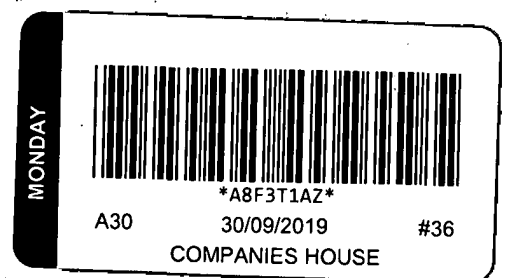


Registration number: 2841981

Chapelgate Motors Limited
Annual Report and Financial Statements
for the Year Ended 31 December 2018



Chapelgate Motors Limited

Contents

Company Information	1
Strategic Report	2
Directors' Report	3 to 5
Independent Auditor's Report to the members of Chapelgate Motors Limited	6 to 8
Profit and Loss Account	9
Statement of Comprehensive Income	10
Balance Sheet	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13 to 26

Chapelgate Motors Limited

Company Information

Company name	Chapelgate Motors Limited
Company number	2841981
Incorporated	England and Wales
Domicile	United Kingdom
Legal form	Private Limited Company, Limited by Shares
Chief executive	James Brearley
Directors	Martin Wheatley James Brearley
Company secretary	Inchcape UK Corporate Management Limited
Registered office	First Floor Unit 3140 Park Square Solihull Parkway Birmingham Business Park Birmingham B37 7YN
Independent auditor	Deloitte LLP One Station Square Cambridge CB1 2GA

Chapelgate Motors Limited

Strategic Report for the Year Ended 31 December 2018

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

Principal activities

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

Fair review of the business

The results for the Company show a profit for the financial year of £774,000 (2017: £1,158,000). The Company has net assets of £5,858,000 at the financial year end (2017: £5,084,000).

Turnover has increased to £65.1m (2017: £61.3m) due to strong performance in Porsche sales. Gross profit margin has decreased to 10.0% (2017: 10.5%). Operating profit decreased to £1m (2017: £1.5m) due to increased rent and rates on new premises, additional administrative salary costs and increased write down of vehicles.

Key performance indicators (KPIs)

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

Revenue

Revenue is a key performance indicator for the Company and is defined as consideration receivable from the sale of goods and services. It is stated net of rebates and any discounts, and excludes sales related taxes. The Company measures revenue as the Top-line is a key financial metric, and is part of the overall Inchcape Group's strategy of both 'Becoming the OEMs' Partner of Choice' and 'Leading in Customer Experience'. During the year revenue has increased to £65,087,000 (2017: £61,345,000).

Profit before tax

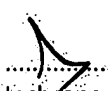
Profit before tax is a key performance indicator for the Company and is defined as the profit (or loss) before tax is charged. The Company measures profit before tax as it is a key driver of delivering sustainable earnings to shareholders. In 2018 profit before tax declined to £984,000 (2017: £1,475,000).

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

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. Further discussion of these risks and uncertainties, in the context of the Inchcape Group as a whole, is provided in the Group's 2018 Annual Report and Accounts and the Group's June 2019 Interim Report which does not form part of this report.

Approved by the Board on 20 September 2019 and signed on its behalf by:


Inchcape UK Corporate Management Limited
Company secretary

Chapelgate Motors Limited

Directors' Report for the Year Ended 31 December 2018

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

Directors of the company

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

Claire Catlin (resigned 21 September 2018)

Martin Wheatley

James Brearley

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

Dividends

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

Future developments

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

Going concern

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

Transactions with Directors

In April 2018, James Brearley purchased a vehicle for £161,608 from one of the Company's retail sites. Other than the above, no transaction, arrangement or agreement required to be disclosed under terms of the Companies Act 2006 was outstanding at 31 December 2018, or occurred during the year for any Director or connected person (2017: none).

Directors' liabilities

A Qualifying Third Party Indemnity (QTPI), as permitted by the Company's Articles of Association and section 234 of the Companies Act 2006, has been granted by the Company to each of 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.

Chapelgate Motors Limited

Directors' Report for the Year Ended 31 December 2018 (continued)

Financial risk management

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

Cash flow risk

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

Credit risk

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

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

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

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

Liquidity risk

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

Employment of disabled persons

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

Employee involvement

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

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

Chapelgate Motors Limited

Directors' Report for the Year Ended 31 December 2018 (continued)

Disclosure of information to the auditor

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

Auditor

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

Statement of Directors' responsibilities in respect of the financial statements

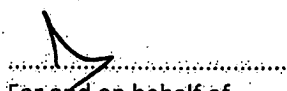
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the Directors are required to:

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

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

By Order of the Board


For and on behalf of
Inchcape UK Corporate Management Limited
Company secretary

30 September 2019

Chapelgate Motors Limited

Independent Auditor's Report to the members of Chapelgate Motors Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Chapelgate Motors Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 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 17.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

Chapelgate Motors Limited

Independent Auditor's Report to the members of Chapelgate Motors Limited (continued)

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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.

Chapelgate Motors Limited

Independent Auditor's Report to the members of Chapelgate Motors Limited (continued)

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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



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

United Kingdom

30 September 2019

Chapelgate Motors Limited

Profit and Loss Account for the Year Ended 31 December 2018

	Note	2018 £ 000	2017 £ 000
Turnover	3	65,087	61,345
Cost of sales		<u>(58,594)</u>	<u>(54,902)</u>
Gross profit		6,493	6,443
Distribution costs		(2,622)	(2,394)
Administrative expenses		<u>(2,887)</u>	<u>(2,574)</u>
Operating profit	4	<u>984</u>	<u>1,475</u>
Profit before taxation		984	1,475
Tax on profit	8	<u>(210)</u>	<u>(317)</u>
Profit for the financial year		<u>774</u>	<u>1,158</u>

The above results were derived from continuing operations.

The notes on pages 13 to 26 form an integral part of these financial statements.

Chapelgate Motors Limited

Statement of Comprehensive Income for the Year Ended 31 December 2018

	2018 £ 000	2017 £ 000
Profit for the financial year	774	1,158
Total comprehensive income for the year	774	1,158

The notes on pages 13 to 26 form an integral part of these financial statements.

Chapelgate Motors Limited

(Registration number: 2841981)
Balance Sheet as at 31 December 2018

	Note	2018 £ 000	2017 £ 000
Fixed assets			
Tangible assets	9	746	601
		<u>746</u>	<u>601</u>
Current assets			
Stocks	10	9,810	11,443
Debtors	11	741	958
Deferred tax asset	8	55	65
Cash at bank and in hand	12	5,061	2,814
		<u>15,667</u>	<u>15,280</u>
Creditors: Amounts falling due within one year	13	<u>(10,555)</u>	<u>(10,797)</u>
Net current assets		<u>5,112</u>	<u>4,483</u>
Net assets		<u>5,858</u>	<u>5,084</u>
Capital and reserves			
Called up share capital	14	200	200
Profit and loss account	14	5,658	4,884
Total shareholders' funds		<u>5,858</u>	<u>5,084</u>

The financial statements on pages 9 to 26 were approved by the Board of Directors on 30 September 2019

Signed on behalf of the Board of Directors



James Brearley

Director
Chapelgate Motors Limited
Registered no. 2841981

The notes on pages 13 to 26 form an integral part of these financial statements.

Chapelgate Motors Limited

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

	Called up share capital £ 000	Profit and loss account £ 000	Total shareholders' funds £ 000
At 1 January 2018	200	4,884	5,084
Profit for the financial year	-	774	774
Total comprehensive income for the year	-	774	774
At 31 December 2018	200	5,658	5,858
	Called up share capital £ 000	Profit and loss account £ 000	Total shareholders' funds £ 000
At 1 January 2017	200	3,726	3,926
Profit for the financial year	-	1,158	1,158
Total comprehensive income for the year	-	1,158	1,158
At 31 December 2017	200	4,884	5,084

The notes on pages 13 to 26 form an integral part of these financial statements.

Chapelgate Motors Limited

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

1 Accounting policies

Basis of preparation

Chapelgate Motors Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006, and is registered in England and Wales. The address of the Company's registered office is shown on page 1. The financial statements of Chapelgate Motors Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006, as applied to companies applying FRS 101. The accounting policies have been applied consistently other than where new policies have been adopted. The financial currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

Summary of disclosure exemptions

The 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)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- The requirements of paragraph 33(c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated (refer Note 16).

Chapelgate Motors Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

1 Accounting policies (continued)

Going concern

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

Turnover

Turnover represents the invoiced value of goods and services provided, excluding Value Added Tax. The turnover is attributable to the principal activities of the company and is derived solely in the United Kingdom.

Revenue recognition

Revenue is measured at the fair value of consideration receivable, net of any discounts, rebates, trade allowances, incentives, or amounts collected on behalf of third parties. It is recognised to the extent that the transfer of promised goods or services to a customer has been satisfied and the revenue can be reliably measured. Revenue excludes sales-related taxes. In practice this means that:

Revenue from the sale of goods is recognised when the obligation to transfer the goods to the customer has been satisfied and the revenue can reliably be measured. The obligation to transfer goods to the customer is considered to have been satisfied when the vehicles or parts are invoiced and physically dispatched or collected.

Revenue from the rendering of services to the customer is considered to have been satisfied when the service has been undertaken.

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

Tax

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Tangible assets

Tangible assets are stated at cost less depreciation. 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.

Chapelgate Motors Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

1 Accounting policies (continued)

Depreciation

Depreciation is calculated so as to write off the cost of tangible 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
Plant and equipment	10%-33% per annum

Property, plant and equipment 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.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term bank deposits.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Net realisable value is that price at which stock can be sold in the normal course of business after allowing for the costs of realisation.

Vehicle stock is valued on a unit basis and includes transport and handling costs. Parts stock is valued on a first in first out basis. Where necessary, provision is made for obsolete, slow moving and defective stocks.

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

Defined benefit contribution schemes

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

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Chapelgate Motors Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

1 Accounting policies (continued)

Financial instruments (continued)

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All the Company's debt instruments meet the following conditions and are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company does not hold any financial assets which meet the classification requirements to be measured subsequently at fair value.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is recognised in profit or loss and is included in the 'interest receivable and similar income' line item.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade debtors and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Chapelgate Motors Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

1 Accounting policies (continued)

Financial instruments (continued)

The Company always recognises lifetime expected credit losses for trade debtors and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All the Company's financial liabilities are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Changes in accounting policy

New standards, interpretations and amendments

The following have been applied for the first time from 1 January 2018 and have had no effect on the financial statements:

Chapelgate Motors Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

1 Accounting policies (continued)

Changes in accounting policy (continued)

IFRS 9 Financial instruments

IFRS 9 brings together the classification and measurement, impairment and hedge accounting aspects of the International Accounting Standards Board's project to replace IAS 39.

Classification and measurement

IFRS 9 amends the classification and measurement of financial assets:

- Financial assets are measured at amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL);
- Financial assets are measured at amortised cost or FVTOCI if certain restrictive conditions are met. All other financial assets are measured at FVTPL; and
- All investments in equity instruments are measured at fair value. For those investments in equity instruments that are not held for trading, there is an irrevocable election to present gains and losses in other comprehensive income (OCI). Dividends are recognised in profit or loss.

The adoption of IFRS 9 has had no impact on the classification and measurement of the Company's financial assets or financial liabilities.

Impairment

The new impairment model in IFRS 9 is now based on an 'expected loss' model rather than an 'incurred loss' model. Under the impairment approach in IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity should account for expected credit losses and changes in those expected credit losses. A simplified impairment model is applicable to trade and other contractual receivables with maturities that are less than 12 months. For trade and other contractual receivables with maturity longer than 12 months, entities have a choice of applying the complex three-stage model or the simplified model. The Company has applied the simplified approach to the recognition of lifetime expected credit losses for its trade receivables and the calculation of the loss allowance for these assets as at 1 January 2018 was broadly in line with the loss allowance calculated under IAS 39, and therefore had no material impact.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It supersedes the previous revenue recognition guidance including IAS 18 Revenue and IAS 11 Construction contracts, and has been effective for the Company from 1 January 2018.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a five-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) each performance obligation is satisfied

The adoption of IFRS 15 has had no material impact on the Company.

None of the other standards, interpretations and amendments effective for the first time from 1 January 2018 have had a material effect on the financial statements.

Chapelgate Motors Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

2 Critical accounting judgements and estimation uncertainty

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

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

Critical judgements in applying the Company's accounting policies

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

Key sources of estimation uncertainty

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

Stock provisioning

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

Tangible assets

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

3 Turnover

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

	2018 £ 000	2017 £ 000
Sales of goods	62,028	58,475
Rendering of services	3,059	2,870
	<hr/> 65,087	<hr/> 61,345

Chapelgate Motors Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

4 Operating profit

Operating profit is arrived at after charging/(crediting)

	2018 £ 000	2017 £ 000
Depreciation expense	190	247
Operating lease rentals - plant and machinery	10	12
(Profit)/loss on disposal of tangible assets	(2)	1
Employee costs	2,908	2,607
Audit of the financial statements	10	9
Rent expense	866	743

5 Staff costs

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

	2018 £ 000	2017 £ 000
Wages and salaries	2,580	2,326
Social security costs	251	218
Other pension costs	77	63
	2,908	2,607

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

	2018 No.	2017 No.
Retail	25	24
Aftersales	42	40
Administration and management	7	12
	74	76

6 Directors' remuneration

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

Chapelgate Motors Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

7 Auditor's remuneration

	2018 £ 000	2017 £ 000
Audit of the financial statements	10	9

8 Tax

Tax charged in the profit and loss account

	2018 £ 000	2017 £ 000
Current taxation		
UK corporation tax	192	301
UK corporation tax adjustment to prior years	8	17
	<u>200</u>	<u>318</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	14	(6)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior years	(4)	5
	<u>10</u>	<u>(1)</u>
Total deferred taxation	10	(1)
Tax expense in the profit and loss account	<u>210</u>	<u>317</u>

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

The differences are reconciled below:

	2018 £ 000	2017 £ 000
Profit before taxation	984	1,475
Corporation tax at standard rate	187	284
Prior year items	4	22
Impact of tax rate changes	(3)	-
Expenses not deductible for tax purposes	22	11
Total tax charge	<u>210</u>	<u>317</u>

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

Chapelgate Motors Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

8 Tax (continued)

Deferred tax asset

	2018 £ 000	2017 £ 000
Accelerated tax depreciation	55	65

Deferred tax movement during the year:

	At 1 January 2018 £ 000	Recognised in income £ 000	At 31 December 2018 £ 000
Accelerated tax depreciation	65	(10)	55

Deferred tax movement during the prior year:

	At 1 January 2017 £ 000	Recognised in income £ 000	At 31 December 2017 £ 000
Accelerated tax depreciation	64	1	65

Chapelgate Motors Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

9 Tangible assets

	Plant and equipment £ 000
Cost	
At 1 January 2018	2,088
Additions	340
Disposals	(9)
At 31 December 2018	<u>2,419</u>
Accumulated depreciation	
At 1 January 2018	1,487
Charge for the year	190
Eliminated on disposals	(4)
At 31 December 2018	<u>1,673</u>
Carrying amount	
At 31 December 2018	<u>746</u>
At 31 December 2017	<u>601</u>

10 Stocks

	2018 £ 000	2017 £ 000
Work in progress	5	2
Finished goods - purchased stocks	7,900	9,260
Finished goods - consignment stocks	1,905	2,181
	<u>9,810</u>	<u>11,443</u>

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

Chapelgate Motors Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

11 Debtors

	2018 £ 000	2017 £ 000
Amounts falling due within one year		
Trade receivables	488	347
Amounts owed by group undertakings	-	24
Accrued income	241	561
Prepayments	11	23
Other receivables	1	3
	741	958

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

12 Cash at bank and in hand

	2018 £ 000	2017 £ 000
Cash at bank	5,061	2,814

Chapelgate Motors Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

13 Creditors, amounts falling due within one year

	2018 £ 000	2017 £ 000
Trade payables	8,712	8,610
Accrued expenses	236	251
Amounts owed to group undertakings	968	585
Social security and other taxes	16	-
Deposits received	592	1,332
Other payables	31	19
	10,555	10,797

The Company enters into vehicle funding agreements whereby the company is able to refinance interest bearing amounts due to suppliers on similar terms. The total balance payable under vehicle funding agreements, including amounts due to suppliers, as of 31 December 2018 is £8,100,000 (31 December 2017: £7,410,000) of which £4,973,000 (2017: £5,263,000) is outstanding under refinancing agreements. Such amounts are included within trade creditors above and interest charged on these agreements is included within cost of sales.

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

14 Called up share capital and reserves

Allotted, called up and fully paid shares

	2018 No. 000	2018 £ 000	2017 No. 000	2017 £ 000
Ordinary shares of £1 each	200	200	200	200

The Company's other reserve is as follows:

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

15 Obligations under leases and hire purchase contracts

Operating leases

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

	2018 £ 000	2017 £ 000
Within one year	110	16

Chapelgate Motors Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

15 Obligations under leases and hire purchase contracts (continued)

The amount of contingent finance lease payments recognised as an expense during the year is £Nil (2017 - £Nil).

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

16 Contingent liabilities

The company is party to composite cross guarantees between banks, its ultimate parent undertaking and fellow subsidiaries. The company's contingent liability under these guarantees at the year end was £4,965,000 (2017: £2,355,000).

17 Parent and ultimate parent undertaking

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

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

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

These financial statements are available upon request from:

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

The ultimate controlling party is Inchcape plc.