

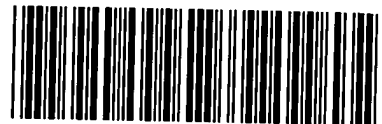
Ford Retail Limited

Annual Report and Financial Statements

Year Ended 31 December 2016

Registered number: 00191596

THURSDAY



A69LMX9K

A28

29/06/2017

#190

COMPANIES HOUSE

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2016

Table of Contents

	<u>Page</u>
Strategic Report	3
Directors' Report	5
Independent Auditors' Report	8
Income Statement	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2016

STRATEGIC REPORT

Strategic report for the year ended 31 December 2016

The directors present their strategic report for the year ended 31 December 2016 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

New car registrations returned to pre-recession levels as pent-up demand from the recession years, combined with confidence in the economy, saw consumer demand for the latest models grow consistently and strongly.

In 2016 the launches of seven new vehicles, including the Focus RS, Kuga and Edge, built on the 2015 introductions of the Focus ST, C-MAX, S-MAX, Galaxy, Mustang and Mondeo Vignale. Further FordStores opened in 2016 providing a transformed customer experience. As a result the company delivered a strong performance in 2016 with record profits.

Principal risks and uncertainties

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

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

Key performance indicators

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

In thousands:		2016	2015
Revenues	The higher revenue results from the introduction of new models/variants with higher prices and an increase in used car and parts sales.	£1,634,526	£1,628,682
Profit on ordinary activities before taxation	The increase in profits is the result of a larger margin on sales of vehicles; a reduction in overhead costs, particularly by streamlining senior management headcount and sales of property in the year generating a profit on disposal.	£18,303	£12,454
Net Assets	The balance sheet net asset increase is reflective of the profitability/cash generative nature of the business during the year.	£59,173	£50,111

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2016

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 10 and 11 respectively.

Employee communications

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

Health and Safety

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

Environment

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

As a result of Ford Motor Company's commitment to the environment Ford Retail Limited sells vehicles with leading technological advances in vehicle efficiency. EConetic technology provides features such as Automatic Start/Stop, Smart Regenerative Charging, Active Grille Shutters, ECOmode and other fuel saving ideas. Ford offers one of the broadest low CO2 vehicle portfolios in Europe.

On behalf of the Board



S Mustoe
Director
28 June 2017

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2016

DIRECTORS' REPORT

Directors' report for the year ended 31 December 2016

The Directors present their report and the audited, financial statements of Ford Retail Limited ("the Company") for the year ended 31 December 2016.

Principal activities and future developments

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

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

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

Results and dividends

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

During the year the company paid £5,192,000 of dividends (2015: £3,296,000).

Directors

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

S. Hood

S. Mustoe

P. MacNiven (resigned 31 October 2016)

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

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

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

Directors' indemnity

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

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2016

DIRECTORS' REPORT *(continued)*

Political donations

No political donations were made in the year (2015: £nil).

Financial risk management

Competitor risk

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

Credit risk

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

Liquidity risk

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

Price risk

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

Interest rate risk

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

Post balance sheet events

There were no post balance sheet events to report.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and 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;

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2016

DIRECTORS' REPORT (continued)

Statement of directors' responsibilities (continued)

- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Disclosure of information to auditors

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006. Each person who is a director at the date of the approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each director has taken all the steps that he/she ought reasonably be expected to have taken as a director to make himself/herself 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
28 June 2017

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

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FORD RETAIL LIMITED

Report on the financial statements

Our opinion

In our opinion, Ford Retail Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 December 2016;
- the income statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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 the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2016

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

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page [6], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Neil Philpott (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
28 June 2017

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2016

INCOME STATEMENT
(in thousands)

	Note	For the years ended December 31,	
		2016	2015
Revenues	4	£ 1,634,526	£ 1,628,682
Cost of sales and other expenses			
Cost of sales		1,490,152	1,490,328
Selling, administrative, and other expenses		145,294	143,967
Total costs and expenses		1,635,446	1,634,295
Other operating income	6	24,090	21,528
Other interest expense and finance cost, net	7	4,867	3,461
Profit before income tax		18,303	12,454
Income tax expense	8	4,049	2,071
Net profit		£ 14,254	£ 10,383

All results are from continuing operations.

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

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2016

STATEMENT OF FINANCIAL POSITION (in thousands)

	Note	December 31, 2016	December 31, 2015
ASSETS			
Cash and cash equivalents		£ 2,894	£ 10,607
Trade and other receivables	9	57,233	57,825
Inventories	10	374,488	384,714
Assets held for sale	11	911	2,645
Total current assets		435,526	455,791
Property, plant, and equipment	12	40,048	39,279
Investment in subsidiaries	13	8,427	8,427
Deferred income taxes	14	219	414
Total non-current assets		48,694	48,120
Total assets		£ 484,220	£ 503,911
LIABILITIES			
Trade and other payables	16	£ 423,145	£ 452,817
Provisions	17	1,455	456
Total current liabilities		424,600	453,273
Deferred revenue and other liabilities		37	85
Provisions	17	410	442
Total non-current liabilities		447	527
Total liabilities		425,047	453,800
EQUITY			
Called up share capital	18	2,453	2,453
Retained earnings		46,358	37,296
Other reserves		10,362	10,362
Total equity		59,173	50,111
Total liabilities and equity		£ 484,220	£ 503,911

The accompanying notes are part of the financial statements.

The financial statements on pages 10 to 32 were approved by the board of directors on 28 June 2017 and were signed on its behalf by:



S Mustoe
Finance Director

Date: 28 June 2017

Registered number: 00191596

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2016

STATEMENT OF CHANGES IN EQUITY
(in thousands)

	Called up share capital	Retained Earnings	Other reserves	Total Equity
Balance at January 1, 2015	£ 2,453	£ 30,209	£ 10,362	£ 43,024
Comprehensive income				
Net profit		10,383	-	10,383
	<u>2,453</u>	<u>40,592</u>	<u>10,362</u>	<u>53,407</u>
Transactions with shareholders				
Dividends	-	(3,296)	-	(3,296)
Total transactions with shareholders	-	(3,296)	-	(3,296)
Balance at December 31, 2015	<u>£ 2,453</u>	<u>£ 37,296</u>	<u>£ 10,362</u>	<u>£ 50,111</u>
Balance at January 1, 2016	£ 2,453	£ 37,296	£ 10,362	£ 50,111
Comprehensive income				
Net profit		14,254	-	14,254
	<u>2,453</u>	<u>51,550</u>	<u>10,362</u>	<u>64,365</u>
Transactions with shareholders				
Dividends	-	(5,192)	-	(5,192)
Total transactions with shareholders	-	(5,192)	-	(5,192)
Balance at December 31, 2016	<u>£ 2,453</u>	<u>£ 46,358</u>	<u>£ 10,362</u>	<u>£ 59,173</u>

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

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2016

NOTES TO THE FINANCIAL STATEMENTS

Table of Contents

<u>Footnote</u>	<u>Page</u>
Note 1 Background and Basis of Preparation	14
Note 2 Summary of Significant Accounting Policies	16
Note 3 Critical Accounting Judgments, Estimates, and Assumptions	20
Note 4 Revenues	21
Note 5 Operating Profit	22
Note 6 Other Operating Income	22
Note 7 Other Interest Expense and Finance Cost, Net	23
Note 8 Income Taxes	24
Note 9 Trade and Other Receivables	26
Note 10 Inventories	26
Note 11 Assets held for sale	27
Note 12 Property, Plant and Equipment	27
Note 13 Interests in Subsidiaries	28
Note 14 Deferred Income Taxes	29
Note 15 Employee Benefits	29
Note 16 Trade and other payables	29
Note 17 Provisions	30
Note 18 Called up Share Capital	30
Note 19 Equity dividends	30
Note 20 Contingent Liabilities	31
Note 21 Capital and Other Commitments	31
Note 22 Employees and directors	32
Note 23 Events Subsequent to the Reporting Date	32
Note 24 Controlling Parties	32

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2016
Notes to the Financial Statements

NOTE 1. BACKGROUND AND BASIS OF PREPARATION

Background

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

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

Basis of Preparation

Statement of Compliance

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

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

The company is itself a subsidiary company of Ford Retail Group Limited, a company incorporated in the United Kingdom, and is exempt from the requirement to prepare group financial statements by virtue of Section 401 of the Companies Act 2006. Copies of the ultimate parent company's financial statements can be obtained from the address outlined in note 24.

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.

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2016
Notes to the Financial Statements

NOTE 1. BACKGROUND AND BASIS OF PREPARATION (continued)

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.

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2016
Notes to the Financial Statements

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Going Concern

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

Revenue Recognition

Revenue is generated primarily by sales of vehicles, parts, and accessories and measured at the fair value of consideration received net of discounts, returns and value added tax. The company recognises revenue when it can be reliably measured; when it is probable that future economic benefits will flow to the entity and when all risks and rewards of ownership are transferred to our customers (generally retail customers, dealers and distributors). No sale is recognised where, following disposal of legal title to a vehicle or component, the company retains a significant financial interest. The company's interest in this vehicle or component is retained in inventory or property, plant and equipment until the financial interest ceases, at which time the sale is recognised. The net cost of meeting any financial commitment on these vehicles or components is included in trade payables.

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 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. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and,
- taxable temporary differences arising on the initial recognition of goodwill.

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.

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2016
Notes to the Financial Statements

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

Presentation of Sales and Sales-Related Taxes

We collect and remit taxes assessed by the governmental authorities 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.

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

Leases

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

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

Assets Held for Sale

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

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2016
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. Routine maintenance and repair costs are expensed when incurred.

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

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

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

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

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.

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2016
Notes to the Financial Statements

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

Other

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

Foreign currency translation

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

Other operating income

The company sells third party finance and insurance products for which commission is received and recognised at the point when the product is officially sold to the customer.

Other interest expense and finance cost

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

Exceptional items

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

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2016
Notes to the Financial Statements

NOTE 3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

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

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

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

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

Inventory provision

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

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

Used cars are revalued to CAP value after a period of 60 days and commercial vehicles after a period of 90 days.

Other provisions

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

Income Taxes

Nature of Estimates Required. We must make estimates and apply judgment in determining the provision for income taxes for financial reporting purposes. We make these estimates and judgments primarily in the calculation of differences in the timing of recognition of revenue and expense for tax and financial statement purposes that will ultimately be reported in tax returns.

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

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2016
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,	
	2016	2015
Sales of vehicles	£ 1,468,829	£ 1,465,849
Sales of parts	111,307	108,617
Vehicle rentals income	2,989	2,629
Workshop sales	51,401	51,587
Total revenues	<u>£ 1,634,526</u>	<u>£ 1,628,682</u>

All revenue is generated in the United Kingdom.

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2016
Notes to the Financial Statements

NOTE 5. OPERATING PROFIT

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

	For the years ended December 31,	
	2016	2015
Depreciation on tangible fixed assets		
Land, land improvements and buildings	£ (1,658)	£ (1,696)
Machinery, equipment and other	(1,168)	(1,038)
Fixtures and fittings	(906)	(896)
Impairment of inventory	(10,971)	(11,225)
Impairment of trade receivables	(747)	(610)
Inventory recognised as an expense	(1,638,518)	(1,604,813)
Exceptional items:		
- profit on disposal of land	5,204	1,575
- sites closure costs	(1,993)	-
- fees for exploring business opportunities	(294)	-
(Loss)/profit on disposal of other fixed assets	(182)	41
Operating lease rentals:		
Plant and machinery	(2,764)	(2,385)
Other (buildings)	(10,060)	(9,506)

Auditors' remuneration for the statutory audit of the company's annual financial statements was £312,000 (2015: £320,000) and for non-audit services was £196,000 (2015: £nil).

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,	
	2016	2015
Finance and insurance commission	£ 24,090	£ 21,528
Total	£ 24,090	£ 21,528

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2016
Notes to the Financial Statements

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,	
	2016	2015
Interest payable to group undertakings	£ (572)	£ (545)
Interest on loan stock holdings	(4,307)	(3,002)
Other interest charges	-	(3)
Bank interest received	13	21
Interest from group undertakings	5	80
Finance lease interest	(6)	(12)
Total	£ (4,867)	£ (3,461)

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2016
Notes to the Financial Statements

NOTE 8. INCOME TAXES

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

	For the years ended December 31,	
	2016	2015
Current		
Group relief charges- current year	£ 3,811	£ 2,241
Adjustments in respect of prior years	43	-
Total current	3,854	2,241
Deferred		
Origination and reversal of temporary differences	169	(194)
Adjustments in respect of prior years	3	-
Effect of tax rate on opening balance	23	24
Total deferred	195	(170)
Income tax expense	£ 4,049	£ 2,071

	For the years ended December 31,	
	2016	2015
Income before income taxes	£ 18,303	£ 12,454
Tax calculated at domestic tax rates applicable to profits (2016 -20% and 2015 -20.25%)	3,661	2,522
Tax effects of:		
Capital allowances in excess of depreciation	279	1
Expenses not deductible for tax purposes	385	23
Other tax adjustments, reliefs and transfers	(995)	(249)
Adjustments to brought forward values	-	164
Adjustments in respect of prior years current tax	43	-
Chargeable gains/(losses)	680	(438)
Adjustment to opening and closing deferred tax to average rate	(4)	48
Income tax expense	£ 4,049	£ 2,071

The deferred tax amounts shown on the balance sheet at December 31 were as follows (in thousands):

	2016	2015
Deferred tax assets	£ 363	£ 414
Deferred tax liabilities	(144)	-
Net deferred tax asset	£ 219	£ 414

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2016
Notes to the Financial Statements

NOTE 8. INCOME TAXES (*Continued*)

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

	2016	2015
Deferred tax assets		
Current portion	£ 201	£ 541
Non-current portion	18	(127)
Total deferred tax asset	<u>219</u>	<u>414</u>
Net deferred tax assets	<u>£ 219</u>	<u>£ 414</u>

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2016 has been calculated based on these rates.

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2016
Notes to the Financial Statements

NOTE 9. TRADE AND OTHER RECEIVABLES

Trade and other receivables is analysed as follows (in thousands):

	December 31, 2016	December 31, 2015
Amounts falling due within one year		
Trade receivables	£ 20,584	£ 3,152
Amounts owed by group undertakings	25,511	21,332
Other receivables	5,943	26,925
Prepayments and accrued income	5,195	5,490
	<u>57,233</u>	<u>56,899</u>
Amounts falling due after more than one year		
Trade receivables	-	926
	<u>-</u>	<u>-</u>
Total	<u>£ 57,233</u>	<u>£ 57,825</u>

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

Trade receivables are stated after provisions for impairment of £1,034,000 (2015: £679,000).

NOTE 10. INVENTORIES

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

	December 31, 2016	December 31, 2015
Materials and supplies	£ 609	£ 574
Work-in-process	400	492
Finished products	373,479	383,648
Total	<u>£ 374,488</u>	<u>£ 384,714</u>

Inventories are stated after provision for impairment of £7,084,000 (2015: £5,721,000).

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

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2016
Notes to the Financial Statements

NOTE 11. ASSETS HELD FOR SALE

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

	December 31, 2016	December 31, 2015
Property, plant and equipment	£ 911	£ 2,645
Total	£ 911	£ 2,645

The assets related to a number of properties which were dealership sites now closed. The Board have agreed the disposal and all properties are currently on the market with some having a buyer. The properties are expected to be sold within 12 months.

NOTE 12. PROPERTY, PLANT AND EQUIPMENT

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

	For the year ending December 31, 2016				
	Land, Land Improvements, and Buildings	Machinery, Equipment, and Other	Assets under construction	Fixtures and fittings	Total
Cost					
Beginning balance	£ 41,367	£ 12,006	£ 1,256	£ 10,611	£ 65,240
Reclassifications	1,224	-	(1,256)	32	-
Additions	3,098	1,321	676	883	5,978
Disposals	(2,216)	(833)	-	(752)	(3,801)
Ending balance	43,473	12,494	676	10,774	67,417
Accumulated depreciation and impairment					
Beginning balance	12,170	8,096	-	5,695	25,961
Reclassifications	(7)	-	-	7	-
Depreciation	1,658	1,168	-	906	3,732
Disposals	(874)	(765)	-	(685)	(2,324)
Ending balance	12,947	8,499	-	5,923	27,369
Total as at 31 December 2016	£ 30,526	£ 3,995	£ 676	£ 4,851	£ 40,048
Total as at 1 January 2016	£ 29,197	£ 3,910	£ 1,256	£ 4,916	£ 39,279

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

	December 31, 2016	December 31, 2015
Cost	£ 2,266	£ 2,266
Accumulated depreciation	(2,266)	(2,266)
Net carrying amount	£ -	£ -

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2016
Notes to the Financial Statements

NOTE 13. INTERESTS IN SUBSIDIARIES

Ownership Percentage and Investment Balances

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

	Group undertakings shares
Cost:	
1 January 2016	£ 10,362
Struck off company	
31 December 2016	10,362
Provisions:	
1 January 2016	1,935
Impairments	
31 December 2016	1,935
Net book value 31 December 2016	£ 8,427
Net book value 31 December 2015	£ 8,427

Subsidiaries

Organisation	Ownership %	Principle Activity
Lindsay Cars Limited	100%	Non-Trading

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

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2016
Notes to the Financial Statements

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:				
1 January 2016	126	(393)	(147)	(414)
Charge for the year	18	231	(54)	195
31 December 2016	<u>144</u>	<u>(162)</u>	<u>(201)</u>	<u>(219)</u>

NOTE 15. EMPLOYEE BENEFITS

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 £2,022,000 (2015: £1,936,000).

NOTE 16. TRADE AND OTHER PAYABLES

Trade and other payables are analysed as follows (in thousands):

	December 31, 2016	December 31, 2015
Trade payables	£ 19,838	£ 19,422
Amounts owed to group undertakings	368,653	405,427
Accruals and deferred income	27,596	24,535
Obligations under finance leases	48	117
Other creditors	5,849	2,017
Taxation and social security	1,161	1,299
Total	<u>£ 423,145</u>	<u>£ 452,817</u>

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

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2016
Notes to the Financial Statements

NOTE 17. PROVISIONS

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

	Self-insured vehicle scheme	Dilapidations	Property closure	Total
Beginning balance	£ 456	£ 442	£ -	£ 898
Added in the year	247	500	807	1,554
Utilised in the year	(456)	(131)	-	(587)
Total	£ 247	£ 811	£ 807	£ 1,865
Current portion	247	401	807	1,455
Non-current portion	-	410	-	410
Total	£ 247	£ 811	£ 807	£ 1,865

All current provisions are to be fully resolved/utilised within 12 months. Non-current dilapidations are expected to be utilised in years 2018 to 2024.

NOTE 18. CALLED UP SHARE CAPITAL

Share capital is analysed as follows (in thousands):

	December 31, 2016	December 31, 2015
Allotted and fully paid		
2,453,000 (2015: 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. EQUITY DIVIDENDS

Equity dividends are analysed as follows (in thousands):

	December 31, 2016	December 31, 2015
Ordinary shares		
211.66p (2015: 134.4p) per ordinary stock of £1 each	£ 5,192	£ 3,296
Total	£ 5,192	£ 3,296

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2016
Notes to the Financial Statements

NOTE 20. CONTINGENT LIABILITIES

Any future deficit in the Cosworth Pension Plan- "Retail section" is to be made good by Ford Motor Company Limited, a parent undertaking. Ford Motor Company Limited replaced 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 2016 was £10,907,000 (2015: £11,301,000).

NOTE 21. CAPITAL AND OTHER COMMITMENTS

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

	2016	2015
Aggregate of contractual commitments not provided for	£ 1,921	£ 4,246

	2016	2015
Future commitments under non-cancellable operating leases are as follows:		
Land and Buildings		
Within one year	£ 8,702	£ 9,428
Between two and five years	31,001	32,046
In excess of five years	47,007	52,067
	£ 86,710	£ 93,541
Others		
Within one year	£ 1,730	£ 1,086
Between two and five years	582	909
	£ 2,312	£ 1,995

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2016
Notes to the Financial Statements

NOTE 22. EMPLOYEES AND DIRECTORS

Employment costs were as follows (in thousands):

	2016	2015
Employment costs		
Wages and salaries	£ 92,624	£ 90,773
Social security costs	9,110	8,939
Other pension costs	2,022	1,936
	<u>£ 103,756</u>	<u>£ 101,648</u>

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

	2016 Number	2015 Number
Nature of employment		
Sales staff	887	881
After-sales staff	1,631	1,629
Administration staff	604	598
Total	<u>3,122</u>	<u>3,108</u>

Aggregate emoluments of the directors amounted to £326,000 (2015: £337,000).

The highest paid director's emoluments were £185,000 (2015: £185,000).

NOTE 23. EVENTS SUBSEQUENT TO THE REPORTING DATE

There were no subsequent events to report.

NOTE 24. CONTROLLING PARTIES

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

The 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.