Registered number: 00534618

Lancaster Luxury Vehicles Limited
Report and Financial Statements

31 DECEMBER 2019

COMPANY INFORMATION

DIRECTORS	D N Williamson D J Muir
COMPANY SECRETARY	M Finch
REGISTERED NUMBER	00534618
REGISTERED OFFICE	770 The Crescent Colchester Business Park Colchester CO4 9YQ
BANKERS	HSBC Bank plc Midland House 26 North Station Road Colchester CO1 1SY
SOLICITORS	Eversheds Sutherland LLP Kett House Station Road Cambridge CB1 2JY

Lancaster Luxury Vehicles Limited
Report and Financial Statements

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

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

Principal activities

The company's principal activity is the retail distribution of new and used motor vehicles and related activities in the motor trade. The company operates Mercedes-Benz and smart dealerships in Essex and Suffolk.

Business review

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

The company experienced a modest increase in turnover of 1.0% but a fall in overall profitability. Profits have fallen due to a change in mix of sales, new car sales back 10.5% whilst used car sales up 4.5% resulting in reduced margins. The company also experienced increased costs as it expanded and invested in its dealerships and aftersales facilities.

Future developments

The company will continue to invest in and consolidate its existing businesses in line with growth aspirations of its franchise partners.

The company monitors external factors that could have an impact on the business both in the immediate and long-term future and taken decisions bearing in mind all potential impacts of, but not limited to, Brexit and COVID-19.

Key performance indicators (KPIs) and principal risks and uncertainties

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

The company's principal financial KPIs during the year were:

	2019	*2018*
Return on sales %	**1.9**	*2.7*
Gross profit %	**9.2**	*10.1*
Operating profit £'000	**4,690**	*7,400*
New car sales units	**3,287**	*3,672*
Used retail car sales units	**7,314**	*6,997*

The directors manage the group's risks and those of its fellow subsidiaries at a group level. For these reasons the company's directors do not believe that a discussion of the principal risks facing the company is appropriate for an understanding of its development. The principal business risks it faces are discussed in the directors' report of Jardine Motors Group UK Limited's annual report, which does not form part of this report.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

Section 172 statement

The directors are fully aware of their responsibilities to promote the success of the company in accordance with section 172 of the Companies Act 2006.

During the financial year the directors have acted in a manner that they believe has the best interests of the company, and all its stakeholders, as the main driving force behind all decisions taken. This includes the interests of the company's employees, shareholders, customers, suppliers and business partners and also the wider community and the environment. The company's reputation is core when making decisions. Acting in good faith and fairly between stakeholders, the directors, at all times, consider what is most likely to promote the success of the company for its members in the long term.

Employees
The company aims to be a responsible and fair employer treating all colleagues equally and with respect and to provide fair remuneration and benefits. Health and safety of all our colleagues is of the highest priority and the directors continually invest to ensure the highest of standards are maintained throughout the businesses.

Shareholders
The directors work very closely with the wider group's shareholders, informing them of key business initiatives and investments throughout the year and through regular monthly financial updates. All actions of the directors are taken with the long-term benefit of the shareholders in mind.

Customers
The satisfaction and welfare of our customers is paramount to the company culture that the directors instil throughout the business. Continuous training and communication of, and to, our colleagues aims to ensure the highest possible level of customer satisfaction and engagement is made with every single customer interaction.

Suppliers and business partners
Regular meetings are held with our manufacturer partners to ensure the company adheres to brand requirements. The company monitors its suppliers to ensure that all relevant regulations are met within their own manufacturing and employment frameworks.

Wider community and environment
The directors are aware of the impact of the company's operations within the local community and on the environment and consider these factors when taking decisions and making investments.

This report was approved by the board on 26 October 2020 and signed on its behalf.

DocuSigned by:
David Muir
32867D4BE27F468
D J Muir
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

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

Principle activity

The principal activity of the business is discussed in the strategic report on page 1.

Business review and future developments

The review of the business and future developments are discussed in the strategic report on page 1.

Post balance sheet events

Since the year-end the world has been impacted by the outbreak of the Coronavirus pandemic. The company has reacted by following the UK Government guidelines and in all instances put the safety and wellbeing of its colleagues and customers first.

The company closed all its car sales outlets in the latter part of March and most of its aftersales operations, keeping a select number of service and parts facilities open with skeleton staff to provide services for keyworkers.

In line with Government regulations the company began re-opening all its car sales operations on 1 June 2020. During the 'lockdown' period the company carried out detailed planning and risk assessments for each location to ensure customers and colleagues were able to return to a safe environment. As part of this process, the company has invested in the necessary equipment and Personal Protective Equipment (PPE) for both colleagues and customers. All risk assessments, policies and procedures were reviewed and approved by the wider group's CEO and Director responsible for Health and Safety prior to the businesses being permitted to re-open. These documents are under constant review both centrally and locally. Full and regular communications to all colleagues have been set up and every colleague has been required to complete, and pass, a detailed on-line training course covering the new ways of working before being allowed to come back to the working environment, whether at a dealership, office or at home.

The wider group's CEO also convenes a weekly Coronavirus safety committee, attended by the senior leadership team to monitor adherence to the new ways of working, review incidents and put in place action plans to further strengthen oversight and control as required. The wider group has participated in the UK Government's furlough scheme with around 85% of its colleagues placed on furlough during the lockdown. The wider group has adapted quickly to the new ways of working, including working at home which has been enabled through its existing IT infrastructure and applications such as Microsoft Teams.

The directors do not consider the impact of Coronavirus to be a post balance sheet adjusting event. The wider group has completed full detailed cashflow forecasts based on a number of scenarios and considers, with its banking and manufacturer funding facilities together with full support from its parent undertaking, that it will be able to continue trading. The directors continuously monitor the wider group's cost base to ensure it is appropriate in relation to demand and will take necessary actions to protect its financial position, whilst ensuring standards are maintained and the wellbeing and safety of colleagues and customers is not compromised.

Current forecasts indicate a significant and material impact on the results for 2020 due to loss of sales during lockdown and the impact on demand for the remainder of the year. Trade since re-opening of dealerships has been resilient and the directors consider that the carrying value of the company's stocks are being realised. It is too early to assess the longer term implications of the 2020 trading with respect to the potential impact on the carrying value of the company's tangible assets. The group will continue to implement strategies to minimise overall losses both during and post the pandemic.

On 6 July 2020, the wider group announced a re-structuring programme affecting all divisions and head office roles including redundancies across all operating units and dealerships.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

Financial risk management

The company is part of the Jardine Motors Group UK Limited group of companies (referred to as 'group'). The directors manage the company's risks and those of its fellow subsidiaries on a group basis.

a) Funding and liquidity risk
The group's policy is to ensure that the funding requirements forecast by the group can be met within available committed facilities.

b) Interest rate risk
The group's interest rate policy is to manage the risk of interest rate fluctuations on the cash flows payable on the group's debt.

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

Corporate governance

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

Results and dividends

The profit for the year, after taxation, amounted to £3,753,000 *(2018 - £5,166,000)*.

The directors do not recommend the payment of a final dividend (2018 - £nil).

Directors

The directors of the company who served during the year were:

D N Williamson
M D Bishop (resigned 1 January 2019)
D J Muir (appointed 1 January 2019)

Qualifying third party indemnity provisions

No qualifying third party indemnity provision was in force during the financial year ended 31 December 2019 or at the date of this report.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

Going concern

The wider group meets its day-to-day working capital requirements through a mixture of its banking facilities and manufacturer stock funding lines. The directors have assessed the wider group's ability to continue trading for the twelve months following the approval of these financial statements by preparing detailed cash flow and profit forecasts, including considering a "severe but plausible" downside scenario.

The key assumptions made in those projections are as follows:
- Following re-opening of showrooms on 1 June 2020 the UK new and used car market to be subdued and aftersales activity to fall below 2019 levels with a gradual recovery into 2021.
- The continued availability of all manufacturer stocking lines.
- Implementation of cost reduction plans and capex deferral during the second half of 2020 to ensure the cost base is appropriate for the level of demand.

As at the date of signing the group financial statements, the wider group had available undrawn committed facilities of £57.0m and undrawn uncommitted facilities of £55.0m. There are no covenants.

Taking into account the modelling and the availability of funding the directors confirm that the wider group and company has adequate resources and sufficient facilities to meet funding requirements over the next twelve months and the wider group and company therefore continues to adopt the going concern basis in preparing its financial statements.

Employees and equal opportunities

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

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

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

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through internal newsletters, briefing groups, electronic communications and the group's internal printed periodical 'Torque'.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of directors' responsibilities

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

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the 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 to enable them to ensure that the 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.

This report was approved by the board on 26 October 2020 and signed on its behalf.

DocuSigned by:
David Muir
32957D4BE27F468

D J Muir
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	*2018 £000*
Turnover	5	**233,915**	*231,583*
Cost of sales		**(212,361)**	*(208,303)*
Gross profit		**21,554**	*23,280*
Selling and distribution costs		**(12,482)**	*(11,386)*
Administrative expenses		**(4,382)**	*(4,494)*
Operating profit	6	**4,690**	*7,400*
Interest receivable and similar income	9	**201**	-
Interest payable and similar charges	9	**(444)**	*(1,117)*
Profit on ordinary activities before taxation		**4,447**	*6,283*
Taxation on profit on ordinary activities	10	**(694)**	*(1,117)*
Profit for the financial year		**3,753**	*5,166*

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £000	*Restated 2018 £000*
Fixed assets			
Tangible assets	12	**4,778**	*4,643*
		4,778	*4,643*
Current assets			
Stocks	13	**56,986**	*53,097*
Debtors: Amounts falling due within one year	14	**23,581**	*19,193*
Cash at bank and in hand		**1,377**	*542*
		81,944	*72,832*
Creditors: Amounts falling due within one year	15	**(52,914)**	*(47,420)*
Net current assets		**29,030**	*25,412*
Total assets less current liabilities		**33,808**	*30,055*
Net assets		**33,808**	*30,055*
Capital and reserves			
Called up share capital	17	**1,500**	*1,500*
Retained earnings		**32,308**	*28,555*
Total equity		**33,808**	*30,055*

The directors consider that the company is entitled to exemption from the requirement to have an audit under the provisions of section 479A of the Companies Act 2006 ("the Act") and the members have not required the company to obtain an audit for the year in question in accordance with section 476 of the Act.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements on pages 7 to 25 were approved and authorised for issue by the board and were signed on its behalf on 26 October 2020.

DocuSigned by:
David Muir
32957D4BE27F468
D J Muir
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Retained earnings	Total equity
	£000	**£000**	**£000**
At 1 January 2019	*1,500*	*28,555*	*30,055*
Comprehensive income for the year			
Profit for the financial year	-	*3,753*	*3,753*
At 31 December 2019	**1,500**	**32,308**	**33,808**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Retained earnings	Total equity
	£000	**£000**	**£000**
At 1 January 2018	*1,500*	*23,389*	*24,889*
Comprehensive income for the year			
Profit for the financial year	-	*5,166*	*5,166*
At 31 December 2018	**1,500**	**28,555**	**30,055**

The notes on pages 10 to 25 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

The principal activity of Lancaster Luxury Vehicles Limited (the 'company') is the retail distribution of motor vehicles and related activities in the motor trade.

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

2. Statement of compliance

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

3. Summary of significant accounting policies

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

Basis of preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

The financial statements for the year ended 31 December 2018 have been restated following a reassessment by the directors of the accounting policy for the wider group's car purchase and loan scheme. The directors believe that the substance of the scheme and the recognition of the vehicles is better reflected as stocks than debtors as this reflects the fact that the vehicles are available for sale by the company and therefore a more appropriate accounting policy. As such the 31 December 2018 comparative figures have been adjusted by £2,012,000; stocks (motor vehicles) increased by £2,012,000 and trade debtors decreased by the same amount. There is no impact on the profit and loss account.

Going concern

The wider group meets its day-to-day working capital requirements through a mixture of its banking facilities and manufacturer stock funding lines. The directors have assessed the group's ability to continue trading for the twelve months following the approval of these financial statements by preparing detailed cash flow and profit forecasts, including considering a "severe but plausible" downside scenario.

The key assumptions made in those projections are as follows:

- Following re-opening of showrooms on 1 June 2020 the UK new and used car market to be subdued and aftersales activity to fall below 2019 levels with a gradual recovery into 2021.
- The continued availability of all manufacturer stocking lines.
- Implementation of cost reduction plans and capex deferral during the second half of 2020 to ensure the cost base is appropriate for the level of demand.

As at the date of signing the group financial statements, the wider group had available undrawn committed facilities of £57.0m and undrawn uncommitted facilities of £55.0m. There are no covenants.

Taking into account the modelling and the availability of funding the directors confirm that the wider group has adequate resources and sufficient facilities to meet funding requirements over the next twelve months and the wider group and company therefore continues to adopt the going concern basis in preparing its financial statements.

Exemptions for qualifying entities under FRS102

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

- from preparing a statement of cash flows, it is a wholly owned subsidiary of Lancaster Public Limited Company and it is included in the consolidated financial statements of that company, which are publicly available; and
- from disclosing the company key management personnel compensation, as required by FRS 102, paragraph 33.7.

Functional and presentation currency

The financial statements are presented in pound sterling and rounded to thousands. The company's functional and presentation currency is pound sterling.

Revenue recognition

Turnover comprises the value of sales of motor vehicles and parts, income from financing agreements and income from servicing and repairing of vehicles. Value added tax and discounts are excluded.

Turnover from the sale of goods is recognised upon transfer to a third party of economic benefits arising from the use of an asset or service. In practice this means that turnover is recognised when vehicles are invoiced and physically dispatched or when the service has been undertaken.

Rebates

Any rebates received from suppliers for achievement of set targets are recognised in the profit and loss account only when the target has been achieved and the amount of rebate payable confirmed by the supplier.

Pensions

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

Taxation

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

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

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

Goodwill

Goodwill arising on acquisition, being the difference between the fair value of net assets acquired and the consideration paid, is recognised in the balance sheet as an intangible fixed asset and amortised over the directors' estimate of its useful life. As the directors expect the useful life of the goodwill to be greater than ten years, the company amortises goodwill over ten years as required by FRS102.

On acquisition, goodwill is allocated to cash generating units (CGU) on a franchise basis. This is the level at which goodwill is monitored for internal purposes.

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

Goodwill is tested annually for impairment. This is based on value-in-use calculations for each CGU to derive a recoverable amount. These calculations require the use of estimates regarding the expected future cashflows.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on tangible fixed assets in equal annual instalments over their expected useful economic lives as follows:

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

The profit or loss on disposal of tangible fixed assets is recognised by reference to their carrying amount.

Leased assets

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

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

Stock

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

Trade and other debtors

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

Cash and cash equivalents

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

Provisions

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

Financial instruments

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

Financial assets

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

Such assets are subsequently carried at amortised cost using the effective interest rate method.

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

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

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

Financial liabilities

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

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

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

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

Share capital

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

Related party transactions

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

4. Critical accounting judgements and estimation uncertainty

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Estimated useful lives of goodwill and other fixed assets

The company estimates the useful life of goodwill and tangible fixed assets and reviews these at each financial year end.

Impairment of goodwill and other fixed assets

The company tests for impairment annually by applying procedures to ensure that its assets are carried at no more than their recoverable amount. The procedures require estimates and assumptions to be made.

The company is required to test whether goodwill has suffered any impairment if a trigger event occurs. As part of this testing, the recoverable amounts of CGU's have been estimated based on value-in-use calculations. The use of this method requires the estimation of future cash flows expected to arise from the continuing operation of the CGU and the choice of suitable discount rates in order to calculate the present value of the forecast cash flows.

Stock

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

Tax estimates

The calculation of the company's total tax charge for the year necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined at the reporting date. The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits, based on the latest available profit forecasts, will be available in the future against which the reversal of timing differences can be deducted.

5. Turnover

All turnover is derived from retail and commercial motor trade activities transacted from dealerships within the United Kingdom.

An analysis of turnover by category is as follows:

	2019 £000	*2018* *£000*
New car sales	**74,656**	*84,546*
Used car sales	**130,231**	*119,453*
Aftersales	**29,028**	*27,584*
	233,915	*231,583*

6. Operating profit

The operating profit is stated after charging:

	2019 £000	*2018* *£000*
Management charge payable to group undertakings	**1,042**	*1,054*
Depreciation of tangible fixed assets (note 12)	**831**	*606*
Stock recognised as an expense	**197,636**	*193,628*
Impairment of trade debtors (note 14)	**60**	*31*
Operating lease charges - land and buildings	**1,358**	*1,138*
Operating lease charges - plant and machinery	**245**	*137*

7. Employees

Staff costs were as follows:

	2019 £000	*2018 £000*
Wages and salaries	**13,604**	*13,761*
Social security costs	**1,641**	*1,702*
Other pension costs (note 22)	**302**	*224*
	15,547	*15,687*

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	*2018 No.*
Sales	**116**	*109*
Aftersales	**208**	*201*
Administration	**79**	*74*
	403	*384*

8. Directors

No emoluments or fees were paid to directors during the year (2018: £nil) in respect of their services to the company. The costs of the key management personnel are borne by Jardine Motors Group UK Limited and disclosed in the financial statements of Jardine Motors Group UK Limited.

9. Interest

	2019 £000	*2018 £000*
Interest payable and similar charges		
Stocking loan interest	**444**	*603*
Other	-	*514*
	444	*1,117*

	2019 £000	*2018 £000*
Interest receivable and similar income		
Bank interest receivable	**201**	-

10. Taxation

	2019 £000	*2018 £000*
Corporation tax		
UK corporation tax at 19.00% (2018 - 19.00%)	**840**	*1,157*
Adjustments in respect of prior years	**(55)**	*38*
Total current tax	**785**	*1,195*
Deferred tax		
Accelerated capital allowances	**7**	*28*
Other short term temporary differences	**-**	*2*
Adjustment in respect of prior years	**(98)**	*(108)*
Total deferred tax (note 16)	**(91)**	*(78)*
Taxation on profit on ordinary activities	**694**	*1,117*

Reconciliation of tax charge

The tax assessed for the year is lower than *(2018 - lower than)* the standard rate of corporation tax in the UK of 19.00% *(2018 - 19.00%)*. The differences are explained below:

	2019 £000	*2018 £000*
Profit on ordinary activities before tax	**4,447**	*6,283*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%)	**845**	*1,194*
Effects of:		
Adjustment to taxable profit - group recharges	**(65)**	*(65)*
Expenses not deductible for tax purposes	**95**	*57*
Net temporary differences: effect of change in tax rates	**(28)**	*1*
Adjustment in respect of prior years	**(153)**	*(70)*
Total tax charge for the year	**694**	*1,117*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

11. Intangible assets

	Goodwill £000
Cost	
At 1 January 2019	*1,703*
At 31 December 2019	**1,703**
Amortisation	
At 1 January 2019	*1,703*
At 31 December 2019	**1,703**
Net book value	
At 31 December 2019	**-**
At 31 December 2018	*-*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

12. Tangible fixed assets

	Short-term leasehold property £000	Plant and machinery £000	Computer equipment £000	Furniture, equipment and motor vehicles £000	Total £000
Cost					
At 1 January 2019	*1,765*	*2,847*	*850*	*4,122*	*9,584*
Additions	*572*	*64*	*145*	*212*	*993*
Disposals	-	*(55)*	*(42)*	*(44)*	*(141)*
Transfers between classes	*554*	*(563)*	-	*9*	-
At 31 December 2019	**2,891**	**2,293**	**953**	**4,299**	**10,436**
Depreciation					
At 1 January 2019	*488*	*1,793*	*695*	*1,965*	*4,941*
Charge for the year	*238*	*216*	*105*	*272*	*831*
Disposals	-	*(37)*	*(35)*	*(42)*	*(114)*
At 31 December 2019	**726**	**1,972**	**765**	**2,195**	**5,658**
Net book value					
At 31 December 2019	**2,165**	**321**	**188**	**2,104**	**4,778**
At 31 December 2018	*1,277*	*1,054*	*155*	*2,157*	*4,643*

13. Stocks

	2019 £000	*Restated 2018 £000*
Consignment vehicles	**21,368**	*22,027*
Motor vehicles	**34,107**	*29,648*
Parts and other stocks	**1,511**	*1,422*
	56,986	*53,097*

Stock held on consignment includes interest-bearing stock, some of which has a corresponding liability included in trade creditors. Vehicles adopted out of consignment stock are generally invoiced at the price ruling at the date of adoption.

There is no significant difference between the replacement cost of the stock and its carrying amount.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

14. Debtors

	2019 £000	*Restaed 2018 £000*
Due within one year		
Trade debtors	**4,426**	*933*
Amounts owed by group undertakings	**14,806**	*13,548*
Other debtors	**2,789**	*2,959*
Prepayments and accrued income	**1,305**	*1,589*
Deferred taxation (note 16)	**255**	*164*
	23,581	*19,193*

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

Trade debtors are stated after provisions for impairment of £60,000 (2018: £31,000).

15. Creditors: Amounts falling due within one year

	2019 £000	*2018 £000*
Trade creditors	**33,659**	*31,331*
Corporation tax	**840**	*1,157*
Other taxation and social security	**-**	*133*
Other creditors	**17,693**	*14,193*
Accruals and deferred income	**722**	*606*
	52,914	*47,420*

The company utilises funding provided by finance companies associated with its brand partner to finance some of its used and demonstrator stocks. All funding is secured against the respective vehicles. The amounts are repaid upon sale of the related vehicles or generally within 90 days. The facilities are uncommitted and subject to FHBR based interest rates. The interest charged is disclosed within interest payable as stocking loan interest (note 9).

At 31 December 2019, the amount of stock funded through the finance company was £34,406,000 (2018: £36,732,000) and is disclosed within trade and other creditors.

16. Deferred taxation

	2019 £000	*2018 £000*
Asset		
At beginning of year	164	*86*
Credited to profit or loss (note 10)	91	*78*
At end of year (note 14)	**255**	*164*

The deferred tax asset is made up as follows:

	2019 £000	*2018 £000*
Accelerated capital allowances	253	*162*
Other short term temporary differences	2	*2*
	255	*164*

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

In addition to the deferred tax asset above, the company has unutilised ACT tax credits of £2,453,000 (2018: £2,453,000). The ACT tax credits have no expiry date and are available indefinitely against qualifying income or tax charges. The directors consider there to be insufficient certainty over the ability of the company to offset the available losses or tax credits for the foreseeable future in order to recognise a deferred tax asset at the balance sheet date.

The Finance Act 2016 included legislation to reduce the main rate of UK corporation tax to 19% from 1 April 2017 and to 17% from 1 April 2020. These rate reductions were substantively enacted by the balance sheet date and therefore included in these financial statements. Temporary differences have been measured using 17%. Legislation has been substantively enacted after the current financial year balance sheet date to repeal the reduction of the main corporation tax rate thereby maintaining the current rate of corporation tax at 19%. The company expects to recognise a credit of £30,000 in the company accounts for the rate change impact from remeasuring opening temporary differences to be reported in the financial year ending 31 December 2020.

17. Share capital

	2019 £000	*2018 £000*
Allotted, called up and fully paid		
1,500,000 *(2018 - 1,500,000)* ordinary shares of £1.00 each	**1,500**	*1,500*

18. Financial instruments

	2019 £000	*Restated 2018 £000*
Financial assets that are debt instruments measured at amortised cost:		
Trade debtors	**4,426**	*933*
Amounts owed by group undertakings	**14,806**	*13,548*
Other debtors	**2,789**	*2,959*
Cash at bank	**1,377**	*542*
	23,398	*17,982*
Financial liabilities measured at amortised cost:		
Trade creditors	**(33,659)**	*(31,331)*
Other creditors	**(17,693)**	*(14,193)*
Accruals and deferred income	**(722)**	*(606)*
	(52,074)	*(46,130)*

19. Related party transactions

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

20. Capital commitments

At 31 December 2019 the company had capital commitments as follows:

	2019 £000	*2018 £000*
Contracted for but not provided in these financial statements	-	*562*

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

21. Commitments under operating leases

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

	2019	*2018*
	£000	*£000*
Within one year	**1,253**	*773*
Within two to five years	**4,188**	*3,028*
After five years	**5,026**	*5,347*
	10,467	*9,148*

22. Pension schemes

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

During the year the company has made no contributions (2018: £nil) to the defined benefit scheme and £302,000 (2018: £224,000) to the defined contribution scheme.

23. Contingent liabilities

The company is subject to cross guarantees covering overdrafts in Jardine Motors Group UK Limited and fellow subsidiaries. These overdrafts amounted to £nil at 31 December 2019 (2018: £nil).

24. Post balance sheet events

Since the year-end the world has been impacted by the outbreak of the Coronavirus pandemic. The company has reacted by following the UK Government guidelines and in all instances put the safety and wellbeing of its colleagues and customers first.

The company closed all its car sales outlets in the latter part of March and most of its aftersales operations, keeping a select number of service and parts facilities open with skeleton staff to provide services for keyworkers.

In line with Government regulations the company began re-opening all its car sales operations on 1 June 2020. During the 'lockdown' period the company carried out detailed planning and risk assessments for each location to ensure customers and colleagues were able to return to a safe environment. As part of this process, the company has invested in the necessary equipment and Personal Protective Equipment (PPE) for both colleagues and customers. All risk assessments, policies and procedures were reviewed and approved by the wider group's CEO and Director responsible for Health and Safety prior to the businesses being permitted to re-open. These documents are under constant review both centrally and locally.

24. Post balance sheet events (continued)

Full and regular communications to all colleagues have been set up and every colleague has been required to complete, and pass, a detailed on-line training course covering the new ways of working before being allowed to come back to the working environment, whether at a dealership, office or at home. The wider group's CEO also convenes a weekly Coronavirus safety committee, attended by the senior leadership team to monitor adherence to the new ways of working, review incidents and put in place action plans to further strengthen oversight and control as required. The wider group has participated in the UK Government's furlough scheme with around 85% of its colleagues placed on furlough during the lockdown. The wider group has adapted quickly to the new ways of working, including working at home which has been enabled through its existing IT infrastructure and applications such as Microsoft Teams.

The directors do not consider the impact of Coronavirus to be a post balance sheet adjusting event. The wider group has completed full detailed cashflow forecasts based on a number of scenarios and considers, with its banking and manufacturer funding facilities together with full support from its parent undertaking, that it will be able to continue trading. The directors continuously monitor the wider group's cost base to ensure it is appropriate in relation to demand and will take necessary actions to protect its financial position, whilst ensuring standards are maintained and the wellbeing and safety of colleagues and customers is not compromised.

Current forecasts indicate a significant and material impact on the results for 2020 due to loss of sales during lockdown and the impact on demand for the remainder of the year. Trade since re-opening of dealerships has been resilient and the directors consider that the carrying value of the company's stocks are being realised. It is too early to assess the longer term implications of the 2020 trading with respect to the potential impact on the carrying value of the company's tangible assets. The group will continue to implement strategies to minimise overall losses both during and post the pandemic.

On 6 July 2020, the wider group announced a re-structuring programme affecting all divisions and head office roles including redundancies across all operating units and dealerships.

25. Ultimate parent undertaking

The immediate parent undertaking is Lancaster Public Limited Company.

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

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

Lancaster Public Limited Company is the parent undertaking of the smallest group of undertakings to consolidate these financial statements.

The consolidated financial statements of Lancaster Public Limited Company and Jardine Matheson Holdings Limited can be obtained from the address below:

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