

**FCA Dealer Services UK Ltd**  
**Registered No. 04569800**

**Report and Financial Statements**  
**For the year ended 31 December 2017**



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## **FCA DEALER SERVICES UK LTD**

### **CORPORATE INFORMATION**

<b>DIRECTORS</b>	Alexander Hughes Giulio Viale Alain Juan Christopher Duckworth
<b>INDEPENDENT AUDITORS</b>	Ernst & Young. LLP 25 Churchill Place Canary Wharf London E14 5EY
<b>COMPANY SECRETARY</b>	Peter Farley
<b>BANKERS</b>	Barclays Bank PLC 1 Churchill Place London E14 5HP  The Royal Bank of Scotland plc 250 Bishopsgate London EC2M 4AA
<b>SOLICITORS</b>	Payne Hicks Beach Solicitors 10 New Square Lincoln's Inn London WC2A 3QG
<b>REGISTERED OFFICE</b>	240 Bath Road Slough Berkshire SL1 4DX

## **FCA DEALER SERVICES UK LTD**

### **STRATEGIC REPORT**

**Year ended 31 December 2017**

#### **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, demo, 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:

	<b>2017</b>	<b>2016</b>	<b>Change</b>
	<b>£000</b>	<b>£000</b>	<b>%</b>
Turnover	8,091	9,317	(13.2%)
Operating profit	10,004	10,350	(3.3%)
Profit after tax	2,775	3,663	(24.2%)
Equity Shareholders' funds	50,251	47,038	6.8%
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 £302m (2016: £238m). The Company managed the financing of over 252 dealers for the FCA Group during the year. There were no Dealer failures resulting in a credit loss to the business during the year.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Company's major exposure to risk is on account of credit facilities to dealers and 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, charge 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 risks. The Company has a small portfolio of its receivables in Euros, which is 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 the shareholders.

The Company has an exposure to the potential fall in the value of new cars stock financed by it to the FCA Group dealer network in the event of return of any financed car by a dealer under the terms of the Sale or Return Agreement. The Company relies on the strong support of the FCA Group brands and their dealer network in order to sell all his stock.

The economic uncertainty generated by the Brexit and the relevant impacts on business and consumer confidence still remains the main risk to be managed. The shrinking of the of the market volumes is making all players highly competitive and the dealer are suffering from the reduction of the profitability.

## **FCA DEALER SERVICES UK LTD**

### **STRATEGIC REPORT (continued) Year ended 31 December 2017**

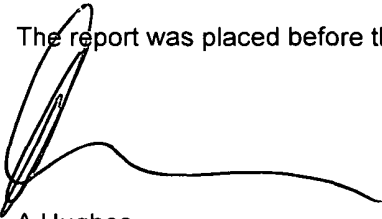
#### **FUTURE DEVELOPMENTS**

The UK remains an important strategic market for the FCA Group, despite some tough economic conditions. UK new car registrations for 2017 exceeded 2.5 million units but for the first year of the past five years the market hasn't consecutively grown. Overall, the market shrunk by 5.65% in 2017 to 2,540,617 units. However, this is the sixth time that the market has surpassed 2.5 million vehicles in a full year (source: SMMT). FCA Group Car registrations (including Maserati) in 2017 were 61,994 (2016: 84,953) representing a market share of circa 2.3%.

Over the course of 2018 the FCA Group aims to maintain market penetration and broaden its base of product offerings with the introduction of further models in popular segments (such as the new Jeep Compass to be introduced early in the year). The Company's activities are a vital element of the brands registration and market share objectives through the Dealer channel.

The Company finances a diverse range of vehicle brands, models and dealer networks which results in a good dispersion of risk.

The report was placed before the board on 14<sup>th</sup> March 2018 and signed on its behalf by:

A handwritten signature in black ink, consisting of a large, stylized 'A' followed by a horizontal line.

A Hughes

DIRECTOR

14<sup>th</sup> March 2018

## **FCA DEALER SERVICES UK LTD**

### **DIRECTORS' REPORT**

**Year ended 31 December 2017**

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 2017.

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

### **RESULTS AND DIVIDENDS**

The Company recorded a profit after taxation of £2.8m (2016: £3.7m) and this has been transferred to reserves. The directors do not recommend payment of a dividend (2016: £nil).

### **DIRECTORS AND THEIR INTERESTS**

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

<b>Name</b>	<b>Date appointed</b>	<b>Date resigned</b>	<b>Nationality</b>
A Hughes	6 October 2010		British
G Viale	3 January 2013		Italian
A Juan	20 December 2017		French
C Von Guggenberg	5 February 2015	20 <sup>th</sup> December 2017	Italian
C Duckworth	30 July 2015		British

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 Crédit Agricole SA. The partnership between FCA Group and Credit Agricole 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 enquiries made of directors have a reasonable expectation that their 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 customers.

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.

## **FCA DEALER SERVICES UK LTD**

### **DIRECTORS' REPORT (continued) Year ended 31 December 2017**

#### **DISABLED EMPLOYEES**

The Group gives full consideration to applications for employment from disabled persons where the candidate's 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.

#### **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. Employees participate directly in the success of the business through the Group's profit sharing schemes and are encouraged to invest in the Group through participation in share option schemes.

#### **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  
14<sup>th</sup> March 2018

**DIRECTORS' RESPONSIBILITIES STATEMENT**

**Year ended 31 December 2017**

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;

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 2017 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and the related 1 to 16, 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 2017 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.

**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.

**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.

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

**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 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.

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

**Auditor's responsibilities for the audit of the financial statements**

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

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



Kenneth Eglinton (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor

London  
~~19~~ March 2018

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**FCA DEALER SERVICES UK LTD**

**INCOME STATEMENT**

**For the year ended 31 December 2017**

<b>Income Statement</b>	<b>Note</b>	<b>2017 £000</b>	<b>2016 £000</b>
<b>Turnover</b>	<b>2</b>	8,091	9,317
Administrative expenses	<b>3</b>	(6,320)	(5,382)
Other operating income	<b>3</b>	<u>8,233</u>	<u>6,415</u>
<b>Operating profit</b>		10,004	10,350
Interest payable and similar charges	<b>6</b>	<u>(6,532)</u>	<u>(5,725)</u>
<b>Profit on ordinary activities before taxation</b>		3,472	4,625
Tax on profit on ordinary activities	<b>7</b>	<u>(697)</u>	<u>(962)</u>
<b>Profit for the year</b>		<u>2,775</u>	<u>3,663</u>

**FCA DEALER SERVICES UK LTD**

**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2017

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Profit for the financial year	2,775	3,663
Re-measurement gain/(loss) recognised on defined benefit pension schemes	527	(604)
Movement on deferred tax relating to pension liability	(89)	84
Total other comprehensive income/(loss)	438	(520)
Total comprehensive income for the year	3,213	3,143

**STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2017

	<b>Share capital</b>	<b>Profit and loss account</b>	<b>Total Equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 January 2016	20,500	23,395	43,895
Profit for the year	-	3,663	3,663
Other comprehensive income	-	(520)	(520)
At 31 December 2016	20,500	26,538	47,038

	<b>Share capital</b>	<b>Profit and loss account</b>	<b>Total Equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 January 2017	20,500	26,538	47,038
Profit for the year	-	2,775	2,775
Other comprehensive income	-	438	438
At 31 December 2017	20,500	29,751	50,251

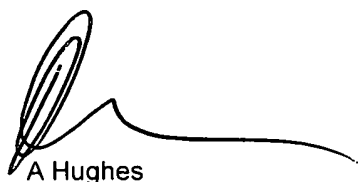
**FCA DEALER SERVICES UK LTD**

**STATEMENT OF FINANCIAL POSITION**  
**At 31 December 2017**

	<b>Note</b>	<b>2017 £000</b>	<b>2016 £000</b>
<b>CURRENT ASSETS</b>			
Stock	8	175,058	198,948
Debtors	9	160,318	174,242
Cash at bank		8,283	14,740
		<u>343,659</u>	<u>387,930</u>
<b>CREDITORS:</b> amounts falling due within one year	10	(292,032)	(338,918)
<b>NET CURRENT ASSETS EXCLUDING PENSION LIABILITY</b>		<u>51,627</u>	<u>49,012</u>
Defined benefit pension liability	14	(1,376)	(1,974)
<b>NET ASSETS</b>		<u>50,251</u>	<u>47,038</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	20,500	20,500
Profit and loss account	12	29,751	26,538
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>50,251</u>	<u>47,038</u>

The notes on pages 13 to 28 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 14<sup>th</sup> March 2018.



A Hughes

DIRECTOR

14<sup>th</sup> March 2018

**NOTES TO THE FINANCIAL STATEMENTS**

**At 31 December 2017**

**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 4 Statement of Financial Position paragraph 4.12(a)(iv)
- 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 15<sup>th</sup> February 2018. 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 preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

**Taxation**

The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. 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 7.

**NOTES TO THE FINANCIAL STATEMENTS**  
**At 31 December 2017**

**1. ACCOUNTING POLICIES**

**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. The following criteria must also be met before revenue is recognised:

Interest is accounted on a time proportion basis taking into account the effective rate on the transaction.

**Turnover**

Turnover mainly represents income earned 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 earned from operations in UK. Interest is accounted on a time proportion basis taking into account the effective rate on the transaction. Turnover is exclusive of Value Added Tax and trade discounts.

**Deferred tax**

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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 LCV that are valued at invoice price less provisions for impairment.

**Trade receivables**

Trade receivables are measured at fair value on initial recognition. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the 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.

**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.

**Trade payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Trade payable is mainly represented by amounts due



**NOTES TO THE FINANCIAL STATEMENTS  
AT 31 DECEMBER 2017**

**1. ACCOUNTING POLICIES (continued)**

**Trade payables (continued)**

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 for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. 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.

**Provision for bad and doubtful debts**

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 company follows the group guidelines on the recommended level of provisions for its dealer financing business. Provisions are also made on account of specifically identified dealer finance receivables and as per recommendations of the credit committee. Loan loss provisions are not made at

**NOTES TO THE FINANCIAL STATEMENTS  
AT 31 DECEMBER 2017**

**Provision for bad and doubtful debts (continued)**

the initial recognition date. Debt which is individually significant is tested for objective indication of impairment and tested for actual impairment on an individual basis. All other impairment is tested on a collective basis.

**NOTES TO THE FINANCIAL STATEMENTS  
AT 31 DECEMBER 2017**

**1. ACCOUNTING POLICIES (continued)**

**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.

**De-recognition of financial assets and liabilities**

Transfers of financial assets and liabilities are assessed to determine if assets can be derecognised. The Company derecognises financial assets when significantly all the risks and rewards of the asset are transferred. If significantly all the risks and rewards of the asset are retained, the Company retains the financial assets on its balance sheet with an associated liability for consideration received.

**NOTES TO THE FINANCIAL STATEMENTS  
AT 31 DECEMBER 2017**

**2. TURNOVER**

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

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Interest income	4,268	5,771
Fees and commissions	3,823	3,546
<b>Total</b>	<b>8,091</b>	<b>9,317</b>

All turnover arose within the United Kingdom.

**3. ADMINISTRATIVE EXPENSES**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Administrative expenses	4,779	4,718
Provision for bad and doubtful debts	1,541	664
<b>Total</b>	<b>6,320</b>	<b>5,382</b>

**OTHER OPERATING INCOME**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Other Interest income	5,921	4,628
Admin Fees and Stocking Charges	2,312	1,787
<b>Total</b>	<b>8,233</b>	<b>6,415</b>

**4. AUDITOR'S REMUNERATION**

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

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	63	62
<b>Total</b>	<b>63</b>	<b>62</b>

**NOTES TO THE FINANCIAL STATEMENTS  
AT 31 DECEMBER 2017**
**5. STAFF COSTS**
**a) Staff costs**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	492	423
Social security costs	76	68
Other pension costs	136	72
	<u>704</u>	<u>563</u>

Included in other pension costs are £180,188 (2016: £134,323) in respect of the defined benefit schemes and £27,704 (2016: £18,442) in respect of the defined contribution scheme.

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

	<b>2017</b>	<b>2016</b>
	<b>No.</b>	<b>No.</b>
Administration	<u>8</u>	<u>9</u>

**b) Directors' remuneration**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Aggregate remuneration in respect of qualifying services	352	322
Aggregate amounts receivable under long term incentive plans	<u>-</u>	<u>-</u>

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
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	<u>1</u>	<u>1</u>

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
In respect of highest paid directors		
Aggregate remuneration	244	210
Accrued pension at the end of the year	38	33
Accrued lump sum at the end of the year	<u>-</u>	<u>-</u>

Three director 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 companies.

**FCA DEALER SERVICES UK LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
AT 31 DECEMBER 2017**

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Group interest payable and similar charges	6,410	5,587
Interest attributable to pension fund liability	122	138
	<u>6,532</u>	<u>5,725</u>

**7. TAXATION**

The tax charge comprises:

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
UK corporation tax at 19.25% (2016: 20%)	640	922
Adjustments in respect of prior periods	280	43
Total current tax	<u>920</u>	<u>965</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	28	3
Impact of change in tax laws and rates	(3)	(1)
Prior year adjustment	(248)	(5)
Total deferred tax	<u>(223)</u>	<u>(3)</u>
Tax on profit on ordinary activities	<u>697</u>	<u>962</u>

Tax included in the statement of total other comprehensive income:

Deferred tax:

Actuarial gain on pension scheme	101	(117)
Effect on decreased tax rate on deferred tax balance	(12)	33
Total current tax	<u>89</u>	<u>(84)</u>

## FCA DEALER SERVICES UK LTD

### NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017

#### 7. 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:

	2017 £000	2016 £000
Profit on ordinary activities before tax	3,472	4,626
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 – 20%)	668	925
Expenses not deductible for tax purposes (including goodwill amortisation)	-	-
Change in tax laws and rates	(3)	(1)
Prior year adjustment	32	38
Total tax expense	697	962

#### 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.

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 enacted or substantively enacted at the balance sheet date. The corporation tax rate of 17% was enacted 15 September 2016 and accordingly this rate has been applied in the measurement of the Company's deferred tax assets and liabilities at 31 December 2017. The deferred tax balances may unwind, in full or in part, before 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 £55k from that recognised on the balance sheet.

**FCA DEALER SERVICES UK LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
AT 31 DECEMBER 2017**

**7. TAXATION (continued)**

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

**Deferred tax assets**

	<b>2017 £000</b>	<b>2016 £000</b>
Other timing differences	235	-
Pension fund liability	234	335
Deferred tax asset as at 31 December	<u>469</u>	<u>335</u>

**Deferred tax in the income statement**

Other timing differences	14	-
Pension deficit	14	(2)
Change in tax laws and rates	(3)	(1)
Prior year adjustment	(248)	-
Deferred Tax (credit)/Expense	<u>(223)</u>	<u>(3)</u>

There is no deferred tax liability arising at 31 December 2017 or 31 December 2016.

Deferred tax asset as at 1 January 2017	335	248
Amount credited to OCI	(89)	84
Deferred tax per income statement	223	3
Deferred tax asset as at 31 December 2017	<u>469</u>	<u>335</u>

**FCA DEALER SERVICES UK LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
AT 31 DECEMBER 2017**

**8. STOCK**

	<b>2017 £000</b>	<b>2016 £000</b>
Finished goods and goods for resale	<u>175,058</u>	<u>198,948</u>

Stock comprises wholly of new cars and light commercial vehicles held in depot or dealer premises for resale. Impairment provisions were £nil (2016: £nil) and no impairment was charged to the income statement in the year 2017 (2016: £nil).

**9. DEBTORS**

	<b>2017 £000</b>	<b>2016 £000</b>
Gross trade debtors	165,919	178,435
Less provision for bad and doubtful debts	(6,070)	(4,529)
Deferred tax asset	469	336
	<u>160,318</u>	<u>174,242</u>

Movement on provision for bad and doubtful debts

	<b>2017 £000</b>	<b>2016 £000</b>
At 1 January	4,529	3,866
Charge for the year to profit and loss account	1,541	663
Utilisation	-	-
Total at 31 December	<u>6,070</u>	<u>4,529</u>

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

**10. CREDITORS: amounts falling due within one year**

	<b>2017 £000</b>	<b>2016 £000</b>
Trade creditors	21,071	11,723
Amounts owed to other group undertakings	256,784	321,075
Corporation Tax Payable	485	365
Accruals and deferred income	13,692	5,755
	<u>292,032</u>	<u>338,918</u>



**FCA DEALER SERVICES UK LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
AT 31 DECEMBER 2017**

**11. ALLOTTED AND ISSUED SHARE CAPITAL**

	<b>2017</b>	<b>2016</b>
<b>Authorised</b>	<b>£000</b>	<b>£000</b>
20,500,000 Ordinary shares of £1 each	<u>20,500</u>	<u>20,500</u>
<b>Allotted, called-up and fully paid</b>		
20,500,000 Ordinary shares of £1 each	<u>20,500</u>	<u>20,500</u>

**12. PROFIT AND LOSS ACCOUNT**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
At 1 January	26,538	23,395
Profit for the financial year	2,775	3,663
Other comprehensive income on defined benefit pension scheme	527	(604)
Deferred tax on comprehensive income	(89)	84
At 31 December	<u>29,751</u>	<u>26,538</u>

**13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Profit for the financial year	2,775	3,663
Other comprehensive income on defined benefit pension scheme	527	(604)
Deferred tax on comprehensive income	(89)	84
Net increase to shareholders' funds	<u>3,213</u>	<u>3,143</u>
Opening shareholders' funds	<u>47,038</u>	<u>43,895</u>
Closing shareholders' funds	<u>50,251</u>	<u>47,038</u>

## FCA DEALER SERVICES UK LTD

### NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017

#### 14. PENSION OBLIGATIONS AND OTHER POST- RETIREMENT BENEFITS

The 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 2017 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 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

	31 December 2017 £000	31 December 2016 £000
Total market value of assets	149,515	137,507
Present value of scheme liabilities	(224,250)	(225,238)
Group net pension deficit	<u>(74,735)</u>	<u>(87,731)</u>
	%	%
<b>Key assumptions were:</b>		
Rate of increase of salaries	2.90	3.10
Rate of return of assets	2.60	2.70
Discount rate	2.60	2.80

## FCA DEALER SERVICES UK LTD

### NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017

#### 14. PENSION OBLIGATIONS AND OTHER POST- RETIREMENT BENEFITS

The latest funding valuation of the Fiat Group Pension Scheme was completed at 31 March 2015.

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 £180,188 (2016 £134,323) into the Fiat Group Pension Scheme.

The Company is expected to contribute £174,476 to the Fiat Group Pension Scheme during 2018.

During the year the Company made contributions of £27,704 (2016 £18,442) to the Fiat Group Money Purchase Scheme

#### Share of Fiat Group Pension Scheme Analysed by Liability Value:

	2017 £000	2016 £000
Opening balance	(1,974)	(1,380)
Gains/(losses) on liabilities	73	(791)
Gains/(losses) on assets	430	181
Current service cost less employee contributions	(33)	(49)
Employee contributions	180	115
Interest cost	(122)	(138)
Expected return on plan assets	70	88
Curtailment gain on leavers	-	-
Closing balance	<u>(1,376)</u>	<u>(1,974)</u>

## FCA DEALER SERVICES UK LTD

### NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2017

#### 15. RELATED PARTY TRANSACTIONS

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

	Sales to related party	Purchases from related party	Amounts owed from related party	Amounts owed to related party
	£000	£000	£000	£000
Entities with control over the company				
2017	1,798	246,395	162	256,639
2016	725	205,050	76	338,038
Entities with which the company shares joint management				
2016	-	-	-	-
2015	-	-	-	-
Entities that are members of the wider FCA Group but have limited or no influence				
2017	5,451	1,408,547	1,970	24,363
2016	6,150	1,719,341	375	12,512

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 2017 the company has not made any provision for any doubtful debts relating to amounts owed by related parties (2016: £nil).

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

#### 16. 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.