Registered No. 02514418

Nissan Motor (GB) Limited

Report and Financial Statements

31 March 2020

Company Information

Directors
J Vila Onses (Chairman)
A Humberstone (Managing Director)
G Leondis
G Main
A Tennant
V Esnaola Torres

Secretary
S Tiffin

Independent Auditor
Ernst & Young LLP
APEX Plaza
Forbury Road
Reading RG1 1YE

Bankers
Lloyds Bank
PO Box 72
Gillingham
Kent ME8 0LS

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The Rivers Office Park
Denham Way
Maple Cross
Rickmansworth WD3 9YS

Strategic Report

The directors present their Strategic Report for the year ended 31 March 2020.

Principal activity and review of the business

The principal activity of the company is the distribution and marketing of Nissan motor vehicles and spare parts within the UK.

The total industry new vehicle market for the fiscal year ended 31st March 2020 decreased by 11% to 2,424,000 registrations, equating to a fall of more than 291,000 registrations (2019: total registrations 2,715,000). Within the TIV reduction was a fall of 239,000 registrations in March 2020 compared to March 2019, due to the UK lockdown as a result of the Covid-19 pandemic.

Nissan's registrations fell by more than 11,000 units over the previous fiscal year to 98,332 units, with total market share of 4.06% (2019: 4.05%). Turnover for the year fell by 2% to £1,760 million (2019: £1,793 million).

Due to the impact of Covid-19, franchise showrooms were closed in England and Wales between 23rd March and 31st May, in line with UK Government directives, while company operations were migrated to remote working.

Following a review of updated sales and profitability forecasts of the company's investments in its subsidiary, the Company has recognised an impairment charge of £5.8 million in the current financial year. See more details in notes 5 and 13.

Future Developments

The directors continue to consider potential opportunities to develop the business that arise from time to time.

Since the end of the financial year, the UK Government has been forced to implement exceptional measures to limit the spread of Covid-19 during the worldwide pandemic. In order to minimise the impact of lockdowns in November 2020 and Q1 2021, the company invested in its digital channels to improve the online customer journey and encouraged its network to optimise click-and-collect options at Nissan dealerships. Since the end of the first lockdown, workshops have been able to remain open for customers limiting the impact on the aftersales business, and used car sales have remained strong.

The first full year of sales of the brand new Juke model has delivered the planned segment share, with a significant reduction in distribution costs by comparison to the outgoing model.

Nissan's Global HQ has set out a new mid-term plan for the brand – "Nissan Next" – and the company expects to benefit from the brand strategy and electrification strategy that result from this plan in the coming years.

Key Performance Indicators (KPIs)

The company measures its performance with particular focus on the following Key Performance Indicators, ("KPIs"):

	2020	**2019**	**Change**
	£m	**£m**	**%**
Turnover	1,760	1,793	(2)
Gross Profit	99	100	(1)
Equity shareholders' funds	174	186	(6)
UK Market share of passenger cars and light commercial vehicles	4.06%	4.05%	0

Strategic Report - continued

Progress is assessed by comparing KPI's with the company's strategy, its budget for the year and historic performance. Given competitive UK focus of the business, and the significant impacts resulting from the transition to WLTP (Worldwide Harmonised Light Vehicle Test Procedure), the directors are satisfied with both the financial performance during the reporting period and the financial position at the end of the reporting period.

Principal risks and uncertainties

The company is UK focused and depends upon the strength of the UK economy. Any significant reduction in consumer confidence, and its resulting impact on the UK TIV, remains the most significant challenge to the business. Within the UK car market, competition remains intense and provides both a price risk and market share risk to the company. In addition, the continued impact of Covid-19 on the company and industry as a whole contributes to current uncertainty, despite efforts by the company to mitigate its impact.

The key factors addressing this are (1) leverage of the on-going Nissan model program (2) maintaining strong relationships with dealers and (3) the ongoing Nissan group focus on further improving end-customers' satisfaction. The company has a residual value price risk on used vehicles held in stock, and those returning to the company through buyback arrangements. This risk is monitored and accounted for appropriately.

The Company purchases new vehicles from the European group head office trading company Nissan International SA ("NISA"), based in Rolle, Switzerland. Market risks, such as those arising from variations in commodity prices or currency fluctuations are normally borne by NISA. However in the context of the economic environment of the automotive industry over the past 2 years, prices have been revised with NISA in the current year to reflect a deterioration of margins in Nissan's operations within the UK and Europe.

Cash flow and liquidity risk is covered by forecasting and management of cash, and is minimised because the company benefits from a group borrowing facility. Credit risk is mitigated by the credit control procedures which the company has implemented, in particular through the funding of dealers by the company's captive finance partner.

In 2018 the Group established cross functional working groups to prepare for the impact of Brexit on our business. As a result of this the Company was well prepared for the regulatory requirements of Brexit. Nissan welcomes the agreement reached between the UK and EU authorities in December 2020 and looks forward to the continued success of our UK based operations in the years ahead.

Section 172 statement - Engaging our Stakeholders

The following disclosure details how the directors have had regard to the matters set out in section 172 (1a) to (f) and forms the directors' statement required under the Companies Act 2006. This disclosure requires directors' to act in a way they consider, in good faith, most likely to promote the success of the Company for the benefit of the shareholders as a whole.

The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with s172 of the Companies Act 2006. Directors receive training on appointment to the Board which sets out their responsibilities. In addition the Board receives an annual update in terms of directors' responsibilities.

The Board meets on a regular basis and are committed to ensuring stakeholder engagement is considered during these meetings.

The Board is comprised of a cross functional team with a variety of skills and experiences. For a full list of board members please refer to the Directors' Report on page 6.

Strategic Report - continued

The key stakeholders of the Company during the year and details of how the Company engages with them is detailed below:

Employees

As for most businesses, employees are key to the success of the Company. The Company engages with employees in a number of ways including an annual Global Employee Survey where employees can provide feedback in areas such as communication, management style, trust and confidence, office environment and work life balance. The results of these surveys are shared Company wide and actions agreed to address any area of improvement.

Senior management engage directly with employees through skip level meetings and all employee meetings. These meetings provide an open forum where employees can pose questions directly to management, and allows operational highlights and any other relevant business developments to be shared with all employees.

Customers

The Company aims to provide high quality passenger motor vehicles and deliver the best customer experience. Customers' opinion both of their vehicle and of their experience at Nissan dealerships is essential to delivering continuous improvement and this is measured using both internal and external surveys, the results of which are regularly reviewed by the board.

Suppliers

The Board recognises the vital role suppliers play in ensuing the Company delivers high quality passenger motor vehicles. Although the Company is not directly involved in the supply chain of manufacturing vehicles, the Board is aware that Nissan in Europe aims to treat all suppliers fairly and pay them within agreed payment terms.

Nissan's Purchasing Organization works to guarantee that the suppliers' processes of selection, certification and evaluation are homogenous in all of the countries in which the Company operates. Supplier relationships are based on three values: trust, respect and transparency.

The Company reports supplier payment policies, practices and performance through the Government's Payment Practices Reporting portal.

The Company also makes available an annual statement in compliance with Section 54, Part 6 of the Modern Slavery Act 2015 setting out the steps the Company has taken to ensure there is no modern slavery in the supply chain, or within the business.

Environment and community

The Company aims to establish responsible business strategies. The Company is committed to managing the wider environmental impacts of its operations. For more information please refer to the Energy and Carbon report within the Directors' Report.

Strategic Report - continued

Shareholder

The ultimate parent undertaking and controlling party of the Company is Nissan Motor Co., Ltd.. The parent company is involved in the strategic decision making of the group, and is also involved in the Company's future model planning and business planning process.

By order of the Board

S Tiffin
Secretary
24th March 2021

Directors' Report

The directors present their report and financial statements for the year ended 31 March 2020.

Certain information, including principal activity, review of the business and principal risks and uncertainties has been included in the Strategic Report, in accordance with S414 C (ii) of the Companies Act 2006, as the Directors believe this information to be of strategic importance.

Directors

The directors who served during the year and up to the date of signing the financial statements were as follows:

J Vila Onses (Chairman), appointed 24 September 2020
A Humberstone (Managing Director), appointed 13 January 2020

G Leondis, appointed 24 June 2019
G Main
A Tennant
V Esnaola Torres
R De Vries, appointed 13 January 2020, resigned 31 July 2020
K Ramirez, resigned 20 May 2019
K Sivagnanam, appointed 14 May 2019, resigned 10 January 2020

Dividends

The directors do not recommend a final dividend for the year (2019 – £nil).

Research and Development and Future Developments

The future development of the business is discussed in the Strategic Report as set out in page 2 of the Financial Statements. The company does not undertake substantive research and development activity.

Going Concern

The company's business activities, together with the factors likely to affect its future development, performance, position and its exposures to credit risk are set out in the Strategic Report.

The company meets its day to day working capital requirements through cash reserves and, if required, intra-group funding. The company is part of a Nissan Europe cash pooling arrangement to optimise cash management across the European business. The company's forecasts and projections show that the company should be able to operate within the level of its current arrangements.

Despite decreases in the current year of Total Industry Volume (TIV) in the United Kingdom, exacerbated by Covid-19 pandemic, the company expects to be profitable and cash generative in the next 12 months. In assessing whether the going concern basis is appropriate, the directors take into account all available information about the future up to 31 March 2022, which is at least 12 months from the date of the approval of these financial statements. The Directors have considered the forecast cash flow and profitability of the Company, considering a reasonable worst case impact of COVID-19 on the operations and performance of the Company up to 31 March 2022. This reasonable worst case scenario assumes that there are no changes to the cash pooling arrangements and that all intercompany working capital balances within the Nissan Group are settled. Taking these forecasts into account, the Directors believe that the company has sufficient cash reserves and facilities to continue as a going concern for a period of at least 12 months from the approval of these financial statements.

Directors' Report - continued

The Company has obtained support from a related entity, Nissan Motor Manufacturing (UK) Limited, in relation to the cash-pooling arrangements in place, and the related intercompany receivable balance for £236,417k as at 31st March 2020, ensuring that these amounts would be made available to the Company, on demand, to the extent they were required. This support is available for a period of at least 12 months from the signing date of these financial statements. The Directors base their reliance on this support from the fact that the treasury function is centralised within the same management team for the main UK Nissan entities.

Furthermore, the clarity brought with the conclusion of Brexit and the agreement between the UK and EU means the company is now able to confidently plan for the future.

As such, the directors have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Disabled employees

Applications for employment by disabled persons are always fairly considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment continues and the company will seek to cater for their needs and aim to retain them in suitable employment. On a continuing basis, the disabled employee will be included in the training programmes run by the company and will be given opportunities for promotion along with all other employees.

Employee involvement

The company is committed to regular communication and discussions with employees on those matters relating to their work and the company's business progress.

The company also seeks to delegate and involve staff in discussions and decision-making particularly in those areas to which they can contribute effectively, so that all may participate in the efficient running of the company.

Corporate Governance

The Company recognises the contribution made by good governance to the Company's success and operates in a way consistent with an agreed set of core values, policies and procedures. While the Company has not applied a specific corporate governance code during 2020 it has a number of key controls in place that strengthen the corporate governance environment. These include a decision making process with delegated authority which the Company follows at all times, a robust internal control environment (J-Sox) and a European internal audit function.

In addition to this, section 172 of the Companies Act 2006 requires directors to act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of the shareholders as a whole. For further detail, refer to Section 172 in the Strategic Report.

Directors' Report - continued

The Energy and Carbon Report

The Company is committed to addressing environmental issues in Climate Change, Resource Dependency, Air Quality and Water Scarcity, and strengthen the business foundation to create social value. The Nissan Green Programme 2020 (NGP2022) has been set up to focus on these key areas and is the Company's mid-term environmental action plan running until 2022.

UK Energy Usage

During the year ended 31 March 2020 the Company consumed 802,000 kWh of electricity and 306,000 (m^3) kWh from gas combustion, for its own use.

In the same period the Company consumed 81,000 litres of fuel for the purpose of transport.

Associated Greenhouse Gas Emissions

As a result of this energy consumption the Company was responsible for the emission of 259 t/CO2 of Carbon Dioxide relating to electricity and gas combustion and 210 t/CO2 relating to vehicle usage.

Intensity Ratio

The intensity ratio of KwH per employee has been selected to reflect that the Company is a retail operation and energy cost are associated with the offices used to accommodate staff.

Energy Efficiency Actions

The Company monitors energy usage as part of its normal operating activities and takes energy efficiency actions where it considers it necessary. LED lighting has been installed at the Companies head office to reduce cost and reduce carbon emissions.

Methodology

In this report the UK government GHG 2020 conversion factors have been used for the reporting of greenhouse gas emissions.

	2020	2019
Electricity usage (kWh)	802,488	n/a
Gas consumption (kWh)	305,747	n/a
Transport (fuel in litres)	80,911	n/a
Greenhouse gas emissions (t/CO2)	469	n/a
Intensity ratio (kWh per employee)	5,569	n/a

Directors' Report - continued

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware (as defined by Section 418 of the Companies Act 2006), there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board

S Tiffin
Secretary
24th March 2021

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

to the members of Nissan Motor (GB) Limited

Opinion

We have audited the financial statements of Nissan Motor (GB) Limited for the year ended 31 March 2020 which comprise the Income Statement, the Statement of comprehensive income, the Statement of changes in equity, the Balance sheet and related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 10, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

Sandra Thompson (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Reading

30 March 2021

Income Statement

for the year ended 31 March 2020

	Notes	2020 £000	2019 £000
Turnover	2	1,760,143	1,793,017
Cost of sales	14	(1,661,210)	(1,693,039)
Gross profit		98,933	99,978
Operating expenses	4	(101,452)	(85,635)
Operating (loss)/profit	5	(2,519)	14,343
Finance Income	8	5,879	6,861
Finance Expense	9	(16,592)	(17,628)
(Loss)/profit on ordinary activities before taxation		(13,232)	3,576
Tax on (loss)/profit on ordinary activities	10	1,194	(796)
(Loss)/profit for the financial year		(12,038)	2,780

All activities are continuing.

Statement of comprehensive income

for the year ended 31 March 2020

	2020 £000	2019 £000
(Loss)/profit for the financial year	(12,038)	2,780
Other comprehensive income:	-	-
Total comprehensive income for the year	(12,038)	2,780

Statement of changes in equity

for the year ended 31 March 2020

	Share Capital £000	*Retained earnings £000*	*Total equity £000*
Balance at 1 April 2018	86,000	97,110	183,110
Profit for the financial year	-	2,780	2,780
Balance at 31 March 2019	86,000	99,890	185,890
Effect of adoption of IFRS 16 Leases (note 24)	-	(304)	(304)
Loss for the financial year	-	(12,038)	(12,038)
Balance at 31 March 2020	86,000	87,548	173,548

Balance Sheet

at 31 March 2020

	Notes	2020 £000	2019 £000
Fixed assets			
Tangible assets	11	5,415	5,356
Right of use assets	12	11,655	-
Investments	13	-	5,800
		17,070	11,156
Current assets			
Stocks	14	259,336	202,146
Debtors	15	278,187	428,167
Cash at bank and in hand		9,800	13,700
		547,323	644,013
Creditors: amounts falling due within one year	16	(332,660)	(456,686)
Net current assets		214,663	187,327
Total assets less current liabilities		231,733	198,483
Creditors: amounts falling due after more than one year	16	(48,522)	-
Provisions	21	(9,663)	(12,593)
Net assets		173,548	185,890
Capital and reserves			
Called up equity share capital	17	86,000	86,000
Retained earnings	18	87,548	99,890
Equity shareholders' funds		173,548	185,890

These financial statements were approved by the Board of Directors on 24th March 2021 and were signed on its behalf by:

A Humberstone
Director

Notes to the financial statements

for the year ended 31 March 2020

1. Authorisation of financial statements and statement of compliance with FRS101

The financial statements for Nissan Motor (GB) Limited for the year ended 31 March 2020 were authorised for issue by the board on 24th March 2021, and the balance sheet was signed on its behalf by Mr A Humberstone. Nissan Motor (GB) Limited is a private limited company incorporated, domiciled and has its registered office in the United Kingdom, as noted on page 1.

These financial statements were prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework (FRS 101)" and in accordance with applicable accounting standards.

The Company's financial statements are presented in Pounds Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting policies

Basis of preparation

The company has not prepared consolidated financial statements because it has been included in the consolidated financial statements of Nissan Motor Co., Ltd.. The financial statements therefore present information about the company as an individual undertaking.

The accounting policies which follow, set out those policies which apply in preparing the financial statements for the year ended 31 March 2020, and have been consistently applied.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  -paragraph 79(a) (iv) of IAS 1; and
  -paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10)(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- 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 paragraphs 118(e) of IAS 38 Intangible Assets
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets;
- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment because the share based payment arrangement concerns the instruments of another group entity.

Notes to the financial statements

for the year ended 31 March 2020

2. Accounting policies (continued)

Going Concern

The company's business activities, together with the factors likely to affect its future development, performance, position and its exposures to credit risk are set out in the Strategic Report.

The company meets its day to day working capital requirements through cash reserves and, if required, intra-group funding. The company is part of a Nissan Europe cash pooling arrangement to optimise cash management across the European business. The company's forecasts and projections show that the company should be able to operate within the level of its current arrangements.

Despite decreases in the current year of Total Industry Volume (TIV) in the United Kingdom, exacerbated by Covid-19 pandemic, the company expects to be profitable and cash generative in the next 12 months. In assessing whether the going concern basis is appropriate, the directors take into account all available information about the future up to 31 March 2022, which is at least 12 months from the date of the approval of these financial statements. The Directors have considered the forecast cash flow and profitability of the Company, considering a reasonable worst case impact of COVID-19 on the operations and performance of the Company up to 31 March 2022. This reasonable worst case scenario assumes that there are no changes to the cash pooling arrangements and that all intercompany working capital balances within the Nissan Group are settled. Taking these forecasts into account, the Directors believe that the company has sufficient cash reserves and facilities to continue as a going concern for a period of at least 12 months from the approval of these financial statements.

The Company has obtained support from a related entity, Nissan Motor Manufacturing (UK) Limited, in relation to the cash-pooling arrangements in place, and the related intercompany receivable balance for £236,417k as at 31st March 2020, ensuring that these amounts would be made available to the Company, on demand, to the extent they were required. This support is available for a period of at least 12 months from the signing date of these financial statements. The Directors base their reliance on this support from the fact that the treasury function is centralised within the same management team for the main UK Nissan entities.

Furthermore, the clarity brought with the conclusion of Brexit and the agreement between the UK and EU means the company is now able to confidently plan for the future.

As such, the directors have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

New standards, amendments and IFRIC interpretations

IFRS 16 is a new accounting standard that is effective for the year ended 31 March 2020 and has had a material impact on the company's financial statements – see note 24. IFRIC 23 is a new interpretation which is effective for the year ended 31 March 2020, however the directors do not consider this to have had a material impact on the financial statements.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts and value added taxes. The company recognises turnover when performance obligations have been satisfied and for the company this is when the goods (vehicles and parts) have transferred to the customer and the customer has control of these. The company's activities are described in detail below.

The company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

All turnover is generated in the UK.

Notes to the financial statements

for the year ended 31 March 2020

2. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at historical cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful life, as follows:

Freehold land	–nil
Freehold property	–5%
Short leasehold property	–over the period of the lease
Equipment, fixtures and fittings	–10%

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Tangible fixed assets are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Investments

Investments are initially recorded at cost.

The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Cash at bank and in hand

Cash at bank and in hand comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Debtors

Debtors are amounts due from customers for goods sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

Stock

Stock is stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price. Provision is made for obsolete or slow-moving items where appropriate.

Notes to the financial statements

for the year ended 31 March 2020

2. Accounting policies (continued)

Buybacks

Where at the time the vehicle is transferred to the customer, it appears probable based on the terms of the contract that the vehicle will be returned, it is not considered in substance that the risks have been transferred permanently to the customer: consequently, the transaction is not recognised as turnover in the income statement.

Instead, the vehicle is maintained as an asset in the financial statements and classified as inventory.

These buy-back contracts are accounted for according to the total loss-making or profit-making outcome of the contract, estimated upon inception of the contract as the sum of:

(a) deferred revenue, equal to the difference between the proceeds received from the customer upon inception of the contract and the estimated value of the vehicle on return

(b) the estimated gain or loss to be made on the resale of the vehicle, equal to the difference between the estimated sales proceeds and the vehicle's carrying amount.

Where losses are expected on such contracts, these are recognised immediately in the income statement.

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Current taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit or loss as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Notes to the financial statements

for the year ended 31 March 2020

2. Accounting policies (continued)

Deferred taxation

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Financial instruments

i) Financial assets

Initial recognition and measurement
Financial assets within the scope of IFRS 9 are classified as financial assets at fair value through profit or loss, loans and receivables, as appropriate. The company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, directly attributable transaction costs.

The company's financial assets include cash and short-term deposits, trade and other receivables, including amounts due from other group companies.
Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised in finance revenue or finance expense in the statement of comprehensive income.
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the statement of comprehensive income. Losses arising from impairment are recognised in the income statement within administrative expenses.

Notes to the financial statements

for the year ended 31 March 2020

2. Accounting policies (continued)

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Foreign currencies

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the company operates (its functional currency).

Transactions denominated in foreign currencies are translated into sterling at rates set at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Differences arising from movements in rates of exchange are dealt with in the income statement.

Pensions

The company is a member of a group that operates the group pension plans on behalf of the company for all its qualifying employees. Prior to 2004, the group operated defined benefit schemes - these are closed to new entrants. The assets of the defined benefit pension schemes are held separately from those of the group in trustee administered funds, being invested by professional investment managers. Payments are made by the company to meet its obligations to the overall group plan where periodic calculations are performed by professionally qualified actuaries. The pension liabilities of the defined benefit pension scheme are calculated using a consistent projected unit valuation method and compared to the plans' assets at the relevant date measured at market value.

Notes to the financial statements

for the year ended 31 March 2020

2. Accounting policies (continued)

Nissan Motor Manufacturing (UK) Limited ("NMUK") is the sponsoring employer of the United Kingdom defined benefit scheme as it has legal responsibility for the plan. There is no contractual agreement or stated policy for charging the defined benefit cost of the plan as a whole to individual group entities and therefore NMUK has recognised the entire net defined benefit cost and relevant net defined benefit liability of the United Kingdom scheme in its individual financial statements. The pension related payments are made to NMUK as and when required. Note 19 discloses information about the pension scheme as reported in the accounts of Nissan Motor Manufacturing (UK) Limited, which are prepared under FRS 102.

A group defined contribution pension scheme was set up for all new entrants subsequent to the closure of the defined benefit pension scheme mentioned above. The assets of the defined contribution pension scheme are held separately from those of the group in a range of funds provided and administered by an independent plan provider. Contributions are charged to the income statement as they become payable in accordance with the rules of the scheme.

Share based payments

The ultimate parent company has issued cash-settled share-based payments (Share Appreciation Rights) to certain employees in consideration of services received. A liability equal to the portion of services received is recognised at the current fair value determined at each balance sheet date.

Fair value is measured by use of the binomial option pricing model.

The majority of the liability is recharged to the ultimate parent company with the remaining balance being immaterial to these financial statements.

In these financial statements the company has taken the exemption for the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment because the share based payment arrangement concerns the instruments of another group entity.

Leases

The company leases various offices and dealerships. Rental contracts are typically made for fixed periods of 12 months to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the current financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 April 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, in line with IFRS 16.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- The exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Notes to the financial statements

for the year ended 31 March 2020

2. *Accounting policies (continued)*

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.

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

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; and
- Any initial direct 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. The carrying values of right of use assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Lease income from operating leases where the company is a lessor is recognised in income on a straight-line basis over the lease term. The company did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

The impact of the adoption of IFRS 16 is explained in note 24. Prior to this change, leases of property, plant and equipment where the company, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in creditors. Each lease payment was allocated between the liability and finance cost. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there was no reasonable certainty that the company would obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the company as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Notes to the financial statements
for the year ended 31 March 2020

2. *Accounting policies (continued)*

Back to back leases

Back to back leases are property leases where the company holds a head lease and sub-lets the property to its wholly owned subsidiary. The liability for the full term of the lease is recognised within current and greater than one year creditors and the asset is recognised within Debtors: "Amounts owed by subsidiary - back to back leases".

Free Service and Warranty

A provision has been made for obligations in respect of certain free servicing obligations. The value of free service plans offered on initial sale of a vehicle are held in the balance sheet and released to the income statement as the service points are reached. No provisions have been recognised in respect of warranties. The cost of any warranties on products sold and product recalls are borne by other group undertakings.

3. Significant accounting judgements and key sources of estimation and uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

The valuation of used vehicle stock, including those with a buy back liability, is based on the lower of cost or net realisable value. The net realisable value is obtained by using a recognised trade guide, combined with management experience of the market and sales values achieved.

Sales incentives accruals are calculated based upon sales by channel and the incentive triggers for each channel.

4. Operating Expenses

Operating expenses are made up as follows:

	2020	*2019*
	£000	*£000*
Selling and distribution expenses	76,766	65,088
Administration expenses	24,686	20,547
	101,452	85,635

Notes to the financial statements

for the year ended 31 March 2020

5. Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	2020	*2019*
	£000	*£000*
Write down of inventories	11,987	19,442
Loss on Foreign Exchange	46	42
Depreciation on owned tangible assets	321	310
Depreciation on right of use assets	1,056	-
Impairment of investment	5,800	-
Analysis of auditor's remuneration is as follows:		
Fees payable to the company's auditors for the audit of the company's annual financial statements	141	188
Non-audit fees – audit-related assurance services	-	-

6. Directors' remuneration

	2020	*2019*
	£000	*£000*
Directors' emoluments (excluding pension contributions and incentive plans)	715	482
Amounts receivable under long-term incentive plans	-	79
Company contributions to defined contribution pension schemes	78	14

The above emoluments are in relation to duties as a director of the company.
Retirement benefits accrue to one (2019: one) director under a defined benefit pension scheme.

Highest paid Director

The above amounts include the following in respect of the highest paid Director

	2020	*2019*
	£000	*£000*
Directors' emoluments (excluding pension contributions and incentive plans)	533	349
Amounts receivable under long-term incentive plans	-	79
Company contributions to defined contribution pension schemes	76	14

Notes to the financial statements
for the year ended 31 March 2020

7. Staff costs

Staff costs (including those of Directors' separately disclosed) are:

	2020 £000	2019 £000
Wages and salaries	12,919	13,209
Social security costs	1,251	1,341
Pension costs:		
Net current service cost	469	537
Defined contribution plan	629	662
	1,098	1,199
	15,268	15,749

The average numbers of employees during each year is as follows:

	2020 No.	2019 No.
Managers	38	39
Sales and Marketing	131	135
Administration	30	27
	199	201

8. Finance Income

	2020 £000	2019 £000
Bank interest receivable	68	83
Group interest receivable	1,812	1,497
Interest on back to back leases	78	-
Other interest – employee car scheme	3,921	5,281
	5,879	6,861

9. Finance Expense

	2020 £000	2019 £000
Dealer wholesale financing	13,118	14,234
Interest on lease liabilities (note 12)	269	-
Interest on back to back leases	78	-
Other interest payable	3,127	3,394
	16,592	17,628

Notes to the financial statements

for the year ended 31 March 2020

10. Tax on profit on ordinary activities

(a) Analysis of tax (credit)/charge on ordinary activities

	2020	*2019*
	£000	*£000*
Current tax:		
UK Corporation Tax at 19% based on the (loss)/ profit for the year (2019: 19%)	(1,033)	817
Adjustment in respect of prior years	45	19
Total current tax (credit)/charge	(988)	836
Deferred tax:		
Accelerated capital allowances	5	(51)
Temporary differences	(10)	11
Tax losses	(201)	-
Total deferred tax (credit) (note 20)	(206)	(40)
Total tax (credit)/charge on profit on ordinary activities (note 10(b))	(1,194)	796

(b) Factors affecting tax charge for the current period

The tax assessed for the period is lower (2019: higher) than that resulting from applying the standard rate of corporation tax in the UK of 19% (2019: 19%).

The differences are explained below:

	2020	*2019*
	£000	*£000*
(Loss)/profit on ordinary activities before tax	(13,232)	3,576
Tax at 19% (2019:19%) on (loss)/profit on ordinary activities	(2,514)	679
Effects of:		
Expenses not deductible for tax purposes	157	118
Depreciation on non-qualifying assets	12	55
Impairment of investment	1,102	-
Rate changes on deferred tax	-	(4)
Adjustment in respect of prior years	49	(52)
Total tax (credit)/charge for the period (note 10(a))	(1,194)	796

Notes to the financial statements

for the year ended 31 March 2020

10. Tax on profit on ordinary activities (continued)

(c) Factor affecting future tax charge

The standard rate of UK corporation tax for the period was 19%. A change to the previously enacted standard rate of 17% applicable from 1 April 2020 was substantively enacted during the year. From this date, the standard rate of tax continues to be 19% and has been applied to deferred tax balances at the balance sheet date.

The UK Budget 2021 announced on 3 March 2021 an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in these financial statements. If they had been enacted this would have increased the deferred tax asset by £98,000.

11. Tangible fixed assets

	Freehold property £000	*Short leasehold property £000*	*Equipment fixtures and fittings £000*	*Total £000*
Cost:				
At 1 April 2019	2,672	8,828	3,810	15,310
Additions	-	148	232	380
At 31 March 2020	2,672	8,976	4,042	15,690
Accumulated depreciation:				
At 1 April 2019	1,575	4,757	3,622	9,954
Charge for the year	64	243	14	321
At 31 March 2020	1,639	5,000	3,636	10,275
Net book value:				
At 31 March 2020	1,033	3,976	406	5,415
At 1 April 2019	1,097	4,071	188	5,356

Freehold property includes land with a cost of £784,600 which is not depreciated (2019: £784,600).

Notes to the financial statements

for the year ended 31 March 2020

12. Right of use assets

The company has lease contracts for various properties used in its operations. The amounts recognised in the financial statements in relation to the leases are as follows:

(i) Amounts recognised in the Balance Sheet

The balance sheet shows the following amounts relating to leases:

Right of use assets – Buildings	***2020***
	£000
At 1 April 2019	12,960
Lease variation	(249)
Depreciation	(1,056)
At 31 March 2020	11,655

Lease liability	**2020**
	£000
At 1 April 2019	13,335
Lease variation	(249)
Interest charged to the income statement	269
Payments	(883)
At 31 March 2020	12,472
Lease liabilities:	
Current	1,070
Non-current	11,402
	12,472

(ii) Amounts recognised in the Income Statement

The income statement shows the following amounts relating to leases:	2020
	£000
Depreciation	1,056
Interest expenses included in finance cost (note 9)	269

(iii) Future minimum lease payments as at 31 March 2020 are:

	2020
	£000
Not later than one year	1,230
Later than one year and not later than five years	3,692
Later than five years	9,166
Total gross payments	14,088
Impact of finance expenses	(1,616)
Carrying amount of liability	12,472

The total cash outflow for leases in 2020 was £883,000.

Notes to the financial statements

for the year ended 31 March 2020

13. Investments

	Shares ins Subsidiary £000
Cost:	
At 1 April 2019	5,800
At 31 March 2020	5,800
Accumulated depreciation:	
At 1 April 2019	-
Impairment charge for the year	5,800
At 31 March 2020	5,800
Net book value:	
At 31 March 2020	-
At 1 April 2019	5,800

The above investment is unlisted.

Following a review of updated sales and profitability forecasts of the company's investments in its subsidiary, the Company has recognised an impairment charge of £5.8 million in the current financial year.

Details of the subsidiary undertaking are set out below:

	Incorporated	*Activity*	*Number of and portion of ordinary shares held*
Aprite (GB) Limited	Great Britain	Automotive retailing	5,800,000 shares
Registered Office 100% holding			
The Rivers Office Park			
Denham Way			
Maple Cross			
Rickmansworth			
Hertfordshire WD3 9YS			

Notes to the financial statements

for the year ended 31 March 2020

14. Stocks

	2020	*2019*
	£000	*£000*
New motor vehicles	152,113	99,867
Used motor vehicles	24,887	27,203
Buyback stock	81,004	73,910
Parts stock	1,332	1,166
	259,336	202,146

The value of stock that has passed through cost of sales in the year is £1,644,485,000 (2019: £1,665,384,000).

15. Debtors

	2020	*2019*
	£000	*£000*
Trade debtors	15,459	28,645
Amounts owed from fellow group undertakings	248,523	387,753
Amounts owed by subsidiary - back to back leases	1,389	-
Amounts owed by subsidiary - back to back leases > than one year	3,056	-
Other debtors	744	647
Prepayments and accrued income	6,666	11,088
Corporation tax debtor	2,039	-
Deferred tax asset (note 20)	311	34
	278,187	428,167

Notes to the financial statements

for the year ended 31 March 2020

16. Creditors

	2020	2019
	£000	£000
Amounts falling within one year:		
Trade creditors	44,034	99,697
Amounts owed to group undertakings	25,893	62,868
Corporation tax	-	1,341
Other taxation and social security	49,393	13,038
Other creditors	778	597
Accruals	99,992	138,320
Buyback stock liabilities	60,111	90,825
Lease liabilities (note 12)	1,070	-
Lease liabilities – back to back	1,389	-
Redeemable preference shares (note 17)	50,000	50,000
	332,660	456,686

Included within accruals are amounts relating to sales incentive and buyback vehicle obligation, as well as operating expenses.

	2020	2019
	£000	£000
Amounts falling due after more than one year:		
Buyback stock liabilities	34,064	-
Lease liabilities (note 12)	11,402	-
Lease liabilities – back to back	3,056	-
	48,522	-

17. Issued share capital

	2020	2019
Allotted, called up and fully paid	*£000*	*£000*
86,000,000 Ordinary shares of £1 each	86,000	86,000
50,000,000 Redeemable preference ordinary shares of £1 each (note 16)	50,000	50,000

The redeemable preference shares are held by companies within the Nissan Motor Co., Ltd. group and are redeemable at par at any time at the option of the shareholder, as such they are presented as a current liability and accordingly are excluded from called-up share capital in the balance sheet.

Notes to the financial statements

for the year ended 31 March 2020

18. Reserves

Share capital

This reserve represents the capital investment by the parent undertaking.

Retained earnings

The retained earnings account represents cumulative profits or losses, net of dividends paid.

19. *Pension commitments*

Defined Contribution Pension Plan

During 2004 the defined benefit pension plans became closed to new entrants and a new pension plan of a defined contribution type, the Nissan Defined Contribution Pension Plan ("NDCPP") was set up. The assets of the NDCPP are held separately from those of the Company in a range of funds provided and administered by an independent plan provider. The cost to the Company of the NDCPP in 2020 was £469,000 (2019: £537,000).

The Company pays the contributions to the defined contribution scheme due in the month to which they relate; therefore no contributions were outstanding at either year end.

Defined Benefit Pension Plans

The Company operates two defined benefit pension plans which are closed to new entrants, the Nissan Pension Plan ("NPP") and the Nissan (Executives) Pension Plan ("NEPP"). The NPP is funded by contributions from both employees and the Company, and the NEPP is funded by company-only contributions. The assets of the plans are held separately from the assets of the Company, in trustee separately administered funds.

Following consultation with employee members of the NPP, the benefits provided under the NPP switched from being based on Final Salary to being provided on a Career Average Revalued Earnings ("CARE") basis for service from 1 April 2018. Benefits built up to 31 March 2018 will increase up to retirement in line with CPI inflation, capped at 2.5% p.a.

The most recently completed actuarial valuations of the NPP and NEPP were at 1 April 2018. These have been updated to 31 March 2020 by a qualified actuary.

Following the 1 April 2018 valuation, the Trustees of the NPP and the Company agreed a Schedule of Contributions. The rate at which the Company is required to contribute in respect of the accrual of future service benefits has been set at 22.2% of pensionable salaries. To eliminate the funding shortfall in the NPP, deficit recovery contributions were agreed, of £33m p.a. in respect of the period 1 April 2018 to 31 March 2019, £58m p.a. in respect of the period from 1 April 2019 to 31 March 2020, and £66m p.a. in respect of the period from 1 April 2020 to 31 March 2026.

During the year ended 31 March 2020 it was agreed that additional payments of £32m p.a. will be paid in respect of the period between 1 April 2021 to 31 March 2026 and a payment of £65m in respect of the period 1 April 2026 to 31 March 2027.

Due to the impact of Covid-19, it was further agreed with the Trustees that deficit recovery payments due in the period of April to June 2020 be deferred, and this shortfall would be made up through additional contributions of £0.78m per month between July 2020 and June 2022.

After the end of the financial year end, it was announced that the UK defined benefit pension schemes have closed to future accrual with effect from end of November 2020, following a consultation with impacted employees.

In addition, the Company has made some pension commitments to certain senior employees via unfunded arrangements ("UURBS"). The benefits from these arrangements are funded on a pay as you go basis and will result in future payments by the Company.

Notes to the financial statements

for the year ended 31 March 2020

19. Pension commitments (continued)

Disclosure of principal assumptions

Based on actuarial advice, the financial assumptions used to calculate plan liabilities under FRS 102 were:

	2020	*2019*
	%	*%*
Rate of increase in salaries	n/a	n/a
Rate of revaluation for CARE	1.60	1.75
Discount rate	2.45	2.55
Inflation assumption (RPI/CPI)	2.55/1.85	3.15/2.15
Rate of increase of deferred pensions	1.85	2.15
Rate of increase of pensions in payment NEPP:		
On pension accrued before 6 April 1997	0.00	0.00
On pension accrued after 5 April 1997	2.55	3.05
On pension accrued after 5 April 2005	1.95	2.15
Rate of increase of pensions in payment NPP:		
On pension accrued before 6 April 1997	0.00	0.00
On pension accrued after 5 April 1997	1.90	2.20
On pension accrued after 5 April 2005	1.60	1.75

The demographic assumptions used under FRS 102 were:

Allowance for members to take cash at retirement	Allowance for all members to take the maximum tax free cash on retirement, based on a 7.5% improvement to current cash conversion factors
Early retirement	Allowance for 1/6 of active members to retire at ages 55, 57, 58, 59, 60 and 62
Mortality – current mortality	"SAPS S2" tables based on year of birth, with 95%/(87%) multiplier for male/(female) non-pensioners in the NPP and 92%/(94%) multiplier for all current male/(female) pensioners in the NPP
Mortality – future improvements in longevity	CMI 2019 projections with a long term rate of improvement of 1.25% p.a. and an additional initial mortality parameter of 0.5% p.a.
Prior year mortality	"SAPS S2" tables based on year of birth, with 95%/(87%) multiplier for male/(female) non-pensioners in the NPP and 92%/(94%) multiplier for all current male/(female) pensioners in the NPP (80% multiplier for all NEPP members) CMI 2018 projections with a long term rate of improvement of 1.25% p.a.

Notes to the financial statements

for the year ended 31 March 2020

19. Pension commitments (continued)

Life expectancies on the mortality assumptions used for the pension plans for a current 60 year old and a 60 year old in 2035:

	2020	*2019*
Current retiree – male	87.8	86.7
Future retiree – male	88.6	88.1
Current retiree – female	89.8	89.6
Future retiree – female	91.5	90.1

The sensitivities regarding the principal assumptions used to measure the plan liabilities are set out below:

Assumption	*Change in assumption*	*Impact on Plan liabilities*
Discount rate	Decrease of 0.25%	+ 5.00%
Cash commutation (proportion taking on retirement)	No allowance	+ 6.00%
Inflation (RPI and CPI)	Increase of 0.25%	+ 3.00%
Rate of mortality (change to life expectancy)	Increase of 1 year	+ 2.00%

Assets and liabilities

The assets and the liabilities of the pension plans were:

	2020 *£000*	*2019* *£000*
Equities, property and other growth	1,032,500	1,083,200
Bonds and others	579,600	519,900
Fair value of scheme assets	1,612,100	1,603,100
Present value of plan liabilities	(2,090,300)	(2,076,000)
Deficit in plans	(478,200)	(472,900)
Deferred tax asset	-	80,393
Net pension liability	(478,200)	(392,507)

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for the year ended 31 March 2020

20. Deferred taxation

The movements within the deferred tax balance are as follows:

	2020	*2019*
	£000	*£000*
Deferred tax (asset)/liability at 1 April	(34)	6
Effect of adopting IFRS 16	(71)	-
(Credited) to the income statement	(206)	(40)
Deferred tax (asset) at 31 March	(311)	(34)

	2020	*2019*
	£000	*£000*
Capital allowances in excess of depreciation	-	(6)
Other timing differences	(110)	(28)
Tax losses	(201)	(28)
	(311)	(34)
Deferred tax (asset) recognised (note 15)	(311)	(34)

21. Provisions

	£000
Balance at 1 April 2019	12,593
Additions	6,040
Utilised	(8,394)
Released	(576)
Balance as at 31 March 2020	9,663

A provision of £9,663,000 (2019: £12,593,000) has been made for obligations in respect of free servicing agreements. The provision has not been discounted as the effect would not be material. The obligations are expected to be settled within three years of the balance sheet date.

Notes to the financial statements

for the year ended 31 March 2020

22. Related party transactions

The Company has taken advantage of the exemption available not to disclose transactions entered into between two or more members of a group, provided that any subsidiary party to the transaction is wholly owned by such a member. Members of the Renault group of companies are considered to be related parties of the company by virtue of Renault's investment in Nissan Motor Co., Ltd.. The aggregate amounts included within these financial statements in respect of transactions with members of the Renault group are as follows:

	2020	*2019*
	£000	*£000*
Sales	13,819	10,247
Rental income	256	245
Purchases	67,503	38,186
Interest payable	16,245	17,628
Trade debtors	19,451	12,896
Prepayments and accrued income	21	2,857
Trade creditors	16,331	28,198
Accruals	1,443	3,749

23. Ultimate parent undertaking and controlling party

The ultimate parent undertaking and controlling party is Nissan Motor Co., Ltd., a company incorporated in Japan. This is the largest and smallest parent undertaking to prepare group financial statements.

Copies of the annual reports of the ultimate parent undertaking can be obtained by application to the company secretary of Nissan Motor (GB) Limited at the Registered Office, which is disclosed on page 1.

Nissan Motor Co., Ltd. registered office is:

1-1, Takashima 1-chome,
Nishi-ku, Yokohama-shi,
Kanagawa 220-8686,
Japan

Notes to the financial statements

for the year ended 31 March 2020

24. Effect of adoption of IFRS 16: Leases

As indicated in notes 2 and 12, the company has adopted IFRS 16 Leases retrospectively from 1 April 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019. The new accounting policies are disclosed in note 2.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 2.0%. The re-measurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

i. Practical expedients applied

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standard:

- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term

The company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

ii. Measurement of lease liabilities

	£000
Lease liability	
Operating lease commitments disclosed as at 31 March 2019	16,144
Less leases classified as back to back leases	(5,648)
Less amount of discount using incremental borrowing rate at the date of initial application	(1,885)
Add finance lease liabilities recognised as at 31 March 2019	4,724
Lease liabilities recognised at 1 April 2019	13,335
Of which are:	
Current leases liabilities	1,230
Non-current lease liability	12,105
	13,335

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for the year ended 31 March 2020

24. Effect of adoption of IFRS 16: Leases (continued)

Back to back leases	
Leases classified as back to back leases	5,648
Less amount of discount using incremental borrowing rate at the date of initial application	(220)
Add finance lease liabilities recognised as at 31 March 2019	1,005
Less adjustments as a result of changes in termination options	(1,323)
Less short term leases not recognised as a liability	(251)
Back to back liabilities recognised at 1 April 2019	4,859
Of which are:	
Current leases liabilities	1,227
Non-current lease liability	3,632
	4,859

iii. Measurement of right-of-use assets

The associated right of use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 March 2019.

iv. Adjustments recognised in the Balance Sheet on 1 April 2019

The change in accounting policy affected the following items in the statement of financial position on 1 April 2019:

- Right of use assets – increase by £12,960,000
- Amounts owed by subsidiary – back to back leases – increase by £4,859,000
- Deferred tax asset – increase by £71,000
- Lease liabilities – increase by £13,335,000
- Lease liabilities – back to back – increase by £4,859,000

The net impact on retained earnings on 1 April 2019 was a decrease of £304,000.