

Registration number: 2841981

Chapelgate Motors Limited
Annual Report and Financial Statements
for the Year Ended 31 December 2019



Chapelgate Motors Limited

Contents

Company Information	1
Strategic Report	2 to 5
Directors' Report	6 to 8
Independent Auditor's Report to the members of Chapelgate Motors Limited	9 to 11
Profit and Loss Account	12
Statement of Comprehensive Income	13
Balance Sheet	14
Statement of Changes in Equity	15
Notes to the Financial Statements	16 to 31

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 2019

The directors present their strategic report for the year ended 31 December 2019.

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 £1,120,000 (2018: £774,000). The Company has net assets of £6,945,000 at the financial year end (2018: £5,858,000); the increase in net assets of £1,087,000 (2018: increase of £774,000) is in line with expectations.

Turnover has increased to £70.5m (2018: £65.1m) due to strong performance in Porsche sales. Gross profit margin has increased to 11.0% (2018: 10.0%). Operating profit increased to £1.6m (2018: £1.0m) primarily due to increased gross margin percentage offset by overall increases in operating costs.

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 £70,539,000 (2018: £65,087,000).

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 2019 profit before tax improved to £1,641,000 (2018: £984,000).

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 2019 Annual Report and Accounts and the Group's June 2020 Interim Report which does not form part of this report.

Chapelgate Motors Limited

Strategic Report for the Year Ended 31 December 2019

Section 172

The Directors have always considered the wider interests of internal and external stakeholders during the decision-making process and the additional reporting requirements introduced in 2019 aim to improve disclosure in this area. This includes a requirement for Directors to demonstrate how they have discharged their obligations in Section 172 of the Companies Act 2006 ("S172"). The Directors' S172 statement is given below.

Statement on section 172

As Directors, we are mindful of the need to create value and deliver benefit to all stakeholders. In considering our purpose together with our strategic vision and commercial priorities, we balance outcomes for our OEM brand partners, customers, employees and the impact on local communities and the environment, as well as delivering long-term sustainable growth for our shareholders.

Section 172 states that:

A director of a company must act in the way he/she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a) the likely consequences of any decision in the long term
- b) the interests of the company's employees
- c) the need to foster the company's business relationships with suppliers, customers and others
- d) the impact of the company's operations on the community and the environment
- e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- f) the need to act fairly as between members of the company

The factors listed in the S172 statement are integral to most of the significant decisions taken by the Directors. The Directors are satisfied that the information provided by management, and other stakeholders, via reporting, performance updates and key performance measures is of sufficient quality to allow the Directors to have due regard for each of the factors.

Chapelgate Motors Limited

Strategic Report for the Year Ended 31 December 2019

Principal risks and uncertainties

COVID-19

Given the global political and economic uncertainty resulting from the COVID-19 pandemic, the Directors expect to see volatility and business disruption in the UK reducing expected performance in 2020 and 2021. In the first half of 2020, the Company has already felt the impact of the government action to control the COVID-19 pandemic with retail sites being closed for a period of 2 months.

Retail sites reopened on 1st June 2020 with strict physical distancing and hygiene measures being implemented to protect the health and safety of customers and colleagues. The COVID-19 situation remains very dynamic, and it is unclear how the world will change once the virus has been contained. Nevertheless, the number one priority for the Company is to execute on the plans it has in place for the months ahead, with a focus on making the organisation leaner, and returning to business as usual, safely.

Brexit

The UK has now left the European Union and is in a transition period which is due to end on 31 December 2020. There are still significant uncertainties surrounding the terms of the UK/EU relationship after that date, which is now dependent on the outcome of the trading negotiations between the UK government and the EU. In the absence of agreement, trading between the two parties will be based on WTO rules from 1 January 2021.

Chapelgate Motors Limited is a retailer for the German brand, Porsche. Considering the content of the withdrawal agreement and political declaration and given that the UK and EU have a transition period of several months to negotiate and conclude the future relationship, we consider that a 'no deal' Brexit is now significantly less likely than previously. However, all scenarios remain plausible, and therefore our assessment of the potential impacts of the risks remains unchanged. In the absence of agreement, we would anticipate three broad impacts:

- Loss of freedom of movement in goods, services, capital and people;
- Divergence of regulation between the EU and the UK; and
- Macroeconomic instability

The Directors have considered these in detail and, given the nature of our business and the actions that we and our partners have already taken, does not foresee significant impacts related to the loss of freedom of movement in services, capital or people, or caused by the divergence of regulation (except in so far as this might have an effect on the product mix offered by our OEM).

Some uncertainty however remains around the impact of tariffs and non-tariff barriers, in particular related to the impact on the supply chain for new vehicles and parts. Given the nature of our business, much depends upon the actions taken by our OEM partners in response to those impacts and we continue to work closely with those partners in order to make the necessary preparations to mitigate the potential impact.

Chapelgate Motors Limited

Strategic Report for the Year Ended 31 December 2019


Principal risks and uncertainties (continued)

The medium-term macroeconomic impact on the UK economy also remains uncertain. This is naturally very difficult to forecast, and will no doubt change as trading negotiations progress, but we stand ready to act to reduce our cost base should circumstance so dictate.

The Directors continue to actively monitor the situation and, as the outcomes of the trading negotiations become clearer, we will continue to take appropriate action as and when necessary.

The management of the business and the execution of the Company's strategy are subject to a number of other risks. Further discussion of these risks and uncertainties, in the context of the Inchcape Group as a whole, is provided in the Group's 2019 Annual Report and Accounts and the Group's June 2020 Interim Report which does not form part of this report.

Approved by the Board on 22 September 2020 and signed on its behalf by:


.....
Inchcape UK Corporate Management Limited
Company secretary

Chapelgate Motors Limited

Directors' Report for the Year Ended 31 December 2019

The Directors present their annual report and the audited financial statements for the year ended 31 December 2019.

Directors of the company

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

Martin Wheatley

James Brearley

Dr Elizabeth Louise Hancox (Resigned 20 September 2019)

Dividends

The Directors do not recommend the payment of a final dividend (2018: *Nil*).

Subsequent events

Subsequent to the balance sheet date the World Health Organisation declared a pandemic on 11 March 2020. The COVID-19 pandemic only became apparent after the balance sheet date and represents a non-adjusting post balance sheet event (Note 18). The company's response to the pandemic is set out in the Strategic Report.

Future developments

The Directors are conscious that there is a greater level of uncertainty surrounding the future global economic environment due to the current COVID-19 pandemic and also the exit of the UK from the EU on 31 December 2020; hence the Company has been implementing ongoing plans to ensure that the organisation is favourably positioned to meet these challenging conditions, and as a consequence of these measures do not foresee any significant changes in the Company or its activities during 2020.

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.

The Directors have given due consideration to the current Covid-19 pandemic and its impact as detailed in Strategic Report and in going concern accounting policy (Note 1).

Transactions with Directors

No transaction, arrangement or agreement required to be disclosed under terms of the Companies Act 2006 was outstanding at 31 December 2019, or occurred during the year for any Director or connected person (2018: In April 2018, James Brearley purchased a vehicle for £161,608 from one of the Company's retail sites).

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 2019 (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 "HeadStart" 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 2019 (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 have expressed their willingness to continue in office as auditor and 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 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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

22 September 2020

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 2019 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 19.

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)

Other information (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

25 September 2020

Chapelgate Motors Limited

Profit and Loss Account for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Turnover	3	70,539	65,087
Cost of sales		<u>(62,755)</u>	<u>(58,594)</u>
Gross profit		7,784	6,493
Distribution costs		(2,860)	(2,622)
Administrative expenses		<u>(3,283)</u>	<u>(2,887)</u>
Operating profit	4	1,641	984
Finance expenses	5	<u>(213)</u>	-
Profit before taxation		1,428	984
Tax on profit	9	<u>(308)</u>	<u>(210)</u>
Profit for the financial year		<u>1,120</u>	<u>774</u>

The above results were derived from continuing operations.

Chapelgate Motors Limited

Statement of Comprehensive Income for the Year Ended 31 December 2019

	2019 £ 000	2018 £ 000
Profit for the financial year	1,120	774
Other comprehensive expenses	(33)	-
Total comprehensive income for the year	1,087	774

Other comprehensive expenses represents prior period adjustments which are not part of the profit and loss account.

The notes on pages 16 to 31 form an integral part of these financial statements.

Chapelgate Motors Limited

(Registration number: 2841981)

Balance Sheet as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Tangible assets	10	856	746
		<u>856</u>	<u>746</u>
Current assets			
Stocks	11	10,576	9,810
Debtors	12	11,521	741
Deferred tax asset	9	103	55
Cash at bank and in hand	13	6,526	5,061
		<u>28,726</u>	<u>15,667</u>
Creditors: Amounts falling due within one year	14	<u>(22,637)</u>	<u>(10,555)</u>
Net current assets		<u>6,089</u>	<u>5,112</u>
Net assets		<u>6,945</u>	<u>5,858</u>
Capital and reserves			
Called up share capital	15	200	200
Profit and loss account	15	6,745	5,658
Total shareholders' funds		<u>6,945</u>	<u>5,858</u>

The financial statements on pages 12 to 31 were approved and authorised for issue by the Board of Directors on 22 September 2020.

Signed on behalf of the Board of Directors



James Brearley

Director
Chapelgate Motors Limited
Registered no. 2841981

The notes on pages 16 to 31 form an integral part of these financial statements.

Chapelgate Motors Limited

Statement of Changes in Equity for the Year Ended 31 December 2019

	Called up share capital £ 000	Profit and loss account £ 000	Total shareholders' funds £ 000
At 1 January 2019	200	5,658	5,858
Profit for the financial year	-	1,120	1,120
Other comprehensive expenses	-	(33)	(33)
Total comprehensive income for the year	-	1,087	1,087
At 31 December 2019	200	6,745	6,945

	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

The notes on pages 16 to 31 form an integral part of these financial statements.
Page 15

Chapelgate Motors Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

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 19).

Chapelgate Motors Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (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 the Company meets its day to day working capital requirements through intra-group loans and funding. The funds are allocated to each subsidiary depending on the need for working capital and can fluctuate during the year depending on demand. A letter of support has been provided by Inchcape Plc confirming that they will support the Company for at least one year after these financial statements are signed.

As such, the Company continues to adopt the going concern basis in preparing the financial statements having taken into consideration the current Covid-19 pandemic as detailed in the Strategic report and Directors Report.

Revenue

Revenue 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 primarily 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 2019 (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 2019 (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 2019 (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.

Chapelgate Motors Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

Changes in accounting policy

New standards, interpretations and amendments

The accounting policies have been applied consistently throughout the reporting period, other than in respect of IFRS 16 and IFRIC 23 which have been newly adopted with effect from 1 January 2019.

The following have been applied for the first time from 1 January 2019 and have had no effect on the financial statements:

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessees and lessors. IFRS 16 superseded the previous guidance on leases including IAS 17 Leases and the related interpretations when it became effective for the Company's financial year commencing 1 January 2019.

IFRIC 23 Uncertainty over income tax treatments

The Company adopted IFRIC 23 with effect from 1 January 2019 and has applied the interpretation retrospectively with the cumulative effect of adoption being £nil. Comparatives have not been restated. The standard clarifies the accounting for income tax when it is unclear whether a taxing authority accepts the tax treatment. The interpretation requires the Company to determine whether uncertain tax positions are assessed separately or as a group and whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings.

Chapelgate Motors Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (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.

Chapelgate Motors Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

3 Revenue

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

	2019 £ 000	2018 £ 000
Sales of goods	66,957	62,028
Rendering of services	3,582	3,059
	<u>70,539</u>	<u>65,087</u>
UK	70,441	65,087
EU	98	-
	<u>70,539</u>	<u>65,087</u>

4 Operating profit

Operating profit is arrived at after charging/(crediting)

	2019 £ 000	2018 £ 000
Depreciation expense	238	190
Operating lease rentals - plant and machinery	11	10
(Profit) on disposal of tangible assets	(6)	(2)
Employee costs	3,274	2,908
Audit of the financial statements	10	10
Rent expense	837	866
Vehicle write-down costs	168	268

5 Finance expenses

	2019 £ 000	2018 £ 000
External interest	<u>213</u>	-

Chapelgate Motors Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

6 Staff costs

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

	2019 £ 000	2018 £ 000
Wages and salaries	2,984	2,580
Social security costs	212	251
Other pension costs	78	77
	<u>3,274</u>	<u>2,908</u>

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

	2019 No.	2018 No.
Retail	26	25
Aftersales	44	42
Administration and management	16	7
	<u>86</u>	<u>74</u>

7 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 were 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.

8 Auditor's remuneration

	2019 £ 000	2018 £ 000
Audit of the financial statements	<u>10</u>	<u>10</u>

Chapelgate Motors Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

9 Tax

Tax charged in the profit and loss account

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax	291	192
UK corporation tax adjustment to prior years	65	8
	<u>356</u>	<u>200</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	5	14
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior years	(53)	(4)
Total deferred taxation	<u>(48)</u>	<u>10</u>
Tax expense in the profit and loss account	<u>308</u>	<u>210</u>

The tax on profit before tax on ordinary activities before taxation for the year is greater than the standard rate of corporation tax in the UK (2018 - greater than the standard rate of corporation tax in the UK) of 19% (2018-19%).

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Profit before taxation	<u>1,429</u>	<u>984</u>
Corporation tax at standard rate	272	187
Prior year items	12	4
Impact of tax rate changes	25	(3)
Expenses not deductible for tax purposes	<u>(1)</u>	<u>22</u>
Total tax charge	<u>308</u>	<u>210</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 balances have been measured at this rate which applied at the balance sheet date. An increase of the UK Corporation Tax rate to 19%, with effect from 1 April 2020, was substantively enacted on 17 March 2020.

Chapelgate Motors Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

9 Tax (continued)

Deferred tax asset

	2019 £ 000	2018 £ 000
Accelerated tax depreciation	103	55

Deferred tax movement during the year:

	At 1 January 2019 £ 000	Recognised in income £ 000	At 31 December 2019 £ 000
Accelerated tax depreciation	55	48	103

Deferred tax movement during the prior year:

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

Chapelgate Motors Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

10 Tangible assets

	Plant and equipment £ 000
Cost	
At 1 January 2019	2,419
Additions	358
Disposals	(24)
At 31 December 2019	<u>2,753</u>
Accumulated depreciation	
At 1 January 2019	1,673
Charge for the year	238
Eliminated on disposals	(13)
At 31 December 2019	<u>1,897</u>
Carrying amount	
At 31 December 2019	<u>856</u>
At 31 December 2018	<u>746</u>

11 Stocks

	2019 £ 000	2018 £ 000
Work in progress	7	5
Finished goods - purchased stocks	7,294	7,900
Finished goods - consignment stocks	3,275	1,905
	<u>10,576</u>	<u>9,810</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.

Vehicle write offs during the year amounted to £168,000 (2018: £268,000) (Note 4).

Chapelgate Motors Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

12 Debtors

	2019 £ 000	2018 £ 000
Amounts falling due within one year		
Trade receivables	905	488
Amounts owed by group undertakings	9,737	-
Accrued income	-	241
Prepayments	879	11
Other receivables	-	1
	<u>11,521</u>	<u>741</u>

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

13 Cash at bank and in hand

	2019 £ 000	2018 £ 000
Cash at bank	<u>6,526</u>	<u>5,061</u>

Chapelgate Motors Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

14 Creditors, amounts falling due within one year

	2019 £ 000	2018 £ 000
Trade payables	14,760	8,712
Accrued expenses and deferred income	349	236
Amounts owed to group undertakings	6,584	968
Social security and other taxes	29	16
Corporation tax	-	-
Contract liabilities	915	592
Other payables	-	31
	22,637	10,555

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 2019 is £8,767,000 (2018: £8,100,000) of which £4,979,000 (2018: £4,973,000) 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.

15 Called up share capital and reserves

Allotted, called up and fully paid shares

	2019		2018	
	No. 000	£ 000	No. 000	£ 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.

Chapelgate Motors Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

16 Obligations under leases and hire purchase contracts

Operating leases

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

	2019 £ 000	2018 £ 000
Within one year	-	110

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.

17 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 £2,391,000 (2018: £4,965,000).

18 Post balance sheet events

Subsequent to the balance sheet date the World Health Organisation declared a pandemic on 11 March 2020. The COVID-19 pandemic only became apparent after the balance sheet date and represents a non-adjusting post balance sheet event. The company's response to the pandemic is set out in the Strategic Report.

Chapelgate Motors Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

19 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.