

Ford Retail Limited

Annual Report and Financial Statements

Year Ended 31 December 2021

Registered number: 00191596



Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2021
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**Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2021**

STRATEGIC REPORT

Strategic report for the year ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021 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 and future developments

Ford maintained its UK market total vehicle lead in 2021 and its 56th consecutive year of commercial vehicle sales leadership. However, reduced sales of the Ford Fiesta and Ford Focus due to the semiconductor supply issue that is facing the entire global automotive industry meant that Ford was no longer passenger vehicle sales leader in the UK as it prioritised the sale of commercial vehicles and newer passenger vehicles such as the Ford Kuga and Ford Puma. The Ford Transit Custom/Tourneo Custom range took the No.1 spot as the UK's best-selling vehicle in 2021, with the Transit 2-tonne being the No.3 top-selling vehicle in the country. The company performed well in 2021 posting its highest profit on record.

The UK remains Ford's third-largest global market, after China and the US. Ford's commitment to its UK customers is to invest and grow its leading commercial vehicle business and to provide passenger vehicle customers with a more defined portfolio of sports utility vehicles and crossovers, exciting performance derivatives and iconic imported models with after-sales support supplied by a strong dealer network.

In 2021, Ford committed that by mid-2026, 100 percent of Ford's passenger vehicle range in Europe will be zero-emissions capable, all-electric or plug-in hybrid, and will be completely all-electric by 2030. Similarly, Ford's entire commercial vehicle range will be zero-emissions capable, all-electric or plug-in hybrid, by 2024, with two-thirds of Ford's commercial vehicle sales expected to be all-electric or plug-in hybrid by 2030.

Looking to the future, Ford is establishing a more targeted portfolio of European-built passenger vehicles focused on the quality, technology-rich and fun-to-drive DNA of the Ford brand, with the goal of building emotional connections with customers through sporty and progressive designs.

In March 2022, Ford confirmed it would introduce three new electric passenger vehicles and four new electric commercial vehicles in Europe by 2024, and that it plans to sell more than 600,000 electric vehicles in the region by 2026.

Every Ford nameplate includes an electrified option. This includes new nameplates and new versions of existing vehicles. From Fiesta to Transit, either a mild-hybrid, full-hybrid, plug-in hybrid or full battery electric option will be offered, delivering one of the most encompassing line-ups of electrified options for European customers.

Ford is therefore on track to achieve zero emissions for all vehicle sales and carbon neutrality across its European footprint of facilities, logistics and suppliers by 2035.

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.

UK Furlough Scheme

As part of its response to the COVID-19 pandemic the UK Government introduced the Coronavirus Job Retention Scheme. This allowed all UK employers with employees on a PAYE scheme to designate some or all employees as 'furloughed workers'. Employers could get access to Government support to continue paying part of these furloughed employees' salaries and potentially protect the employees from redundancy. The Company made use of this scheme in 2021 and details of the grants received are shown in Note 6 Other Operating Income.

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STRATEGIC REPORT (continued)

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 for example taking customer satisfaction surveys which are reviewed by the board.

Other risk considerations are the impact of supply shortages, changes in regulation and Brexit. The board continually manage these risks by anticipating their future impact and developing strategies to minimise them.

The directors have considered the financial position of the Company at 31 December 2021 (net current assets £53m, net assets of £94m (2020: net current assets £27m, net assets of £71m)) and the projected cash flows and financial performance for the 12 months from the date of approval of these financial statements. The directors also have taken action to ensure that appropriate cash resources are available to fund the Company's operations. Therefore the directors consider, after making appropriate enquiries that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

S172 Statement

(a) The directors hold monthly board meetings to discuss matters on the agenda which affect the opportunities and risks to the company. Agenda items include those discussed at quarterly committee meetings in the area of Audit and Risk, Remuneration, Policy & Procedures and FCA Compliance. The company takes account of the likely effects of decisions in the long term by including the attendance to these meetings by the sole member representative who ensures decisions are aligned with the parent company long term strategy.

(b) The business holds quarterly cascades/town hall meetings, the purpose of which is to cascade the results and future plans to every colleague in the business and take any questions or suggestions from them, in effect a forum for open communication between the Board and staff. This ensures there is a medium for colleagues to voice their opinions on matters that affect them and these are taken into consideration at Board meetings.

(c) Key figures in the business are responsible for meeting customers, suppliers and any other stakeholders on a regular basis to discuss matters of mutual concern. This is particularly relevant in the Fleet business and it's customers, along with our Core Services department and key suppliers via the Purchasing service provider. Key suppliers and customers are also invited to our annual excellence awards where matters of business are discussed and helps to build relationships with these stakeholders further.

(d) The board of directors take the issue of the impact of the business on the community and the environment very seriously and keep this area of the business constantly under review. This has resulted in the company having received the Green Apple award in 2021 in recognition of the work done in reducing the impact of the business on the community and environment. This work involved initiatives such as the program of installation of electric vehicle charge points across sites; support for our site energy champions to keep closed site energy costs to a minimum during lockdown; further use of technology to reduce paper usage; significant investment in video/web conferencing to reduce vehicle consumption; dry waste recycling; a move away from stored oil to minimise leaks and adopting of a hybrid work from home policy to minimise impacts on the environment.

(e) Being a 'Good Corporate Citizen' is one of five overarching strategic goals set by our board of directors, and our work to become a more sustainable business is part of this. The Company has the Good Corporation Standard accreditation, following a comprehensive assessment of our entire organisation. The backbone of the strategy is incorporated in the 4 key principles of being True (honesty and integrity always), Positive (the attitude to make it happen), Care (respect and care for everyone) and Enjoy (enjoy what we do).

(f) The company is owned by the sole shareholder, Ford Motor Company Limited via Ford Retail Group Limited. The shareholder is represented at the board by the representative of Ford Motor Company who is also a director of the company. All decisions made by the board must be ratified by this director to ensure the likely effects of decisions in the long term are aligned with the parent company's long term strategy.

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STRATEGIC REPORT (continued)

Results

The company's result for the year is set out in the income statement and statement of financial position on pages 13 and 14 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. 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 of 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 and have adopted a hybrid work from home policy to reduce the impact on the environment.

Key performance indicators

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

In thousands:		2021	2020
Revenues	The business suffered a drop in sales in 2020 due to Covid-19 restrictions but returned to normal levels in 2021. Commercial vehicle sales were exceptionally high in 2021 and being the main contributor to the increase in turnover.	£ 1,813,596	£ 1,406,437
EBIT (pre-exceptionals - see note 5)	Gross margins were also significantly up, by £36m, whilst administration and distribution costs were kept level with 2020 year numbers with the exception of payroll costs where the increase was largely offset by reductions in interest charges.	£ 33,734	£ 6,721
Net Assets	There was an increase in profit reserves which is reflective of the profit in the year.	£ 94,386	£ 71,281
Market share	Increase driven by growth in fleets vehicle sales, particularly in commercial vehicles.	25.0%	19.3%

On behalf of the Board



S Mustoe
 Director
 1 August 2022

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DIRECTORS' REPORT

Directors' report for the year ended 31 December 2021

The Directors present their report and the audited, financial statements of Ford Retail Limited ("the Company") for the year ended 31 December 2021.

Directors

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

S. Foulds (resigned 11 February 2022)
S. Mustoe
S Glanville

Principal activities

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.

Results and dividends

The results for the year are set out in the income statement and statement of financial position on pages 13 and 14 respectively.

During the year the company paid no dividends (2020: £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.

As part of engagement of employees, consultation is undertaken on a regular basis with them, so that their views can be taken into account in making decisions affecting their interests. All employees are aware of the financial and economic performance of their business units and of the company as a whole by holding quarterly cascades to explain the company's performance and Town hall meetings to give employees the chance to voice their opinions to the Board. The company encourages the involvement of employees in business performance by providing incentives such as discounts on vehicle purchases. Town Hall meetings and Quarterly cascades are also a chance for two way communication between directors and employees.

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)*

Corporate Governance

The company applied its own corporate governance code but can be explained more fully by using the six Wates principles as shown below. There was no departure from these principles.

Purpose and Leadership

Our overriding purpose has been to drive the standard in customer care, our PPA (purpose, principles and ambition). Our values, strategies and culture align to this purpose by committing all within the company to core principles, namely;

True - Honesty and integrity, always,
Positive - The attitude to make it happen,
Care - Respect and care for everyone and
Enjoy - Enjoy what we do.

The Board has implemented PPA wherever possible for a number of years and we have seen the benefits in the form of lower staff turnover and increasing profits. All Board level communications are attached to one of the core principles to demonstrate the commitment to them at the highest level.

Board Composition

The Board and Leadership team comprise of men and women who have demonstrated excellence in their field in the past and been promoted to their current position as a result. This is in line with the company's ambition to promote internally and ensures there is a breadth of knowledge and expertise in the Board level decision-making process. This high level team has recently completed leadership skills training to ensure the whole team are aligned in that area.

Director Responsibilities

The Chairman and CEO chairs monthly Board meetings armed with a Board Pack of information and data to drive matters requiring discussion. There are clear lines of responsibility between the members, comprising the FD, Operations Director, HR Director and Company Secretary, thus ensuring a broad range of expertise and knowledge on hand to make informed decisions. They are supported by the Leadership Team who performs day to day duties aligned with Board decisions.

The Board are also updated with reports from committee meetings which are held in the areas of Audit and Risk, Remuneration, Policy & Procedures and FCA Compliance. These are also attended by someone representing the sole shareholder to ensure compliance and alignment with the parent company policies and procedures.

Opportunity and Risk

The CEO and CFO hold regular meetings with decision makers within the parent company to discuss strategy, which also encompasses the areas of opportunity and risk. These discussions have been fruitful for the company with opportunities becoming available in the area of possible dealership acquisitions. Current and future risks are taken extremely seriously and the Board manage these risks by discussions at the monthly meetings and tracking progress of strategic decisions through to completion.

Remuneration

The remuneration committee meetings are attended by the parent company representative to align with its strategies. Colleagues have benefited from company-wide uniform pay increases above the national average excluding the year of lockdown.

Stakeholder relationships and engagement

The Board lead by example and encourage all inside and outside the company to do everything they do so as to align to our PPA. Quarterly cascade and Town Hall meetings are held with colleagues all over the company to ensure they are given relevant information about the company's results and future strategies. It's also a chance for the Board to take questions and suggestions. Regular meetings are held by senior people with our major customers and suppliers and information from these meetings is cascaded up to the Board for discussion at the monthly meetings. Information therefore flows up and down the lines of reporting to ensure the Board are fully engaged with all stakeholders and their views in decision making. In 2021 the company was named best dealer group in the Motor Trader Awards and picking up awards for Social Media and Digital Initiative.

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DIRECTORS' REPORT *(continued)*

Political donations

No political donations were made in the year (2020: £nil).

Energy and Emissions Reporting

The company has taken advantage of the option of disclosing the group SECR information in the financial statements of its parent company, Ford Retail Group Limited, which can be obtained from Companies House.

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 a choice whilst buying, 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.

Covid-19 and supplier disruptions

The impact of Covid-19, including changes in consumer behaviour, pandemic fears and market downturns, and restrictions on business and individual activities, has created significant volatility in the global economy. Recent outbreaks in certain regions, including China where lock-downs due to Covid-19 have been imposed in more than 40 cities, continue to cause intermittent Covid-19-related disruptions in our supply chain and local manufacturing operations. We also continue to face supplier disruptions due to the semi-conductor shortage. Further, actions taken by Russia in Ukraine could impact our suppliers, particularly our lower tier suppliers, as well as our operations in Europe.

Going Concern

The directors have considered the financial position of the Company at 31 December 2021 (net current assets £53m, net assets of £94m (2020: net current assets £27m, net assets of £71m)) and the projected cash flows and financial performance for the 12 months from the date of approval of these financial statements. The directors also have taken action to ensure that appropriate cash resources are available to fund the Company's operations. Therefore the directors consider, after making appropriate enquiries, that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

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 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.

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.

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 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
1 August 2022

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



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 2021 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 2021; 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

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Review of management's assessment of the going concern risks faced by the business and communication to the board;
- Review and challenge of forecast profit and cash flows for a period of at least 12 months from the signing of the financial statements;
- Review of post year end performance;
- Assessment of facilities available to the business over the going concern assessment period; and
- Consideration of the automotive market, external economic and social factors which may have bearing on the assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Independent auditors' report to the members of Ford Retail Limited (continued)

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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 2021 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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Independent auditors' report to the members of Ford Retail Limited (continued)

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment laws and regulations, health and safety legislation and anti-bribery and corruption laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006 and tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing meeting minutes with the board and those charged with governance;
- Review of key accounting policies in relation to the recognition of revenue;
- Identifying and testing journal entries with unusual account combinations in relation to revenue and profits;
- Incorporating elements of unpredictability in our audit procedures; and
- Challenging assumptions and judgements made by management in determining their accounting estimates, in particular in relation to the impairment assessment of land and buildings and the valuation of the inventory provision.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

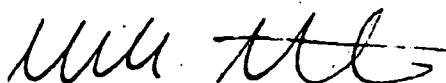
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained 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.



Mark Foster (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
2 August 2022

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INCOME STATEMENT
(In thousands)

	Note	For the years ended December 31,	
		2021	2020
Revenues	4	£ 1,813,596	£ 1,405,437
Cost of sales and other expenses			
Cost of sales		1,697,112	1,323,116
Selling, administrative and other expenses		125,980	124,135
Total costs and expenses	5	1,823,092	1,447,251
Other operating income	6	43,021	46,406
Other interest expense and finance cost, net	7	4,173	10,837
Profit/(loss) before income tax		29,352	(5,245)
Income tax expense/(credit)	8	6,247	(1,028)
Net profit/(loss)		£ 23,105	£ (4,217)

All results are from continuing operations.

The profit/(loss) 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 (2020: £nil).

The accompanying notes on pages 16 to 30 are part of the financial statements.

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STATEMENT OF FINANCIAL POSITION
(in thousands)

	Note	December 31, 2021	December 31, 2020
ASSETS			
Cash and cash equivalents		£ 21	£ -
Trade and other receivables, net	9	82,705	112,702
Inventories, net	10	499,869	449,625
Assets held for sale	11	375	-
Total current assets		582,970	562,327
Property, plant and equipment	12	33,347	35,079
Right of use assets	13	69,417	73,196
Total non-current assets		102,764	108,275
Total assets		£ 685,734	£ 670,602
LIABILITIES			
Trade and other payables	16	£ 515,817	£ 521,805
Lease commitments	13	12,455	12,880
Deferred income taxes	14	1,030	361
Provisions	17	628	704
Total current liabilities		529,930	535,750
Lease commitments	13	60,434	62,939
Provisions	17	984	632
Total non-current liabilities		61,418	63,571
Total liabilities		591,348	599,321
EQUITY			
Called up share capital	18	2,453	2,453
Retained earnings		91,933	68,828
Total equity		94,386	71,281
Total liabilities and equity		£ 685,734	£ 670,602

The accompanying notes on pages 16 to 30 are part of the financial statements.

The financial statements on pages 13 to 30 were approved by the board of directors on 1 August 2022 and were signed on its behalf by:



S Mustoe
Finance Director

1 August 2022

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STATEMENT OF CHANGES IN EQUITY
(in thousands)

	Called up Share Capital	Retained Earnings	Total Equity
Balance at January 1, 2020	£ 2,453	£ 73,045	£ 75,498
Comprehensive expense			
Net loss	-	(4,217)	(4,217)
Comprehensive expense	-	(4,217)	(4,217)
Balance at December 31, 2020	<u>£ 2,453</u>	<u>£ 68,828</u>	<u>£ 71,281</u>
Balance at January 1, 2021	£ 2,453	£ 68,828	£ 71,281
Comprehensive income			
Net profit	-	23,105	23,105
Comprehensive income	-	23,105	23,105
Balance at December 31, 2021	<u>£ 2,453</u>	<u>£ 91,933</u>	<u>£ 94,386</u>

The accompanying notes on pages 16 to 30 are part of the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
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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 22.

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.
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 'Leases'. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.
- The requirements of paragraph 118 of IFRS 15, 'Revenue' (disclosure of an explanation of the significant changes in the contract asset and the contract liability balances during the reporting period).

In addition the Company Act 2006 exemption has been applied, S401 – exemption from consolidation for subsidiary companies (ultimate parent outside EEA).

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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Going Concern

The directors have considered the financial position of the Company at 31 December 2021 (net current assets £53m, net assets of £94m (2020: net current assets £27m, net assets of £71m)) and the projected cash flows and financial performance for the 12 months from the date of approval of these financial statements. The directors also have taken action to ensure that appropriate cash resources are available to fund the Company's operations. Therefore the directors consider, after making appropriate enquiries that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Revenue Recognition

Revenue is generated primarily by sales of vehicles and accessories. There is also revenue from workshop sales in the area of service and bodyshop repairs. 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 and the point when workshop sales have been completed. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods or service. 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. Also see Note 4.

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 (Car Auction Price) 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)

Right of Use Assets and Lease Commitments

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company. The right-of-use assets and lease liabilities are reported in Right of Use Assets and Lease Liabilities in Current and Non Current, respectively, on our balance sheet. See also Note 13.

We lease land, dealership facilities, offices, distribution centers, warehouses, and equipment under agreements with contractual periods ranging from less than one year to 40 years. Many of our leases contain one or more options to extend. We include options that we are reasonably certain to exercise in our evaluation of the lease term after considering all relevant economic and financial factors. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

At inception of a contract, the company assesses whether a contract is, or contains a lease, by checking whether a lease contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This is assessed by looking at whether the contract involves the use of an identified asset; the company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the company has the right to direct the use of the asset. This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

For the majority of our leases commencing after January 1, 2019, we do not separate the non-lease components (e.g., maintenance and operating services) from the lease components to which they relate, having applied the practical expedient allowed under IFRS 16 Paragraph 15. Instead, non-lease components are included in the measurement of the lease liabilities. However, we do separate lease and non-lease components for contracts containing a significant service component (e.g. energy performance contracts).

We calculate the initial lease liability as the present value of fixed payments not yet paid, measured at commencement. The majority of our leases are discounted using our incremental borrowing rate because the rate implicit in the lease is not readily determinable. All other variable payments are expensed as incurred.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable and variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date; and payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following: the amount of the initial measurement of lease liability; any lease payments made at or before the commencement date less any lease incentives received; any initial direct costs; and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

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.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Land, improvements and buildings, fixtures and fittings and machinery, plant and other 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, equipment and other, 5 to 10 years for fixtures and fittings and 25 years for buildings and improvements. 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. The company operates a defined contribution scheme for certain eligible employees. The assets of the scheme are held separately from those of the company, being invested with an investment company.

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 category of turnover. 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 the bad debt expense reported in *Selling, administrative, and other expenses*.

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

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.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Litigations

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 the 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.

Government grants

Grants that compensate the Company for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised. Further information is shown in Note 6 Other Operating Income.

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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. There were no critical accounting judgements to report.

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 vehicle prices are sensitive to market conditions and may go up and down significantly which is why used vehicles are revalued to CAP value (average private sale price) after a period of 60 days and commercial vehicles after a period of 90 days.

Lease Liabilities - Incremental borrowing rates

For the incremental borrowing rate of the individual leases, a degree of judgement has been applied in calculating the risk free rate, cost of debt and liquidity spread which is sensitive to conditions and rates in the automotive/retail industry. The estimates are considered reasonable by the company.

The company did not need to make any adjustments to the accounting for assets held as a lessor under operating leases as part of the adoption of IFRS 16 as there were no leases of this kind.

Fixed Asset Impairment Assessment

Fixed and right of use assets comprising of dealership properties are tested annually for impairment. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use with freehold and leased properties. The key assumptions in the calculation of the value in use is the gross margin growth rate of 2%. By applying some sensitivity analysis to the calculations, we have established that an increase of 1% to the discount rate would not result in any impairment charge and sufficient headroom over the carrying value of the assets.

Ford Retail Limited
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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,	
	2021	2020
Sales of vehicles	£ 1,735,843	£ 1,344,334
Sales of vehicles parts	38,145	28,340
Vehicle rentals income	548	458
Workshop sales	39,060	33,305
Total revenues	£ 1,813,596	£ 1,406,437

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 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. Due to the nature of point of sale obligations, refunds and returns are rare and not significant.

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.

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

Profit before tax is arrived at after (charging)/crediting (in thousands):

	For the years ended December 31,	
	2021	2020
Depreciation on tangible fixed assets		
-Land, land improvements and buildings	£ (1,617)	£ (1,642)
-Machinery, equipment and other	(996)	(942)
-Fixtures and fittings	(979)	(818)
-Leased assets	(14,445)	(12,333)
Loss on disposal of fixed assets	(94)	(30)
Impairment of fixed assets	-	(52)
Impairment of inventory	(1,434)	(3,949)
Impairment of trade receivables	(224)	(945)
Inventory recognised as an expense	(1,800,113)	(1,422,879)
Exceptional items:		
-Profit on disposal of land	-	1,453
-Sites closure credits / (costs)	24	(2,533)
-Purchase goodwill write off	(200)	-
-Site opening cost	(33)	(9)
-Environmental clear up	-	(40)

Auditors' remuneration for the statutory audit of the company's annual financial statements was £327,000 (2020: £321,000) of which £312,000 (2020: £306,000) related to audit of Ford Retail Limited and £15,000 (2020: £15,000) related to the audit of Ford Retail Group Limited. Remuneration for non-audit services was £nil (2020: £nil).

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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,	
	2021	2020
Finance and insurance commission	£ 15,981	£ 13,572
Management fees	23,958	21,413
Government grants	3,082	11,421
Total	£ 43,021	£ 46,406

Government grants consist of UK Government support under the Furlough Scheme and financial support given to the retail sector.

For PartsPlus Management and Infrastructure Services included in management fees, 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.

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,	
	2021	2020
Bank interest received	£ 11	£ 25
Other interest received	55	302
Interest receivable from group undertakings	78	-
Interest on loan stock holdings	(1,530)	(8,267)
Interest payable to group undertakings	(22)	(104)
Other non bank interest paid	(1)	-
Finance lease interest	(2,764)	(2,793)
Total	£ (4,173)	£ (10,837)

NOTE 8. INCOME TAX EXPENSE/(CREDIT)

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

	For the years ended December 31,	
	2021	2020
Current		
Current tax on profits for the year- group relief charge	5,578	-
Change in estimates related to prior years	-	(961)
Total current	5,578	(961)
Deferred		
Origination and reversal of temporary differences	£ 558	£ (111)
Change in estimates related to prior years	(2)	(95)
Effect of rate change on opening balance	113	39
Total deferred	669	(67)
Income tax (credit)/expense	£ 6,247	£ (1,028)

Tax (credit)/expense for the year is higher (2020: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2021 of 19% (2020: 19%). The differences are explained below:

	For the years ended December 31,	
	2021	2020
(Expense)/Income before income taxes	£ 29,352	£ (5,245)
Tax calculated at domestic tax rates applicable to profits (2021 - 19% and 2020 - 19.0%).	5,577	(997)
Tax effects of:		
Capital allowances in excess of depreciation	425	94
Expenses not deductible for tax purposes	134	67
Other tax adjustments, reliefs and transfers	-	11
Losses carried back	-	984
Chargeable gains/(losses)	-	(170)
Adjustments in respect of prior years- current tax	-	(961)
Adjustments in respect of prior years- deferred tax	(2)	(95)
Adjustment to opening and closing deferred tax to average rate	-	-
Remeasurement of deferred tax for changes in tax rates	113	39
Income tax expense/(credit)	£ 6,247	£ (1,028)
Effective tax rate	21%	20%

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. INCOME TAX EXPENSE/(CREDIT) (Continued)

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

	2021	2020
Deferred tax assets	£ 784	£ 729
Deferred tax liabilities	(1,814)	(1,090)
Net deferred tax assets/(liabilities)	£ (1,030)	£ (361)

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

	2021	2020
Deferred tax assets/(liabilities)		
Short term temporary differences	£ 464	£ 293
Capital losses	320	243
Losses and other deductions	-	193
Total deferred tax assets	784	729
Fixed asset temporary differences	(1,814)	(1,090)
Deferred tax liabilities	(1,814)	(1,090)
Net deferred tax liabilities	£ (1,030)	£ (361)

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):

	2021	2020
Deferred tax assets/(liabilities)		
Current portion	£ 464	£ 486
Non-current portion	320	243
Total deferred tax asset	784	729
Deferred tax liabilities		
Current portion	-	-
Non-current portion	(1,814)	(1,090)
Total deferred tax liabilities	(1,814)	(1,090)
Net deferred tax assets liabilities	£ (1,030)	£ (361)

Factors that may affect future tax charges

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021, and the UK deferred tax liability as at 31 December 2021 has been calculated based on this rate.

NOTE 9. TRADE AND OTHER RECEIVABLES, NET

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

	December 31, 2021	December 31, 2020
Trade Receivables	£ 21,861	£ 8,767
Amounts owed by group undertakings	53,131	80,004
Other receivables	3,395	20,271
Prepayments and accrued income	4,318	3,660
Total	£ 82,705	£ 112,702
	December 31, 2021	December 31, 2020
Current	£ 82,705	£ 112,702
Non-current	-	-
Total	£ 82,705	£ 112,702

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 £1,044,000 (2020: £409,000).

Ford Retail Limited
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. INVENTORIES, NET

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

	December 31, 2021	December 31, 2020
Materials and supplies	£ 546	£ 593
Work-in-progress	533	352
Finished Products	498,790	448,680
	<u>£ 499,869</u>	<u>£ 449,625</u>

Inventories are stated after provision for impairment of £5,067,000 (2020: £4,353,000).

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

NOTE 11. ASSETS HELD FOR SALE

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

	For the years ended December 31, 2021	2020
Cost		
Beginning balance	£ -	£ 980
Addition/ (disposal)	835	(980)
Ending balance	<u>835</u>	<u>-</u>
Accumulated depreciation and impairment		
Beginning balance	-	594
Addition/ (disposal)	460	(594)
Ending balance	<u>460</u>	<u>-</u>
Total	<u>£ 375</u>	<u>£ -</u>

The disposal above relates to a plot of land at Strood which was sold in March 2022.

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, 2021					
	Land, Improvements and Buildings	Machinery, Equipment and Other	Assets under Construction	Fixtures and Fittings	Total	
Cost						
Beginning balance	£ 40,220	£ 12,447	£ 86	£ 8,906	£ 61,659	
Reclassifications	86	(50)	(86)	50	-	
Transfer to assets held for sale	(835)	-	-	-	(835)	
Additions	147	1,069	46	1,205	2,467	
Disposals	(225)	(351)	-	(50)	(626)	
Ending balance	<u>£ 39,393</u>	<u>£ 13,115</u>	<u>£ 46</u>	<u>£ 10,111</u>	<u>£ 62,665</u>	
Accumulated depreciation and impairment						
Beginning balance	13,177	8,907	-	4,496	26,580	
Reclassifications	-	(2)	-	2	-	
Transfer to assets held for sale	(460)	-	-	-	(460)	
Depreciation	1,617	996	-	979	3,592	
Disposals	(105)	(239)	-	(50)	(394)	
Ending balance	<u>£ 14,229</u>	<u>£ 9,662</u>	<u>£ -</u>	<u>£ 5,427</u>	<u>£ 29,318</u>	
Net book value as at 31 December 2021	<u>£ 25,164</u>	<u>£ 3,453</u>	<u>£ 46</u>	<u>£ 4,684</u>	<u>£ 33,347</u>	
Net book value as at 31 December 2020	<u>£ 27,043</u>	<u>£ 3,540</u>	<u>£ 86</u>	<u>£ 4,410</u>	<u>£ 35,079</u>	

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NOTE 13. RIGHT OF USE ASSETS AND LEASE COMMITMENTS

This note provides information for leases where the Company is a lessee.

Leased right-of-use assets at December 31 were as follows (in thousands):

For the year ended December 31, 2021			
	Land and Buildings	Machinery, Equipment, and Other	Total
Cost	£ 75,976	£ 21,127	£ 97,103
Accumulated depreciation	(21,109)	(6,577)	(27,686)
Net carrying amount (a)	£ 54,867	£ 14,550	£ 69,417

For the year ended December 31, 2020			
	Land and Buildings	Machinery, Equipment, and Other	Total
Cost	£ 73,721	£ 17,825	£ 91,546
Accumulated depreciation	(13,635)	(4,715)	(18,350)
Net carrying amount (a)	£ 60,086	£ 13,110	£ 73,196

(a) Additions to leased assets during the year were £18,296,000 (2020: £26,632,000).

The amounts contractually due on our lease liabilities were as follows (in thousands):

	December 31, 2021	December 31, 2020
Within 1 year	£ 14,798	£ 15,522
After 1 year and within 2 years	16,369	15,134
After 2 years and within 3 years	8,112	8,544
After 3 years and within 4 years	7,313	7,173
After 4 years and within 5 years	6,873	6,638
After 5 years	32,293	38,305
Total	85,758	91,316
Less: Present value discount	(12,869)	(15,497)
Total lease liabilities	£ 72,889	£ 75,819

Current liability	12,455	12,880
Non-current liability	60,434	62,939
	£ 72,889	£ 75,819

The components of lease expense were as follows (in thousands):

	For the years ended December 31, 2021	For the years ended December 31, 2020
Depreciation		
Land and buildings	£ 7,520	£ 7,616
Machinery, equipment, and other	6,925	4,717
Total depreciation	£ 14,445	£ 12,333
Other Expenses		
Interest expense	£ 2,764	£ 2,793
Total lease expense	£ 17,209	£ 15,126

There were no expenses during the year relating to the lease of low-value assets that are shown above as short term leases.

There were no expenses during the year relating to variable lease payments not included in lease payments. The lease of low-value assets that are shown above include short term leases.

The total cash outflow for leases in 2021 was £14,767,000 (2020: £13,593,000).

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NOTE 14. DEFERRED INCOME TAXES

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

	Accelerated Capital Allowances	Capital Gains and Losses	Other Short Term Timing Differences	Total
Recognised:				
Beginning Balance	£ (1,090)	243	486	£ (361)
Charge for the year	(724)	77	(22)	(669)
Ending Balance	£ (1,814)	320	464	£ (1,030)

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 £2,950,000 (2020: £3,095,000).

NOTE 16. TRADE AND OTHER PAYABLES

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

	December 31, 2021	December 31, 2020
Trade Payables	£ 23,218	£ 10,086
Bank overdraft	16,873	20,847
Amounts owed to group undertakings	392,961	403,174
Accruals and deferred income	77,371	86,755
Other creditors	4,389	22
Taxation and social security	1,005	921
Total	£ 515,817	£ 521,805

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 Vehicle Scheme	Dilapidations	Property Closure & Other	Total
Beginning balance as at 1 January 2021	£ 46	£ 1,124	£ 166	£ 1,336
Added in the year	71	537	33	641
Utilised in the year	(46)	(153)	(166)	(365)
Total as at 31 December 2021	£ 71	£ 1,508	£ 33	£ 1,612
Current portion	71	524	33	628
Non-current portion	-	984	-	984
Total as at 31 December 2021	£ 71	£ 1,508	£ 33	£ 1,612

All current provisions are to be fully resolved/utilised within 12 months. Non-current dilapidations are expected to be utilised in years 2023 to 2028. 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.

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NOTE 18. CALLED UP SHARE CAPITAL

Share capital is analysed as follows (in thousands):

	December 31, 2021	December 31, 2020
Allotted, called up and fully paid		
2,453,000 (2020: 2,453,000) ordinary stock of £1 each	£ 2,453	£ 2,453
Total	£ 2,453	£ 2,453

All shares rank pari passu in all respects.

NOTE 19. 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 2021 was £11,536,000 (2020: £7,939,000).

NOTE 20. CAPITAL AND OTHER COMMITMENTS

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

	December 31, 2021	December 31, 2020
Aggregate of contractual commitments not provided for	£ 1,929	£ 1,490

NOTE 21. EMPLOYEES AND DIRECTORS

Employment costs were as follows (in thousands):

	For the years ended December 31, 2021	2020
Employment costs		
Wages and salaries	£ 84,555	£ 84,770
Social security costs	7,805	7,586
Other pension costs	2,950	3,095
	£ 95,310	£ 95,451

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

	For the years ended December 31, 2021 Number	2020 Number
Nature of employment		
Sales staff	850	636
After-sales staff	1,151	1,467
Administration staff	619	673
Total	2,620	2,776

Aggregate emoluments of the directors amounted to £612,000 (2020: £551,000). 1 director (2020: 1) was a member of the defined contribution scheme.

The highest paid director's emoluments were £433,000 (2020: £395,000).

During the year, key management personnel purchased vehicles from the company for £18,000 (2020: £97,000).

NOTE 22. 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.

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NOTE 23. EVENTS SUBSEQUENT TO THE REPORTING DATE

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