

Registered number: 00153658

**Lancaster Motor Company Limited**  
**Report and Financial Statements**

**31 DECEMBER 2018**

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**Lancaster Motor Company Limited**  
**Report and Financial Statements**

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**COMPANY INFORMATION**

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<b>DIRECTORS</b>	D N Williamson M D Bishop (resigned 1 January 2019) D J Muir (appointed 1 January 2019)
<b>COMPANY SECRETARY</b>	M Finch
<b>REGISTERED NUMBER</b>	00153658
<b>REGISTERED OFFICE</b>	770 The Crescent Colchester Business Park Colchester CO4 9YQ
<b>BANKERS</b>	HSBC Bank plc Midland House 26 North Station Road Colchester CO1 1SY
<b>SOLICITORS</b>	Eversheds Sutherland LLP Kett House Station Road Cambridge CB1 2JY

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**Lancaster Motor Company Limited**  
**Report and Financial Statements**

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**Lancaster Motor Company Limited**  
**Report and Financial Statements**

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**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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The directors present their strategic report on the company for the year ended 31 December 2018.

**Principal activities**

The company's principal activity is the retail distribution of new and used motor vehicles and related activities in the motor trade. The company operates Jaguar, Land Rover, Volkswagen, Toyota, Lexus, Honda, Ferrari, Aston Martin, Maserati, Lamborghini, Harley-Davidson, Skoda and BMW & MINI dealerships.

**Business review**

As part of the wider group's mission, the company aims to be part of the best motor retail group in the UK by delivering an unparalleled level of customer service. It aims to achieve this by retaining existing and adding new customers, improving its operational effectiveness and growing sales volumes profitably whilst investing in the development and retention of its employees.

The company has completed its investment programme in its Jaguar and Land Rover dealerships and now has full dual-arch dealerships in Tonbridge, Reading, Slough, Milton Keynes and Wolverhampton. It also has a stand-alone Land Rover dealership in Birmingham and a stand-alone Jaguar dealership in Tamworth. As the Tamworth facility was not to current franchise standards it was closed in April 2019 as part of the overall Jaguar Land Rover investment plan.

The company posted a pre-tax loss of £6.3m (2017: loss of £6.0m). This is as a result of the Jaguar Land Rover re-structure and the related disruption to business together with under-performance of the Volkswagen division. Both divisions have improved trade in 2019 with significant improvements in Jaguar Land Rover. The directors anticipate a much improved financial performance in 2019.

On 2 January 2018, the company sold the trade and net assets of two Bentley dealerships in Colchester and Sevenoaks for a net consideration of £0.8m.

**Future developments**

The company will continue to consolidate and grow its existing core businesses with its diverse portfolio of franchise representations. The company continues to invest in each franchise in order to meet the aspirations of its franchise partners.

As part of an ongoing review the company constantly reviews the performance of each franchise that it represents and makes investment and divestment decisions based upon current and future performance expectations.

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**Lancaster Motor Company Limited**  
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**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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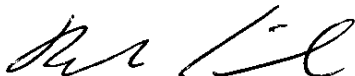
**Key Performance Indicators (KPIs) and principal risks and uncertainties**

The directors manage the group's risks and those of its fellow subsidiaries at a group level. Furthermore, they monitor the group's performance on a dealership basis rather than at a statutory company level.

For these reasons the company's directors do not believe that a discussion of the principal risks facing the company or the use of KPIs to analyse its performance are appropriate for an understanding of its development, performance or financial position.

The KPIs used by the group and the principal business risks it faces are discussed in the directors' report of Jardine Motors Group UK Limited's annual report, which does not form part of this report.

This report was approved by the board on 25 September 2019 and signed on its behalf.



**Mark Finch**  
Company secretary

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**Lancaster Motor Company Limited**  
**Report and Financial Statements**

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**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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The directors present their report and the financial statements for the year ended 31 December 2018

**Principal activities**

The principal activity of the business is discussed in the strategic report on page 1.

**Business review and future developments**

The review of the business and future developments are discussed in the strategic report on page 1.

**Post balance sheet events**

On 11 April 2019, the company closed its Jaguar dealership in Tamworth.

On 2 September 2019, the company sold two Honda dealerships in Reading and Newbury for a net consideration of £0.9m and re-purposed its remaining two Honda dealerships in Birmingham and Bracknell to used car centres. The company no longer operates Honda dealerships.

**Going concern**

The company has net current liabilities of £56,212,000. The financial statements have been prepared on a going concern basis as the intermediate parent undertaking, Jardine Motors Group UK Limited, has indicated that it will provide financial support for a period of at least twelve months from the date of signing the financial statements to enable the company to meet its liabilities as they fall due. The net current liability includes £78,864,000 due to Jardine Motors Group UK Limited and its subsidiary undertakings.

**Financial risk management**

The company is part of the Jardine Motors Group UK Limited group of companies (referred to as 'group'). The directors manage the company's risks and those of its fellow subsidiaries on a group basis.

*a) Funding and liquidity risk*

The group's policy is to ensure that the funding requirements forecast by the group can be met within available committed facilities.

*b) Interest rate risk*

The group's interest rate policy is to manage the risk of interest rate fluctuations on the cash flows payable on the group's debt.

*c) Credit risk*

An external credit risk company is used to check the credit ratings of counterparties and limit the group's exposure to credit risk. Credit ratings are updated both throughout the year and also upon credit alerts received from the credit risk company.

**Results and dividends**

The loss for the year, after taxation, amounted to £4,749,000 (2017 - loss £4,490,000).

The directors do not recommend the payment of a final dividend (2017 - £nil).

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**Lancaster Motor Company Limited**  
**Report and Financial Statements**

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**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**Directors**

The directors who were in office during the year and up to the date of signing the financial statements were.

D N Williamson  
M D Bishop (resigned 1 January 2019)  
D J Muir (appointed 1 January 2019)

**Qualifying third party indemnity provisions**

No qualifying third party indemnity provision was in force during the financial year ended 31 December 2018 or at the date of this report.

**Employees and equal opportunities**

The company is committed to an active equal opportunities policy from recruitment and selection, through training and development, appraisal and promotion to retirement.

It is the company's policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sex and sexual orientation. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion opportunities of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through internal newsletters, briefing groups, electronic communications and the group's internal periodical 'Torque'.

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**Lancaster Motor Company Limited**  
**Report and Financial Statements**

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**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**Statement of directors' responsibilities**

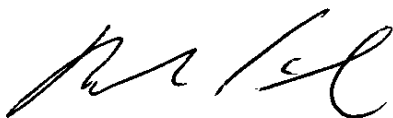
The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

This report was approved by the board on 25 September 2019 and signed on its behalf.



**Mark Finch**  
Company secretary



**Lancaster Motor Company Limited**  
**Report and Financial Statements**

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	Continuing operations 2018 £000	Discontin'd operations 2018 £000	Total 2018 £000	Continuing operations 2017 £000	Discontin'd operations 2017 £000	Total 2017 £000
Turnover	5	1,025,450	-	1,025,450	933,689	46,896	980,585
Cost of sales		(954,095)	-	(954,095)	(868,729)	(43,560)	(912,289)
<b>Gross profit</b>		<b>71,355</b>	<b>-</b>	<b>71,355</b>	<b>64,960</b>	<b>3,336</b>	<b>68,296</b>
Selling and distribution costs		(55,972)	-	(55,972)	(49,972)	(2,700)	(52,672)
Administrative expenses		(21,596)	-	(21,596)	(20,716)	(1,559)	(22,275)
<b>Operating loss</b>	5	<b>(6,213)</b>	<b>-</b>	<b>(6,213)</b>	<b>(5,728)</b>	<b>(923)</b>	<b>(6,651)</b>
Exceptional items	6	-	-	-	394	-	394
Interest receivable and similar income	9	1,327	-	1,327	1,237	-	1,237
Interest payable and similar charges	10	(1,385)	-	(1,385)	(918)	(97)	(1,015)
<b>Loss on ordinary activities before taxation</b>		<b>(6,271)</b>	<b>-</b>	<b>(6,271)</b>	<b>(5,015)</b>	<b>(1,020)</b>	<b>(6,035)</b>
Taxation on loss on ordinary activities	11	1,522	-	1,522	1,348	197	1,545
<b>Loss for the year</b>		<b>(4,749)</b>	<b>-</b>	<b>(4,749)</b>	<b>(3,667)</b>	<b>(823)</b>	<b>(4,490)</b>

There is no difference between the profit on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents.

**Lancaster Motor Company Limited**  
**Report and Financial Statements**  
**REGISTERED NUMBER:00153658**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
<b>Fixed assets</b>			
Intangible assets	12	11,454	13,152
Tangible assets	13	54,376	19,081
Investments	14	12,941	12,941
		<u>78,771</u>	<u>45,174</u>
<b>Current assets</b>			
Stocks	15	126,862	137,162
Debtors: Amounts falling due within one year	16	34,050	30,500
Cash at bank and in hand		-	4,669
		<u>160,912</u>	<u>172,331</u>
Creditors: Amounts falling due within one year	17	(217,124)	(196,860)
<b>Net current liabilities</b>		<u>(56,212)</u>	<u>(24,529)</u>
<b>Total assets less current liabilities</b>		<u>22,559</u>	<u>20,645</u>
Deferred tax	18	(1,373)	(1,530)
Provisions for liabilities	19	(1,832)	(1,012)
<b>Net assets</b>		<u>19,354</u>	<u>18,103</u>
<b>Capital and reserves</b>			
Called up share capital	20	16,000	10,000
Retained earnings		3,354	8,103
<b>Total equity</b>		<u>19,354</u>	<u>18,103</u>

The directors consider that the company is entitled to exemption from the requirement to have an audit under the provisions of section 479A of the Companies Act 2006 ("the Act") and members have not required the company to obtain an audit for the year in question in accordance with section 476 of the Act.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements on pages 6 to 28 were approved and authorised for issue by the board and were signed on its behalf on 25 September 2019.

  
**Ó J Muir**  
 Director

**Lancaster Motor Company Limited**  
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**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 January 2018	10,000	8,103	18,103
<b>Comprehensive income for the year</b>			
Loss for the year	-	(4,749)	(4,749)
<b>Contributions by and distributions to owners</b>			
Dividends: Equity capital	-	-	-
Shares issued during the year	6,000	-	6,000
<b>At 31 December 2018</b>	<b>16,000</b>	<b>3,354</b>	<b>19,354</b>

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 January 2017	10,000	12,593	22,593
<b>Comprehensive income for the year</b>			
Loss for the year	-	(4,490)	(4,490)
<b>Contributions by and distributions to owners</b>			
<b>At 31 December 2017</b>	<b>10,000</b>	<b>8,103</b>	<b>18,103</b>

The notes on pages 9 to 28 form part of these financial statements.

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**Lancaster Motor Company Limited**  
**Report and Financial Statements**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**1. General information**

The principal activity of Lancaster Motor Company Limited (the 'Company') is the retail distribution of motor vehicles and related activities in the motor trade.

The company is a private company limited by shares and is incorporated in England. The address of its registered office is 770 The Crescent, Colchester Business Park, Colchester, CO4 9YQ.

**2. Statement of compliance**

The financial statements of Lancaster Motor Company Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

**3. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with FRS 102.

The company has net current liabilities of £56,212,000. The financial statements have been prepared on a going concern basis as the intermediate parent undertaking, Jardine Motors Group UK Limited, has indicated that it will provide financial support for a period of at least twelve months from the date of signing the financial statements to enable the company to meet its liabilities as they fall due.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 4).

**Investments in subsidiary undertakings**

Investments in subsidiary undertakings are stated at cost less provision for impairment in the financial statements of the company. Provision against the underlying value of investments in subsidiaries is made where, in the opinion of the directors, there is impairment to the value of the underlying business.

**Goodwill**

Goodwill arising on acquisition, being the difference between the fair value of net assets acquired and the consideration paid, is recognised in the balance sheet as an intangible fixed asset and amortised through the profit and loss account over the directors' estimate of its useful life, being ten years.

On acquisition, goodwill is allocated to cash generating units that are expected to benefit from the combination.

On a subsequent disposal or termination of a previously acquired business, the profit or loss on disposal or termination is calculated after charging the amount of any related goodwill not written off through the profit and loss account, including any previously taken direct to reserves.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on tangible fixed assets in equal annual instalments over their expected useful economic lives as follows:

Short-term leasehold land and buildings	-	over term of lease
Plant and machinery	-	10% - 33% per annum
Computer equipment	-	20% - 33% per annum
Furniture, equipment and motor vehicles	-	10% - 33% per annum

The profit or loss on disposal of tangible fixed assets is recognised by reference to their carrying amount.

**Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the company's shareholders. The company has taken advantage of the following exemptions:

- from preparing a statement of cash flows, it is a wholly owned subsidiary of Lancaster Public Limited Company and it is included in the consolidated financial statements of that company, which are publicly available; and
- from disclosing the company key management personnel compensation, as required by FRS 102, paragraph 33.7.

**Impairment**

Goodwill is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. The company performs impairment reviews using the forecast net future cash flows of the businesses affected, discounted to net present value using the company's cost of capital. Any impairment provision is offset directly against the underlying assets of the business deemed to have suffered the impairment.

**Stock**

Stock is valued at the lower of cost and net realisable value. Cost is actual purchase price, excluding value added tax. Stock includes interest-bearing consignment stock, the corresponding liabilities of which are included in creditors. Consignment stock that is non-interest bearing is not considered an asset of the company and is excluded. Net realisable value is based on estimated selling price less further costs to be incurred to completion and disposal. Provision is made where necessary for obsolete, slow moving and defective stocks

**Taxation**

Current tax is the amount of corporation tax payable provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**Taxation (continued)**

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

**Trade and other debtors**

Trade debtors are recognised and measured at their original invoiced amount less provision for any uncollectable amounts. An estimate for doubtful debts is made when the collection of the full amount is no longer probable. Bad debts are written off to the profit and loss account when they are identified.

**Provisions**

The company provides in full for liabilities when it has a legal or constructive obligation arising from a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

**Turnover**

Turnover comprises the value of sales of motor vehicles and parts, income from financing agreements and income from servicing, repairing and hiring of vehicles. Value added tax and discounts are excluded.

Turnover from the sale of goods is recognised upon transfer to a third party of economic benefits arising from the use of an asset or service. In practice this means that turnover is recognised when vehicles are invoiced and physically dispatched or when the service has been undertaken.

**Leased assets**

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Where assets are financed by leasing arrangements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

**Exceptional items**

The company classifies certain one-off charges or credits that have a material impact on the company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the company.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**Pensions**

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

**Financial assets**

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest rate method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the profit and loss account.

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

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

**Financial liabilities**

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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

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

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

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**Lancaster Motor Company Limited**  
**Report and Financial Statements**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**Financial instruments**

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

**Related party transactions**

The company is exempt from disclosing related party transactions with entities that are part of the group as the company is a wholly owned subsidiary of Jardine Motors Group UK Limited.

**Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

**Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**4. Critical accounting judgements and estimation uncertainty**

The preparation of financial statements under FRS 102 requires the company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements 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. Actual results may differ from these estimates. The estimates, judgements and assumptions to the carrying amount of assets and liabilities within the financial year are discussed below.

**a) Impairment of goodwill and other fixed assets**

As required, the company applies procedures to ensure that its assets are carried at no more than their recoverable amount. The procedures require estimates and assumptions to be made.

The company is required to test whether goodwill has suffered any impairment on an annual basis. As part of this testing the recoverable amounts of cash generating units (CGU) have been determined based on value-in-use calculations. The use of this method requires the estimation of future cash flows expected to arise from the continuing operation of the CGU and the choice of suitable discount rates in order to calculate the present value of the forecast cash flows. Actual outcomes could vary significantly from these estimates.

**b) Stock**

As stocks are carried at the lower of cost and net realisable value this requires the estimation of the eventual sales price of goods to customers in the future. A high degree of judgement is applied when estimating the impact on the carrying value of stock of factors such as obsolete, slow moving and defective stocks. The quantity, age and condition of stocks are regularly measured and assessed as part of a range of reviews and stock counts undertaken throughout the year and across the company.

**c) Tax estimates**

The calculation of the company's total tax charge for the year necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined at the reporting date. To the extent that the final outcome differs from the tax that has been provided, adjustments will be made to corporation tax and deferred tax provisions. Furthermore, the recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits, based on the latest available profit forecasts, will be available in the future against which the reversal of timing differences can be deducted.

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**Lancaster Motor Company Limited**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**5. Turnover and operating loss**

All turnover, operating loss and net assets of the company are derived from retail and commercial motor trade activities transacted from dealerships within the United Kingdom.

The turnover and operating loss is stated after charging/(crediting):

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Management charge payable to group undertakings	<b>4,826</b>	<b>4,737</b>
Depreciation of tangible fixed assets (note 13)	<b>4,017</b>	<b>4,842</b>
Net provision created/(released) for lease exit costs (note 19)	<b>739</b>	<b>(961)</b>
Amortisation of goodwill (note 12)	<b>1,698</b>	<b>1,763</b>
Impairment of trade debtors (note 16)	<b>140</b>	<b>458</b>
Operating lease charges - land and buildings	<b>2,344</b>	<b>2,468</b>
Operating lease charges - plant and machinery	<b>442</b>	<b>473</b>
	<hr/>	<hr/>

**6. Exceptional items**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Profit on disposals of dealerships	-	<b>(1,844)</b>
Stock write down	-	<b>1,450</b>
	<hr/>	<hr/>
	-	<b>(394)</b>
	<hr/>	<hr/>

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**7. Employees**

Staff costs were as follows:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	<b>56,361</b>	57,124
Social security costs	<b>6,398</b>	6,393
Pension costs (note 25)	<b>851</b>	659
	<b>63,610</b>	64,176

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

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
Sales	<b>562</b>	630
Aftersales	<b>833</b>	1,034
Administration	<b>285</b>	304
	<b>1,680</b>	1,968

**8. Directors**

No emoluments or fees were paid to directors during the year (2017: £nil) in respect of their services to the company. The key management compensation in respect of their services to the wider group is shown in the financial statements of Jardine Motors Group UK Limited.

**9. Interest receivable**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Other interest receivable	<b>1,327</b>	1,237

**10. Interest payable and similar charges**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Stocking loan interest	<b>1,304</b>	814
Unwinding of discount in provisions (note 19)	<b>81</b>	201
	<b>1,385</b>	1,015

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**11. Taxation**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Current tax:</b>		
UK corporation tax at 19.00% (2017 - 19.25%)	<b>(1,565)</b>	<b>(1,024)</b>
Adjustment in respect of prior years	<b>200</b>	<b>(273)</b>
	<u><b>(1,365)</b></u>	<u><b>(1,297)</b></u>
<b>Total current tax</b>		
<b>Deferred tax:</b>		
Accelerated capital allowances	<b>(173)</b>	<b>(49)</b>
Other short term temporary differences	<b>293</b>	<b>(13)</b>
Intangible fixed assets	<b>(140)</b>	<b>(66)</b>
Adjustment in respect of prior years	<b>(137)</b>	<b>(120)</b>
	<u><b>(157)</b></u>	<u><b>(248)</b></u>
<b>Total deferred tax (note 18)</b>		
	<u><u><b>(1,522)</b></u></u>	<u><u><b>(1,545)</b></u></u>
<b>Taxation on loss on ordinary activities</b>		

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**11. Taxation (continued)**

**Reconciliation of tax credit**

The tax assessed for the year is lower than (2017 - *lower than*) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%) The differences are explained below.

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
Loss on ordinary activities before tax	<b>(6,271)</b>	<b>(6,035)</b>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%)	<b>(1,191)</b>	<b>(1,162)</b>
<b>Effects of:</b>		
Non-taxable disposal gains	-	<b>(167)</b>
Net chargeable gains on disposals in year	-	<b>650</b>
Adjustment to taxable profit - group recharges	<b>(913)</b>	<b>(765)</b>
Expenses not deductible for tax purposes	<b>379</b>	<b>278</b>
Net temporary differences: effect of change in tax rates	<b>140</b>	<b>14</b>
Adjustment in respect of prior years	<b>63</b>	<b>(393)</b>
<b>Total tax credit for the year</b>	<b>(1,522)</b>	<b>(1,545)</b>

**Factors that may affect future tax charges**

The tax rate for the current year is lower than the prior year due to changes in the UK corporation tax rate which decreased from 20% to 19% from 1 April 2017. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

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**12. Intangible assets**

	<b>Goodwill</b> <b>£000</b>
<b>Cost</b>	
At 1 January 2018	18,869
<b>At 31 December 2018</b>	<b>18,869</b>
<b>Amortisation</b>	
At 1 January 2018	5,717
Charge for the year	1,698
<b>At 31 December 2018</b>	<b>7,415</b>
<b>Net book value</b>	
<b>At 31 December 2018</b>	<b>11,454</b>
<i>At 31 December 2017</i>	<i>13,152</i>

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**13. Tangible fixed assets**

	Freehold property £000	Short-term leasehold property £000	Plant and machinery £000	Furniture, equipment and motor vehicles £000	Computer equipment £000
<b>Cost or valuation</b>					
At 1 January 2018	-	12,618	9,440	10,216	2,391
Additions	12,050	21,478	1,734	3,806	458
Disposals	-	(76)	(1,093)	(906)	(461)
<b>At 31 December 2018</b>	<b>12,050</b>	<b>34,020</b>	<b>10,081</b>	<b>13,116</b>	<b>2,388</b>
<b>Depreciation</b>					
At 1 January 2018	-	3,631	5,255	5,079	1,619
Charge for the year on owned assets	-	1,243	916	1,449	409
Disposals	-	-	(1,032)	(835)	(455)
<b>At 31 December 2018</b>	<b>-</b>	<b>4,874</b>	<b>5,139</b>	<b>5,693</b>	<b>1,573</b>
<b>Net book value</b>					
<b>At 31 December 2018</b>	<b>12,050</b>	<b>29,146</b>	<b>4,942</b>	<b>7,423</b>	<b>815</b>
<i>At 31 December 2017</i>	<i>-</i>	<i>8,987</i>	<i>4,185</i>	<i>5,137</i>	<i>772</i>

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

	<b>Total £000</b>
<b>Cost or valuation</b>	
At 1 January 2018	34,665
Additions	39,526
Disposals	(2,536)
<b>At 31 December 2018</b>	<b>71,655</b>
<b>Depreciation</b>	
At 1 January 2018	15,584
Charge for the year on owned assets	4,017
Disposals	(2,322)
<b>At 31 December 2018</b>	<b>17,279</b>
<b>Net book value</b>	
<b>At 31 December 2018</b>	<b>54,376</b>
<i>At 31 December 2017</i>	<i>19,081</i>

Included within short-term leasehold property additions are lease premiums of £6,650,000 and £6,700,000 paid to Lancaster Motors (Property) Limited, a fellow group undertaking. These represent lease premiums paid for respective dealership properties in Wolverhampton and Tonbridge.

The freehold property additions were transferred at book value to Lancaster Public Limited Company after the year end.



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**14. Fixed asset investments**

	<b>Investments in subsidiary companies £000</b>
<b>Cost and net book value</b>	
At 1 January 2018	12,941
<b>At 31 December 2018</b>	<b>12,941</b>
At 31 December 2017	12,941

**Subsidiary undertakings**

The subsidiary undertakings of the company at 31 December 2018 were:

<b>Name</b>	<b>Class</b>	<b>Principal activity</b>
Abridge Loughton TPS Limited	Ordinary	Wholesale parts centre
Wayside Trade Parts Limited	Ordinary	Wholesale parts centre
JMG LP	Ordinary	Partnership holding group freehold property
Carrs (Holdings) Limited	Ordinary	Property owning company
Spencers Limited	Ordinary	Dormant

Abridge Loughton TPS Limited, Wayside Trade Parts Limited, Carrs (Holdings) Limited and Spencers Limited are wholly owned.

JMG LP is 8% owned by the company and ultimately is wholly owned by Jardine Motors Group UK Limited.

All subsidiary undertakings are registered and operate in England and Wales.

In the opinion of the directors, the value of the investments is not less than their carrying value.

Consolidated financial statements have not been prepared because the company is a wholly owned subsidiary of Lancaster Public Limited Company, a company registered in England and Wales, for which consolidated financial statements have been prepared.

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**15. Stock**

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
Consignment vehicles	<b>3,829</b>	5,722
Motor vehicles	<b>118,975</b>	127,399
Parts and other stocks	<b>4,058</b>	4,041
	<b>126,862</b>	<b>137,162</b>

Stock held on consignment includes interest-bearing stock, some of which has a corresponding liability included in trade creditors. Vehicles adopted out of consignment stock are generally invoiced at the price ruling at the date of adoption.

**16. Debtors**

	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>
Trade debtors	<b>15,834</b>	13,004
Other debtors (including corporation tax)	<b>12,972</b>	13,905
Prepayments and accrued income	<b>5,244</b>	3,591
	<b>34,050</b>	<b>30,500</b>

Trade debtors are stated after provisions for impairment of £140,000 (2017: £458,000)

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

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Bank overdrafts	<b>17,888</b>	-
Trade creditors	<b>92,157</b>	98,706
Amounts owed to group undertakings	<b>78,864</b>	71,959
Other taxation and social security	<b>3,741</b>	8,611
Other creditors	<b>21,265</b>	12,847
Accruals and deferred income	<b>3,209</b>	4,737
	<b>217,124</b>	196,860

The amounts owed to group undertakings are unsecured, interest free, have no fixed repayment terms and are repayable on demand.

**Bank overdrafts**

The bank overdrafts of the company are guaranteed under the terms of the UK group unlimited multi-lateral cross-guarantee agreements. The overdrafts are renewed annually. Interest is charged on the bank overdrafts at rates linked to bank base rate.

**18. Deferred taxation**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Liability</b>		
At beginning of year	<b>(1,530)</b>	(1,755)
Credited to the profit or loss (note 11)	<b>157</b>	248
Acquired in year	-	(23)
<b>Liability at end of year</b>	<b>(1,373)</b>	(1,530)

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**18. Deferred taxation (continued)**

The deferred taxation liability is made up as follows:

	2018 £000	2017 £000
Accelerated capital allowances	300	63
Intangible fixed assets	(1,529)	(1,670)
Other short term timing differences	(144)	77
	<u>(1,373)</u>	<u>(1,530)</u>

No deferred tax is recognised in relation to the undistributed reserves of subsidiary entities on the basis that such distributions would be exempt from corporation tax and withholding taxes in accordance with UK tax law. In accordance with UK tax law Lancaster Motor Company Limited is not required to deduct UK income tax on the payment of distributions to its shareholders. Distributions paid by the company are treated as exempt from corporation tax in the hands of the group's parent company, Lancaster Public Limited Company.

**19. Provisions for liabilities**

	Lease costs £000
At 1 January 2018	1,012
Provided in year	739
Unwinding of discount in provisions (note 10)	81
<b>At 31 December 2018</b>	<b><u>1,832</u></b>

**Lease costs**

The lease costs provision was established to provide for all the future estimated costs which will be payable up to, and including, the date of termination of the leases and was discounted at the average cost of capital of the company.

**20. Share capital**

	2018 £000	2017 £000
<b>Allotted, called up and fully paid</b>		
64,000,000 (2017 - 40,000,000) ordinary shares of £0.25 each	<u>16,000</u>	<u>10,000</u>

During the year the parent undertaking, Lancaster Public Limited Company, injected £6,000,000 in to the company, resulting in the issue of an additional 24,000,000 ordinary shares of £0.25 each.

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**21. Financial instruments**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Financial assets that are debt instruments measured at amortised cost:</b>		
Trade debtors	<b>15,834</b>	13,004
Other debtors	<b>12,972</b>	13,905
	<b>28,806</b>	26,909
<b>Financial liabilities measured at amortised cost:</b>		
Bank overdrafts	<b>(17,888)</b>	-
Other creditors	<b>(21,265)</b>	(12,847)
Trade creditors	<b>(92,157)</b>	(98,706)
Accruals and deferred income	<b>(3,209)</b>	(4,737)
Amounts owed to group undertakings	<b>(78,864)</b>	(71,959)
	<b>(213,383)</b>	(188,249)

**22. Related party transactions**

The company is exempt from disclosing related party transactions with entities that are part of the group as the company is a wholly owned subsidiary of Jardine Motors Group UK Limited.

**23. Capital commitments**

At 31 December 2018 the company had capital commitments as follows:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Contracted for but not provided in these financial statements	<b>509</b>	12,441

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**24. Commitments under operating leases**

	<b>Land and buildings 2018 £000</b>	<b>Other 2018 £000</b>	<i>Land and buildings 2017 £000</i>	<i>Other 2017 £000</i>
Within one year	<b>2,097</b>	<b>114</b>	2,860	64
Within two to five years	<b>7,623</b>	<b>86</b>	7,521	48
After five years	<b>8,511</b>	<b>115</b>	11,508	-
	<b>18,231</b>	<b>315</b>	21,889	112

The majority of leases of land and buildings are subject to rent reviews at intervals of five years.

**25. Pension schemes**

The ultimate United Kingdom parent undertaking, Jardine Motors Group UK Limited, operates one principal hybrid scheme, which is in part defined benefit and in part defined contribution, and one principal defined contribution pension scheme that the company participates in. The principal hybrid scheme closed to future accrual on 1 December 2009, at which point all remaining members were able to join the defined contribution scheme.

The contributions paid by the company to the defined benefit scheme will be accounted for as though to a defined contribution scheme. This arises since the company is not legally responsible for the plan and does not have sufficient information to use defined benefit accounting. Full details of the scheme are given in the financial statements of the ultimate parent undertaking, Jardine Motors Group UK Limited.

During the year the company has made no contributions (2017: £nil) to the defined benefit scheme and £851,000 (2017: £659,000) to the defined contribution scheme.

**26. Contingent liabilities**

The company is subject to cross guarantees covering overdrafts in Jardine Motors Group UK Limited and fellow subsidiaries. These overdrafts amounted to £nil at 31 December 2018 (2017: £nil).

**27. Post balance sheet events**

On 11 April 2019, the company closed its Jaguar dealership in Tamworth.

On 2 September 2019, the company sold two Honda dealerships in Reading and Newbury for a net consideration of £0.9m and re-purposed its remaining two Honda dealerships in Birmingham and Bracknell to used car centres. The company no longer operates Honda dealerships.

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**28. Ultimate parent undertaking**

The immediate parent undertaking is Lancaster Public Limited Company.

The ultimate parent undertaking and controlling party is Jardine Matheson Holdings Limited, a company incorporated in Bermuda.

Jardine Matheson Holdings Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements.

Lancaster Public Limited Company is the parent undertaking of the smallest group of undertakings to consolidate these financial statements.

The consolidated financial statements of Lancaster Public Limited Company and Jardine Matheson Holdings Limited can be obtained from the address below:

M Finch  
Jardine Motors Group UK Limited  
770 The Crescent  
Colchester Business Park  
Colchester  
CO4 9YQ