

Inchcape Management (Services) Limited

Annual Report and Financial Statements

for the year ended 31 December 2018

Registration number: 0785779



Registered office
22a St James's Square
London
United Kingdom
SW1Y 5LP

Inchcape Management (Services) Limited

Company Information

Directors

Michael Bowers
Jonathan Greenwood
Bertrand Mallet
Kathryn Mecklenburgh
Tamsin Waterhouse

Company secretary

Inchcape Corporate Services Limited

Registered office

22a St James's Square
London
United Kingdom
SW1Y 5LP

Independent Auditors

Deloitte LLP
Statutory Auditor
Birmingham, UK

Inchcape Management (Services) Limited

Strategic Report for the Year Ended 31 December 2018

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

Fair review of the business

The results for the Company show a loss for the financial year of £(505,000) (2017: a profit of £6,135,000). The Company had net liabilities at the end of the year of £22,680,000 (2017: £22,155,000).

The Company's principal activity during the year was to provide office administration services to a number of fellow subsidiaries and Inchcape plc, and remains unchanged since prior years.

Key performance indicators (KPIs)

The Company is part of the Inchcape Group. The development, performance and position of the UK segment, which includes this Company, is discussed in the Group's Financial Statements 2018 which do 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. The Directors of Inchcape plc manage the Group's risk at a Group level rather than at an individual business unit or company level. Further discussion on these risks and uncertainties, in the context of the Inchcape Group as a whole, is provided in the Group's Financial Statements 2018 which do not form part of this report.

Approved by the Board on 11 October 2019 and signed by order of the Board by:



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Inchcape Corporate Services Limited
Company secretary

Inchcape Management (Services) Limited

Directors' Report for the Year Ended 31 December 2018

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

Incorporation and domicile

The Company is incorporated and domiciled in the United Kingdom, (registration number 785779). The registered address of the Company is 22a St James's Square, London, SW1Y 5LP.

Directors of the Company

The Directors who held office during the year and up to the date of signing were as follows:

Michael Bowers

Alison Clarke (resigned 17 June 2018)

Jonathan Greenwood

Bertrand Mallet

Kathryn Mecklenburgh (appointed 17 June 2018)

Tamsin Waterhouse.

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).

Dividends

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

No dividends were paid during the year (2017: £nil).

Future developments

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

Post balance sheet date events

There have been no significant events since the balance sheet date which should be considered for a proper understanding of the financial statements

Financial risk management

The Directors consider that the Company's key financial instruments are intercompany loans. Financial exposures exist to the extent that a change in the underlying base rate of interest will affect the level of income received or paid on the intercompany loans. The risk is not considered material and the Company does not employ the use of hedging instruments.

Charitable donations

During the year the Company made charitable donations of £15,000 (2017: £8,356). Individual donations were:

Paid to Atkins Kroll Inc in Guam for typhoon victims' support	£ 15,000
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There were no political donations during the year (2017: £nil).

Inchcape Management (Services) Limited

Directors' Report for the Year Ended 31 December 2018

Creditor payment policy

The Company is responsible for agreeing the terms and conditions including terms of payment under which business transactions with the Company's suppliers are conducted. While the Company does not follow any single external code or standard, in line with Inchcape plc Group policy payments to suppliers are made in accordance with the agreed terms, provided that the supplier is also complying with all relevant terms and conditions. The number of days purchases outstanding at 31 December 2018 is calculated at 71 days (2017: 29 days).

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of approving of these financial statements. The Directors have received confirmation from its immediate parent, Inchcape Plc, that it intends to support the Company for at least 12 months from the date these financial statements are approved and signed. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

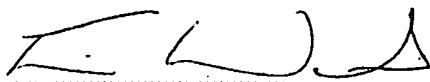
Directors' indemnity

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 the 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 an 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.

Statement of disclosure of information to the auditors

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 auditors are aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006. Deloitte have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board on 11 October 2019 and signed by order of the Board by:



Inchcape Corporate Services Limited
Company secretary

Inchcape Management (Services) Limited

Statement of Directors' Responsibilities in Respect of the Financial Statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The Directors 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.

Inchcape Management (Services) Limited

Independent auditors' report to the members of Inchcape Management (Services) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Inchcape Management (Services) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); 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 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (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.

Inchcape Management (Services) Limited

Independent auditors' report to the members of Inchcape Management (Services) Limited (continued)

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.

Inchcape Management (Services) Limited

Independent auditors' report to the members of Inchcape Management (Services) Limited (continued)

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.

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.



Manmeet Kalsi (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Birmingham
11 October 2019

Inchcape Management (Services) Limited

Profit and Loss Account for the Year Ended 31 December 2018

	Note	2018 £'000	2017 £'000
Turnover		40,651	47,124
Administrative expenses		(38,979)	(39,287)
Operating profit		1,672	7,837
Interest payable and similar charges	8	(861)	(1,099)
Profit before taxation		811	6,738
Tax on (loss) / profit		(1,316)	(603)
(Loss) / Profit for the financial year		(505)	6,135

The above results were derived from continuing operations.

Inchcape Management (Services) Limited

Statement of Comprehensive Income for the Year Ended 31 December 2018

	Note	2018 £'000	2017 £'000
(Loss) / Profit for the financial year		(505)	6,135
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of post-employment benefit obligations	17	39	(26)
Tax recognised in statement of comprehensive income		(7)	328
Other comprehensive income		32	302
Total comprehensive (loss) / income for the year		(473)	6,437

Inchcape Management (Services) Limited

Balance Sheet as at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Intangible assets	10	16,257	3,771
Tangible assets	11	8	40
Investments	12	—	—
		16,265	3,811
Current assets			
Deferred tax assets	9	1,980	2,567
Debtors: Amounts falling due within one year	13	35,120	48,404
Cash and cash equivalents		3,014	3
		40,114	50,974
Creditors: Amounts falling due within one year	14	(19,030)	(32,292)
Net current assets		21,084	18,682
Total assets less current liabilities		37,349	22,493
Creditors: Amounts falling due after more than one year	15	(59,397)	(43,809)
Provisions for liabilities		—	(100)
Pensions and similar obligations	17	(632)	(739)
Net liabilities		(22,680)	(22,155)
Capital and reserves			
Share capital	19	5	5
Profit and loss account		(22,685)	(22,160)
Total shareholders' deficit		(22,680)	(22,155)

The financial statements on pages 9 to 26 were approved by the Board on 11 October 2019 and signed on its behalf by:


Kathryn Mecklenburgh

Director

Inchcape Management (Services) Limited

Registration number: 0785779

Inchcape Management (Services) Limited

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

	Share capital £'000	Profit and loss Account £'000	Total shareholders' deficit £'000
At 1 January 2018	5	(22,160)	(22,155)
Loss for the financial year	–	(505)	(505)
Other comprehensive income	–	32	32
Total comprehensive income for the year	–	(22,633)	(22,633)
Share-based payments, net of tax	–	(52)	(52)
At 31 December 2018	5	(22,685)	(22,680)

	Share capital £'000	Profit and loss Account £'000	Total shareholders' deficit £'000
At 1 January 2017	5	(28,597)	(28,592)
Profit for the financial year	–	6,135	6,135
Other comprehensive income	–	302	302
Total comprehensive income for the year	–	6,437	6,437
At 31 December 2017	5	(22,160)	(22,155)

Inchcape Management (Services) Limited

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

1 Accounting policies

General Information

Inchcape Management Services Limited (the Company) 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.

The nature of the Company's operations and its principal activities are set out in the strategic report on page 2.

These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates.

Basis of preparation

These financial statements were prepared under the historical cost convention and in accordance with the Companies Act 2006 and Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The principal accounting policies of the Company have been applied consistently.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise of share options, and how the fair value of goods and services received was determined);
- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - paragraph 73(e) of IAS 16 Property, plant and equipment;
 - paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period);
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flows);
 - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information);
 - 40A-D (requirements for a third statement of financial position);
 - 111 (cash flow statement information); and
 - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation); and
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Inchcape Management (Services) Limited

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

1 Accounting policies (continued)

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of approving of these financial statements. The Directors have received confirmation from its immediate parent, Inchcape Plc, that it intends to support the Company for at least 12 months from the date these financial statements are approved and signed. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Impact of new International Financial Reporting Standards

IFRS 9 'Financial Instruments' was issued by the IASB in July 2014 and replaced IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 15 'Revenue from Contracts with Customers' was issued by the IASB in May 2014 and replaced IAS 18 'Revenue'. The company adopted IFRS 9 and IFRS 15 from 1 January 2018 and has applied the new standards in accordance with the transition provisions. The company identified no changes in accounting policies as a result of implementing the new standards.

IFRS 16 'Leases' was issued by the IASB in January 2016 and introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessees and lessors. IFRS 16 will supersede the current guidance on leases including IAS 17 and the related interpretations when it becomes effective for the Company's financial year commencing 1 January 2019.

Under IFRS 16, the distinction between operating leases (off balance sheet) and finance leases (on balance sheet) is removed for lessee accounting and replaced with a model where a right-of-use asset and a corresponding liability are recognised for all leases by lessees. As a result, all leases will be on balance sheet except for short-term leases and leases of low value assets.

Group financial statements

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. In accordance with the exemption permitted by Section 400 of the Companies Act 2006 no Group financial statements have been prepared.

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 arises from within the Group.

Finance income and costs policy

Interest is included in the profit and loss account on an accrual basis.

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Borrowing costs are capitalised from the date on which expenditure is incurred on the asset, borrowing costs are incurred and activities are undertaken to prepare the asset for its intended use.

Foreign currency transactions and balances

Transactions in overseas currencies have been translated into Sterling at the rate ruling at the date of the transaction. Assets and liabilities are translated into Sterling at the rate ruling at the balance sheet date except where rates of exchange are fixed under contractual agreements.

Tax

The tax expense for 2018 comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Inchcape Management (Services) Limited

1 Accounting policies (continued)

Tax (continued)

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

Deferred taxation is provided in full (without discounting) based on current tax rates and law, on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax in the future. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding commitment to sell the asset.

A net deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

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

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation and amortisation. Cost includes the original net purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use.

Depreciation

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Asset class	Depreciation method and rate
Land and buildings: leasehold improvements	life of lease
Office equipment	25%
Fixtures and fittings	20% - 25%

Tangible fixed assets are subject to impairment tests where, in the opinion of the Directors, there has been an indication of impairment. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account.

Computer software and other intangible assets

Computer software and other intangible assets, when acquired separately from a business, are carried at cost less accumulated amortisation and impairment losses. Costs comprise purchase price from third parties as well as internally generated development costs where relevant.

Amortisation is provided on a straight-line basis to allocate the cost of the asset over its estimated useful economic life, which in the case of computer software is three to seven years.

Investments

Fixed asset investments are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value. Net realisable value is that price at which the investments can be sold in the normal course of business after allowing for the costs of realisation.

Fixed asset investments are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount and is charged to the profit and loss account, the recoverable amount being the higher of net realisable value and value in use.

Shares in other Group companies are stated at cost, less provision for impairment in value.

Inchcape Management (Services) Limited

1 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term bank deposits.

Provisions

A provision is recognised when the Company has a present obligation that arises from a past event, when it is more likely than not to result in the transfer of economic benefits and where the amount can be reliably estimated. Provisions are discounted where the time value of money is considered to be material.

Leases

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

Fixed assets acquired under finance leases are capitalised at the estimated fair value at the date of inception of each lease. Each lease payment is allocated between capital liability and finance charges. The corresponding rental obligations are included in creditors. The associated interest element is charged to the profit and loss account over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Dividends

Interim dividends are recognised in the period in which they are paid. Final dividends are recognised in the period they are approved by the Company's shareholder.

Defined benefit pension obligation

The Company participates in various Group pension schemes, which are defined benefit in nature with assets held in separately administered funds. The cost of providing such benefits is determined separately for each plan using the projected unit credit actuarial valuation method, in accordance with the advice of an independent qualified actuary.

The schemes are valued every three years by a professionally qualified independent actuary. For accounting purposes, a valuation is prepared annually for each scheme under IAS 19, 'Employee Benefits'.

The current service cost, any past service costs and gains and losses on settlements and curtailments are included in 'administrative expenses' in the profit and loss account. Administrative scheme expenses associated with the plans are similarly recognised when incurred. Net interest income or interest cost relating to the schemes is included within 'finance income' or 'finance costs', as relevant, in the profit and loss account.

Changes in the retirement benefit obligation or asset due to experience and changes in actuarial assumptions are included in the statement of comprehensive income, as actuarial gains and losses, in full in the period in which they arise.

Where scheme assets exceed the defined benefit obligation, a net asset is only recognised to the extent that an economic benefit is available, in accordance with the terms of the scheme and, where relevant, statutory requirements.

The Company also operates plans in the United Kingdom to provide medical benefits and ex-gratia pension payments after retirement. The actuarial accrued liabilities in respect of past employees under the scheme, which is closed to new entrants, have been included on the balance sheet.

Inchcape Management (Services) Limited

1 Accounting policies (continued)

Share based payments

For equity settled share-based awards, the cost of services received from employees are measured by reference to the fair value of the awards granted. The fair value at the date at which the share-based awards are granted is recognised in the profit and loss account on a straight-line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. With the exception of the Inchcape plc SAYE share option scheme, the vesting of all share-based awards under all schemes is solely reliant upon non-market conditions therefore no expense is recognised for awards that do not ultimately vest. Where an employee cancels an SAYE award, the charge for that award is recognised as an expense immediately, even though the award does not vest.

Financial Instruments

The Company classifies its financial instruments as measured at amortised cost. The classification is determined at initial recognition and depends on the purpose for which the financial instruments are required.

Measured at amortised cost includes non-derivative financial assets and liabilities with fixed or determinable payments that are not quoted in an active market. Financial assets are included in current assets, except where the maturity date is more than 12 months after the end of the reporting period. They are initially recorded at fair value and subsequently recorded at amortised cost. Financial liabilities are included in current liabilities, except where the maturity date is more than 12 months after the end of the reporting period. They are initially measured at original cost, less amortisation or provisions raised.

Inchcape Management (Services) Limited

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

2 Critical accounting judgements and key sources of estimation uncertainty

The Directors have made some estimates and judgements in applying the accounting policies. The most significant relate to:

Pensions and other post-retirement benefits

Pensions and other post-retirement benefit liabilities are determined based on actuarial assumptions. A number of these assumptions required a degree of judgement, including the discount rate, rate of inflation and expected mortality rates. These assumptions are subject to a review on an annual basis and are determined in conjunction with an external actuary. The use of difference assumptions could have a material effect on the value of the relevant liabilities and could result in a material change to amounts recognised in the profit and loss account over time.

Impairment of investments

Investments are reviewed for impairment on an annual basis. Carrying value at the end of the year is compared to recoverable value for each instrument. The recoverable value is determined based on the higher of net asset value or value in use. Value in use calculations require estimates to be made of future cash flows.

3 Other gains and losses

The analysis of the company's other gains and losses for the year is as follows:

	2018	2017
	£'000	£'000
Gain from disposals of investments	-	3,659

The gain on disposal of investments recognised in 2017 related to the sale of LLC Inchcape Management Services Rus to another Group company.

4 Operating profit

Stated after charging:

	2018	2017
	£'000	£'000
Depreciation of tangible assets	32	316
Amortisation of intangible assets	130	104
Operating lease expense - land and buildings	976	721
Operating lease expense - plant and machinery	98	158
Fees payable for the audit of the financial statements	37	40

Inchcape Management (Services) Limited

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

5 Employee costs

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

	2018 £'000	2017 ⁽¹⁾ £'000
Wages and salaries	17,484	19,522
Social security costs	2,053	2,567
Other pension costs	1,193	1,058
Redundancy costs	21	330
Share based payments charge	2,028	3,886
	22,779	27,364

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

	2018 No.	2017 ⁽¹⁾ No.
Administration and management	158	147

(1) The 2017 amounts and numbers have been restated to align with the presentation adopted in the 2018 financial year.

6 Directors' remuneration

No emoluments (2017: £nil) were paid to the Directors for services specifically provided to this Company as their services are provided to a number of Group companies. The proportion of their emoluments attributable to the Company cannot be reasonably estimated and these costs are borne entirely within the Inchcape Group.

7 Auditors' remuneration

	2018 £'000	2017 £'000
Audit of the financial statements	37	40

8 Interest payable and similar charges

	2018 £'000	2017 £'000
Interest on bank overdrafts and borrowings	115	90
Interest on post-retirement liabilities	18	19
Interest payable to Group undertakings	728	990
	861	1,099

Inchcape Management (Services) Limited

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

9 Tax on profit

Tax charged / (credited) in the profit and loss account:

	2018 £'000	2017 £'000
Current taxation		
UK corporation tax on profits / losses for the year	840	1,132
Adjustments in respect of prior years	(427)	(703)
Foreign taxes	375	185
	788	614
Deferred taxation		
Origination and reversal of timing differences	565	78
Adjustments in respect of prior years	23	(89)
Tax rate changes	(60)	-
	528	(11)
Tax charge for the year	1,316	603

The Finance (No. 2) Act 2015 included legislation to reduce the rate of UK Corporation Tax from 20% to 19% with effect from 1 April 2017. This gives an overall blended Corporation Tax rate for the Company for the full year of 19% (2017: blended rate 19.25%).

The actual tax charge for the current and previous years differs from the tax charge at the blended standard rate for the reasons set out in the following reconciliation:

	2018 £'000	2017 £'000
Profit on ordinary activities before taxation	811	6,738
Corporation tax at standard rate	154	1,297
Non-deductible expenses	1,322	627
Non-taxable income	-	(704)
Overseas withholding taxes written off	304	185
Impact of tax rate changes	(60)	(10)
Prior year items	(404)	(792)
Total tax charge	1,316	603

Inchcape Management (Services) Limited

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

9 Tax on profit (continued)

Deferred tax

Deferred tax movement during the year:

	1 January 2018 £'000	Recognised in comprehensive income £'000	Recognised in other income £'000	31 December 2018 £'000
Accelerated tax depreciation	208	(53)	-	155
Other items	2,359	(475)	(59)	1,825
Net tax assets	2,567	(528)	(59)	1,980

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Factors that may affect future tax charges

The Finance (No. 2) Act 2015 included legislation to reduce the rate of UK corporation tax from 20% to 19% from 1 April 2017, and to 18% from 1 April 2020. Subsequently, the Finance Act 2016 further reduced the rate of corporation tax by 1% to 17% from 1 April 2020. This further rate reduction was enacted by the balance sheet date and hence this rate is now relevant for measuring deferred tax balances in the UK, as appropriate.

10 Intangible assets

	Computer software £'000	Total £'000
Cost		
At 1 January 2018	4,241	4,241
Additions	17,963	17,963
Transfers to Group companies	(5,347)	(5,347)
At 31 December 2018	16,857	16,857
Accumulated amortisation		
At 1 January 2018	(470)	(470)
Amortisation charge	(130)	(130)
At 31 December 2018	(600)	(600)
Net book value		
At 31 December 2018	16,257	16,257
At 31 December 2017	3,771	3,771

Additions relate to the development of computer software assets on behalf of the Inchcape Group.

Inchcape Management (Services) Limited

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

11 Tangible assets

	Land and buildings £'000	Fixtures and fittings £'000	Office equipment £'000	Total £'000
Cost				
At 1 January 2018	902	193	111	1,206
Disposals	–	(193)	–	(193)
At 31 December 2018	902	–	111	1,013
Accumulated depreciation				
At 1 January 2018	(902)	(193)	(71)	(1,166)
Disposals	–	193	–	193
Charge for the year	–	–	(32)	(32)
At 31 December 2018	(902)	–	(103)	(1,005)
Net book value				
At 31 December 2018	–	–	8	8
At 31 December 2017	–	–	40	40

12 Investments

Shares in subsidiary undertakings is £nil (2017: £nil). In 2017, the Company disposed of its interest in LLC Inchcape Management Services Rus to a fellow Group company.

Details of the subsidiaries as at 31 December 2018 are below. All holdings have one type of ordinary share capital.

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest held
Inchcape UK Corporate Management Limited ¹	Dormant	England & Wales	100%

¹ Address: First Floor, Unit 3140, Park Square, Solihull Parkway, Birmingham Business Park, Birmingham, B37 7YN.

Inchcape Management (Services) Limited

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

13 Debtors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade debtors	-	44
Amounts owed by Group undertakings	10,625	37,420
Prepayments and accrued income	21,548	1,045
Other debtors	2,947	9,895
	35,120	48,404

Amounts owed to Group undertakings are unsecured, bear interest at rates linked to LIBOR and are due for repayment after more than one year.

14 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Bank overdrafts	-	13,650
Trade creditors	3,832	1,004
Accruals and deferred income	13,012	16,858
Current tax creditor	298	293
Other creditors	1,888	487
	19,030	32,292

15 Creditors: amounts falling due after more than one year

	2018 £'000	2017 £'000
Amounts owed to Group undertakings	59,397	43,809

Amounts owed to Group undertakings are unsecured, bear interest at rates linked to LIBOR and are due for repayment after more than one year.

Inchcape Management (Services) Limited

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

16 Obligations under leases and hire purchase contracts

Operating leases

The total future value of minimum lease payments is as follows:

	31 December 2018 £'000	31 December 2017 £'000
Within one year	733	851
In two to five years	362	1,029
	1,095	1,880

The amount of non-cancellable operating lease payments recognised as an expense during the year was £1,074,000 (2017: £951,000).

17 Pensions and similar obligations

The Company operates two unfunded post-retirement health and medical plans in respect of past employees.

Principal actuarial assumptions

The principal assumptions used by the actuaries were:

	2018	2017
Discount rate	2.8%	2.5%
Inflation	3.2%	3.2%
Rate of increase in healthcare costs	5.4%	5.4%

Post retirement mortality assumptions

	2018 Years	2017 Years
Current pensioners	22.0	22.3
Current non pensioners	23.4	24.0

Reconciliation of scheme liabilities to liabilities recognised

The amounts recognised in the Balance Sheet are as follows:

	2018 £'000	2017 £'000
Present value of scheme liabilities	(632)	(739)

Inchcape Management (Services) Limited

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

17 Pensions and similar obligations (continued)

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	2018 £'000	2017 £'000
Present value at start of year	739	782
Actuarial gains and losses arising from experience adjustments	3	26
Interest cost	4	19
Actuarial gains and losses arising from financial assumptions	(10)	-
Actuarial gains and losses arising from demographic assumptions	(32)	-
Contributions	(72)	(88)
Present value at end of year	632	739

Amounts recognised through the profit and loss account

	2018 £'000	2017 £'000
Amounts recognised in finance income		
Net interest	4	19
Total recognised through the profit and loss account	4	19

Amounts taken to the Statement of Comprehensive Income

	2018 £'000	2017 £'000
Actuarial losses arising from experience adjustments	39	(26)

Sensitivity analysis

Impact on the defined benefit obligation

	2018 %	2017 %
Discount rate -0.25%	+0.5	+0.5
Discount rate +0.25%	-0.4	-0.6
Inflation -0.25%	-0.3	-0.6
Inflation +0.25%	+0.4	+0.5
Medical inflation -1.00%	-2.3	-2.6
Medical inflation +1.00%	+2.5	+2.7

Inchcape Management (Services) Limited

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

18 Share-based payments

The terms and conditions of the Group's share-based payment plans are detailed in the Inchcape plc Directors' report on remuneration.

The charge arising from share-based payment transactions during the year was £2.0m (2017: £3.9m), all of which is equity-settled.

263,058 options were exercised during the year (2017: 354,169), with the following weighted average share prices at the date of exercise:

2018	Performance Share Plan	Executive Share Option Plan	Save As You Earn Plan	Other Share Plans
Weighted average share price	£7.16	£7.03	£7.24	£6.91

2017	Performance Share Plan	Executive Share Option Plan	Save As You Earn Plan	Other Share Plans
Weighted average share price	£8.10	£8.43	£8.35	£8.15

At the end of the year there were 1,743,649 share options outstanding (2017: 1,414,569). The weighted average remaining contractual life for the options outstanding at 31 December 2018 is 1.4 years (2017: 2.3 years).

The range of exercise prices for options outstanding at the end of the year was £0.10 to £5.78 (2017: £2.00 to £6.66).

19 Share capital

Allotted, called up and fully paid shares

	No. 000	2018 £ 000	No. 000	2017 £ 000
Ordinary shares of £1 each	5	5	5	5

20 Parent and ultimate parent undertaking

The Company's immediate parent is Inchcape plc, a company registered in England and Wales.

The Directors regard the ultimate parent undertaking and controlling party to be Inchcape plc, a company registered in England and Wales.

Both the smallest and the largest group of which the Company is a member and for which Group financial statements are drawn up is that of Inchcape plc. Copies of the Financial Statements for that company are available from its registered address:

The Company Secretary
Inchcape plc
22a St James's Square
London
United Kingdom
SW1Y 5LP