

Inchcape Management (Services) Limited

Annual Report and Financial Statements

for the year ended 31 December 2020

Registration number: 00785779

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

Inchcape Management (Services) Limited

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Inchcape Management (Services) Limited

Company Information

Directors

Michael Bowers
Jonathan Greenwood
Adrian Lewis
Tamsin Waterhouse

Company secretary

Inchcape Corporate Services Limited

Registered office

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

Independent auditor

Deloitte LLP
Statutory Auditor
Four Brindley Place
Birmingham
B1 2HZ
United Kingdom

Inchcape Management (Services) Limited

Strategic Report for the Year Ended 31 December 2020

The Directors present their strategic report for the year ended 31 December 2020.

Fair review of the business

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. The results for the Company show a loss for the financial year of £7,211,000 (2019: a profit of £278,000). The Company had net liabilities at the end of the year of £29,083,000 (2019: £21,954,000).

The loss in the financial year and the increase in net liabilities were largely as a result of COVID-19 disruption. In 2018, the Group initiated a programme to develop an omni-channel digital solution, with the aim of implementing the solution in various markets and franchises across the globe. In response to the COVID-19 pandemic, the solution was revisited, its associated technology and the way in which the solution will be delivered. As a result of this review, an alternative solution was identified that can be delivered quicker and to more markets to meet the changing needs of consumers. However, certain developments would no longer be used or will need to be re-worked, resulting in an impairment charge of £8.8m. Additionally, during the year, the Group implemented a cost-restructuring programme targeting overheads reduction, due to the impact of COVID-19, in order to support profitability and create a leaner overhead base for the future. The Company incurred restructuring costs of £1.2m.

Key performance indicators (KPIs)

Given the nature of the business, the Directors are of the opinion that the KPIs necessary for an understanding of the development, performance and position of the Company are net assets and profit for the year.

The Company is part of the Inchcape Group. The development, performance and position of the Group is discussed in the Group's Annual Report and Accounts 2020 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. The financial risks of the Company and their management are outlined in the Directors' report on page 4.

The Company is a wholly owned subsidiary of Inchcape plc. The Directors of Inchcape plc manage the Group's risks at a Group level rather than at an individual business unit level. For this reason, the Company's Directors believe that disclosure of the Company's risks would not be appropriate for an understanding of the development, performance or position of Inchcape Management (Services) Limited.

In early 2020, the existence of a new coronavirus, now known as COVID-19, was confirmed and subsequently declared a pandemic. During the first quarter of 2020, it spread from China to a significant number of countries in which the Inchcape Group operates. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. As the Company is a wholly owned subsidiary within the Inchcape Group, the impact of the risks associated with COVID-19 on the Company and the mitigating actions were managed by the Directors of Inchcape plc.

The COVID-19 pandemic had a material impact on the Group's trading for a substantial period of the year, as markets experienced government mandated lockdowns. During the early, highly uncertain period, the Group took short-term protective actions to reduce costs and secure liquidity, including utilising various government sponsored furlough schemes and the Group also established a Commercial Paper Programme allowing access to the UK Covid Corporate Financing Facility programme. Despite the initial disruption to the Group's operations, there was an improving trend towards the end of the second quarter of the year when some markets were able to partially reopen and the Group established a 'new normal' way of operating. The COVID-19 pandemic has remained dynamic throughout 2020 and has continued to cause some disruption to trading into 2021. However, the Group is well prepared both from an operational and a liquidity standpoint.

Further discussion of the risks and uncertainties of the Inchcape Group as a whole, is provided in the Group's 2020 Annual Report and Accounts which does not form part of this report.

Inchcape Management (Services) Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

Statement on Section 172

The Directors believe that, individually and together, they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members, as a whole, having regard to the stakeholders and matters set out in section 172(a)-(f) of the Companies Act 2006 in the decisions taken during the year ended 31 December 2020. The Company follows the Inchcape Group's ('the Group's') business standards and compliance with local corporate governance requirements, and is committed to acting if our business should fail to act in the manner we expect of it.

The Directors are responsible for monitoring and upholding the culture, values, standards, ethics and reputation of the Company to ensure that our obligations to our shareholder and to our stakeholders are met. For each matter, which comes before the Board, stakeholders who may be affected are identified and their interests are carefully considered as part of the Board's decision-making.

The Directors are also mindful of the wider social context within which our businesses operate, including those issues related to climate change which are of fundamental importance to the planet's well-being.

Our culture and decision making

The Company provides office administration services to a number of fellow subsidiaries and its immediate parent. Our culture is shaped by the Group's clearly defined values to help ensure we achieve our vision. It determines how we behave, how we make decisions and our attitude towards risk aligned with the Group's purpose, vision and values. In making such decisions the Directors have regard to a variety of matters including the interests of various stakeholders, the consequences of their decisions in the long term and the long-term reputation of the Company, the Group and its businesses.

Employee engagement

The employees of the Company are kept informed about what is happening across the Group through the Group's intranet, its 'Hive' collaborative platform, email, newsletters, leadership blogs and briefings. You can read more about the Group's engagement with employees on pages 18 and 19 of the Inchcape plc Annual Report and Accounts 2020.

Fostering business relationships with our customers and suppliers

The Directors recognise that fostering business relationships with key stakeholders such as suppliers is essential to the success of the Company and the Group and are satisfied that it has close relationships with all its stakeholders to meet its strategic priorities.

The community and the environment

The Directors recognise the critical role the Group plays in the communities in which it operates and the growing worldwide focus on environmental and climate change issues which are of fundamental importance to the planet's well-being. In these as in all other areas, the Company's directors manage and govern the Company in accordance with the Group policies as approved by the Board of Directors of the Group, further details of which are available in Inchcape plc Annual Report and Accounts 2020.

For the Group's section 172 statement please see page 3 of the Inchcape Annual Report and Accounts 2020.

Approved by the Board on 16 September 2021 and signed by order of the Board by:



Inchcape Corporate Services Limited
Company secretary

Inchcape Management (Services) Limited

Directors' Report for the Year Ended 31 December 2020

The Directors present their report and the audited financial statements for the year ended 31 December 2020.

Incorporation and Domicile

The Company is incorporated and domiciled in the United Kingdom, (registration number 00785779). 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

Jonathan Greenwood

Adrian Lewis (appointed 31 October 2020)

Bertrand Mallet (resigned 29 January 2021)

Kathryn Mecklenburgh (resigned 31 October 2020)

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 2020 or occurred during the year for any Director or connected person (2019: none).

Dividends

The Directors do not recommend the payment of a final dividend (2019: £nil).

No dividends were paid during the year (2019: £nil).

Future developments

The Directors do not foresee any significant changes in the Company or its activities in 2021.

Post balance sheet date events

There have been no significant events after 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.

Going concern

The Company's ability to operate as a going concern is assessed in conjunction with the Group as its viability is dependent upon the ability of the Group companies to settle their intercompany balances with the Company and to provide funds for working capital needs. The Directors have a reasonable expectation that the Group has adequate resources to support the Company based on its net assets and forecast performance and financial position including an assessment of the effect of the worldwide pandemic of Covid-19. Inchcape plc has confirmed that they intend to provide financial resources, where requested, for at least 12 months from the date of signing these financial statements, whilst the Company remains a subsidiary of Inchcape plc.

Inchcape Management (Services) Limited

Directors' Report for the Year Ended 31 December 2020 (continued)

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 Directors' responsibilities

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 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

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

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 information is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Independent auditors

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 16 September 2021 and signed by order of the Board by:



Inchcape Corporate Services Limited
Company secretary

Inchcape Management (Services) Limited

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Inchcape Management (Services) Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; 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 21.

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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

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

Inchcape Management (Services) Limited

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team, including relevant internal specialists, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Inchcape Management (Services) Limited

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

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

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.

Inchcape Management (Services) Limited

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

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

Manmeet Kalsi ACA (Senior statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
16 September 2021

Inchcape Management (Services) Limited

Profit and Loss Account for the Year Ended 31 December 2020

	Note	2020 £'000	2019 £'000
Turnover	3	48,243	42,954
Administrative expenses		(53,532)	(41,852)
Operating (loss) / profit	4	(5,289)	1,102
Interest payable and similar expenses	8	(1,257)	(1,189)
Loss before taxation		(6,546)	(97)
Tax on loss	9	(665)	375
(Loss) / profit for the financial year		(7,211)	278

The above results were derived from continuing operations.

Inchcape Management (Services) Limited

Statement of Comprehensive Income for the Year Ended 31 December 2020

	Note	2020 £'000	2019 £'000
(Loss) / profit for the financial year		(7,211)	278
Items that will not be reclassified subsequently to profit or loss			
Re-measurement of post-employment benefit obligations	18	(86)	39
Tax recognised in statement of comprehensive income		18	(7)
Other comprehensive (expense) / income		(68)	32
Total comprehensive (expense) / income for the year		(7,279)	310

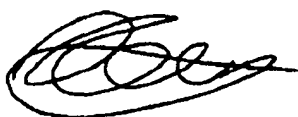
Inchcape Management (Services) Limited

Balance Sheet as at 31 December 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Intangible assets	10	31,995	27,387
Tangible assets	11	767	–
Right-of-use assets	12	1,085	1,659
		33,847	29,046
Current assets			
Deferred tax assets	9	814	2,181
Debtors: Amounts falling due within one year	14	52,817	55,336
Cash and cash equivalents		3,852	551
		57,483	58,068
Creditors: Amounts falling due within one year	15	(24,189)	(21,112)
Net current assets		33,294	36,956
Total assets less current liabilities		67,141	66,002
Creditors: Amounts falling due after more than one year	16	(95,681)	(87,420)
Pensions and similar obligations	18	(543)	(536)
Net liabilities		(29,083)	(21,954)
Capital and reserves			
Share capital	20	5	5
Profit and loss account		(29,088)	(21,959)
Total shareholders' deficit		(29,083)	(21,954)

The notes on pages 14 to 28 are an integral part of these financial statements

The financial statements on pages 10 to 28 were approved by the Board on 16 September 2021 and signed on its behalf by:



Adrian Lewis

Director

Inchcape Management (Services) Limited

Registration number: 00785779

Inchcape Management (Services) Limited

Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £'000	Profit and loss Account £'000	Total shareholders' deficit £'000
At 1 January 2020	5	(21,959)	(21,954)
Loss for the financial year	–	(7,211)	(7,211)
Other comprehensive expense	–	(68)	(68)
Total comprehensive expense for the year	–	(7,279)	(7,279)
Share-based payments, net of tax	–	150	150
At 31 December 2020	5	(29,088)	(29,083)

	Share capital £'000	Profit and loss Account £'000	Total shareholders' deficit £'000
At 1 January 2019	5	(22,741)	(22,736)
Profit for the financial year	–	278	278
Other comprehensive income	–	32	32
Total comprehensive income for the year	–	310	310
Share-based payments, net of tax	–	472	472
At 31 December 2019	5	(21,959)	(21,954)

Inchcape Management (Services) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

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 Pound 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.

As a qualifying entity 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 2020

1 Accounting policies (continued)

Newly adopted accounting policies

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2020 that have a material impact on the Company's financial statements.

Going concern

The Company's ability to operate as a going concern is assessed in conjunction with the Group as its viability is dependent upon the ability of the Group companies to settle their intercompany balances with the Company and to provide funds for working capital needs. The Directors have a reasonable expectation that the Group has adequate resources to support the Company based on its net assets and forecast performance and financial position including an assessment of the effect of the worldwide pandemic of Covid-19. Inchcape plc has confirmed that they intend to provide financial resources, where requested, for at least 12 months from the date of signing these financial statements, whilst the Company remains a subsidiary of Inchcape plc.

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 is measured at the fair value of the consideration received or receivable, and represents amounts receivable for good supplied or services provided, stated net of discounts, returns and value added taxes. The Company recognises turnover when performance obligations have been satisfied and for the Company this is when the good or services have been transferred to the Group customer, and the customer has control of these. Turnover is attributable to the principal activities of the Company, and from provision of goods and/or services to Group undertakings.

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 the period 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

Notes to the Financial Statements for the Year Ended 31 December 2020

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.

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 accumulated depreciation and impairment. 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	Over the period of the lease
Office equipment	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 eight years.

Development costs incurred on projects are capitalised only if specific criteria are met, namely. Computer software under development is held at cost less any recognised impairment loss. Any impairment in value is recognised within the income statement.

Computer software and other intangible assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Any impairment losses are included within 'administrative expenses' in the profit and loss account. Computer software and other intangible assets, which have previously been impaired, are reviewed for possible reversal of the impairment at each reporting date.

Inchcape Management (Services) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

1 Accounting policies (continued)

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.

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

Lease liabilities are initially measured at the present value of the lease payments. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. Subsequently, lease liabilities are adjusted for interest and lease payments. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are initially measured at cost and subsequently measured at cost less accumulated depreciation. The costs include the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less lease incentives received, any direct costs and an estimate of dismantling costs. The carrying amount is further adjusted for any re-measurement of the lease liability. Depreciation is expensed to the profit and loss account on a straight-line basis over the lease term. The lease term includes the non-cancellable period of lease together with any extension or termination options that are reasonably certain to be exercised.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

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'.

Inchcape Management (Services) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

1 Accounting policies (continued)

Defined benefit pension obligation (continued)

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.

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.

2 Critical accounting judgements and key sources of estimation uncertainty

The Directors have made some estimates in applying the accounting policies. The most significant estimate being impairment of intangible assets, which is a key source of estimation uncertainty. There are no critical accounting judgements.

Impairment of intangible assets

Intangible assets are reviewed for impairment if events or circumstances indicate that the carrying value may not be recoverable. When an impairment review is carried out, the recoverable value is determined based on value in use calculations which require the use of estimates, including projected future cash flows. The assumptions used in the value in use calculations are based on past experience, recent trading and forecasts of operational performance in the relevant markets including the impact of COVID-19. They also reflect expectations the impact climate change may have on its operations. Whilst at this stage there is significant uncertainty regarding what the long-term impact of climate change initiatives may be on the markets in which we operate, the forecasts reflect our best estimate.

Inchcape Management (Services) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

3 Revenue

The geographical analysis of revenue by destination is as follows:

	2020 £'000	2019 £'000
United Kingdom	34,220	26,120
Russia	2,503	2,869
Australasia	1,650	2,037
South America	3,013	3,427
Western Europe	1,113	1,469
Africa	1,139	1,377
Other	4,605	5,655
	48,243	42,954

4 Operating (loss) / profit

Stated after charging:

	2020 £'000	2019 £'000
Depreciation:		
- Property, plant and equipment	–	8
- Right-of-use assets	643	664
Amortisation of intangible assets	1,781	1,496
Impairment of intangible assets	8,838	–
Operating lease expense – short term	763	516

5 Employee costs

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

	2020 £'000	2019 £'000
Wages and salaries	14,514	18,619
Social security costs	1,900	2,542
Other pension costs	1,702	1,252
Redundancy costs	881	187
Share based payments charge	2,003	2,815
	21,000	25,415

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

	2020 No.	2019 No.
Administration and management	160	152

6 Directors' remuneration

No emoluments (2019: £nil) were paid to the Directors of the Company whose services are provided to a number of Group companies. Accordingly, no details in respect of their remuneration have therefore been included in these financial statements.

Inchcape Management (Services) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

7 Auditor's remuneration

	2020 £'000	2019 £'000
Audit of the financial statements	40	39

The auditors' remuneration does not include any non-audit services.

8 Interest payable and similar charges

	2020 £'000	2019 £'000
Interest on bank overdrafts and borrowings	65	128
Interest on post-retirement liabilities	8	16
Finance costs on lease liabilities	42	14
Interest payable to fellow group undertakings	1,142	1,041
	1,257	1,199

9 Tax on (loss) / profit

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

	2020 £'000	2019 £'000
Current taxation		
UK corporation tax on losses for the year	(858)	–
Adjustments in respect of prior years	(330)	(1,120)
Foreign taxes	318	483
	(870)	(637)
Deferred taxation		
Origination and reversal of timing differences	1,094	261
Adjustments in respect of prior years	441	1
	1,535	262
Tax charged / (credited) in the profit and loss account	665	(375)

The actual tax charge assessed for the year is greater (2019 – lower) than the standard rate of corporation tax in the UK of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £'000	2019 £'000
Loss before taxation	(6,546)	(97)
Corporation tax at standard rate of 19% (2019: 19%)	(1,244)	(18)
Non-deductible expenses	553	499
Overseas withholding taxes written off	253	294
Derecognition of deferred tax asset	1,223	–
Impact of tax rate changes	(231)	(31)
Adjustments in respect of prior years	111	(1,119)
Tax charged / (credited) in the profit and loss account	665	(375)

Inchcape Management (Services) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

9 Tax on (loss) / profit (continued)

Deferred tax

Deferred tax movement during the year:

	1 Jan 2020 £'000	Recognised in income £'000	Recognised in OCI and Equity £'000	31 Dec 2020 £'000
Accelerated tax depreciation	133	(15)	–	118
Other items	2,048	(1,520)	168	696
Net tax assets	2,181	(1,535)	168	814

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 UK Corporation Tax rate will increase to 25% from 1 April 2023. This change was not enacted or substantively enacted at 31 December so does not affect these accounts but will affect current and deferred tax of future periods.

10 Intangible assets

	Computer software £'000	Assets under development £'000	Total £'000
Cost			
At 1 January 2020	10,557	18,926	29,483
Additions	–	15,227	15,227
Transfers	4,334	(4,334)	–
At 31 December 2020	14,891	29,819	44,710
Accumulated amortisation and impairment			
At 1 January 2020	(2,096)	–	(2,096)
Impairment	–	(8,838)	(8,838)
Amortisation charge	(1,781)	–	(1,781)
At 31 December 2020	(3,877)	(8,838)	(12,715)
Net book value			
At 31 December 2020	11,014	20,981	31,995
At 31 December 2019	8,461	18,926	27,387

Additions relate to the development of computer software assets on behalf of the Inchcape Group. Development costs are capitalised when it can be demonstrated that the asset will become commercially viable and will create future benefits to the company and the Group.

Computer software includes a customer relationship management solution which has a remaining amortisation period of 7 years (2019: 8 years) on a straight-line basis. The asset is carried at £7.3m (2019: £5.5m).

Assets under development include an omni-channel digital solution and a global technology platform for business spend management. These assets are carried at £15.8m (2019: £14.3m). There are no other individually material intangible assets.

Inchcape Management (Services) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

11 Tangible assets

	Short Leasehold Land and buildings £'000	Office equipment £'000	Assets under construction £'000	Total £'000
Cost				
At 1 January 2020	902	111	–	1,013
Additions	–	–	767	767
At 31 December 2020	902	111	767	1,780
Accumulated depreciation and impairment				
At 1 January 2020	(902)	(111)	–	(1,013)
At 31 December 2020	(902)	(111)	–	(1,013)
Net book value				
At 31 December 2020	–	–	767	767
At 31 December 2019	–	–	–	–

Inchcape Management (Services) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

12 Right-of-use assets and lease liabilities

Amounts recognised in the balance sheet

	Land and Building £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 January 2020	1,669	232	1,901
Additions	–	66	66
Lease payments at or before commencement date	–	3	3
Derecognition	–	(175)	(175)
At 31 December 2020	1,669	126	1,795
Accumulated depreciation and impairment			
At 1 January 2020	(99)	(143)	(242)
Depreciation charge	(558)	(85)	(643)
Derecognition	–	175	175
At 31 December 2020	(657)	(53)	(710)
Net book value			
At 31 December 2020	1,012	73	1,085
At 31 December 2019	1,570	89	1,659

Lease liabilities	2020 £'000	2019 £'000
Current	(659)	(658)
Non-current	(464)	(1,074)
At 31 December	(1,123)	(1,732)

Inchcape Management (Services) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

13 Investments

Shares in subsidiary undertakings is £nil (2019: £nil).

Details of the subsidiaries as at 31 December 2020 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	United Kingdom	100%

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

14 Debtors: amounts falling due within one year

	2020 £'000	2019 £'000
Amounts owed by fellow group undertakings	44,917	34,922
Current tax asset	1,188	–
Prepayments and accrued income	2,797	19,717
Other debtors	3,915	697
	52,817	55,336

Amounts owed by fellow group undertakings are unsecured and are due for repayment on demand.

15 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	7,300	2,745
Accruals and deferred income	11,028	15,129
Current tax payable	298	298
Lease liabilities (note 12)	659	658
Other creditors	4,904	2,282
	24,189	21,112

Inchcape Management (Services) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

16 Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
Amounts owed to fellow group undertakings	95,217	86,346
Lease liabilities (note 12)	464	1,074
	95,681	87,420

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

17 Operating lease commitments

Future minimum lease payments for short-term leases under non-cancellable operating leases are as follows:

	2020 £'000	2019 £'000
Within one year	102	266

18 Pensions and similar obligations

The Company operates two unfunded post-retirement health and medical plans in respect of past employees. For more information on the risks to which the plan exposes the Company, please refer to the Inchcape Group's Annual Report and Accounts 2020.

Principal actuarial assumptions

The principal assumptions used by the actuaries were:

	2020	2019
Discount rate	1.8%	1.8%
Inflation	4.9%	4.3%
Rate of increase in healthcare costs	6.0%	6.0%

Post retirement mortality assumptions

	2020 Years	2019 Years
Current pensioners	22.0	22.0
Current non pensioners	n/a	n/a

Inchcape Management (Services) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

18 Pensions and similar obligations (continued)

Reconciliation of scheme liabilities to liabilities recognised

The amounts recognised in the Balance Sheet are as follows:

	2020 £'000	2019 £'000
Present value of scheme liabilities	543	536

Scheme liabilities

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

	2020 £'000	2019 £'000
Present value at start of year	536	632
Actuarial losses / (gains) arising from experience adjustments	68	(57)
Interest cost	8	16
Actuarial losses arising from financial assumptions	15	21
Actuarial losses / (gains) arising from demographic assumptions	3	(3)
Benefits paid	(87)	(73)
Present value at end of year	543	536

Amounts recognised through the profit and loss account

	2020 £'000	2019 £'000
Amounts recognised in finance income or costs		
Net interest	8	16
Total recognised through the profit and loss account	8	16

Amounts taken to the Statement of Comprehensive Income

	2020 £'000	2019 £'000
Actuarial losses / (gains) arising from experience adjustments	68	(57)
Actuarial losses arising from financial assumptions	15	21
Actuarial losses / (gains) arising from demographic assumptions	3	(3)
Amounts recognised in the Statement of Comprehensive Income	86	(39)

Inchcape Management (Services) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

18 Pensions and similar obligations (continued)

Sensitivity analysis

The disclosures above are dependent on the assumptions used. The table below demonstrates the sensitivity of the defined benefit obligation to changes in the assumptions used for UK schemes. Changes in assumptions have an immaterial effect on the overseas schemes.

Impact on the defined benefit obligation

	2020 %	2019 %
Discount rate -0.25%	+1.2	+1.2
Discount rate +0.25%	-1.1	-1.2
Inflation -0.25%	-1.0	-0.9
Inflation +0.25%	+1.0	+1.1
Medical inflation -1.00%	-1.1	-1.7
Medical inflation +1.00%	+1.1	+1.9

The above analysis is based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The above variances have been used as they are believed to be reasonably possible fluctuations.

19 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 £769k (2019: £2.5m), all of which is equity-settled.

179,729 options were exercised during the year (2019: 323,222), with the following weighted average share prices at the date of exercise:

2020	Performance Share Plan	Executive Share Option Plan	Save As You Earn Plan	Other Share Plans
Weighted average share price	£4.95	£4.35	£0.00	£4.56

2019	Performance Share Plan	Executive Share Option Plan	Save As You Earn Plan	Other Share Plans
Weighted average share price	£6.30	£6.01	£6.38	£6.00

At the end of the year there were 2,472,206 share options outstanding (2019: 2,039,562). The weighted average remaining contractual life for the options outstanding at 31 December 2020 is 2.3 years (2019: 2.36 years).

The range of exercise prices for options outstanding at the end of the year was £3.10 to £6.66 (2019: £3.10 to £6.66).

Inchcape Management (Services) Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

20 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	5	5	5	5

21 Parent and ultimate parent undertaking

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

The ultimate parent undertaking and controlling party is Inchcape plc, a company incorporated in the United Kingdom and 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
SW1Y 5LP
United Kingdom