

Registration number: 660644

Gerard Mann Limited
Annual Report and Financial Statements
for the Year Ended 31 December 2018



Gerard Mann Limited

Contents

Company Information	1
Strategic Report	2
Directors' Report	3 to 5
Independent Auditor's Report to the members of Gerard Mann Limited	6 to 8
Profit and Loss Account	9
Statement of Comprehensive Income	10
Balance Sheet	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13 to 28

Gerard Mann Limited

Company Information

Company name	Gerard Mann Limited
Company number	660644
Incorporated	England and Wales
Domicile	United Kingdom
Legal form	Private Limited Company, Limited by Shares
Chief executive	James Brearley
Directors	James Brearley Martin Wheatley
Company secretary	Inchcape UK Corporate Management Limited
Registered office	First Floor Unit 3140 Park Square Solihull Parkway Birmingham Business Park Birmingham B37 7YN
Independent Auditor	Deloitte LLP One Station Square Cambridge CB1 2GA

Gerard Mann Limited

Strategic Report for the Year Ended 31 December 2018

The Directors present their strategic report for the year ended 31 December 2018.

Principal activities

The principal activity of the Company is the retailing of cars and commercial vehicles, sales of oils and spare parts together with service repair facilities.

Fair review of the business

The results for the Company show a profit for the financial year of £5,954,000 (2017: £10,801,000). The Company has net assets of £27,944,000 at the financial year end (2017: £32,791,000). Revenue has increased to £520,324,000 (2017: £484,406,000) due to increased performance in Mercedes Benz sales in 2018. Gross profit margin has decreased to 9.9% (2017: 11.1%). Operating profit has decreased to £7,428,000 (2017: £13,342,000) due to decreased gross profit and increased salaries and vehicle write down costs.

Key performance indicators

KPIs provide insight into how the Board monitors the Company's strategic and financial performance, as well as linking to the key measures for executive remuneration.

Revenue

Revenue is a key performance indicator for the Company and is defined as consideration receivable from the sale of goods and services. It is stated net of rebates and any discounts, and excludes sales related taxes. The Company measures revenue as the Top-line is a key financial metric, and is part of the overall Inchcape Group's strategy of both 'Becoming the OEMs' Partner of Choice' and 'Leading in Customer Experience'. During the year revenue has increased to £520,324,000 (2017: £484,406,000).

Profit before tax

Profit before tax is a key performance indicator for the Company and is defined as the profit (or loss) before tax is charged. The Company measures profit before tax as it is a key driver of delivering sustainable earnings to shareholders. In 2018 profit before tax was £7,448,000 (2017: £13,360,000).

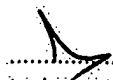
The Company is part of the Inchcape plc Group ("the Group"). Additional information about the development, performance and position of the UK segment, which includes this Company, are discussed in the Group's 2018 Annual Report and Accounts and the Group's June 2019 Interim Report which does not form part of this report.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks.

Further discussion of these risks and uncertainties, in the context of the Inchcape Group as a whole, is provided in the Group's 2018 Annual Report and Accounts and the Group's June 2019 Interim Report which does not form part of this report.

Approved by the Board on 30 September 2019 and signed on its behalf by:


Inchcape UK Corporate Management Limited
Company secretary

Gerard Mann Limited

Directors' Report for the Year Ended 31 December 2018

The Directors present their annual report and the audited financial statements for the year ended 31 December 2018:

Directors of the Company

The Directors of the Company who were in office during the year and up to the date of signing the financial statements, unless otherwise stated, were:

Martin Wheatley

Claire Catlin (resigned 21 September 2018)

James Brearley

Dr Elizabeth Louise Hancox - Director (appointed 1 November 2018 and resigned 20 September 2019)

Company secretary

Inchcape UK Corporate Management Limited

Dividends

The Company has paid a dividend for the year ended 31 December 2018 of £1.05 per share (2017: £nil), totalling £10,801,000 (2017: £nil). The Directors do not recommend the payment of a final dividend for the current year.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in interest rates. Financial exposure exists to the extent that a change in the underlying base rate of interest will affect the level of income received or paid on the interest bearing inter-company loans. The risk is not considered material and the Company does not employ the use of hedging instruments.

Credit risk

The Company's principal financial assets are bank balances and cash, and trade and other receivables.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers; or are intercompany loans with companies within the Inchcape Plc group of companies, the ultimate owner of the Company.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of long-term and short-term debt finance and intercompany loans from entities within the Inchcape Group of Companies.

Gerard Mann Limited

Directors' Report for the Year Ended 31 December 2018

Employment of disabled persons

The Company is committed to a policy of treating all its colleagues and job applicants equally. We are committed to the employment of people with disabilities and will interview all those candidates who meet the minimum selection criteria. We provide training and career development for our employees, tailored where appropriate to their specific needs, to ensure they achieve their potential. If an individual becomes disabled while in our employment, we will do our best to ensure continued employment in their role, including consulting them about their requirements, making adjustments and providing alternative suitable positions.

Employee involvement

Arrangements exist to keep all employees informed on matters of concern to them and, following the publication of the results of Inchcape plc, information is disseminated widely. This includes performance statistics for both the Inchcape Group and individual business streams. Employee bulletins, the Group intranet "Inchcape Connect" and a weekly e-mail communication "Friday Focus" facilitate communication with employees. Employees are regularly consulted upon matters concerning their employment.

Employees are provided with information on the performance of the pension fund. Company employees are eligible to participate in the Inchcape plc SAYE share option scheme, subject to the rules of that scheme. Employees are also offered an Inchcape Employee Advantage Scheme to promote their well-being.

Future developments

The Directors do not foresee any significant changes in the Company or its activities during 2019.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Directors' liabilities

A Qualifying Third Party Indemnity (QTPI), as permitted by the Company's Articles of Association and section 234 of the Companies Act 2006, has been granted by the Company to each of its Directors of the Company. Under the provisions of the QTPI, the Company undertakes to indemnify each Director against liability to third parties (excluding criminal and regulatory penalties) and to pay the Directors' costs as incurred, provided that they are reimbursed to the Company if the Director is found guilty or, in action brought by the Company, judgement is given against the Director. A QTPI was in force throughout the financial year and also at the date of approval of these financial statements.

Transactions with Directors

No transaction, arrangement or agreement required to be disclosed under the terms of the Companies Act 2006 was outstanding at 31 December 2018, or occurred during the year for any Director or connected person (2017: none).

Disclosure of information to the auditor

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Gerard Mann Limited

Directors' Report for the Year Ended 31 December 2018

Auditor

Deloitte LLP were appointed as auditor during the year and have expressed their willingness to continue in office as auditor. A resolution to reappoint them as auditor will be proposed at the forthcoming Annual General Meeting.

Statement of Directors' responsibilities in respect of the financial statements


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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 the 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 United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in 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.

Approved by the Board on 30 September 2019 and signed on its behalf by:



Inchcape UK Corporate Management Limited
Company secretary

Gerard Mann Limited

Independent Auditor's Report to the members of Gerard Mann Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Gerard Mann Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "the Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

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

Gerard Mann Limited

Independent Auditor's Report to the members of Gerard Mann Limited

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

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 the directors' report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the strategic report or the directors' report.

Gerard Mann Limited

Independent Auditor's Report to the members of Gerard Mann Limited

Matters on which we are required to report by exception

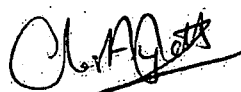
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

We have nothing to report in respect of these matters.

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.



.....
Christopher Aylott (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Cambridge
United Kingdom

30 September 2019

Gerard Mann Limited

Profit and Loss Account for the Year Ended 31 December 2018

	Note	2018 £ 000	2017 £ 000
Turnover	3a	520,324	484,406
Cost of sales		<u>(468,717)</u>	<u>(430,665)</u>
Gross profit		51,607	53,741
Distribution costs		(23,638)	(21,020)
Administrative expenses		<u>(20,541)</u>	<u>(19,379)</u>
Operating profit	3b	7,428	13,342
Interest receivable and similar income	4	<u>20</u>	<u>18</u>
Profit before taxation		7,448	13,360
Tax on profit	8	<u>(1,494)</u>	<u>(2,559)</u>
Profit for the financial year		<u>5,954</u>	<u>10,801</u>

The above results were derived from continuing operations.

Gerard Mann Limited

Statement of Comprehensive Income for the Year Ended 31 December 2018

	2018 £ 000	2017 £ 000
Profit for the financial year	5,954	10,801
Total comprehensive income for the financial year	5,954	10,801

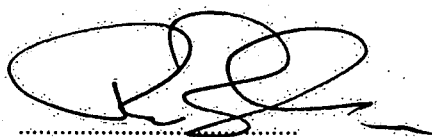
The notes on pages 13 to 28 form an integral part of these financial statements.

Gerard Mann Limited

(Registration number: 660644)
Balance Sheet as at 31 December 2018

	Note	2018 £ 000	2017 £ 000
Fixed assets			
Intangible assets	9	3,875	4,493
Tangible assets	10	3,954	3,061
Investments	11	-	-
		<u>7,829</u>	<u>7,554</u>
Current assets			
Stocks	12	136,049	139,504
Debtors	13	28,177	20,202
Cash at bank and in hand	14	4,025	38,400
		<u>168,251</u>	<u>198,106</u>
Creditors: amounts falling due within one year	15	<u>(148,136)</u>	<u>(172,869)</u>
Net current assets		<u>20,115</u>	<u>25,237</u>
Total assets less current liabilities		<u>27,944</u>	<u>32,791</u>
Net assets		<u>27,944</u>	<u>32,791</u>
Capital and reserves			
Called up share capital	17	10,250	10,250
Profit and loss account	17	17,694	22,541
Total equity		<u>27,944</u>	<u>32,791</u>

The financial statements on pages 9 to 28 were approved and authorised by the Board on 30 September 2019 and signed on its behalf by:



James Brearley
Director

The notes on pages 13 to 28 form an integral part of these financial statements.

Gerard Mann Limited

Statement of Changes in Equity for the Year Ended 31 December 2018

	Called up share capital £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 January 2018	10,250	22,541	32,791
Profit for the financial year	-	5,954	5,954
Total comprehensive income for the financial year	-	5,954	5,954
Dividends (note 19)	-	(10,801)	(10,801)
At 31 December 2018	10,250	17,694	27,944
	Called up share capital £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 January 2017	10,250	11,740	21,990
Profit for the financial year	-	10,801	10,801
Total comprehensive income for the financial year	-	10,801	10,801
At 31 December 2017	10,250	22,541	32,791

The notes on pages 13 to 28 form an integral part of these financial statements.

Gerard Mann Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

1 Accounting policies

Summary of significant accounting policies and key accounting estimates

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.

Statement of compliance

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

Basis of preparation

Gerard Mann Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006, and is registered in England and Wales. The address of the Company's registered office is shown on page 1. These financial statements are prepared on a going concern basis, under the historical cost convention. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in "Critical accounting judgements and estimation uncertainty" note 2. The financial currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

Summary of disclosure exemptions

The Company qualifies as a qualifying entity, as defined by paragraph 1.11 of FRS 102.

The Company has taken the following disclosure exemptions, as permitted by paragraph 1.12 of FRS 102:

- the requirement to prepare a statement of cash flows (section 7 of FRS 102 and paragraph 3.17(d))
- certain financial instrument disclosures (paragraphs 11.4(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c))
- certain share based payment disclosures (paragraphs 26.18(b), 26.19, 26.21 and 26.23)
- key management personnel compensation in total (paragraph 33.7)

Equivalent disclosures are provided in the financial statements of Inchcape Plc (Note 22).

Group financial statements not prepared

The Company is a wholly owned subsidiary of Inchcape plc and is included in the consolidated financial statements of Inchcape plc which are publicly available. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Inchcape plc, a company incorporated in the United Kingdom.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue as a going concern. As such, the Company continues to adopt the going concern basis in preparing the financial statements.

Gerard Mann Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

1 Accounting policies (continued)

Related party transactions

The Company has taken advantage of the disclosure exemption from disclosing transactions with wholly owned members of the Company's group.

Turnover

Turnover represents the invoiced value of goods and services provided, excluding Value Added Tax.

The turnover is attributable to the principal activities of the Company and is wholly derived in the United Kingdom.

Revenue recognition and dividend income

Revenue from the sale of goods and services sold is measured at the fair value of consideration receivable, net of rebates and any discounts, and includes lease rentals, agency sales and finance and insurance commission.

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. In practice this means that revenue is recognised when vehicles or parts are invoiced and physically dispatched or when the service has been undertaken and invoiced to the customer.

Revenue from commission is recognised when receipt of payment can be assured.

Where the Group acts as an agent on behalf of a principal the associated commission income is recognised within revenue in the period in which the related product is sold and receipt of payment can be assured.

Tax

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is the amount of income tax payable in respect of the taxable profits for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Gerard Mann Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

1 Accounting policies (continued)

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction, on a straight line basis, over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Plant and equipment	10%-33% per annum

Goodwill

Goodwill represents the difference between the fair value of the consideration and the identifiable net assets at the date of acquisition, and is written off over the Directors' estimate of its useful economic life of up to twenty years.

The Company evaluates the carrying value of goodwill in each financial year to determine if there has been an impairment in value which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account.

Investments

Investments in subsidiaries are held at cost less impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Gerard Mann Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

1 Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Stocks on consignment are deemed, in substance, to be assets of the Company. Stock on consignment and their related obligations are recognised in current assets and creditors respectively on adoption of the consignment stock when the risks and rewards of ownership pass to the Company.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Defined benefit pension obligation

Each defined benefit plan is considered to be a group plan, that is a plan which shares risk between entities under common control. There is no contractual or stated policy for charging the net defined benefit costs of the plan as a whole to individual group entities. Therefore, the defined benefit plan, and associated costs are recognised in Inchcape International Holding Limited's financial statements and the cost of participation in the plan recognised in the Company's financial statements is the contributions payable in the period.

Further disclosure of the pension schemes, in the context of the Inchcape plc Group as a whole, is provided in the Group's 2018 Annual Report and Accounts which does not form part of this report.

Gerard Mann Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

1 Accounting policies (continued)

Defined contribution schemes

For defined contribution schemes the amount charged to the profit and loss account in respect of the pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

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

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs).

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the conditions of being 'basic' financial instruments as defined in paragraph 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method.

Debt instruments that have no stated interest rate and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of transaction costs.

Gerard Mann Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

2 Critical accounting judgements and estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the Company's accounting policies

There are no critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Company's accounting policies that have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Stock provisioning

The Company retails cars. Such big ticket items have increased seasonal demand and changes in consumer demand and trends. As a result it is necessary to consider the recoverability of the cost of the stock and the associated provisioning required. When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of finished goods.

Tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful life and residual value of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates based on economic utilisation and physical condition of the assets.

Intangible assets

Goodwill is tested at least annually for impairment in accordance with the accounting policy set out above. The recoverable amount is determined based on fair value or value in use calculations. These impairment calculations require the use of estimates including projected future cash flows.

Gerard Mann Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

3a Turnover

The analysis of the Company's revenue for the year from continuing operations is as follows:

	2018 £ 000	2017 £ 000
Sales of goods	489,161	452,509
Rendering of services	31,163	31,897
	<u>520,324</u>	<u>484,406</u>

3b Operating profit

Operating profit arrived at after charging/(crediting)

	2018 £ 000	2017 £ 000
Depreciation expense	879	686
Amortisation expense	618	618
Employee costs	28,973	27,091
Rent expense	4,614	4,094
Operating lease expense - plant and machinery	159	147
(Profit)/loss on disposal of property, plant and equipment	<u>(24)</u>	<u>1</u>

4 Interest receivable and similar income

	2018 £ 000	2017 £ 000
Interest income on financial assets	<u>20</u>	<u>18</u>

5 Staff costs

The aggregate payroll costs (excluding Directors' remuneration) were as follows:

	2018 £ 000	2017 £ 000
Wages and salaries	25,495	23,934
Social security costs	2,693	2,549
Other pension costs	785	608
	<u>28,973</u>	<u>27,091</u>

Gerard Mann Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

5 Staff costs (continued)

The monthly average number of persons employed by the company (excluding Directors) during the year, analysed by category was as follows:

	2018 No.	2017 No.
Administration and management	177	184
Retail	222	229
Aftersales	355	315
	<u>754</u>	<u>728</u>

6 Directors' remuneration

The emoluments of two of the Company's Directors are paid by Inchcape Retail Limited and one Director by Inchcape Estates Limited. All three are Directors of Inchcape Retail Limited and Inchcape Estates Limited and a number of fellow subsidiaries, and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly the above details include no emoluments in respect of the Directors. Total emoluments are included in the aggregate of Directors' emoluments disclosed in the financial statements of Inchcape Retail Limited and Inchcape Estates Limited.

7 Auditor's remuneration

	2018 £ 000	2017 £ 000
Audit of the financial statements	<u>54</u>	<u>56</u>

8 Tax on profit

Tax charged to the profit and loss account

	2018 £ 000	2017 £ 000
Current taxation		
UK corporation tax	1,320	2,520
UK corporation tax adjustment to prior periods	78	(2)
Total current tax	<u>1,398</u>	<u>2,518</u>
Deferred taxation		
Arising from origination and reversal of timing differences	121	56
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	<u>(25)</u>	<u>(15)</u>
Total deferred taxation (note 16)	<u>96</u>	<u>41</u>
Tax expense in the profit and loss account	<u>1,494</u>	<u>2,559</u>

Gerard Mann Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

8 Tax on profit (continued)

The tax on profit before tax on ordinary activities before taxation for the year is greater than the standard rate of corporation tax in the UK (2017 - lower than the standard rate of corporation tax in the UK) of 19% (2017-19.25%).

The differences are reconciled below:

	2018 £ 000	2017 £ 000
Profit before tax	7,448	13,360
Corporation tax at standard rate	1,415	2,572
Effect of expense not deductible in determining taxable profit (tax loss)	40	11
Deferred tax - short term timing differences	(14)	(7)
Prior period adjustments	53	(17)
Total tax charge	1,494	2,559

The Finance Act 2016 included legislation to reduce the rate of UK Corporation Tax to 17% with effect from 1 April 2020. Deferred tax has been measured at the rate at which they are forecast to reverse.

9 Intangible assets

	Goodwill £ 000
Cost	
At 1 January 2018	10,785
At 31 December 2018	10,785
Accumulated amortisation	
At 1 January 2018	6,292
Amortisation charge	618
At 31 December 2018	6,910
Carrying amount	
At 31 December 2018	3,875
At 31 December 2017	4,493

Gerard Mann Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

10 Tangible assets

	Plant and equipment £ 000
Cost	
At 1 January 2018	6,511
Additions	1,773
Disposals	(83)
At 31 December 2018	8,201
Accumulated depreciation	
At 1 January 2018	3,450
Charge for the year	879
Eliminated on disposals	(82)
At 31 December 2018	4,247
Carrying amount	
At 31 December 2018	3,954
At 31 December 2017	3,061

11 Investments

	£ 000
Subsidiaries	
Cost	
At 1 January 2018 and 31 December 2018	17,477
Provision	
At 1 January 2018 and 31 December 2018	17,477
Carrying amount	
At 31 December 2018	-
At 31 December 2017	-

Gerard Mann Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

11 Investments (continued)

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held	
			2018	2017
Subsidiary undertakings				
Inchcape North West Group Limited	England & Wales	Ordinary	100%	100%
Inchcape North West Limited	England & Wales	Ordinary	100%	100%

Both Inchcape North West Group Limited and Inchcape North West Limited are dormant companies.

The registered address for both of Gerard Mann Limited's subsidiaries is:

First Floor
Unit 3140 Park Square
Solihull Parkway
Birmingham Business Park
Birmingham
B37 7YN

12 Stocks

	2018 £ 000	2017 £ 000
Work in progress	37	47
Finished goods - purchased inventory	75,497	70,579
Finished goods - consignment inventory	60,515	68,878
	<u>136,049</u>	<u>139,504</u>

Vehicles on consignment have been included in finished goods with the corresponding liability included within trade creditors. Payment becomes due when the title passes to the Company, which is generally the earlier of six months from delivery or the date of sale.

Gerard Mann Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

13 Debtors

	Note	2018 £ 000	2017 £ 000
Trade debtors		9,323	9,970
Amounts owed by group undertakings	21	8,782	127
Other debtors		1,829	344
Deferred tax assets	16	212	308
Prepayments and accrued income		8,031	9,453
		<u>28,177</u>	<u>20,202</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

14 Cash at bank and in hand

	2018 £ 000	2017 £ 000
Cash at bank	<u>4,025</u>	<u>38,400</u>

Gerard Mann Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

15 Creditors: amounts falling due within one year

	Note	2018 £ 000	2017 £ 000
Trade creditors		129,549	148,531
Amounts owed to group undertakings	21	1,988	17,146
Bank overdraft		9,205	-
Other creditors		623	1,100
Taxation and social security		585	253
Deposits received		889	876
Accruals and deferred income		5,297	4,963
		<u>148,136</u>	<u>172,869</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

The bank overdraft is part of the Inchcape plc Group's cash pooling arrangement, which incurred a weighted average floating interest rate of 0.8% in 2018. Further details of the cash pooling arrangement in the context of the Inchcape Group as a whole, is provided in the Group's 2018 Annual Report and Accounts which does not form part of these financial statements.

The Company enters into vehicle funding agreements whereby the Company is able to refinance interest bearing amounts due to suppliers on similar terms. The total balance payable under vehicle funding agreements, including amounts due to suppliers, as of 31 December 2018 is £111,899,000 (2017: £128,956,000) of which £32,375,000 (2017: £45,991,000) is outstanding under refinancing agreements. Such amounts are included within trade creditors above and interest charged on these agreements is included within cost of sales.

Gerard Mann Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

16 Deferred tax asset

Analysis of deferred tax

	2018	2017
	£000	£000
Difference between accumulated depreciation and amortisation and capital allowances	211	272
Other timing differences	1	36
	<u>212</u>	<u>308</u>

Deferred tax movement during the year:

	At 1 January 2018 £ 000	Recognised in income £ 000	At 31 December 2018 £ 000
Accelerated tax depreciation	272	(61)	211
Other	36	(35)	1
	<u>308</u>	<u>(96)</u>	<u>212</u>

17 Called up share capital and reserves

Allotted, called up and fully paid shares

	2018		2017	
	No. 000	£ 000	No. 000	£ 000
10,250,000 ordinary shares of £1 each	10,250	10,250	10,250	10,250

The Company's other reserve is as follows:

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

Gerard Mann Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

18 Obligations under leases and hire purchase contracts

Operating leases

At 31 December 2018, the Company had annual commitments under non-cancellable operating leases expiring as follows:

	2018 £ 000	2017 £ 000
Not later than one year	159	115

The amount of non-cancellable operating lease payments recognised as an expense during the year was £Nil (2017 - £Nil).

The Company rents its properties from a fellow Group Company, Inchcape Estates Limited. These properties are not held on a formal lease and there is no associated operating lease commitment.

19 Dividends

	2018 £ 000	2017 £ 000
Final dividend declared and paid of £1.05 (2017: Nil) per ordinary share	10,801	-

20 Contingent liabilities

The Company is party to composite cross guarantees between banks, its ultimate parent undertaking and fellow subsidiaries. The Company's contingent liability under these guarantees at the year end was £1,000 (2017: £33,422,000).

21 Related party transactions

As per note 6 the disclosure of the Directors' remuneration can be found in the financial statements of Inchcape Retail Limited and Inchcape Estates Limited, both of whom are fellow subsidiaries within the group.

The Company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the group.

Gerard Mann Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

22 Parent and ultimate parent undertaking

The Company's immediate parent is Inchcape International Holdings Limited, incorporated in England and Wales, of which the Company is a wholly owned subsidiary.

The ultimate parent is Inchcape plc, incorporated in England and Wales.

Both the smallest and largest group of which the Company is a member and for which group financial statements are drawn up is that of Inchcape plc.

These financial statements are available upon request from:

The Company Secretary
Inchcape plc
22A St James's Square
London
SW1Y 5LP

The ultimate controlling party is Inchcape plc.