Marshall Motor Group Limited

Report and financial statements

For the year ended 31 December 2019

Company Number 00295579

Marshall Motor Group Limited
Report and financial statements
For the year ended 31 December 2019

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Officers and Professional Advisers
For the year ended 31 December 2019

The Board of Directors	D. Gupta R.J. Blumberger J.H. Crowther J.L. Head J.M. Moxon
Company Secretary	S.R. Jones
Registered Office	Airport House The Airport Cambridge CB5 8RY United Kingdom
Auditor	Ernst & Young LLP One Cambridge Business Park Cambridge CB4 0WZ
Banker	Barclays Bank plc 9-11 St. Andrew's Street Cambridge CB2 3AA
Solicitor	Dentons UKMEA LLP The Pinnacle 170 Midsummer Boulevard Milton Keynes MK9 1FE

Review of the business

The activities of Marshall Motor Group Limited ("the Company") continue to consist primarily of vehicle sales, servicing of vehicles and associated activities.

The Company's financial performance is assessed primarily by turnover and gross margin as disclosed in the Income Statement. Turnover grew to £912,668,000 (2018: £847,296,000) with gross profit increasing to £99,167,000 (2018: £90,167,000).

Key performance indicators

The business activities of the Company cover multiple divisions operated by the group headed by Marshall Motor Holdings plc ("the Group"). As performance is managed on a divisional basis, additional Company specific performance indicators are not considered necessary to provide an understanding of the financial position and performance of business activities. Divisional performance is discussed in the Marshall Motor Holdings plc Annual Report which is available online or can be obtained from the address in Note 27. The Marshall Motor Holdings plc Annual Report does not form part of this Strategic Report.

Principal risks and uncertainties

The principal risks and uncertainties that may have a significant impact on the Company's financial condition, results of operations and/or reputation include: business relationships and strategy, legal and regulatory changes, compliance risk, economic and political uncertainty, treasury and finance risks, environmental and health and safety risks, attracting and retaining key employees and IT and cyber security risks. The Company is a member of the group (the "Group") headed by Marshall Motor Holdings plc ("MMH"), for full details of these risks, see the Principal Risks and Uncertainties section of the MMH Annual Report and Accounts.

The Directors' draw specific attention to the following risks:

- The COVID-19 pandemic has caused major disruption to businesses across the world, including the Company, as described in the Directors' Report on page 4 and in Note 28 to the financial statements. The duration of the disruption and nature of government measures implemented to control the spread of this disease are in part unknown at this time. The Directors' have taken appropriate cost mitigation actions and the Company is benefiting from the support provided by the UK Government, by vehicle manufacturers and by the Group's funding facility providers.
- Progress of the European Union exit negotiations continue to be monitored with appropriate actions taken in response to changes in economic conditions. The Company is not a direct importer of vehicles and parts from the EU; it makes purchases from manufacturers' UK national sales companies (NSCs) which have primary responsibility for managing imports to the UK. As a result, the Company continues to maintain close relationships with manufacturers and to monitor manufacturers' Brexit preparations.

Short-term mitigating actions

The COVID-19 pandemic will have a material impact on the Company and the Group's profitability and cash flows for the year ending 31 December 2020. In response to this unprecedented and uncertain situation the Company and the Group are taking a number of actions to conserve cash, including:

- Suspending MMH dividend payments;
- Drawing on the applicable support measures announced by the UK Government, including in particular, the Coronavirus Job Retention Scheme, the Expanded Retail Discount 2020/21 for business rates and the deferral of VAT payments;
- Utilising the support measures put in place by vehicle manufacturers to support franchised dealers such as the Company, including the extension of vehicle funding terms if the shutdown period extends beyond the current period and the guaranteeing of certain performance bonus payments; and
- Taking cost mitigation actions including seeking revised terms with certain suppliers and reductions in staff salaries.

Financial position

The Group has modelled a number of scenarios all of which show sufficient headroom within the Group's existing and future revolving credit facility. The Group has also extended vehicle stock funding facilities during this period and so will continue to have vehicle inventories funded in the normal way. Whilst these extensions are for a finite period, all funders remain open to discussion once more is understood regarding the timing of the impact of the temporary shutdown and back to work scenarios.

The Group is at advanced stages of discussion around the covenant measures required during the testing period in 2020.

The Company is party to these facilities either directly or via the support provided to it by MMH as set out in the Directors' Report.

Financial risk management

Business activities are carried out under normal trade terms; these terms and relationships with suppliers and customers are regularly reviewed. The Company has a treasury arrangement providing access to Group facilities; funding requirements are managed on a group wide basis. The Company does not use financial derivatives and does not enter into financial instruments, including derivative financial instruments, for speculative purposes.

Approval

This Strategic Report was approved by order of the Board on 22 May 2020.

R.J. Blumberger
Director

Marshall Motor Group Limited

Directors' Report

For the year ended 31 December 2019

Directors

The Directors of Marshall Motor Group Limited ("the Company") throughout the year and to the date of this report were:

D. Gupta
M.D. Raban (resigned 2 January 2019)
R.J. Blumberger (appointed 2 January 2019)
H.A. Burrows (resigned 31 December 2019)
J.H. Crowther
J.L. Head (appointed 21 October 2019)
J.M. Moxon (appointed 1 January 2020)

Results and dividends

The Company is owned by Marshall Motor Holdings plc ("the Group").

The profit for the year, after tax, amounted to £8,886,000 (2018: £10,459,000). No dividends have been paid during the year (2018: £nil).

Auditor

In so far as each of the persons who were Directors at the date of approving these financial statements is aware:

- there is no relevant information of which the Company's auditor is unaware; and
- each Director has taken all steps that they ought to have taken to make themselves aware of any relevant information and to establish that the auditor is aware of that information.

Charitable donations

During the year, the Company made charitable donations of £25,000 (2018: £3,000).

Events since the balance sheet date

Subsequent to the end of the reporting period, the Company is experiencing significant business disruption arising as a result of the global COVID-19 pandemic. In particular, the Company was required to close all of its dealership showrooms from 23 March 2020 and at the date of these financial statements, only a limited number of the Company's aftersales facilities remain open to provide aftersales services to the emergency services, transport companies and other key workers. At the date of these financial statements, it is not known when the Company will be able to reopen its businesses.

In addition to having a material impact on the Company's trading for the year ending 31 December 2020, depending upon the duration of UK restrictions, these events may have an impact on the net realisable value of vehicle stocks as well as the recoverable amount of non-financial assets held as at 31 December 2019. Whist uncertainty over the length and extent of the current circumstances remains, the full financial impact of these events cannot be reliably estimated.

These significant changes in the Company's activities, and to broader economic conditions, occurred as a result of events after 31 December 2019. Therefore, the financial position and performance of the Company as presented in these financial statements has not been adjusted for the impacts of the ongoing COVID-19 pandemic.

Going concern

The Company reported a profit for the twelve months ended 31 December 2019, and maintained a positive financial position. In addition, the Company has a treasury arrangement with other companies in the group of companies of which Marshall Motor Holdings plc ("MMH") is the parent company (the "MMH Group"). This arrangement facilitates the Company being able to meet its liabilities as they fall due.

The Company is a member of the group (the "Group") headed by Marshall Motor Holdings plc ("MMH"). The Group has £120m of bank facilities due to expire in June 2021. In addition to these banking facilities the Company also has, through being a member of the Group, access to substantial vehicle inventory funding arrangements of which £217.8m was utilised by the Company and a total of £443.7m was utilised by the Group at 31 December 2019.

COVID-19

At the date of these financial statements, the Company is experiencing significant business disruption arising as a result of the global COVID-19 pandemic. In particular, the Company was required to close all of its dealership showrooms from 23 March 2020 and at the date of these financial statements, only a limited number of the Company's aftersales facilities remain open to provide aftersales services to the emergency services, transport companies and other key workers. At the date of these financial statements, it is not known when the Company will be able to reopen its businesses.

Going concern *(continued)*

COVID-19 *(continued)*
The Directors have assessed the potential impact of the COVID-19 pandemic on the Company and have modelled various scenarios based on a continued disruption to the Company's activities and those of the Group. All scenarios modelled assess the Group as a whole and assume that the Company continues to have access to existing banking facilities made available by the Group. The Company has received a letter of support to this effect from its parent, MMH.

All scenarios modelled include the benefit of:

- The applicable support measures announced by the UK Government, including in particular, the Coronavirus Job Retention Scheme, the Expanded Retail Discount 2020/21 for business rates, and the deferral of VAT payments;
- The support measures put in place by vehicle manufacturers to support franchised dealers such as the Company, including the extension of vehicle funding terms if the shutdown period extends beyond the current period and the guaranteeing of certain performance bonus payments; and
- Cost mitigation actions implemented by the Company, including revised terms with certain suppliers and reductions in staff salaries.

The Directors have concluded that the Company is able to continue as a going concern through to June 2021 (the "review period").

A key assumption underpinning the assessment conducted by the Directors is that the Company will continue to have access to the Group banking facilities and the vehicle inventory funding arrangements. This assumption is confirmed by a letter of support covering the review period from MMH. MMH has also confirmed its expectation that vehicle inventory funding arrangements can be extended on similar terms throughout the review period and this has been discussed with the relevant funders. It is assumed that used vehicle values will remain stable despite the risk associated with market value changes. The existing MMH banking facilities expire on 3 June 2021, discussions are ongoing with the relevant banking partners regarding a new agreement which would provide a similar level of facilities compared to those provided by the existing agreement. The positive discussions with banking partners and the expectation of a successful conclusion for the refinancing on or before 3 June 2021 have been confirmed by the Directors of MMH.

The Directors of MMH have also noted that, the reduction in EBITDA performance caused by a period of significant disruption beyond May 2020 is likely to result in a breach of both the fixed charge cover and leverage covenants in the MMH facilities. A breach of the financial covenants would require a formal waiver of the covenant tests at that time to ensure the continued availability of the facilities.

MMH's funding providers have been consulted on the modelled scenarios, including the resulting impact upon the current financial covenants, and such funding providers have indicated that they will support requests for waivers or variations to ensure the continuity of these facilities throughout the review period.

The assumptions underpinning the scenarios and the assessments made by the Directors regarding the continued availability of bank facilities and vehicle inventory funding arrangements along with the assumptions around trading levels post shutdown are significant judgements regarding the Company's ability to continue as a going concern.

Each of these significant judgements represent material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

Despite this, the Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements. Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Company were unable to continue as a going concern.

Future developments

The Group's strategic vision is to be regarded as the UK's premier automotive retail group. The Group will continue to focus on achieving this goal through:

- the performance optimisation of the business
- offering outstanding customer service
- demonstrating retailing excellence
- building strong relations with our brand partners and key suppliers, and
- by being a great place to work.

Employment of disabled persons

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement

During the year, the policy of providing employees with information about the Company has been continued through the newsletter 'Marshall Matters', team briefings and through our global email network. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Board decision making (s172 statement)

When making decisions, the Directors consider what is most likely to lead to the success of the Company and to be of benefit to the members as a whole over the long term. When making such decisions, the Directors also consider the interests of other key stakeholder groups and seek to arrive at conclusions that do not adversely affect groups as whole. For full details of these considerations, see the Directors' Report section of the Marshall Motor Holdings plc Annual Report.

Following the onset of the COVID-19 pandemic in March 2020 all key stakeholders have been updated with details of the actions being taken and how these affect them. The Directors and their teams are in close dialogue with our customers and suppliers to enable us to continue to provide aftersales services to key workers to support the national response to the pandemic. The Directors have communicated frequently with employees via email, with regular video updates from the Executive Leadership team. These communications have been supported by enhanced content being published on the group wide intranet. The Chief Financial Officer of MMH (who is also a Director of the Company) has, on behalf of the Board, had discussions directly with the Group's banking partners.

Approval

This Directors' Report was approved by order of the Board on 22 May 2020.

R.J. Blumberger
Director

Marshall Motor Group Limited
Statement of Directors' Responsibilities
For the year ended 31 December 2019

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 Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that year.

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

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

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

Independent Auditor's Report to the Members of Marshall Motor Group Limited
For the year ended 31 December 2019

Opinion

We have audited the financial statements of Marshall Motor Group Limited for the year ended 31 December 2019 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 28, including a summary of significant accounting policies The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:
- give a true and fair view of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Notes 1 and 28 in the financial statements, which describe material uncertainties relating to: the forecast cash requirements of the company and wider group over the 12 months from date of approval of these financial statements given the uncertainty of the duration of the impact of COVID-19 on the business and the reliance on forecast government support and mitigating actions; the continued availability of bank facilities including the conclusion of the ongoing refinancing exercise and continuity of vehicle funding in the knowledge that both will require bank and vehicle funding support to continue to operate, including waivers in relation to covenants and terms as necessary.

As stated in Note 1, these events or conditions, indicate that material uncertainties exist that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 8, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

Nigel Meredith (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham

24 May 2020

Marshall Motor Group Limited
Income Statement
For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover	4	912,668	847,296
Cost of sales		(813,501)	(757,129)
Gross profit		**99,167**	**90,167**
Administrative expenses		(86,561)	(75,761)
Operating profit		**12,606**	**14,406**
Interest payable and similar charges	8	(1,506)	(1,267)
Profit on ordinary activities before taxation	5	**11,100**	**13,139**
Tax on profit on ordinary activities	9	(2,214)	(2,680)
Profit for the financial year		**8,886**	**10,459**

All of the activities of the Company are classed as continuing.

The notes on pages 14 to 34 form part of these financial statements.

Marshall Motor Group Limited
Balance Sheet
As at 31 December 2019

	Note	£'000	2019 £'000	£'000	2018 £'000
Fixed assets					
Intangible assets	10		8,890		2,196
Tangible assets	11		12,249		9,902
			21,139		12,098
Current assets					
Stock	12	210,359		131,877	
Debtors: amounts falling due after one year	14	1,389		1,458	
Debtors: amounts falling due within one year	13	164,196		154,238	
Cash at bank and in hand		24,121		30,336	
		400,065		317,909	
Creditors: amounts falling due within one year	16	(351,495)		(265,788)	
Net current assets			48,570		52,121
Total assets less current liabilities			69,709		64,219
Creditors: amounts falling due after more than one year	17		(4,620)		(3,896)
Provisions for liabilities	18		(3,143)		(7,592)
Net assets			**61,946**		**52,731**
Capital and reserves					
Called-up share capital	23		2,250		2,250
Share-based payments reserve	25		339		139
Profit and loss account	24		59,357		50,342
Shareholder's funds			**61,946**		**52,731**

The notes on pages 14 to 34 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 22 May 2020.

R.J. Blumberger
Director

Company Number: 00295579

Marshall Motor Group Limited
Statement of Changes in Equity
For the year ended 31 December 2019

	Note	Called-up share capital	Share-based payments reserve	Profit and loss account	Total
		£'000	£'000	£'000	£'000
At 1 January 2018		2,250	46	39,812	42,108
Profit for the financial year		-	-	10,459	10,459
Total comprehensive income for the year		-	-	**10,459**	**10,459**
Exercise of share options	25	-	(71)	71	-
Share-based payments charge	25	-	164	-	164
At 31 December 2018		**2,250**	**139**	**50,342**	**52,731**
Profit for the financial year		-	-	8,886	8,886
Total comprehensive income for the year		-	-	**8,886**	**8,886**
Exercise of share options	25	-	(252)	129	(123)
Share-based payments charge	25	-	452	-	452
At 31 December 2019		**2,250**	**339**	**59,357**	**61,946**

1. Basis of preparation and statement of compliance

Marshall Motor Group Limited (company number: 00295579) ("the Company") is a private company, limited by shares, incorporated in England and Wales. The registered office is Airport House, The Airport, Newmarket Road, Cambridge, CB5 8RY. The financial statements have been prepared in compliance with FRS 102, 'the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland'. The Company has applied FRS 102 as issued in March 2018, which reflects the amendments made as part of the Triennial Review 2017. The Triennial Review amendments have had no material impact on the financial statements of the Company. The accounting policy choice afforded by the Triennial Review amendments in respect of other intangible assets acquired on a business combination is discussed in Note 2 'Accounting Policies' below.

The financial statements of the Company were authorised for issue by the Board of Directors on 22 May 2020.

The financial statements are prepared in sterling, which is the functional and presentational currency of the Company. All amounts are rounded to the nearest £'000.

The Company accounts have also adopted the following disclosure exemptions:
- Presentation of a cash-flow statement and related notes
- Financial instrument related disclosures
- Key management personnel compensation disclosures
- Related party disclosures with wholly owned subsidiaries within the Group.

These exemptions have been applied as the Company is a qualifying entity and the shareholders of the Company have been notified in writing and no objection has been made to the use of the exemptions.

Going concern

The Company reported a profit for the twelve months ended 31 December 2019, and maintained a positive financial position. In addition, the Company has a treasury arrangement with other companies in the group of companies of which Marshall Motor Holdings plc ("MMH") is the parent company (the "MMH Group"). This arrangement facilitates the Company being able to meet its liabilities as they fall due.

The Company is a member of the group (the "Group") headed by Marshall Motor Holdings plc ("MMH"). The Group has £120m of bank facilities due to expire in June 2021. In addition to these banking facilities the Company also has, through being a member of the Group, access to substantial vehicle inventory funding arrangements of which £217.8m was utilised by the Company and a total of £443.7m was utilised by the Group at 31 December 2019.

COVID-19

At the date of these financial statements, the Company is experiencing significant business disruption arising as a result of the global COVID-19 pandemic. In particular, the Company was required to close all of its dealership showrooms from 23 March 2020 and at the date of these financial statements, only a limited number of the Company's aftersales facilities remain open to provide aftersales services to the emergency services, transport companies and other key workers. At the date of these financial statements, it is not known when the Company will be able to reopen its businesses.

The Directors have assessed the potential impact of the COVID-19 pandemic on the Company and have modelled various scenarios based on a continued disruption to the Company's activities and those of the Group. All scenarios modelled assess the Group as a whole and assume that the Company continues to have access to existing banking facilities made available by the Group. The Company has received a letter of support to this effect from its parent, MMH.

All scenarios modelled include the benefit of:
- The applicable support measures announced by the UK Government, including in particular, the Coronavirus Job Retention Scheme, the Expanded Retail Discount 2020/21 for business rates, and the deferral of VAT payments;
- The support measures put in place by vehicle manufacturers to support franchised dealers such as the Company, including the extension of vehicle funding terms if the shutdown period extends beyond the current period and the guaranteeing of certain performance bonus payments; and
- Cost mitigation actions implemented by the Company, including revised terms with certain suppliers and reductions in staff salaries.

The Directors have concluded that the Company is able to continue as a going concern through to June 2021 (the "review period").

1. Basis of preparation and statement of compliance *(continued)*

Going concern *(continued)*

***COVID-19** (continued)*
A key assumption underpinning the assessment conducted by the Directors is that the Company will continue to have access to the Group banking facilities and the vehicle inventory funding arrangements. This assumption is confirmed by a letter of support covering the review period from MMH. MMH has also confirmed its expectation that vehicle inventory funding arrangements can be extended on similar terms throughout the review period and this has been discussed with the relevant funders. It is assumed that used vehicle values will remain stable despite the risk associated with market value changes. The existing MMH banking facilities expire on 3 June 2021, discussions are ongoing with the relevant banking partners regarding a new agreement which would provide a similar level of facilities compared to those provided by the existing agreement. The positive discussions with banking partners and the expectation of a successful conclusion for the refinancing on or before 3 June 2021 have been confirmed by the Directors of MMH.

The Directors of MMH have also noted that, the reduction in EBITDA performance caused by a period of significant disruption beyond May 2020 is likely to result in a breach of both the fixed charge cover and leverage covenants in the MMH facilities. A breach of the financial covenants would require a formal waiver of the covenant tests at that time to ensure the continued availability of the facilities.

MMH's funding providers have been consulted on the modelled scenarios, including the resulting impact upon the current financial covenants, and such funding providers have indicated that they will support requests for waivers or variations to ensure the continuity of these facilities throughout the review period.

The assumptions underpinning the scenarios and the assessments made by the Directors regarding the continued availability of bank facilities and vehicle inventory funding arrangements along with the assumptions around trading levels post shutdown are significant judgements regarding the Company's ability to continue as a going concern.

Each of these significant judgements represent material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

Despite this, the Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements. Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Company were unable to continue as a going concern.

2. Accounting policies

Revenue recognition

Turnover is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Turnover is measured at the fair value of the consideration received, excluding Value Added Tax. The following criteria must also be met before revenue is recognised:

Sale of goods
Turnover in respect of new and used vehicle sales is recognised when: the significant risks and rewards of ownership of the goods have passed to the buyer, usually when a customer takes possession of a vehicle; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or expected to be incurred in respect of the transaction can be measured reliably.

Rendering of services
Turnover in respect of other services is recognised once the service has been provided.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. 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. When parts of an item of tangible fixed assets have different useful lives, those components are accounted for as separate items of tangible fixed assets.

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 Company and the cost of the item can be measured reliably.

2. Accounting policies *(continued)*

Tangible fixed assets *(continued)*

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income Statement.

Depreciation is charged to the Income Statement on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Estimated residual values are included in the calculation of depreciation. The useful lives applicable are:

Leasehold improvements	- shorter of the lease term or 10 years
Fixtures and fittings	- 5 years
Computer equipment	- 2-5 years

Impairment of non-financial assets

At each reporting date assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the Income Statement for the year.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Income Statement for the year.

Goodwill

Goodwill acquired on each business combination is capitalised, classified as an asset in the Balance Sheet and amortised on a straight line basis over its useful life not exceeding 20 years. Where a business is sold, or where goodwill has been impaired, the net book value or the amount of impaired goodwill, as applicable, is charged through the Income Statement in the year of disposal or impairment. Currently goodwill is being amortised evenly over its useful economic life of 10 years which is based on the length of the franchise agreement in place and other factors such as the maturity of the customer base acquired. Amortisation is included within administrative expenses in the Income Statement.

Intangible assets

Intangible assets acquired as part of a business combination include franchise agreements. Prior to 1 January 2019 intangible assets acquired as part of a business combination were recognised separately from goodwill if:

a) It was probable that the expected future economic benefits that were attributable to the asset would flow to the Company; and the fair value could be measured reliably; and either:
b) The intangible asset arose from contractual or legal rights; or
c) The intangible asset was separable.

The Triennial Review 2017 amended the requirements of FRS 102 to require entities to recognise intangible assets acquired in a business combination separately from goodwill only where all three conditions in (a), (b) and (c) above are met and to allow an accounting policy choice, applied prospectively, to separately recognise additional intangible assets that meet condition (a) and only one of condition (b) or (c) above.

From 1 January 2019 the Company has chosen to take advantage of this accounting policy choice and to continue with its policy of recognising separately intangible assets acquired as part of a business combination that meet condition (a) and only one of condition (b) or (c) above. Such assets are stated at fair value. Franchise agreements are amortised evenly over their useful economic life of 10 years.

Other intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses. Other intangible assets include computer software. Costs comprise of the purchase price from third parties and amortisation is calculated on a straight line basis over the assets' expected economic lives, which vary depending on the nature of the assets. Software is amortised between 3-5 years.

Amortisation is included within administrative expenses in the Income Statement.

2. Accounting policies *(continued)*

Stock

Stock is stated at the lower of cost and estimated selling price less costs to complete and sell, after making due allowance for obsolete and slow moving items.

Stock held on consignment is recognised in the Balance Sheet when the terms of a consignment agreement and commercial practice indicate that the principal benefit of owning the stock (the ability to sell it) and principal risks of ownership (stock holding cost, responsibility for safe-keeping and some risk of obsolescence) rest with the Company. Stock held on consignement is recognised net of value added taxes.

Basic financial instruments

Debtors
Short term debtors are measured at transaction price, less any impairment. Any losses arising from impairment are recognised in the Income Statement in administrative expenses.

Creditors
Short term trade creditors are measured at the transaction price. Trade creditors include the liability for vehicles (inclusive of value added taxes) held on consignment with the corresponding asset included within stock (exclusive of value added taxes).

Cash and cash equivalents
Cash at bank and in hand comprise cash at bank and cash in hand.

Leasing – as lessee

Rentals payable under operating leases are charged in the Income Statement on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

Leasing – as lessor

Leases that do not transfer substantially all the risks and rewards of ownership are treated as operating leases. Their annual rentals are credited to the Income Statement on a straight-line basis over the term of the lease. Costs incurred are recognised in line with normal depreciation policy for similar assets.

Provisions for liabilities

A provision is recognised in the Balance Sheet when the Company has; a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation. If the effect is material provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. The increase in the provision due to the passage of time is recognised in interest payable.

Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is calculated without discounting using the tax rates and laws that that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on initial recognition in a business combination, the tax charge / (credit) is presented either in the Income Statement, Other Comprehensive Income or the Statement of Changes in Equity depending on the transaction that resulted in the tax charge / (credit).

2. Accounting policies *(continued)*

Taxation *(continued)*

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the Company has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

Pensions

The parent company, Marshall Motor Holdings plc operates a defined contribution scheme for the employees of the Group. The Company participates in a defined contribution scheme for its employees. Contributions are charged to the Income Statement as they come payable in accordance with the rules of the scheme.

Until 31 December 2018, the Group also participated in the defined contribution section of the Marshall Group Executive Pension Plan ("the Plan") which is operated by Marshall of Cambridge (Holdings) Limited acting as principal employer. The Plan also had a defined benefit section.

Share-based payments

Marshall Motor Holdings plc ("the Group") operates a number of equity-settled, share-based compensation plans through which the Company allows employees to receive shares in the parent company, Marshall Motor Holdings plc.

Equity-settled share-based payments are measured at fair value (calculated excluding the effect of service and non-market based performance vesting conditions) at the date of grant. The share-based payment charge to be expensed is determined by reference to the fair value of share options granted and is recognised as an employee expense within underlying earnings, with a corresponding increase in equity.

The share-based payment charge is recognised on a straight-line basis over the vesting period (being the period over which all vesting conditions are to be satisfied). An award subject to graded vesting is accounted for as though it were multiple, separate awards, the number of awards being determined in direct correlation to the number of instalments in which the options vest.

The share-based payment charge is based on the estimate of the number of options that are expected to vest. At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest based on the non-market performance vesting conditions and service conditions. The Group's remuneration policy gives the Remuneration Committee discretion to revise performance conditions to adjust for the impact of Group restructurings and reorganisations on incentive outcomes. The impact of any revisions to original vesting estimates or performance conditions is recognised in the Income Statement with a corresponding adjustment to the Statement of Changes in Equity.

Social security contributions payable in connection with share options granted are considered to be an integral part of the grant and are, therefore, treated as cash-settled transactions. For cash settled share-based payments, the Company recognises a liability for the services acquired, measured initially at the fair value of the liability. This liability is re-measured at each balance sheet date and at the date of settlement, with any changes in fair value recognised in the Income Statement.

When options are exercised, Marshall Motor Holdings plc issues new shares. These shares are gifted to the Employee Benefit Trust at nominal value. When options issued by the Employee Benefit Trust are exercised the share based payment reserve is reduced by the transfer to profit and loss reserves of the fair value of options exercised.

Where shares options are forfeited or lapse, effective from the date of the forfeiture, any share-based payment charge previously recognised in both the current and prior periods in relation to these options is reversed though the Income Statement with a corresponding adjustment through the Statement of Changes in Equity.

3. Significant judgements and key sources of estimation uncertainty

The Company makes judgements and estimates concerning the future. The judgements and estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

Valuation of goodwill

The Company reviews the goodwill and intangible assets arising on the acquisition of subsidiaries or businesses and values each identifiable asset separately. Intangible assets are then allocated to cash generating units ('CGUs'), however this allocation exercise requires a high level of judgement and the Company consults with independent experts as required.

Estimated useful life of intangible fixed assets and impairment of non-financial assets

The Company estimates the useful life and residual values of intangible fixed assets and reviews these estimates at each financial year end. The Company also tests for impairment when a trigger event occurs or annually as appropriate.

Stock valuation

Motor vehicle stock is stated at the lower of cost and net realisable value (fair value less costs to sell). Fair values are assessed using reputable industry valuation data which is based upon recent industry activity and forecasts. Whilst this data is deemed representative of current value it is possible that ultimate sales values can vary from those applied.

Taxation

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. Judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing or level of future taxable income.

Provisions

Dilapidation provision
The Company operates from a number of leasehold premises and is typically required by the terms of the lease to restore leased premises to their original condition on vacation of the premises at the end of the lease term. Estimates of dilapidation costs are calculated in accordance with the specific remediation requirements stipulated in each lease contract. At the point at which these remediation costs can be reliably estimated, a provision is recognised. Whilst this data is deemed representative of current estimates it is possible that costs can vary from those applied.

Vacant property provision
The Company recognises provisions for all vacant leasehold property which the Company has substantially ceased to use for the purpose of its business and where subletting is unlikely, or would be at a reduced rental compared to that being paid under the head lease. The provision recognised represents the estimated future unavoidable costs of meeting the obligations under the leases during the remaining lease term. Whilst this data is deemed representative of current estimates it is possible that costs can vary from those applied.

4. Turnover

Turnover is all attributable to the principal activity of the Company, which is car and commercial vehicle sales, distribution and service. All turnover arises from continuing activities within the United Kingdom and is stated net of VAT.

Turnover is analysed as follows:

	2019	2018
	£'000	£'000
Sale of goods	866,971	806,220
Rendering of services	45,697	41,076
	912,668	**847,296**

5. Profit on ordinary activities before taxation

This is stated after charging / (crediting):

	2019	2018
	£'000	£'000
Depreciation of tangible fixed assets (note 11)	3,482	2,455
Amortisation of intangible fixed assets (note 10)	1,054	593
Loss / (Profit) on disposal of tangible fixed assets	93	(28)
Impairment of tangible fixed assets (note 11)	708	101
Operating lease costs - land and buildings	5,844	4,619
Operating lease costs - vehicles and equipment	327	386
Auditor's remuneration - audit of the financial statements	48	77

The Company has borne the audit fees for the audits of the financial statements of all the Group's subsidiary undertakings.

6. Staff costs

Staff costs during the year were as follows:

	2019	2018
	£'000	£'000
Wages and salaries	50,202	46,440
Social security costs	5,372	4,989
Other pension costs	1,118	846
Share-based payments	526	279
	57,218	**52,554**

The average number of employees during the year was as follows:

	2019	2018
	No.	No.
Administration	455	456
Sales and aftersales	1,111	982
	1,566	**1,438**

7. Directors' remuneration

Remuneration in respect of Directors was as follows:

	2019 £'000	2018 £'000
Emoluments	758	491
Pension contributions to money purchase schemes	20	16
Compensation for loss of office	87	-
Share-based payments	144	120
	1,009	**627**

During the year, 3 Directors (2018: 2) participated in money purchase pension schemes.

The amounts set out above include remuneration in respect of the highest paid Director as follows:

	2019 £'000	2018 £'000
Emoluments	211	203
Pension contributions to money purchase schemes	-	13
Compensation for loss of office	87	-
Share-based payments	51	69
	349	**285**

The costs of Director's services for D.Gupta, M.D.Raban and R.J Blumberger are borne by the Company's parent company, Marshall Motor Holdings plc.

8. Interest payable and similar charges

	2019 £'000	2018 £'000
Bank interest	681	629
Stock financing charges	825	638
	1,506	**1,267**

Certain banking facilities to which the Group's subsidiary companies are party are held in cash pooling arrangements. Interest payable on pooled balances is borne by the Company.

9. Tax

a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2019 £'000	2018 £'000
Current tax		
Current tax on profits for the year	2,202	2,455
Adjustment in respect of previous periods	(57)	(2,557)
Total current tax	**2,145**	**(102)**
Deferred tax		
Origination and reversal of timing differences	99	161
Adjustment in respect of previous periods	(20)	2,638
Effect of change in tax rates	(10)	(17)
Total deferred tax	**69**	**2,782**
Taxation on profit on ordinary activities	**2,214**	**2,680**

b) Factors affecting the total tax charge

The tax assessed on the profit on ordinary activities for the year is higher (2018: higher) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £'000	2018 £'000
Profit on ordinary activities before tax	11,100	13,139
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2018: 19%)	2,109	2,496
Effects of:		
Expenses not deductible for tax purposes	192	120
Adjustments to tax charge in respect of previous periods	(77)	81
Effect of change in tax rates	(10)	(17)
Total tax charge for the year	**2,214**	**2,680**

c) Factors that may affect future tax charges

Future tax charges, and the Company's effective tax rate, may be affected by factors such as acquisitions, disposals, restructuring and tax regime reforms.

The Finance Act 2016, which was substantively enacted when it received Royal Assent on 15 September 2016, reduced the corporation tax rate to 19.00% with effect from 1 April 2017 decreasing to 17.00% with effect from 1 April 2020. In the Budget of 11 March 2020, the Chancellor of the Exchequer announced that the planned rate reduction to 17% with effect from 1 April 2020 will no longer be taking effect. The changes announced during the Budget of 11 March 2020 were not substantively enacted at the balance sheet date, therefore, have not been reflected in the tax figures reported. This change to the rate of corporation tax will affect the amount of future cash tax payments for which the Company will be responsible as well as the future measurement of deferred taxation balances.

For further information on deferred tax balances see Note 15 'Deferred Tax'.

10. Intangible fixed assets

	Software £'000	Goodwill £'000	Franchise agreements £'000	Total £'000
Cost				
At 1 January 2019	1,923	5,465	-	7,388
Additions	982	1,769	5,036	7,787
Disposals	(82)	-	-	(82)
At 31 December 2019	2,823	7,234	5,036	15,093
Amortisation				
At 1 January 2019	1,210	3,982	-	5,192
Charge for the year	421	442	191	1,054
Disposals	(43)	-	-	(43)
At 31 December 2019	1,588	4,424	191	6,203
Net book value				
At 31 December 2019	**1,235**	**2,810**	**4,845**	**8,890**
At 1 January 2019	713	1,483	-	2,196

Impairment

The net book value of goodwill and franchise agreements as at 31 December 2019 predominantly consists of assets recognised on acquisitions completed during the year. These assets are recognised as additions and are measured at their fair value as determined at the acquisition date. The Directors do not consider there to have been any indicators of impairment as at the balance sheet date, therefore, no formal assessment is required.

Acquisitions

On 31 January 2019 the Company acquired the trade and assets of two ŠKODA dealerships located in Leicester and Nottingham.

On 28 February 2019 the Company acquired the trade and assets of four ŠKODA dealerships in Northampton, Bedford, Letchworth and Harlow. These acquisitions are part of the Group's stated strategy to grow with existing brand partners in new geographic territories by adding further sites in excellent locations that are contiguous to the Group's existing ŠKODA sites.

On 2 September 2019, the Company acquired the trade and assets of two Honda dealerships in Reading and Newbury. This acquisition is part of the Group's stated strategy to grow with existing brand partners in new geographic territories by reinforcing the Group's position as the second largest Honda partner in the UK.

On 20 December 2019, the Company acquired the trade and assets of a Volvo dealership in Derby. This acquisition is part of the Group's stated strategy to grow with existing brand partners in new geographic territories.

The estimated combined identifiable assets and liabilities at the dates of these acquisitions are stated at their provisional fair value as set out below. The goodwill arising on acquisition is attributed to the expected synergies and benefits associated with the increased brand representation which has resulted in the Group becoming the UK's largest ŠKODA retailer.

10. Intangible fixed assets *(continued)*

Acquisitions *(continued)*

	Fair value of net assets acquired £'000
Intangible assets	1,985
Tangible assets	907
Inventories	3,886
Trade and other debtors	12
Trade and other creditors	(460)
Provisions for liabilities	(581)
Net assets acquired	**5,749**
Goodwill	1,727
Total cost	**7,476**

The results of the acquired ŠKODA, Honda and Volvo dealerships were consolidated into the Company's results from the relevant date of acquisition. For the period from acquisition to 31 December 2019, the revenue generated by these dealerships was £57,119,000 in aggregate. The losses before tax generated by these dealerships were immaterial in the context of the Company's profit before tax.

If the acquisitions had taken effect at the beginning of the reporting period in which the acquisition occurred (1 January 2019), on a pro forma basis, revenue of the Company for the year ended 31 December 2019 would have been increased by £40,857,000 and profit before tax would have been reduced by £266,000.

On 17 December 2019, the Company acquired the trade and assets of five Volkswagen dealerships, a Volkswagen commercial vehicle franchise and body shop and one ŠKODA dealership. This acquisition is part of the Group's stated strategy to grow with existing brand partners in new geographic territories by adding further sites in excellent locations. The estimated identifiable assets and liabilities at the date of acquisition are stated at their provisional fair value as set out below. The goodwill arising on acquisition is attributed to the expected synergies and benefits associated with the increased brand representation which has resulted in the Group becoming Volkswagen Group UK's largest partner by number of locations.

	Fair value of net assets acquired £'000
Intangible assets	3,051
Tangible assets	1,690
Inventories	12,916
Cash at bank and in hand	2
Trade and other creditors	(1,147)
Provisions for liabilities	(241)
Net assets acquired	**16,271**
Goodwill	42
Total cost	**16,313**

The results of the acquired dealerships were consolidated into the Company's results from 18 December 2019. For the period from acquisition to 31 December 2019, the revenues and the loss before tax generated by these dealerships were immaterial in the context of the Company's revenues and profit before tax.

If the acquisition had taken effect at the beginning of the reporting period in which the acquisition occurred (1 January 2019), on a pro forma basis, revenue for the Company for the year ended 31 December 2019 would have been increased by £167,749,000 and profit before tax would have been reduced by £1,657,000.

11. Tangible fixed assets

	Leasehold improvements £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2019	4,443	24,039	28,482
Additions	605	3,489	4,094
Additions on acquisition	734	1,863	2,597
Disposals	-	(2,426)	(2,426)
At 31 December 2019	5,782	26,965	32,747
Depreciation and impairment			
At 1 January 2019	999	17,581	18,580
Charge for the year	493	2,989	3,482
On disposals	-	(2,272)	(2,272)
Impairment	502	206	708
At 31 December 2019	1,994	18,504	20,498
Net book value			
At 31 December 2019	**3,788**	**8,461**	**12,249**
At 1 January 2019	3,444	6,458	9,902

Impairments

The impairment loss of £708,000 represents the write-down of leasehold improvements and plant and equipment in the franchised dealership which closed in October 2019 and the franchised dealership due to close in 2020. On closure of these dealerships these assets ceased to have any value. This loss was recognised in the Income Statement in administrative expenses.

12. Stock

	2019 £'000	2018 £'000
Stock held for resale	210,359	131,877
	210,359	**131,877**

The replacement cost of inventory is not significantly different from the value included in the Balance Sheet.

Stock recognised in cost of sales during the year as an expense was £764,295,000 (2018: £671,733,000).

At 31 December 2019 all new, and the majority of used, vehicles are held under vehicle financing arrangements. See Note 16.

13. Debtors: amounts falling due within one year

	2019	2018
	£'000	**£'000**
Trade debtors	19,100	14,032
Amounts owed by Group undertakings	126,475	123,998
Other debtors	10,174	11,665
VAT	3,465	1,633
Prepayments	4,761	2,780
Corporation tax	221	130
	164,196	**154,238**

14. Debtors: amounts falling due after more than one year

	2019	2018
	£'000	**£'000**
Deferred taxation (note 15)	1,389	1,458

15. Deferred tax

The movement in the deferred tax asset during the year was:

	2019	2018
	£'000	**£'000**
At 1 January	1,458	4,240
Changes in provision	(69)	(2,782)
At 31 December	**1,389**	**1,458**

The balance of the deferred tax asset consists of the tax effect of timing differences in respect of:

	2019	2018
	£'000	**£'000**
Decelerated capital allowances	700	475
Other short term timing differences	10	11
Retirement benefit obligations	679	972
Total deferred tax	**1,389**	**1,458**

It is expected that deferred tax of £700,000 (2018: £56,000) relating to timing differences on tangible fixed assets and deferred tax of £679,000 (2018: £265,000) relating to retirement benefit obligations will reverse in the next year after taking into account new origination of deferred tax in that period.

16. Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Trade creditors		
- vehicle financing arrangements	217,760	138,313
- other trade creditors	26,658	22,937
Amounts owed to Group undertakings	85,315	77,638
Other taxation and social security	1,848	1,577
Other creditors	871	877
Accruals and deferred income	19,043	24,446
	351,495	**265,788**

The Company finances the purchase of new and used vehicle stock using vehicle funding facilities provided by various lenders including the captive finance companies associated with brand partners. These finance arrangements have varying maturity profiles with terms ranging from 60 to 360 days. The Company is normally required to repay amounts outstanding on the earlier of the sale of the vehicles that have been funded under the facilities or the stated maturity date.

Amounts due to finance companies in respect of vehicle funding are included within trade creditors and disclosed under vehicle financing arrangements.

Vehicle financing facilities are subject to LIBOR-based (or similar) interest rates. The interest incurred under these arrangements is included within interest payable and similar charges and classified as stock financing charges.

Vehicle funding facilities provided by various lenders are secured against vehicles and by guarantees provided by the Group's parent company, Marshall Motor Holdings plc.

Management considers the carrying amount of creditors to approximate their fair value.

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

	2019	2018
	£'000	£'000
Accruals and deferred income	4,620	3,896

18. Provisions for liabilities

	Pension	Closed sites	Dilapidations	Vacant property	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 January 2019	5,580	98	310	236	1,368	7,592
On acquisition	-	-	731	-	91	822
Transferred to a fellow Group undertaking	-	-	(171)	-	-	(171)
Charged to income statement in the year	23	318	160	100	314	915
Reversed and credited to income statement in the year	-	-	(139)	(65)	-	(204)
Utilised during the year	(5,603)	(44)	-	(164)	-	(5,811)
As at 31 December 2019	**-**	**372**	**891**	**107**	**1,773**	**3,143**

Closed sites, dilapidations and vacant property

The Company manages its portfolio carefully and either closes or sells sites which no longer fit with the Company's strategy. When sites are closed or sold provisions are made for any residual costs or commitments.

The Company operates from a number of leasehold premises under full repairing leases. The provision recognises that repairs are required to put the buildings back into the state of repair required under the leases.

Where property commitments exist at sites which are closed or closing the Company provides for the unavoidable cost of those leases post closure. The £204,000 release of unutilised provision in the year resulted from the better than expected exit from lease commitments on premises no longer used by the Company.

Pensions

See Note 19 'Pensions' for full details of the circumstances giving rise to the recognition of this provision. The provision has been fully utilised within the year.

Other

Other provisions include a total amount of £1,167,000 (2018: £1,115,000) in respect of the Group's estimated financial exposure under open insurance claims and for potential output VAT payable arising from the uncertain VAT treatment of specific vehicle purchases. Conclusions of these open positions is expected in the forthcoming year.

19. Pensions

a) Defined contribution pension schemes

As described in Note 2 'Accounting Policies', the Company participates in pension schemes for the benefit of its employees. All schemes are funded by the payment of contributions to trustee administered funds which are kept independently from the assets of the participating employers.

The total pension cost for the year for the Company in respect of defined contribution schemes was £1,118,000 in 2019 (2018: £846,000). The total unpaid pension contributions outstanding at the year-end was £212,000 (2018: £169,000).

b) Defined benefit pension schemes

Cessation of Participation in the Plan and Provision for Section 75 Employer Debt
Following the sale of Marshall Leasing Limited in 2017, the Group no longer had any current employees who were members of the defined benefit section of the Plan. As a result of the Group's strategic review of its existing pension arrangements on 31 December 2018, the Group ceased to be a participating employer in the Plan as a result of it no longer employing any active members of the defined contribution section of the Plan. Accordingly, on 31 December 2018, a debt was triggered under Section 75 of the Pension Act 1995 on the Group ("Employer Debt").

On 7 February 2019 the Plan's actuary issued a certificate for the purposes of Regulation 5(18) and Regulation 6(8) of the Occupational Pension Schemes (Employer Debt) Regulations 2005 confirming that the Employer Debt at 31 December 2018 was £5,541,000.

19. Pensions

b) Defined benefit pension schemes *(continued)*

Cessation of Participation in the Plan and Provision for Section 75 Employer Debt *(continued)*
On 25 February 2019 the Group paid the Employer Debt (together with Trustee expenses of £25,000) to the Trustees of the Plan and entered in to a Deed of De-Adherence with the Trustees and Marshall of Cambridge (Holdings) Limited confirming the discharge of the Group from the trusts of the Plan and from any further obligations in relation to the Plan with effect from that date. Accordingly, with effect from that date, the Group has no further commitments or participation in any defined benefit pension plans.

Principal Employer's Disclosures
Details of the full scheme are included in the Annual Report and Accounts of Marshall of Cambridge (Holdings) Limited which can be obtained from: Airport House, The Airport, Cambridge CB5 8RY.

20. Operating lease commitments – Company as lessee

The Company's future minimum operating lease commitments are as follows:

	2019		2018	
	Property	Vehicles and equipment	Property	Vehicles and equipment
	£'000	£'000	£'000	£'000
Within one year	8,678	44	4,759	59
Between one and five years	15,532	30	5,036	2
After five years	10,197	-	4,695	-
	34,407	**74**	**14,490**	**61**

Lease commitments have increased significantly in the year due to acquisitions, see Note 10 'Intangible Fixed Assets' for further details.

21. Operating lease commitments – Company as lessor

The Company has entered into non-cancellable operating leases on properties which it leases, but also sub-lets as lessor.

Future minimum lease rentals receivable under non-cancellable operating leases are as follows:

	2019	2018
	£'000	£'000
Within one year	185	155
Between one and five years	93	233
	278	**388**

22. Transactions with related parties

	Sales to	Purchases from	Year-end balance
2019	£'000	£'000	£'000
Ultimate parent undertaking			
Marshall of Cambridge (Holdings) Limited	2	-	3
Other group entities			
Marshall of Cambridge Aerospace Limited	-	91	(39)
Marshall Fleet Solutions Limited	-	1	-
	2	**92**	**(36)**

22. Transactions with related parties *(continued)*

2018	Sales to £'000	Purchases from £'000	Year-end balance £'000
Ultimate parent undertaking			
Marshall of Cambridge (Holdings) Limited	52	606	1
Other group entities			
Marshall of Ipswich Limited	156	1,908	-
Marshall of Peterborough Limited	-	1,473	-
Marshall of Stevenage Limited	197	2,003	-
Marshall of Cambridge Aerospace Limited	16	256	(39)
Marshall Thermo King Limited	296	-	27
Marshall Fleet Solutions Limited	-	6	-
Marshall ADG Limited	-	1	-
Marshall Specialist Vehicles Limited	1	-	-
Marshall of Cambridge (Airport Properties) Limited	-	1,200	-
	718	**7,453**	**(11)**

Outstanding balances with Group entities are unsecured, interest free and are expected to be settled in cash. During the year ended 31 December 2019, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2018: £nil).

During 2019 and 2018 the Directors were members of an employee car ownership scheme under which the following transactions were made in the year. The Directors purchased 24 cars in 2019 (2018: 19) at a price of £1,725,000 (2018: £1,338,000) and sold back 23 cars (2018: 22) at a price of £1,577,000 (2018: £1,532,000). The Directors did not make a profit on these transactions.

23. Share capital

	2019 £'000	2018 £'000
Authorised, allotted and fully paid:		
2,250,000 ordinary shares of £1 each	2,250	2,250

24. Reserves

Profit and loss account reserves - includes all current and prior period profits and losses.

Share-based payments reserve - includes the cumulative fair value of share options awarded that are expected to vest in future periods.

25. Share-based payments

The Group operates an equity-settled share option scheme for certain senior managers and executive Directors of the Company ("the Performance Share Plan"). As at 31 December 2019, five share grants have been awarded under the scheme being (a) IPO Performance Awards (vesting in two tranches) (b) 2016 Performance Awards (c) 2017 Performance Awards and (d) 2018 Performance Awards and (e) 2019 Awards. Awards are made annually to eligible employees at the discretion of the Remuneration Committee; employees receive shares at the end of the performance period, subject to the achievement of the specified underlying basic earnings per share ("EPS") performance conditions. Performance conditions are designed to incentivise senior managers and executive Directors to maximise long-term shareholder returns. Each option grant under the scheme is disclosed separately below.

The total share-based payment charge recognised during the year ended 31 December 2019 was £526,000 (2018: £279,000). This is split as £74,000 (2018: £115,000) in accruals and deferred income and £452,000 (2018: £164,000) in the share-based payments reserve.

If an option remains unexercised after a period of ten years from the date of grant, the option expires. The weighted average remaining contractual life of options outstanding as at 31 December 2019 is 8.6 years (2018: 8.5 years).

25. Share-based payments *(continued)*

The fair value of share options is determined by reference to the market value of the Group's shares at the date of grant. No valuation model is required to calculate the fair value of awards on the basis that the employees receiving the awards are entitled to receive the full value of the shares and there are no market-based performance conditions attached to the awards. The weighted average fair value of options outstanding as at 31 December 2019 is £1.55 (2018: £1.68). The fair value of options granted during the year was £1.43 (2018: £1.59). The fair value of equity settled share options granted was based on market value on 28 November 2019 when the share options were granted.

Options are ordinarily forfeited if the employee leaves the Company before the options vest.

All options issued are nil cost options and all awards have an exercise price of £nil.

The share option scheme is in place to encourage option holders to take appropriate and timely action to maximise the long-term financial performance and success of the Group. As a result, in accordance with the discretion afforded to them under the Group's remuneration policy, the Remuneration Committee regularly reviews any impact of Group restructurings and reorganisations on incentive outcomes to ensure that performance conditions are not distorted by action taken to optimise business performance for the long-term benefit of the Group.

The Remuneration Committee exercised this discretion during 2019.

In April 2019, the second tranche of the IPO Performance Awards became exercisable. On 2 April 2019, all option holders exercised these options. As such, 306,795 ordinary shares of 64p were issued to satisfy the exercise of options. On exercise, the Remuneration Committee exercised its discretion to settle a proportion of the share options equal to the option holders' tax liability arising on exercise in cash rather than being cash settled. The total value of cash-settled transactions was £102,000.

In June 2019, the 2016 Performance Awards became exercisable. On 23 and 31 December 2019, all option holders exercised these options. As such, 164,427 ordinary shares of 64p were issued to satisfy the exercise of options. On exercise, the Remuneration Committee exercised its discretion to settle a proportion of the share options equal to the option holders' tax liability arising on exercise in cash rather than being cash settled. The total value of these cash-settled transactions to be paid in 2020 is £157,000.

As at 31 December 2019 outstanding share options were as follows:

Award	Award date	No of shares over which options are outstanding	Exercise price	Date from which exercisable	Expiry date
2017 Performance Awards	29 September 2017	272,301	Nil	29 September 2020	29 September 2027
2018 Performance Awards	17 April 2018	315,915	Nil	17 April 2021	17 April 2028
2019 Awards	28 November 2019	349,120	Nil	28 November 2022	28 November 2029

25. Share-based payments *(continued)*

a) IPO Performance Awards

The IPO Performance Awards were subject to non-market performance conditions as detailed below as well as the service condition of continuous employment.

The options vest for the Group achieving growth in EPS from 2014 to 2017; 25% vest for achieving growth of CPI plus 4% per annum increasing to 100% vesting for achieving growth of CPI plus 10% per annum.

These options vest in two equal tranches and 50% become exercisable on the third anniversary of the date on which the Company's shares were admitted to trading on the Alternative Investment Market of the London Stock Exchange and the remaining 50% become exercisable on the fourth anniversary.

	2019 No.	2019 WAEP*	2018 No.	2018 WAEP
IPO Performance Awards				
Outstanding as at 1 January	83,891	-	218,119	-
Granted during the year	-	-	-	-
Forfeited during the year	-	-	(50,335)	-
Exercised	(83,891)	-	(83,893)	-
Expired during the year	-	-	-	-
Outstanding as at 31 December	**-**	**-**	**83,891**	**-**
Exercisable as at 31 December	**-**	**-**	**-**	**-**

* Weighted Average Exercise Price

b) 2016 Performance Awards

The 2016 Performance Awards were subject to non-market performance conditions as detailed below as well as the service condition of continuous employment.

The options vest for the Group achieving growth in EPS from 2015 to 2018; 25% vest for achieving growth of CPI plus 3% per annum increasing to 100% vesting for achieving growth of CPI plus 8% per annum.

These options all become exercisable on the fourth anniversary of the grant date.

The 2016 Performance Awards are subject to a holding period which starts on the grant date and ends on the fourth anniversary of the grant date.

	2019 No.	2019 WAEP	2018 No.	2018 WAEP
2016 Performance Awards				
Outstanding as at 1 January	120,146	-	147,452	-
Granted during the year	-	-	-	-
Forfeited during the year	-	-	(27,306)	-
Exercised	(120,146)	-	-	-
Expired during the year	-	-	-	-
Outstanding as at 31 December	**-**	**-**	**120,146**	**-**
Exercisable as at 31 December	**-**	**-**	**-**	**-**

25. Share-based payments *(continued)*

c) 2017 Performance Awards

The 2017 Performance Awards are subject to non-market performance conditions as detailed below as well as the service condition of continuous employment.

The options vest for the Group achieving growth in underlying, basic EPS from 2017 to 2019; 25% vest for achieving growth of CPI plus 1% per annum and the percentage of options which vests increases on a straight line basis up to 100% vesting for achieving growth of CPI plus 5% per annum.

These options all become exercisable on the third anniversary of the grant date.

The 2017 Performance Awards are subject to a holding period which starts on the grant date and ends on the fourth anniversary of the grant date.

	2019 No.	2019 WAEP	2018 No.	2018 WAEP
2017 Performance Awards				
Outstanding as at 1 January	280,691	-	314,374	-
Granted during the year	-	-	-	-
Forfeited during the year	(8,390)	-	(33,683)	-
Exercised	-	-	-	-
Expired during the year	-	-	-	-
Outstanding as at 31 December	**272,301**	**-**	**280,691**	**-**
Exercisable as at 31 December	**-**	**-**	**-**	**-**

d) 2018 Performance Awards

The 2018 Performance Awards are subject to non-market performance conditions as detailed below as well as the service condition of continuous employment.

The options vest for achieving growth in underlying, basic EPS from 2018 to 2020; 25% vest for achieving growth of 1.3% per annum and the percentage of options which vests increases on a straight line basis up to 100% vesting for achieving growth of 6% or more per annum.

These options all become exercisable on the third anniversary of the grant date.

The 2018 Performance Awards are subject to a holding period which starts on the grant date and ends on the fourth anniversary of the grant date.

	2019 No.	2019 WAEP	2018 No.	2018 WAEP
2018 Performance Awards				
Outstanding as at 1 January	366,720	-	-	-
Granted during the year	-	-	402,209	-
Forfeited during the year	(50,805)	-	(35,489)	-
Exercised	-	-	-	-
Expired during the year	-	-	-	-
Outstanding as at 31 December	**315,915**	**-**	**366,720**	**-**
Exercisable as at 31 December	**-**	**-**	**-**	**-**

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25. Share-based payments *(continued)*

e) 2019 Awards

The 2019 Awards are subject to the service condition of continuous employment. These options all become exercisable on the third anniversary of the grant date.

The 2019 Awards are subject to a holding period which starts on the grant date and ends on the fourth anniversary of the grant date.

	2019 No.	2019 WAEP	2018 No.	2018 WAEP
2019 Awards				
Outstanding as at 1 January	-	-	-	-
Granted during the year	349,120	-	-	-
Forfeited during the year	-	-	-	-
Exercised	-	-	-	-
Expired during the year	-	-	-	-
Outstanding as at 31 December	**349,120**	**-**	**-**	**-**
Exercisable as at 31 December	**-**	**-**	**-**	**-**

26. Guarantees and other financial commitments

The Group has a revolving credit facility of £120,000,000 of which £25,000,000 was drawn at 31 December 2019 (2018: £nil). This facility includes access to an overdraft facility of £25,000,000. This facility is available for general corporate purposes including acquisitions or working capital requirements.

The facility is secured by cross guarantees granted by certain members of the Group. The facility is available until May 2021.

The Group's principal vehicle stock funding facility is secured by a cross guarantee granted by the Company.

27. Ultimate parent company

The parent undertaking of the largest group of undertakings for which consolidated financial statements are drawn up and of which the Company is a member is Marshall of Cambridge (Holdings) Limited. Therefore, this is considered to be the ultimate parent company. The parent company of the smallest such group is Marshall Motor Holdings plc, which is also the Company's immediate parent undertaking.

Copies of the consolidated financial statements for both Marshall Motor Holdings plc and Marshall of Cambridge (Holdings) Limited can be obtained from Airport House, The Airport, Cambridge, CB5 8RY.

28. Subsequent events

Subsequent to the end of the reporting period, the Company is experiencing significant business disruption arising as a result of the global COVID-19 pandemic. In particular, the Company was required to close all of its dealership showrooms from 23 March 2020 and at the date of these financial statements, only a limited number of the Company's aftersales facilities remain open to provide aftersales services to the emergency services, transport companies and other key workers. At the date of these financial statements, it is not known when the Company will be able to reopen its businesses.

In addition to having a material impact on the Company's trading for the year ending 31 December 2020, depending upon the duration of UK restrictions, these events may have an impact on the net realisable value of vehicle stocks as well as the recoverable amount of non-financial assets held as at 31 December 2019. Whist uncertainty over the length and extent of the current circumstances remains, the full financial impact of these events cannot be reliably estimated.

These significant changes in the Company's activities, and to broader economic conditions, occurred as a result of events after 31 December 2019. Therefore, the financial position and performance of the Company as presented in these financial statements has not been adjusted for the impacts of the ongoing COVID-19 pandemic.