI	15 236	14 053
Profit allocated to NCI	429	423
OCI allocated to NCI <sup>1</sup>	754	1 976
Dividend paid to NCI	—	—

<sup>1</sup> The OCI allocated to the NCI of IN tIME of £754,000 (2016: £1 976 000) is due to the foreign currency translation reserve movement which arose due to the presentation currency of the Group being different.

The principal place of business of IN tIME is in the Eurozone and incorporation is in Germany.

	2017 £'000	2016 £'000
<b>19. Revenue</b>		
Sale of products	381 082	—
Rendering of services	130 659	65 240
	511 741	65 240

The main sources of revenue is derived from sales of vehicles and logistic solutions between suppliers and manufacturers in the automotive, pharmaceutical and life science, high-tech and electronics, marketing and event logistics and machinery industries.

	2017 £'000	Group 2016 £'000
<b>20. Other operating income</b>		
Commission received	10 374	—
Bad debt recovered	8	42
Realised foreign exchange gain	6	6
Other income	1 169	1 220
	11 557	1 268

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

21. Other operating expenses	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Auditors' remuneration				
– audit fees	180	56	8	11
Operating leases	4 134	815	–	–
– vehicles and other	1 456	797	–	–
– buildings	2 542	–	–	–
– plant and equipment	136	18	–	–
Foreign exchange losses	51	35	–	–
Bad debts written off	6	21	–	–
Legal fees	1 067	596	571	–
Rentals	1 725	940	–	–
Salaries and wages	43 206	9 261	–	–
Amounts paid to key management personnel	773	858	–	–
Loss on sale of property, plant and equipment	14	40	–	–
Other operating expenses	22 223	3 867	461	5

Amounts paid to the company's auditor and its associates is in respect of services to the company, other than the audit of the company's financial statements.

## 22. Operating profit

Operating profit is arrived at after taking into account the following:

	2017 £'000	2016 £'000
22.1 Depreciation and amortisation		
Depreciation of property, plant and equipment	1 826	307
– buildings and leasehold improvements	384	–
– plant and workshop equipment	208	98
– furniture and fittings	979	78
– computer equipment	99	41
– rental and transport fleet	156	90
Amortisation of intangible assets	4 702	2 549
– software	332	179
– customer relations	4 370	2 370
	6 528	2 856
22.2 Cost of sales	426 818	42 698

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 22. Operating profit (continued)

#### 22.3 Staff numbers and costs

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

	Number of employees (Average)	
	2017	2016
Directors and Senior Management	26	17
Middle-management	95	14
Drivers/workshops	521	136
Sales	377	105
Dispatching	306	152
Administration	210	137
Apprentices and trainees	65	29
	<b>1 600</b>	<b>590</b>

The aggregate payroll costs of these persons were as follows:

	2017 £'000	2016 £'000
Wages and salaries	40 922	8 377
Share based payments	—	—
Social security costs	126	71
Contributions to defined contribution plan	2 931	1 671
	<b>43 979</b>	<b>10 119</b>

#### 22.4 Directors' remuneration

Directors' remuneration	773	280
Amounts receivable under long term incentive schemes	—	435

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>23. Finance income and expense</b>				
<b>23.1 Finance income</b>				
Bank accounts	*	2	—	—
Receiver of revenue	—	311	—	—
Other	2	—	—	—
	<b>2</b>	<b>313</b>	<b>—</b>	<b>—</b>
<b>23.2 Finance costs</b>				
Borrowings	3 829	1 163	948	—
Group companies (refer to note 29)	2 509	1 437	4	2
Bank accounts	64	114	—	—
	<b>6 402</b>	<b>2 714</b>	<b>952</b>	<b>2</b>

\* Less than GBP 1 000

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements for the year ended 30 June 2017 (continued)

24. Taxation	2017 £'000	2016 £'000
Current tax expense	3 850	1 302
Deferred tax expense	(1 250)	(913)
	<u>2 600</u>	<u>389</u>
<i>Reconciliation of effective tax rate</i>		
Profit for the year	7 573	1 675
Total tax expense	<u>2 600</u>	<u>389</u>
Profit excluding taxation	<u>10 173</u>	<u>2 064</u>
Tax using the UK corporation tax rate of 20%	2 035	413
Effect of tax rates in foreign jurisdictions	225	—
Under/(over) provided in prior years	<u>340</u>	<u>(24)</u>
	<u>2 600</u>	<u>389</u>

Refer to Note 35 for further details regarding the effect of future UK corporation tax rate changes on current and deferred tax.

	Group		Company	
25. Cash generated from operations	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Reconciliation of profit before tax to cash generated from operations:				
Profit before tax	10 173	2 064	(7 592)	(18)
Depreciation and amortisation	6 528	2 856	—	—
Impairment	—	—	9 623	—
Interest paid	6 402	2 714	952	2
Interest received	(2)	(313)	—	—
Loss on disposal of property, plant and equipment	14	40	—	—
Unrealised foreign exchange gains	(8)	13	(7)	—
Bad debts	56	—	—	—
Cash dividend received	—	—	(4 000)	—
Increase in provisions	<u>689</u>	<u>(1 304)</u>	<u>(11)</u>	<u>11</u>
Operating cash flow	23 852	6 070	(1 035)	(5)
Working capital changes	201	(295)	(74)	(107)
Decrease/(increase) in trade and other receivables	(10 215)	1 020	(182)	(107)
(Increase)/decrease in inventories	36 777	20	—	—
Increase in trade and other payables	<u>(26 361)</u>	<u>(1 335)</u>	<u>108</u>	<u>—</u>
Cash flows from operating activities	<u>24 053</u>	<u>5 775</u>	<u>(1 109)</u>	<u>(112)</u>

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements for the year ended 30 June 2017 (continued)

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>26. Income tax paid</b>				
Balance at the beginning of the year	(1 356)	—	—	—
Charge for the current year	(3 850)	(1 302)	—	—
Subsidiaries acquired	—	(2 560)	—	—
Translation adjustment and other movements	221	(168)	—	—
Balance at the end of the year	<u>1 650</u>	<u>1 356</u>	<u>—</u>	<u>—</u>
	<u>(3 335)</u>	<u>(2 674)</u>	<u>—</u>	<u>—</u>

	Group	
	2017 £'000	2016 £'000
<b>27. Capital expenditure commitments and rental commitments</b>		
<b>27.1 Capital commitments</b>		
<i>Intangible assets</i>		
Contracted	—	—
Authorised by directors but not yet contracted	—	332
Total authorised by directors	<u>—</u>	<u>332</u>
<i>Property, plant and equipment</i>		
Contracted	219	3 392
Authorised by directors but not yet contracted	2 691	1 307
Total authorised by directors	<u>2 910</u>	<u>4 699</u>

This capital expenditure will be financed by proceeds on disposal of related assets, funds generated by the businesses and borrowing facilities available to the Group.

<b>27.2 Operating rental commitments</b>		
Property	24 576	21 826
– less than one year	2 003	2 105
– between one and five years	7 173	6 333
– thereafter	15 400	13 388
Rental and transport fleet	11 847	9 080
– less than one year	2 804	2 119
– between one and five years	6 097	4 269
– thereafter	2 946	2 692
Other	57	78
– less than one year	30	29
– between one and five years	27	49
– thereafter	—	—
Total rental commitments	36 480	30 984
– less than one year	4 837	4 253
– between one and five years	13 297	10 651
– thereafter	18 346	16 080

Operating rental agreements have been negotiated at market-related terms and rates with numerous suppliers.

# **SG International Holdings Limited and its subsidiaries**

## **Notes to the financial statements**

*for the year ended 30 June 2017 (continued)*

### **28. Financial risk management and financial instruments**

#### **28.1 Introduction**

The Group's ultimate holding company has risk management and central treasury functions that manage the financial risks relating to the Group's operations. The risk management function takes responsibility for the identification, measurement and monitoring of risk. The central treasury provides services to the businesses, co-ordinates access to domestic and international foreign markets and manages the financial risks relating to the Group's operations. The Group's credit, liquidity, foreign currency and interest rate risks are continually monitored. In order to manage these risks, the Group's ultimate holding company has developed a risk management process to facilitate control and monitoring of these risks. The Risk Committee meets regularly to review and, if appropriate, approve the implementation of optimal strategies for the effective management of risks. Senior management also meet on a regular basis to analyse currency and interest rate exposures and re-evaluate treasury strategies against revised economic forecasts.

#### **28.2 Risk profile**

In the course of the Group's business operations it is exposed to credit, liquidity, and market risk which includes foreign currency and interest rate risk. The risk management policy of the Group relating to each of these risks is discussed under the respective headings. Where appropriate, derivative financial instruments are used as a means of reducing exposure to fluctuations in foreign exchange rates and interest rates. Whilst these financial instruments are subject to the risk of market rates changing subsequent to acquisition, such changes are generally expected to be offset by opposite effects on the items being hedged. The Group finances its operations through a mixture of retained profits, bank overdrafts, bank revolving credit borrowings and interest-bearing borrowings.

#### **28.3 Capital management**

The board's policy is to maintain healthy capital ratios so as to maintain investor, creditor and market confidence and to sustain future development of the business on a capital-efficient basis. The board monitors its capital structure determining the appropriate debt-to-equity ratio in light of changing economic conditions. The Group invests in growth opportunities, both organic and acquisitive, that complement its strategy applying hurdle rate methodology utilising the weighted average cost of capital (WACC). The board also monitors the level of dividends to ordinary shareholders. The board recognises debt as an important component of its capital structure in support of its leveraged business models. The optimal mix of debt and equity is determined in order to minimise the overall cost of capital and maximise shareholder value.

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 28. Financial risk management and financial instruments (continued)

#### 28.4 Credit risk

Credit risk relates to potential exposure in respect of cash and cash equivalents, loans to fellow subsidiaries, trade receivables and other receivables. Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Where appropriate, the Group obtains collateral or credit insurance on outstanding debts to mitigate risk.

Counterparties to financial instruments consist of a large number of high credit-rated financial institutions. The Group does not expect any counterparties to fail to meet their obligations, given their high credit ratings. The Group has no significant concentration of credit risk with any single counterparty or group of counterparties. Counterparty credit limits are in place which are reviewed and approved by the respective subsidiary boards. Trade accounts receivable consist of a large number of customers spread across diverse industries and geographical areas. Adequate allowance for credit losses has been made.

	2017 £'000	2016 £'000
The maximum exposure to credit risk at the reporting date was:		
Trade receivables net of allowance for credit losses	44 799	31 225
Other receivables (excluding prepayments, lease straight-line debtor, finance lease receivable, FEC assets and VAT)	247	413
Cash and cash equivalents	38 084	18 875
	<b>83 130</b>	<b>50 513</b>
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:		
Europe	21 791	20 004
United Kingdom and other	23 161	11 415
	<b>44 952</b>	<b>31 419</b>
Gross debtors		
Not past due	41 832	27 838
Past due – and not impaired	2 967	3 566
Past due – and impaired	153	15
	<b>44 952</b>	<b>31 419</b>
Gross debtors by trade debtor type		
Retail debtors	12 871	11 415
End user trade debtors	10 290	–
Contract debtors	21 791	20 004
	<b>44 952</b>	<b>31 419</b>
Impairment allowance of trade receivables		
Balance at beginning of year	(194)	–
Movement in impairment allowance	50	(175)
Translation adjustment	(9)	(19)
Balance at end of year	<b>(153)</b>	<b>(194)</b>

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 28. Financial risk management and financial instruments (continued)

#### 28.4 Credit risk (continued)

##### *Not past due*

Debtors that are not past due are considered to be recoverable as there is no indication of the deterioration of the credit quality of these debtors requiring an impairment allowance.

##### *Past due – and not impaired*

A debtor is past due when the counterparty has failed to make payment when contractually due and is based on appropriate rules and assumptions per business and product type. An impairment loss is recognised only if there is objective evidence that collection of the amount is doubtful. There has not been significant change in the credit quality of the underlying debtors and the amounts are considered recoverable.

The Group is exposed from time to time to one or more significant receivables, which may fall into the category "Past due - and not impaired" as a result of the receivable moving out of its arranged trading terms.

	2017 £'000	2016 £'000
The ageing of the past due - not impaired debtors are:		
Less than 60 days	2 406	3 420
Between 60 and 90 days	425	10
Between 90 and 120 days	125	35
Greater than 120 days	11	101
	<hr/> 2 967	<hr/> 3 566

##### *Past due and impaired*

A receivable is considered to be impaired when the debtor has failed to make payment when contractually due and there has been a significant change in the credit quality of the underlying debtor.

#### 28.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. To manage this risk, Group companies manage their working capital, capital expenditure and cash flow and annually assess the financial viability of customers. In order to mitigate any liquidity risk that may arise, adequate unutilised banking facilities and reserve borrowing capacity is maintained per Group policy. The Group continually monitors forecast and actual cash flows and actively matches maturity profiles of financial assets and liabilities.

The following disclosure is based on the contractual maturities of the specific financial liabilities, including estimated interest payments and excluding the impact of netting agreements:



## SG International Holdings Limited and its subsidiaries

### Notes to the financial statements for the year ended 30 June 2017 (continued)

#### 28. Financial risk management and financial instruments (continued)

##### 28.5 Liquidity risk (continued)

	Carrying amount £'000	Within 6 months £'000	6 – 12 months £'000	1 – 2 years £'000	2 – 5 years £'000	After 5 years £'000	Total contractual cash flows £'000
<b>2017</b>							
<b>Non-derivative financial liabilities</b>							
Secured property borrowings	20 345	703	10 935	1 406	8 493	–	21 537
Acquisition borrowings	69 802	6 622	7 184	16 626	45 331	–	75 763
Trade and other payables <sup>1</sup>	137 442	137 442	–	–	–	–	137 442
	<b>227 589</b>	<b>144 767</b>	<b>18 119</b>	<b>18 032</b>	<b>53 824</b>	<b>–</b>	<b>234 742</b>
<b>Derivative financial liabilities</b>							
Non-controlling interest put options	8 121	–	–	–	10 224	–	10 224
<b>2016</b>							
<b>Non-derivative financial liabilities</b>							
Secured property borrowings	7 128	490	490	979	6 106	–	8 065
Acquisition borrowings	69 992	2 596	2 329	18 881	34 777	30 480	89 063
Trade and other payables <sup>1</sup>	118 784	53 725	65 057	–	–	–	118 782
	<b>195 904</b>	<b>56 811</b>	<b>67 876</b>	<b>19 860</b>	<b>40 883</b>	<b>30 480</b>	<b>215 910</b>
<b>Derivative financial liabilities</b>							
Non-controlling interest put options	9 670	–	–	–	17 479	–	17 479

<sup>1</sup> Trade and other payables form an integral part of the day-to-day working capital structure. The maturity profile depicts the expected cash outflows excluding any increase in trade and other payables as a result of normal activity. Trade and other payables exclude VAT.

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 28. Financial risk management and financial instruments (continued)

#### 28.6 Market risk

Market risk comprises foreign currency and interest rate risk only.

##### Foreign currency risk

Exchange rates to GBP	Average rate		Closing rate	
	2017	2016	2017	2016
Euro	1.1641	1.3333	1.1397	1.2006
USD	1.2694	1.4799	1.3032	1.3319

##### Foreign currency risk exposure

Financial instruments analysed in Pound Sterling equivalent of foreign currency:

	Pound Sterling £'000	Euro £'000	Total £'000
<b>2017</b>			
<i>Financial Assets</i>			
Loans to fellow subsidiaries	—	4	4
Cash and cash equivalents	24 144	13 940	38 084
Trade and other receivables	23 161	22 258	45 419
<i>Financial Liabilities</i>			
Loans from fellow subsidiaries	427	36 460	36 887
Secured property borrowings	20 345	—	20 345
Acquisition borrowings	24 660	45 142	69 802
Non-Controlling interest put option	—	8 121	8 121
Trade and other payables	125 820	12 662	138 482
<b>2016</b>			
<i>Financial assets</i>			
Loans to fellow subsidiaries	—	4	4
Cash and cash equivalents	12 586	6 289	18 875
Trade and other receivables	16 248	20 433	36 681
<i>Financial liabilities</i>			
Loans from fellow subsidiaries	—	29 935	29 935
Secured property borrowings	7 128	—	7 128
Acquisition borrowings	23 800	46 192	69 992
Non-Controlling interest put option	—	9 670	9 670
Trade and other payables	109 180	10 246	119 426

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements for the year ended 30 June 2017 (continued)

### 28. Financial risk management and financial instruments (continued)

#### 28.6 Market risk (continue)

##### *Sensitivity analysis*

A 10% strengthening in the GBP against the following currencies at year-end would have (decreased)/increased equity and profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant.

	Equity		Profit or loss	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Euro	(5 295)	(5 545)	(6 618)	(6 931)

A 10% weakening in the GBP will have an equal and opposite effect on equity and profit or loss.

#### 28.7 Interest rate risk

Exposure to interest rate risk on debt is monitored by management. The Group's borrowings are principally secured properties borrowings in the UK and acquisitions borrowings in Euro, following the acquisition of INTIME. Borrowings from Group companies are at both fixed and floating interest rates.

	2017 £'000	2016 £'000
At reporting date the interest rate profile of the Group's interest-bearing financial instruments was:		
<i>Fixed rate instruments</i>		
Financial assets	620	156
Financial liabilities	(57 423)	(43 531)
	(56 803)	(43 375)
<i>Variable rate instruments</i>		
Financial assets	82 883	50 100
Financial liabilities	(214 854)	(191 978)
	(131 971)	(141 878)

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 28. Financial risk management and financial instruments (continued)

#### 28.7 Interest rate risk (continued)

##### *Sensitivity analysis:*

A 100 basis point increase in the interest rate will have the following increase/(decrease) effect on profit or loss and/or equity.

The analysis assumes that all other variables, in particular currency, remain constant. The analysis is performed as follows:

	2017 £'000	2016 £'000
<i>Fixed rate instruments</i>		
Profit before tax effect 100 basis point increase	(501)	(217)
Equity effect 100 basis point increase	(401)	(173)
<i>Variable rate instruments</i>		
(Loss)/profit before tax effect 100 basis point increase	(1 369)	(709)
Equity effect 100 basis point increase	(1 095)	(568)

#### 28.8 Fair value of financial instruments

The Group's financial instruments consist mainly of cash and cash equivalents, trade receivables, other receivables, trade payables, other payables, and borrowings. The recorded amount is described below as the carrying amount, otherwise known as book value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

##### 28.8.1 Cash and cash equivalents and other non-current assets

###### *Cash and cash equivalents*

The carrying amount of cash and other financial assets approximates fair value due to the relatively short-term maturity of these financial instruments.

###### *Other*

For all other instruments for which there are no quoted market prices, a reasonable estimate of fair value has been calculated based on the expected cash flows or the underlying net asset base for each instrument.

##### 28.8.2 Short-term borrowings

The carrying amount approximates fair value because of the short yield to maturity of those instruments and the application of market related interest rates.

##### 28.8.3 Long-term borrowings

The fair value of the long-term borrowings is based on the quoted market price for the same or similar borrowings or on the current rates available for borrowings with the same maturity profile and effective interest rate with similar cash flows. The fair value of non-current borrowings and other payables with variable interest rates approximates their carrying amounts.

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 29. Related party transactions

#### *Identity of related parties*

The Group has related party relationships with retirement benefit funds and its key management personnel.

"Key management personnel" has been defined as the executive and non-executive directors. The definition of related parties includes the close members of family of key management personnel and any other entity over which key management exercises control, significant influence or joint control. Close members of family are those family members who may be expected to influence or be influenced by that individual in their dealings with the Group. They may include the individual's domestic partner and children, the children of the individual's domestic partner, and dependents of the individual or the individual's domestic partner.

#### *Parent entities*

Bluefin Investments Limited is the parent entity. The ultimate parent entity is Super Group Limited, incorporated in South Africa and listed on the Johannesburg Stock Exchange.

#### *Subsidiaries*

Interests in subsidiaries are set out in note 8.

#### *Transactions with fellow subsidiaries*

Loans to fellow subsidiaries – Refer to note 6

Loans from fellow subsidiaries – Refer to note 16

#### *Transactions with holding company and fellow subsidiaries*

	Holding company		Fellow subsidiaries	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
<i>Transactions during the year</i>				
Interest paid	4	2	2 505	1 435

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 30. Going concern

The directors consider that the Group has adequate resources to continue operating for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the consolidated financial statements. The directors have satisfied themselves that the Group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements.

### 31. Subsequent events

Effective 4 July 2017, SG IN TIME acquired 89.5% of the shares of Servicios Empres.Ader S.A (Ader) for a purchase consideration of € 11.6 million. The principal place of business and the majority of operations of Ader are performed in Spain and the Eurozone, with 17 offices throughout Spain and 15 operations in the Eurozone. Ader specialises in the provision of dedicated and exclusive transport and logistics solutions. Ader will be included in the Supply chain Europe operating segment. The Group is in the process of determining the initial accounting and purchase price allocation of Ader.

Effective 4 July 2017, the Group acquired 100% of the shares of Bestodeck Limited (Bestodeck), the holding company of Slough Motor Company Limited (SMC), and seven freehold properties upon which the dealerships are located, for a purchase consideration of £24.0 million. SMC currently operates six Ford and two Suzuki dealerships in the United Kingdom. SMC will be included in the Dealerships UK operating segment. The Group is in the process of determining the initial accounting and purchase price allocation of SMC.

### 32. Critical accounting estimates, judgements and key assumptions

The directors have considered the Group and Company's critical accounting policies, key sources of uncertainty and areas where critical accounting judgements were required in applying the Group's accounting policies.

#### *Critical accounting policies*

The directors are satisfied that the critical accounting policies are appropriate to the Group and Company.

#### *Key sources of uncertainty and critical accounting judgements in applying the Group's accounting policies*

Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates. The Group makes estimates, judgements and assumptions concerning the future. Those that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 32. Critical accounting estimates, judgements and key assumptions (continued)

#### *Impairment of assets*

The Group tests whether assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations or fair value less cost to sell.

#### *Inventories*

Write-downs to net realisable value are raised against inventory when it is considered that the amount realisable from such inventory's sale is less than its carrying amount. In determining whether a particular item of inventory could be considered to be overvalued, the following factors are taken into consideration:

- saleability;
- sub-standard quality and damage; and
- historical and forecast sales.

#### *Trade receivables*

Management identifies impairment of trade receivables on an ongoing basis. Impairment adjustments are raised against trade receivables when their collectability is considered to be doubtful based on objective evidence that a loss event has occurred. Management believes that the impairment write-off is conservative and there are no significant trade receivables that are doubtful and have not been impaired. In determining whether a particular receivable could be doubtful, the following factors are taken into consideration:

- age;
- sector;
- customer current financial status; and
- disputes with the customer.

#### *Property, plant and equipment*

The residual values of property, plant and equipment are considered significant, for certain classes of property, plant and equipment (e.g. motor vehicles). The estimation of the useful lives is based on historic performance as well as expectation about future use and therefore requires a degree of judgement to be applied by management. The depreciation rates represent management's current best estimate of the useful lives of the assets. Residual values are determined taking into account generally accepted industry-based market forecasts adjusted where necessary to take into account factors specific to the asset.

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 32. Critical accounting estimates, judgements and key assumptions (continued)

#### *Intangible assets with indefinite life*

The Group assesses whether an intangible purchased as part of a business combination has an indefinite useful life. The following considerations are taken into account:

- whether the Group intends to maintain the intangible;
- whether the Group has the ability to maintain the intangible
- the level of future expenditure required to maintain the intangible;
- the stability of the industry in which the intangible operates.

#### *Non-controlling interest put options*

The fair value of the put options over non-controlling interest in a subsidiary company is determined by using a discounted future cash flow analysis.

The Group uses its judgment to select a variety of methods and assumptions made are based on market and Group specific conditions existing at each reporting period.

#### *Deferred tax assets*

Deferred tax assets are recognised to the extent it is probable that taxable income will be available in future against which they can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, interest, inflation and taxation rates and competitive forces.

#### *Income tax*

The Group operates in numerous tax jurisdictions and is subject to tax legislation that is open to interpretation. This requires a degree of judgement to be applied by management in determining income tax.

The provisions for potential income tax exposures are the best estimates of the tax amount expected to be paid. The best estimate amount is included as part of the income tax expense charge in the statement of comprehensive income and the liability to the tax authorities. The Group reassesses its best estimates on an ongoing basis based on new information that may impact these estimates. The tax amount is calculated based on a probability of the individual tax exposures present.

#### *Valuation and asset lives of separately identifiable intangible assets*

Intangible assets acquired in a business combination are required to be recognised separately from goodwill and amortised over their useful life if they are subject to contractual or legal rights or are separately transferable and their value can be reliably estimated.

In order to determine the fair value of the separately identifiable intangible assets on a business combination, management use their best knowledge to make estimates when utilising the Group's valuation methodologies. The valuation methodologies require input based on assumptions about the future and use discounted cash flows and free cash flow forecasts.

For significant acquisitions management considers the advice of third party independent valuers in identifying and calculating the valuation of any intangible assets arising on acquisition.



# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 33. Retirement benefits

All eligible employees are members of defined contribution schemes administered by the Group or are members of funds within the various industries in which they are employed. Contributions are paid by the members and the Group. The assets of these schemes are held in administered trust funds separated from the Group's assets. Scheme assets primarily consist of listed shares and property unit trusts and fixed income securities.

The benefits provided are determined by accumulated contributions and returns on investments. The benefits offered vary according to the legal, fiscal and economic conditions of each fund. Trustees are appointed by the Group companies and representatives of the employees. The trustees monitor investment performance and portfolio characteristics on a regular basis to ensure fund managers are meeting expectations with respect to their investment approach.

The Group has no exposure to any post-retirement benefit obligations.

	2017 GBP'000	2016 GBP'000
Contributions to defined contribution funds	2 931	1 805

### 34. Related undertakings

In accordance with section 409 of the Companies Act 2006, a full list of subsidiaries as at 30 June 2017 is shown below:

#### Subsidiaries

Name and address	Brief description of the activities carried on by the company	Percentage owned
<b>UK</b>		
<i>Tachbrook Park Drive, Leamington Spa, Warwick, CV34 6SY</i>		
Allen Ford (UK) Limited	Dealership	100%
Essex Auto Group Limited (EAG)	Dealership	100%
Charles H Allen Ltd	Dealership	100%
CHA (2005) Ltd	Dealership	100%
<b>Germany</b>		
<i>AM Kirchhorster See 1, 30916 Isernhagen, Germany</i>		
SG INTIME Holdings	Holding company	75%
INTIME Service GmbH	Holding company	75%
Express Logistik GmbH	Logistics services	75%

# SG International Holdings Limited and its subsidiaries

## Notes to the financial statements

for the year ended 30 June 2017 (continued)

### 34. Related undertakings (continued)

In accordance with section 409 of the Companies Act 2006, a full list of subsidiaries as at 30 June 2017 is shown below:

#### Subsidiaries (continued)

Name and address	Brief description of the activities carried on by the company	Percentage owned
<b>Hungary</b> <i>Tibormajori ut. 9, 9027 Gyor Hungary</i> Direkt-Trans Kft	Logistics services	75%
<b>Romania</b> <i>Str. Barcelona 8, 550018 Sibiu, Romania</i> Direct Kuriere SRL	Logistics services	75%
<b>Poland</b> <i>Jerczmanowska 17, 54-530 Wroclaw, Poland</i> Express Logistics spz	Logistics services	75%
<b>Czech Republic</b> <i>Valcha 139, 30100 Pilsen, Czech Republic</i> Express Logistics sro	Logistics services	75%
<b>Sweden</b> <i>Karbingatan 20, 25467 Helsingborg, Sweden</i> Express AB	Logistics services	75%

### 35. Effect of future tax rate changes

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax assets and liabilities at 30 June 2017 have been calculated based on these rates.