

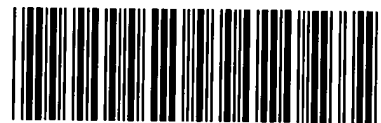
Registered No. 09881062

Hendy Automotive Limited

Annual Report and Financial Statements

**Year Ended
31 December 2019**

THURSDAY



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31/12/2020

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COMPANIES HOUSE

Hendy Automotive Limited

Registered No: 09881062

Company information

Directors

S J Gulliford

P A Hendy

J M Moritz

A M Stevenson (resigned 30 September 2019)

S Bottomley (appointed 2 January 2019)

Secretary

C A G Moir

Auditors

BDO LLP

Arcadia House

Maritime Walk

Ocean Village

Southampton

SO14 3TL

Bankers

HSBC Bank plc

2nd Floor

HSBC House

Mitchell Way

Southampton

SO18 2XU

Solicitors

Irwin Mitchell

Thomas Eggar House

Friary Lane

Chichester

West Sussex

PO19 1UF

Registered Office

School Lane

Chandlers Ford Industrial Estate

Eastleigh

Hampshire

SO53 4DG

Strategic report

Review of the business and future developments

The Group's principal activities during the period continued to be the retailing, wholesaling, and repair of new and used vehicles, both car and commercial. Its growth has continued with the acquisition of Westover Group Ltd on 29th March 2019, the development and opening of a used car supermarket in Ferndown in Dorset in May 2019, and the acquisition of Jaguar Land Rover Southampton on 16th December 2020. The Group now represents the Ford, Land Rover, Jaguar, Toyota, Lexus, Nissan, Skoda, Hyundai, Kia, Honda, Iveco, Mazda, Renault, Dacia, SEAT, Suzuki and MG brands, and now has 3 non-franchised used vehicle sites.

The trading summary and key performance indicators for the year ended 31 December 2019 are as follows:

	2019	2018
Turnover (£'000)	835,091	556,267
Gross profit margin (%)	12.3	12.3
EBITDA (£'000)	8,969	9,715
Return on sales (based on operating profit) (%)	0.5	1.2
Return on sales (based on profit before tax) (%)	(0.07)	0.6

The 2019 loss before tax of £545k (2018: profit of £3,569k) was a result achieved in a transitional year for the business and in particularly tough market conditions. Nonetheless the EBITDA of £8,969k held up at close to the 2018 level of £9,715k. The key focus in the year was to integrate both the Westover Group Ltd and Seward (Havant) Ltd (acquired 31st December 2018) into the group, and ensure that the structure, processes and cost base were streamlined for 2020. This aim was achieved, and in 2020 the business has performed far above 2019 levels in the months not interrupted by Covid19. As part of this process the business exited dealerships in Winchester, Salisbury and Corfe Mullen and administrative sites in Bournemouth and Swanwick. It also withdrew from the Fiat, Jeep, Alfa Romeo and Abarth franchises.

It is encouraging to report that the business generated a cash inflow of £17,479k (2018: £10,953k) from its operating activities, and its cash and cash equivalents increased to £10,520k (2018: £885k) during the year.

The Group incurred non-recurring costs of £637k in 2019 (2018 - £993k), related to the integration of the activities of Westover Group Ltd and Seward (Havant) Ltd. This is shown in note 9 to the accounts.

The deficit on the closed defined benefit pension scheme of £11,610k (2018 restated - £13,733k) is disclosed gross of the related deferred tax asset under FRS 102. Cash contributions increased from £1,217k in 2018 to £1,300k in 2019 under the deficit reduction plan agreed with the trustees. Under the same plan contributions will increase at £1,400k to 2020, and to £1,500k in 2021. Under FRS 102 rules there was a charge of £567k against profit, and a gain of £1,390k in the Statement of Comprehensive Income.

At year end the Group had net assets totalling £21,019k (2018 - £20,789k).

Strategic report

Principal risks and uncertainties

There are risks to the future of businesses in any sector including the motor trade. These include macroeconomic factors such as the broader state of the economy, and the prevailing attitude towards motor vehicles as compared with other means of transport, the fuel price, and interest rates.

Beyond macroeconomic factors, the Company faces risk in respect of the position of the manufacturers with whom dealer agreements are held. The manufacturer partners not only develop with varying degrees of effectiveness, but are also affected differently by external market factors. The impact of Brexit on import and export activity is a good example. Its impact on the Company is indirect, through its effect on the behaviour of the Company's manufacturer partners. The exit of the United Kingdom from EU customs arrangements would for example remove the competitive advantage from manufacturers whose products are made in the EU, and would therefore create change in favour of those who manufacture outside the EU.

Hendy's approach is to manage its manufacturer relationships as proactively as possible, and to diversify as widely as possible within the sector, so that its operations embrace as many different brands, products and activities as possible, including non-franchised operations. Consequently as certain brands, products or activities in the portfolio struggle, others are likely to strengthen, providing some stability in financial performance.

The company's credit risk is quite limited, and is primarily attributable to its trade debtors. Credit risk is managed by running credit checks on new customers, setting appropriate account limits, and by monitoring payments against contractual agreements.

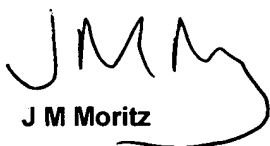
Section 172 Statement

Corporate governance within the group provides a framework not only to demonstrate how the board makes decisions for the long-term success of the Group and its stakeholders, but also has regard to how the board ensures that the Company complies with the requirements of Section 172 of the Companies Act 2006.

During 2019 the key decisions taken by the board included:

- The acquisition of Westover Group Ltd, and its subsequent integration into Hendy Group Ltd, to strengthen the market position of the business in the south of England and to diversify its portfolio of brands in the interests of all stakeholders.
- The development of a used vehicle retail site at Ferndown in Dorset to further establish the Group's non-franchised activities.
- The expansion of the Group's own Academy dedicated to the development of its employees through training across a wide range of subjects including technical, compliance and corporate values.

On behalf of the Board



J M Moritz

Director

Date 29 DECEMBER 2020

Directors' report

The directors present the company's annual report and the Group financial statements for the year ended 31 December 2019.

Results and dividends

The Group loss for the year, after taxation, amounted to £930k (2018 – profit £2,584k).

The directors authorised the declaration of dividends on preference shares totalling £875k (2018 - £649k), and on redeemable ordinary A shares of £124k (2018 - £1,727k) during the year. Under FRS 102 rules preference share dividends are presented as interest in Profit/ (loss) before Tax, whereas ordinary A share dividends are treated as dividends in the Statement of Changes in Equity.

Financial and credit risks

Principal risks and uncertainties are covered in the strategic report above.

The Group's operations are financed by a mixture of equity in the form both of ordinary and preference share capital, and long-term bank loans. Further details of these loans are included in notes 18 to 19 to the accounts. At the year end, an interest rate swap was in place to cover £nil (2018 - £4.5 million) of these borrowings.

Directors

The directors during the year are listed on page 1.

Post balance sheet events

In March 2020 the group saw the emergence of COVID-19. This is a non-adjusting event and has no impact on the reported assets and liabilities.

In April 2020 the group has decided to cease the development of a potential new site in the South East of England. This is a non-adjusting post balance sheet event and will result in a write down in assets totalling £1.4m.

On 16 December 2020 the group acquired the trade and certain assets of the Jaguar Land Rover site in Eastleigh, Hampshire for a cash consideration of £8.9m.

Disabled employees

The Group gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

Employee involvement

The Group is committed to involve all employees in the performance and development of the Group. Employees are encouraged to discuss with management matters of interest to the employee and subjects affecting day to day operations of the Group. Discussions take place monthly at each site with a representative Group of employees on a wide range of issues. Staff are also invited to contribute to a regular magazine distributed internally and to customers.

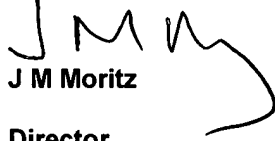
Directors' report *(continued)*

Auditors

All the current directors have taken all the steps they ought to have taken to make themselves aware of any information needed by the company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant information of which the auditors are unaware.

A resolution to re-appoint BDO LLP as auditors will be put to members at the forthcoming Annual General Meeting.

On behalf of the Board



J M Moritz

Director

Date 29 DECEMBER 2020

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the strategic report, directors' 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 group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 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 group and company and of the profit or loss of the group for that year.

In preparing these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent auditor's report

to the members of Hendy Automotive Limited

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF HENDY AUTOMOTIVE LIMITED

Opinion

We have audited the financial statements of Hendy Automotive Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Company Statement of Financial Position, Company Statement of Changes in Equity, Consolidated Statement of Cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent 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.

Independent auditor's report

to the members of Hendy Automotive Limited

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.

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 this regard.

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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

Independent auditor's report

to the members of Hendy Automotive Limited

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 Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent 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 at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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 as a body, 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.

BDO LLP

Stephen Le Bas (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
Southampton
United Kingdom

Date **29/12/2020**

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover	3	835,091	556,267
Cost of sales		(732,758)	(487,945)
Gross profit		102,333	68,322
Administrative expenses - including exceptional costs (note 9) of £637k (2018 - £993k)		(98,058)	(61,636)
EBITDA*		8,969	9,715
Depreciation		(2,696)	(1,885)
Amortisation of intangible assets		(1,998)	(1,144)
Operating profit	4	4,275	6,686
Interest payable	7	(4,493)	(2,818)
Other finance cost	8	(327)	(302)
Interest received		-	3
(Loss)/profit on ordinary activities before taxation		(545)	3,569
Taxation charge on (loss)/profit on ordinary activities	10	(385)	(985)
(Loss)/profit for the financial year		(930)	2,584
Actuarial gain/(loss) on defined benefit pension scheme		1,390	(338)
Revaluation of freehold properties		-	4,822
Taxation in respect of other comprehensive income		(106)	(850)
Other comprehensive income		1,284	3,634
Total comprehensive income for the year		354	6,218

All amounts relate to continuing operations.

*EBITDA is earnings before interest, tax, depreciation and amortisation.

The notes on pages 18 to 45 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2019

Company number: 09881062	Note	2019 £'000	2019 £'000	As restated 2018 £'000	As restated 2018 £'000
Fixed assets					
Intangible assets	12	17,747		9,341	
Tangible assets	13	51,640		47,743	
Investment property	14	299		299	
Investments	15	-		10	
			69,686		57,393
Current assets					
Stock and work in progress	16	196,428		119,978	
Debtors	17	37,860		25,608	
Cash at bank and in hand		10,520		885	
		244,808		146,471	
Creditors: amounts falling due within one year	18	(236,633)		(144,937)	
Net current assets			8,175		1,534
Total assets less current liabilities			77,861		58,927
Creditors: amounts due after more than one year	19		(40,971)		(20,732)
Provisions for liabilities	24		(1,433)		(1,097)
Deferred taxation	25		(2,828)		(2,576)
Net assets excluding pension fund liability			32,629		34,522
Pension fund liability	27		(11,610)		(13,733)
Net assets including pension fund liability			21,019		20,789
Capital and reserves					
Called up share capital	26		10,095		10,095
Revaluation reserve			5,527		5,527
Profit and loss account			5,397		5,167
			21,019		20,789

The financial statements were approved by the Board and authorised for issue on


J M Moritz
 Director

29 December 2020

The notes on pages 18 to 45 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019

Group	<i>Share capital £'000</i>	<i>Revaluation reserve £'000</i>	<i>Profit and loss account £'000</i>	<i>Total equity £'000</i>
At 1 January 2019 (as restated)	10,095	5,527	5,167	20,789
(Loss) for the year	-	-	(930)	(930)
Actuarial gain on pension scheme	-	-	1,390	1,390
Revaluation of freehold properties	-	-	-	-
Taxation in respect of other comprehensive income	-	-	(106)	(106)
Other comprehensive income for the year	-	-	1,284	1,284
Total comprehensive income for the year	-	-	354	354
Contributions by and distributions to owners				
Dividends	-	-	(124)	(124)
Total contributions by and distributions to owners	-	-	(124)	(124)
31 December 2019	10,095	5,527	5,397	21,019

The notes on pages 18 to 45 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018

Group	<i>Share capital £'000</i>	<i>Revaluation reserve £'000</i>	<i>Profit and loss account £'000</i>	<i>Total equity £'000</i>
At 1 January 2018 (as restated)	10,095	705	5,498	16,298
Profit for the year	-	-	2,584	2,584
Actuarial (loss) on pension scheme	-	-	(338)	(338)
Revaluation of freehold properties	-	4,822	-	4,822
Taxation in respect of other comprehensive income	-	-	(850)	(850)
Other comprehensive income for the year	-	4,822	(1,188)	3,634
Total comprehensive income for the year	-	4,822	1,396	6,218
Contributions by and distributions to owners				
Dividends	-	-	(1,727)	(1,727)
Total contributions by and distributions to owners	-	-	(1,727)	(1,727)
31 December 2018	10,095	5,527	5,167	20,789

Reserves

The Group's reserves are as follows:

- Called up share capital reserve represents the nominal value of shares issued.
- Revaluation reserve represents accumulated revaluation gains on freehold and long leasehold land and buildings.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

The notes on pages 18 to 45 form part of these financial statements.

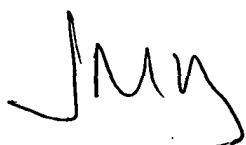
Company Statement of Financial Position

at 31 December 2019

Company number: 09881062	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed assets					
Investments	15		32,501		32,501
Current assets					
Debtors	17	32,720		14,706	
		<u>32,720</u>		<u>14,706</u>	
Creditors: amounts falling due within one year	18	<u>(17,492)</u>		<u>(16,371)</u>	
Net current assets/(liabilities)			15,228		(1,665)
Total assets less current liabilities			<u>47,729</u>		<u>30,836</u>
Creditors: amounts due after more than one year	19		<u>(37,620)</u>		<u>(20,732)</u>
Net assets			<u>10,109</u>		<u>10,104</u>
Capital and reserves					
Called up share capital	26		10,095		10,095
Profit and loss account			14		9
			<u>10,109</u>		<u>10,104</u>

The company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not prepared its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent company for the year was £129,000 (2018 – £1,394,000).

The financial statements were approved by the Board and authorised for issue on



J M Moritz
Director

29 DECEMBER 2020

The notes on pages 18 to 45 form part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2019

Company	<i>Share capital £'000</i>	<i>Profit and loss account £'000</i>	<i>Total equity £'000</i>
At 1 January 2019	10,095	9	10,104
Comprehensive income for the year			
Profit for the year	-	129	129
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	129	129
Contributions by and distributions to owners			
Dividends	-	(124)	(124)
	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	(124)	(124)
	<hr/>	<hr/>	<hr/>
31 December 2019	10,095	14	10,109
	<hr/>	<hr/>	<hr/>

The notes on pages 18 to 45 form part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2018

Company	<i>Share capital £'000</i>	<i>Profit and loss account £'000</i>	<i>Total equity £'000</i>
At 1 January 2018	10,095	342	10,437
Comprehensive income for the year			
Profit for the year	-	1,394	1,394
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	1,394	1,394
Contributions by and distributions to owners			
Dividends	-	(1,727)	(1,727)
	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	(1,727)	(1,727)
	<hr/>	<hr/>	<hr/>
31 December 2018	10,095	9	10,104
	<hr/>	<hr/>	<hr/>

Reserves

The Company's reserves are as follows:

- Called up share capital reserve represents the nominal value of shares issued.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

The notes on pages 18 to 45 form part of these financial statements.

Consolidated Statement of Cashflows

for the year ended 31 December 2019

	2019 £'000	2018 £'000
Cash flows from operating activities		
(Loss)/profit for the financial year	(930)	2,584
Adjustments for:		
Depreciation of fixed assets	2,725	1,885
Amortisation of intangible assets	1,998	1,144
Net interest payable	4,493	3,117
Taxation expense	385	985
Difference between net pension expense and cash contribution	(1,060)	(464)
Decrease in debtors	4,587	4,014
Increase in stocks	(24,286)	(7,172)
Increase in creditors	30,410	5,517
Movement in provisions	336	-
Impairment of freehold properties	-	860
Loss on sale of fixed assets	10	-
Cash from operations	18,668	12,470
Taxation paid	(1,189)	(1,517)
Net cash generated from operating activities	17,479	10,953
Cash flows from investing activities		
Acquisition of subsidiary undertakings	(21,464)	(1,148)
Cash acquired with subsidiary undertakings	3,578	-
Proceeds from sale of tangible fixed assets	47	177
Purchases of tangible fixed assets	(3,789)	(3,180)
Net cash (used in) investing activities	(21,628)	(4,151)
Cash flows from financing activities		
Capital element of leases repaid	(100)	(207)
Loans advanced	16,915	-
Repayment of loans	(2,535)	(1,600)
Interest paid	(3,372)	(3,140)
Dividends paid	(124)	(1,727)
Issue of preference shares	3,000	-
Net cash generated from/(used in) financing activities	13,784	(6,674)
Net increase in cash and cash equivalents	9,635	128
Cash and cash equivalents at beginning of year	885	757
Cash and cash equivalents at end of year	10,520	885
Cash and cash equivalents comprise:		
Cash at bank and in hand	10,520	885
	10,520	885

The notes on page 18 to 45 form part of these financial statements.

Notes to the financial statements

at 31 December 2019

1. Accounting policies

Hendy Automotive Limited is a company incorporated in England and Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the Group's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, and the Companies Act 2006.

The financial statements are prepared under the historical cost convention as modified by the revaluation of freehold and long leasehold land and buildings, and in accordance with the applicable accounting standards.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 2).

The December 2017 amendments to FRS 102 are mandatory for accounting periods beginning on or after 1 January 2019, but may be adopted early. The directors have taken the option to apply the amendments to FRS 102 early in preparation of these financial statements. There has been no impact on total comprehensive income or net assets as a result of adoption.

The following accounting policies have been applied:

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- The requirements of Section 33 Related party Disclosures paragraph 33.7;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the Group as a whole, in line with Section 11, Para 11.39 to 11.48.

Basis of consolidation

The consolidated financial statements present the results of Hendy Automotive Limited and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

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

Going concern

The financial statements have been prepared on a going concern basis which the directors consider appropriate for the reasons set out below.

The Group (which the company is part of) meets its day-to-day working capital requirements through short-term stocking loans, bank overdrafts and bank loans. At the year-end, the group bank loans total £31,465k (disclosed in the group consolidated accounts) of which £3,380k is repayable in 2020 and £3,380k repayable in 2021 with final repayment in March 2022. The group also has an overdraft facility of £9m which is renewable in September 2021. In the opinion of the directors, there is a reasonable expectation that all facilities will be renewed at their scheduled expiry dates.

Notes to the financial statements

at 31 December 2019

1. Accounting policies (continued)

Going concern (continued)

The bank loan provided by HSBC includes certain covenant tests which were passed at 31 December 2019. HSBC have confirmed to the Company their agreement to waive the covenant tests for March, June and September 2020 quarters. In addition HSBC have confirmed amended covenant testing for the December 2020 and March 2021 quarters before reverting back to the normal covenants thereafter. The failure of a covenant test would render these facilities repayable on demand at the option of the lender. In addition the group of which the company is a member of is funded through redeemable shares (as disclosed in note 19) totalling £9,495k. These share are classified as debt however the company has the unconditional right to defer settlement until December 2022.

The directors have undertaken a detailed review of trading and cash flow forecasts for a period to December 2024 which projects that the facility limits are not exceeded over the duration of the forecasts and compliance with covenants. These forecasts have made assumptions in respect of future trading conditions, particularly volumes and margins of new and used car sales, aftersales and operational improvements together with the timing of capital expenditure and, to the extent practicable, to allow for the on-going covid-19 pandemic. The forecasts take into account these factors to an extent which the directors consider to be reasonable, based on the information that is available to them at the time of approval of these financial statements. These forecasts indicate that the Company will be able to operate within the financing facilities that are available to it and meet the covenant tests with sufficient margin for reasonable adverse movements in expected trading conditions.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of the signing of these accounts. For those reasons, they continue to adopt the going concern basis in preparing this financial statements.

Revenue

Revenue from the sale of goods is recognised when significant risks and rewards of ownership have passed to the customer. This is deemed to be the earlier of delivery and or full payment. Revenue from rendering services is recognised when services are performed, provided the amount can be measured reliably.

Notes to the financial statements

at 31 December 2019

1. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets, other than investment properties and freehold and long leasehold land and buildings, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Revaluation of tangible fixed assets

Individual freehold and long leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Balance sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in Other Comprehensive Income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

Depreciation

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Freehold property	-	over 50 years
Leasehold property	-	over 50 years
Furniture, fixtures and fittings	-	10% to 17½% on cost
Plant and equipment	-	12½% to 20% on cost
Electronic office equipment	-	20% to 33⅓% on cost
Motor vehicles	-	25% on cost, except for vintage vehicles which are not depreciated
Lease and hire vehicles	-	over the period of the contract to write down vehicles to estimated residual value. Estimated residual values are based upon current market values of used vehicles.

Notes to the financial statements

at 31 December 2019

1. Accounting policies (continued)

Investment properties

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

Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Financial assets

Financial assets, other than derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life. If a reliable estimate cannot be made, the useful life of goodwill is presumed to be 10 years.

Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Notes to the financial statements

at 31 December 2019

1. Accounting policies (continued)

Other Intangible assets

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see section related to critical estimates and judgements below).

The group's other intangible assets comprise licences to operate the manufacturer franchises and are amortised over a period of 10 years.

Leased assets: Lessor

Incentive payments to new tenants to occupy the group's investment properties are treated as a reduction in revenue and initially recorded as prepayments. The payments are charged to profit or loss over the term of the lease. Where such prepayments relate to investment properties, the properties are carried at open market value less the amount of the unamortised incentive.

All other leases are treated as operating leases. Their annual rentals are credited to profit or loss on a straight-line basis over the term of the lease.

Leased assets: Lessee

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

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

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

Where the Group has a legal obligation, a dilapidations provision is created on inception of a lease. These provisions are a best estimate of the cost required to return leased properties to their original condition upon termination of the lease. Where the obligation arises from 'wear and tear', the provision is accrued as the 'wear and tear' occurs.

Notes to the financial statements

at 31 December 2019

1. Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value, as follows:

- | | | |
|-------------------------------------|---|--|
| Raw materials and goods for resale | - | purchase cost based on individual vehicle cost for vehicle stock and average cost for parts stock. |
| Work in progress and finished goods | - | cost of direct materials and labour plus attributable overheads based on a normal level of activity. |

Net realisable value is based on estimated selling price less any further costs expected to complete and sell.

Where the nature of the agreement with the manufacturer confers the benefit and associated risk of ownership to the company on consignment, such stock and the corresponding creditor are included on the balance sheet although legal title remains with the supplier until sold.

Current and deferred taxation

The tax expense for the year 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 or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met;

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Notes to the financial statements

at 31 December 2019

1. Accounting policies (continued)

Pensions

Contributions to the group's defined contribution pension scheme are charged to profit or loss in the year in which they become payable.

The group operates a group defined benefit pension plan.

The difference between the fair value of the assets held in the group's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the group's balance sheet as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

Prior year adjustment

Certain disclosures in the prior year Consolidated statement of financial position have been adjusted.

The directors (in conjunction with the scheme actuaries) have reviewed the accounting and the liabilities valued in the defined benefit scheme liability. Based on this review they have concluded the scheme liabilities have been understated by £1,500k in previous years. In the prior year (2018) balance sheet the defined benefit pension scheme liability has increased £1,500k and the profit and loss account reserve has decreased by £1,500k. Net assets have decreased by £1,500k. There has been no impact on the 2018 profit and loss account as the error has been deemed to have occurred in a previous period.

Prior year reclassification

Certain disclosures in the Consolidated statement of financial position have been re-analysed. This has resulted in a decrease in creditors: amounts falling due within one year of £1,097k and an increase in provisions of the same amount. This relates to the re-analysis of warranty provisions. There has been no effect on the profit for the year or net assets.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether there are indicators of impairment of the group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Consideration has been given by the directors to the level of provision against vehicle stocks. In determining the provision required the directors have used guidance from independent valuation tools and their knowledge of the industry.
- Consideration of the key financial and demographic assumptions in relation to the defined benefit pension scheme. The Group engages with 3rd party actuaries to provide professional advice.

Notes to the financial statements

at 31 December 2019

3. Turnover

An analysis of turnover by activity is given below:

	2019 £'000	2018 £'000
Vehicle sales	757,562	492,629
Aftersales	77,464	63,560
Vehicle hire income	65	78
	<u>835,091</u>	<u>556,267</u>

All turnover arose within the United Kingdom.

4 Operating profit

	2019 £'000	2018 £'000
This is stated after charging/(crediting):		
Fees payable to the group's auditor for the audit of the group's annual accounts	144	89
Fees payable to the group's auditor for other services:		
- taxation compliance services	32	22
- taxation advisory services	60	33
- other non-audit services	17	16
Depreciation of owned fixed assets	2,623	1,866
Depreciation of assets held under finance leases	73	19
Impairment of freehold buildings	-	860
Amortisation of intangible assets	1,998	1,144
Operating lease rentals - land and buildings	6,194	2,376
Defined contribution pension cost	1,332	1,057
Defined benefit pension cost (see note 27)	240	753
	<u></u>	<u></u>

In addition to the fees payable to the group auditors a further £426,000 (2018: £nil) was incurred in relation to corporate finance fees and capitalised as the cost of investment in the year.

Notes to the financial statements

at 31 December 2019

5. Directors' remuneration

	2019 £'000	2018 £'000
Group		
Emoluments	1,316	1,122
Company contributions to pension scheme	9	-
	No.	No.
Members of defined benefit pension scheme	1	1
Members of defined contribution pension schemes	1	-
Amounts in respect of the highest paid director are:	£000	£000
Emoluments	489	479
Company contributions to pension scheme	-	-
Accrued pension benefit	24	24

6. Staff costs

	2019 £'000	2018 £'000
Group		
Wages and salaries	52,643	34,397
Social security costs	5,476	3,353
Pension costs	1,332	1,057
	59,451	38,807

The average monthly number of employees during the year was 1,913 (2018 - 1,114).

There are no employees remunerated through the company.

Notes to the financial statements

at 31 December 2019

7. Interest payable

	2019 £'000	2018 £'000
Bank loans and overdrafts	765	356
Stocking interest	2,717	1,742
Finance charges payable under finance leases	46	54
Redeemable preference share dividend	875	649
Interest on deferred consideration	86	-
Other interest payable	4	17
	<u>4,493</u>	<u>2,818</u>

8. Other finance income

	2019 £'000	2018 £'000
Net interest on defined benefit liability	<u>(327)</u>	<u>(302)</u>

9. Exceptional items

	2019 £'000	2018 £'000
Redundancy, recruitment and other costs incurred post acquisition	275	-
Group reorganisation and restructure	46	-
Rebranding of business operations	112	-
Dilapidations	47	-
Professional and consultancy fees	151	100
Termination fees	-	33
Impairment of fixed assets	-	860
Other	6	-
	<u>637</u>	<u>993</u>

Notes to the financial statements

at 31 December 2019

10. Taxation on (loss)/profit on ordinary activities

	2019 £'000	2018 £'000
The taxation charge is made up as follows:		
Current tax	553	1,186
Adjustments in respect of prior year	(28)	(28)
	<hr/>	<hr/>
Total current tax	525	1,158
	<hr/>	<hr/>
Deferred tax		
Origination and reversal of timing differences	(130)	(273)
Adjustments in respect of prior year	(10)	100
	<hr/>	<hr/>
Movement in deferred tax provision	(140)	(173)
Deferred tax on pension scheme liability	-	-
	<hr/>	<hr/>
Taxation charge on (loss)/profit on ordinary activities	385	985
	<hr/>	<hr/>

Factors affecting current tax charge

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are reconciled below:

	2019 £'000	2018 £'000
(Loss)/profit on ordinary activities before tax	(545)	3,569
	<hr/>	<hr/>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(104)	678
Effects of:		
Expenses not deductible for tax purposes	649	415
Deferred tax not recognised and tax rate difference	109	(86)
Other movements	(104)	-
Adjustments in respect of previous periods	(38)	72
Defined benefit pension scheme charged to equity	(106)	(64)
Defined benefit pension scheme	(21)	(30)
	<hr/>	<hr/>
Total tax charge for the year	385	985
	<hr/>	<hr/>

Notes to the financial statements

at 31 December 2019

10. Taxation on (loss)/profit on ordinary activities (continued)

Factors that may affect future tax charges

The group has trading tax losses of £3.8m (2018 - £3.8m) to carry forward against future trading profits.

A deferred tax asset totalling £650k (2018 - £650k) on these losses has not been recognised due to the uncertainty over their recovery against future profits.

The Government has announced that from 1 April 2020 the Corporation Tax main rate will be further reduced to 17%. Accordingly, deferred tax balances recognised in the accounts as at the year-end have been calculated as using the 17% rate.

11. Dividends

	2019 £'000	2018 £'000
Dividends on Redeemable Ordinary A shares of 0.17p per share (2018 – 2.33p)	124	1,727

12. Intangible fixed assets

Group	Licences £000	Goodwill £000	Total £000
Cost:			
At 1 January 2019	8,972	3,203	12,175
Additions	-	10,404	10,404
At 31 December 2019	8,972	13,607	22,579
Amortisation:			
At 1 January 2019	2,326	508	2,834
Charge for the year	897	1,101	1,998
At 31 December 2019	3,223	1,609	4,832
Net book value:			
At 31 December 2019	5,749	11,998	17,747
At 31 December 2018	6,646	2,695	9,341

Goodwill arising on consolidation is being amortised over the directors' estimate of its useful life of 10 years. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Notes to the financial statements

at 31 December 2019

13. Tangible fixed assets

Group	Assets under course of construction £000	Freehold property £000	Long leasehold property £000	Short leasehold property £000	Plant, machinery and equipment £000	Motor vehicles £000	Total £000
Cost:							
At 1 January							
2019	1,146	37,404	1,625	1,988	7,891	353	50,407
Additions	971	-	-	1,935	857	162	3,925
Acquisitions	-	-	-	353	2,362	-	2,715
Disposals	-	-	-	-	(1,539)	(92)	(1,631)
Transfer	(558)	-	-	497	61	-	-
Revaluation	-	-	-	-	-	-	-
At 31 December							
2019	1,559	37,404	1,625	4,773	9,632	423	55,416
Depreciation:							
At 1 January							
2019	-	-	31	212	2,406	15	2,664
Charge for the							
year	-	432	11	324	1,858	71	2,696
Disposals	-	-	-	-	(1,520)	(64)	(1,584)
Revaluation	-	-	-	-	-	-	-
At 31 December							
2019	-	432	42	536	2,744	22	3,776
Net book value:							
At 31 December							
2019	1,559	36,972	1,583	4,237	6,888	401	51,640
At 31 December							
2018	1,146	37,404	1,594	1,776	5,485	338	47,743

Within the figures above, assets held under finance leases comprised:

Motor vehicles	- net book value £156k (2018 - £36k)
Plant, machinery & equipment	- net book value £302k (2018 - £Nil)

In February 2019 (effective December 2018), the freehold and leasehold properties were measured at fair value by Cushman & Wakefield (Chartered Surveyors). The valuations were undertaken in accordance with the Royal Institute of Chartered Surveyors' Appraisal and Valuation Manual.

The directors have considered the valuations of these properties at 31 December 2019 and have concluded there is no material change to these valuations.

The historic cost of freehold and long leasehold land and buildings is £35,331k (2018 - £35,331k), accumulated depreciation based on historic cost of £1,270k (2018 - £958k), and net book value of £35,331k (2018 - £34,373k).

Notes to the financial statements

at 31 December 2019

14. Investment Property

Group	Total £000
Valuation:	
At 1 January 2019 and 31 December 2019	299

The investment property is valued by the directors based upon market knowledge and external data in estimating fair value.

The historic cost of the land and buildings is cost of £375k (2018 - £375k), accumulated depreciation based on historic cost of £80k (2018 - £74k), and net book value of £295k (2018 - £301k).

15. Fixed asset investments

Group	Unlisted investments £'000
Cost:	
At 1 January 2019	10
Disposals	(10)
At 31 December 2019	-

The unlisted investments of the Group consist of 10,000 shares of £1 each in Retail Automotive Alliance Limited, shown at cost of £10k. These were disposed off during the year.

Company

	Subsidiary undertakings £'000
Cost:	
At 1 January 2019 and 31 December 2019	32,501

Notes to the financial statements

at 31 December 2019

15. Fixed asset investments (continued)

The subsidiary undertakings below are all incorporated in Great Britain, with the exception of F. A. Hendy & Lennox (Holdings) Espana SL, which is incorporated in Spain at Casa Dos 160/260/360 C/Rubi, Mijas La Nueva, Mijas, Malaga 29650, 952485583. All are wholly owned and, as at 31 December 2019, comprised:

Hendy Holdings Limited	- Holding company
Hendy Investments Limited*	- Non-trading
Hendy Group Limited*	- Motor vehicle dealership
Lifestyle Europe Limited*	- Non-trading
Lifestyle Europe Holdings Limited*	- Non-trading
Lifestyle Bricks and Mortar Limited*	- Non-trading
Hendy Lennox (Cosham) Limited*	- Dormant
Hendy Lennox (Havant) Limited*	- Dormant
Hendy Lennox (Exeter) Limited*	- Dormant
Hendy Lennox Trucks Limited*	- Dormant
Hendy Lennox Commercial Vehicles Limited*	- Dormant
Hendy Lennox Power Products Limited*	- Dormant
Hendy Lennox Vehicle Contracts Limited*	- Dormant
AVH Rentals Limited*	- Dormant
Hendy Leisure Limited*	- Dormant
Gentrac Systems Limited*	- Motor vehicle retailer
First Call Factors Limited*	- Dormant
F.A. Hendy & Lennox (Holdings) Espana, SL*	- Non-trading
Rayco Romsey Limited*	- Dormant
Seward (Havant) Limited*	- Trading
Seward Motor Group Limited*	- Dormant
Seward Executives Limited*	- Dormant
CPC Car Sales Limited*	- Dormant
Westover Automotive Limited	- Dormant
Westover Group Limited	- Motor vehicle repair

*Shares not held directly by Hendy Automotive Limited (these shares are held by Hendy Holdings Limited).

All of the UK subsidiary undertakings above, except Gentrac Systems Limited, are registered at the same address as the Company, being School Lane, Chandlers Ford Industrial Estate, Eastleigh, Hampshire, SO53 4DG. The registered address of Gentrac Systems Limited is Unit 4M3, Trade Park, Manor Way, Eastleigh, Hampshire, SO50 9YA.

Seward (Havant) Limited (registered number 1499766) is exempt from the requirements to the audit of accounts under S479A of the Companies Act 2006.

Notes to the financial statements

at 31 December 2019

16. Stocks and work in progress

	<i>Group</i> <i>2019</i> <i>£000</i>	<i>Group</i> <i>2018</i> <i>£000</i>	<i>Company</i> <i>2019</i> <i>£000</i>	<i>Company</i> <i>2018</i> <i>£000</i>
Vehicles	187,625	110,595	-	-
Parts and materials	8,451	9,247	-	-
Fuel and lubricants	352	136	-	-
	<u>196,428</u>	<u>119,978</u>	<u>-</u>	<u>-</u>

An Impairment loss of £4,656k (2018 - £3,532k) was recognised in cost of sales against stock during the year due to slow moving and obsolete stock. Vehicles where the significant risks and rewards of ownership are deemed to have transferred to the company have been recognised on the statement of financial position as consignment stocks and equivalent creditor. There is no difference between the replacement cost of stocks and the amounts stated above.

17. Debtors

	<i>Group</i> <i>2019</i> <i>£000</i>	<i>Group</i> <i>2018</i> <i>£000</i>	<i>Company</i> <i>2019</i> <i>£000</i>	<i>Company</i> <i>2018</i> <i>£000</i>
Due within one year				
Trade debtors	19,429	11,875	-	-
Amounts owed by group undertakings	-	-	32,720	14,706
Other debtors	4,276	5,070	-	-
Director loan account	156	-	-	-
Prepayments and accrued income	11,602	6,510	-	-
Deferred taxation (note 25)	2,397	2,153	-	-
	<u>37,860</u>	<u>25,608</u>	<u>32,720</u>	<u>14,706</u>

All debtors fall due within one year.

Notes to the financial statements

at 31 December 2019

18. Creditors: amounts fall due within one year

	<i>Group</i>	<i>Group</i>	<i>Company</i>	<i>Company</i>
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loans (note 22)	3,380	1,600	3,380	1,600
Obligations under finance leases	134	49	-	-
Vehicle stocking loans	30,356	24,534	-	-
Trade creditors	182,456	106,635	-	-
Amounts owed to group undertakings	-	-	13,156	13,156
Other taxes and social security costs	1,809	1,016	-	-
Corporation tax	376	563	-	-
Other creditors	8,705	5,441	80	80
Accruals and deferred income	8,542	3,528	-	-
Redeemable preference share dividends	875	167	876	167
Redeemable preference shares	-	1,368	-	1,368
Interest rate swap	-	36	-	-
	<u>236,633</u>	<u>144,937</u>	<u>17,492</u>	<u>16,371</u>

The bank loans are secured by an unlimited debenture with all group companies over the assets of the group.

Finance leases are secured on the assets concerned.

Vehicle stocking loans are secured against the relevant vehicles concerned.

Notes to the financial statements

at 31 December 2019

19. Creditors: amounts falling due after more than one year

	<i>Group</i> <i>2019</i> <i>£000</i>	<i>Group</i> <i>2018</i> <i>£000</i>	<i>Company</i> <i>2019</i> <i>£000</i>	<i>Company</i> <i>2018</i> <i>£000</i>
Bank loans (note 22)	28,085	15,485	28,085	15,485
Obligations under finance leases	351	-	-	-
Other creditors	40	120	40	120
Deferred consideration	3,000	-	-	-
Redeemable preference share liability	9,495	5,127	9,495	5,127
	<u>40,971</u>	<u>20,732</u>	<u>37,620</u>	<u>20,732</u>

Analysis of obligations under finance lease:

	<i>Group</i> <i>2019</i> <i>£000</i>	<i>Group</i> <i>2018</i> <i>£000</i>	<i>Company</i> <i>2019</i> <i>£000</i>	<i>Company</i> <i>2018</i> <i>£000</i>
In more than one year but not more than two years	107	-	-	-
In more than two years but not more than five year	232	-	-	-
In more than five years	12	-	-	-
	<u>351</u>	<u>-</u>	<u>-</u>	<u>-</u>

The bank loans and overdrafts are secured by an unlimited debenture with all group companies over the assets of the group.

Finance leases are secured on the assets concerned.

The redeemable preference shares attract a fixed coupon rate of 10% and are therefore classified as debt. The company has the unconditional right to defer settlement until December 2022.

The deferred consideration is payable on certain conditions being met. Assuming these are met the deferred considerations will be paid in various stages in 2021.

20. Capital commitments

At 31 December 2019, the group had capital commitments contracted for but not provided totalling £Nil (2018 - £788k).

The company had no capital commitments as at the balance sheet date.

Notes to the financial statements

at 31 December 2019

21. Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	<i>Group</i>	<i>Group</i>
	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>
<i>Operating leases which expire</i>		
Within one year	6,545	2,611
Within two to five years	24,481	13,608
After five years	44,858	33,021
	<hr/>	<hr/>
	75,884	49,240
	<hr/>	<hr/>

The Company has no operating lease commitments.

22. Maturity of debt finance

	<i>Group</i>	<i>Group</i>
	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>
Amount due within one year	3,380	2,968
Amount due in more than one year but not more than two years	3,380	3,401
Amount due in more than two years but not more than five years	34,200	17,211
	<hr/>	<hr/>
	40,960	23,580
	<hr/>	<hr/>
	<i>Company</i>	<i>Company</i>
	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>
Amount due within one year	3,380	2,968
Amount due in more than one year but not more than two years	3,380	3,401
Amount due in more than two years but not more than five years	34,200	17,211
	<hr/>	<hr/>
	40,960	23,580
	<hr/>	<hr/>

Notes to the financial statements

at 31 December 2019

23. Financial instruments

The Group financial instruments may be analysed as follows:

	<i>Group</i> 2019 £000	<i>Group</i> 2018 £000
Financial assets		
Financial assets measured at amortised cost	44,422	17,699
Financial liabilities		
Financial liabilities measured at fair value	-	(36)
Financial liabilities measured at amortised cost	(275,419)	(165,151)
	<u>(275,419)</u>	<u>(165,187)</u>

The Company financial instruments may be analysed as follows:

	<i>Company</i> 2019 £000	<i>Company</i> 2018 £000
Financial assets		
Financial assets measured at amortised cost	32,720	14,706
Financial liabilities		
Financial liabilities measured at amortised cost	(55,112)	(37,103)
Financial liabilities measured at fair value	-	-
	<u>(55,112)</u>	<u>(37,103)</u>

Financial assets measured at amortised cost comprise cash at bank, trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise bank overdrafts, bank loans, obligations under finance leases, vehicle stocking loans, trade creditors, amounts owed to group undertakings, other creditors, dividends, accruals and redeemable preference shares.

Financial liabilities measured at fair value comprise interest rate swaps.

Notes to the financial statements

at 31 December 2019

24. Provisions

	Warranty provision £'000
At 1 January 2019 (as restated)	1,097
Credited to profit or loss	(249)
Additions	966
Utilised in year	(381)
	<hr/>
At 31 December 2019	1,433
	<hr/>

The group offers to and sells to customers' third party warranty services. The provision reflects the balance on policies sold set aside for future claims against such policies. At each year end the directors estimate the level of anticipated costs based on third party data and their knowledge of previous scheme performance data.

25. Deferred taxation

Full provision for deferred taxation has been made as follows:

Deferred Tax asset	2019	2018
Group	£000	£000
Defined benefit pension scheme	1,974	2,080
Other timing differences	423	73
	<hr/>	<hr/>
Included in debtors (Note 17)	2,397	2,153
	<hr/>	<hr/>
Deferred Tax liability		
Group		
Accelerated capital allowances	(376)	(314)
Capital gains	(1,403)	(1,120)
Business combinations	(1,049)	(1,142)
	<hr/>	<hr/>
	(2,828)	(2,576)
	<hr/>	<hr/>

Notes to the financial statements

at 31 December 2019

25. Deferred taxation (continued)

The movements in deferred taxation during the current and previous periods are as follows:

	<i>Group</i> <i>2019</i> <i>£000</i>	<i>Group</i> <i>2018</i> <i>£000</i>	<i>Company</i> <i>2019</i> <i>£000</i>	<i>Company</i> <i>2018</i> <i>£000</i>
At 1 January	(423)	254	-	-
On acquisition	(42)	-	-	-
Charged to the profit & loss account	140	173	-	-
Credited to the other comprehensive income	(106)	(850)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	(431)	(423)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

The company has no deferred tax liability or asset at year end.

26. Share capital

	<i>Allotted, called up and fully paid</i>	
	<i>2019</i> <i>£000</i>	<i>2018</i> <i>£000</i>
1,000,000 Ordinary shares of £0.10 each	100,000	100,000
74,250,000 Redeemable ordinary A shares of £0.10 each	7,425,000	7,425,000
25,650,000 Ordinary B shares of £0.10 each	2,565,000	2,565,000
50,000 Growth shares of £0.10 each	5,000	5,000
	<hr/>	<hr/>
	10,095,000	10,095,000
	<hr/>	<hr/>

The redeemable preference shares meet the criteria of a debt instrument and are disclosed in notes 18 and 19 to the accounts.

The Ordinary shares and Growth shares hold full voting rights. The Redeemable ordinary A and Ordinary B shares hold no voting rights.

The Redeemable ordinary A shares are entitled to a fixed preferential dividend of 10% at the discretion of the directors. On a winding up, sale or return of capital, the Redeemable ordinary A shares have rights to a capital repayment from any amounts remaining after distributions to the holders of the Redeemable preference shares and in priority to the holders of the Ordinary B shares and Growth shares.

On a winding up, the holders of the Ordinary B shares have rights to a capital repayment from any amounts outstanding after distributions to the holders of the Redeemable preference shares and the Redeemable ordinary A shares.

Notes to the financial statements

at 31 December 2019

27. Pension commitments

The Group operates both a defined benefit scheme and money purchase schemes.

The contributions charged to operating costs for money purchase schemes in the year were £1,332k (2018 - £1,057k), of which £312k (2018 - £132k) was accrued at the end of the year.

The pension cost relating to the defined benefit scheme is assessed every three years in accordance with the advice of a qualified actuary. The most recent formal valuation, at 1 April 2017, indicated that, on the basis of service to date and current salaries, the scheme's assets were sufficient to meet 70% of its liabilities. Contributions to the scheme by the employer are no longer payable in respect of accruing benefits. In accordance with an agreement reached with the trustees, deficit contributions of £1.3m were paid into the scheme under the deficit reduction plan agreed with the trustees. Contributions will increase to £1.4m per annum for 2020.

The scheme is currently undergoing its triennial actuarial review as at 31 December 2019, with the results expected later this year.

The major assumptions used by the actuary were as follows:

	2019	2018
Rate of increase in deferred pensions	1.95%	2.15%
Discount rate	2.0%	2.8%
CPI inflation	1.95%	2.15%
RPI inflation	2.85%	3.15%
Future pension increases:		
- RPI maximum 5%	2.85%	3.15%
- RPI maximum 2.5%	2.5%	2.5%
Mortality:		
Base table	S3PA	SPA2
Long term improvements	1.25	1.25
Mortality projections	CMi2018	CMi2017

The underlying mortality assumption is based on the standard table known as SPA2 on a period of birth usage with medium cohort future improvement factors.

The amounts recognised in the balance sheet are as follows:

	2019	As restated 2018
	£000	£000
Present value of scheme liabilities	(60,990)	(58,571)
Fair value of scheme assets	49,380	44,838
	<hr/>	<hr/>
Net pension liability	(11,610)	(13,733)
	<hr/>	<hr/>

Notes to the financial statements

at 31 December 2019

27. Pension commitments (continued)

The amounts recognised in the profit and loss account are as follows:

	2019 £000	2018 £000
Amounts recognised in profit and loss are as follows:		
<i>Included in administrative expenses:</i>		
Current service costs	(240)	(244)
Past service cost	-	(509)
	<hr/>	<hr/>
	(240)	(753)
	<hr/>	<hr/>
<i>Included in other finance costs:</i>		
Net interest cost	(327)	(302)
	<hr/>	<hr/>
Analysis of actuarial loss recognised in other comprehensive income are as follows:		
Actual return less interest income included in net interest expense	4,439	(2,556)
Experience gains and losses arising on the scheme liabilities	1,989	-
Changes in assumptions underlying the present value of the scheme liabilities	(5,038)	2,218
	<hr/>	<hr/>
	1,390	(338)
	<hr/>	<hr/>

	2019 £000	As restated 2018 £000
Reconciliation of present value of scheme liabilities		
At beginning of the year	58,571	61,539
Interest cost	1,567	1,525
Actuarial gain	3,049	(2,218)
Benefits paid	(2,197)	(2,784)
Past service cost	-	509
	<hr/>	<hr/>
At the end of the year	60,990	58,571
	<hr/>	<hr/>
<i>Composition of scheme liabilities</i>		
Schemes wholly or partly funded	60,990	58,571
	<hr/>	<hr/>

Notes to the financial statements

at 31 December 2019

27. Pension commitments (continued)

During the year, a number of pensioners elected to receive an increased, but fixed, annual pension. The effect of this was to reduce the overall pension liability for those members.

	2019 £000	2018 £000
Reconciliation of fair value of scheme assets		
At the start of the year	44,838	47,982
Interest income on plan assets	1,240	1,223
Actuarial gain	4,439	(2,556)
Benefits paid	(2,197)	(2,784)
Contributions paid by the group	1,300	1,217
Expenses paid	(240)	(244)
	<hr/>	<hr/>
At the end of the year	49,380	44,838
	<hr/>	<hr/>
	%	%
Composition of plan assets		
Equities	21	23
Corporate Bonds	61	57
Property	3	3
Cash	-	1
Other	15	16
	<hr/>	<hr/>
	100	100
	<hr/>	<hr/>
	2019 £000	2018 £000
Sensitivity analysis of the value placed on liabilities		
RPI inflation + 0.5%	2,000	2,000
Discount rate + 0.5%	(5,000)	(5,000)
Life expectancy – 1 year change	2,000	2,000
	<hr/>	<hr/>

Notes to the financial statements

at 31 December 2019

28. Related party transactions

The company has taken advantage of the exemption conferred by FRS 102 not to disclose transactions with its wholly owned subsidiaries.

During the year, dividends on preference shares, treated as being interest payable in substance, accrued to related parties totalling £875k (2018 - £649k), of which £875k (2018 - £167k) was accrued at the year end. At year end the preference share liability totalled £9,495k (2018 - £6,495k).

At the year end, an amount totalling £98k (2018 - £98k) was owed to a related party. This amount is disclosed in other creditors on the balance sheet.

At the year end £156k (2018 - £Nil) is owed from director. This loan is interest free and is expected to be repaid within two years from its inception.

Dividends of £124k (2018 - £1,727k) were paid to the ordinary A shareholders during the year.

29. Contingent liability

In respect of the previous acquisition of the Lifestyle Europe Holdings Limited business, further consideration of £400k is payable in the event of the disposal of an acquired property. At the balance sheet date, the directors considered the sale of the property to be remote and so no liability has been recognised.

30. Ultimate controlling party

In the opinion of the directors, the ultimate controlling parties are Mr J E Bailey and Mr P A Hendy.

31. Analysis of net debt

	At 1 January 2019 £000	Cashflow £000	Acquisition of subsidiary £000	Non-cash movement £000	At 31 December 2019 £000
Cash at bank and in hand	885	9,635	-	-	10,520
Bank loans	(17,085)	(14,380)	-	-	(31,465)
Preference shares	(6,495)	(3,000)	-	-	(9,495)
Finance leases	(49)	100	(371)	(165)	(485)
Deferred consideration	-	-	-	(3,000)	(3,000)
	<u>(22,744)</u>	<u>(7,645)</u>	<u>(371)</u>	<u>(3,165)</u>	<u>(33,925)</u>

Non-cash movements relate to:

- Finance leases – the group entered into new finance leases with a capital value of £165k.
- Deferred consideration – the group acquired Westover Group (as disclosed in note 32) and £3,000k of the consideration is deferred.

Notes to the financial statements

at 31 December 2019

32. Business combinations

On 29 March 2019, the company acquired 100% of the issued share capital of Westover Group Limited. The acquisition cost of £24,415k consisted of £19,878k paid on completion, £3,000k deferred consideration and £1,537k of acquisition fees.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value £000	Fair value adjustments £000	Fair value £000
Property, plant and equipment	2,715	-	2,715
Stock	52,164	-	52,164
Trade and other debtors	16,595	-	16,595
Cash at bank and in hand	3,578	-	3,578
Trade and other creditors	(60,949)	-	(60,949)
Deferred tax	(42)	-	(42)
	<hr/>	<hr/>	<hr/>
Total net assets	14,061	-	14,061
Purchase consideration			
- Cash			21,415
- Deferred consideration			3,000
			<hr/>
			24,415
			<hr/>
Goodwill arising on acquisition			10,354
			<hr/>
			£000
Purchase consideration settled in cash on completion			21,415
Less: cash and cash equivalents acquired			(3,578)
			<hr/>
Cash outflow on acquisition			17,837
			<hr/>
The result of the Westover business since acquisition is as follows:			
			£000
Turnover			216,835
Profit for the period			754
			<hr/>

In addition to the above a further £49k of costs were incurred in relation to the previous Seward (Havant) Limited acquisition. This acquisition completed on 31 December 2018. These costs related to final adjustments to completion accounts and costs thereon.

Notes to the financial statements

at 31 December 2019

33. Post balance sheet events

In March 2020 the group saw the emergence of COVID-19. This is a non-adjusting post balance sheet event and has no impact on the reported assets and liabilities.

In April 2020 the group have decided to cease the development of a potential new site in the South East of England. This is a non-adjusting post balance sheet event and will result in a write down in assets totalling £1.4m.

On 16 December 2020 the group acquired the trade and certain assets of the Jaguar Land Rover site in Eastleigh, Hampshire for a cash consideration of £8.9m.