Ford Retail Limited

Annual Report and Financial Statements

Year Ended 31 December 2019

Registered number: 00191596

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2019
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STRATEGIC REPORT

Strategic report for the year ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019 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

Ford maintained its UK market lead in 2019 while recording 43 consecutive years of passenger vehicle sales leadership and 54 years of commercial vehicle sales leadership. Ford's sales lead was continued in all sectors: total vehicle, cars and commercial vehicles.

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

In 2019 the company successfully completed the introduction of Ford's PartsPlus business venture to replace Ford's UK parts distribution network creating 7 main hubs to service the distribution of parts across the UK as well as 8 retail distribution sites.

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

The directors have considered the financial position of the Company at 31 December 2019 (net current assets £31m, net assets of £76m (2018: net current assets £42m, net assets of £82m)) and the projected cash flows and financial performance for the 12 months from the date of approval of these financial statements. The directors also have taken action to ensure that appropriate cash resources are available to fund the Company's operations. Therefore the directors consider, after making appropriate enquiries that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements .

STRATEGIC REPORT (continued)

S172 Statement

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

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

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

(d) The board of directors take the issue of the impact of the business on the community and the environment very seriously and keep this area of the business constantly under review. This has resulted in the company having received the Green Apple award every year in the last 5 years in recognition of the work done in reducing the impact of the business on the community and environment. This work involved initiatives such as the replacement of lighting across the group to LED ones; introduction and support for our site energy champions, resulting in energy costs by 22%; Use of technology such as The Cloud and ipads to reduce paper usage; significant investment in video/web conferencing to reduce vehicle consumption by 7%; a programme of replacing all our air-conditioning units using the refrigerant R410a with more environmentally friendly alternatives.

(e) Being a 'Good Corporate Citizen' is one of five overarching strategic goals set by our board of directors, and our work to become a more sustainable business is part of this. In 2015, TrustFord became the first and only automotive dealership to receive the Good Corporation Standard accreditation, following a comprehensive assessment of our entire organisation. The accreditation was renewed in 2020. The backbone of the strategy is incorporated in the 4 key principles of being True (honesty and integrity always), Positive (the attitude to make it happen), Care (respect and care for everyone) and Enjoy (enjoy what we do).

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

STRATEGIC REPORT (continued)

Key performance indicators

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

In thousands			2019		2018
Revenues	Vehicle sales were up 12% after taking account of measure for measure revenue. The parts business revenue has reduced by 75% upon transition to PartsPlus but future revenues from the business is expected to generate higher margins.	£	1,710,798	£	1,717,649
EBIT (pre-exceptionals - see note 6)	Measure for measure gross margins were down £15m but was offset by reductions in expenses by £13m.	£	12,806	£	15,267
Net Assets	The Company returned a 2012 year capital contribution of £10.4m by Ford Retail Group Limited In addition, there was a £4.2m increase in profit reserves which is reflective of the profitability/cash generative nature of the business during the year. The overall net effect being a reduction of £6.2m.	£	75,498	£	81,661
Market share	Increase of 1% driven by increase in passenger car market.		21.9%		20.9%

Results

The company's result for the year is set out in the income statement and statement of financial position on pages 13 and 14 respectively.

Employee communications

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

Health and Safety

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

Environment

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

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

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

On behalf of the Board

S Mustoe
Director
24 September 2020

DIRECTORS' REPORT

Directors' report for the year ended 31 December 2019

The Directors present their report and the audited financial statements of Ford Retail Limited ("the Company") for the year ended 31 December 2019.

Directors

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

- S. Foulds
- S. Mustoe
- S Glanville (appointed 26 September 2019)
- N. Jason (resigned 26 September 2019)

Principal activities and future developments

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

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

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

For example, the Ford Kuga SUV launched in early 2020 is Ford's most electrified product ever, with mild-hybrid, full-hybrid, and plug-in hybrid versions available. Ford also will launch the all-electric Ford Mustang Mach-E at the end of 2020 Ford expects to more than triple passenger vehicle imports of vehicles such as the Mustang and Mustang Mach-E into the UK by 2024.

The group intends to strengthen further Ford's position as Europe's No.1 commercial vehicle brand with the target to double its commercial vehicle profitability within the next five years.

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 13 and 14 respectively.

During the year the company paid no dividends (2018: £Nil). No final dividend is to be declared in respect of the financial year.

Land and buildings

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

DIRECTORS' REPORT *(continued)*

Employees equal opportunities and diversity

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

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

Directors' indemnity

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

Corporate Governance

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

Purpose and Leadership

Since 2014 our overriding purpose has been to drive the standard in customer care (PPA). Our values, strategies and culture align to this purpose by committing all within the company to core principles, namely;

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

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

Board Composition

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

Director Responsibilities

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

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

DIRECTORS' REPORT *(continued)*

Corporate Governance *(continued)*

Opportunity and Risk

The CEO and CFO hold regular meetings with decision makers within the parent company to discuss strategy, which also encompasses the areas of opportunity and risk. These discussions have been fruitful for the company with opportunities becoming available in the PartsPlus parts distribution venture, Quicklane service operations and management of the High Tech showroom in Arndale Centre, Manchester. Current and future risks are taken extremely seriously and the Board manage these risks by discussions at the monthly meetings and tracking progress of strategic decisions through to completion.

Remuneration

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

Stakeholder relationships and engagement

The Board lead by example and encourage all inside and outside the company to do everything they do so as to align to our PPA. Quarterly cascade and Town Hall meetings are held with colleagues all over the company to ensure they are given relevant information about the company's results and future strategies. It's also a chance for the Board to take questions and suggestions. Regular meetings are held by senior people with our major customers and suppliers and information from these meetings is cascaded up to the Board for discussion at the monthly meetings. Information therefore flows up and down the lines of reporting to ensure the Board are fully engaged with all stakeholders and their views in decision making. The company has won a number of awards one of which has been for being one of the top 25 best companies to work for five years running.

Political donations

No political donations were made in the year (2018: £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

The company operates as distributor of vehicles within the Ford Motor Company. To ensure sufficient cash reserves are maintained, Ford Motor Company took several actions including suspending the regular quarterly dividend, as well as drawing supplemental revolving credit facilities of $15.4 billion, and issuing an additional $8 billion of unsecured debt. In addition the company had a £150m facility now increased to £700m. With these actions taken, there is sufficient liquidity to fund the operations for at least the next twelve months from the issuance of these financial statements.

DIRECTORS' REPORT *(continued)*

Financial risk management *(continued)*

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.

Going Concern

As a result of the dealership closures from March to May 2020 in response to the Covid-19 outbreak the company carried out planning and forecasting and secured a £550m credit facility in addition to the existing £150m. With these actions taken, there is sufficient liquidity to fund the operations for at least the next twelve months from the issuance of these financial statements. Therefore the directors consider that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Post balance sheet events

On March 11, 2020, the World Health Organization characterized the outbreak of the coronavirus disease known as COVID-19 as a global pandemic and recommended containment and mitigation measures. Subsequently, there have been extraordinary and wide-ranging actions taken by public health and governmental authorities throughout the world to contain and combat the outbreak and spread of COVID-19, including quarantines, "stay-at-home" orders, and similar mandates to substantially restrict daily activities for individuals and to curtail or cease normal operations for many businesses.

As a result, on March 19 2020, the company began requiring its employees, except those in business-critical roles, to work from home. In addition, on March, 19 2020, the company closed all dealerships except service and repair services for essential workers in the UK and re-opening on June 1, 2020.

Although the potential magnitude and duration of the business and economic impacts from the unprecedented public health efforts to contain and combat the spread of COVID-19 are uncertain this situation is expected to have a negative impact on the company's financial condition and results of operations in 2020 that may be material. The full impact, though, cannot be reasonably estimated at this time.

The company operates as a distributor of vehicles within the Ford Motor Company. To ensure sufficient cash reserves are maintained, Ford Motor Company took several actions including suspending the regular quarterly dividend, as well as drawing supplemental revolving credit facilities of $15.4 billion, and issuing an additional $8 billion of unsecured debt. In addition the company had a £150m facility now increased to £700m. Credit terms with the vehicle funding supplier were renegotiated to provide longer periods for payment. The directors have continually monitored the future cashflow requirements and profitability forecasts since the pandemic and will continue to do so for the foreseeable future to ensure there is sufficient liquidity in the business. With these actions taken, there is sufficient liquidity to fund the operations for at least the next twelve months from the issuance of these financial statements.

DIRECTORS' REPORT *(continued)*

Statement of directors' responsibilities

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

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

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

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

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

Directors' confirmations

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

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

Independent auditors

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

On behalf of the Board

S Mustoe
Director
24 September 2020

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FORD RETAIL LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Ford Retail Limited's financial statements

* give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;

* have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law), and

* have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the income statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which 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.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial *statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that* there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.
Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below

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

Reporting on other information (continued)

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Mark Foster (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors, Milton Keynes
24 September 2020

INCOME STATEMENT
(in thousands)

	Note	For the years ended December 31, 2019		For the years ended December 31, 2018	
Revenues	5	£	1,710,796	£	1,717,649
Cost of sales and other expenses					
Cost of sales			1 601,156		1,584,470
Selling, administrative and other expenses			140 206		146 386
Total costs and expenses	6		1 741 362		1,730 856
Other operating income	7		43,373		24,683
Dividends received from subsidiary			-		4,717
Other interest expense and finance cost, net	8		7,162		3,835
Profit before income tax			5,645		12,356
Income tax expense	9		1,445		2,597
Net profit		£	4,100	£	9,761

All results are from continuing operations.

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

The accompanying notes are part of the financial statements.

STATEMENT OF FINANCIAL POSITION
(in thousands)

	Note	December 31, 2019		December 31, 2018	
ASSETS					
Cash and cash equivalents		£	8	£	13
Trade and other receivables net	10		85,087		111,073
Inventories	11		692,693		528,544
Assets held for sale	12		386		386
Total current assets			778,174		640,016
Property plant and equipment	13		36,613		36,842
Right of use assets	14		72,675		-
Investment in subsidiaries	15		-		3,710
Deferred income taxes	16		-		112
Total non-current assets			109,288		40,664
Total assets		£	887,462	£	680,680
LIABILITIES					
Trade and other payables	18	£	735,859	£	595,988
Lease commitments	14		10,213		-
Deferred income taxes	16		428		-
Provisions	19		1,260		2,174
Total current liabilities			747,760		598,162
Lease commitments	14		54,078		-
Provisions	19		126		857
Total non-current liabilities			54,204		857
Total liabilities			8[illegible],964		599,019
EQUITY					
Called up share capital	20		2,453		2,453
Retained earnings			73,045		68,846
Other reserves			-		10,352
Total equity			75,498		81,651
Total liabilities and equity		£	887,462	£	680,680

The accompanying notes are part of the financial statements.

The financial statements on pages 13 to 32 were approved by the board of directors on 24 September 2020 and were signed on its behalf by

S Mustoe
Finance Director
24 September 2020

Registered number: 00191598

STATEMENT OF CHANGES IN EQUITY
(in thousands)

	Called up Share Capital	*Retained Earnings*	*Other Reserves*	*Total Equity*
Balance at January 1, 2018	£ 2,453	£ 59,085	£ 10,362	£ 71,900
Comprehensive income				
Net profit		9,761	-	9,761
Comprehensive income	-	9,761	-	9,761
Transactions with shareholders				
Dividends	-	-	-	-
Total transactions with shareholders	-	-	-	-
Balance at December 31, 2018	£ 2,453	£ 68,846	£ 10,362	£ 81,661
Balance at January 1, 2019	£ 2,453	£ 68,846	£ 10,362	£ 81,661
Change in accounting policy (Note 4)	-	-	-	-
Restated balance at January 1, 2019	2,453	68,846	10,362	81,661
Comprehensive income				
Net profit	-	4,199	-	4,199
Comprehensive income	-	4,199	-	4,199
Transactions with shareholders				
Return Capital	-	-	(10,362)	(10,362)
Total transactions with shareholders	-	-	(10,362)	(10,362)
Balance at December 31, 2019	£ 2,453	£ 73,045	£ -	£ 75,498

The other reserve was the result of a gift by Ford Retail Group Limited of shares in Lindsay Cars Limited on 10 February 2012 which was treated as a capital contribution. The capital contribution was returned upon the strike off of Lindsay Cars Limited in 2019

The accompanying notes are part of the financial statements

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2019

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. BACKGROUND AND BASIS OF PREPARATION

Background

The principal activity of the company during the year was the retailing of motor vehicles and related activities in the motor trade.
The company is domiciled in the United Kingdom as a Limited Company (limited by shares) and the country of incorporation is the United Kingdom.

Basis of Preparation

Statement of Compliance

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

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

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

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

- *Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair* value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of
  - paragraph 79(a)(iv) of IAS 1,
  - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;
  - (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1 'Presentation of financial statements'
  - 10(d), (statement of cash flows),
  - 38A (requirement for minimum of two primary statements, including cash flow statements),
  - 38B-D (additional comparative information),
  - 111 (cash flow statement information), and
  - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.

- *Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the* disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).

- Paragraph 17 and 18A of IAS 24, *'Related party disclosures'* (key management compensation).

- The requirements in IAS 24, Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 'Leases'. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Going Concern

The directors have considered the financial position of the Company at 31 December 2019 (net current assets £31m, net assets of £76m (2018: net current assets £42m, net assets of £82m)) and the projected cash flows and financial performance for the 12 months from the date of approval of these financial statements. The directors also have taken action to ensure that appropriate cash resources are available to fund the Company's operations. Therefore the directors consider, after making appropriate enquiries that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Revenue Recognition

Revenue is generated primarily by sales of vehicles and accessories. Revenue is recorded when obligations under the terms of a contract with our customer are satisfied; generally, this occurs with the transfer of control of our vehicles or accessories. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods. The PartsPlus business generates income on the supply of management and infrastructure services to Ford Motor Company Limited and is recognised on completion of the services on a monthly basis. Also see Note 5

Income Taxes

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

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

Deferred Taxes

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

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

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

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

Presentation of Sales and Sales-Related Taxes

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

Inventories

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

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

New and Amended Standards Adopted

IFRS 16 'Leases' (which replaces IAS 17 'Leases') is a new accounting standard effective for the year ended 31 December 2019. The company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

The impact of this standard has been disclosed within note 4. There are no other amendments to accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2019 that have a material impact on the company.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Right of Use Assets and Lease Commitments

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company. The right-of-use assets and lease liabilities are reported in Right of Use Assets, Lease liabilities in Current and Non Current, respectively, on our balance sheet. See also Note 14

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

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

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

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

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

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

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

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

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

Assets Held for Sale

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

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

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

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

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

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

Employee Benefits

We provide short term benefits to our employees. Short-term employee benefit obligations generally take on the form of salaries and bonuses and are measured on an undiscounted basis. We generally expense short-term benefits in the period the related benefit is provided. The company operates a defined contribution scheme for certain eligible employees. The assets of the scheme are held separately from those of the company, being invested with an investment company

Trade Receivables

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

Information about impairment losses for trade receivables is included in Note 10

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

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

Trade and other payables

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

Litigations

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

Foreign currency translation

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

Other operating income

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

Other interest expense and finance cost

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

Exceptional items

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

The preparation of financial statements in conformity with FRS101 requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates. There were no critical accounting judgements to report.

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

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

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

Inventory provision

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

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

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

Other provisions

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

Income Taxes

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

We must assess the likelihood that we will be able to recover our deferred tax assets against future sources of taxable income. IFRS recognises deferred tax assets to the extent that it is more likely than not (defined as a likelihood of more than 50%) that sufficient taxable profits will be available to utilise the deductible temporary difference or unused tax losses. For additional information regarding Income taxes, see Note 9 and 16.

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

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

Lease Liabilities - incremental borrowing rates

For the incremental borrowing rate of the individual leases, a degree of judgement has been applied in calculating the risk free rate, cost of debt, country risk, company specific and liquidity spread. The estimates are considered reasonable by the company.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. CHANGE IN ACCOUNTING POLICY

Adoption of New Accounting Standards

International Financial Reporting Standard 16, Leases. On January 1, 2019 we adopted the new accounting standard IFRS 16, Leases ("new lease standard") using the modified retrospective method. We would normally recognise the cumulative effect of initially applying the new lease standard as an adjustment to the opening balance of retained earnings but this adjustment was £nil for this entity. The comparative information has not been restated and continues to be reported under the lease accounting standard in effect for those periods.

The new standard requires all leases to be reported on the Statement of Financial Position as right-of-use assets and lease obligations. We elected the practical expedients permitted under the transition guidance of the new standard that allow us to apply a single discount rate for a portfolio of leases with similar characteristics and to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application. We did not reassess whether any contracts entered into prior to adoption are leases or contain leases. See Note 14.

The following reconciliation to the opening balance for the lease liabilities at January 1, 2019 is based upon the operating lease obligations at December 31, 2018 (in thousands):

Undiscounted operating commitments as of December 31, 2018	£	87,485
Discounted using the lessee's incremental borrowing rate at the date of initial application		
Impact of discounting at January 1, 2019		(17,232)
Total lease liabilities at January 1, 2019	£	70,253
of which are		
Current liability		9,255
Non-current liability		60,998
	£	70,253

The weighted average discount rate applied to future cash flows in order to determine the lease liabilities recognized at the date of initial application is 2.17%.

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 December 2018

Right of use assets at January 1, 2019 (in thousands):		
Land and Buildings		67,080
Machinery, Equipment and Other		3,173
	£	70,253

The change in accounting policy affected the following items in the balance sheet on 1 January 2019 (in thousands).

- right-of-use assets – increase by £70,253.
- lease liabilities – increase by £70,253.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. REVENUES

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

	For the years ended December 31,			
	2019		2018	
Sales of vehicles	£	1,630,930	£	1,527,407
Sales of vehicles parts		35,034		142,196
Vehicle rentals income		456		913
Workshop sales		44,368		47,133
Total revenues	£	1,710,793	£	1,717,649

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

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

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

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

Workshop revenue is recognised when the job is completed.

All revenue is generated in the United Kingdom.

NOTE 6. TOTAL COSTS AND EXPENSES

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

	For the years ended December 31,			
	2019		2018	
Depreciation on tangible fixed assets				
-Land, land improvements and buildings	£	(1,764)	£	(1,520)
-Machinery, equipment and other		(1,002)		(936)
-Fixtures and fittings		(769)		(844)
-Leased assets		(9,939)		-
Loss on disposal of fixed assets		(65)		(7)
Impairment of inventory		(8,528)		(9,063)
Impairment of trade receivables		104		(371)
Impairment in investments		-		(4,717)
Inventory recognised as an expense		(1,716,456)		(1,729,882)
Exceptional items:				
-Loss on disposal of land		-		(27)
-Sites closure costs		(709)		(418)
-Restructure costs release provision		710		-
-Debt and parts obsolescence write off		-		(1,381)
-Supplier/Customer compensation		-		(406)
-Sale of dealerships		-		3,500
-Environmental clear up		-		(400)

Auditors' remuneration for the statutory audit of the company's annual financial statements was £319,000 (2018: £322,000) and for non-audit services was £nil (2018: £nil)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. OTHER OPERATING INCOME

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

	For the years ended December 31,			
	2019		2018	
Finance and insurance commission	£	19,786	£	22,338
Management fees		23,585		2,345
Total	£	43,371	£	24,683

NOTE 8. 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,			
	2019		2018	
Bank interest received	£	81	£	57
Other interest received		1,323		108
Interest on loan stock holdings		(5,574)		(3,568)
Interest payable to group undertakings		(390)		(476)
Finance lease interest		(2,602)		(2)
Total	£	(7,162)	£	(3,881)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. INCOME TAX EXPENSE

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

	For the years ended December 31,			
	2019		2018	
Current				
Current tax on profits for the year tax liability	£	-	£	2,620
Current tax on profits for the year- group relief charge		1,016		-
Change in estimates related to prior years		(111)		-
Total current		905		2,620
Deferred				
Origination and reversal of temporary differences	£	516	£	(23)
Change in estimates related to prior years		25		-
Total deferred		541		(23)
Income tax expense	£	1,446	£	2,597

Tax expense for the year is lower (2018: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2019 of 19% (2018: 19%). The differences are explained below

	For the years ended December 31			
	2019		2018	
Income before income taxes	£	5,645	£	12,358
Tax calculated at domestic tax rates applicable to profits (2019 - 19.0% and 2018 - 19.0%)		1,076		2,348
Tax effects of,				
Capital allowances in excess of depreciation		491		82
Expenses not deductible for tax purposes		30		953
Other tax adjustments, reliefs and transfers		(5)		(896)
Group relief claimed		(802)		-
Group relief payment		962		
Adjustments in respect of prior years- current tax		(111)		-
Adjustments in respect of prior years- deferred tax		25		-
Write off timing difference upon disposal of land		-		107
Adjustment to opening and closing deferred tax to average rate		(60)		3
Income tax expense	£	1,446	£	2,597
Effective tax rate		26%		21%

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

	2019		2018	
Deferred tax assets	£	345	£	703
Deferred tax liabilities		(773)		(591)
Net deferred tax (liabilities)/assets	£	(428)	£	112

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

	2019		2018	
Deferred tax (liabilities)/assets				
Short term temporary differences	£	279		637
Capital losses		66	£	66
Total deferred tax assets		345		703
Fixed asset temporary differences		(773)		(591)
Deferred tax Liabilities		(773)		(591)
Net deferred tax (liabilities)/assets	£	(428)	£	112

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NOTE 9. INCOME TAX EXPENSE (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):

	2019		2018	
Deferred tax (liabilities)/assets				
Current portion	£	279	£	637
Non-current portion		66		66
Total deferred tax asset		345		703
Deferred tax liabilities				
Current portion		-		-
Non-current portion		(773)		(591)
Total deferred tax liabilities		(773)		(591)
Net deferred tax (liabilities)/assets	£	(428)	£	112

Factors that may affect future tax charges

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the tax expense for the period by £29,000, to increase the deferred tax liability by £9,000.

NOTE 10. TRADE AND OTHER RECEIVABLES, NET

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

	December 31, 2019		December 31, 2018	
Trade Receivables	£	22,017	£	27,935
Amounts owed by group undertakings		20,340		43,098
Other receivables		37,341		40,581
Prepayments and accrued income		5,389		4,859
Total	£	85,087	£	111,073

	December 31, 2019		December 31, 2018	
Current	£	85,087	£	111,073
Non current		-		-
Total	£	85,087	£	111,073

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

Trade receivables are stated after provisions for impairment of £434,000 (2018: £834,000)

NOTE 11. INVENTORIES

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

	December 31, 2019		December 31, 2018	
Materials and supplies	£	646	£	638
Work-in-progress		381		511
Finished Products		691,666		527,395
	£	692,693	£	528,544

Inventories are stated after provision for impairment of £6,184,000 (2018: £6,862,000)

Any write down of inventories recognised as an expense are disclosed in note 6.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12. ASSETS HELD FOR SALE

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

	For the years ended December 31,			
	2019		2018	
Cost				
Beginning balance	£	980	£	1,861
Additions		-		-
Disposals		-		(881)
Ending balance		990		980
Accumulated amortisation and impairment				
Beginning balance		594		950
Disposals		-		(356)
Ending balance		594		594
Total	£	386	£	386

The above is a plot of land at Runcorn, is excess to requirements to the business and the sale took place in July 2020.

NOTE 13. PROPERTY, PLANT AND EQUIPMENT

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

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

	For the year ended December 31, 2019									
	Land, Improvements and Buildings		Machinery, Equipment and Other		Assets under Construction		Fixtures and Fittings		Total	
Cost										
Beginning balance	£	40,706	£	12,134	£	257	£	9,514	£	62,611
Reclassifications		257				(257)		-		
Additions		1,053		1,518		210		917		3,608
Disposals		(767)		(908)		-		(803)		(2,265)
Ending balance		41,255		12,744		210		9,828		64,041
Accumulated depreciation and impairment										
Beginning balance		11,815		8,732		-		5,222		25,769
Reclassifications		-		-		-				-
Depreciation		1,764		1,002				769		3,535
Disposals		(574)		(941)		-		(461)		(1,876)
Ending balance		13,005		8,893		-		5,530		27,428
Total as at 31 December 2019	£	28,254	£	3,851	£	210	£	4,298	£	36,613
Total as at 31 December 2018	£	28,891	£	3,432	£	257	£	4,292	£	36,842

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14. RIGHT OF USE ASSETS AND LEASE COMMITMENTS

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

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

	For the year ended December 31, 2019		
	Land and Buildings	Machinery, Equipment, and Other	Total
Cost	£ 67,543	£ 14,971	£ 82,514
Accumulated depreciation	(7,496)	(2,443)	(9,939)
Net carrying amount (a)	£ 60,147	£ 12,528	£ 72,675

(a) Additions to leased assets during the year were £16,843,000

The amounts contractually due on our lease liabilities as of December 31, 2019 were as follows (in thousands).

	Lease Commitments
Within 1 year	£ 12,703
After 1 year and within 2 years	14,988
After 2 years and within 3 years	8,928
After 3 years and within 4 years	7,662
After 4 years and within 5 years	6,366
After 5 years	38,839
Total	89,516
Less: Present value discount	(15,225)
Total lease liabilities	£ 74,291
Current liability	10,213
Non-current liability	64,078
	£ 74,291

The components of lease expense for the year ended December 31, 2019 were as follows (in thousands)

Depreciation	
Land and buildings	£ 7,496
Machinery, equipment, and other	2,443
Total depreciation	£ 9,939
Other Expenses	
Interest expense	£ 2,602
Total lease expense	£ 12,541

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

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

The total cash outflow for leases in 2019 was £10,729,000.

Minimum non-cancellable operating lease commitments at December 31, 2018 were as follows (in thousands):

Land and Buildings	
Within one year	£ 9,111
Between two and five years	31,565
In excess of five years	43,614
	£ 84,290
Others	
Within one year	£ 1,714
Between two and five years	1,481
	£ 3,195

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15. INVESTMENT 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		
Beginning Balance	£	10,352
Company strike off		(10,352)
Ending Balance		-
Provisions		
Beginning Balance		(6,652)
Company strike off		6,652
Ending Balance		
Net book value at 31 December 2019	£	-
Net book value at 31 December 2018		3,700

Lindsay Cars Limited was dormant for some years and was excess to requirements of the business so was struck off in the year

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

NOTE 16. DEFERRED INCOME TAXES

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

		Accelerated Capital Allowances		Capital Gains and Losses		Other Short Term Timing Differences		Total
Recognised:								
Beginning Balance	£	(591)	£	66	£	637	£	112
Charge for the year		(182)		-		(358)		(540)
Ending Balance	£	(773)	£	66	£	279	£	(428)

NOTE 17. EMPLOYEE BENEFITS

We provide retirement benefits including the following:

The Group operates a defined contribution scheme for certain eligible employees. The assets of the scheme are held separately from those of the Group, being invested with an insurance company. The cost of contributions is charged to the profit and loss account as incurred. The contributions are based on the members' salaries. The separate contributions of the Group and employees are presently variable. The pension charge for the year was £2,823,000 (2018: £2,210,000)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 18. TRADE AND OTHER PAYABLES

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

		December 31, 2019		December 31, 2018
Trade Payables	£	33,356	£	26,558
Bank overdraft		18,886		8,982
Amounts owed to group undertakings		653,479		525,187
Accruals and deferred income		28,505		29,567
Other creditors		788		1,946
Taxation and social security		903		3,660
Total	£	735,659	£	595,963

All the balances above represent current trade and other payables.

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

NOTE 19. PROVISIONS

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

		Self insured Vehicle Scheme		Dilapidations		Property Closure & Supplier Compensation		Total
Beginning balance as at 1 January 2019	£	70	£	[illegible]	£	1,185	£	3,531
Added in the year		59		316		183		1,064
Utilised in the year		(70)		(1,453)		(1,186)		(2,709)
Total as at 31 December 2019	£	59	£	1,138	£	189	£	1,386
Current portion		59		1,012		189		1,260
Non-current portion		-		126		-		126
Total as at 31 December 2019	£	59	£	1,138	£	189	£	1,386

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

NOTE 20. CALLED UP SHARE CAPITAL

Share capital is analysed as follows (in thousands):

		December 31, 2019		December 31, 2018
Allotted and fully paid				
2,453,000 (2018: 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 21. CONTINGENT LIABILITIES

Any future deficit in the Cosworth Pension Plan- 'Retail section' is to be made good by Ford Motor Company Limited, the parent undertaking. Ford Motor Company Limited replaced Ford Technologies Limited (previously known as Blue Oval Holdings Limited) as the plan sponsor on 1 January 2016. If Ford Motor Company Limited is unable to make good a deficit, that obligation will fall on the company. The directors consider the possibility of this occurring is remote. The surplus in the scheme at 31 December 2019 was £7,912,000 (2018: £9,595,000).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 22. CAPITAL AND OTHER COMMITMENTS

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

		December 31, 2019		December 31, 2018
Aggregate of contractual commitments not provided for	£	1,424	£	1,019

NOTE 23. EMPLOYEES AND DIRECTORS

Employment costs were as follows (in thousands).

	For the years ended December 31,			
		2019		2018
Employment costs				
Wages and salaries	£	89,062	£	88,930
Social security costs		8,185		8,636
Other pension costs		2,823		2,210
	£	100,070	£	99,776

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

	For the years ended December 31,	
	2019 Number	***2018*** Number
Nature of employment		
Sales staff	767	822
After-sales staff	1,512	1,493
Administration staff	626	592
Total	2,905	2,907

Aggregate emoluments of the directors amounted to £610,000 (2018: £509,000). 1 director (2018: 1) was a member of the defined contribution scheme.

The highest paid director's emoluments were £432,000 (2018: £342,000)

NOTE 24. CONTROLLING PARTIES

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

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

NOTE 25. EVENTS SUBSEQUENT TO THE REPORTING DATE

As disclosed in the Directors' report, on March 11, 2020, the World Health Organization characterized the outbreak of the coronavirus disease known as COVID-19 as a global pandemic and recommended containment and mitigation measures. Subsequently, there have been extraordinary and wide-ranging actions taken by public health and governmental authorities throughout the world to contain and combat the outbreak and spread of COVID-19 including quarantines, "stay-at-home" orders and similar mandates to substantially restrict daily activities for individuals and to curtail or cease normal operations for many businesses.

As a result, on March 19, 2020, the company began requiring its employees, except those in business-critical roles, to work from home. In addition, on March, 19 2020, the company closed all dealerships except service and repair services for essential workers in the UK and re-opening on June 1 2020.

Although the potential magnitude and duration of the business and economic impacts from the unprecedented public health efforts to contain and combat the spread of COVID-19 are uncertain, this situation is expected to have a negative impact on the company's financial condition and results of operations in 2020 that may be material. The full impact, though, cannot be reasonably estimated at this time