

# Ford Retail Limited

## Annual Report and Financial Statements

Year Ended 31 December 2018



*Registered number: 00191596*

**Ford Retail Limited**  
**Annual Report and Financial Statements**  
**For the year ended 31 December 2018**  
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## **STRATEGIC REPORT**

### **Strategic report for the year ended 31 December 2018**

The directors present their strategic report for the year ended 31 December 2018 for Ford Retail Limited ("the Company").

#### **Principal activities**

The principal activity of the company during the year was the retailing of motor vehicles and related activities in the motor trade.

#### **Review of the business**

With regard to its overall business performance, the Company continued to be the market leader in selling Ford passenger and commercial vehicles in the UK. In 2018, Ford launched 21 either new or heavily refreshed vehicles and derivatives. These included the all-new Focus, Edge, KA+, Mustang Fastback and Convertible, Mustang Bullitt Fiesta ST in both three and five-door and the new Fiesta Active. Ford also continued the rollout of its full Transit and Tourneo range, including the new Courier, Connect and Custom models, and the new Fiesta van. As a result the Company bucked the market trend in 2018 and posted a healthy profit over and above budget in what was a tough market for automotive sales.

2018 also saw the introduction of Ford's PartsPlus business venture to replace Ford's UK parts distribution network, bringing with it operational and structural challenges. The Company successfully transitioned to the new structure creating 7 main hubs to service the distribution of parts across the UK including additional retail distribution sites.

The year ahead is forecast to bring tough automotive selling conditions in the UK due to the future uncertainties of trading between the UK and Europe and the challenges that would bring in vehicle movement and pricing. But with the advent of electrification of Ford vehicles in the near future and exciting growth predicted in the PartsPlus venture the Company has a strong ambition in continuing to be the market leader in Ford vehicle, parts and after sales market in the UK.

#### **Principal risks and uncertainties**

The company benefits from close commercial relationships with a number of key customers and suppliers. The loss of any of these key customers or suppliers, or a significant worsening in commercial terms could have a material impact on the company's results.

The company devotes significant resources to supporting these relationships to ensure that they continue to operate satisfactorily. The company undertakes surveys of customer satisfaction from a majority of its customers, which are reviewed by the board.

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**STRATEGIC REPORT (continued)**

**Key performance indicators**

The company measures its financial performance by reference to profitability based on the strategies set out above. Some of the key performance indicators used by the business are set out below:

| In thousands:                      |   | 2018 |           | 2017 |           |
|------------------------------------|---|------|-----------|------|-----------|
| Revenues                           | Vehicle sales were up 1% after taking account of measure for measure revenue. The parts business saw record sales, up 23%.                        | £    | 1,717,649 | £    | 1,729,307 |
| EBIT (pre-exceptionals-see note 6) | Measure for measure gross margins were down £3m but was offset by reductions in expenses by £2m.  | £    | 15,267    | £    | 16,630    |
| Net Assets                         | The statement of financial position net asset increase is reflective of the profitability/cash generative nature of the business during the year. | £    | 81,661    | £    | 71,900    |

**Results**

The company's result for the year is set out in the income statement and statement of financial position on pages 10 and 11 respectively.

**Employee communications**

The company has continued to broadcast regularly to employees through the Trustford intranet web-based system and the new colleague smart phone app, to all employees. These are designed to keep all colleagues up to date on current issues.

**Health and Safety**

Health and Safety continues to be a priority consideration within the company.

**Environment**

At Ford Retail Limited we recognise that our operation can have a negative impact on the environment, specifically finite resources. The company continues to commit to provide the best possible environment for its employees and encourage them to think of new ways to helping the environment in accordance with the long term business plan. We actively seek to reduce our impact on the environment by making changes to our behaviour and installing more efficient technology.

"Contributing to a better world has always been a core value at Ford, and our commitment to sustainability is a key part of who we are. Our vision is to create an even more dynamic and vibrant company that improves people's lives around the world and creates value for all of our stakeholders."

*William Clay Ford, Jr., Executive Chairman, Ford*  
*Jim Hackett, President and CEO, Ford*

On behalf of the Board



S Mustoe  
 Director  
 17 June 2019

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## **DIRECTORS' REPORT**

### **Directors' report for the year ended 31 December 2018**

The Directors present their report and the audited, financial statements of Ford Retail Limited ("the Company") for the year ended 31 December 2018.

#### **Directors**

The directors who held office during the year and up to the date of signing the financial statements were:

S. Foulds  
S. Mustoe  
N. Jason

#### **Principal activities and future developments**

As noted in the Strategic Report, the principal activity of the company during the year was the retailing of motor vehicles and related activities in the motor trade.

The company is to continue investing in training all staff for the purpose of meeting its long term goal of growth by providing excellent customer service.

The financial risk management policy of the company is shown below.

#### **Results and dividends**

The results for the year are set out in the income statement and statement of financial position on pages 10 and 11 respectively.

During the year the company paid no dividends (2017: £Nil). No final dividend is to be declared in respect of the financial year.

#### **Land and buildings**

In the opinion of the directors the present market value of the company's properties is in excess of its net book value, but in the absence of a recent valuation, the excess is not quantified.

#### **Employees equal opportunities and diversity**

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

Consultation is undertaken on a regular basis with employees, so that their views can be taken into account in making decisions affecting their interests through the use of appraisals and that all employees are aware of the financial and economic performance of their business units and of the company as a whole by holding quarterly cascade and town hall meetings chaired by senior management. The company encourages the involvement of employees in business performance by providing incentives such as discounts on vehicle purchases and other product and service discounts.

#### **Directors' indemnity**

Directors qualifying third party indemnity insurance in force during the financial year and at the date of approval of the financial statements, is arranged by related parties in the same group of companies.

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**DIRECTORS' REPORT** *(continued)*

**Political donations**

No political donations were made in the year (2017: £nil).

**Financial risk management**

***Competitor risk***

The company operates in highly competitive markets. Significant product innovations, technical advances or the intensification of price competition could all adversely affect the company's results. Ford Retail Limited invests in significant training for its staff in order to ensure that the company is well placed within each community it operates, that the customer has the choice, is aware of their options and as a result of provision of our service, is satisfied. The company also continually works to streamline its cost base to ensure that it remains competitive. The directors realise the importance of excellent customer service to remain ahead of competition and the business has been rewarded for its efforts in providing a high level of training in this area under the 'PPA' initiative (our purpose, principles and ambition).

***Credit risk***

The company has well established policies and procedures that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counter party is subject to a limit, which is reassessed annually by the management of the company.

***Liquidity risk***

Effective management of cash and working capital is a key ongoing priority. The company has an inter-company facility in place that is sufficient to ensure available funds for its operations.

***Price risk***

The company is exposed to commodity price risk as a result of its operations. The company mitigates this risk by constant management of stock levels and by keeping lines of communication with related parties open throughout the year.

***Interest rate risk***

Profits are exposed to erosion due to the relative risk of interest rate rises, particularly on stocking charges. These risks are managed by regular discussions with our suppliers and financiers.

**Post balance sheet events**

There were no post balance sheet events to report.

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**DIRECTORS' REPORT** *(continued)*

**Statement of directors' responsibilities**

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

**Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

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

**Independent auditors**

PricewaterhouseCoopers LLP have expressed a willingness to remain as independent auditors of the Company.

On behalf of the Board



S Mustoe  
Director  
17 June 2019

Registered office:  
2 Charter Court  
Newcomen Way  
Colchester  
Essex CO4 9YA

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FORD RETAIL LIMITED**

**Report on the audit of the financial statements**

**Opinion**

In our opinion, Ford Retail Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the income statement and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

**Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- 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 company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

**Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.



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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FORD RETAIL LIMITED (continued)**

**Reporting on other information (continued)**

**Strategic Report and Directors' Report**

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 year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

**Responsibilities for the financial statements and the audit**

**Responsibilities of the directors for the financial statements**

As explained more fully in the statement of directors' responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

**Use of this report**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**Other required reporting**

**Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:  
we have not received all the information and explanations we require for our audit; or

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

We have no exceptions to report arising from this responsibility.



Neil Philpott (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors, Birmingham  
19 June 2019

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**INCOME STATEMENT**  
**(in thousands)**

|   | Note | For the years ended December 31, |             |
|---|------|----------------------------------|-------------|
|   |      | 2018                             | 2017        |
| Revenues                                    | 4    | £ 1,717,649                      | £ 1,729,307 |
| <b>Cost of sales and other expenses</b>     |      |                                  |             |
| Cost of sales                               |      | 1,584,470                        | 1,588,224   |
| Selling, administrative, and other expenses |      | 146,386                          | 146,802     |
| Total costs and expenses                    | 5    | 1,730,856                        | 1,735,026   |
| Other operating income                      | 6    | 24,683                           | 24,615      |
| Dividends received from subsidiary          |      | 4,717                            | -           |
| Other interest expense, net                 | 7    | 3,835                            | 3,496       |
| Profit before income tax                    |      | 12,358                           | 15,400      |
| Income tax expense                          | 8    | 2,597                            | 2,673       |
| Net profit                                  |      | £ 9,761                          | £ 12,727    |

*All results are from continuing operations.*

The profit for the financial year is the only recognised gain or loss for the year. A separate statement of comprehensive income has therefore not been presented.

The accompanying notes are part of the financial statements.

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**STATEMENT OF FINANCIAL POSITION**  
**(in thousands)**

|  | Note | December 31,<br>2018 | December 31,<br>2017 |
|--|------|----------------------|----------------------|
| <b>ASSETS</b>                          |      |                      |                      |
| Cash and cash equivalents              |      | £ 13                 | £ 19                 |
| Trade and other receivables, net       | 9    | 111,073              | 61,361               |
| Inventories                            | 10   | 528,544              | 413,928              |
| Assets held for sale                   | 11   | 386                  | 911                  |
| <b>Total current assets</b>            |      | <b>640,016</b>       | <b>476,219</b>       |
| Property, plant, and equipment         | 12   | 36,842               | 37,228               |
| Investment in subsidiaries             | 13   | 3,710                | 8,427                |
| Deferred income taxes                  | 14   | 112                  | 89                   |
| <b>Total non-current assets</b>        |      | <b>40,664</b>        | <b>45,744</b>        |
| <b>Total assets</b>                    |      | <b>£ 680,680</b>     | <b>£ 521,963</b>     |
| <b>LIABILITIES</b>                     |      |                      |                      |
| Trade and other payables               | 16   | £ 595,988            | £ 447,994            |
| Provisions                             | 17   | 2,174                | 1,113                |
| <b>Total current liabilities</b>       |      | <b>598,162</b>       | <b>449,107</b>       |
| Deferred revenue and other liabilities |      | -                    | 25                   |
| Provisions                             | 17   | 857                  | 931                  |
| <b>Total non-current liabilities</b>   |      | <b>857</b>           | <b>956</b>           |
| <b>Total liabilities</b>               |      | <b>599,019</b>       | <b>450,063</b>       |
| <b>EQUITY</b>                          |      |                      |                      |
| Called up share capital                | 18   | 2,453                | 2,453                |
| Retained earnings                      |      | 68,846               | 59,085               |
| Other reserves                         |      | 10,362               | 10,362               |
| <b>Total equity</b>                    |      | <b>81,661</b>        | <b>71,900</b>        |
| <b>Total liabilities and equity</b>    |      | <b>£ 680,680</b>     | <b>£ 521,963</b>     |

The accompanying notes are part of the financial statements.

The financial statements on pages 10 to 27 were approved by the board of directors on 17 June 2019 and were signed on its behalf by:



**S Mustoe**  
**Finance Director**

17 June 2019

Registered number: 00191596

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**STATEMENT OF CHANGES IN EQUITY**  
**(in thousands)**

|                                      | Called up Share<br>Capital | Retained Earnings | Other Reserves  | Total Equity    |
|--------------------------------------|----------------------------|-------------------|-----------------|-----------------|
| <b>Balance at January 1, 2017</b>    | £ 2,453                    | £ 46,358          | £ 10,362        | £ 59,173        |
| Comprehensive income                 |                            |                   |                 |                 |
| Net profit                           | -                          | 12,727            | -               | 12,727          |
| Comprehensive income                 | -                          | 12,727            | -               | 12,727          |
| Transactions with shareholders       |                            |                   |                 |                 |
| Dividends                            | -                          | -                 | -               | -               |
| Total transactions with shareholders | -                          | -                 | -               | -               |
| <b>Balance at December 31, 2017</b>  | <u>£ 2,453</u>             | <u>£ 59,085</u>   | <u>£ 10,362</u> | <u>£ 71,900</u> |
| <b>Balance at January 1, 2018</b>    | £ 2,453                    | £ 59,085          | £ 10,362        | £ 71,900        |
| Comprehensive income                 |                            |                   |                 |                 |
| Net profit                           | -                          | 9,761             | -               | 9,761           |
| Comprehensive income                 | -                          | 9,761             | -               | 9,761           |
| Transactions with shareholders       |                            |                   |                 |                 |
| Dividends                            | -                          | -                 | -               | -               |
| Total transactions with shareholders | -                          | -                 | -               | -               |
| <b>Balance at December 31, 2018</b>  | <u>£ 2,453</u>             | <u>£ 68,846</u>   | <u>£ 10,362</u> | <u>£ 81,661</u> |

The other reserve was the result of a gift by Ford Retail Group Limited of shares in Lindsay Cars Limited on 10 February 2012.

The accompanying notes are part of the financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1. BACKGROUND AND BASIS OF PREPARATION**

**Background**

The principal activity of the company during the year was the retailing of motor vehicles and related activities in the motor trade.

The company is domiciled in the United Kingdom as a Limited Company (limited by shares) and the country of incorporation is the United Kingdom.

**Basis of Preparation**

**Statement of Compliance**

The financial statements of the company have been prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The company is itself a subsidiary company of Ford Retail Group Limited, a company incorporated in the United Kingdom, and is exempt from the requirement to prepare group financial statements by virtue of Section 401 of the Companies Act 2006. Copies of the ultimate parent company's financial statements can be obtained from the address outlined in note 23.

The principal accounting policies are set out in note 2 and have been applied consistently throughout the year.

**Presentation**

The financial statements are presented in Pounds Sterling. All financial information has been rounded to the nearest thousand, except where otherwise indicated.

The statement of financial position differentiates between current and non-current assets and liabilities. Assets and liabilities are classified as current if they mature within one year.

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

- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 *Property, plant and equipment*;
  - (iii) paragraph 118(e) of IAS 38 *Intangible assets* (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows),
  - 38A (requirement for minimum of two primary statements, including cash flow statements),
  - 38B-D (additional comparative information),
  - 111 (cash flow statement information), and
  - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 and 18A of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Going Concern**

The directors consider the company has adequate resources to continue in operational existence for the foreseeable future and there are no scenarios which might cause doubt about our ability to continue as a going concern for the next year and so we have prepared the financial statements on that basis.

**Revenue Recognition**

Revenue is generated primarily by sales of vehicles and accessories. Revenue is recorded when obligations under the terms of a contract with our customer are satisfied; generally, this occurs with the transfer of control of our vehicles or accessories. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods. The PartsPlus business generates income on the supply of management and infrastructure services to Ford Motor Company Limited and is recognised on completion of the services on a monthly basis.

**Income Taxes**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, items recognised directly in equity, or items recognised in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

**Deferred Taxes**

Deferred tax is recognised for temporary differences that exist between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits, and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**Presentation of Sales and Sales-Related Taxes**

We collect and remit taxes assessed by the government that are both imposed on and concurrent with a revenue-producing transaction between us and our customers. These taxes may include, but are not limited to, sales, use, value-added, and some excise taxes. We report the collection of these taxes on a net basis (excluded from revenues).

**Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of parts inventories is determined by methods approximating the weighted average cost principle and other costs incurred in bringing them to their existing location and condition. Cars are initially valued at cost and are revalued to CAP after a period of 60 days and commercial vehicles after a period of 90 days.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Leases**

We determine the classification of leases as *operating or finance* at the inception of the lease. A lease that transfers substantially all risks and rewards of ownership of the asset to the lessee is classified as a finance lease. All other leases are classified as operating leases. Operating leases are charged to the income statement on a straight line basis over the period of the lease.

Finance leases are where the company enters into a lease which entails taking substantially all of the risks and rewards of ownership of the asset. Assets leased under finance leases are included in property, plant and equipment at the present value of minimum lease payments and are depreciated over the shorter of the lease term and the useful economic lives of equivalent owned assets. Obligations under finance leases are initially recognised at the present value of minimum lease payments and are included in creditors net of finance charges in respect of future periods. The interest element of the rental is allocated to accounting periods so as to produce a constant periodic rate of charge on the remaining balance of the obligation.

**Assets Held for Sale**

Assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable within the next 12 months. They are stated at the lower of carrying amount and fair value less costs to sell.

**Property, Plant, and Equipment**

Property, plant, and equipment are recorded at cost, net of accumulated depreciation and impairments. We capitalise new assets when we expect to use the asset for more than one year. Routine maintenance and repair costs are expensed when incurred.

We recognise the gain or loss on disposal of an item of property, plant and equipment within Selling, administrative, and other expenses in our income statement.

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of the property, plant, and equipment, taking into consideration our best estimate of its residual value. We generally depreciate leased assets over the shorter of the lease term and their useful lives.

Property, improvements and equipment are depreciated primarily using the straight-line method over the estimated useful life of the asset. Useful lives range from 3 years to 25 years. The estimated useful lives generally are 3 to 10 years for machinery and equipment, 5 to 10 years for fixtures and fittings and 25 years for buildings. Land is not depreciated as it is treated as having an infinite life.

Assets under construction are not depreciated until they have been completed and in use.

**Employee Benefits**

We provide short-term benefits to our employees. Short-term employee benefit obligations generally take on the form of salaries and bonuses and are measured on an undiscounted basis. We generally expense short-term benefits in the period the related benefit is provided.

**Trade Receivables**

Trade and other receivables consists primarily of receivables from contracts with our customers for the sale of vehicles, parts, and accessories. Trade receivables initially are recorded at the transaction amount and are typically outstanding for less than 30 days. Each reporting period, we evaluate the collectability of the receivables and record an allowance for doubtful accounts representing our estimate of the expected losses that result from all possible default events over the expected life of a receivable. Expected bad debt loss rates are applied to receivables that are grouped based on their number of days past due (aging buckets) to calculate the overall allowance. Default occurs when a receivable is 90 days or more past due. The allowance for doubtful accounts is measured using a provision matrix method based on the number of days a receivable is past due. Separate provision matrices are developed for each major type of receivable for each country. A receivable is written-off when it is deemed uncollectible and all collection efforts have been exhausted. Additions to the allowance for doubtful accounts are made by recording charges to bad debt expense reported in *Selling, administrative, and other expenses*.

Information about impairment losses for trade receivables is included in Note 9.



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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Provisions**

A provision is recognised if, as a result of a past event, we have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. We record provisions for vehicle write offs, lease exit costs and dilapidation claims by landlords.

Due to the inherent uncertainty of the amount and timing of expected payments, we measure our provisions using patterned estimation models that take into consideration historical experience with similar matters, recent facts and circumstances, as well as assumptions about current trends. Each measurement reflects our best assumptions at each reporting period but the ultimate outcome of any matter could result in an amount different than the amount we have accrued and/or disclosed.

**Investments in subsidiaries**

Investments in subsidiaries are stated at cost less provisions for impairment. Investments are impaired only if there is objective evidence of impairment as a result of one or more events that occurred.

**Other**

Litigation and claims are accrued when losses are deemed probable and reasonably estimable. In evaluating matters for accrual and disclosure purposes, we take into consideration factors such as our historical experience with matters of a similar nature, the specific facts and circumstances asserted, the likelihood of our prevailing, and the severity of any potential loss. We re-evaluate and update our provisions and accruals as matters progress over time.

**Foreign currency translation**

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

**Other operating income**

The company sells third party finance and insurance products for which commission is received and recognised at the point when the product is officially sold to the customer. Management fees represent fees for providing sites, equipment and personnel to manage Ford Motor Company Limited's PartsPlus business.

**Other interest expense and finance cost**

Interest income / expense is recognised on a time-proportion basis using the effective interest method.

**Exceptional items**

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide a further understanding of the financial performance of the company. They are items that are material either because of their size or their nature, are considered as exceptional items and are presented within the line items to which they best relate.

**Ford Retail Limited  
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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS**

The preparation of financial statements in conformity with FRS101 requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

We consider an accounting estimate to be significant if: 1) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and 2) changes in the estimate that are reasonably likely to occur from period to period, or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations.

There are other items within our financial statements that require estimation, but are not deemed critical as defined above. Changes in estimates used in these and other items could have a material impact on our financial statements.

**Inventory provision**

*Inventory* is valued at the lower of cost (or weighted average cost) and net realisable value. Cost is arrived at as follows:

- Raw materials, consumables and goods for resale: purchase cost (or weighted average cost).
- Work in progress and finished goods: cost of materials and labour together with attributable overheads.
- Net realisable value is based on estimated selling price less further costs to completion and disposal.

Used cars are revalued to CAP value (average private sale price) after a period of 60 days and commercial vehicles after a period of 90 days.

**Other provisions**

*Provisions* are held for lease exit costs relating to commitments that are expected to arise on leases where the respective properties are no longer used within the business. Provision is made for the estimated dilapidation costs where payable on leases. Estimated future costs have not been discounted because the underlying costs are not considered material.

**Income Taxes**

*Nature of Estimates Required.* We must make estimates and apply judgment in determining the provision for income taxes for financial reporting purposes. We make these estimates and judgments primarily in the following areas: (i) the calculation of tax credits, and (ii) the calculation of differences in the timing of recognition of revenue and expense for tax and financial statement purposes that will ultimately be reported in tax returns. Changes in these estimates and judgments may result in a material increase or decrease to our tax provision, which would be recorded in the period in which the change occurs.

We must assess the likelihood that we will be able to recover our deferred tax assets against future sources of taxable income. IFRS recognises deferred tax assets to the extent that it is more likely than not (defined as a likelihood of more than 50%) that sufficient taxable profits will be available to utilise the deductible temporary difference or unused tax losses. For additional information regarding income taxes, see Note 8 and 14.

*Assumptions and Approach Used.* We are subject to the income tax laws and regulations of the local tax jurisdiction. We must assess the likelihood that we will be able to recover our deferred tax assets against future sources of taxable income. IFRS recognises deferred tax assets to the extent that it is more likely than not (defined as a likelihood of more than 50%) that sufficient taxable profits will be available to utilise the deductible temporary difference or unused tax losses.

Changes in our judgment regarding the ability to recover our deferred tax assets are reflected in our tax provision in the periods in which the changes occur.

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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 4. REVENUES**

Amounts included in *Revenues* on our income statement were as follows (in thousands):

|                         | For the years ended December 31, |             |
|-------------------------|----------------------------------|-------------|
|                         | 2018                             | 2017        |
| Sales of vehicles       | £ 1,527,407                      | £ 1,564,028 |
| Sales of vehicles parts | 142,196                          | 115,524     |
| Vehicle rentals income  | 913                              | 1,000       |
| Workshop sales          | 47,133                           | 48,755      |
| Total revenues          | £ 1,717,649                      | £ 1,729,307 |

Revenue is recognised when obligations under the terms of a contract with our customer are satisfied; generally this occurs with the transfer of control of our vehicles, parts, accessories, or services. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services. The transaction price is allocated to each performance obligation based on the relative standalone selling price at contract inception for each performance obligation. Sales, value add, and other taxes we collect concurrent with revenue-producing activities are excluded from revenue. Sales, value added and other taxes we collect concurrent with revenue-producing activities are excluded from revenue. We do not have any material significant payment terms as payment is received at or shortly after the point of sale.

*Vehicles, Accessories.* For the majority of vehicles and accessories, we transfer control and recognise a sale when we deliver the product to our customers (retail and wholesale). We receive cash equal to the invoice price for most vehicles at the time of delivery for retail and shortly afterwards for wholesale. When the vehicle sale is financed by Ford Credit Europe, we receive payment from Ford Credit Europe when we sell the vehicle to the retail customer. Payment terms on the sale of wholesale vehicles is 7 to 14 days.

*PartsPlus Management and Infrastructure Services.* We recognise a sale when we have completed the supply of services on a month to month basis. We receive cash equal to the invoice price shortly after invoicing.

*Rental income* is recognised when the vehicle is delivered for short term hire or recognised monthly on long term hires.

*Workshop revenue* is recognised when the job is completed.

All revenue is generated in the United Kingdom.

**NOTE 5. TOTAL COSTS AND EXPENSES**

*Operating profit* is arrived at after crediting/(charging) (in thousands):

|   | For the years ended December 31, |             |
|---|----------------------------------|-------------|
|   | 2018                             | 2017        |
| Depreciation on tangible fixed assets   |                                  |             |
| -Land, land improvements and buildings  | £ (1,620)                        | £ (1,701)   |
| -Machinery, equipment and other         | (936)                            | (1,197)     |
| -Fixtures and fittings                  | (844)                            | (871)       |
| Impairment of inventory                 | (9,063)                          | (11,093)    |
| Impairment of trade receivables         | (371)                            | (318)       |
| Impairment in investments               | (4,717)                          | -           |
| Inventory recognised as an expense      | (1,729,882)                      | (1,734,530) |
| Exceptional items:                      |                                  |             |
| -Loss on disposal of land               | (27)                             | -           |
| -Sites closure costs                    | (418)                            | (1,736)     |
| -Loss on disposal of other fixed assets | -                                | (73)        |
| -Debt and parts obsolescence write off  | (1,381)                          | -           |
| -Supplier/Customer compensation         | (406)                            | 120         |
| -Sale of dealerships                    | 3,566                            | 3,292       |
| -VAT refund for historical claims       | -                                | 663         |
| -Environmental clear up                 | (408)                            | -           |
| Operating lease rentals:                |                                  |             |
| -Plant and machinery                    | (3,217)                          | (3,384)     |
| -Other (buildings)                      | (9,483)                          | (9,960)     |

Auditors' remuneration for the statutory audit of the company's annual financial statements was £322,000 (2017: £316,000) and for non-audit services was £nil (2017: £10,000).

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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 6. OTHER OPERATING INCOME**

Amounts included in *Other operating income* on our income statement were as follows (in thousands):

|                                  | For the years ended December 31, |          |
|----------------------------------|----------------------------------|----------|
|                                  | 2018                             | 2017     |
| Finance and insurance commission | £ 22,338                         | £ 24,615 |
| Management fees                  | 2,345                            | -        |
| Total                            | £ 24,683                         | £ 24,615 |

**NOTE 7. OTHER INTEREST EXPENSE AND FINANCE COST, NET**

Amounts included in *Other interest expense and finance cost, net* on our income statement were as follows (in thousands):

|  | For the years ended December 31, |           |
|--|----------------------------------|-----------|
|  | 2018                             | 2017      |
| Bank interest received                 | £ 53                             | £ 11      |
| Other interest received                | 108                              | 6         |
| Interest on loan stock holdings        | (3,568)                          | (2,722)   |
| Interest payable to group undertakings | (426)                            | (789)     |
| Finance lease interest                 | (2)                              | (2)       |
| Total                                  | £ (3,835)                        | £ (3,496) |

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**NOTE 8. INCOME TAX EXPENSES**

The *Income tax expense* on our income statement was estimated as follows (in thousands):

|  | For the years ended December 31, |                |
|--|----------------------------------|----------------|
|  | 2018                             | 2017           |
| <b>Current</b>   |                                  |                |
| Current tax on profits for the year- tax liability       | £ 2,620                          | £ -            |
| Current tax on profits for the year- group relief charge | -                                | 3,132          |
| Change in estimates related to prior years               | -                                | (589)          |
| Total current  | 2,620                            | 2,543          |
| <b>Deferred</b>  |                                  |                |
| Origination and reversal of temporary differences        | £ (23)                           | £ (30)         |
| Change in estimates related to prior years               | -                                | 160            |
| Total deferred   | (23)                             | 130            |
| <b>Income tax expense</b>                                | <b>£ 2,597</b>                   | <b>£ 2,673</b> |

  

|  | For the years ended December 31, |                |
|--|----------------------------------|----------------|
|  | 2018                             | 2017           |
| Income before income taxes   | £ 12,358                         | £ 15,400       |
| Tax calculated at domestic tax rates applicable to profits (2018 - 19.0% and 2017 – 19.25%). | 2,348                            | 2,964          |
| Tax effects of:  |                                  |                |
| Capital allowances in excess of depreciation   | 82                               | (47)           |
| Expenses not deductible for tax purposes   | 953                              | 215            |
| Other tax adjustments, reliefs and transfers   | (896)                            | (34)           |
| Adjustments in respect of prior years- current tax   | -                                | (589)          |
| Adjustments in respect of prior years- deferred tax  | -                                | 160            |
| Write off timing difference upon disposal of land  | 107                              | -              |
| Adjustment to opening and closing deferred tax to average rate                               | 3                                | 4              |
| <b>Income tax expense</b>  | <b>£ 2,597</b>                   | <b>£ 2,673</b> |
| <b>Effective tax rate</b>  | <b>21%</b>                       | <b>17%</b>     |

The deferred tax amounts shown on the statement of financial position at December 31 were as follows (in thousands):

|                          | 2018  | 2017  |
|--------------------------|-------|-------|
| Deferred tax assets      | £ 703 | £ 520 |
| Deferred tax liabilities | (591) | (431) |
| Net deferred tax assets  | £ 112 | £ 89  |

Deferred taxes by major category at December 31 were as follows (in thousands):

|                                  | 2018         | 2017         |
|----------------------------------|--------------|--------------|
| <b>Deferred tax assets</b>       |              |              |
| Short term temporary differences | £ 637        | £ 358        |
| Capital losses                   | 66           | 162          |
| <b>Total deferred tax assets</b> | <b>703</b>   | <b>520</b>   |
| <b>Deferred tax liabilities</b>  | <b>(591)</b> | <b>(431)</b> |
| <b>Net deferred tax assets</b>   | <b>£ 112</b> | <b>£ 89</b>  |

**Ford Retail Limited**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 8. INCOME TAX EXPENSES (Continued)**

The current and non-current portions of deferred income taxes expected to be recovered or settled within and after one year at December 31 were as follows (in thousands):

|                                       | 2018  | 2017  |
|---------------------------------------|-------|-------|
| <b>Deferred tax assets</b>            |       |       |
| Current portion                       | £ 637 | £ 358 |
| Non-current portion                   | 66    | 162   |
| <b>Total deferred tax asset</b>       | 703   | 520   |
| <b>Deferred tax liabilities</b>       |       |       |
| Current portion                       | -     | -     |
| Non-current portion                   | (591) | (431) |
| <b>Total deferred tax liabilities</b> | (591) | (431) |
| <b>Net deferred tax assets</b>        | £ 112 | £ 89  |

**Factors that may affect future tax charges**

A reduction in the UK corporation tax rate from 19% to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2018 has been calculated based on these rates.

**NOTE 9. TRADE AND OTHER RECEIVABLES**

*Trade and other receivables, net* on our statement of financial position were as follows (in thousands):

|                                    | December 31,<br>2018 | December 31,<br>2017 |
|------------------------------------|----------------------|----------------------|
| Trade Receivables                  | £ 22,935             | £ 19,472             |
| Amounts owed by group undertakings | 42,398               | 18,635               |
| Other receivables                  | 40,881               | 18,180               |
| Prepayments and accrued income     | 4,859                | 5,074                |
| <b>Total</b>                       | £ 111,073            | £ 61,361             |
|                                    | December 31,<br>2018 | December 31,<br>2017 |
| Current                            | £ 111,073            | £ 61,361             |
| Non-current                        | -                    | -                    |
| <b>Total</b>                       | £ 111,073            | £ 61,361             |

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

Trade receivables are stated after provisions for impairment of £634,000 (2017: £823,000).

**NOTE 10. INVENTORIES**

*Inventories* on our statement of financial position were as follows (in thousands):

|                        | December 31,<br>2018 | December 31,<br>2017 |
|------------------------|----------------------|----------------------|
| Materials and supplies | £ 638                | £ 678                |
| Work-in-progress       | 511                  | 486                  |
| Finished Products      | 527,395              | 412,764              |
|                        | £ 528,544            | £ 413,928            |

Inventories are stated after provision for impairment of £6,882,000 (2017: £6,856,000).

Any write down of inventories recognised as an expense are disclosed in note 5.

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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 11. ASSETS HELD FOR SALE**

*Assets held for sale* are analysed as follows (in thousands):

|  | For the years ended December 31, |              |
|--|----------------------------------|--------------|
|  | 2018                             | 2017         |
| <b>Cost</b>                                    |                                  |              |
| Beginning balance                              | £ 1,861                          | £ 1,861      |
| Additions                                      | -                                | -            |
| Disposals                                      | (881)                            | -            |
| Ending balance                                 | 980                              | 1,861        |
| <b>Accumulated amortisation and impairment</b> |                                  |              |
| Beginning balance                              | 950                              | 950          |
| Disposals                                      | (356)                            | -            |
| Ending balance                                 | 594                              | 950          |
| <b>Total</b>                                   | <b>£ 386</b>                     | <b>£ 911</b> |

**NOTE 12. PROPERTY, PLANT, AND EQUIPMENT**

*Property, plant, and equipment* includes machinery and equipment, vehicles and other assets that we use in our normal operations. Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of the property, plant, and equipment, taking into consideration our best estimate of its residual value.

Changes in *Property, plant, and equipment* balances on our statement of financial position were as follows (in thousands):

|  | For the year ended December 31, 2018 |                                |                           |                       |                 |
|--|--------------------------------------|--------------------------------|---------------------------|-----------------------|-----------------|
|  | Land, Improvements and Buildings     | Machinery, Equipment and Other | Assets under Construction | Fixtures and Fittings | Total           |
| <b>Cost</b>                                    |                                      |                                |                           |                       |                 |
| Beginning balance                              | £ 41,124                             | £ 12,348                       | £ 426                     | £ 10,058              | £ 63,956        |
| Reclassifications                              | 426                                  | -                              | (426)                     | -                     | -               |
| Additions                                      | 4,893                                | 903                            | 257                       | 805                   | 6,858           |
| Disposals                                      | (5,737)                              | (1,117)                        | -                         | (1,349)               | (8,203)         |
| Ending balance                                 | 40,706                               | 12,134                         | 257                       | 9,514                 | 62,611          |
| <b>Accumulated depreciation and impairment</b> |                                      |                                |                           |                       |                 |
| Beginning balance                              | 12,491                               | 8,814                          | -                         | 5,423                 | 26,728          |
| Reclassifications                              | -                                    | -                              | -                         | -                     | -               |
| Depreciation                                   | 1,620                                | 936                            | -                         | 844                   | 3,400           |
| Disposals                                      | (2,296)                              | (1,018)                        | -                         | (1,045)               | (4,359)         |
| Ending balance                                 | 11,815                               | 8,732                          | -                         | 5,222                 | 25,769          |
| <b>Total as at 31 December 2018</b>            | <b>£ 28,891</b>                      | <b>£ 3,402</b>                 | <b>£ 257</b>              | <b>£ 4,292</b>        | <b>£ 36,842</b> |
| <b>Total as at 31 December 2017</b>            | <b>28,633</b>                        | <b>3,534</b>                   | <b>426</b>                | <b>4,635</b>          | <b>37,228</b>   |

Assets we have leased under finance lease arrangements included in Land, Land improvements and Buildings were as follows (in thousands):

|                          | For the years ended December 31, |         |
|--------------------------|----------------------------------|---------|
|                          | 2018                             | 2017    |
| Cost                     | £ -                              | £ 2,266 |
| Accumulated depreciation | -                                | (2,266) |
| Net carrying amount      | £ -                              | £ -     |

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**NOTE 13. INVESTMENTS IN SUBSIDIARIES**

**Ownership Percentage and Investment Balances**

*Investment in subsidiaries* on our statement of financial position was as follows (in thousands):

|                                    | <b>Group<br/>Undertakings<br/>Shares</b> |
|------------------------------------|--|
| Cost:                              |  |
| 1 January and 31 December 2018     | £ 10,362                                 |
| Provisions:                        |  |
| Beginning Balance                  | (1,935)                                  |
| Charge for the year                | (4,717)                                  |
| Ending Balance                     | (6,652)                                  |
| Net book value at 31 December 2018 | £ 3,710                                  |
| Net book value at 31 December 2017 | 8,427                                    |

**Subsidiaries**

| <b>Organisation</b>  | <b>Ownership</b> | <b>Principal Activity</b> |
|----------------------|------------------|---------------------------|
| Lindsay Cars Limited | 100%             | Dormant                   |

The registered office of the above company is Market Place, Lisburn, Co. Antrim, BT28 1AN.

**NOTE 14. DEFERRED INCOME TAXES**

An analysis of the movements in the deferred tax asset is set out below (in thousands):

|                     | <b>Accelerated<br/>Capital<br/>Allowances</b> | <b>Capital Gains<br/>and Losses</b> | <b>Other Short<br/>Term Timing<br/>Differences</b> | <b>Total</b> |
|---------------------|---|-------------------------------------|--|--------------|
| Recognised:         |   |                                     |  |              |
| Beginning Balance   | £ (431)                                       | £ 162                               | £ 358  | £ 89         |
| Charge for the year | (160)   | (96)                                | 279  | 23           |
| Ending Balance      | £ (591)                                       | £ 66                                | £ 637  | £ 112        |

**NOTE 15. EMPLOYEE BENEFITS**

We provide retirement benefits including the following:

The Group operates a defined contribution scheme for certain eligible employees. The assets of the scheme are held separately from those of the Group, being invested with an insurance company. The cost of contributions is charged to the profit and loss account as incurred. The contributions are based on the members' salaries. The separate contributions of the Group and employees are presently variable. The pension charge for the year was £2,210,000 (2017: £2,169,000).



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**NOTE 16. TRADE AND OTHER PAYABLES**

Trade and other *payables* on our statement of financial position were as follows (in thousands):

|                                    | December 31,<br>2018 | December 31,<br>2017 |
|------------------------------------|----------------------|----------------------|
| Trade Payables                     | £ 26,568             | £ 22,970             |
| Bank overdraft                     | 8,983                | 10,671               |
| Amounts owed to group undertakings | 525,167              | 386,110              |
| Accruals and deferred income       | 29,662               | 26,641               |
| Obligations under finance leases   | -                    | 12                   |
| Other creditors                    | 1,948                | 366                  |
| Taxation and social security       | 3,660                | 1,224                |
| <b>Total</b>                       | <b>£ 595,988</b>     | <b>£ 447,994</b>     |

All the balances above represent current trade and other payables.

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

**NOTE 17. PROVISIONS**

*Provisions* on our statement of financial position were as follows (in thousands):

|  | Self-insured<br>Vehicle Scheme | Dilapidations  | Property Closure<br>& Supplier<br>Compensation | Total          |
|--|--------------------------------|----------------|--|----------------|
| Beginning balance as at 1 January 2018 | £ 28                           | £ 1,866        | £ 150  | £ 2,044        |
| Added in the year                      | 70                             | 18             | 1,036  | 1,124          |
| Utilised in the year                   | (28)                           | (109)          | -  | (137)          |
| <b>Total as at 31 December 2018</b>    | <b>£ 70</b>                    | <b>£ 1,775</b> | <b>£ 1,186</b>                                 | <b>£ 3,031</b> |
| Current portion                        | 70                             | 918            | 1,186  | 2,174          |
| Non-current portion                    | -                              | 857            | -  | 857            |
| <b>Total as at 31 December 2018</b>    | <b>£ 70</b>                    | <b>£ 1,775</b> | <b>£ 1,186</b>                                 | <b>£ 3,031</b> |

All current provisions are to be fully resolved/utilised within 12 months. Non-current dilapidations are expected to be utilised in years 2018 to 2024. The self insured vehicle scheme provision is used to cover the cost of accidents in the Company's possession such as company cars and vans. We provide for expected dilapidation costs for making good works on leasehold property which would normally be claimed by the landlord at the end of the tenancy. The property closure costs include legal and professional fees.

**NOTE 18. CALLED UP SHARE CAPITAL**

Share capital is analysed as follows (in thousands):

|   | December 31,<br>2018 | December 31,<br>2017 |
|---|----------------------|----------------------|
| Allotted and fully paid                               |                      |                      |
| 2,453,000 (2017: 2,453,000) ordinary stock of £1 each | 2,453                | 2,453                |
| <b>Total</b>  | <b>2,453</b>         | <b>2,453</b>         |

All shares rank *pari passu* in all respects.

**NOTE 19. EQUITY DIVIDENDS**

Equity dividends are analysed as follows (in thousands):

|   | December 31,<br>2018 | December 31,<br>2017 |
|---|----------------------|----------------------|
| Ordinary shares                               |                      |                      |
| Nil (2017: Nil) per ordinary stock of £1 each | -                    | -                    |
| <b>Total</b>                                  | <b>-</b>             | <b>-</b>             |

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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 20. CONTINGENT LIABILITIES**

Any future deficit in the Cosworth Pension Plan- "Retail section" is to be made good by Ford Motor Company Limited, the parent undertaking. Ford Motor Company Limited replaced Ford Technologies Limited (previously known as Blue Oval Holdings Limited) as the plan sponsor on 1 January 2016. If Ford Motor Company Limited is unable to make good a deficit, that obligation will fall on the company. The directors consider the possibility of this occurring is remote. The surplus in the scheme at 31 December 2018 was £9,595,000 (2017: £11,147,000).

**NOTE 21. CAPITAL AND OTHER COMMITMENTS**

At 31 December, the company had the following capital commitments (in thousands):

|   | December 31,<br>2018 | December 31,<br>2017 |
|---|----------------------|----------------------|
| Aggregate of contractual commitments not provided for | £ 1,019              | £ 2,761              |

At 31 December, the company had the following non cancellable operating leases (in thousands):

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

|                            | December 31,<br>2018 | December 31,<br>2017 |
|----------------------------|----------------------|----------------------|
| Land and Buildings         |                      |                      |
| Within one year            | £ 9,111              | £ 8,283              |
| Between two and five years | 31,565               | 29,667               |
| In excess of five years    | 43,614               | 43,358               |
|                            | £ 84,290             | £ 81,308             |
| Others                     |                      |                      |
| Within one year            | £ 1,714              | £ 2,016              |
| Between two and five years | 1,481                | 775                  |
|                            | £ 3,195              | £ 2,791              |

**NOTE 22. EMPLOYEES AND DIRECTORS**

Employment costs were as follows (in thousands):

|                       | For the years ended December 31,<br>2018 | 2017      |
|-----------------------|--|-----------|
| Employment costs      |  |           |
| Wages and salaries    | £ 88,930                                 | £ 92,339  |
| Social security costs | 8,636                                    | 9,071     |
| Other pension costs   | 2,210                                    | 2,169     |
|                       | £ 99,776                                 | £ 103,579 |

The average monthly number of persons employed in the company by category was as follows:

|                      | For the years ended December 31,<br>Number | Number  |
|----------------------|--|---------|
| Nature of employment |  |         |
| Sales staff          | 822  | 876     |
| After-sales staff    | 1,493                                      | 1,588   |
| Administration staff | 592  | 627     |
| Total                | £ 2,907                                    | £ 3,091 |

Aggregate emoluments of the directors amounted to £509,000 (2017: £336,000). 1 director (2017: 1) was a member of the defined contribution scheme.

The highest paid director's emoluments were £342,000 (2017: £198,000).

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**NOTE 23. CONTROLLING PARTIES**

The company's immediate parent company is Ford Retail Group Limited, a company registered in the United Kingdom.

The company's ultimate parent company and controlling party is Ford Motor Company, a company incorporated in the State of Delaware in the USA, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the ultimate parent company's financial statements may be obtained from: Ford Motor Company, One American Road, Dearborn, Michigan 48126, USA.

**NOTE 24. EVENTS SUBSEQUENT TO THE REPORTING DATE**

There were no events subsequent to the reporting date that require adjustments or disclosure in the financial statements.