FCA Dealer Services UK Ltd
Registered No. 04569800

Report and Financial Statements

For the year ended 31 December 2019

CONTENTS

FCA DEALER SERVICES UK LTD

CORPORATE INFORMATION

DIRECTORS	Alexander Hughes Christopher Duckworth Alain Juan
INDEPENDENT AUDITORS	Ernst & Young. LLP The Paragon 32 Counterslip Bristol BS1 6BX
COMPANY SECRETARY	John Savage
BANKERS	Barclays Bank PLC 1 Churchill Place London E14 5HP The Royal Bank of Scotland plc 250 Bishopsgate London EC2M 4AA
SOLICITORS	Payne Hicks Beach Solicitors 10 New Square Lincoln's Inn London WC2A 3QG
REGISTERED OFFICE	240 Bath Road Slough Berkshire SL1 4DX

STRATEGIC REPORT
Year ended 31 December 2019

REVIEW OF THE BUSINESS

The principal activity of the Company is the facilitation and management of consignment stocking facilities and other dealer financing services to the Fiat Chrysler Automobiles Group (FCA Group) in the UK.

The Company provides stock funding and dealer financing services to the Fiat, Alfa Romeo, Chrysler, Jeep and Fiat Professional brands (FCA Group) in the UK. The Company provides dealer financing facilities to two of the premium brands of the Group: Ferrari and Maserati. Dealer financing consists of providing floor plan funding, funding of spare parts, demonstration vehicles, used and trade in vehicles and funding for specific Corporate identity requirements of the FCA Group brands.

The key financial and other performance indicators during the year were as follows:

	2019 £000	2018 £000	Change %
Turnover	6,061	7,819	(22.0%)
Operating profit	14,638	11,663	25.5%
Profit after tax	7,213	4,930	46.3%
Equity Shareholders' funds	34,094	57,073	(40.3%)
Average number of employees	8	9	(11.1%)

The Company's financial performance during the year was strong and ahead of the budgeted/forecasted results for the year. The average amount financed by the Company during the year was around £282m (2018: £260m). The Company managed the financing of 244 dealers (2018: 250 dealers) for the FCA Group during the year. There were two dealer failures during the year (2018: two dealer failures).

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's major exposure to risk is on account of credit facilities to dealers and to the impact of dealer failures. The Company has strong controls and ensures adherence to Group credit and risk policies to minimise potential risks. Risk is also mitigated by way of charge on the vehicles financed, other securities such as bank guarantees, charges on properties and other collateral. The level of security depends on the financial strength of the dealerships as assessed in line with long established Group policies.

The Company's debtors are short term in nature and interest is charged on a floating rate basis (with monthly resets). The Company's borrowing profile matches that of its receivables. The majority of the receivables and loans payable are not exposed to any foreign exchange risk. The Company has a small portfolio of its receivables in Euros, which are funded by the Group's cash pooling facility in the same currency. The Company, in addition to its annual forecasts, updates its holding Company's central treasury with its cash flow requirements on a weekly basis. Liquidity for the business is ensured by way of cash management facilities and short term loans from its shareholders.

STRATEGIC REPORT (continued)
Year ended 31 December 2019

The Company is also actively engaged with the FCA brands and its network partners to ensure that it is able to support them, while constantly monitoring the risk: credit, dealer profitability and market share posed by market conditions.

FUTURE DEVELOPMENTS

In 2019, UK new car registrations fell to 2.31 million, a 2.4% decline over the previous year. FCA Group registrations (including Maserati) in 2019 were 43,877 (2018: 52,855) representing a market share of around 2% (Source SMMT). Notwithstanding this, the Company saw an increase in its level of outstanding (receivables) during the year.

The Company already finances a diverse range of vehicle brands, models and retailer networks which results in a good dispersion of risk. As a part of this strategy, the Company will start supporting the Morgan Motor Company's UK retailer network in 2020. It will continue to support the other brands in its portfolio and in particular their electrification strategies. The Company expects to maintain the current levels of receivables in 2020.

SECTION 172 (1) STATEMENT – DIRECTORS DUTY TO PROMOTE SUCCESS OF THE COMPANY

During 2019 market trends and conditions, regulatory factors and consumer behaviours have been relevant in shaping the decisions of the Board. As such, attention has been paid to the various stakeholders in the business, more specifically: the motor manufacturer brands we represent and its retailer network, suppliers, the wider community and environment, shareholders and the Company's employees.

In the past couple of years, the Company has played a key role in supporting the FCA Group brands and its retailed network to manage the impact of various regulatory upheavals e.g. Worldwide Harmonised Light Vehicle Test (WLTP). Moving forward, the directors will ensure that the Company plays a proactive role in supporting the retailer network on the opportunities arising out of the FCA Group's electrification strategy. The Company also constantly interacts with the network development teams of the brands and offers new product to support the funding requirements of the retailer network.

The directors recommended the payment of dividends of £30 million in 2019 out of the distributable reserves of the Company. As the Company is part of the wider FCA Banking Group, the directors have recommended this as a part of its broader strategic discussions, possible actions related to the Group funding and the optimisation of the regulatory capital of FCA Bank SpA and of the Group at an individual as well as at a consolidated level.

The directors monitor the Company's adherence to the FCA Bank Group's risk management policies. The Key Risk Indicators are monitored on a periodic basis (against set thresholds).

The directors have approved the governance structure within the Company, which has a strong focus on the various risks, in particular the economic and trading environment which can have an impact on its retailer network.

The directors are aware of the strategic nature of the Company's support to the FCA Group brands in the UK and of its significance within the wider FCA Bank Group. All decisions are taken keeping in mind the long-term, sustainable and strategic interest of the FCA Group bands and the shareholder.

ENGAGEMENT WITH CUSTOMERS, SUPPLIERS AND OTHERS

The Company's main interactions are with the brands it supports and their retailer network. The Company has frequent interactions with the Network development teams to understand the requirements of the retailer network. The Company also has a proactive engagement with its retailers to ensure that the funding lines and facilities are adequate to cover the needs of the retailers.

STRATEGIC REPORT (continued)
Year ended 31 December 2019

EMPLOYEE INVOLVEMENT

The Company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004.

During the year, the policy of providing employees with information about the Group has been continued through the newsletter 'Good Practice Group News' in which employees have also been encouraged to present their suggestions and views on the Group's performance.

Regular meetings are held between local management and employees to allow a free flow of information and ideas. The Company has undertaken to strengthen the skills and motivation within its employee base. Both skills based training and study support is made available to staff. The Company's shareholder, FCA Bank SpA, introduced a new comprehensive Group Code of Conduct. This was rolled-out to all employees in 2019 and emphasises the regulatory-compliance culture with anti-trust legislation, whistleblowing and anti-corruption.

The Company continued the engagement with its employees in 2019 through the Employee Forum, off-site team building activities, and town hall meetings. The Company also organises Health and Well-being weeks during which professional healthcare experts offer a range of services including health screening and posture assessment.

DISABLED EMPLOYEES

The Group gives full consideration to applications for employment from disabled persons where the candidates' particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

The report was placed before the board on 17th February 2020 and signed on its behalf by:

A Hughes
DIRECTOR
17th February 2020

DIRECTORS' REPORT
Year ended 31 December 2019

The directors present their annual report on the affairs of FCA Dealer Services UK Limited ('the Company') together with the financial statements and auditors' report for the year ended 31 December 2019.

The Company's business activities, together with the factors likely to affects its future development, performance and position are set out in the Strategic Report on pages 4-6.

RESULTS AND DIVIDENDS

The Company recorded a profit after taxation of £7.2m (2018: £4.9m) and this has been transferred to reserves. A dividend of £30m was paid in 2019 (2018: £nil).

DIRECTORS AND THEIR INTERESTS

The names of the directors who served during the year were as follows:

Name	Date appointed	Date resigned	Nationality
A Hughes	6 October 2010		British
A Juan	20 December 2017		French
C Duckworth	30 July 2015		British
A Pertica	22 March 2018	17 December 2019	Italian
S Basili	17 February 2020		Italian

The directors do not hold any beneficial interests in the shares of the Company.

GOING CONCERN

The Company's parent Company is FCA Bank SpA, a Company registered in Italy. FCA Bank SpA is owned 50% by FCA Italy SpA (the wholly owned subsidiary of Fiat Chrysler Automobiles NV) and 50% by Credit Agricole Consumer Finance SA (CACF), the wholly owned consumer credit subsidiary of Credit Agricole SA. The partnership between FCA Bank SpA and Credit Agricole Consumer Finance SA offers the Company a combination of the commercial effectiveness of an industrial partner with a risk discipline and financial strength of a banking partner. On the basis of their assessment of the Company's financial position and of reasonable expectation of continuous support from its holding Company, the Company's directors are confident that the Company will be able to continue to trade for the foreseeable future.

The Company's forecasts and projections, taking account of potential changes in trading performance show that the Company should be able to operate within the level of its current facilities. The Company meets its funding requirements through the Group cash management facility and term loans from shareholders. The directors' expectation is that these facilities will be available for the foreseeable future.

The bank status of the Company's parent Company will provide the Group with further opportunities for diversification of funding sources and enable it to offer even more innovative products and services to its dealers.

The Company is crucial to the growth aspirations of the FCA Group via the dealer channel. The Company has managed to meet the growth in funding requirements while ensuring adherence to Company and Group policies regarding credit exposures. The Company has not faced any significant losses on account of motor dealership failures.

In light of the above factors, the Company continues to adopt the going concern basis of accounting in preparing its annual financial statements.

DIRECTORS' REPORT (continued)
Year ended 31 December 2019

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company follows the Group treasury policies to ensure that its borrowing profile matches its receivables. A small portion of the Company's receivables are in Euro and associated funding is matched in the same currency.

As mentioned in the Strategic report, the automotive industry is particularly susceptible to the risks posed by the changes to the regulatory environment and to the overall economic environment (consumer confidence and spending, business confidence, etc.). The Company's major exposure to risk is on account of potential retailer failures. The Company also has an exposure to any price changes which have a negative impacting on the realisable value of the vehicles it finances. These risks are managed and monitored by the Company with constant interactions with the all the brands it supports and ensures that it is able to intervene in a proactive manner to support both the brands and its network while minimising any risk to itself.

DISCLOSURE OF INFORMATION TO THE AUDITORS

Each person who is a director at the date of approval of this report confirms that:

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

This information is given and should be interpreted in accordance with the provisions of section 418(2) of the Companies Act 2006.

REAPPOINTMENT OF AUDITORS

The directors will place a resolution before the annual general meeting to reappoint Ernst and Young LLP as the auditors for the ensuing year in accordance with section 485 of the Companies Act 2006.

By order of the board

A Hughes
Director
17th February 2020

DIRECTORS' RESPONSIBILITIES STATEMENT
Year ended 31 December 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 'The Financial Standard applicable to the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FCA DEALER SERVICES UK LIMITED

Opinion

We have audited the financial statements of FCA Dealer Services UK Limited for the year ended 31 December 2019 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and the related notes 1 to 15, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2019 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.

Basis for opinion

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

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FCA DEALER SERVICES UK LIMITED (continued)

misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FCA DEALER SERVICES UK LIMITED (continued)

that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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

Andrew R. Blackmore

Ernst & Young LLP,
Andy Blackmore (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol
Date: 10 March 2020

FCA DEALER SERVICES UK LTD

INCOME STATEMENT
For the year ended 31 December 2019

Income Statement	**Note**	**2019** £000	**2018** £000
Turnover	2	6,061	7,819
Administrative expenses	3	(3,280)	(4,913)
Other operating income	4	11,857	8,757
Operating profit		14,638	11,663
Interest payable and similar charges	7	(5,681)	(5,555)
Profit on ordinary activities before taxation		8,957	6,108
Tax on profit on ordinary activities	8	(1,744)	(1,178)
Profit for the year		7,213	4,930

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	2019	2018
	£000	£000
Profit for the financial year	7,213	4,930
Re-measurement gain recognised on defined benefit pension schemes	(272)	318
Movement on deferred tax relating to pension liability	47	(54)
Total other comprehensive income	(225)	264
Total comprehensive income for the year	6,988	5,194

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Share capital	Profit and loss account	Total Equity
	£000	£000	£000
At 1 January 2018	20,500	29,751	50,251
Profit for the year	-	4,930	4,930
Other comprehensive income	-	264	264
Movement on deferred tax relating to FTA IFRS9 reserve	-	(294)	(294)
FTA IFRS9 reserve	-	1,922	1,922
At 31 December 2018	20,500	36,573	57,073

	Share capital	Profit and loss account	Total Equity
	£000	£000	£000
At 1 January 2019	20,500	36,573	57,073
Profit for the year	-	7,213	7,213
Other comprehensive income	-	(225)	(225)
Movement on deferred tax relating to FTA IFRS9 reserve	-	33	33
Dividends	-	(30,000)	(30,000)
At 31 December 2019	20,500	13,594	34,094

STATEMENT OF FINANCIAL POSITION
At 31 December 2019

	Note	2019 £000	2018 £000
CURRENT ASSETS			
Stock	9	47,451	86,185
Debtors	10	255,482	241,969
Cash at bank		17,159	-
		320,092	328,154
Creditors: amounts falling due within one year	11	(284,856)	(270,118)
NET CURRENT ASSETS EXCLUDING PENSION LIABILITY		35,236	58,036
Defined benefit pension liability	13	(1,142)	(963)
NET ASSETS		34,094	57,073
CAPITAL AND RESERVES			
Called up share capital	12	20,500	20,500
Profit and loss account		13,594	36,573
EQUITY SHAREHOLDERS' FUNDS		34,094	57,073

The notes on pages 16 to 29 form part of these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17th February 2020.

A Hughes

DIRECTOR

17th February 2020

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2019

1. ACCOUNTING POLICIES

Basis of preparation

FCA Dealer Services UK Ltd is a limited liability Company incorporated in England. The Registered Office is Fiat House, 240 Bath Road, Slough, Berkshire SL1 4DX.

The Company meets the requirements for a qualifying entity under FRS102 and has therefore taken advantage of the reduced disclosures for subsidiaries allowed under the standard. The Company has taken advantage of the following exemptions:

- The requirements of Section 7 Statement of Cash Flows 3.17(d)
- The requirement of Section 33 Related Party Disclosures paragraph 33.7;

The financial statements of FCA Dealer Services UK Ltd were approved for issue by the Board of Directors on 17th February 2020. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000.

Judgements and key sources of estimation uncertainty

The presentation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions. These judgements, estimates and assumptions affect the reported amounts of assets and liabilities as well as income and expenses in the financial statements provided.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates' underlying assumptions are reviewed on an ongoing basis. Judgements are made by management (discussed and agreed at the appropriate internal committees) in the application of IFRSs that have that have significant effect on the financial statements and estimates. The Company regularly reviews the financial strength and operation performance of its Dealer network (strength of financial statements, stock audit performance, cash flow position, investment, strength of management, etc,). Provision for impairments include such specific assessment of risk in respect of individual dealer Groups considering the factors such as portfolio at risk and availability of realisable securities.

1. ACCOUNTING POLICIES (continued)

Taxation

The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 8.

Revenue recognition

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Turnover mainly represents income eamed under stocking loans and associated services and dealer financing activities including acquisition of invoices from the manufacturer, offered to the Fiat, Alfa Romeo, Chrysler, Jeep, Maserati and Ferrari dealer networks in the United Kingdom. Turnover includes all income eamed from operations in UK. Interest is accounted on a time proportion basis taking into account the effective rate on the transaction.

Commission and fees are charged for the administration of the systems and acquisitions of contracts. Agreed fees is charged on a monthly basis.

Tumover are exclusive of Value Added Tax and trade discounts.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results in the financial statements that arise from the inclusion of gains and losses in tax assets in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.
Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Stock

Stock comprises new FCA Group cars and LCVs that is valued at the lower of cost and net realisable value in accordance with generally accepted accounting principles.

Trade receivables

Trade receivables are measured at fair value on initial recognition and subsequently the carrying value is adjusted via the associated credit risk provision.

1. ACCOUNTING POLICIES (continued)

Trade receivables (continued)

Appropriate allowances for estimated irrecoverable amounts are recognised via the income statement when there is objective evidence that an asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Credit risk on exposure to dealers is mitigated by way of charge on the vehicles financed, other securities such as bank guarantees, charge on properties and other collateral. The level of securities depends on the financial strength of the dealerships as assessed in line with long established Group policies.

The measurement criteria are closely linked to the inclusion of these receivables in one of the three stages of credit risk established by IFRS 9. The last of which (stage 3) consists of nonperforming financial assets and the remaining (stages 1 and 2) of performing financial assets. With regard to the accounting representation of the above measurement effects, the value adjustments for this type of asset are recognized in profit or loss:

- on initial recognition, for an amount equal to the 12-month expected credit loss;
- on subsequent measurement of the asset, when the credit risk has not increased significantly since initial recognition, in relation to changes in the amount of adjustments for the 12-month expected credit losses;
- on subsequent measurement of the asset, when the credit risk has increased significantly since initial recognition, in relation to the recognition of adjustments for expected credit losses over the contractually agreed remaining lifetime of the asset;
- on subsequent measurement of the receivable, where – after a significant increase in credit risk has occurred since initial recognition – the increase is no longer "significant" due to the alignment of the cumulative value adjustments to take account of the change from a lifetime expected credit loss to a 12-month expected credit loss for the instrument.

These receivables, when they are performing, are subject to an assessment, aimed at establishing the value adjustments to be recognized in the financial statements, at the level of individual agreement), according to the risk parameters consisting of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), derived from the AIRB models, and duly adjusted to take account of the provisions of IFRS 9.

If, in addition to a significant increase in credit risk, there is also objective evidence of impairment, the amount of the loss is measured as the difference between the carrying amount of the asset – classified as "non-performing", like all the other relationships with the same counterparty – and the present value of the estimated future cash flows, discounted using the original effective interest rate. The amount of the loss, to be recognized through profit or loss, is established based on individual measurement or determined according to uniform categories and, then, individually allocated to each position, and, takes account of forward-looking information and possible alternative recovery scenarios.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2019

1. ACCOUNTING POLICIES (continued)

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Trade payables is mainly represented by amounts due to the manufacturer (a related party) for new vehicles sold not yet paid.

Amounts owed to Group undertakings

The majority of amounts owed to Group undertakings comprise loans. These are stated at the cost plus interest which is accrued on a daily basis.
The remaining amounts due to Group undertakings comprise recharges of administration costs and are recorded at transaction price.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the bank (including interest).

Pension and other post-employment benefits

The Company provides pension arrangements to a number of full time employees operated through a defined benefit scheme, which is operated by a related Company Fiat Chrysler Automobiles UK Limited. The Trustee board is legally responsible for the administration and payment of pensions in accordance with the Trust Deed. The Managing Companies, Fiat Chrysler Automobiles N.V. and Fiat Chrysler Automobiles UK Ltd and Participating Employers are legally responsible for making ongoing and deficit contributions to the scheme in accordance with the Trust Deed and scheme rules. Each of FCA Dealer Services UK Ltd, FCA Automotive Services UK Ltd and Leasys Services UK Ltd are Participating Employers.

The cost of defined benefit pension plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates. Further details are given in note 14.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits are the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet dates. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of transaction. Exchange gains and losses are recognised in the Profit and Loss account.

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2019

1. ACCOUNTING POLICIES (continued)

De-recognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities are de-recognised when they are extinguished, i.e. when the obligation in any contract is discharged, cancelled or expired.

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2019

2. TURNOVER

The whole of the turnover is attributable to financing dealer consignment and other stocking facilities net of value added tax.

	2019	2018
	£000	£000
Interest income	4,161	4,196
Fees and commissions	1,900	3,623
Total	6,061	7,819

All turnover arose within the United Kingdom.

3. ADMINISTRATIVE EXPENSES

	2019	2018
	£000	£000
Administrative expenses	2,827	4,699
Provision for bad and doubtful debts	453	214
Total	3,280	4,913

4. OTHER OPERATING INCOME

	2019	2018
	£000	£000
Other Interest income	8,700	7,560
Admin Fees and Stocking Charges	3,157	1,197
Total	11,857	8,757

5. AUDITOR'S REMUNERATION

The remuneration of the auditors or its associates is further analysed as follows:

	2019	2018
	£000	£000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	45	38
Total	45	38

6. STAFF COSTS

a) Staff costs

	2019	2018
	£000	£000
Wages and salaries	773	686
Social security costs	61	71
Other pension costs	82	75
	916	832

Included in other pension costs are £27,952 (2018: £23,000) in respect of the defined benefit schemes and £53,559 (2018: £51,732) in respect of the defined contribution scheme.

The average monthly number of employees during the year was made up as follows:

	2019 No.	2018 No.
Administration	8	9

b) Directors' remuneration

	2019	2018
	£000	£000
Aggregate remuneration in respect of qualifying services	384	385
Aggregate amounts receivable under long term incentive plans	-	-

	2019	2018
	£000	£000
No of directors who received shares in respect of qualifying services	-	-
No of directors who exercised share options	-	-
No of directors accruing benefits under defined benefit schemes	1	1

	2019	2018
In respect of highest paid directors	£000	£000
Aggregate remuneration	267	275
Accrued pension at the end of the year	44	42
Accrued lump sum at the end of the year	-	-

Three directors of the company are also directors of fellow group companies. The directors do not believe that it is practicable to apportion the amount between their services as director of the company and their services as director of the fellow group com

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2019

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2019	2018
	£000	£000
Group interest payable and similar charges	5,655	5,528
Interest attributable to pension fund liability	26	27
	5,681	5,555

8. TAXATION

The tax charge comprises:

	2019	2018
	£000	£000
UK corporation tax at 19% (2018: 19%)	1,693	1,009
Prior year adjustment	9	6
Total current tax	1,702	1,015
Deferred tax:		
Origination and reversal of timing differences	47	188
Impact of change in tax laws and rates	(5)	(20)
Prior year adjustment	-	(5)
Total deferred tax	42	163
Tax on profit on ordinary activities	1,744	1,178

Tax included in the statement of total other comprehensive income:

	2019	2018
Deferred tax:		
Actuarial gain on pension scheme	(52)	60
Effect on decreased tax rate on deferred tax balance	5	(6)
Total current tax	(47)	54

Tax included in the statement changes in Equity:
The tax changes/(credit) is made up as follows:

	2019	2018
Deferred Tax		
Risk Provision	(37)	329
Effect on decreased tax rate on deferred tax balance	4	(35)
Total tax on profit on continuing operation	(33)	294

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2019

8. TAXATION (continued)

The difference between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2019	2018
	£000	£000
Profit on ordinary activities before tax	8,957	6,108
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 – 19%)	1,702	1,161
Expenses not deductible for tax purposes	-	-
Adoption of IFRS9 – Taxed through retained earnings	36	36
Change in tax laws and rates	(4)	(20)
Prior year adjustment	10	1
Total tax expense	1,744	1,178

Change in corporation tax rate

The 2015 Finance Act was enacted in November 2015 and reduced the rate of corporation tax to 19% from 1 April 2017 and 18% from 1 April 2020 respectively. Further, the Finance Act 2016 was enacted on 15 September 2016 which reduces the standard rate of UK corporation tax to 17% from 1 April 2020.

The 17% rate has been applied in the measurement of the Company's deferred tax assets and liabilities at 31 December 2019.

Under FRS102 deferred tax balances should be calculated at the rate at which they are expected to unwind, based on the tax rates that have been substantively enacted or enacted at the balance sheet date. The corporation tax rate of 17% was substantively enacted on 15th September 2016 and accordingly this rate has been applied in the measurement of the Company's deferred tax assets and liabilities at 31 December 2019. The deferred tax balances may unwind, in full or in part, before the 1 April 2020 which would mean the Company would obtain tax relief at a higher tax rate. The maximum possible effect of this would be to increase the value of the deferred tax asset by £5,000 from that recognised on the balance sheet.

8. TAXATION (continued)

The deferred tax included in the balance sheet is as follows:

Deferred tax assets

	2019 £000	2018 £000
Other timing differences	64	89
Pension fund deficit	194	163
	258	252

Deferred tax liability

Other timing difference	(261)	(294)
	(3)	(42)

	2019 £000	2018 £000
Deferred tax in the income statement		
Other timing differences	28	169
Pension deficit	18	19
Prior year adjustments	-	(5)
Change in tax laws and rates	(5)	(20)
Deferred Tax Expense/ (credit)	41	163

Deferred tax (liability)/asset as at 1 January 2019	(42)	469
Amount debited to OCI	47	(54)
Amount (debited)/credited through retained earnings	33	(294)
Deferred tax per income statement	(41)	(163)
Deferred tax (liability)/ asset at 31 December 2019	(3)	(42)

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2019

9. STOCK

	2019	2018
	£000	£000
Finished goods and goods for resale	47,451	86,185

Stock comprises wholly of new cars and light commercial vehicles held in depot or dealer premises for resale. Impairment provisions were £nil (2018: £nil) and no impairment was charged to the income statement in the year (2018: £nil).

10. DEBTORS

	2019	2018
	£000	£000
Gross trade debtors	257,611	240,671
Less provision for bad and doubtful debts	(4,379)	(4,362)
Amounts owed from other group undertakings	2,250	3,049
VAT receivable	-	2,611
	255,482	241,969

Movement on provision for bad and doubtful debts

	2019	2018
	£000	£000
At 1 January	4,362	6,070
FTA IFRS9 transition adjustment	-	(1,922)
Charge for the year to profit and loss account	453	214
Utilisation	(436)	-
Total at 31 December	4,379	4,362

All debtors fall due within one year with the exception of the deferred tax asset.

11. CREDITORS: amounts falling due within one year

	2019	2018
	£000	£000
Trade creditors	250	538
Bank loans and overdrafts	-	3,545
Amounts owed to other group undertakings	276,884	261,010
Deferred tax liability	3	42
VAT Payable	1,687	-
Corporation Tax	945	253
Accruals and deferred income	5,087	4,730
	284,856	270,118

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2019

12. ALLOTED AND ISSUED SHARE CAPITAL

	2019	2018
Authorised	**£000**	**£000**
20,500,000 Ordinary shares of £1 each	20,500	20,500
Allotted, called-up and fully paid		
20,500,000 Ordinary shares of £1 each	20,500	20,500

13. PENSION OBLIGATIONS AND OTHER POST- RETIREMENT BENEFITS

Fiat Group Pension Scheme is an HMRC registered defined benefit pension scheme and is subject to standard UK pensions and tax law. Details of the benefits provided are set out in the Scheme's documentation.

The Company provides pension arrangements for a number of its employees through the Fiat Group Pension Scheme. It is a multi-employer scheme. The managing companies (Fiat Chrysler Automobiles NV and Fiat Chrysler Automobiles UK Ltd) and participating employers are legally responsible for making contributions to the Scheme in accordance with the Trust Deed and Scheme rules. Each of FCA Dealer Services UK Ltd, FCA Automotive Services UK Ltd and Leasys UK Ltd are participating employers.
The disclosures in these accounts below are based on calculations carried out as at 31 December 2019 by an independent qualified actuary.

The assets are held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The Trustee of the Scheme are required to act in the best interest of the beneficiaries. The appointment of Trustee is determined by the trust documentation.
The Trustees of the Scheme invest the assets in line with the Statement of Investment Principles. The Statement of Investment Principles has been established taking into consideration the liabilities of the Scheme and the investment risk that the Trustees are willing to accept.

Under the Scheme Funding regime introduced by the Pensions Act 2004, the Trustees are required to carry out regular scheme funding valuations of the Scheme and establish a schedule of contributions and a recovery plan when there is a shortfall in the Scheme. The recovery plan details the amount and timing of the contributions required to eliminate the shortfall in the Scheme. Scheme funding valuations are carried out at least every three years. Approximate funding updates are produced annually in years where a full scheme funding valuation is not being completed.

At each scheme funding valuation, the present value of the contributions detailed in the current recovery plan is compared with any shortfall revealed. Where the contributions under the current recovery plan are no longer sufficient to remove the shortfall by the end of period specified in the recovery plan a new recovery plan will need to be agreed between the trustees and the employer. Options include increasing contributions due from the employer, extending the recovery period with additional contributions paid after the expiry of the current recovery period or some combination of the two. The affordability to the employer of any increase in contributions is a primary factor in the agreement of any new recovery plan. Where the contributions are more than

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2019

13. PENSION OBLIGATIONS AND OTHER POST- RETIREMENT BENEFITS (continued)

sufficient to remove the shortfall by the end of the recovery period, options include reducing contributions due, keeping the recovery period the same, or shortening the recovery period

Overall Fiat Group Pension Scheme:

	31 December 2019 £000	31 December 2018 £000
Total market value of assets	176,971	158,637
Present value of scheme liabilities	(227,551)	(214,721)
Group net pension deficit	(50,580)	(56,084)

	%	%
Key assumptions were:		
Rate of increase of salaries	2.70	3.05
Rate of return of assets	2.00	2.90
Discount rate	1.90	2.90

The latest funding valuation of the Fiat Group Pension Scheme was completed at 31 March 2018. The defined benefit pension scheme exposes the employer to actuarial risks, such as longevity risk, interest rate risk, salary risk, market (investment) risk and currency risk.

The Fiat Group Pension Scheme closed to further accrual of benefit on 30 June 2017. Members in active service at that date were offered participation in the Fiat Group Money Purchase Scheme.

During the year the Company made contributions of £146,976 (2018: £146,976) into the Fiat Group Pension Scheme.

The Company is expected to contribute £148,417 to the Fiat Group Pension Scheme during 2020.

During the year the Company made contributions of £53,559 (2018: £51,732) to the Fiat Group Money Purchase Scheme

FCA Dealer Services UK Ltd Share of Fiat Group Pension Scheme Analysed by Liability Value:

	2019 £000	2018 £000
Opening balance	(963)	(1,376)
Gains/(losses) on liabilities	(513)	91
Gains/(losses) on assets	241	226
Current service cost less employee contributions	-	-
Employer's contribution	147	147
Interest cost	(126)	(116)
Expected return on plan assets	100	89
Gain/(loss) on bulk TV adjustments	(28)	(23)
Closing balance	(1,142)	(963)

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2019

14. RELATED PARTY TRANSACTIONS

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. The balances outstanding at 31 December are as follows:

	Amounts owed from related party	Amounts owed to related party
	£000	£000
Entities with control over the Company		
2019	303	268,717
2018	6	246,052
Entities with which the Company shares joint management		
2019	-	-
2018	-	-
Entities that are members of the wider FCA Group but have limited or no influence		
2019	1,947	8,167
2018	3,043	14,958

Sales and purchases between related parties are made at normal market prices. Outstanding balances are unsecured, interest free and cash settlement is expected within 30 days of invoice. The Company has not provided or benefitted from any guarantees for any related party receivables or payables. During the year ended 31st December 2019 the Company has not made any provision for any doubtful debts relating to amounts owed by related parties (2018: £nil).

Interest on loans from related parties is calculated at LIBOR rate plus a margin.

15. ULTIMATE CONTROLLING PARTY

FCA Bank SpA, a Company registered in Italy, is the immediate holding Company. FCA Bank SpA is the parent undertaking of the smallest and largest group of which the Company is a member and for which consolidated accounts are drawn up. FCA Bank SpA is owned 50% by FCA Italy SpA, the wholly owned subsidiary of Fiat Chrysler Automobiles NV and is owned 50% by CA Consumer Finance SA (the wholly owned consumer credit subsidiary of Crédit Agricole S.A.) Consolidated accounts of FCA Italy SpA may be obtained from the Company secretary, FCA Bank SpA, Corso Giovanni Agnelli 200, Turin, Italy.