

Registration number: 293551

Inchcape Estates Limited
Annual Report and Financial Statements
for the Year Ended 31 December 2019

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Inchcape Estates Limited

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Inchcape Estates Limited

Company Information

Company name	Inchcape Estates Limited
Company number	293551
Incorporated	England and Wales
Domicile	United Kingdom
Legal form	Private Limited company, Limited by Shares
Chief executive	James Brearley
Directors	James Brearley Martin Wheatley
Company secretary	Inchcape UK Corporate Management Limited
Registered office	First Floor Unit 3140 Park Square Solihull Parkway Birmingham Business Park Birmingham B37 7YN
Independent auditor	Deloitte LLP One Station Square Cambridge CB1 2GA

Inchcape Estates Limited

Strategic Report for the Year Ended 31 December 2019

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

Principal activities

The principal activity of the company is that of owning and letting property. The majority of properties are let to fellow subsidiaries of the Inchcape Group. Inchcape Estates Limited continues to manage the property portfolio for the Inchcape UK Companies. The Company buys and sells land and buildings in accordance with the requirements of the business.

Fair review of the business

The results for the Company show a profit for the financial year of £8,190,000 (2018: a restated loss of £14,966,000 - included within this loss was a one-off impairment of assets of £25,973,000). The operating profit of the Company shows a profit for the financial year of £16,087,000 (2018: restated loss £2,168,000). The Company has net assets of £29,662,000 at the financial year end (2018: Restated £21,472,000).

Key performance Indicators (KPIs)

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

Revenue

Revenue is a key performance indicator for the Company and is defined as consideration receivable from the sale of goods and services. It is stated net of rebates and any discounts, and excludes sales related taxes. The Company measures revenue as the Top-line is a key financial metric, and is part of the overall Inchcape Group's strategy of both 'Becoming the OEMs' Partner of Choice' and 'Leading in Customer Experience'. During the year revenue has decreased to £30,250,000 (2018: £30,769,000).

Profit before tax

Profit before tax is a key performance indicator for the Company and is defined as the profit (or loss) before tax is charged. The Company measures profit before tax as it is a key driver of delivering sustainable earnings to shareholders. In 2019 the profit before tax was £11,029,000 (2018: Restated loss before tax of £18,105,000).

The Company is part of the Inchcape plc Group ("the Group"). Additional information about the development, performance and position of the UK segment, which includes this Company, are discussed in the Group's 2019 Annual Report and Accounts and the Group's June 2020 Interim Report which does not form part of this report.

Inchcape Estates Limited

Strategic Report for the Year Ended 31 December 2019

Section 172

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

Statement on section 172

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

Section 172 states that:

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

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

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

Inchcape Estates Limited

Strategic Report for the Year Ended 31 December 2019

Principal risks and uncertainties

COVID-19

Given the global political and economic uncertainty resulting from the COVID-19 pandemic, the Directors expect to see volatility and business disruption in the UK reducing expected performance in 2020 and 2021. The nature of the business means that the Company's operations have not been directly affected by pandemic, however the group companies which it provides services to have been, with retail sites being closed for a period of 2 months.

Retail sites reopened on 1st June 2020 with strict physical distancing and hygiene measures being implemented to protect the health and safety of customers and colleagues. The COVID-19 situation remains very dynamic, and it is unclear how the world will change once the virus has been contained.

Brexit

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

The group companies who occupy our properties are retailers for some of the major car manufacturing brands including Mercedes, BMW, Volkswagen and Audi. Considering the content of the withdrawal agreement and political declaration and given that the UK and EU have a transition period of several months to negotiate and conclude the future relationship, we consider that a 'no deal' Brexit is now significantly less likely than previously. However, all scenarios remain plausible, and therefore our assessment of the potential impacts of the risks remains unchanged. In the absence of agreement, we would anticipate three broad impacts:

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

The Directors have considered these in detail and, given the nature of our business and the actions that we and our partners have already taken, does not foresee significant impacts related to the loss of freedom of movement in services, capital or people, or caused by the divergence of regulation.

Inchcape Estates Limited

Strategic Report for the Year Ended 31 December 2019

Principal risks and uncertainties

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

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

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

Approved by the Board on 23 October 2020 and signed on its behalf by:



Martin Wheatley, authorised signatory, for

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Inchcape UK Corporate Management Limited
Company secretary

Inchcape Estates Limited

Directors' Report for the Year Ended 31 December 2019

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

Directors of the company

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

James Brearley

Martin Wheatley

Dr Elizabeth Louise Hancox (Resigned 20 September 2019)

Dividends

The Company has paid dividends for the year ended 31 December 2019 of nil pence per share (2018: 61.43 pence), totalling £nil (2018: £5,529,000). The Directors do not recommend the payment of a final dividend for the current year.

Future developments

As part of the Inchcape plc Group strategy to optimise its retail market portfolio, in 2020 the Company continued to review its portfolio of retail sites.

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

Going concern

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

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

Subsequent events

Subsequent to the balance sheet date the World Health Organisation declared a pandemic on 11 March 2020. The COVID-19 pandemic only became apparent after the balance sheet date and represents a non-adjusting post balance sheet event (Note 24). The company's response to the pandemic is set out in the Strategic Report.

During 2020, as a direct result of the Inchcape plc Group's strategy to optimise its retail market portfolio, the Company disposed of four VW and BMW Mini retail sites in the UK.

Transactions with Directors

No transaction, arrangement or agreement required to be disclosed under the terms of the Companies Act 2006 was outstanding at 31 December 2019, or occurred during the year for any Director or connected person (2018: nil).

Inchcape Estates Limited

Directors' Report for the Year Ended 31 December 2019 (continued)

Directors' liabilities

A Qualifying Third Party Indemnity (QTPI), as permitted by the Company's Articles of Association and section 234 of the Companies Act 2006, has been granted by the Company to each of the Directors of the Company. Under the provisions of the QTPI, the Company undertakes to indemnify each Director against liability to third parties (excluding criminal and regulatory penalties) and to pay the Directors' costs as incurred, provided that they are reimbursed to the Company if the Director is found guilty or, in an action brought by the Company, judgement is given against the Director. A QTPI was in force throughout the financial year and also at the date of approval of these financial statements.

Financial Risk Management

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

Cash flow risk

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

Credit risk

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

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

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

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

Liquidity risk

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

Inchcape Estates Limited

Directors' Report for the Year Ended 31 December 2019 (continued)

Employment of disabled persons

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

Employee involvement

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

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

Disclosure of information to the auditor

So far as the Directors are aware, there is no relevant audit information of which the Company's auditor are unaware.

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

Auditor

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

Inchcape Estates Limited

Directors' Report for the Year Ended 31 December 2019 (continued)

Statement of Directors' responsibilities in respect of the financial statements

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


Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board on 23 October 2020 and signed on its behalf by:


Martin Whealley, authorised signatory, for
Inchcape UK Corporate Management Limited
Company secretary

Inchcape Estates Limited

Independent Auditor's Report to the members of Inchcape Estates Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Inchcape Estates Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 23.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

Inchcape Estates Limited

Independent Auditor's Report to the members of Inchcape Estates Limited (continued)

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Inchcape Estates Limited

Independent Auditor's Report to the members of Inchcape Estates Limited (continued)

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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



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

26 October 2020

Inchcape Estates Limited

Profit and Loss Account for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 Restated £ 000
Turnover	3	30,250	30,769
Cost of sales		(7,598)	(8,125)
Gross profit		22,652	22,644
Administrative expenses		(6,565)	(24,812)
Operating profit	4	16,087	(2,168)
Gain on disposal of asset		-	2,132
Loss on remeasurement ROU		(182)	-
Amounts written off due to impairment of assets	10	-	(13,084)
Finance income	5	301	447
Finance expenses	6	(5,177)	(5,432)
Profit /(loss) before taxation		11,029	(18,105)
Tax on profit/(loss)	9	(2,839)	3,139
Profit /(loss) for the financial year		8,190	(14,966)

The above results were derived from continuing operations.

There was a net £Nil other comprehensive income for 2019 (2018: £Nil).

2018 has been restated for the impact of IFRS 16 – see Note 19 for further details.

The notes on pages 16 to 38 form an integral part of these financial statements.

Inchcape Estates Limited (Registration number: 293551)

Balance Sheet as at 31 December 2019

	Note(s)	2019 £ 000	2018 Restated £ 000
Fixed assets			
Investment properties	10	189,502	199,404
Right-of-use Land and Buildings	11	78,629	116,957
		<u>268,131</u>	<u>316,361</u>
Non-current trade and other receivables		1,056	1,489
Non-current assets		<u>269,187</u>	<u>317,850</u>
Current assets			
Debtors	12	40,189	8,114
Cash at bank and in hand	14	2,539	4,666
Assets and liabilities held for sale and disposal group	15	5,939	2,963
		<u>48,667</u>	<u>15,743</u>
Creditors: Amounts falling due within one year			
Trade and other payables	17	(201,483)	(180,247)
Lease liabilities	11	(7,150)	(12,212)
Loans and borrowings		-	(1,490)
Creditors: Amounts falling due within one year		<u>(208,633)</u>	<u>(193,949)</u>
Net current liabilities		<u>(159,966)</u>	<u>(178,206)</u>
Total assets less current liabilities		109,221	139,644
Creditors: Amounts falling due after more than one year			
Loans and borrowings		-	-
Lease liabilities	11	(77,317)	(116,061)
Provisions for liabilities	16	(2,242)	(2,111)
Net assets		<u>29,662</u>	<u>21,472</u>
Capital and reserves			
Called up share capital	18	9,000	9,000
Share premium account	18	3,487	3,487
Profit and loss account	18	17,175	8,985
Total shareholders' funds		<u>29,662</u>	<u>21,472</u>

The financial statements on pages 13 to 38 were approved and authorised for Issue by the Board of Directors on 23 October 2020.

Signed on behalf of the Board of Directors.


Martin Wheatley

Director
Inchcape Estates Limited - Registered no. 293551

The notes on pages 16 to 38 form an integral part of these financial statements.

Inchcape Estates Limited

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

	Called up share capital £ 000	Share premium account £ 000	Profit and loss account £ 000	Total shareholders' funds £ 000
At 1 January 2019	9,000	3,487	30,251	42,738
IFRS 16 Transitional adjustments (Note 19)	-	-	(21,266)	(21,266)
At 1 January 2019 restated	9,000	3,487	8,985	21,472
Profit for the financial year	-	-	8,190	8,190
Total comprehensive income for the year	-	-	8,190	8,190
At 31 December 2019	9,000	3,487	17,175	29,662

At 1 January 2019
IFRS 16 Transitional adjustments (Note 19)
At 1 January 2019 restated
Profit for the financial year
Total comprehensive income for the year
At 31 December 2019

	Called up share capital £ 000	Share premium account £ 000	Profit and loss account £ 000	Total shareholders' funds £ 000
At 1 January 2018	9,000	3,487	41,054	53,541
IFRS 16 Transitional adjustments (Note 19)	-	-	(11,574)	(11,574)
At 1 January 2018 restated	9,000	3,487	29,480	41,967
Loss for the financial year restated	-	-	(14,966)	(14,966)
Total comprehensive expense for the year	-	-	(14,966)	(14,966)
Dividends (note 20)	-	-	(5,529)	(5,529)
At 31 December 2018 restated	9,000	3,487	8,985	21,472

At 1 January 2018
IFRS 16 Transitional adjustments (Note 19)
At 1 January 2018 restated
Loss for the financial year restated
Total comprehensive expense for the year
Dividends (note 20)
At 31 December 2018 restated

The notes on pages 16 to 38 form an integral part of these financial statements.

Inchcape Estates Limited

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

1 Accounting policies

Basis of preparation

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

Summary of disclosure exemptions

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise of share options, and how the fair value of goods and services received was determined)
- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - paragraph 73(e) of IAS 16 Property, plant and equipment;
 - paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flows)
 - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38B-D (additional comparative information),
 - 40A-D (requirements for a third statement of financial position),
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- The requirements of paragraph 33(c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated (refer Note 15).

Inchcape Estates Limited

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

1 Accounting policies (continued)

Changes in accounting policy

New standards, interpretations and amendments

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

The following have been applied for the first time from 1 January 2019.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessees and lessors. IFRS 16 superseded the previous guidance on leases including IAS 17 Leases and the related interpretations when it became effective for the Company's financial year commencing 1 January 2019. IFRS16 has been adopted using fully retrospective approach resulting in restatement of prior year comparatives (Note 19).

IFRIC 23 Uncertainty over income tax treatments

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

Inchcape Estates Limited

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

1 Accounting policies (continued)

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue as a going concern, as the Company meets its day to day working capital requirements through intra-group loans and funding. The funds are allocated to each subsidiary depending on the need for working capital and can fluctuate during the year depending on demand. A letter of support has been provided by Inchcape Plc confirming that they will support the Company for at least one year after these financial statements are signed.

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

Revenue

Revenue represents the revenue from the letting of land and buildings, and is wholly derived in the United Kingdom.

In addition the company receives a management charge from Inchcape International Holdings Limited, a fellow subsidiary of Inchcape plc, for the monthly accounting and maintenance of its property portfolio.

Revenue recognition

Revenue from the sale of services provided under contracts to the extent that there is a right to consideration is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Interest

Interest is included in the profit and loss account on an accruals basis.

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Borrowing costs are capitalised from the date on which expenditure is incurred on the asset, borrowing costs are incurred and activities are undertaken to prepare the asset for its intended use.

Tax

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

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

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

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

Inchcape Estates Limited

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

1 Accounting policies (continued)

Investment properties

Investment properties are stated at cost less depreciation and accumulated impairment charges. Cost includes the original net purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Property, plant and equipment

Property, plant and equipment is stated in the financial statements at cost less depreciation and accumulated impairment charges.

Depreciation is calculated so as to write off the cost of investment properties less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Asset class	Depreciation method and rate
Freehold and long leasehold buildings	2% per annum
Short leasehold properties	over the period of the lease
Short term improvements and refurbishments	10% per annum
Right of use long leasehold buildings	over the period of the lease
Right of use short leasehold properties	over the period of the lease

Impairment of non-financial assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Cash and cash equivalents

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

Provisions

A provision is recognised when the Company has a present obligation that arises from a past event, when it is more likely than not to result in the transfer of economic benefits and where the amount can be reliably estimated. Provisions are discounted where the time value of money is considered to be material.

Leasehold property provision

A leasehold property provision is recognised when the Company is committed to certain leasehold premises for which it no longer has a commercial use. It is made to the extent of the estimated future net cost, excluding the lease liability already recognised under IFRS 16. A leasehold property provision is also recognised when there is future obligation relating to the maintenance of leasehold properties. The provision is based on management's best estimate of the obligation which forms part of the Company's unavoidable cost of meeting its obligations under the lease contracts.

Inchcape Estates Limited

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

1 Accounting policies (continued)

Leases

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

Under IFRS 16, the distinction between operating leases (off balance sheet) and finance leases (on balance sheet) is removed for lessee accounting and replaced with a model where a right-of-use asset and a corresponding liability are recognised for all leases by lessees. As a result, all leases are on balance sheet except for short-term leases and leases of low value assets. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss as the Group has elected to apply the transition exemptions available. Short-term leases are leases with a lease term of 12 months or less.

Right-of-use assets are initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment. Lease liabilities are initially measured at the present value of the lease payments. Subsequently, lease liabilities are adjusted for interest and lease payments. Consequently, earnings before interest, tax, depreciation and amortisation (EBITDA) has increased because operating lease expenses previously included in EBITDA are now recognised instead as depreciation of the right-of-use asset and interest expense on the lease liability. However, there is an overall reduction in profit before tax in the early years of a lease because the depreciation and interest charges will exceed the previous straight-line expense incurred under IAS 17.

For leases in which the Company is a lessor, the Company has reassessed the classification of sub-leases in which the Company is a lessor.

When the Company is an intermediary lessor it will account for its interests in the head lease and sub-lease separately. It will assess the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. As required by IFRS 9 an allowance for expected credit losses will be recognised on finance lease receivables where appropriate.

The Company has elected to apply the new standard on a fully retrospective basis to each prior reporting period and has accordingly restated the comparative information for the immediately preceding periods in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Further details of the restatement can be seen in note 19.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.7%.

As at 31 December 2018, the Company had non-cancellable operating lease commitments of £157.1m. When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using incremental borrowing rates applicable at the date of initial application. Differences between the discounted operating lease commitment figure and total lease liabilities recognised relate to transition exemptions available for short-term and low-value leases recognised on a straight-line basis as an expense as well as adjustments as a result of a different treatment of extension and termination options.

Inchcape Estates Limited

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

1 Accounting policies (continued)

Operating Leases

Leases where the Company does not hold substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease rental payments are recognised as an expense in the profit and loss account on a straight line basis over the lease term.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

Defined benefit pension obligation

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Company participates in various group pension schemes, which are defined benefit in nature with assets held in separately administered funds. The cost of providing such benefits is determined separately for each plan using the projected unit credit actuarial valuation method, in accordance with the advice of an independent qualified actuary.

The schemes are valued every three years by a professionally qualified independent actuary. For accounting purposes, a valuation is prepared annually for each scheme under IAS 19, 'Employee benefits'.

Where an entity participates in a defined benefit plan that shares risks between entities under common control it shall obtain information about the plan as a whole measured in accordance with this FRS on the basis of assumptions that apply to the plan as a whole. There is no contractual agreement or stated policy for charging the net defined benefit cost of a defined benefit plan as a whole measured in accordance with this FRS to individual group entities, therefore, the net defined benefit cost of a defined benefit plan shall be recognised in the individual financial statements of the group entity which is legally responsible for the plan. The other group entities shall, in their individual financial statements, recognise a cost equal to their contribution payable for the period.

Further disclosures of the pension schemes, in the context of the Inchcape plc Group as a whole, is provided in the Group's 2019 Annual Report and Accounts which does not form part of this report (Note 25).

Defined benefit contribution schemes

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

Disposal group and assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Inchcape Estates Limited

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

1 Accounting policies (continued)

Financial Instruments

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

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

Financial assets

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

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

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

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

Amortised cost and effective interest method

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

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

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

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

Impairment of financial assets

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

Inchcape Estates Limited

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

1 Accounting policies (continued)

Financial Instruments (continued)

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

Derecognition of financial assets

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

Financial liabilities and equity

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

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

Financial liabilities

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

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

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

Discount rate applied to leases

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. To arrive at the incremental borrowing rate the Company applies the UK (economic environment) risk free rate for the term corresponding to the lease term, adjusted for the Company's credit risk.

Inchcape Estates Limited

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

2 Critical accounting estimates and judgements

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

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

Critical judgements in applying the Company's accounting policies

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

Key source of estimation uncertainty

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

Tangible assets

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

Fixed assets are assessed for indicators of impairment annually. If there are indicators of impairment, an impairment assessment is undertaken and the carrying amount of the assets compared to the recoverable amount, being the higher of the fair value less costs to sell the asset and its value in use. If the carrying amount exceeds the recoverable amount of the asset then the asset is written down to its recoverable amount. Any loss is recognised in the profit and loss account.

Right-of-use assets and lease liabilities – extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Inchcape Estates Limited

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

3 Revenue

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

	2019 £ 000	2018 £ 000
Rental Income	30,130	30,649
Management charge receivable	120	120
	<u>30,250</u>	<u>30,769</u>

4 Operating profit

Operating profit is arrived at after charging/(crediting)

	2019 £ 000	2018 Restated £ 000
Depreciation expense	13,319	28,123
Operating lease expense - property	968	1,591
Impairment of investment properties	<u>1,798</u>	<u>13,084</u>

Auditor's remuneration in 2019, as in 2018, has been borne by fellow group undertaking on behalf of the Company which has not been recharged to the entity.

5 Finance income

	2019 £ 000	2018 £ 000
Interest	<u>301</u>	<u>447</u>

6 Finance expenses

	2019 £ 000	2018 Restated £ 000
Interest on lease liabilities under IFRS 16	3,859	4,192
Unwinding of discount factor on dilapidations property provision	67	-
Interest on obligations under finance leases and hire purchase contracts	-	48
Interest payable to group undertakings	<u>1,251</u>	<u>1,192</u>
	<u>5,177</u>	<u>5,432</u>

Inchcape Estates Limited

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

7 Staff costs

The aggregate payroll costs (including Directors' remuneration) were as follows:

	2019 £ 000	2018 £ 000
Wages and salaries	589	613
Social security costs	67	68
Other pension costs	13	17
	<u>669</u>	<u>698</u>

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

	2019 No.	2018 No.
Administration and support	<u>6</u>	<u>7</u>

Inchcape Estates Limited

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

8 Directors' remuneration

The Directors' remuneration for the year was as follows:

	2019 £ 000	2018 £ 000
Remuneration	<u>245</u>	<u>276</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2019 No.	2018 No.
Received or were entitled to receive shares under long term incentive schemes	1	1
Exercised share options	1	1
Accruing benefits under defined benefit pension scheme	<u>1</u>	<u>1</u>

In respect of the highest paid director:

	2019 £ 000	2018 £ 000
Remuneration	245	276
Defined benefit accrued pension entitlement at the end of the year	-	41
Defined benefit accrued lump sum at the end of the year	<u>45</u>	<u>41</u>

During the year the highest paid Director exercised share options and also received or was entitled to receive shares under a long term incentive scheme.

The Directors of Inchcape Estates Limited are also Directors of a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of the services rendered to each of the subsidiaries.

The total emoluments for one of the Directors are disclosed above as they render most of their qualifying services to this company.

The remaining Directors' emoluments are paid and borne by Inchcape Retail Limited as they render most of their qualifying services to this fellow subsidiary. Details of these Directors' emoluments can be found in the financial statements of Inchcape Retail Limited.

Inchcape Estates Limited

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

9 Tax

Tax charged/(credited) in the profit and loss account

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax	2,311	1,919
UK corporation tax adjustment to prior years	741	81
	<u>3,052</u>	<u>2,000</u>
Deferred taxation		
Deferred tax - current year	139	(4,903)
Deferred tax - prior year	(352)	(236)
Total deferred taxation	(213)	(5,139)
Tax charge/(credit) in the profit and loss account	<u>2,839</u>	<u>(3,139)</u>

The tax on (loss)/profit for the year is higher than the standard rate of corporation tax in the UK (2018 - higher than the standard rate of corporation tax in the UK) of 19% (2018 - 19.00%).

The differences are reconciled below:

	2019 £ 000	2018 Restated £ 000
Profit/(loss) before taxation	<u>11,029</u>	<u>(18,105)</u>
Corporation tax at standard rate	2,096	(3,440)
Prior period items	363	(155)
Impact of tax rate changes	396	(122)
Expenses not deductible for tax purposes	(16)	578
Tax charge/(credit)	<u>2,839</u>	<u>(3,139)</u>

The Finance Act 2016 included legislation to reduce the rate of UK Corporation Tax to 17% with effect from 1 April 2020. Deferred tax balances have been measured at this rate which applied at the balance sheet date. An increase of the UK Corporation Tax rate to 19%, with effect from 1 April 2020, was substantively enacted on 17 March 2020.

Inchcape Estates Limited

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

9 Tax (continued)

Deferred tax liability

	2019 £ 000	2018 £ 000
Difference between accumulated depreciation and amortisation and capital allowances	(993)	(1,282)
Other timing differences	4,280	4,356
	<u>3,287</u>	<u>3,074</u>

Deferred tax movement during the year:

	At 1 January 2019 £ 000	Recognised in income £ 000	At 31 December 2019 £ 000
Accelerated tax depreciation	(1,282)	289	(993)
Other timing differences	4,356	(76)	4,280
	<u>3,074</u>	<u>213</u>	<u>3,287</u>

Inchcape Estates Limited

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

10 Investment properties

	Freehold land and buildings £ 000	Long leasehold land and buildings £ 000	Short leasehold buildings £ 000	Total £ 000
Cost or valuation				
At 1 January 2019	193,174	40,481	26,969	260,624
Restatement IFRS16	-	(2,113)	-	(2,113)
Reclassified assets held for resale	-	(4,272)	-	(4,272)
At 1 January 2019 restated	193,174	34,096	26,969	254,239
Additions	10,486	4,272	249	15,007
Transferred to assets held for resale	(16,407)	-	(878)	(17,285)
Disposals	(3,401)	(8,866)	(3,054)	(15,321)
Reclassifications	6,259	(6,259)	-	-
At 31 December 2019	190,111	23,243	23,286	236,640
Accumulated depreciation				
At 1 January 2019	33,747	9,253	14,357	57,357
Restatement IFRS16	-	(1,213)	-	(1,213)
Reclassified assets held for resale	-	(1,309)	-	(1,309)
At 1 January 2019 restated	33,747	6,731	14,357	54,835
Charge for the year	2,912	730	1,553	5,195
Transferred to assets held for resale	(7,857)	-	(808)	(8,665)
Eliminated on disposals	(1,947)	(1,965)	(2,113)	(6,025)
Impairment	1,497	-	301	1,798
At 31 December 2019	28,352	5,496	13,290	47,138
Carrying amount				
At 31 December 2019	161,759	17,747	9,996	189,502
At 31 December 2018 restated	159,427	27,365	12,612	199,404
At 31 December 2018	159,427	31,228	12,612	203,267

Assets held for sale are disclosed in Note 15.

The properties meet the criteria for Investment Properties as set out in IAS 40. In 2018, a number of property assets were impaired as part of the business' annual review. The properties were impaired due to the future cashflow forecasts declining due to challenging market conditions.

Assets held under finance leases and hire purchase contracts

The net carrying amount of investment properties includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2019 £ 000	2018 £ 000
Long leasehold	-	806

On adoption of IFRS16 long leasehold now presented as right of use assets and associated lease liabilities – see note 11.

Inchcape Estates Limited

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

11 Right-of-use assets and lease liabilities

	Short leasehold buildings £ 000	Total £ 000
Cost or valuation		
As at 1 January 2018 restated	157,150	157,150
IFRS 16 restatement adjustments	24,194	24,194
At 1 January 2019 restated	181,344	181,344
Lease remeasurement	(22,685)	(22,685)
Transferred to Assets held for resale	(18,988)	(18,988)
Additions	4,165	4,165
Disposals	(13,617)	(13,617)
At 31 December 2019	130,219	130,219
Accumulated depreciation		
At 1 January 2018	45,362	45,362
IFRS16 restatement	19,025	19,025
At 1 January 2019 restated	64,387	64,387
Lease remeasurement	-	-
Transferred to Assets held for resale	(7,304)	(7,304)
Charge for the year	8,124	8,124
Eliminated on disposals	(13,617)	(13,617)
Impairment	-	-
At 31 December 2019	51,590	51,590
Carrying amount		
At 31 December 2019	78,629	78,629
At 31 December 2018 restated	116,957	116,957
At 31 December 2017 restated	111,788	111,788

Inchcape Estates Limited

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

11 Right-of-use assets and lease liabilities (continued)

	2019	2018
	£ 000	£ 000
Lease liabilities		
Current	7,150	12,212
Non-current	77,317	116,061
At 31 December	84,467	128,273

12 Debtors

	2019	2018
	£ 000	£ 000
Trade receivables	167	446
Amount owed by group undertakings	33,712	-
Prepayments	2,276	1,625
Sublease receivable (Note 13)	407	2,726
Other receivables	340	243
Deferred tax asset (Note 9)	3,287	3,074
	40,189	8,114

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

Inchcape Estates Limited

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

13 Finance Lease receivables

Finance lease receivables are presented in the statement of financial position as follows:

	2019 £ 000	2018 £ 000
Finance lease receivables		
Current	407	2,726
Non-current	1,056	1,489
At 31 December	<u>1,463</u>	<u>4,215</u>

Finance lease arrangements

The Company has entered into various lease arrangements as a lessor that are considered to be finance leases. The Company leases plant and machinery and as they transfer substantially all of the risks and rewards of ownership of the assets they are classified as finance leases.

The maturity analysis of lease receivables, including the undiscounted lease payments to be received are as follows:

	2019 £ 000	2018 £ 000
Less than one year		
Under 1 year	508	1,673
2-5 years	783	3,076
Over 5 years	851	4,691
Total undiscounted lease payments receivable	2,142	9,440
Unearned finance income	(679)	(5,225)
Net investment in the lease	<u>1,463</u>	<u>4,215</u>

14 Cash at bank and in hand

	2019 £ 000	2018 £ 000
Cash at bank	<u>2,539</u>	<u>4,666</u>

Inchcape Estates Limited

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

15 Assets and liabilities held for sale and disposal groups

The assets and liabilities in the disposal groups comprise the following

	2019 £ 000	2018 £ 000
Freehold land and buildings	8,550	2,963
Short leasehold land and buildings	70	-
Right of use assets	11,684	-
Lease liabilities	(14,365)	-
	5,939	2,963

Assets held for sale relate to surplus properties within the UK which are actively marketed with a view to sale.

The disposal groups relate to the assets and liabilities attributable to retail centres in the UK.

16 Provisions for liabilities

	Leasehold property provision £ 000	Other property provisions £ 000	Total £ 000
At 1 January 2019	2,111	-	2,111
Provision in year	301	235	536
Provisions utilised	(50)	(58)	(108)
Unused provision reversed	(275)	(49)	(324)
Transfer to assets held for resale	(40)	-	(40)
Increase due to change in discount rate	66	1	67
At 31 December 2019	2,113	129	2,242

Leasehold property provisions relate to potential dilapidations in the property portfolio; and other property provision is for any other items not related to dilapidations.

Inchcape Estates Limited

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

17 Trade and other payables

	2019 £ 000	2018 £ 000
Trade payables	2,677	2,284
Amounts owed to group undertakings	195,614	170,511
Social security and other taxes	-	1,987
Other payables	3,192	5,465
	<u>201,483</u>	<u>180,247</u>

Included within amounts owed to group undertakings is a loan due to Inchcape Retail Limited of £77,848,000 (2018: £99,434,000). The loan bears interest at Bank of England base rate plus 0.5%, resulting in an interest charge of £1,250,000 (2018: £1,191,000).

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

18 Called up share capital and reserves

Allotted, called up and fully paid shares

	2019		2018	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>9,000</u>	<u>9,000</u>	<u>9,000</u>	<u>9,000</u>

The Company's other reserves are as follows:

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

The Share Premium account contains the premium arising on issue of equity shares, net of issue expenses.

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

19 Restatement on initial adoption of IFRS 16

The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and lease liabilities. Provisions for onerous lease contracts have been derecognised and operating lease incentives previously recognised as liabilities have been derecognised and factored into the measurement of the right-of-use assets and lease liabilities. The principal restatements as a result of the initial adoption of IFRS 16 Leases are set out in the following tables. The tables show the adjustments recognised for each individual line item as at 31 December 2018. The impacts on the income statement are:

Profit and Loss Account	Year to 31 Dec 2018 £000's	IFRS16 Restatement £000's	Year to 31 Dec 2018 restated £000's
Turnover	30,769	-	30,769
Cost of sales	(20,480)	12,355	(8,125)
Gross profit	10,289	12,355	22,644
Administrative expenses	(2,089)	(22,723)	(24,812)
Operating profit	8,200	(10,368)	(2,168)
Gain on disposal of asset	2,091	41	2,132
Loss on remeasurement ROU	-	-	-
Amounts written off due to impairment of assets	(13,084)	-	(13,084)
Finance income	447	-	447
Finance expenses	(1,240)	(4,192)	(5,432)
Profit /(loss) before taxation	(3,586)	(14,519)	(18,105)
Tax on profit/(loss)	(1,688)	4,827	3,139
Profit /(loss) for the financial year	(5,274)	(9,692)	(14,966)

Restated, following adoption of IFRS 16, to include an additional £12.9m impairment of right-of-use assets.

Inchcape Estates Limited

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

19 Restatement on initial adoption of IFRS 16 (Continued)

Balance Sheet	As at 1 Jan 2018	IFRS16 Restatement	As at 1 Jan 2018 Restated	As at 31 Dec 2018	IFRS16 Restatement	As at 31 Dec 2018 Restated
	£000's	£000's	£000's	£000's	£000's	£000's
Fixed Assets						
Investment properties	200,825	(958)	199,867	203,267	(3,863)	199,404
Right-of-use Land and Buildings	-	111,788	111,788	-	116,957	116,957
	200,825	110,830	311,655	203,267	113,094	316,361
Non-current trade and other receivables	-	(8,989)	(8,989)	-	1,489	1,489
	200,825	101,841	302,666	203,267	114,583	317,850
Current assets						
Debtors	25,085	(2,049)	23,036	18,477	(10,363)	8,114
Cash at bank and in hand	2,258	-	2,258	4,666	-	4,666
Assets and liabilities held for sale and disposal group	-	-	-	-	2,963	2,963
	27,343	(2,049)	25,294	23,143	(7,400)	15,743
Creditors: Amounts falling due within one year						
Trade and other payables	(170,430)	-	(170,430)	(180,247)	-	(180,247)
Lease liabilities	-	(7,940)	(7,940)	-	(12,212)	(12,212)
Loans and borrowings	(54)	(901)	(955)	(1,490)	-	(1,490)
	(170,484)	(8,841)	(179,325)	(181,737)	(12,212)	(193,949)
Net current liabilities	(143,141)	(10,890)	(154,031)	(158,594)	(19,612)	(178,206)
Total assets less current liabilities	57,684	90,951	148,635	44,673	94,971	139,644
Creditors: Amounts falling due after more than one year						
Loans and borrowings	(1,440)	-	(1,440)	-	-	-
Lease liabilities	-	(102,334)	(102,334)	-	(116,061)	(116,061)
Provision for liabilities	(2,703)	(191)	(2,894)	(1,935)	(176)	(2,111)
Net assets	53,541	(11,574)	41,967	42,738	(21,266)	21,472
Called up share capital	9,000	-	9,000	9,000	-	9,000
Share premium account	3,487	-	3,487	3,487	-	3,487
Profit and loss account	41,054	(11,574)	29,480	30,251	(21,266)	8,985
Total shareholders' funds	53,541	(11,574)	41,967	42,738	(21,266)	21,472

Inchcape Estates Limited

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

20 Dividends

	2019	2018
	£ 000	£ 000
Final dividend declared and paid of nil pence (2018 - 61.43 pence) per ordinary share	-	5,529

21 Contingent liabilities

The Company is party to composite cross guarantees between banks, its ultimate parent undertaking and fellow subsidiaries. The Company's contingent liability under these guarantees at the year end was £2,539,000 (2018: £4,666,000).

22 Subsequent events

During 2020, as a direct result of the Inchcape plc Group's strategy to optimise its retail market portfolio, the Company disposed of four VW and BMW Mini retail sites in the UK.

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

23 Parent and ultimate parent undertaking

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

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

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

These financial statements are available upon request from:

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

The ultimate controlling party is Inchcape plc.