

Registered Number 01538570

Lancaster Public Limited Company

Annual report and consolidated financial
statements for the year ended 31 December 2018



Lancaster Public Limited Company

Annual report and consolidated financial statements for the year ended 31 December 2018

Contents

Directors and advisors	1
Strategic report	2
Directors' report	4
Independent auditors' report to the members of Lancaster Public Limited Company	8
Consolidated statement of comprehensive income.....	11
Consolidated balance sheet.....	12
Company balance sheet	13
Consolidated statement of changes in equity.....	14
Company statement of changes in equity	15
Consolidated cash flow statement	16
Notes to the financial statements	17

Lancaster Public Limited Company

Directors and advisors for the year ended 31 December 2018

Directors

D N Williamson

M D Bishop (resigned 1st January 2019)

D J Muir (appointed 1st January 2019)

Company secretary

M Finch

Registered office

770 The Crescent

Colchester Business Park

Colchester

Essex

CO4 9YQ

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

The Maurice Wilkes Building

St John's Innovation Park

Cowley Road

Cambridge

CB4 0DS

Solicitors

Eversheds Sutherland LLP

Kett House

Station Road

Cambridge

CB1 2JY

Bankers

HSBC Bank plc

Midland House

26 North Station Road

Colchester

CO1 1SY

Lloyds Bank plc

25 Gresham Street

London

EC2V 7HN

Lancaster Public Limited Company

Strategic report for the year ended 31 December 2018

The directors present their strategic report of the group and the company for the year ended 31 December 2018.

Principal activities

The group's principal activity is the retail distribution of motor vehicles and related activities in the motor trade. The company is a holding company for subsidiaries operating in the motor trade and also owns a number of properties. These properties are leased to subsidiary undertakings at open market rates.

Review of the business

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

The UK new car market declined by 6.8% during 2018, total passenger car registrations amounted to 2.37 million units. The brands represented by the group experienced a fall in registrations, on a like for like basis, of 6.2%.

Group operating profit of £11.6m is a reduction on prior year (2017: £16.3m including £2.4m VAT refund) reflecting the downturn in the UK new car market.

The group's developments

Following several years of growth, through net acquisitions and organic expansion, the group concentrated its efforts during 2018 on consolidating and enhancing its position with its existing portfolio of brands and dealerships.

The group has continued its core operating strategy of improving its focus on operational effectiveness in sales and aftersales, customer service and retention, community engagement and staff engagement. The group continued to invest in and develop the various initiatives under this strategy during the year.

During the year the group completed its investment programme in its Jaguar and Land Rover portfolio of dealerships and their transition to the brand's Dual Arch concept.

In early January 2018, the group completed and opened a new Porsche dealership in Sidcup taking its representation of the Porsche brand to four Porsche centres.

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

Key Performance Indicators (KPIs) and principal risks and uncertainties

The group measures performance of each dealership throughout the year against certain pre-determined KPIs including return on sales and investment, as well as operating metrics based on sales volumes and profit margins.

Lancaster Public Limited Company

Strategic report for the year ended 31 December 2018 (continued)

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

The group's KPIs during the year were:

	2018	2017
Retail return on sales %	0.6	1.0
Gross profit %	7.9	7.8
Operating profit (£,000)	11,597	16,307
New car sales	35,234	38,210
Used car sales	31,913	29,984

The group maintains a robust risk management framework as outlined in the Directors' report to ensure that we identify the most significant risks the group faces and that appropriate management focus is given to actions to respond to identified or emerging risks. A compliance programme is in place as is a fraud detection and whistleblowing programme.

The key risks facing the business are: failure to deliver our strategic goals of growth in market share, improvement in margins and control of working capital. There is a day to day focus on these goals through our operating and risk management frameworks.

Other risks include failure to maintain our brand and reputation for customer service and our relationships with our brand partners; and disruption to the global supply chain which may impact our brand partners. We are focussed on maintaining and improving our relationships and reputation with both our customers and our brand partners.

The group's position

We believe our strengths lie in our balanced portfolio of existing franchise partners in the growing premium sectors supported by our investment in freehold property, strong balance sheet, committed funding lines and shareholder support. At the year end the group had net assets of £53.4m (2017: £46.1m).

Future developments

The group's operational focus is to continue to grow with its selected franchise partners both organically and through acquisition where real value opportunities arise. A key part of this growth plan is through customer and employee retention and continued investment in delivering a modern customer retail experience.

By order of the Board



M Finch

Company secretary

21 June 2019

Lancaster Public Limited Company

Directors' report for the year ended 31 December 2018

The directors present their annual report and the audited consolidated financial statements of the group and the company for the year ended 31 December 2018.

Principal activities

The principal activities of the business are discussed in the strategic report on page 2.

Review of the business and future developments

The review of the business and future developments are discussed in the strategic report on pages 2 and 3.

Principal risks and uncertainties

The principal risks and uncertainties facing the group are discussed in the strategic report on pages 2 and 3.

Financial risk management

a) Funding and liquidity risk

The group's policy is to ensure that the funding requirements forecast by the group can be met within available committed bank facilities. The group has committed facilities in place expiring after 12 months of the audit.

The group holds motor manufacturer funding facilities with each of its franchise partners. These incur stocking charges tied to Finance House Base Rate (FHBR) and are secured against vehicles held mostly on consignment, which can be returned to the manufacturer. The sizes of the facilities are reviewed by the group and manufacturers annually in line with operating needs.

The group continues to operate comfortably within its available bank facilities limits and its forecasts for the forthcoming year show this position continuing.

b) Interest rate risk

The group's interest rate practice is to manage the risk of interest rate fluctuations on the cash flows payable on the group's debt. Interest rates remain low and the group continues to monitor this on a daily basis. With the maintained low interest rates the group does not currently consider a hedging exercise to be appropriate in the current market conditions.

c) Credit risk

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

Lancaster Public Limited Company

Directors' report for the year ended 31 December 2018 (continued)

Corporate governance

The measures taken to ensure a strong framework of corporate governance are fully disclosed in the Director's report of the parent undertaking, Jardine Motors Group UK Limited.

Results and dividends

The results of the group for the year are set out in the Consolidated statement of comprehensive income on page 11.

The directors have not declared nor paid a dividend during the year (2017: none).

Directors

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

D N Williamson

M D Bishop (resigned 1st January 2019)

D J Muir (appointed 1st January 2019)

Qualifying third party indemnity provisions

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

Employees and equal opportunities

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

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

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

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the group as a whole.

Communication with all employees continues through internal newsletters, briefing groups, electronic communications and the group's internal printed periodical 'Torque'.

Political donations

During the year, the group made no political contributions (2017: £nil).

Lancaster Public Limited Company

Directors' report for the year ended 31 December 2018 (continued)

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 group and company and of the profit or loss of the group and 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 102, 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 group and parent company will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and company's auditors are unaware; and
- they have taken all the 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 group and company's auditors are aware of that information.

Lancaster Public Limited Company

Directors' report for the year ended 31 December 2018 (continued)

Independent auditors

The group has passed an elective resolution under section 487 of the Companies Act 2006 to dispense with the formal requirement to reappoint auditors annually.

In the absence of notice proposing that the appointment be terminated, PricewaterhouseCoopers LLP will remain in office for the next financial year.

By order of the Board

A handwritten signature in black ink, appearing to be 'M Finch', written over a horizontal line.

M Finch

Company secretary

21 June 2019

Lancaster Public Limited Company

Independent auditors' report to the members of Lancaster Public Limited Company

Report on the financial statements

Opinion

In our opinion, Lancaster Public Limited Company's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and consolidated financial statements (the "Annual Report"), which comprise: the Consolidated statement of comprehensive income for the year ended 31 December 2018, the Consolidated and Company balance sheets as at 31 December 2018, the Consolidated and Company statements of changes in equity for the year ended 31 December 2018 and the Consolidated cash flow statement for the year ended 31 December 2018; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the 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 group's and 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 the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Lancaster Public Limited Company

Independent auditors' report to the members of Lancaster Public Limited Company (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of the Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

Lancaster Public Limited Company

Independent auditors' report to the members of Lancaster Public Limited Company (continued)

Auditors' 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 auditors' 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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Andy Grimbly (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge

24 June 2019

Lancaster Public Limited Company

Consolidated statement of comprehensive income for the year ended 31 December 2018

	Note	Continuing operations 2018 £'000	Continuing operations 2017 £'000	Discontinued operations 2017 £'000	Total 2017 £'000
Turnover	5	2,117,885	2,015,898	46,896	2,062,794
Cost of sales		(1,951,247)	(1,858,998)	(43,560)	(1,902,558)
Gross profit		166,638	156,900	3,336	160,236
Selling and distribution costs		(102,317)	(88,944)	(2,700)	(91,644)
Administrative expenses		(52,724)	(53,144)	(1,559)	(54,703)
Other operating income	6	-	2,418	-	2,418
Operating profit/(loss)	5	11,597	17,230	(923)	16,307
Exceptional items	7	3,116	394	-	394
Profit/(loss) before interest and taxation		14,713	17,624	(923)	16,701
Interest receivable and similar income	11	1,115	4,901	-	4,901
Interest payable and similar expenses	11	(5,604)	(4,218)	(97)	(4,315)
Finance expenses	11	(81)	(206)	-	(206)
Profit/(loss) before interest and taxation		10,143	18,101	(1,020)	17,081
Tax on profit/(loss)	12	(2,883)	(4,318)	197	(4,121)
Profit/(loss) and total comprehensive income/(expense) for the financial year		7,260	13,783	(823)	12,960

Lancaster Public Limited Company

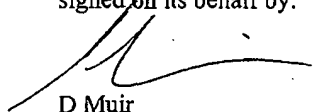
Consolidated balance sheet as at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Intangible assets	13	22,555	26,817
Tangible assets	14	141,054	124,153
Investments	16	8,050	8,050
		171,659	159,020
Current assets			
Stocks	17	292,193	288,286
Debtors	18	96,859	92,101
Cash at bank and in hand		70	6,032
		389,122	386,419
Creditors - amounts falling due within one year	19	(464,742)	(457,087)
Net current liabilities		(75,620)	(70,668)
Total assets less current liabilities		96,039	88,352
Creditors - amounts falling due after more than one year	20	(40,000)	(40,000)
Provisions for liabilities	21	(2,638)	(2,211)
Net assets		53,401	46,141
Capital and reserves			
Called up share capital	23	34,044	34,044
Share premium account		5,675	5,675
Retained earnings		13,682	6,422
Total equity		53,401	46,141

The group's result for the financial year amounted to a profit of £7,260,000 (2017: profit of £12,960,000).

The notes on pages 17 to 41 are an integral part of these financial statements.

The financial statements on pages 11 to 41 were approved by the board of directors on 21 June 2019 and were signed on its behalf by:



D Muir
Director
Lancaster Public Limited Company
Registered Number 01538570

Lancaster Public Limited Company

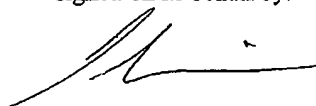
Company balance sheet as at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	14	1,788	5,855
Investment properties	15	43,647	47,280
Investments	16	66,111	60,111
		111,546	113,246
Current assets			
Stocks	17	1,036	788
Debtors	18	33,611	33,750
Cash at bank and in hand		-	365
		34,647	34,903
Creditors - amounts falling due within one year	19	(56,112)	(52,760)
Net current liabilities		(21,465)	(17,857)
Total assets less current liabilities		90,081	95,389
Creditors - amounts falling due after more than one year	20	(40,000)	(40,000)
Provisions for liabilities	21	(296)	(395)
Net assets		49,785	54,994
Capital and reserves			
Called up share capital	23	34,044	34,044
Share premium account		5,675	5,675
Retained earnings		10,066	15,275
Total equity		49,785	54,994

The company's result for the financial year amounted to a loss of £5,209,000 (2017: profit of £1,729,000).

The notes on pages 17 to 41 are an integral part of these financial statements.

The financial statements on pages 11 to 41 were approved by the board of directors on 21 June 2019 and were signed on its behalf by:



D Muir
Director

Lancaster Public Limited Company
Registered Number 01538570

Lancaster Public Limited Company

Consolidated statement of changes in equity for the year ended 31 December 2018

	Called up share capital £'000	Share premium account £'000	(Accumulated losses)/ Retained earnings £'000	Total equity £'000
Balance at 1 January 2017	34,044	5,675	(6,538)	33,181
Total comprehensive income for the year				
Profit for the financial year	-	-	12,960	12,960
Total comprehensive income for the year	-	-	12,960	12,960
Balance at 31 December 2017	34,044	5,675	6,422	46,141

	Called up share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2018	34,044	5,675	6,422	46,141
Total comprehensive income for the year				
Profit for the financial year	-	-	7,260	7,260
Total comprehensive income for the year	-	-	7,260	7,260
Balance at 31 December 2018	34,044	5,675	13,682	53,401

Lancaster Public Limited Company

Company statement of changes in equity for the year ended 31 December 2018

	Called up share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2017	34,044	5,675	13,546	53,265
Total comprehensive income for the year				
Profit for the financial year	-	-	1,729	1,729
Total comprehensive income for the year	-	-	1,729	1,729
Balance at 31 December 2017	34,044	5,675	15,275	54,994

	Called up share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2018	34,044	5,675	15,275	54,994
Total comprehensive expense for the year				
Loss for the financial year	-	-	(5,209)	(5,209)
Total comprehensive expense for the year	-	-	(5,209)	(5,209)
Balance at 31 December 2018	34,044	5,675	10,066	49,785

Lancaster Public Limited Company

Consolidated cash flow statement for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Net cash from operating activities	25	(22,742)	94,331
Taxation paid		(5,554)	(3,090)
Net cash (used in)/ generated from operating activities		(28,296)	91,241
Cash flow from investing activities			
Acquisitions (net of cash acquired)		-	(11,052)
Disposals (net of cost of disposals)		788	13,122
Purchase of tangible assets	14	(28,905)	(49,362)
Proceeds from disposals of tangible assets		5,700	3,002
Interest received	11	1,115	4,901
Net cash used in investing activities		(21,302)	(39,389)
Cash flow from financing activities			
Interest paid	11	(5,604)	(4,315)
Net cash used in financing activities		(5,604)	(4,315)
Net (decrease)/increase in cash and cash equivalents		(55,202)	47,537
Cash and cash equivalents at the beginning of the year		6,032	(41,505)
Cash and cash equivalents at the end of the year		(49,170)	6,032
Cash and cash equivalents consists of:			
Cash at bank and in hand		70	6,032
Bank overdrafts	19	(49,240)	-
Cash and cash equivalents		(49,170)	6,032

The company is a qualifying entity for the purposes of FRS 102 and has elected to take the exemption under FRS 102, para 1.12 (b) not to present the company statement of cash flows.

Lancaster Public Limited Company

Notes to the financial statements for the year ended 31 December 2018

1 General information

The principal activity of Lancaster Public Limited Company (the 'Company') and its subsidiaries (together the 'Group') is the retail distribution of motor vehicles and related activities in the motor trade.

The company is a public limited company and is incorporated in England, United Kingdom. The address of its registered office is 770 The Crescent, Colchester Business Park, Colchester, Essex CO4 9YQ.

2 Statement of compliance

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

3 Summary of significant accounting policies

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

Basis of preparation

These consolidated and separate financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the group and company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

The company has taken advantage of the exemption in section 405 of the Companies Act from presenting its individual profit and loss account.

Going concern

The group meets its day-to-day working capital requirements through its bank facilities. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facilities.

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its financial statements.

Notes to the financial statements for the year ended 31 December 2018

3 Summary of significant accounting policies (continued)

Exemptions for qualifying entities under FRS 102

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

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the company's cash flows; and
- from disclosing the company key management personnel compensation, as required by FRS 102, paragraph 33.7.

Basis of consolidation

The group financial statements include the company and all its subsidiaries. Each subsidiary has adopted the group's accounting policies. All material intercompany transactions, balances and unrealised profits and losses on transactions between group companies have been eliminated.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the balance sheet, the acquired identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated income statement from the date on which control is obtained. They are deconsolidated from the date control ceases.

Turnover

Turnover comprises the value of sales of motor vehicles and parts, income from financing agreements and income from servicing and repairing of vehicles. Value added tax and discounts are excluded. Turnover from the sale of goods is recognised upon transfer to a third party of economic benefits arising from the use of an asset or service. In practice this means that turnover is recognised when vehicles are invoiced and physically dispatched or when the service has been undertaken.

Exceptional items

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

Employee benefits

The group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and contribution pension plans.

Lancaster Public Limited Company

Notes to the financial statements for the year ended 31 December 2018

3 Summary of significant accounting policies (continued)

Employee benefits (continued)

(i) Pensions

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

(ii) Long term incentive plans

The group operates cash-settled long term incentive plans at an operating business level for certain members of management. The plans are based on both individual business and the group's performance over a three year period measured against budget. A liability for the plan is raised on the estimated amount payable in terms of the incentive scheme plans.

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

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

Goodwill

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

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

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

Lancaster Public Limited Company

Notes to the financial statements for the year ended 31 December 2018

3 Summary of significant accounting policies (continued)

Tangible fixed assets and depreciation

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

Depreciation is provided on tangible fixed assets in equal annual instalments over their expected useful economic lives as follows:

Freehold and long leasehold buildings	-	2% per annum
Short leasehold land and buildings	-	over term of lease
Plant and machinery	-	10% - 33% per annum
Computer equipment	-	20% - 33% per annum
Furniture, equipment and motor vehicles	-	10% - 33% per annum

No depreciation is provided on freehold and long leasehold land as it is deemed to have an indefinite life. The profit or loss on disposal of tangible fixed assets is recognised by reference to their carrying amount.

Investment property

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in comprehensive income.

Investments in subsidiary undertakings

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

Leased assets

Operating lease rentals are charged to comprehensive income on a straight-line basis over the term of the lease.

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

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

Lancaster Public Limited Company

Notes to the financial statements for the year ended 31 December 2018

3 Summary of significant accounting policies (continued)

Impairment

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

Stock

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

Trade and other debtors

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

Cash and cash equivalents

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

Provisions

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

Financial instruments

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

Financial assets

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

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

Lancaster Public Limited Company

Notes to the financial statements for the year ended 31 December 2018

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

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

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

Financial liabilities

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

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

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

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

Share capital

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

Related party transactions

The group discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the group financial statements.

Lancaster Public Limited Company

Notes to the financial statements for the year ended 31 December 2018

4 Critical accounting judgements and estimation uncertainty

The preparation of consolidated financial statements under FRS 102 requires the group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates, judgements and assumptions to the carrying amount of assets and liabilities within the next financial year are discussed below.

a) Impairment of goodwill and other fixed assets

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

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

The group's property portfolio is reviewed for impairment at each year-end by reference to third party desk top valuations or formal valuation every three years.

b) Stock

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

c) Tax estimates

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

Lancaster Public Limited Company

Notes to the financial statements for the year ended 31 December 2018

5 Turnover and operating profit

All turnover, operating profit and net assets of the group's subsidiary undertakings are derived from retail and commercial motor trade activities transacted from dealerships within the United Kingdom.

	2018 £'000	2017 £'000
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets (note 14)	9,352	7,384
Profit on disposal of fixed assets	(114)	(186)
Profit on disposal of Bentley businesses	(208)	-
Net provision provided/(released) for lease exit costs (note 21)	741	(777)
Amortisation of goodwill (note 13)	4,262	4,746
Impairment of trade debtors (note 18)	282	556
Operating lease charges - land and buildings	13,446	12,580
Operating lease charges - plant and machinery	842	715
Services provided by the company's auditors		
- the audit of parent company and consolidated financial statements	59	67
- the audit of company's subsidiaries pursuant to legislation	217	246
- other services pursuant to legislation	39	85

Total fees paid to PricewaterhouseCoopers LLP for non-audit services were £39,000 (2017: £85,000); consisting of £13,000 (2017: £63,000) for services related to taxation advisory and £26,000 (2017: £22,000) for services related to the pension scheme.

6 Other operating income

	2018 £'000	2017 £'000
VAT refund	-	2,418

During 2017 the group and company made a recovery of historic overpaid VAT on sales of second-hand vehicles relating to the period 1973 to 1992. The net amounts received are recognised within other operating income for 2017. Interest in respect of such receipts is shown in note 11.

Lancaster Public Limited Company

Notes to the financial statements for the year ended 31 December 2018

7 Exceptional items

	2018 £'000	2017 £'000
Profit on sale of freehold property	3,116	-
Profit on disposals of dealerships	-	1,844
Stock write down	-	(1,450)
	3,116	394

8 Company profit and loss account

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 and consequently a profit and loss account for Lancaster Public Limited Company is not presented. The company's result for the financial year amounted to a loss of £5,209,000 (2017: profit of £1,729,000).

9 Employees

The group and company average monthly number of employees within each category of persons was:

	Group		Company	
	2018 Number	2017 Number	2018 Number	2017 Number
Sales	1,042	1,116	-	-
Aftersales	1,714	1,866	-	-
Administration	690	694	190	159
	3,446	3,676	190	159

The costs incurred in respect of these employees were:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Wages and salaries	121,679	117,492	10,840	9,827
Social security costs	14,193	13,541	1,380	1,236
Other pension costs (note 28)	1,899	1,461	256	240
	137,771	132,494	12,476	11,303

Lancaster Public Limited Company

Notes to the financial statements for the year ended 31 December 2018

10 Directors

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

11 Interest and other net finance expenses

	2018 £'000	2017 £'000
Interest receivable and similar income		
Interest associated with VAT refund (note 6)	-	4,901
Bank interest received	1,115	-
	1,115	4,901

	2018 £'000	2017 £'000
Interest payable and similar expenses		
Bank loans and overdrafts	950	721
Interest paid to fellow group companies	692	605
Stocking loan interest	3,962	2,989
	5,604	4,315

	2018 £'000	2017 £'000
Finance expenses		
Unwinding of discount in provisions (note 21)	81	206

Unwinding of discount in provisions is in respect of the lease exit costs provision (note 21).

Lancaster Public Limited Company

Notes to the financial statements for the year ended 31 December 2018

12 Tax on profit

(a) Tax expense included in comprehensive income

	2018 £'000	2017 £'000
Current tax:		
UK corporation tax at 19.00% (2017: 19.25%)	2,749	5,355
Adjustment in respect of prior years	428	(1,270)
Total current tax	3,177	4,085
Deferred tax:		
Origination and reversal of timing differences	55	(222)
Adjustment in respect of prior years	(349)	258
Total deferred tax (note 22)	(294)	36
Tax on profit	2,883	4,121

(b) Reconciliation of tax charge

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

	2018 £'000	2017 £'000
Profit before taxation	10,143	17,081
Profit before taxation multiplied by effective standard corporation tax rate in the UK at 19.00% (2017: 19.25%)	1,927	3,288
Effects of:		
Non-taxable disposal gains	(592)	(167)
Net chargeable gains on disposals in year	-	650
Adjustment to taxable profits – group recharges	(238)	(15)
Expenses not deductible for tax purposes	1,900	1,159
Net temporary differences: effect of change in tax rates	(193)	218
Adjustment in respect of prior years	79	(1,012)
Total tax charge for the year	2,883	4,121

Lancaster Public Limited Company

Notes to the financial statements for the year ended 31 December 2018

12 Tax on profit (continued)

(c) Tax rate changes

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

13 Intangible assets

Group	Goodwill £'000
Cost	
At 1 January and 31 December 2018	53,201
Accumulated amortisation	
At 1 January 2018	26,384
Charge for the year	4,262
At 31 December 2018	30,646
Net book amount	
At 31 December 2018	22,555
At 31 December 2017	26,817

Company

The company has no intangible assets (2017: £nil).

Lancaster Public Limited Company

Notes to the financial statements for the year ended 31 December 2018

14 Tangible assets

Group	Land and buildings		Plant and machinery £'000	Computer equipment £'000	Furniture, equipment and motor vehicles £'000	Total £'000
	Freehold and long leasehold £'000	Short leasehold £'000				
Cost						
At 1 January 2018	85,639	26,400	23,290	8,528	19,940	163,797
Reclassification	733	(928)	-	-	45	(150)
Revised at 1 January 2018	86,372	25,472	23,290	8,528	19,985	163,647
Additions	18,473	3,740	3,489	1,333	1,870	28,905
Disposals	(2,706)	(346)	(52)	(1)	(28)	(3,133)
Reclassification	54	4,417	(4,471)	-	-	-
At 31 December 2018	102,193	33,283	22,256	9,860	21,827	189,419
Accumulated depreciation						
At 1 January 2018	6,846	9,739	8,530	5,902	8,627	39,644
Reclassification	(1,739)	1,589	-	-	-	(150)
Revised at 1 January 2018	5,107	11,328	8,530	5,902	8,627	39,494
Charge for the year	1,123	2,384	1,951	1,255	2,639	9,352
Disposals	(153)	(270)	(32)	(1)	(25)	(481)
At 31 December 2018	6,077	13,442	10,449	7,156	11,241	48,365
Net book amount						
At 31 December 2018	96,116	19,841	11,807	2,704	10,586	141,054
At 31 December 2017	78,793	16,661	14,760	2,626	11,313	124,153

The above reclassification has been made to better reflect the allocation of cost and accumulated depreciation following a review by the Directors.

Lancaster Public Limited Company

Notes to the financial statements for the year ended 31 December 2018

14 Tangible assets (continued)

Company	Land and buildings		Plant and machinery £'000	Computer equipment £'000	Furniture, equipment and motor vehicles £'000	Total £'000
	Freehold and long leasehold £'000	Short leasehold £'000				
Cost						
At 1 January 2018	4,478	756	47	4,807	240	10,328
Additions	-	8	6	864	7	885
Transfers (inter-group)	(4,478)	-	-	4	-	(4,474)
Disposals	-	(270)	-	(138)	(21)	(429)
At 31 December 2018	-	494	53	5,537	226	6,310
Accumulated depreciation						
At 1 January 2018	-	561	41	3,774	97	4,473
Charge for the year	-	35	1	400	20	456
Transfers (inter-group)	-	-	-	2	-	2
Disposals	-	(270)	-	(137)	(2)	(409)
At 31 December 2018	-	326	42	4,039	115	4,522
Net book amount						
At 31 December 2018	-	168	11	1,498	111	1,788
At 31 December 2017	4,478	195	6	1,033	143	5,855

Lancaster Public Limited Company

Notes to the financial statements for the year ended 31 December 2018

15 Investment properties

Group

The group has no investment property (2017: nil).

Company	£'000
Fair value	
At 1 January 2018	47,280
Net gain from fair value adjustments	40
Transfer from subsidiary undertaking	1,334
Additions	693
Disposals	(5,700)
At 31 December 2018	43,647

The company revalues its investment properties annually using a third party professional property valuer. The properties are valued at fair value as per the definition adopted by International Valuation Standards (IVS) in IVS Framework paragraph 38.

The historical cost net book value of the freehold properties held as investment properties as at 31 December 2018 is £46,323,000 (2017: £42,318,000).

Lancaster Public Limited Company

Notes to the financial statements for the year ended 31 December 2018

16 Investments

	Group £'000	Company £'000
Cost		
At 1 January 2018	8,050	60,111
Additions	-	6,000
At 31 December 2018	8,050	66,111
Provision for impairment		
At 1 January and 31 December 2018	-	-
Net book amount		
At 31 December 2018	8,050	66,111
At 31 December 2017	8,050	60,111

Group

The investment represents the capital contributions made by Lancaster Public Limited Company, £6,420,100, and a subsidiary undertaking, Lancaster Motor Company Limited, £1,630,100, in JMG LP.

JMG LP is a Scottish Limited Partnership of which the Partners are all subsidiary undertakings of Jardine Motors Group UK Limited.

As the General Partner, JMG (Scotland) Limited, a 100% subsidiary undertaking of Jardine Motors Group UK Limited, is solely responsible for decision making of JMG LP and is therefore deemed to have control of JMG LP.

The results and balance sheet of JMG LP are consolidated within the Jardine Motors Group UK Limited financial statements and not within the Lancaster Public Limited Company consolidated financial statements.

Company

During the year the company injected an additional £6,000,000 of share capital into its wholly owned subsidiary, Lancaster Motor Company Limited.

Lancaster Public Limited Company

Notes to the financial statements for the year ended 31 December 2018

16 Investments (continued)

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

Subsidiary Undertaking	Class of Share	Principal Activity
Abridge Loughton TPS Limited	Ordinary	Wholesale trade parts centre
Beechwood Birmingham Limited	Ordinary	Dormant
Carrs (Holdings) Limited	Ordinary	Property owning company
Jardine Motors Services Limited	Ordinary	Dormant
Lancaster Cars Limited	Ordinary	Retail distribution of motor vehicles and the supply of related goods and services
Lancaster Luxury Vehicles Limited	Ordinary	Retail distribution of motor vehicles and the supply of related goods and services
Lancaster Motor Company Limited	Ordinary	Retail distribution of motor vehicles and the supply of related goods and services
Lancaster Motors (Property) Limited	Ordinary	Property construction and development
Lancaster Specialist Cars Limited	Ordinary	Retail distribution of motor vehicles and the supply of related goods and services
Lancaster Sports Cars Limited	Ordinary	Retail distribution of motor vehicles and the supply of related goods and services and owns property
Scotthall Limited	Ordinary	Dormant
Spencers Limited	Ordinary	Dormant
Wayside (auto cz) Limited	Ordinary	Dormant
Wayside Audi (Hitchin) Limited	Ordinary	Dormant
Wayside Audi Limited	Ordinary	Dormant
Wayside Aylesbury Limited	Ordinary	Dormant
Wayside Garages Limited	Ordinary	Dormant
Wayside Group Limited	Ordinary	Property owning and holding company
Wayside Milton Keynes Limited	Ordinary	Dormant
Wayside North Bucks Limited	Ordinary	Dormant
Wayside North Herts Limited	Ordinary	Dormant
Wayside St Albans Limited	Ordinary	Dormant
Wayside Towcester Limited	Ordinary	Dormant
Wayside Trade Parts Limited	Ordinary	Wholesale trade parts centres
Wayside Van Centres Limited	Ordinary	Dormant
Wayside Volkswagen Limited	Ordinary	Dormant

All group subsidiary undertakings are wholly owned, have a registered address of 770 The Crescent, Colchester Business Park, Colchester, Essex CO4 9YQ and operate in England and Wales.

The company also holds an investment in JMG LP of £6,420,100.

All subsidiary undertakings of the group have taken advantage of the exemption from an audit for the year ended 31 December 2018 available under s479A of the Companies Act 2006 as Jardine Motors Group UK Limited (the immediate parent undertaking) has given a statutory guarantee of all of the outstanding liabilities of the subsidiaries as at 31 December 2018.

Lancaster Public Limited Company

Notes to the financial statements for the year ended 31 December 2018

16 Investments (continued)

All dormant subsidiary undertakings of the group have taken advantage of the exemption from preparing and filing financial statements for the year ended 31 December 2018 available under s394A and s448A of the Companies Act 2006.

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

17 Stocks

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Consignment vehicles	51,762	62,086	-	-
Motor vehicles	231,290	217,897	1,036	788
Parts and other stocks	9,141	8,303	-	-
	292,193	288,286	1,036	788

Certain subsidiary undertakings have consignment stock arrangements with suppliers in the ordinary course of business. Vehicles adopted out of consignment stock are generally invoiced at the price ruling at the date of adoption.

Stock held on consignment includes interest-bearing stock, some of which has a corresponding liability included in trade creditors.

18 Debtors

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Trade debtors	51,387	48,637	16,935	16,064
Amounts owed by group undertakings	-	-	8,565	-
Deferred tax assets (note 22)	-	-	871	133
Other taxation and social security	64	1,990	2,850	12,432
Other debtors	22,226	26,462	774	1,121
Prepayments and accrued income	23,182	15,012	3,616	4,000
	96,859	92,101	33,611	33,750

Trade debtors are stated after provisions for impairment of £282,000 (2017: £556,000).

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

Lancaster Public Limited Company

Notes to the financial statements for the year ended 31 December 2018

19 Creditors – amounts falling due within one year

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Bank overdrafts	49,240	-	24,771	-
Trade creditors	205,975	197,097	1,544	1,216
Amounts owed to fellow group undertakings	114,213	175,146	-	24,521
Corporation tax	14,466	16,843	10,925	12,448
Other taxation and social security	6,231	4,940	3,416	3,394
Other creditors	58,219	47,526	7,926	2,674
Accruals and deferred income	16,398	15,535	7,530	8,507
	464,742	457,087	56,112	52,760

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

Bank overdrafts

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

20 Creditors – amounts falling due after more than one year

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Amount owed to fellow group company	40,000	40,000	40,000	40,000

The amounts owed to fellow group company are unsecured and are due for repayment in 2021.

Interest is charged on the amounts owed to fellow group company at 6 months LIBOR plus 1.00%.

Lancaster Public Limited Company

Notes to the financial statements for the year ended 31 December 2018

21. Provisions for liabilities

Group	At 1 January 2018 £'000	Net provision (released)/ created during the year £'000	Utilised £'000	Unwinding of discount in provisions £'000	At 31 December 2018 £'000
Leasehold dilapidations	50	(50)	-	-	-
Onerous lease costs	1,196	741	-	81	2,018
Deferred consideration	20	-	(20)	-	-
Deferred tax (note 22)	803	(294)	-	-	509
Self-insurance fund	142	(26)	(5)	-	111
	2,211	371	(25)	81	2,638

Leasehold dilapidations

The leasehold dilapidations provision was established to provide for future dilapidation liabilities on certain leasehold properties.

Onerous lease costs

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

Deferred consideration

The deferred consideration arose on an acquisition made during 1998, this has been fully unwound during the year.

Self-insurance fund

The self-insurance fund provision was set up to provide for insurance claims in excess of the group's insurance policy cover.

Company	At 1 January 2018 £'000	Net provision (released)/ created during the year £'000	Utilised £'000	At 31 December 2018 £'000
Leasehold dilapidations	50	(50)	-	-
Onerous lease costs	183	2	-	185
Deferred consideration	20	-	(20)	-
Self-insurance fund	142	(26)	(5)	111
	395	(74)	(25)	296

Lancaster Public Limited Company

Notes to the financial statements for the year ended 31 December 2018

22 Deferred tax assets/(liabilities)

Group	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Deferred tax asset/(liability) comprises:				
Accelerated capital allowances	268	131	310	(51)
Intangible fixed assets	(1,529)	(1,670)	-	-
Other short term timing differences	752	736	818	659
Fair value gain on investment properties	-	-	(257)	(475)
Deferred tax (liability)/asset	(509)	(803)	871	133
Movements during the year are as follows:	2018 £'000	2017 £'000	2018 £'000	2017 £'000
At 1 January	(803)	(687)	133	117
Amount credited/(charged) to comprehensive income (note 12(a))	294	(36)	738	16
Acquisitions	-	(80)	-	-
At 31 December	(509)	(803)	871	133

The directors consider there will be sufficient taxable profits in the future such as to realise the deferred tax assets.

In addition to the deferred tax above, the group has unutilised ACT tax credits of £2,453,000 (2017: £2,453,000) and unutilised historic tax losses of £nil (2017: £123,000) giving rise to unrecognised deferred tax assets of £2,453,000 (2017: £2,474,000). The company has no unutilised historic tax assets. The unutilised tax losses and ACT have no expiry date and are available indefinitely against qualifying income or tax charges. The directors consider there to be insufficient certainty over the ability of the group to offset the available losses or tax credits for the foreseeable future in order to recognise a deferred tax asset at the balance sheet date.

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

23 Called up share capital

Group and company	2018 £'000	2017 £'000
Allotted and fully paid:		
136,174,740 (2017: 136,174,740) ordinary shares of 25p each	34,044	34,044

Lancaster Public Limited Company

Notes to the financial statements for the year ended 31 December 2018

24 Financial instruments

The group and company have the following financial instruments:

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Financial assets that are debt instruments measured at amortised cost:				
Trade debtors	51,387	48,637	16,935	16,064
Amounts owed by group undertakings	-	-	8,565	-
Other debtors	22,226	26,462	774	1,121
	73,613	75,099	26,274	17,185
Financial liabilities measured at amortised cost:				
Bank overdrafts	(49,240)	-	(24,771)	-
Trade creditors	(205,975)	(197,097)	(1,544)	(1,216)
Amounts owed to fellow group undertakings	(114,213)	(175,146)	-	(24,521)
Accruals and deferred income	(16,398)	(15,535)	(7,530)	(8,507)
Other creditors	(58,219)	(47,526)	(7,926)	(2,674)
Amounts owed to fellow group company	(40,000)	(40,000)	(40,000)	(40,000)
	(484,045)	(475,304)	(81,771)	(76,918)

Lancaster Public Limited Company

Notes to the financial statements for the year ended 31 December 2018

25 Cash flow from operating activities

	2018 £'000	2017 £'000
Profit for the financial year	7,260	12,960
Adjustments for:		
Tax on profit	2,883	4,121
Interest receivable and similar income (note 11)	(1,115)	(4,901)
Interest payable and similar expenses (note 11)	5,604	4,315
Finance expenses (note 11)	81	206
Exceptional items (note 7)	(3,116)	(394)
Operating profit	11,597	16,307
Amortisation of intangible assets (note 13)	4,262	4,746
Depreciation of tangible fixed assets (note 14)	9,352	7,384
Profit on disposal of fixed assets	(114)	(186)
Profit on disposal of business	(208)	-
Increase in stocks	(4,615)	(47,782)
Increase in debtors	(4,758)	(3,934)
Increase in creditors	22,035	27,197
(Decrease)/increase in intercompany creditor balances	(60,933)	92,047
Increase/(decrease) in provisions for liabilities	640	(1,448)
Cash flow from operating activities	(22,742)	94,331

26 Related party transactions

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

Lancaster Public Limited Company

Notes to the financial statements for the year ended 31 December 2018

27 Financial commitments

(a) Future capital expenditure

As at 31 December the group had committed future capital expenditure as follows:

	Group 2018 £'000	Group 2017 £'000
Contracted for but not provided	7,152	25,487

The company does not have any committed future capital expenditure (2017: £nil).

(b) Operating leases

At 31 December the group and company had total future minimum lease payments under non-cancellable operating leases which expire as follows:

Group	Land and buildings 2018 £'000	Other 2018 £'000	Land and buildings 2017 £'000	Other 2017 £'000
Within one year	14,162	282	15,459	475
Within two to five years	51,334	86	51,047	68
After five years	95,107	380	100,614	-
	160,603	748	167,120	543

Company	Land and buildings 2018 £'000	Land and buildings 2017 £'000
Within one year	10,482	11,142
Within two to five years	37,448	38,603
After five years	76,627	82,081
	124,557	131,826

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

Lancaster Public Limited Company

Notes to the financial statements for the year ended 31 December 2018

28 Pensions schemes

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

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

During the year the group has contributed £nil (2017: £nil) to the defined benefit scheme and £1,899,000 (2017: £1,484,000) to the defined contribution scheme.

During the year the company has contributed £nil (2017: £nil) to the defined benefit scheme and £256,000 (2017: £240,000) to the defined contribution scheme.

29 Contingent liabilities

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

30 Ultimate parent undertaking and controlling party

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

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

Jardine Motors Group UK Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statements.

The consolidated financial statements of Jardine Motors Group UK Limited and Jardine Matheson Holdings Limited can be obtained from the address below:

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