



MOTOR 150 REPORT 2019

BETWEEN A ROCK AND A HARD PLACE

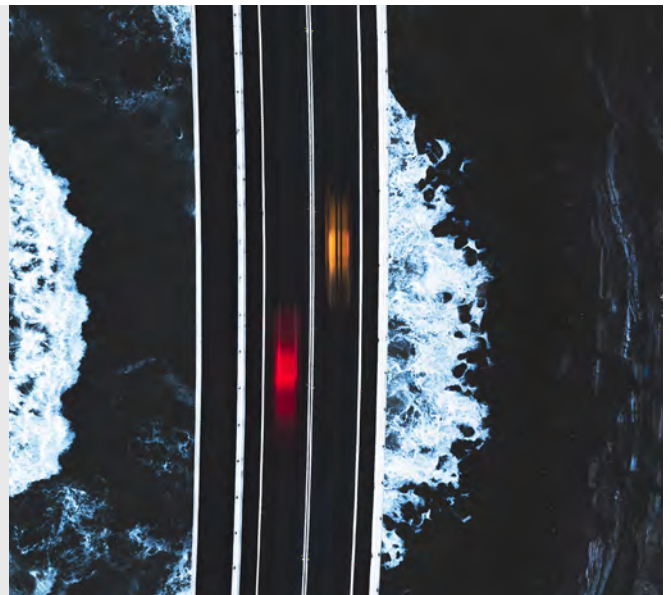
NAVIGATING THE ROUTE AHEAD

IDEAS | PEOPLE | TRUST

IBDO

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MOTOR 150 REPORT 2019

Motor retail is the shop floor of the UK automotive industry. This established and interdependent network of businesses has continued to be a key economic sector by employing over 820,000 people, contributing over £18 billion in value to the economy, and accounting for £44 billion (14.4%) of the UK's total export goods in 2018.*

In this light, this Motor 150 report – revealing the aggregated performance of a study group comprising the top 150 groups/ companies in the UK motor retail sector – is an important business barometer. As such, this report, which covers performance in the latest audited accounts and looks forward into the current and future accounting periods, does not specify or comment upon the individual performance of companies, except where it is relevant to explain a variance from the market norm or to highlight a fresh sector trend.

Our aim in producing the Motor 150 is to provide a considered insight into recent economic events and sector activity, the current and future dynamics of motor retailing, and to offer our professional views and advice for the future.

*Source: SMMT



AN INTRODUCTION FROM STEVE LE BAS

HEAD OF MOTOR RETAIL

It is a challenging time for retailers not only on the high street but in the motor retail sector. This is not helped by the continued uncertainty with Brexit negotiations and the general political situation in the UK. Perhaps this might all change with the General Election on the 12th December...or are we expecting too much from this date?

To add to this uncertainty there is a somewhat confused customer unsure what type of vehicle they should be buying (ie diesel, petrol, electric or hybrid) and the press regularly painting a gloomy picture around the sector whether it be decreasing registrations, WLTP and RDE or FCA compliance issues. It seems that the hard working retail dealers are being challenged from all sides and with not much of it in their own hands.

Electrification still appears to be the buzzword in the sector and there is no doubt that electric and alternatively fuelled vehicles have been growing rapidly, but they still remain a relatively small percentage of the overall sales. This is only likely to increase as cities, such as Bristol, lead the charge against diesel and petrol engines. However, there are still significant technological challenges that need to be overcome and advancements required together with significant levels of investment by the manufacturers.

This together with the potential changing view of car ownership by the younger customer and having mobility as a service means that the industry is right in the middle of a significant level of change. This is not dissimilar to when the internet first became an option to buy and sell cars and we see the industry continuing to evolve in response to these many different market forces rather than there being an immediate revolution to the current trading model.

Is there any light at the end of the tunnel?

It is too early to say, but as I noted above there may well be some more certainty in the wider political world and in our conversations in the sector we are hearing that the manufacturers are taking more heed of the messages that they are hearing from their dealer networks. In a recent AM poll over 55% of dealers who responded believed their targets would reduce in 2020, we would also expect a reduction in capital expenditure in 2020.

Despite the challenging times there is still profit to be made and it is those groups who have the best controls and processes and who constantly deliver a first class experience to their customers that are achieving the highest level of profitability.

We asked industry specialists from the NFDA, the IMI and Loughborough University to share their thoughts on the current state of play in the sector and what the future may bring – we would like to thank Sue Robinson, Steve Nash and Jim Saker for their insights and contribution to this year's report.

STUCK IN REVERSE

2018 was, quite predictably, very challenging for the motor retail industry. With an unprecedented range of disrupting forces affecting the industry it has rarely been harder to navigate a motor retail business through such choppy waters whilst fog shrouds the way ahead.

Our conversations with a number of dealer groups confirms it and the statistics collated in this report certainly back this up. 2018 was the worst year for profitability since the financial crisis ten years earlier.

Since 2016 the profitability has almost halved from 1.54% in 2016 to 0.82% in 2018. This equates to a reduction of c.£500m in profit since 2016. The return on sales of 0.82% has fallen below 1% for the first time since 2008. In that time it is interesting to note that turnover has increased by 90% to £68.8m. It would appear the dealers continue to do a great job...but ultimately for whom?

The Motor 150 mustered just a 1.4% increase in turnover in the year. With new vehicle registrations falling by 6.8% in the year and used vehicle sales falling by 2.1% we can assume that this small turnover increase was down to continued market consolidation and focus on aftersales. The aftersales market would have been expected to grow at this time off the back of the strong increases in registrations over the period from 2015-early 2018. The gross profit margin was consistent with the previous year at 10.9% (10.7% in 2017) however whilst motor dealers have continued to work harder than ever in the year to match the 2017 result, their costs have continued to increase. Operating expenses increased by 8% year on year and this has had a significant impact on their bottom line.

Profit before tax totalled £565m, the lowest level since the 2012 profit of £457m, however in 2012 turnover was 38% lower than the current level. More becomes apparent with a closer look at the data. Of the 150 groups included one in five of the Motor 150 group made a loss, twice as many as the previous year. In the table to the right we can see those groups who made over 1% return on sales have maintained their position, however those groups achieving a net margin of under 1% last year have struggled with many slipping into a loss-making position.

NOWHERE TO HIDE

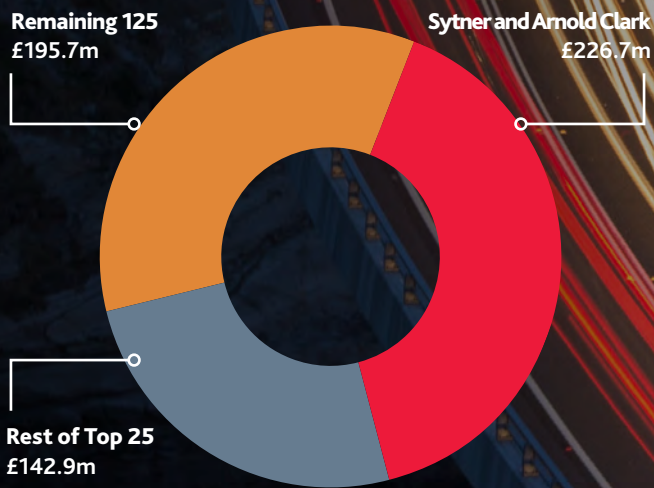
There have been some high profile casualties with a number of the large listed groups issuing profit warnings. Pendragon were a case in point and reported a fall in profit/loss before tax of £110m which accounted for a massive 40% of the fall in profitability for the entire Motor 150 group. The issues for listed businesses has continued into 2019 with Lookers recently announcing significant boardroom changes together with a profit warning. On the topic of 40% statistics it is worth noting that Sytner and Arnold Clark combined contributed 40% of the total profit before tax. This was having contributed only 15% of the turnover for the Motor 150 group. These two groups are and continue to be the market leaders for the Motor 150 group.

In the last two editions of the report we have seen a contrast between the performance of the largest 75 groups compared to the next 75 groups when it came to increasing turnover and also profitability. However these distinctions no longer exist. As the above shows, economies of scale are no longer a guarantee of success or a guard against the wider industry struggles. Some of these larger groups have recognised impairments in the year over their assets, far more than we have seen previously with charges in 2018 running into the tens of millions. What does this say about their and the industry's outlook going forward?

NUMBER OF MOTOR 150 GROUPS IN PROFIT MARGINS

Profit margin	2018	2017	Change
Over 2%	17	22	(5)
1.5% – 2%	15	11	4
1% - 1.5%	27	23	4
0.5% - 1%	29	40	(11)
0% - 0.5%	30	38	(8)
Lower than 0%	32	16	16

PROFIT BEFORE TAX IN THE MOTOR 150 GROUP



HOW DO YOU SEE THE CURRENT STATE OF THE INDUSTRY?

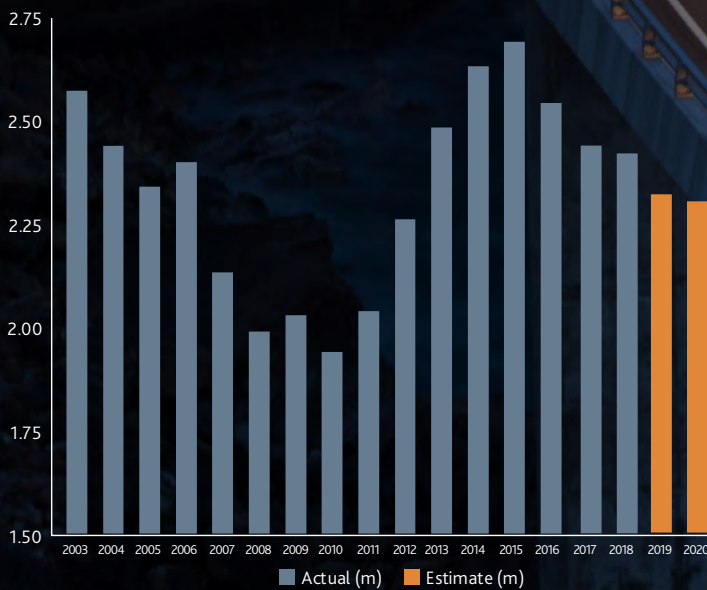


The challenge for the sector is that it no longer has its future in its own hands. Whether it be the relationship with Europe, transport policy, infrastructure or environmental strategies the industry is currently at a stage of trying to second guess what politicians and law makers are likely to come up with both in the UK and in Europe. There is an obvious issue about the future of car manufacturing in the UK due to the consolidation of the European manufacturers and the rationalisation of operations of the Japanese brands.

In the short term there is a continued juxtaposition in the UK of increased interest in electric/hybrid vehicles while demand for SUVs remains high which presents a number of supply challenges for manufacturers and retailers.

Professor Jim Saker, Centre for Automotive Management, School of Business and Economics - Loughborough University

NEW CAR REGISTRATIONS (2003-2020)



UNDER THE BONNET

The Motor 150 balance sheet saw few significant changes from previous years. Stocking levels increased by just 3% and there was a slowdown in the level of capital expenditure.

This is likely due to dealers further spreading of, or pushing back on, capital investment. Gearing increased from 60% to 69% (the highest level in the last 5 years) as a result of increased levels of debt compared with only a modest increase in equity due to the limited profitability in the year. The increased debt could perhaps be due to some groups planning in advance of Brexit.

Control of working capital and operating expenditure will be of paramount importance in the year ahead. With stagnating sales and gross profit we have seen above how increasing expenses have dented profitability and management of the dealer's resources could be make or break in the forthcoming year. We've often commented that the best controlled groups are best placed to weather the storm and this is really starting to show.

The impact of the reduced trading profitability has had an effect on the staff in dealerships. As we concluded in the BDO Motor Salary Survey there has been little or no pay increases and with the reduction in levels of commissions paid due to sales staff are worse off in real terms. The staff are working harder to convert the deals and provide excellent client service but for potentially less money. Dealer groups should be very conscious of this impact on their workforce.

A CRISIS OF CONFIDENCE

The economic backdrop provides some substantial difficulties for the motor retail industry. Often the most expensive purchase for any individual after a property, consumer confidence has a large bearing on interest to buy a car. The continuing uncertainty over the impact of Brexit is one shared by consumers, experts and politicians alike and it is clear that many have little appetite to spend heavily or commit to a new finance deal when they cannot be confident on how their wider finances will be impacted. This is clearly shown by the 6.8% fall in new vehicle registrations in 2018 and it cannot be avoided.

This drop in registrations continued to be most keenly felt by diesels. The 'emissions crisis' clearly wasn't a blip and in 2018 diesel registrations fell by 30% to a market share of just 32%. This was 50% just a few years ago as it went toe to toe with petrol. To September 2019 this market share has fallen further to just 26%. Aside from the wider economic uncertainty there has been a real focus on all things 'green' which has exacerbated the bad press suffered by diesel-powered vehicles (Bristol has recently announced plans to ban diesel cars in 2021). Consumers may also be holding off as manufacturers expand their electric or hybrid offering.

Looking at 2019 the SMMT are forecasting a 2.1% fall in new vehicle registrations with a further 1.3% fall in 2020. However to September 2019 the market has suffered a higher 2.5% drop, further fuelling the view some hold that the SMMT forecasts tend to be a little optimistic. But it feels as though big change is just around the corner, there have been predictions that by 2025 the AFV (alternatively fuelled vehicle) market will account for 25% of registrations. This was only 6% in 2018. This increased market share seems set to come at the expense of petrol and diesel vehicles as opposed to an upturn in fortunes and increased levels of registrations.

AT A CROSSROAD

The issues and challenges facing the industry cannot solely be contained to economic uncertainty and a dip in registrations. There is growing evidence that the heart and soul of the industry is at a crossroads with major changes on the horizon, the way dealers interact with both the manufacturers and their customers, the structure of their business and how they function, and even changing attitudes towards car ownership and whether we even need to have a car.

"Mobility as a Service" is already here – Uber can get you around London just using an app, car rental and leasing is on the rise, and access to mobility is no longer restricted by ownership of a car. Even where consumers still want to buy a vehicle will this be sold to them by the dealer, or will we see the agency model land on these shores with the dealer being the agent for a sale direct to the customer by the manufacturer? Attitudes are changing in a world where we are getting ever closer connected, where the market changes the dealers will need to adapt as well.

More than ever the Motor 150 are struggling to keep their heads above the water with a recessing retail environment and increasing costs meaning limited profitability and difficulties managing working capital. However those dealers who will emerge intact in the coming years from the gamut of external pressures won't just be those who can baton down the hatches, but those who can simultaneously adapt to the coming changes so as to not get left behind. For many it is just about surviving the challenges, for the best it is also about seeking the future opportunities they bring.



HOW DO YOU SEE THE CURRENT STATE OF THE INDUSTRY?

It has almost become a cliché to state that our industry is going through the biggest changes that have been experienced for 100 years, but there is no question that this is the case.

Interestingly, the IMI was formed as the industry's professional body 100 years ago in response to very similar circumstances. An industry that was seeing a technical revolution as a result of the advances brought about by WW1, and which was growing at a rate that was rapidly rendering the existing sales, marketing and distribution models obsolete. Sound familiar?

Much of what we expect to see over the next 5-10 years is still in its infancy, but some of the technology is already causing significant challenges. The IMI's TechSafe™ initiative was launched to help prepare the industry for unfamiliar technologies; namely electrification, Advanced Driver Assistance Systems (ADAS), Autonomous, Connected and Hydrogen vehicles.

Department for Transport and Office for Low Emission Vehicles (OLEV) backing has been gained for the IMI TechSafe standards for individuals working on the high-voltage systems of electrified vehicles, which were developed with the support of the industry and which ensure that workers and employers comply with the Electricity at Work Regulations, enforced by the HSE.

Electrified vehicles may currently represent a small part of the market, but the proliferation of new models entering the market in the next few years has analysts predicting that they will overtake pure internal combustion-engined (ICE) vehicles by the middle of the next decade. So, ensuring that operatives are properly trained and qualified to work safely on these vehicles and that they continuously maintain and update their skills is an absolute requirement.

Steve Nash, CEO, Institute of the Motor Industry





TOP DEALS IN 2018...

- ▶ Sytner Group acquisition of The Car People for **£83m**
- ▶ Group 1 Automotive acquisition of Robinsons Motor Group for **£33m**
- ▶ Vertu acquisition of The Hughes Group for **£22m**
- ▶ Eastern Western Motor Group acquisition of Barnetts Motor Group for **£11m**
- ▶ Lookers acquisition of S. Jennings Group for **£9m**

...AND NOTEWORTHY DEALS ALREADY COMPLETED IN 2019

- ▶ HENDY Automotive acquisition of Westover Group for an undisclosed consideration
- ▶ Heritage Automotive acquisition of Blade Motor Group for an undisclosed consideration
- ▶ Arnold Clark Automobiles acquisition of The Pheonix Car Company for an undisclosed consideration
- ▶ Brayleys Cars acquisition of Thames Honda for an undisclosed consideration
- ▶ Inchcape have disposed of a number of sites to various motor groups.

CONSOLIDATION STILL LIKELY THE KEY IN UNCERTAIN TIMES

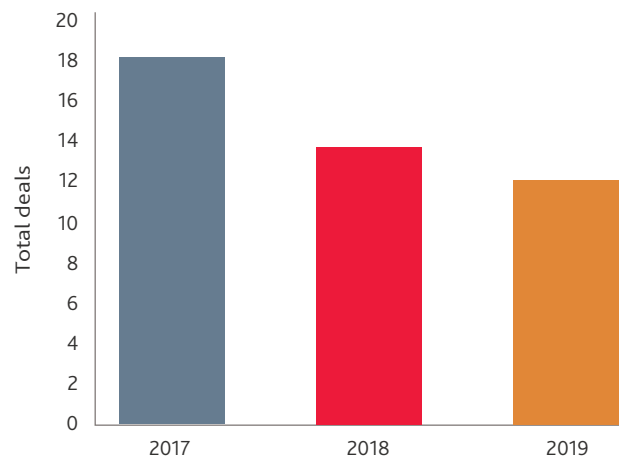
M&A has continued despite the continuing Brexit uncertainty and the underlying shifts in the sector.

Tightening environmental regulation has caused a marked reduction in demand for diesel, and Brexit-induced fears of tariffs are the obvious headwinds in the sector that have played out in the year on year reduction in new and used car registrations. This has resulted in mixed fortunes in the sector and we have seen the largest dealers both acquiring and divesting sites. Vertu, Hendy and Arnold Clark have acquired in 2018/2019, whereas Pendragon have divested following their profit warning in June. Inchcape has since reviewed their sites in 2019 and have divested a number of dealerships to other groups.

But masked by these immediate headwinds there is a longer term structural change that we expect to have an impact on the type of M&A undertaken. The rise of electrification, requiring different equipment and expertise, will continue to drive the market to the larger sites and providers who can make the right level of investment. Equally more of the customer acquisition will increasingly happen online and the OEMs will continue to build digital relationships with customers.

We would expect these trends to ensure that the decline in the absolute numbers of dealerships continues, particularly at the smaller urban end of the scale.

DEAL COUNT YEAR ON YEAR...



IMPACT ON M&A

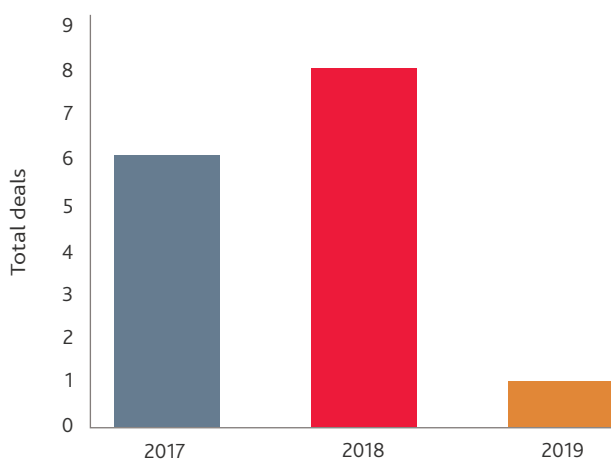
If these trends play out we would expect the continuation of the theme that we have reported, whereby the larger well-funded companies acquire their smaller rivals and consolidate into fewer, larger sites. There will always be a place for small players operating in profitable niches and smaller businesses might be more able to adjust quickly to changing trends. However, with the current headwinds and the underlying shift due to technology, we believe the market will continue to gravitate towards the larger well-funded operators who will continue to drive the M&A market.

Across all sectors we are seeing that the volume of deals has remained resilient despite the economic uncertainty. The total value of deals has reduced with Brexit uncertainty having the most notable impact at the higher end of deal values. In the motor sector we have seen a similar challenge with values driven by market dynamics and also sentiment towards the listed market, with certain large listed providers having market capitalisations at or below long leasehold levels.

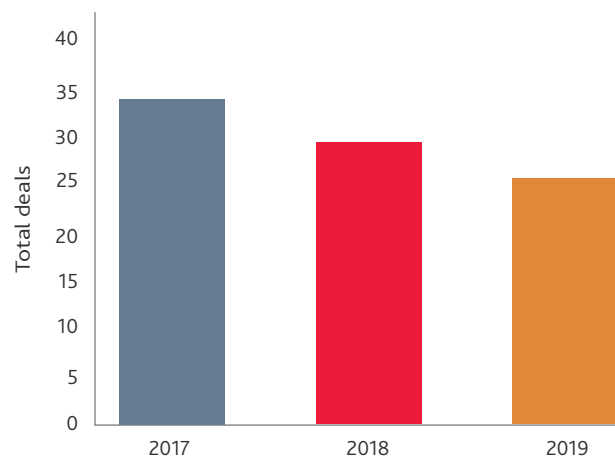
The difficult trading conditions have ultimately meant the lowest level of intangible additions for the Motor 150 group for five years, and based on the current trading in the industry goodwill multiples are also reducing.



UK CROSS BORDER DEALS



INLAND UK BORDER DEALS



THE FCA'S INCREASING FOCUS ON THE MOTOR FINANCE SECTOR

In March 2019, the Financial Conduct Authority (FCA) issued its final findings in relation to its review of the motor finance sector.

In particular, the regulator's assessment included a review of the use of motor finance products, the effectiveness of sales processes employed by firms and whether the products could cause consumer harm. The FCA's review acknowledged steady improvement of standards in the motor finance sector but also gave rise to a number of the concerns including:

- ▶ Whether lenders were adequately managing risks around commission arrangements
- ▶ The extent to which commission structures have led to higher finance costs for customers due to incentives created for brokers
- ▶ The extent to which lenders had implemented appropriate controls to monitor compliance by brokers with the CONC rules
- ▶ Whether customers have been given the right level of information to enable them to make informed decisions
- ▶ The extent to which firms are assessing creditworthiness including affordability and adequacy in line with regulatory requirements.

It was noted that in principle, the framework of lenders controls seemed adequate. However, too many lenders were reliant on brokers being responsible for their own compliance. It is clear that there should be an improved understanding and awareness of managing risk across the sector to meet the regulator's expectations.

The regulatory landscape is constantly evolving for the Motor Finance sector. Lenders and brokers should review their existing policies, procedures, systems and controls to ensure they are complying with all relevant regulatory requirements and treating customers fairly.

THE IMPORTANCE OF GOVERNANCE FRAMEWORKS AND OVERSIGHT ARRANGEMENTS

In our experience of working with firms within the motor sector, we have identified that the root cause of many of the concerns noted above stem from ineffective and inadequate deficiencies within governance frameworks and the Board's oversight arrangements of risk and regulatory compliance. We have seen an increasing number of car dealership groups being investigated by the FCA over their inadequate management of conduct risk and sales practices. Boards of these firms are closely considering and reviewing the:

- ▶ Adequacy and effectiveness of their governance framework, Board and sub-committee compositions and structures
- ▶ Robustness of the firm's three lines of defence model including clearly defined roles and responsibilities and reporting lines
- ▶ Firm's oversight and due diligence of Appointed Representatives (both at on-boarding and post-acquisition for new ARs)
- ▶ Conduct risk framework, strategy and appetite, including ownership of conduct risk management information (MI)
- ▶ Adequacy and capability of resources within the compliance function
- ▶ Extent to which the Firm has implemented a robust training and competence framework including a compliant sales process
- ▶ Effectiveness of systems to address customer detriment and mitigate any potential impact of financial crime.

In addition, these firms are considering whether to appoint external advisers to examine matters including its "internal control, risk assurance systems and internal audit".



WHAT ONE POLICY SHOULD GOVERNMENT INTRODUCE TO SUPPORT THE SECTOR?

The Government should introduce bigger accelerated funding plus tax incentives for the development of a proper infrastructure for both EV and hydrogen (fuel cell and hybrid) powered vehicles. This would include the funding of research into reducing the cost of the hydrogen supply chain and battery manufacturing.

Professor Jim Saker, Centre for Automotive Management, School of Business and Economics - Loughborough University



SENIOR MANAGERS & CERTIFICATION REGIME

With the Senior Managers and Certification Regime (SM&CR) coming into force for all solo regulated firms on 9 December 2019, firms within the motor finance sector should now be well into their SM&CR implementation plans. Whilst the SM&CR is a key agenda item at most Motor Finance management meetings, we would recommend that many firms within this sector review their existing governance arrangements. With this in mind, we have outlined below some of the key structural considerations that a motor finance firm may need to factor in as part of their SM&CR preparation:

- ▶ Management and sales teams will have a greater degree of involvement and responsibility for compliance within motor dealerships as would previously be expected under the Approved Persons Regime
- ▶ Sales and business managers may fall into the Certification Regime – for these staff, the dealership will be required to evidence that they have undertaken a review of their suitability to do their job at least annually
- ▶ Sales staff who perform financial services roles, such as individuals who give finance quotations, will be subject to the Code of Conduct Rules – firms have an obligation to train their staff on these
- ▶ Appointed Representatives are not currently in scope for the implementation deadline of 9 December 2019, however should these come into scope at a later date, this will become the responsibility of the principal firm to implement.



WHAT ONE POLICY SHOULD GOVERNMENT INTRODUCE TO SUPPORT THE SECTOR?

Unfortunately no single policy is sufficient. Here are some thoughts on what government could do though:

- Central government needs to take a more directive approach with a clearer national policy on vehicle emissions, rather than leaving so much to devolved and local administrations, which results in confusion and inconsistency...sometimes between different local authorities in the same city!
- Subsidies on EV purchase need to be more generous, with subsidies for PHEVs re-established. The latter are a positive step towards transitioning motorists into plug-in vehicles, and a larger subsidy on full EVs would convince many more buyers to make the change sooner – particularly those for whom even limited range EVs would comfortably meet their typical motoring needs, especially as a second vehicle in two vehicle households
- Finally, if the government are truly concerned with achieving a zero emission future as quickly as possible – not just reducing carbon emissions, but also localised emissions which affect air quality, such as NOx – then they should introduce a “scrappage” scheme that is sufficiently generous to assist the owners of older, more polluting vehicles to adopt newer Euro 6, WLTP compliant vehicles as a minimum, with perhaps more generous allowances for those who adopt EVs or PHEVs. This should be aimed at any Euro 5 or older vehicles first and later include pre WLTP Euro 6 vehicles.

Steve Nash, CEO, Institute of the Motor Industry



THE PRIVACY CHALLENGE IS HERE TO STAY AS GDPR SHOWS ITS TEETH

It is already 17 months since the General Data Protection Regulation (GDPR) came into force. Implementing a robust privacy control environment to satisfy GDPR was not easy for many organisations and, for most motor retailers, has required a thorough consideration about how personal data flows through their business.

Some may still be navigating towards achieving full GDPR compliance, however those that succeeded – by investing considerable time and resources – still cannot relax.

You may think that little has been happening in the world of privacy and data protection since the excitement of the GDPR compliance deadline of May 2018. It is true that we have seen few examples of post-GDPR sanctions to date. However, this is partly because the Information Commissioner's Office (ICO) has been busy with ongoing data protection investigations and breach incidents from the pre-GDPR era. On top of this, the ICO has also been working on the implications of Brexit on data transfers.

Nevertheless, we are starting to see GDPR breaches being publicised, along with the accompanying sanctions. Two recent examples are the ICO's announcements of the substantial fines facing British Airways and Marriott International – £183 million and £99 million respectively – in relation to data breaches.

There are additional worries for companies that suffer data breaches following the recent High Court developments in relation to the British Airways case, whereby Mr Justice Warby granted a group litigation order, paving the way for a mass legal action against British Airways from each of the individuals that were affected. If this sets the precedence going forward then it is another consideration that organisations will need to bear in mind on top of regulatory sanctions and reputational risk.

KEEPING YOUR FOOT ON THE PEDAL

Even GDPR-compliant organisations cannot drop their guard. The ICO is now focusing its attention on the accountability principle that underpins data protection. This requires entities to take responsibility for what they do with personal data. Under the accountability principle, organisations need to be able to provide evidence of their GDPR compliance. There is an expectation that all organisations should create and embed a privacy culture. This includes ensuring that a privacy compliance project plan is in place and being fully adhered to. It also means having a designated individual or outsourced provider overseeing privacy compliance with training and regular updates provided to staff.

Motor dealers must remember the nature of the information they often collate and process triggers the GDPR requirements surrounding the processing of special categories of personal data. The more processing of personal information you undertake, the greater the risk of a privacy breach or a complaint being made by individuals whose information you might be processing. If something does go wrong, you are legally required to report the breach to the ICO, which will then decide on next steps in terms of questioning or requiring an external investigation or review. If your organisation does not have a privacy compliance culture in place, any such review could result in unfavourable sanctions.

The ICO's recent announcements show that the GDPR does have teeth and the supervisory authorities are not afraid to use them. GDPR therefore needs to remain high on the boardroom agenda. The privacy challenge is here to stay and dealerships need to consider whether all policies, procedures and systems introduced, or amended, are being adhered to and whether they are working effectively, to ensure you continue to operate within the expectations of the regulation.

Having an efficient privacy compliance plan in place will go a long way towards showing any regulator that your organisation has identified privacy as a risk and has recognised its responsibility for protecting privacy properly. On the other hand, ignoring this responsibility could have costly consequences.

GOOD TAX COMPLIANCE SAVES YOU MONEY IN THE LONG RUN

The old adage goes that 'turnover is vanity but profit is sanity' and in the motor retail industry this phrase has been used on many occasions to demonstrate the nature of the industry. However, now it has new focus as the current tax landscape gives this quote a very different perspective.

The nature of the motor retail industry in the UK means that even a single site business can generate significant levels of turnover given the value and volume of the cars and services that are provided. The current tax environment is one where HMRC wants to focus increasingly on governance and risk. A considerable amount of HMRC legislation is now centred on these areas and one of the main criteria for them to apply to a business is the level of turnover, especially those where this exceeds £200m. Around half of our Motor 150 list are either above, at, or just about to break this limit.

Recent tax enforcement legislation has focused on Tax Governance as HMRC sees this as a way of ensuring that tax is a discussion topic for the boardroom. As well as helping ensure that businesses pay the right amount of tax at the right time, the Government also argues that this will provide public confidence in businesses. For larger listed entities, adherence to these rules is also seen as supporting wider business governance requirements – helping businesses avoid policies and decisions that could damage their reputations and brands in the market place.

KEY AREAS

Corporate Criminal Offences (CCO) – For all corporates from September 2017 it has been necessary for companies to comply with the CCO legislation and to be able to demonstrate that they have procedures in place to identify and prevent tax evasion in the UK and abroad. With unlimited fines and possible criminal prosecutions against the directors of the business this is an issue that needs to be monitored and addressed.

Senior Accounting Officer (SAO) – For a number of years, broadly where a business turns over more than £200m, it had been necessary to appoint a SAO who certifies each year that the business has tax systems and processes in place that are fit for purpose. While HMRC did initially take a 'soft landing' approach to the legislation,

that is now at an end and more rigorous interviews and inspections are being carried out. With a fine of up to £10,000 for the failure to comply with this legislation, again this is an area that needs to be taken seriously.

Tax Strategy – For large groups (those with turnover in excess of £200m, balance sheet value of over £2 billion or part of an international group required to make country by country transfer pricing returns) it has been a requirement since 2017 to publish a tax strategy on your website. This covers areas around attitudes to compliance and planning as well as how the tax affairs of both the company and group are dealt with.

However good tax management is not just about preventing risks, there are still areas of the current tax frameworks that offer considerable benefits to retailers and so should be actively considered.

Capital Allowances – Whether it is a new build or major/minor refurbishment, the new Structured Buildings Allowance allied with the existing Annual Investment Allowance (100% relief) brings the opportunity to claim substantial tax relief on property costs very much into focus. Many retailers disregard this as not being material or being in the 'too difficult' box but that is not always the case and the potential for a claim should always be investigated thoroughly.

Research and Development Tax Credits (R&D) – Although it might not sound like it, many retailers may have undertaken R&D work, the key here is to be innovative in your thinking – something that retailers are always working on. For example, areas such as new builds and property solutions for water, heat, light and power all could have elements of R&D contained within them. Whether this is in the design, manufacture or fitting stage. Developing a new IT solution could also qualify, especially if you cannot buy a system or process off the shelf and a degree of bespoke design is needed to achieve your desired outcome.

VAT – There is still an opportunity around VAT refunds on Dealer Deposit Contribution schemes from 2014, and many retailers have not progressed this as, again, they consider it to be in the 'too difficult' category as they cannot access the details and information. BDO can help here, not only in assessing any claim but also providing technical support in accessing the data required from retailers' systems to make the process as efficient as possible.

EMPLOYMENT TAX SCRUTINY CONTINUES

Employment Tax is at the forefront of government planning with PAYE and NIC accounting for over 50% of annual tax receipts.

With the support of the Department for Business, Energy & Industrial Strategy together with HMRC, the government has scrutinised this area of taxation closely over recent years and the trend doesn't look set to change.

TERMINATION PAYMENTS

From 6 April 2020, a Class 1A NIC liability will be payable on any part of a termination payment that is liable to income tax and not otherwise subject to NIC. This new rule aligns the NIC treatment with the income tax rules for these types of payments. The tax and NIC liability arising will not be reported and collected via the annual P11D(b) process, but will instead be collected via the PAYE Real Time Information (RTI) payroll process.

This change is in addition to those implemented from 6 April 2018 in respect of payments in lieu of notice. Under these rules all payments in lieu of notice, referred to by HMRC as Post Employment Notice Pay (PENP), became both taxable and subject to Class 1 NIC. The employer is required to identify the notional amount of basic pay that the employer would have received had they worked their notice period and treat this amount as earnings.

OFF PAYROLL LABOUR

HMRC are reforming the rules around off payroll labour in the private sector from 6 April 2020. The reform focuses on medium and large sized businesses that engage with individuals supplying their services through an intermediary, such as a personal service company (PSC), a partnership or LLP.

Under the new rules the responsibility to review the employment status of any individuals engaged through a PSC will sit with the "End User" ie the company benefiting from the personal services of the individual. The engaging company will need to determine if any individuals working through PSCs would be considered employees if their PSC was not in place. If this is the case, the company will be required to communicate their Status Determination to the worker and the entity with which it has engaged. The "Fee Payer" ie the entity paying the worker's PSC, will then be required to deduct tax and NIC from any fees paid to the PSC. It is expected that in the majority of cases, PAYE will be operated using code 0T M1, meaning no personal allowance will be applied.

In anticipation of the change in rules, businesses impacted by these changes should start to now look at what changes are required to manage your PAYE compliance effectively and efficiently.



WHAT DEVELOPMENTS DO YOU SEE COMING DOWN THE TRACK?

The electric vehicle sector has been growing rapidly but remains a small proportion of the UK car parc. Going forward, as new models come to market and supply constraints ease, the sector will continue to expand. Franchised retailers are making significant investments in this area. NFDA's Government-endorsed Electric Vehicle Approved (EVA) accreditation scheme, which certifies excellence in EV retail and aftersales, is testament to this.

Sue Robinson, Director of the National Franchised Dealers Association (NFDA)



PAYE SETTLEMENT AGREEMENTS (PSAs)

Following a campaign undertaken by HMRC earlier this year there is increased focus on the failure of reporting of certain benefits and expenses. As a result employers should double check that they are correctly reporting all benefits and expenses, in particular staff entertaining, non-cash incentives and staff gifts either through the employee's P11D or through a PSA.

A PSA allows employers to include certain benefits and expenses that are minor, irregular or impracticable on one report at the end of each tax year and cover the tax and NIC that is due on behalf of their employees. PSAs are often used to report items such as staff entertaining, incentives and staff gifts. The increased focus from HMRC is a result of many employers not understanding the reporting requirements in respect of these types of expenses.

HMRC implemented a simplification process from 6 April 2018, therefore removing the requirement for an employer to submit a request and obtain agreement of terms at the end of each tax year. Instead agreements will automatically be rolled forward, covering the same items as included in the prior year agreement. Employers can still make ad hoc requests at any point during the tax year.

There are always opportunities to be more tax-efficient in the area of employment tax, whether it is in respect of company car schemes now that electric vehicles are outside of the optional remuneration rules or salary exchange arrangements for pension schemes in order to maximise NIC savings.



WHAT ONE POLICY SHOULD GOVERNMENT INTRODUCE TO SUPPORT THE SECTOR?

The Government must provide clarity to businesses and consumers as soon as possible. Many motorists have been delaying their vehicle purchases because of the current uncertainty. Additionally, it is essential that the Government continues to support consumer confidence to encourage the uptake of electric cars, particularly, through a sustained improvement of the current charging infrastructure and the availability of financial incentives.

Sue Robinson, Director of the National Franchised Dealers Association (NFDA)



PLOTTING A COURSE

THE FUTURE OF THE CAR INDUSTRY

There is little debate that the industry can expect profound change over the coming decade: retail channels are evolving, consumer habits are changing, and the technology of the cars will progress. But what scale of change can we expect and what challenges and opportunities might it bring?



WHAT WILL WE DRIVE?

Clearly the days are numbered for the internal combustion engine. By 2025 around 25% of new vehicles

are expected to be alternatively-fuelled vehicles (AFVs) with this rising to 50% by 2030. Over the next few years more manufacturers will release fuller ranges of electric vehicles.

Technology advancements will not only impact the engines but also other areas of the car from the materials from which they are built to the cockpit experience. The technology in people's vehicles is becoming far more complex and OEMs will continue to invest significantly in their digital platforms ensuring that cars are as connected as possible to the evolving digital world. There will also be significant investment from non-OEMs and they currently provide the majority of R&D in this area. Autonomous vehicles may grab the headlines but we are still some way from fully autonomous cars and this is very unlikely by 2030. However there will be increasing prevalence of autonomous functions such as Audi's 'Traffic Jam Pilot'.



HOW WILL WE USE VEHICLES?

For many people car ownership is no longer the necessity it was once

deemed to be. Mobility as a Service (MAAS) in some form is here already with services such as Uber, Zipcar and Drover providing easy access to getting around without the need to own a car. This is certainly more prevalent in urban areas. A big threat is the expansion of the car rental and leasing market who continue to develop attractive packages for consumers and also have fleets of vehicles ready to go when required.

Changes in ownership patterns may be a risk but perhaps it provides an opportunity for dealers to diversify and set up their own subscriptions services using their stock? This would provide an additional customer touchpoint and generate revenues from vehicles that would otherwise sit on their forecourts. However people's attitudes do not always keep up with the technology and a Duff & Phelps survey showed that the majority of millennials still expected to buy their own vehicle in the next five years and still see car ownership as a necessity.



HOW WILL WE BUY?

The retail experience continues to be of paramount importance. It is a must for dealers to

have an omni-channel digital presence with 80% of customers researching the vehicles before any dealer visit and almost half already picking their model before they walk through the door. If a customer visits your showroom then in many ways they are ready to buy and therefore the showroom experience needs to be as seamless as possible to close the sale.

Increasingly we are seeing dealer groups employing 'consultants' with an in-depth knowledge of the models and technology who are able to answer all the questions a customer might have and then the sales process being just an admin task. This may feel like the 'Apple' approach but it is what consumers see elsewhere and they expect no different from a motor retailer. Many people talk about 'bricks vs clicks' however the answer still seems to be 'bricks and clicks' as many people continue to enjoy the experience of visiting a dealership and therefore this experience needs to be more focussed on the customer and less on the product. Perhaps this will be assisted by a change to an agency model, freeing up forecourts with more space given to focussing on what the customer not only wants to buy, but also wants to feel.



WHAT DEVELOPMENTS ARE COMING DOWN THE TRACK?

The major changes we are seeing in product development will unquestionably have an equally profound impact on the entire distribution chain - from the manufacturers right through to the dealer networks.

To begin with, manufacturers are having to come to terms with the radically different economics of producing and selling zero emission vehicles - be they pure battery EV or perhaps Hydrogen Fuel Cell EV. The old financial models for ICE's don't work. Currently roughly half of the value in a typical battery EV is in the battery itself which, in the majority of cases, is technology that the vehicle manufacturer has to buy-in from outside. Many are collaborating to develop plants to manufacture batteries and electric motors, which will help in the longer term, but the financial viability of mass production is as yet untested and leaves many open questions. Tesla's widely reported financial challenges and, more recently Dyson's exit from the EV business underline just how challenging it may be to make the zero emission transformation profitable.

On top of this, new market entrants, predominantly - but not exclusively - from China, will change the competitive landscape.

It is well known that China has corralled much of the natural resource required to make batteries. This, together with the lower operating costs in China, puts many of their previously unknown (outside of China) manufacturers, as well as new entrants, such as NIO and SERES, in an advantageous position....with the likes of NIO and SERES unencumbered by the challenge of operating an existing ICE production model whilst transitioning to EV's.

Further down the distribution chain there is the question of where dealers fit in the future model. Many OEMs are yet to declare their hand regarding the long term role of dealers, but Volkswagen has suggested a future in which they may become the sellers of their own vehicles, with dealers becoming Agents



whose role is to prepare and deliver them for a handling fee, as well as continuing to offer the aftersales services. In some cases that fee might actually equate to more than is often retained from today's selling margins, which might be attractive for the dealers. But there is still the question of whether the networks and the sites they operate from would remain on the same scale as today. Volkswagen have already suggested that the ongoing upward trend in dealer Retail Standards would need to be reviewed to suit any new distribution model.

The other future trend that is constantly talked about by OEMs, and which is exercising strategists right across the industry, is mobility as a service (MAAS). This is the idea that future customers will not purchase a vehicle for personal use, which statistics show, would spend over 90% of its time unused - parked at home, at work or elsewhere. Instead they will buy into flexible, on-demand mobility services, including shared mobility solutions where appropriate.

Whilst the manufacturers get their heads around exactly how the MAAS model might work for their respective brands, others also see opportunities in this model. Vehicle finance, rental and leasing companies for example; who own large, diverse, multi-brand fleets through which they could provide customers with almost any vehicle that they may require, for whatever period they may require it. That means that the OEM's may find that some of those businesses that have traditionally been their biggest customers, could become some of their biggest competitors in the emerging marketplace for MAAS.

Steve Nash, CEO, Institute of the Motor Industry

MOTOR 150 GROUP THE NUMBERS



MOTOR 150 GROUP

THE NUMBERS

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	2018	2017	2016	2015	2014
		£m	£m	£m	£m	£m
Turnover		68,762	67,831	62,778	58,640	55,238
Cost of sales		(61,245)	(60,565)	(55,904)	(52,170)	(49,070)
Gross profit		7,517	7,266	6,874	6,470	6,168
Gross profit %		10.93%	10.71%	10.95%	11.03%	11.17%
Operating expenses		(6,934)	(6,416)	(5,929)	(5,598)	(5,357)
Other operating income		224	182	192	238	192
Operating profit	1	807	1,032	1,137	1,110	1,003
Interest paid	4	(255)	(211)	(198)	(200)	(187)
Interest received		13	19	20	12	9
Profit before tax		565	840	959	922	825
Taxation		(147)	(161)	(184)	(185)	(188)
Profit after tax		418	679	775	737	637
Other comprehensive income		49	24	(12)	(6)	(5)
Net profit		467	703	763	731	632

CONSOLIDATED BALANCE SHEET

	Notes	2018	2017	2016	2015	2014
		£m	£m	£m	£m	£m
Fixed assets						
Intangible	6	1,218	1,270	1,196	953	839
Tangible	7	6,467	6,222	5,562	5,124	4,840
Investments		282	225	339	194	268
		7,967	7,717	7,097	6,271	5,947
Current assets						
Stock		12,034	11,708	10,417	10,020	8,420
Debtors	8	3,302	3,288	2,919	2,720	2,839
Deferred tax asset		29	32	34	11	17
Cash		707	714	709	748	524
Other		405	300	311	362	136
		16,477	16,042	14,390	13,861	11,936
Debtors due after more than one year		33	29	39	35	33
Total assets		24,477	23,788	21,526	20,167	17,916

MOTOR 150 GROUP

THE NUMBERS

CONSOLIDATED BALANCE SHEET (continued)

	Notes	2018	2017	2016	2015	2014
		£m	£m	£m	£m	£m
Current liabilities						
Loans and bank overdrafts	9	4,804	4,430	4,092	3,645	2,988
Trade and other payables	10	10,589	10,756	9,585	9,263	8,116
Current tax liabilities		66	75	105	135	158
		15,459	15,261	13,782	13,043	11,262
Non-current liabilities						
Loans and bank overdrafts	11	1,788	1,501	1,385	1,106	1,024
Trade and other payables	12	450	518	458	554	604
Pension liabilities		135	171	228	163	199
Provisions		108	66	55	40	69
Deferred tax		166	124	132	105	74
		2,647	2,380	2,258	1,968	1,970
Total net assets		6,371	6,147	5,486	5,156	4,684
Capital and reserves						
Share capital		835	853	778	744	751
Share premium		441	435	409	386	367
Profit and loss account		4,768	4,541	3,965	3,669	3,220
Revaluation reserve		144	156	142	164	164
Other reserves		170	135	158	167	158
		6,358	6,120	5,452	5,130	4,660
Minority interest		13	27	34	26	24
Total equity		6,371	6,147	5,486	5,156	4,684

MOTOR 150 GROUP

THE NUMBERS

NOTES TO THE ACCOUNTS

	2018	2017	2016	2015	2014
	£m	£m	£m	£m	£m
1. Operating profit					
Depreciation of tangible fixed assets	546	520	490	466	453
Amortisation of intangible fixed assets	62	55	50	40	42
Audit fees	9	8	8	8	7
Non-audit fees	3	3	5	3	2
Operating leases	271	257	207	207	212
2. Staff costs					
Wages and salaries	4,031	3,966	3,480	3,321	3,166
Social security costs	420	402	357	309	320
Share based payments	3	5	5	7	5
Pension costs	104	92	75	76	66
	4,558	4,465	3,917	3,713	3,557
Total number of employees	131,153	132,535	124,033	116,180	113,458
Average pay per employee (£000)	35	34	32	32	31
3. Directors emoluments					
Salaries and fees	116	111	136	107	102
Compensation for loss of office	1	-	-	1	1
Pension contributions	3	3	6	5	5
	120	114	142	113	108
Average emoluments per highest paid director (£000)	361	304	311	258	285
4. Interest payable					
Bank loans and overdrafts	45	43	37	34	36
Other interest payable	133	126	123	116	115
Other finance expense	77	42	38	50	36
	255	211	198	200	187

MOTOR 150 GROUP

THE NUMBERS

NOTES TO THE ACCOUNTS (continued)

	2018	2017	2016	2015	2014
	£m	£m	£m	£m	£m
5. Intangible fixed assets					
Cost b/fwd	1,726	1,604	1,286	1,229	1,148
Additions	49	44	185	84	74
Acquisitions	44	84	169	64	9
Disposals	(5)	(10)	(36)	(24)	(2)
Other	(8)	-	(1)	-	-
Cost c/fwd	1,806	1,722	1,603	1,353	1,229
Amortisation b/fwd	420	401	365	367	347
Charge	62	55	50	40	42
Impairments	110	2	1	5	1
Disposals	(4)	(6)	(9)	(12)	-
Amortisation c/fwd	588	452	407	400	390
Net book value at year-end	1,218	1,270	1,196	953	839

	Freehold property	Leasehold property	Motor vehicles	Plant and fixtures	Total
	£m	£m	£m	£m	£m
6. Tangible fixed assets					
Cost b/fwd	4,242	721	1,247	1,844	8,054
Additions	403	113	832	307	1,655
Disposals	(109)	(19)	(714)	(205)	(1,047)
Acquisitions	47	9	-	5	61
Revaluations	58	4	-	-	62
Other	(62)	(3)	(2)	5	(62)
Cost c/fwd	4,579	825	1,363	1,956	8,723
Depreciation b/fwd	411	198	371	1,050	2,030
Charge	69	34	229	214	546
Disposals	(11)	(11)	(222)	(108)	(352)
Other	(11)	(1)	45	(1)	32
Depreciation c/fwd	458	220	423	1,155	2,256
Net book value at year-end	4,121	605	940	801	6,467

	2018	2017	2016	2015	2014
	£m	£m	£m	£m	£m
8. Debtors - current					
Trade debtors	1,577	1,635	1,498	1,329	1,210
Group and related party loans	722	650	497	520	859
Corporation tax	7	7	7	6	4
Other debtors	540	515	537	484	423
Prepayments	456	481	380	381	343
	3,302	3,288	2,919	2,720	2,839

MOTOR 150 GROUP

THE NUMBERS

	2018	2017	2016	2015	2014
	£m	£m	£m	£m	£m
8. Loans and overdrafts - current					
Bank loans and overdrafts	859	938	874	579	512
Stocking loans	2,538	1,979	1,887	1,499	1,200
Group loans	1,383	1,480	1,305	1,539	1,245
Other loans	24	33	26	28	31
	4,804	4,430	4,092	3,645	2,988
9. Trade and other payables - current					
Trade creditors	8,690	8,655	7,887	7,453	5,781
Other taxation and social security	205	259	217	150	193
Finance leases	156	147	175	438	583
Other creditors	707	825	628	648	580
Accruals	831	870	678	574	979
	10,589	10,756	9,585	9,263	8,116
10. Loans and bank overdrafts - non current					
Bank loans	700	855	816	603	640
Group loans	320	216	192	173	54
Other loans	768	430	377	330	330
	1,788	1,501	1,385	1,106	1,024
11. Trade and other payables - non current					
Accruals	84	168	161	80	67
Finance leases	65	74	77	322	274
Other creditors	301	276	220	152	263
	450	518	458	554	604
12. Net debt and gearing					
Net debt comprises:					
Loans and bank overdrafts due within one year	(859)	(938)	(874)	(579)	(512)
Loans and bank overdrafts due after more than one year	(700)	(855)	(816)	(603)	(640)
Stocking loans	(2,538)	(1,979)	(1,887)	(1,499)	(1,200)
Finance leases	(221)	(221)	(252)	(760)	(857)
Other loans	(768)	(430)	(377)	(330)	(330)
	(5,086)	(4,423)	(4,206)	(3,771)	(3,539)
Cash and cash equivalents	707	714	709	748	524
Net debt	(4,379)	(3,709)	(3,497)	(3,023)	(3,015)
Total equity	6,371	6,147	5,486	5,156	4,684
Debt/equity	69%	60%	64%	59%	64%

MOTOR 150 COMPANY NAMES

Allen Ford (UK) Limited
 Ancaster Group Limited
 Aprite (GB) Limited
 Arnold Clark Automobiles Limited
 Arthur Bassett & Co Ltd
 Barretts of Canterbury Limited
 Baylis (Gloucester) Limited
 Birchwood Motor Group Limited
 Blade Motor Group Limited
 Bolton Car Centre Limited
 Borders Automobile Company Limited
 Brayleys Cars Limited
 Breeze Motor Company Limited
 Bugle Inn Motor Company (Holdings) Limited
 Burrows Motor Company Limited
 Bussey & Sabberton Bros. Limited
 C.E.M Day Limited
 Caffyns plc
 Cambria Automobiles plc
 Cameron Group (Perth) Limited
 Cathedral Motor Company Limited
 Central Garage (Uppingham) Limited
 Chapel House Holdings Ltd
 City West Country Limited
 Citygate Automotive Limited
 Cotswold Motor Group Limited
 Cox Motor Group Limited
 Currie Motors Limited
 D. M. Keith Limited
 Decidebloom Limited
 Delgarth Limited
 Desira Group plc
 Dick Lovett Companies Limited
 Donnelly Bros Garage (Dungannon) Limited
 Drift Bridge Garage Limited
 Drive Motor Retail Limited
 Eastern Western Motor Group Ltd

Eden Automotive Limited
 EMG Anglia Limited
 Endeavour Automotive Limited
 F.G. Barnes & Sons Limited
 F.R.F South Wales (Holdings) Limited
 Fish Brothers (Holdings) Limited
 Foray Motor Group Limited
 Ford Retail Limited
 Furrows Holdings Limited
 Gates Group Limited
 George Thurlow and Sons (Holdings) Limited
 Glyn Hopkin Limited
 Gravell's Limited
 Greenhous Group Limited
 Grevan Cars Limited
 Group 1 Automotive UK Limited
 Guildford Portfolios Limited
 H. R. Owen plc
 Halliwell Jones Limited
 Hartwell plc
 Harwoods Limited
 Hawco & Sons Limited
 Hawkins Motors Limited
 Helston Garage Group Ltd
 Hendy Automotive Limited
 Heritage Automotive Limited
 Howard Garages (Weston) Limited
 Inchcape Retail Limited
 Jacksons (C.I.) Limited
 Jardine Motors Group UK Limited
 JCB Medway Limited
 JCT 600 Limited
 Jemca Car Group Limited
 John Clark (Holdings) Limited
 John Grose Group Limited
 Johnsons Cars Limited
 Kent Auto Panels Limited
 L&L Inc Limited

Listers Group Limited
 Lloyd Motors Limited
 Lookers plc
 LSH Auto UK Limited
 Marriott Motor Group Limited
 Marsh Wall Limited
 Marshall Motor Holdings plc
 McLean & Appleton Limited
 Mercedes-Benz Retail Group UK Limited
 Mike Pulman Limited
 MJT Securities Limited
 Mon Motors Limited
 Motorline Holdings Limited
 Motorvogue Ltd
 O.M.C. Motor Group Limited
 Ocean Automotive Limited
 Park Lane Limited
 Parks of Hamilton (Holdings) Limited
 Parkway Derby Limited
 Partridge of Hampshire Holdings Limited
 Pendragon plc
 Pentagon Motor Holdings Limited
 Peoples Limited
 Perrys Group Limited
 Peter Cooper Motor Group Limited
 Peter Vardy Holdings Limited
 Porsche Retail Group Limited
 PSA Retail UK Limited
 R. Robinson & Co. (Motor Services) Limited
 Renault Retail Group UK Limited
 Renrod Holdings Limited
 Richmond Cars Limited
 Ringways Garages (Doncaster) Limited
 Riverside Motors Holdings Ltd
 RRG Group Limited
 Rybrook Holdings Limited

S.G. Petch Limited
 Saftdwin Limited
 Sandal Motors (Bayern) Limited
 Sandcliffe Motor Holdings Limited
 Sandown Motors Limited
 Simon Bailes Limited
 Sinclair Motor Holdings Ltd
 Snows Business Holdings Limited
 Sparshatts of Botley Limited
 Specialist Cars Holdings Limited
 St Leonards Motors Limited
 Stephen James Automotive Limited
 Steven Eagell Ltd
 Sutton Park Motor Company Limited
 Swansway Group Limited
 Sytner Group Limited
 T. Hayselden Limited
 T.C. Harrison Group Limited
 T.G. Holdcroft (Holdings) Ltd
 Tanner Automotive Limited
 The Harratts Group Limited
 The Phoenix Car Company Limited
 Trust Group UK Limited
 Underwoods Garage (Tiptree) Limited
 Vantage Motor Group Limited
 Vertu Motors plc
 Vindis Group Limited
 Vospers of Plymouth Limited
 W Brindley (Garages) Limited
 W.H.Bowker Limited
 W.J.King (Garages) Limited
 W.R. Davies (Motors) Ltd
 Walter E Sturgess & Sons Limited
 Westover Group Ltd
 William Morgan Group Limited
 Williams Motor Co (Holdings) Ltd
 Wilson & Co. (Motor Sales) Ltd
 Worcester Carsales Limited
 Yeomans Limited

COMPILATION OF THE REPORT

SOURCES OF INFORMATION

The 150 companies included in this report were selected from the "Top 200 Franchised Dealer Survey" published in Motor Trader magazine and copies of most recent financial statements were obtained from Companies House filings. The published accounts (see below for year ends), obtained from Companies House filings, were used to provide the financial information included in this report.

YEAR ENDS

The year ends included in the 'current period' financial information in this report range from 31 March 2018 to 31 March 2019 being the most recent accounts filed at Companies House at the time of the compilation of this report. For companies with December year ends (120 in the population) the 'current period' will be the year ended 31 December 2018. For January to March year ends (9) the current period is that ending in 2019. For April to November year-end companies (21), due to the restrictions of the filing deadlines at Companies House and the timescale of compilation of this report the current periods are predominantly those ending in 2018.

AGGREGATION

The published accounts of the 150 companies identified by the above processes have been combined by a simple aggregation to produce the financial information in this report. No consolidation adjustments have been made and in particular no adjustments have been made to reflect the non-coterminous year-ends of the companies.

IFRS AND UK GAAP

Of the 150 companies, nine have prepared their accounts under IFRS and the remainder under UK GAAP. However, as those companies represent 31% of total revenue and as the implementation of IFRS will increase in future, we have decided to present the financial information in a format more consistent with IFRS than UK GAAP. We have made no attempt to adjust UK GAAP numbers to comply with IFRS, we have merely represented the UK GAAP numbers in a format similar to IFRS.

Consequently a number of allocation judgements were required that may impact the comparability of the financial information.

DISCONTINUED OPERATIONS / NON OPERATING ITEMS

No distinction has been made between continuing and discontinued operations due to the variety of judgements and presentational approaches taken by relevant companies. Where it has been possible to identify such items, all 'exceptional' or similar items reflected outside operating profit have been aggregated, although we have produced a brief analysis of the main items in the notes to the accounts.

DISCLAIMER

The financial information in this report has been compiled exclusively from publicly available information under the key assumptions and limitations outlined above. It has been designed solely for illustrative purposes to highlight trends in the financial performance of a representative sample of companies in the sector. BDO has made a number of judgments in aggregating the information into a consistent format BDO does not, and cannot, warrant the completeness or accuracy of such adjustments. Furthermore in adjusting the presentation adopted in published accounts to meet the specific requirements of this report, BDO is not making any judgement nor giving any opinion on the presentation adopted in those published accounts. BDO has not carried out any verification work on the financial information in this report and gives no opinion on the financial information. The financial information was not compiled with the intention that it should be used for any purpose save for that described above. We do not accept responsibility for the financial information to any person or for any purpose other than that for which it was prepared.

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SECTOR SPECIALISTS IN MOTOR RETAIL

You could benefit from the advice and insight of an adviser who has a real depth of knowledge of the car industry and motor dealerships. Whether it is tackling the Apprenticeship Levy, the Corporate Criminal Offence legislation or trying to refinance banking facilities, our goal is to help you make the right decision that will benefit your motor retail business.

The BDO Motor retail team represents 50 senior professionals led by a Centre of Excellence based in Southampton. Our Motor Retail Centre of Excellence ensures training and support to the other 15 BDO offices across the UK. Wherever you operate, there is a BDO partner or specialist with the knowledge and experience to make a real difference to your business.

Our clients include franchised dealerships and used-car operations and range from single to multi-franchised groups. We work with each motor retail business to address their unique needs and opportunities. This combination of breadth and depth and commitment to exceptional client service has made us one of the top advisers to motor dealerships in the UK.

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