

Registered No. 09881062

Hendy Automotive Limited

Annual Report and Financial Statements

Year Ended
31 December 2018

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13/06/2019

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COMPANIES HOUSE

Directors

S J Gulliford
P A Hendy
J M Moritz
A M Stevenson
S Bottomley (appointed 2 January 2019)

Secretary

C A G Moir

Auditors

BDO LLP
Arcadia House
Maritime Walk
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SO14 3TL

Bankers

HSBC Bank plc
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Mitchell Way
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Solicitors

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Registered Office

School Lane
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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, for the Ford, Kia, Honda, Iveco, Mazda, Renault, Dacia, SEAT, Suzuki and MG franchises, as well as through non-franchised used vehicle sites. Contributions were also made by the marketing of industrial engines worldwide, and the supply of parts and accessories across all sectors of the business.

In June 2018 the business, assets and liabilities of the Portsmouth site of Unbeatable Car Supermarket, a non-franchised car supermarket, were acquired, and the site has been rebranded as Hendy Car & Van Store (see note 31 to the accounts). Another Hendy Car & Van Store, based on what was a brown-field site at Ferndown near Bournemouth, is in the advanced stages of development and is expected to open by 31st May 2019. The Company also extended its franchised dealer network with the opening in December 2018 of a new triple dealership housing Kia, Mazda and Honda, at Eastleigh in Hampshire. The automotive brands represented by the Company in 2018 were Ford, Kia, Mazda, Honda, Renault, Dacia, SEAT, Suzuki, Iveco and MG.

On 31st December 2018 the acquisition of Seward (Havant) Ltd was completed (see note 31 to the accounts). Seward (Havant) Ltd is a franchised motor dealership group which had sales of around £15m in 2018. Its activities comprise Renault / Dacia Portsmouth and Suzuki Havant.

On 29th March 2019 the acquisition of Westover Group Ltd was completed for a price of £20.9m plus cash balances. Westover Group Ltd is a franchised motor dealership group which had sales of around £329m in 2018. Its operations focused in the neighbouring geography of Bournemouth, Poole and Salisbury. Whilst growing the Group's existing relationships with Kia, Renault and Dacia, the acquisition will add new franchises including Land Rover, Jaguar, Toyota, Lexus, Skoda, Hyundai, Fiat, Jeep, Alfa Romeo and Lotus.

Once all these new ventures are operating at full run-rate it is expected that the run-rate for annual turnover will be close to £1bn.

The trading summary and key performance indicators for the year ended 31 December 2018 are as follows:

	2018	2017
Turnover (£'000)	556,267	532,802
Gross profit margin (%)	12.3	11.9
Return on sales (based on operating profit) (%)	1.2	1.6
Return on sales (based on profit before tax) (%)	0.6	0.9

The 2018 profit before tax of £3,569k (2017: £5,022k) represented a strong trading result given tough market conditions and £480k of initial losses during the set-up phase of the Portsmouth Hendy Car & Van Store. A more detailed analysis of the performance is shown in the table further down the strategic report, which splits the profit for the financial year between trading performance, restructuring and other non-recurring costs, the impact of property revaluations, goodwill amortisation, the impact of the defined benefit pension scheme, financing costs, and taxation. For the Group the most important measure is Trading EBITDA after stocking interest, which was £10,171k for existing businesses (£9,719k after the inclusion of acquisitions) in 2018 (2017: £10,431k).

Strategic report

Review of the business and future developments *(continued)*

Results were strong on used vehicle activity including both cars and vans. New vehicle retail business yielded less profit from higher turnover than in 2017, as manufacturer partners supported their own financial performance by reducing rewards for the dealer network. In terms of franchise financial performance, the Ford, Renault, Mazda and SEAT franchises performed well, but ongoing focus is required on the profitability of the other brands represented by the Group. After-Sales performance was good, particularly in Parts. The group's relationships with its manufacturer partners are of critical importance, and these relationships remain positive, even where franchise profitability has not reached the required level. Contributions were also made by the distribution of industrial engines worldwide, and the supply of parts and accessories across all sectors of the business.

The group has a policy of revaluation of the group's freehold and long leasehold properties and therefore at year end these properties are held at fair value within the Statement of Financial Position. An external revaluation has been undertaken and has shown an increase of £3,962k in the value of the Group's properties. The required accounting treatment under FRS102 shows a charge to the Profit & Loss Account of £860k (classified as a non-recurring cost) and a credit to Other Comprehensive Income not included in profit of £4,822k.

In addition to the non-recurring cost related to property revaluation above, other non-recurring costs of £133k were incurred in 2018 (2017 - £574k). These costs were in relation to the run-out of terminated contracts taken on during the acquisition of Lifestyle Europe Ltd in 2016, and to legal and consultancy fees related to completing the reorganisation subsequent to the acquisition. In 2017 the non-recurring costs related mainly to the integration of the Lifestyle Europe Ltd business into Hendy Group Ltd, and the related rebranding of the entire business. This is shown in note 9 to the accounts.

The deficit on the closed defined benefit pension scheme of £12,233k (2017 - £12,057k) is disclosed gross of the related deferred tax asset under FRS 102. Cash contributions increased from £1,000k in 2017 to £1,300k in 2018 under the deficit reduction plan agreed with the trustees. Under the same plan contributions will remain at £1,300k in 2019, and rise to £1,400k in 2020. Under FRS 102 rules there was a charge of £1,055k against profit, and a further charge of £338k in the Statement of Comprehensive Income. Given the poor performance of the investment markets, and the fact that the position suffered a £509k hit by a further legal ruling on gender equalisation affecting all such schemes, the increase in the deficit was small.

At year end the Group had net assets totalling £22,289k (2017 - £17,798k).

The Group has continued to maintain a good relationship with its bank HSBC, having adhered to all the lending covenants and met all repayment obligations in 2018. As part of the acquisition of Westover Group in 2019 the group refinanced its debt with HSBC, and also introduced further preference share capital.

Strategic report

Review of the business and future developments *(continued)*

The underlying performance is further explained in the table below. This table shows the split of profit and of other comprehensive income for 2018, split between trading activity, non-recurring reorganisation costs, financing costs, the impacts both of property valuations and of the closed defined benefit pension scheme, and corporation tax.

	2018		2017	
	P&L £'000	OCI £'000	P&L £'000	OCI £'000
Trading				
Trading EBITDA before acquisitions*	11,913	-	12,613	-
Stocking interest	(1,742)	-	(2,182)	-
Trading EBITDA after stocking interest	10,171	-	10,431	-
Trading EBITDA from acquired business	(452)	-	-	-
Depreciation of trading assets	(1,885)	-	(1,735)	-
Restructuring & Reorganisation				
Non-recurring items	(133)	-	(574)	-
Property				
Revaluation	(860)	4,822	-	347
Goodwill Amortisation	(1,144)	-	(1,124)	-
Defined Benefit Pension Scheme				
Profit & loss charge	(1,055)	-	(859)	-
Net movement in assets and liabilities	-	(338)	-	5,014
Financing Charges				
Bank interest	(353)	-	(415)	-
Other interest and finance charges	(71)	-	(52)	-
Preference share dividends	(649)	-	(650)	-
Corporation Tax				
Current tax	(1,158)	-	(1,348)	-
Deferred tax	173	(850)	184	(1,076)
Total	2,584	3,634	3,858	4,285

* Trading EBITDA is EBITDA plus exceptional costs, defined benefit pension scheme costs less fair value movement of investment properties.

In 2019 the Group continues to trade profitably and in line with its business plan.

There are no expected changes in the principal activities of the group in the foreseeable future.

Strategic report

Principal risks and uncertainties

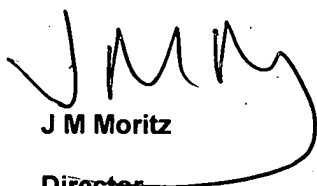
There are risks to the future of businesses in any sector including the motor trade. These include macroeconomic factors such as the broader state of the economy, and the prevailing attitude towards motor vehicles as compared with other means of transport, the fuel price, and interest rates.

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.

On behalf of the Board



J M Moritz

Director

Date 4/6/2019

Directors' report

The directors present the company's annual report and the Group financial statements for the year ended 31 December 2018.

Results and dividends

The Group profit for the year, after taxation, amounted to £2,584k (2017 - £3,858k).

The directors authorised the declaration of dividends on preference shares totalling £649k (2017 - £650k), and on redeemable ordinary A shares of £1,727k (2017 - £nil) during the year. Under FRS 102 rules preference share dividends are presented as interest in Profit Before Tax, whereas ordinary A share dividends are treated as dividends in the Statement of Changes in Equity.

The presentation of the financial statements is impacted by the inclusion of figures relating to movements in the Group's defined benefit pension fund, which closed in 2006. A fuller explanation of this is set out under 'Pension Fund' below and in Note 26.

Pension Fund

In common with many UK companies the Hendy Group's closed defined benefit pension scheme remains in deficit, with the figure having risen by £176k (2017 – fall of £5,155k) in the full year 2018. This movement has been caused by the poor performance of the investment markets, and by an adjustment affecting all such schemes relating to a legal ruling on gender equalisation. The deficit on the scheme is disclosed gross of the related deferred tax asset under FRS 102. Contributions of £1,300k (2017 - £1,000k) were made in the full year 2018, which will remain at £1,300k in 2019 under the deficit reduction plan agreed with the trustees. The gross deficit increased from £12,057k to £12,233k in the year. Under FRS 102 rules this was reflected with a charge of £1,055k (2017 - £859k) against profit and a charge of £338k (2017 gain of £5,014k) in the Statement of Comprehensive Income. The directors consider that the defined benefit pension scheme deficit is a long-term challenge rather than a short-term one.

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 £4.5million (2017 - £4.5 million) of these borrowings.

Directors

The directors during the year are listed on page 1.

Post balance sheet events

The only material post-balance sheet event has been the acquisition of Westover Group Ltd in March 2019. This acquisition has been disclosed in the strategic report above.

Directors' report (*continued*)

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

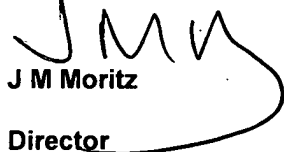
The Group is committed to involve all employees in the performance and development of the Group. Employees are encouraged to discuss with management matters of interest to the employee and subjects affecting day to day operations of the Group. Discussions take place monthly at each site with a representative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

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 4/6/2019

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 2018 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 2018 and of the Group's profit 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.

Independent auditor's report

to the members of Hendy Automotive Limited

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.

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.

Independent auditor's report

to the members of Hendy Automotive Limited

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.

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.

Independent auditor's report

to the members of Hendy Automotive Limited

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 4/6/2019.

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 2018

	Note	2018 £'000	2017 £'000
Turnover	3	556,267	532,802
Cost of sales		(487,945)	(469,262)
Gross profit		68,322	63,540
Administrative expenses - including exceptional costs of £993k (2017 - £574k)	9	(61,636)	(54,771)
EBITDA*		9,715	11,628
Depreciation		(1,885)	(1,735)
Amortisation of intangible assets		(1,144)	(1,124)
Operating profit	4	6,686	8,769
Interest payable	7	(2,818)	(3,299)
Other finance cost	8	(302)	(448)
Interest received		3	-
Profit on ordinary activities before taxation		3,569	5,022
Taxation charge on profit on ordinary activities	10	(985)	(1,164)
Profit for the financial year		2,584	3,858
Actuarial (loss)/gains on defined benefit pension scheme		(338)	5,014
Revaluation of freehold properties		4,822	347
Taxation in respect of other comprehensive income		(850)	(1,076)
Other comprehensive income		3,634	4,285
Total comprehensive income for the year		6,218	8,143

All amounts relate to continuing operations.

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

The notes on pages 21 to 46 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2018

Company number: 09881062	Note	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Fixed assets					
Intangible assets	12	9,341		9,551	
Tangible assets	13	47,743		42,143	
Investment property	14	299		299	
Investments	15	10		10	
			57,393		52,003
Current assets					
Stock and work in progress	16	119,978		110,988	
Debtors	17	25,608		29,005	
Cash at bank and in hand		885		757	
		146,471		140,750	
Creditors: amounts falling due within one year	18	(146,034)		(137,238)	
Net current assets			437		3,512
Total assets less current liabilities			57,830		55,515
Creditors: amounts due after more than one year	19		(20,732)		(23,830)
Provisions for liabilities	24		(2,576)		(1,830)
Net assets excluding pension fund liability			34,522		29,855
Pension fund liability	26		(12,233)		(12,057)
Net assets including pension fund liability			22,289		17,798
Capital and reserves					
Called up share capital	25		10,095		10,095
Freehold property revaluation reserve			5,527		705
Profit and loss account			6,667		6,998
			22,289		17,798

The financial statements were approved by the Board and authorised for issue on 4/6/2019.


J M Moritz
Director

The notes on pages 21 to 46 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	10,095	705	6,998	17,798
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	6,667	22,289

The notes on pages 21 to 46 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

Group	Share capital £'000	Revaluation reserve £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2017	10,095	358	(798)	9,655
Profit for the year	-	-	3,858	3,858
Actuarial gain on pension scheme	-	-	5,014	5,014
Revaluation of freehold properties	-	347	-	347
Taxation in respect of other comprehensive income	-	-	(1,076)	(1,076)
Other comprehensive income for the year	-	347	3,938	4,285
Total comprehensive income for the year	-	347	7,796	8,163
Contributions by and distributions to owners				
Dividends	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-
31 December 2017	10,095	705	6,998	17,798

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 21 to 46 form part of these financial statements.

Company Statement of Financial Position

at 31 December 2018

Company number: 09881062	Note	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Fixed assets					
Investments	15		32,501		32,501
Current assets					
Debtors	17	14,706		17,044	
		<u>14,706</u>		<u>17,044</u>	
Creditors: amounts falling due within one year	18	<u>(16,371)</u>		<u>(15,329)</u>	
Net current (liabilities)/ assets			(1,665)		1,715
Total assets less current liabilities			<u>30,836</u>		<u>34,216</u>
Creditors: amounts due after more than one year	19		<u>(20,732)</u>		<u>(23,779)</u>
Net assets			<u>10,104</u>		<u>10,437</u>
Capital and reserves					
Called up share capital	25		10,095		10,095
Profit and loss account			9		342
			<u>10,104</u>		<u>10,437</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 £1,394,000 (2017 – loss £1,002,000).

The financial statements were approved by the Board and authorised for issue on 4/6/2019



J M Moritz
Director

The notes on pages 21 to 46 form part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2018

Company	Share capital £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2018	10,095	342	10,437
Comprehensive profit for the year			
Profit for the year	-	1,394	1,394
	<hr/>	<hr/>	<hr/>
Total comprehensive loss 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
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The notes on pages 21 to 46 form part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2017

Company	Share capital £'000	Profit and loss account £'000	Total equity £'000
At 1 January 2017	10,095	1,344	11,439
Comprehensive loss for the year			
Loss for the year	-	(1,002)	(1,002)
Total comprehensive loss for the year	-	(1,002)	(1,002)
Contributions by and distributions to owners			
Dividends	-	-	-
Total contributions by and distributions to owners	-	-	-
31 December 2017	10,095	342	10,437

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 21 to 46 form part of these financial statements.

Consolidated Statement of Cashflows

for the year ended 31 December 2018

	2018 £'000	2017 £'000
Cash flows from operating activities		
Profit for the financial year	2,584	3,858
Adjustments for:		
Depreciation of fixed assets	1,885	1,735
Amortisation of intangible assets	1,144	1,124
Net interest payable	3,117	3,747
Taxation expense	985	1,164
Difference between net pension expense and cash contribution	(464)	(589)
(Increase)/decrease in debtors	4,014	(6,082)
(Increase)/decrease in stocks	(7,172)	(26,817)
Increase/(decrease) in creditors	5,517	37,119
Impairment of freehold properties	860	-
Profit on sale of fixed assets	-	(3)
Cash from operations	12,470	15,256
Taxation paid	(1,517)	(1,837)
Net cash generated from operating activities	10,953	13,419
Cash flows from investing activities		
Net cash outflow of business combinations net of cash	(1,148)	-
Proceeds from sale of tangible fixed assets	177	63
Purchases of tangible fixed assets	(3,180)	(2,900)
Proceeds from sale of assets held for sale	-	1,145
Net cash from investing activities	(4,151)	(1,692)
Cash flows from financing activities		
Capital element of leases repaid	(207)	(811)
Loans advanced	-	-
Repayment of loans	(1,600)	(3,016)
Interest paid	(3,140)	(3,115)
Dividends paid	(1,727)	-
Net cash used in financing activities	(6,674)	(6,942)
Net increase in cash and cash equivalents	128	4,785
Cash and cash equivalents at beginning of year	757	(4,028)
Cash and cash equivalents at end of year	885	757
Cash and cash equivalents comprise:		
Cash at bank and in hand	885	757
	885	757

The notes on page 21 to 46 form part of these financial statements.

Notes to the financial statements

at 31 December 2018

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.

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 2018

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 2018

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 acquisitions 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 2018

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 ten 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 2018

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 2018

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.

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 2018

3. Turnover

An analysis of turnover by activity is given below:

	2018 £'000	2017 £'000
Vehicle sales	492,629	472,266
Aftersales	63,560	60,499
Vehicle hire income	78	29
Other sales	-	8
	<hr/>	<hr/>
	556,267	532,802
	<hr/>	<hr/>

All turnover arose within the United Kingdom.

4 Operating profit

	2018 £'000	2017 £'000
This is stated after charging/(crediting):		
Fees payable to the group's auditor for the audit of the group's annual accounts	89	88
Fees payable to the group's auditor for other services:		
- taxation compliance services	22	16
- taxation advisory services	33	5
- other non-audit services	16	14
Depreciation and impairment of owned fixed assets	1,866	1,666
Depreciation and impairment of assets held under finance leases	19	69
Impairment of freehold buildings	860	-
Amortisation of intangible assets	1,144	1,124
Operating lease rentals - land and buildings	2,376	2,649
Defined contribution pension cost	1,057	839
Defined benefit pension cost (see note 27)	753	411
	<hr/>	<hr/>

Notes to the financial statements

at 31 December 2018

5. Directors' remuneration

	2018 £'000	2017 £'000
Group		
Emoluments	1,122	969
	<hr/>	<hr/>
Company contributions to pension scheme	-	51
	<hr/>	<hr/>
	No.	No.
Members of defined benefit pension scheme	1	1
	<hr/>	<hr/>
Members of defined contribution pension schemes	-	3
	<hr/>	<hr/>
Amounts in respect of the highest paid director are:	£000	£000
Emoluments	479	447
	<hr/>	<hr/>
Company contributions to pension scheme	-	-
	<hr/>	<hr/>
Accrued pension benefit	24	23
	<hr/>	<hr/>

6. Staff costs

	2018 £'000	2017 £'000
Group		
Wages and salaries	34,397	31,857
Social security costs	3,353	3,178
Pension costs	1,057	839
	<hr/>	<hr/>
	38,807	35,874
	<hr/>	<hr/>

The average monthly number of employees during the year was 1,114 (2017 - 1,040).

There are no employees remunerated through the company.

Notes to the financial statements

at 31 December 2018

7. Interest payable

	2018 £'000	2017 £'000
Bank loans and overdrafts	356	415
Stocking interest	1,742	2,182
Finance charges payable under finance leases	54	44
Redeemable preference share dividend	649	650
Other interest payable	17	8
	<u>2,818</u>	<u>3,299</u>

8. Other finance income/ (costs)

	2018 £'000	2017 £'000
Net interest on defined benefit liability	<u>(302)</u>	<u>(448)</u>

9. Exceptional items

	2018 £'000	2017 £'000
Redundancy, recruitment and other costs incurred post acquisition	-	146
Group reorganisation and restructure	-	139
Rebranding of business operations	-	216
Discontinued software subscriptions	-	73
Professional and consultancy fees	100	-
Termination fees	33	-
Impairment of fixed assets	860	-
	<u>993</u>	<u>574</u>

Notes to the financial statements

at 31 December 2018

10. Taxation on profit on ordinary activities

	2018 £'000	2017 £'000
The taxation charge is made up as follows:		
Current tax	1,186	1,400
Adjustments in respect of prior year	(28)	(52)
	<hr/>	<hr/>
Total current tax	1,158	1,348
	<hr/>	<hr/>
Deferred tax		
Origination and reversal of timing differences	(273)	(29)
Adjustments in respect of prior year	100	(14)
	<hr/>	<hr/>
Movement in deferred tax provision	(173)	(43)
Deferred tax on pension scheme liability	-	(141)
	<hr/>	<hr/>
Taxation charge on profit on ordinary activities	985	1,164
	<hr/>	<hr/>

Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are reconciled below:

	2018 £'000	2017 £'000
Profit on ordinary activities before tax	3,569	5,022
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	678	967
Effects of:		
Expenses not deductible for tax purposes	415	367
Deferred tax not recognised and tax rate difference	(86)	(104)
Other movements	22	-
Adjustments in respect of previous periods	72	(66)
Defined benefit pension scheme charged to equity	(64)	-
Deferred tax charged directly to equity	(30)	-
	<hr/>	<hr/>
Total tax charge for the year	985	1,164
	<hr/>	<hr/>

Notes to the financial statements

at 31 December 2018

10. Taxation on profit on ordinary activities (*continued*)

Factors that may affect future tax charges

The group has trading tax losses of £3.8m (2017 - £3.4m) to carry forward against future trading profits.

A deferred tax asset totalling £650k (2017 - £574k) 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

	2018 £'000	2017 £'000
Dividends on Redeemable Ordinary A shares of 2.33p per share (2017 - Nil)	1,727	-

12. Intangible fixed assets

Group	Licences £000	Goodwill £000	Total £000
Cost:			
At 1 January 2018	8,972	2,269	11,241
Additions	-	934	934
At 31 December 2018	8,972	3,203	12,175
Amortisation:			
At 1 January 2018	1,429	261	1,690
Charge for the year	897	247	1,144
At 31 December 2018	2,326	508	2,834
Net book value:			
At 31 December 2018	6,646	2,695	9,341
At 31 December 2017	7,543	2,008	9,551

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 2018

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 2018	1,030	34,175	1,261	459	6,639	634	44,198
Additions	1,146	-	-	388	1,783	-	3,317
Acquisitions	-	-	-	197	186	-	383
Disposals	-	-	-	-	(803)	(281)	(1,084)
Transfer	(1,030)	-	-	944	86	-	-
Revaluation	-	3,229	364	-	-	-	3,593
At 31 December 2018	1,146	37,404	1,625	1,988	7,891	353	50,407
Depreciation:							
At 1 January 2018	-	-	31	108	1,848	68	2,055
Charge for the year	-	356	13	104	1,345	67	1,885
Disposals	-	-	-	-	(787)	(120)	(907)
Revaluation	-	(356)	(13)	-	-	-	(369)
At 31 December 2018	-	-	31	212	2,406	15	2,664
Net book value:							
At 31 December 2018	1,146	37,404	1,594	1,776	5,485	338	47,743
At 31 December 2017	1,030	34,175	1,230	351	4,791	566	42,143

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

Motor vehicles	- net book value £36k (2017 - £55k)
Plant, machinery & equipment	- net book value £Nil (2017 - £304k)

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 revaluation resulted in a net increase to the valuations of £3,224k of this £4,822k has been credited to other comprehensive income and £860k has been debited as an impairment loss to the profit in the year.

The historic cost of freehold and long leasehold land and buildings is £35,331k (2017 - £35,311k), accumulated depreciation based on historic cost of £958k (2017 - £631k), and net book value of £34,373k (2017 - £34,680k).

Notes to the financial statements

at 31 December 2018

14. Investment Property

Group	<i>Total £000</i>
Valuation:	
At 1 January 2018 and 31 December 2018	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 (2017 - £375k), accumulated depreciation based on historic cost of £74k (2017 - £68k), and net book value of £301k (2017 - £307k).

15. Fixed asset investments

Group	<i>Unlisted investments £'000</i>
Cost:	
At 1 January 2018 and at 31 December 2018	10

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

Company

	<i>Subsidiary undertakings £'000</i>
Cost:	
At 1 January 2018 and 31 December 2018	32,501

Notes to the financial statements

at 31 December 2018

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 2650, 952485583. All are wholly owned and, as at 31 December 2018, 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

*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 4DH. The registered address of Gentrac Systems Limited is Unit 4M3, Trade Park, Manor Way, Eastleigh, Hampshire, SO50 9YA.

16. Stocks and work in progress

	<i>Group</i> 2018 £000	<i>Group</i> 2017 £000	<i>Company</i> 2018 £000	<i>Company</i> 2017 £000
Vehicles	110,595	101,283	-	-
Parts and materials	9,247	9,571	-	-
Fuel and lubricants	136	134	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	119,978	110,988	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

An Impairment loss of £3,532k (2017 - £2,523k) 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.

Notes to the financial statements

at 31 December 2018

17. Debtors

	<i>Group</i> <i>2018</i> <i>£000</i>	<i>Group</i> <i>2017</i> <i>£000</i>	<i>Company</i> <i>2018</i> <i>£000</i>	<i>Company</i> <i>2017</i> <i>£000</i>
Due within one year				
Trade debtors	11,875	14,174	-	-
Amounts owed by group undertakings	-	-	14,706	17,044
Other debtors	5,070	4,149	-	-
Prepayments and accrued income	6,510	8,598	-	-
Deferred taxation (note 24)	2,153	2,084	-	-
	<u>25,608</u>	<u>29,005</u>	<u>14,706</u>	<u>17,044</u>

All debtors fall due within one year.

18. Creditors: amounts fall due within one year

	<i>Group</i> <i>2018</i> <i>£000</i>	<i>Group</i> <i>2017</i> <i>£000</i>	<i>Company</i> <i>2018</i> <i>£000</i>	<i>Company</i> <i>2017</i> <i>£000</i>
Bank loans (note 22)	1,600	1,600	1,600	1,600
Obligations under finance leases	49	205	-	-
Vehicle stocking loans	24,534	18,330	-	-
Trade creditors	107,732	108,107	-	-
Amounts owed to group undertakings	-	-	13,156	13,156
Other taxes and social security costs	1,016	907	-	-
Corporation tax	563	922	-	-
Other creditors	5,441	3,257	80	80
Accruals and deferred income	3,528	3,218	-	-
Redeemable preference share dividends	167	493	167	493
Redeemable preference shares	1,368	-	1,368	-
Interest rate swap	36	199	-	-
	<u>146,034</u>	<u>137,238</u>	<u>16,371</u>	<u>15,329</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 2018

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

	<i>Group</i> <i>2018</i> <i>£000</i>	<i>Group</i> <i>2017</i> <i>£000</i>	<i>Company</i> <i>2018</i> <i>£000</i>	<i>Company</i> <i>2017</i> <i>£000</i>
Bank loans (note 22)	15,485	17,084	15,485	17,084
Obligations under finance leases	-	51	-	-
Interest rate swaps	-	-	-	-
Other creditors	120	200	120	200
Redeemable preference share liability	5,127	6,495	5,127	6,495
	<u>20,732</u>	<u>23,830</u>	<u>20,732</u>	<u>23,779</u>
Analysis of obligations under finance lease:				
	<i>Group</i> <i>2018</i> <i>£000</i>	<i>Group</i> <i>2017</i> <i>£000</i>	<i>Company</i> <i>2018</i> <i>£000</i>	<i>Company</i> <i>2017</i> <i>£000</i>
In more than one year but not more than two years	-	51	-	-

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. These shares may be redeemed by the company, subject to shareholder consent, on certain dates between 2019 and 2022.

20. Capital commitments

At 31 December 2018, the group had capital commitments contracted for but not provided totalling £788k (2017 - £1,400k).

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

Notes to the financial statements

at 31 December 2018

21. Operating lease commitments

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

	<i>Group</i> 2018 £000	<i>Group</i> 2017 £000
<i>Operating leases which expire</i>		
Within one year	2,611	2,547
Within two to five years	13,608	7,917
After five years	33,021	9,845
	<hr/>	<hr/>
	49,240	20,309
	<hr/>	<hr/>

The Company has no operating lease commitments.

22. Maturity of debt finance

	<i>Group</i> 2018 £000	<i>Group</i> 2017 £000
Amount due within one year	2,968	1,600
Amount due in more than one year but not more than two years	3,401	2,968
Amount due in more than two years but not more than five years	17,211	20,611
	<hr/>	<hr/>
	23,580	25,179
	<hr/>	<hr/>
	<i>Company</i> 2018 £000	<i>Company</i> 2017 £000
Amount due within one year	2,968	1,600
Amount due in more than one year but not more than two years	3,401	2,968
Amount due in more than two years but not more than five years	17,211	20,611
	<hr/>	<hr/>
	23,580	25,179
	<hr/>	<hr/>

Notes to the financial statements

at 31 December 2018

23. Financial instruments

The Group financial instruments may be analysed as follows:

	<i>Group</i> 2018 £000	<i>Group</i> 2017 £000
Financial assets		
Financial assets measured at amortised cost	17,699	19,080
Financial liabilities		
Financial liabilities measured at fair value	(36)	(199)
Financial liabilities measured at amortised cost	(165,151)	(159,040)
	<u>(165,187)</u>	<u>(159,239)</u>

The Company financial instruments may be analysed as follows:

	<i>Company</i> 2018 £000	<i>Company</i> 2017 £000
Financial assets		
Financial assets measured at amortised cost	14,706	17,044
Financial liabilities		
Financial liabilities measured at amortised cost	(37,103)	(39,108)
Financial liabilities measured at fair value	-	-
	<u>(37,103)</u>	<u>(39,108)</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 2018

24. Deferred taxation

Full provision for deferred taxation has been made as follows:

Deferred Tax asset	2018	2017
<i>Group</i>	<i>£000</i>	<i>£000</i>
Defined benefit pension scheme	2,080	2,050
Other timing differences	73	34
	<hr/>	<hr/>
Included in debtors (Note 17)	2,153	2,084
	<hr/>	<hr/>
Deferred Tax liability		
<i>Group</i>		
Accelerated capital allowances	(314)	(138)
Capital gains	(1,120)	(343)
Business combinations	(1,142)	(1,349)
	<hr/>	<hr/>
	(2,576)	(1,830)
	<hr/>	<hr/>

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

	<i>Group</i>	<i>Group</i>	<i>Company</i>	<i>Company</i>
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January	254	1,146	-	-
On acquisition	-	-	-	-
(Charged)/credited to the profit & loss account	173	184	-	-
Credited/(charged) to the other comprehensive income	(850)	(1,076)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	(423)	254	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

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

Deferred tax has not been provided in respect of gains realised that have been rolled over into the acquisition cost of replacement assets as it is highly unlikely that the liability will crystallise. This tax will become payable if the replacement assets are sold and further rollover relief is not obtained. The estimated maximum amount of tax that would become payable in these circumstances is £281k (2017 - £251k).

Notes to the financial statements

at 31 December 2018

25. Share capital

	<i>Allotted, called up and fully paid</i>	
	2018	2017
	£000	£000
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.

26. 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 £1,057k (2017 - £839k), of which £132k (2017 - £75k) 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 £1.2m (following an increase to £1.3m per annum) were paid into the scheme under the deficit reduction plan agreed with the trustees. Contributions will remain at £1.3m per annum for 2019.

The scheme is currently undergoing its triennial actuarial review as at 31 December 2018, with the results expected later this year.

Notes to the financial statements

at 31 December 2018

26. Pension commitments (continued)

The major assumptions used by the actuary were as follows:

	2018	2017
Rate of increase in deferred pensions	2.15%	2.1%
Discount rate	2.8%	2.6%
CPI inflation	2.15%	2.1%
RPI inflation	3.15%	3.1%
Future pension increases:		
- RPI maximum 5%	3.15%	3.1%
- RPI maximum 2.5%	2.5%	2.5%
Mortality:		
Base table	SPA2	SPA2
Long term improvements	1.25	1.25
Mortality projections	CM2017	CM2016

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:

	2018 £000	2017 £000
Present value of scheme liabilities	(57,071)	(60,039)
Fair value of scheme assets	44,838	47,982
	<hr/>	<hr/>
Net pension liability	(12,233)	(12,057)
	<hr/>	<hr/>

Notes to the financial statements

at 31 December 2018

26. Pension commitments (continued)

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

	2018 £000	2017 £000
Amounts recognised in profit and loss are as follows:		
<i>Included in administrative expenses:</i>		
Current service costs	(244)	(411)
Past service cost	(509)	-
	<u>(753)</u>	<u>(411)</u>
<i>Included in other finance costs:</i>		
Net interest cost	(302)	(448)
	<u>(338)</u>	<u>3,938</u>
Analysis of actuarial (loss)/gain recognised in other comprehensive income are as follows:		
Actual return less interest income included in net interest expense	(2,556)	2,483
Experience gains and losses arising on the scheme liabilities	-	-
Changes in assumptions underlying the present value of the scheme liabilities	2,218	1,455
	<u>(338)</u>	<u>3,938</u>
	2018 £000	2017 £000
Reconciliation of present value of scheme liabilities		
At beginning of the year/on acquisition	60,039	63,694
Interest cost	1,525	1,637
Actuarial gain	(2,218)	(1,455)
Benefits paid	(2,784)	(3,837)
Past service cost	509	-
	<u>57,071</u>	<u>60,039</u>
At the end of the year	57,071	60,039
<i>Composition of scheme liabilities</i>		
Schemes wholly or partly funded	57,071	60,039

Notes to the financial statements

at 31 December 2018

26. 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.

	2018 £000	2017 £000
Reconciliation of fair value of scheme assets		
At the start of the year/on acquisition	47,982	47,530
Interest income on plan assets	1,223	1,217
Actuarial gain	(2,556)	2,483
Benefits paid	(2,784)	(3,837)
Contributions paid by the group	1,217	1,000
Expenses paid	(244)	(411)
	<hr/>	<hr/>
At the end of the year	44,838	47,982
	<hr/>	<hr/>
	%	%
Composition of plan assets		
Equities	23	27
Corporate Bonds	57	48
Property	3	3
Cash	1	1
Other	16	21
	<hr/>	<hr/>
	100	100
	<hr/>	<hr/>
		2018 £000
Sensitivity analysis of the value placed on liabilities		
RPI inflation + 0.5%		2,000
Discount rate + 0.5%		(5,000)
Life expectancy – 1 year change		2,000
		<hr/>

Notes to the financial statements

at 31 December 2018

27. 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 £650k (2017 - £650k), of which £167k (2017 - £493k) was accrued at the year end. At year end the preference share liability totalled £6,495k (2017: £6,495k).

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

The directors are considered to be key management personnel. The total compensation paid to key management personnel for services provided to the Group was £1,333k (2017 - £1,182k).

Dividends of £1,727k were paid to the ordinary A shareholders during the year.

28. 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.

29. Ultimate controlling party

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

30. Analysis of net debt

	At 1 January 2018 £000	Cashflow £000	Non-cash movement £000	At 31 December 2018 £000
Cash at bank and in hand	757	128	-	885
Debt due within one year	(1,600)	1,600	(2,738)	(2,738)
Debt due after one year	(23,579)	-	2,737	(20,842)
Finance leases	(256)	207	-	(49)
	<u>(24,678)</u>	<u>1,935</u>	<u>(1)</u>	<u>(22,744)</u>

Notes to the financial statements

at 31 December 2018

31. Business combinations

On 31 December 2018, the company acquired 100% of the issued share capital of Seward Havant Limited and its subsidiaries. The acquisition cost of £387k consisted of £139k paid on completion, £100k deferred consideration and £73k 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	120	-	120
Stock	1,818	-	1,818
Trade and other debtors	548	-	548
Cash net of overdraft	(51)	-	(51)
Trade and other creditors	(2,396)	-	(2,396)
	<hr/>	<hr/>	<hr/>
Total net assets	39	-	39
Purchase consideration			
- Cash			248
- Deferred consideration			139
			<hr/>
			387
			<hr/>
Goodwill arising on acquisition			348
			<hr/>

As the acquisition occurred on 31 December 2018 no revenue or profit has been contributed to the group result.

	£000
Purchase consideration settled in cash on completion	248
Less: cash and cash equivalents acquired	51
	<hr/>
Cash outflow on acquisition	299
	<hr/>

Notes to the financial statements

at 31 December 2018

31. Business combinations (continued)

On 25 June 2018 the company acquired the trade and certain assets of Unbeatable Cars, Portsmouth for £849k, including expenses of £203k. All of this amount was paid on completion in cash. In calculating the goodwill arising on acquisition, the fair value of net assets required have been assessed and adjustments from book value have been made where necessary.

	Book value £000	Fair value £000
Fixed assets	263	263
Fair value of net assets	263	263
Goodwill	586	586
Total purchase consideration (including expenses)	849	849
		£000
Purchase consideration settled in cash on completion		849
Cash outflow on acquisition		849

The result of the Unbeatable business since acquisition is as follows:

	£000
Turnover	8,288
Loss for the period	(480)

32. Post balance sheet events

On 29th March 2019 the group acquired Westover Group Ltd for a price of £20.9m plus cash balances.