

Main Street Investments Limited

Annual Report and Financial Statements

Year Ended

31 December 2018

Company Number 769438

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Main Street Investments Limited

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Company Information

Director	J Butt
Company secretary	P J Bass
Registered number	769438
Registered office	77 High Street Lyndhurst Hampshire SO43 7PB
Independent auditors	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton SO14 3TL

Main Street Investments Limited

Group Strategic Report For the Year Ended 31 December 2018

The director presents his strategic report together with the audited financial statements for the year ended 31 December 2018.

Principal activities, review of business and future developments

The principal activity of the group is the sale and maintenance of Ferrari and Maserati vehicles. The principal activity of the company is the rental of property.

The group's profitability has remained in keeping with expectations with turnover for year amounting to £45,919,677 (2017 - £38,393,853) and gross profit being £4,132,629 (2017 - £3,717,494). May 2018 marked the official opening of the new dedicated Ferrari Aftersales and Classiche centre and the board is pleased to report increased turnover in the Aftersales and Parts department in line with expectations, and this is expected to contribute further to the group performance in the years ahead.

Following the 2017 Ferrari Aftersales Dealer of the Year worldwide award, Meridien Modena was awarded the overall accolade "Worldwide Ferrari Dealer of the Year 2018" at the Ferrari dealer conference and look forward to the new SF90 hybrid and F8 Tributo models announced in the first half of 2019.

The directors continue to monitor all aspects of the business and costs within the group and continue to review opportunities as they arise.

There are no planned changes to the group's activities in 2019.

Key performance indicators

	2018	2017	Method of calculation
Return on sales (%)	2.7	3.3	Profit before tax divided by turnover
Gross margin (%)	9.0	9.7	Gross profit divided by turnover
Capital expenditure (£'000)	1,061	1,589	Investment in capital items in the year
Movement in cash (£'000)	1,317	(753)	Net increase/(decrease) in cash
Average number of employees	56	51	Average number taken from payroll

The board also monitors non-financial key performance indicators, which include:

Customer satisfaction, as measured by independent third parties

Employee turnover and absences

Review of financial position

As a result of the profits and comprehensive income for the year the group's net assets have increased by 11% to £11.8m. Net current assets have increased by £656k to £5.5m.

The overall net cash position has increased as a result of the group's profit for the year and working capital management. The cash position is reviewed daily by management.

Main Street Investments Limited

Group Strategic Report (continued) For the Year Ended 31 December 2018

Principal risks and uncertainties

The group finances its operations through a mixture of retained profits, bank loans and overdrafts, stocking loans and various other items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations. The main risks arising from the group's financial instruments are interest rate risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. The policies have remained unchanged from previous periods.

Interest rate risk

The group's exposure to interest rate fluctuations on its borrowing is managed by the use of both fixed and floating facilities.

Liquidity risk

The group seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short term flexibility is achieved by the use of a bank overdraft facility.

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



J. Butt
Director

Date: 18 September 2019

Main Street Investments Limited

Director's Report For the Year Ended 31 December 2018

The director presents his report and the financial statements for the year ended 31 December 2018.

Results and dividends

The profit for the year, after taxation, amounted to £999,996 (2017 - £1,011,654).

During the year the company paid interim dividends of £113,611 (2017 - £113,611). The director does not recommend the payment of a final dividend.

Future developments

Information on the likely future developments of the business of the group has been included in the Strategic Report on page 1.

Post balance sheet events

There have been no significant events affecting the group since the year end.

Director

The director who served during the year was:

J Butt

Director's responsibilities statement

The director is responsible for preparing the Group Strategic Report, the Director's Report and the consolidated financial statements in accordance with applicable law and regulations.

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

In preparing these financial statements, the director is required to:

- select suitable accounting policies for the group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The director is 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 the group and to enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Main Street Investments Limited

Director's Report (continued) For the Year Ended 31 December 2018

Disclosure of information to auditors

The director at the time when this Director's Report is approved has confirmed that:

- so far as he is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- he has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the group's auditors are aware of that information.

Auditors

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



P J Bass
Secretary

Date: 18 September 2019

Main Street Investments Limited

Independent Auditors' Report to the members of Main Street Investments Limited

Opinion

We have audited the financial statements of Main Street Investments Limited ("the parent company") and its subsidiaries ("the group") for the year ended 31 December 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Main Street Investments Limited

Independent Auditors' Report to the members of Main Street Investments Limited (continued)

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Directors' Report.

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

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

Main Street Investments Limited

Independent Auditors' Report to the members of Main Street Investments Limited (continued)

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

BDO LLP

Stephen Le Bas (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton
United Kingdom

Date: 18 September 2019

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

Main Street Investments Limited

Consolidated Statement of Comprehensive Income For the Year Ended 31 December 2018

	Note	2018 £	2017 £
Turnover	3	45,919,677	38,393,853
Cost of sales		(41,787,048)	(34,676,359)
Gross profit		4,132,629	3,717,494
Administrative expenses		(2,879,509)	(2,487,496)
Other operating income		83,024	95,909
Operating profit	4	1,336,144	1,325,907
Interest receivable and similar income		442	9
Interest payable and expenses	8	(80,750)	(50,756)
Profit before taxation		1,255,836	1,275,160
Tax on profit	9	(255,840)	(263,506)
Profit for the financial year		999,996	1,011,654
Unrealised surplus on revaluation of tangible fixed assets		351,132	-
Deferred tax		(59,692)	-
Other comprehensive income for the year		291,440	-
Total comprehensive income for the year		1,291,436	1,011,654

All profit and comprehensive income for the year is attributable to the owners of the parent company.

The notes on pages 14 to 31 form part of these financial statements.

Main Street Investments Limited

Registered number: 769438

Consolidated Balance Sheet As at 31 December 2018

	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Tangible assets	11		5,816,827		4,753,940
Investment property	13		1,649,565		1,503,000
			<u>7,466,392</u>		<u>6,256,940</u>
Current assets					
Stocks	14	12,005,547		9,658,375	
Debtors	15	1,546,636		1,792,764	
Cash at bank and in hand		1,452,744		146,015	
		<u>15,004,927</u>		<u>11,597,154</u>	
Creditors: amounts falling due within one year	16	(9,540,736)		(6,789,164)	
Net current assets			<u>5,464,191</u>		<u>4,807,990</u>
Total assets less current liabilities			<u>12,930,583</u>		<u>11,064,930</u>
Creditors: amounts falling due after more than one year	17	(820,462)		(222,942)	
Deferred taxation	21	(283,292)		(192,984)	
Net assets			<u><u>11,826,829</u></u>		<u><u>10,649,004</u></u>
Capital and reserves					
Called up share capital	22		9,750		9,750
Revaluation reserve	23		1,671,532		1,320,400
Profit and loss account	23		10,145,547		9,318,854
Equity attributable to owners of the parent company			<u><u>11,826,829</u></u>		<u><u>10,649,004</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


J Butt
Director

Date: 18 September 2019

The notes on pages 14 to 31 form part of these financial statements.

Main Street Investments Limited

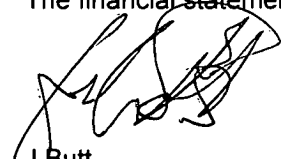
Registered number: 769438

Company Balance Sheet As at 31 December 2018

	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Investments	12		50,000		50,000
Investment property	13		5,784,845		4,845,787
			<u>5,834,845</u>		<u>4,895,787</u>
Current assets					
Debtors	15	372,781		493,576	
Creditors: amounts falling due within one year	16	(1,115,420)		(1,299,756)	
Net current liabilities			<u>(742,639)</u>		<u>(806,180)</u>
Total assets less current liabilities			<u>5,092,206</u>		<u>4,089,607</u>
Creditors: amounts falling due after more than one year	17		(797,510)		(114,685)
Deferred taxation	21		(184,226)		(124,534)
Net assets			<u><u>4,110,470</u></u>		<u><u>3,850,388</u></u>
Capital and reserves					
Called up share capital	22		9,750		9,750
Profit and loss account	23		4,100,720		3,840,638
			<u><u>4,110,470</u></u>		<u><u>3,850,388</u></u>

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent company for the year was £373,693 (2017 - £200,984).

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


J Butt
Director

Date: 18 September 2019

The notes on pages 14 to 31 form part of these financial statements.

Main Street Investments Limited

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2018

	Called up share capital £	Revaluation reserve £	Profit and loss account £	Total equity £
At 1 January 2017	9,750	1,320,400	8,420,811	9,750,961
Profit for the year	-	-	1,011,654	1,011,654
Dividends	-	-	(113,611)	(113,611)
At 1 January 2018	9,750	1,320,400	9,318,854	10,649,004
Profit for the year	-	-	999,996	999,996
Deferred tax movements	-	-	(59,692)	(59,692)
Surplus on revaluation of freehold property	-	351,132	-	351,132
Dividends	-	-	(113,611)	(113,611)
At 31 December 2018	9,750	1,671,532	10,145,547	11,826,829

Company Statement of Changes in Equity For the Year Ended 31 December 2018

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2017	9,750	3,753,265	3,763,015
Profit for the year	-	200,984	200,984
Dividends	-	(113,611)	(113,611)
At 1 January 2018	9,750	3,840,638	3,850,388
Profit for the year	-	373,693	373,693
Dividends	-	(113,611)	(113,611)
At 31 December 2018	9,750	4,100,720	4,110,470

Main Street Investments Limited

Consolidated Statement of Cash Flows For the Year Ended 31 December 2018

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	999,996	1,011,654
Adjustments for:		
Depreciation of tangible assets	192,514	143,467
Profit on disposal of investment properties	-	(27,958)
Net interest expense	80,308	50,747
Taxation charge	255,840	263,506
Increase in stocks	(2,347,172)	(858,832)
Decrease/(increase) in debtors	243,513	(303,698)
Decrease in creditors	1,788,040	1,024,440
Corporation tax paid	(239,193)	(141,374)
Net cash generated from operating activities	973,846	1,161,952
Cash flows from investing activities		
Purchase of tangible fixed assets	(1,061,278)	(1,588,804)
Purchase of investment properties	(146,565)	-
Sale of investment properties	-	39,958
Interest received	442	9
Net cash used in investing activities	(1,207,401)	(1,548,837)

Main Street Investments Limited

Consolidated Statement of Cash Flows (continued) For the Year Ended 31 December 2018

	2018 £	2017 £
Cash flows from financing activities		
New bank loans	750,000	-
Bank loans repaid	(96,087)	(121,565)
(Decrease)/Increase in vehicle funding	1,066,606	(50,596)
Repayment of finance leases	(15,305)	(15,305)
Directors' loan account movement	39,558	(13,972)
Dividends paid	(113,611)	(113,611)
Interest paid	(80,750)	(50,756)
Net cash generated from/(used in) financing activities	1,550,411	(365,805)
Net increase/(decrease) in cash and cash equivalents	1,316,856	(752,690)
Cash and cash equivalents at beginning of year	125,933	878,623
Cash and cash equivalents at the end of year	1,442,789	125,933
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,452,744	146,015
Bank overdrafts	(9,955)	(20,082)
	1,442,789	125,933

Main Street Investments Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

1. Accounting policies

1.1 Basis of preparation of financial statements

Main Street Investments Limited is a company incorporated in England and Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the Strategic Report.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold and long leasehold property and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

The following principal accounting policies have been applied:

1.2 Basis of consolidation

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

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

1.3 Parent company disclosure exemptions

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

- No cash flow statement has been presented for the parent company; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

1.4 Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales.

Sales of motor vehicles, parts and accessories are recognised on the earlier of full payment or delivery to the customer. Service work is recognised on the completion of the agreed work.

Main Street Investments Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

1. Accounting policies (continued)

1.5 Tangible fixed assets

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

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

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

Depreciation is provided on the following basis:

Freehold property	-	2% straight line
Leasehold property	-	10% straight line
Plant and machinery	-	10% straight line
Motor vehicles	-	10% - 25% straight line
Fixtures and fittings	-	10% - 25% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

1.6 Revaluation of tangible fixed assets

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

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

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

1.7 Investment property

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

Main Street Investments Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

1. Accounting policies (continued)

1.8 Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment.

1.9 Stocks

Stocks are valued at the lower of cost and net realisable value. Where the nature of the agreement with the manufacturer confers the benefit and associated risk of ownership to the company on consignment, such stocks and the corresponding creditor are included on the balance sheet although legal title remains with the supplier until sold. Parts stock is shown at weighted average purchase price paid. Provision is made for obsolete, slow moving or defective items where appropriate.

1.10 Financial instruments

The group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

1.11 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.12 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

1.13 Operating leases: the group as lessor

Rentals income from operating leases is credited to the Consolidated Statement of Comprehensive Income on a straight line basis over the term of the relevant lease.

1.14 Leased assets: the group as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Consolidated Statement of Comprehensive Income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

Main Street Investments Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

1. Accounting policies (continued)

1.15 Pensions

Defined contribution pension plan

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the group in independently administered funds.

1.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company and the group operate and generate income.

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

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

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Main Street Investments Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates.

- The director has made the following critical estimates and judgements deemed to be applicable to the financial statements:

Stocks

Consideration has been given by the directors to the level of provision against vehicle stocks. In determining the provision required the directors have used guidance from independent valuation tools and their knowledge of the industry.

Valuation of fixed assets and investment property

Investment properties and land and buildings within fixed assets are professionally valued using open market value. The properties are subject to professional valuation with sufficient regularity to ensure that the fair value is not materially misstated. Please see notes 11 and 13 for further details.

3. Turnover

An analysis of turnover by class of business is as follows:

	2018 £	2017 £
Vehicles	43,198,022	35,768,112
Aftersales	2,721,655	2,625,741
	<u>45,919,677</u>	<u>38,393,853</u>

All turnover arose within the United Kingdom.

4. Operating profit

The operating profit is stated after charging/(crediting):

	2018 £	2017 £
Depreciation of tangible fixed assets	192,514	143,467
Profit on sale of investment property	-	(27,958)
Operating lease expense	114,994	114,158
Defined contribution pension cost	16,871	7,559
	<u>324,379</u>	<u>237,126</u>

Main Street Investments Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

5. Auditors' remuneration

	2018 £	2017 £
Fees payable to the group's auditor for the audit of the group's annual financial statements	12,750	13,650
Fees payable to the group's auditor in respect of:		
Taxation compliance services	3,575	3,150
All other services	4,025	3,825
	7,600	6,975

6. Employees

Staff costs, including director's remuneration, were as follows:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Wages and salaries	1,547,362	1,384,326	11,960	11,960
Social security costs	156,021	141,801	5,617	5,317
Cost of defined contribution scheme	16,871	7,559	-	-
	1,720,254	1,533,686	17,577	17,277

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

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Sales, parts and service staff	48	43	-	-
Directors	1	1	1	1
Administrative staff	7	7	-	-
	56	51	1	1

Main Street Investments Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

7. Director's remuneration

	2018 £	2017 £
Director's emoluments	11,960	11,960

During the year retirement benefits were accruing to no directors (2017 - Nil) in respect of defined contribution pension schemes.

8. Interest payable and similar charges

	2018 £	2017 £
Bank interest payable	20,827	5,458
Stocking interest payable	59,923	45,169
Other interest payable	-	129
	80,750	50,756

9. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	230,500	230,000
Adjustments in respect of previous periods	(5,276)	7,404
Total current tax	225,224	237,404
Deferred tax		
Origination and reversal of timing differences	24,471	22,340
Adjustments in respect of previous periods	6,145	3,762
Total deferred tax	30,616	26,102
Taxation on profit on ordinary activities	255,840	263,506

Main Street Investments Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

9. Taxation (continued)

Factors affecting tax charge for the year

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

	2018 £	2017 £
Profit on ordinary activities before tax	<u>1,255,836</u>	<u>1,275,160</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	238,609	245,466
Effects of:		
Expenses not deductible for tax purposes	12,986	9,861
Adjustments to tax charge in respect of prior periods	869	11,166
Change in deferred tax rate	3,376	(2,987)
Total tax charge for the year	<u><u>255,840</u></u>	<u><u>263,506</u></u>

Factors that may affect future tax charges

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

The company has capital losses carried forward of £65,000 (2017 - £65,000). There is an unprovided deferred tax asset in respect of these losses of £11,000 (2017 - £11,000).

10. Dividends

	2018 £	2017 £
Ordinary		
Interim dividends paid of £11.65 (2017 - £11.65) per share	<u><u>113,611</u></u>	<u><u>113,611</u></u>

Main Street Investments Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

11. Tangible fixed assets

Group

	Freehold property £	Leasehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation						
At 1 January 2018	2,225,000	2,576,404	543,368	237,703	546,852	6,129,327
Additions	-	471,622	262,486	43,154	127,007	904,269
Revaluations	-	351,132	-	-	-	351,132
At 31 December 2018	2,225,000	3,399,158	805,854	280,857	673,859	7,384,728
Depreciation						
At 1 January 2018	27,325	291,846	382,140	203,693	470,383	1,375,387
Provided for the year	27,325	62,715	46,350	20,498	35,626	192,514
At 31 December 2018	54,650	354,561	428,490	224,191	506,009	1,567,901
Net book value						
At 31 December 2018	2,170,350	3,044,597	377,364	56,666	167,850	5,816,827
At 31 December 2017	2,197,675	2,284,558	161,228	34,010	76,469	4,753,940

Within leasehold property is long leasehold property with a net book value of £2,775,817 (2017 - £1,961,824) and short leasehold property with a net book value of £268,780 (2017 - £322,734). Included within freehold and leasehold property is the cost of land totalling £1,745,122 (2017 - £1,745,122) which is not depreciated.

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2018 £	2017 £
Motor vehicles	17,006	34,010

Main Street Investments Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

The long leasehold land and buildings were subject to a revaluation in the year subsequent to the completion of the construction of the property in 2018. The valuation of the property had been carried out by Lambert Smith Hampton. The valuation gave rise to a surplus of £351,132 which has been credited to the Other Comprehensive Income.

Subsequent to a full valuation of the freehold land and buildings in 2016, the director has assessed the valuation of the freehold land and buildings in 2018 and has determined that there is no material change in their value.

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2018 £	2017 £
Group		
Historic cost	3,658,262	3,186,640
Accumulated depreciation	(217,221)	(184,844)
Net book value	<u>3,441,041</u>	<u>3,001,796</u>

12. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
Meridien Modena Limited	Ordinary	100 %	Motor dealership

The registered office of Meridien Modena Limited is 77 High Street, Lyndhurst, Hampshire, SO43 7PB.

Company

	Group undertakings £
Cost or valuation	
At 1 January 2017 and 31 December 2017	<u>50,000</u>

Main Street Investments Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

13. Investment property

Group

	Freehold investment property £
Valuation	
At 1 January 2018	1,503,000
Additions at cost	146,565
At 31 December 2018	1,649,565

Subsequent to a full valuation of the investment properties in 2016, the director has assessed the valuation of the investment properties in 2018 and has determined that there is no material change in their value.

If the investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2018 £	2017 £
Historic cost	787,029	640,464

Company

	Freehold investment property £	Leasehold investment property £	Total £
Valuation			
At 1 January 2018	2,938,280	1,907,507	4,845,787
Additions at cost	146,565	441,361	587,926
Surplus on revaluation	-	351,132	351,132
At 31 December 2018	3,084,845	2,700,000	5,784,845

The freehold investment property valuations in the year have been carried out as noted above.

The leasehold investment property was subject to a revaluation in the year subsequent to the completion of the construction of the property in 2018. The valuation of the property had been carried out by Lambert Smith Hampton. The valuation gave rise to a surplus of £351,132 which has been credited to the Statement of Comprehensive Income.

Main Street Investments Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

14. Stocks

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Finished goods and goods for resale	12,005,547	9,658,375	-	-

Stock recognised in cost of sales during the year as an expense was £41,528,509 (2017 - £34,122,325).

An impairment loss of £51,818 (2017 - £49,999) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

Consignment stock

The group holds consignment stock at its premises for which the legal title does not pass to the group until the earlier of the group holding the vehicle for a specified period, adopting the vehicle by using it as a demonstrator vehicle or selling the vehicle to a third party.

There is no material difference between the replacement cost of stocks and the amounts stated above.

15. Debtors

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Due within one year				
Trade debtors	327,259	293,057	-	6,962
Amounts owed by related parties	254,301	277,909	372,781	371,689
Other debtors	321,697	821,891	-	114,925
Prepayments and accrued income	586,016	342,544	-	-
Tax recoverable	57,363	57,363	-	-
	1,546,636	1,792,764	372,781	493,576

Main Street Investments Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

16. Creditors: Amounts falling due within one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Bank overdrafts (secured)	9,955	20,082	9,955	20,082
Bank loans (secured)	137,175	96,087	67,175	26,087
Vehicle stocking loans	2,219,000	1,152,394	-	-
Trade creditors	6,336,359	4,809,388	-	198,777
Amounts owed to group undertakings	-	-	1,025,007	1,032,656
Corporation tax	230,500	244,469	-	15,000
Other taxation and social security	41,924	35,233	1,407	1,394
Net obligations under finance lease and hire purchase contracts	15,305	15,305	-	-
Other creditors	512,098	381,369	-	-
Accruals and deferred income	38,420	34,837	11,876	5,760
	9,540,736	6,789,164	1,115,420	1,299,756

The bank loans and overdrafts are secured by a legal charge and debenture over all the assets of the group together with a guarantee with related companies.

Included within other creditors are directors loans amounting to £97,272 (2017 - £60,329).

Vehicle stocking loans are secured by floating charges over stocks of new and used motor vehicles.

Net obligations under finance lease and hire purchase contracts are secured against the assets concerned.

17. Creditors: Amounts falling due after more than one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Bank loans (secured)	815,010	202,185	797,510	114,685
Net obligations under finance leases and hire purchase contracts	5,452	20,757	-	-
	820,462	222,942	797,510	114,685

The bank loans are secured by a legal charge and debenture over all the assets of the group together with a guarantee with related companies.

Net obligations under finance lease and hire purchase contracts are secured against the assets concerned.

Main Street Investments Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

18. Loans

Analysis of the maturity of loans is given below:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Amounts falling due within one year				
Bank loans	137,175	96,087	67,175	26,087
Vehicle stocking loans	2,219,000	1,152,394	-	-
	<u>2,356,175</u>	<u>1,248,481</u>	<u>67,175</u>	<u>26,087</u>
Amounts falling due 1-2 years				
Bank loans	157,500	95,509	140,000	25,509
Amounts falling due 2-5 years				
Bank loans	150,000	106,676	150,000	89,176
Amounts falling due after more than 5 years				
Bank loans	507,510	-	507,510	-
	<u>3,171,185</u>	<u>1,450,666</u>	<u>864,685</u>	<u>140,772</u>

One of the bank loans is repayable in more than five years. This loan is repayable by 180 monthly instalments of £4,167 until February 2034. Interest is charged at 1.99% above bank base rate.

19. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2018 £	Group 2017 £
Within one year	15,305	15,305
Between 1-2 years	5,452	15,305
Between 2-5 years	-	5,452
	<u>20,757</u>	<u>36,062</u>

Main Street Investments Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

20. Financial instruments

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	<u>2,356,001</u>	<u>1,538,872</u>	<u>372,781</u>	<u>493,576</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>10,088,774</u>	<u>6,732,404</u>	<u>1,911,523</u>	<u>1,398,047</u>

Financial assets that are debt instruments measured at amortised cost comprise cash at bank, trade debtors, amounts owed by related parties and other debtors.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, vehicle stocking loans, trade creditors, amounts owed to group undertakings, net obligations under finance lease and hire purchase contracts, other creditors and accruals.

21. Deferred taxation

Group

	2018 £	2017 £
At beginning of year	192,984	166,882
Charged to profit or loss	30,616	26,102
Charged to other comprehensive income	59,692	-
At end of year	<u>283,292</u>	<u>192,984</u>

Main Street Investments Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

21. Deferred taxation (continued)

Company

	2018 £	2017 £
At beginning of year	124,534	124,534
Charged to profit or loss	59,692	-
At end of year	184,226	124,534

The provision for deferred taxation is made up as follows:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Accelerated capital allowances	103,635	75,149	362	362
Capital gains	183,864	124,172	183,864	124,172
Short term timing differences	(4,207)	(6,337)	-	-
	283,292	192,984	184,226	124,534

22. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
9,750 (2017 - 9,750) Ordinary shares of £1 each	9,750	9,750

23. Reserves

Revaluation reserve

The revaluation reserve represents accumulated revaluation gains on freehold and leasehold property.

Profit and loss account

The profit and loss account represents accumulated comprehensive income for the year and prior periods less any dividends paid.

Main Street Investments Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

24. Capital commitments

At 31 December 2018 the group and company had capital commitments as follows:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Contracted for but not provided in these financial statements	-	549,165	-	499,733

25. Pension commitments

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge amounted to £16,871 (2017 - £7,559). Contributions totalling £5,083 (2017 - £2,373) were payable to the fund at the balance sheet date.

26. Commitments under operating leases

At 31 December 2018 the group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2018 £	Group 2017 £
Not later than 1 year	66,750	66,750
Later than 1 year and not later than 5 years	267,000	267,000
Later than 5 years	116,813	183,563
	450,563	517,313

The company had no commitments under the non-cancellable operating leases as at the balance sheet date.

Main Street Investments Limited

Notes to the Financial Statements For the Year Ended 31 December 2018

27. Related party transactions

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

During the year the group made sales of £223,116 (2017 - £762,887) to related companies and purchases of £703,440 (2017 - £250,443) from related companies. At the year end the amount owed by related companies totalled £254,301 (2017 - £277,909).

These companies are under common control.

During the year rent totalling £46,000 (2017 - £46,000) was paid to the director.

At the year end £97,272 (2017 - £60,329) was owed to a director. The maximum amount owing to the director in the year was £97,272 (2017 - £60,329). No interest was charged on the loan.

At the year end £173,134 (2017 - £174,152) was owed by a family member of the director. The maximum amount owing in the year was £179,533 (2017 - £174,798). No interest was charged on the loan.

At the year end £37,073 (2017 - £38,670) was owed by a family member of the director. The maximum amount owing in the year was £38,670 (2017 - £39,102). No interest was charged on the loan.

Dividends totalling £113,611 (2017 - £113,611) were paid to the director and his family in the year.

Key management personnel include all directors and a number of senior managers across the group who together have authority and responsibility for planning, directing and controlling the activities of the company. The total remuneration paid to key management personnel for services provided to the company was £388,323 (2017 - £411,062).

28. Controlling party

The group is controlled by J Butt by virtue of his shareholding in the group.