Pirelli Motorsport Services Limited
Annual Report and
Financial Statements

31 December 2019

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Registered in England No. 07415654

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CORPORATE INFORMATION

Directors

D A Sandivasci
G Andrews
M Isola

Secretary

C S Sagoo

Independent Auditors

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1 & 2 Heritage Park
Hayes Way
Cannock
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WS11 7LT

Registered office

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STRATEGIC REPORT
for the year ended 31 December 2019

The directors submit their Strategic Report for the year ended 31 December 2019. The future developments of the company are discussed in the Directors' Report.

Review of the Business

The company's principal activity is the provision of tyres and tyre related motorsport services at Formula 1, Formula 2 and Formula 3 racing events under a service agreement with its parent company Pirelli Tyre SpA. It operates from its base in premises at Didcot in Oxfordshire.

The company had another very successful racing season during 2019 continuing the success of the business. Pirelli is the sole tyre supplier for all three championships and works closely with the race teams, supplying not only tyres but also engineering services, fitting services and technical assistance at races. Increasingly, the company provides technical expertise to a number of motorsport championships including the GT World Challenge in Europe, APAC and the GT4 championships in Europe, ADAC GT and Formula 4 in Germany, and BOSS GP. The company also worked closely with Pirelli Tyre SpA to assist in developing Formula 1 tyres to enable it to satisfy its three year agreement with the FIA, world motorsport's governing body. The latest three year agreement ended at the end of 2019 and the company has renewed the contract for the four years to the end of 2023.

Concerning Brexit, a number of risks and uncertainties may impact the business impacting economic prospects. These include the possibility of the implementation of tariffs and other barriers to trade between the UK and EU at short notice, with disruption to trade if the UK's border infrastructure is unable to cope smoothly with the new requirements. Whilst the UK recognises EU product standards the EU may not reciprocate giving the possibility of UK goods requiring recertification for sale in the EU.

The directors are satisfied with the development and performance of the company during the year and with the position of the company at the end of the year. Fixed assets have increased to £2,278,000 at year end (2018: £1,082,000). Shareholder's funds has decreased to £795,000 from £4,393,000 at the end of 2018 due to the payment of a dividend. The directors are confident that the performance of the company will continue in a positive direction during 2020.

STRATEGIC REPORT (continued)
for the year ended 31 December 2019

Key Performance Indicators

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

	2019	*2018*	*Change*
	£m	*£m*	*%*
Turnover	28.5	29.9	-4.6
Operating profit	0.9	0.9	1.9
Profit before taxation	0.9	0.8	4.4
Profit for the financial year	0.7	0.7	5.6
Total shareholder's funds	0.8	4.4	-81.9
		%	
Current assets as % of current liabilities ('quick ratio')	104.5	180.4	
Return on capital employed (operating profit as a percentage of closing net assets)	112.3	19.9	
			Change
		No	*%*
Average number of employees	42	42	0.0

Principal Risks and Uncertainties

The company has minimal direct exposure to business risks due to the nature of its service agreement with Pirelli Tyre SpA. The principal risk faced by the business is the possible non-renewal of Pirelli Tyre SpA's contract with the FIA and this may result in the non-renewal of the company's service agreement with Pirelli Tyre SpA. The current contract between Pirelli Tyre SpA and the FIA has been renewed until the end of the Formula 1 2023 season and the contract to supply Formula 2 and Formula 3 have also been renewed until the end of the 2023 season.

Financial Risks and Risk Management

The company has minimal exposure to financial risks. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance cost. Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board of Directors are implemented by the company's finance department.

STRATEGIC REPORT (continued)
for the year ended 31 December 2019

Financial Risks and Risk Management (continued)

Brexit

As a result of a referendum held on 23 June 2016, the UK left the European Union ("EU") on 31 January 2020 and entered a transition period due to finish on 31 December 2020 during which the UK government and the EU will negotiate their future relationship. Whilst this future relationship is being agreed, there is a high degree of uncertainty. The impact of this uncertainty on the Company is yet to be determined. The directors are monitoring the situation, but no strategic decision about the future of the Company's business has yet been taken. To date, there have been no matters that warrant adjustment to the financial results as at 31 December 2019 and for the year then ended.

Post Balance Sheet Event - Coronavirus (COVID-19) Pandemic

Concerning Coronavirus (Covid-19), Pirelli Motorsport Services Limited provides its services on a worldwide basis in many countries, some of which are also significantly affected by the Covid-19 outbreak.

Due to the ongoing and changing nature of the situation, any economic impact will be evaluated and managed according to the company's existing financial risk programme and policies.

The Pirelli group is following developments in the spread of the Coronavirus with constant contact with national and international organisations. The group immediately adopted control and preventative measures for all their employees across the world.

Cash flow risk
In order to ensure stability of cash flows, it is the company's policy to operate with all financial receivables and payables being repayable within one year at variable interest rates. At the end of the current year and previous year, all financial receivables and payables were repayable within one year at variable interest rates.

Price risk
The company has no exposure to equity securities price risk as it holds no listed or equity investments.

Foreign currency risk
The company undertakes spot and forward foreign currency deals to cover foreign currency risks arising from any foreign currency transactions or operations.

Liquidity risk
The company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions.

STRATEGIC REPORT (continued)
for the year ended 31 December 2019

Section 172 statement

This S172 statement, which is reported for the first time, explains how the directors:

- have engaged with employees, suppliers, customers and others; and
- have had regard to employee interests, the need to foster the company's business relationships with suppliers, customers and others, and the effect of that, including on the principal decisions taken by the company during the financial year.

The S172 statement focuses on matters of strategic importance to the company, and the level of information disclosed is consistent with the size and the complexity of the business.

General confirmation of Directors' duties

The directors accept their duty to promote the success of the company for the benefit of its members as a whole and have regard to the wider stakeholder interests below:

S172(1) (A) "The likely consequences of any decision in the long term"

Pirelli's Responsible management runs through the entire value chain. Every operating unit integrates economic, social and environmental responsibility in its own activity, while cooperating constantly with other units and with stakeholders; this allows the Group to effectively manage risks and opportunities related to its processes, products and services, with a constant focus on innovation and with the awareness of the role of a multinational group in a global context.

On February 19, 2020 Pirelli released its new Industrial Plan including sustainability targets for 2022-2025-2030.

The Targets:

- align with the Company's social and environmental material impacts; and
- pursue Corporate preparedness to mitigate risks while taking growth opportunities arising from global scenarios in 2025-2030, including technological breakthroughs, digital innovation, climate change and circular economy, cybersecurity needs, population growth and raw materials scarcity, smart and connected mobility.

S172(1) (B) "The interests of the company's employees"

The Directors recognise that the company's employees are fundamental and core to our business and delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees. From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment, the Directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible.

The Talent Development process aims to ensure business continuity by supporting the identification and development of people with the potential to cover the positions of greater complexity, those who already hold strategic positions and so-called critical know-how (that is, people with key skills that are difficult to replace).

STRATEGIC REPORT (continued)
for the year ended 31 December 2019

Section 172 statement (continued)

S172(1) (C) "The need to foster the company's business relationships with suppliers, customers and others"

The role of Pirelli in an economic and social context is tied to its capacity to create value through a multi-stakeholder approach, i.e. by sustainable and lasting growth that can reconcile the interests and expectations of all those with whom the Company interacts. The company actively engages with its stakeholders, who have been identified through company training initiatives, feedback from employees, communities, training and education, together with support and guidance from Milan HQ, which include:

- customers, as the Pirelli way of doing business is based on customer satisfaction;
- employees, who make up the wealth of knowledge and driving force of the Group;
- shareholders, investors and the financial community;
- suppliers, with which it shares a responsible approach to business;
- the environment, institutions, government and non-government bodies;
- pension schemes;
- the communities in which its sites are located.

The company strictly adheres to the Pirelli Group policies and educates its employees through a structured training programme of new legislation and risks. The company adopted the Pirelli Group anti-corruption programme through a board resolution and also provided training to employees. The company also prepares an annual modern slavery statement, which is resolved upon by the board and published on the Pirelli website.

S172(1) (D) "The impact of the company's operations on the community and the environment"

The Pirelli Group considers environmental protection as a fundamental value in the exercise and development of its activities.

The Pirelli Values and Ethical Code states that "key consideration in investment and business decisions is environmental sustainability, with the Group supporting eco-compatible growth, not least through the adoption of special technologies and production methods (where this is operationally feasible and economically viable) that allow for the reduction of the environmental impact of Group operations, in some cases even below statutory limits".

The environmental management model adopted is detailed in the following Group Policies and specifically: "Health, Safety and Environment" Policy, "Product Stewardship" Policy, "Quality" Policy, "Social Responsibility Policy for Occupational Health, Safety and Rights, and Environment", and the "Green Sourcing" Policy.

All the documents mentioned above are communicated to the Group's employees in the local language and published in multiple languages in the Sustainability section of the pirelli.com website, available to the external community.

S172(1) (E) "The desirability of the company maintaining a reputation for high standards of business conduct"

Backed by a strong industrial tradition, the Pirelli Group today is a world leader in tyre manufacturing and ranks alongside players of international stature in all its operating sectors. Through its development over the years our Group has acquired international scale that is complemented by its strong roots across a variety of local communities. We owe our competitive strength to the professional expertise of our human resources, to our technological know-how and research capability, to quality, and to an unwavering focus on customer needs. Thanks to these factors we can produce and market high-quality products and operate successfully out of different locations and in various markets worldwide.

STRATEGIC REPORT (continued)
for the year ended 31 December 2019

Section 172 statement (continued)

A talent for innovation and an ability to pioneer industrial changes spurs us to continually improve on them in terms of quality and of environmental and social impact, as in our development of products and solutions in the green economy sector. In our conduct we are guided by an Ethical Code which anyone involved with the Pirelli Group, all over the world, is required to put into practice consistently and responsibly. The internationally renowned excellence of the Group's Corporate Governance is a foremost and systematic commitment for our top management. Our approach to enterprise aims to strike the best balance between personal responsibility and team work as well as between strategy that is planned centrally and operating responsibility that is decentralised locally. Our sustained growth owes its impetus to the sound creation of value for shareholders and investors in general and to our due regard for the interests of all who interact with the Group and with the companies in it.

S172(1) (F) "The need to act fairly as between members of the company"

After weighing up all relevant factors, the Directors consider which course of action best enables delivery of our strategy through the long-term, taking into consideration the impact on stakeholders, and in doing so will act fairly as between members of the company.

Stakeholder engagement

The interactions that take place between stakeholders are analysed in detail in order to effectively manage the relations with them and to create sustainable and shared value.

Dialogue, interaction and involvement are calibrated to meet the needs of consultation of the various types of stakeholder and include meetings, interviews, surveys, joint analyses, road-shows and focus groups.

Feedback received from stakeholders contributed to the corporate evaluation of the priorities for action, influencing the Group development strategy set out in the Industrial Plan and the Group materiality matrix.

Each year the activity of Stakeholder Engagement as well as relevant feedback is reported in the Integrated Annual Report, in the chapters related to each Stakeholder.

The Board considers that the key stakeholders of strategic importance to the company are our employees, customers and suppliers.

Further details on the engagement and involvement of our employees can be found in the Directors' Report.

The principle customer relationship is with Pirelli SpA and this is managed internally from a strategic perspective.

Supplier communications, expectations and collaborations are managed through a number of different channels, which are both formal and informal.

Each supplier has a dedicated point of contact within the Purchasing Department who is responsible for the management of ongoing trading relationships, as well as exploring new opportunities for existing and new suppliers. This process is enhanced by the use of a dedicated supplier portal which helps to formalise and record interactions.

Pirelli regularly commissions independent audits to sector leading companies to review the compliance of Pirelli vendors with their ethical, social and environmental responsibilities, as provided inter alia in the sustainability clauses that they signed.

STRATEGIC REPORT (continued)
for the year ended 31 December 2019

Section 172 statement (continued)

Stakeholder engagement (continued)
Vendor Rating Reports are compiled annually following an internal evaluation campaign that involves all the functions which play an active role in the Supplier Relationship lifecycle. The reports are used as a basis for selecting Suppliers Awards or to identify areas of improvement for the working relationship.

Principal decisions

The board of directors convenes at least annually to approve the financial statements of the previous year. In addition board meetings are held to approve key projects, investments and financial transactions as well as any key issues which impact on and are key factors in the running of the business.

For the year ending 31 December 2019, the Board consider that the following is an example of principle decisions that the company made in the year:

- Adoption of Group Policies - Pirelli is heavily focused on its compliance activities and provides policies with guidance and training to its employees to protect and guard against such risks. The company adopts the Pirelli Group anti-corruption programme through a board resolution on an annual basis. The company also prepares an annual modern slavery statement, which is resolved upon by the board and published on the Pirelli website.

By Order of the Board

C S Sagoo

Secretary

28 May 2020

DIRECTORS' REPORT
for the year ended 31 December 2019

The directors submit their audited Annual Report and the Financial Statements for the year ended 31 December 2019.

Directors

The directors of the company at the date of this report are shown on page 1. No directors resigned or were appointed during the year or subsequent to the year end up to the date of this report.

There are no directors' interests requiring disclosure under the Companies Act 2006.

Dividends

£4,300,000 were proposed, declared and paid in the year (2018: nil).

Future Developments

The directors aim to maintain the management policies which have resulted in the company's performance for the year ended 31 December 2019 and expect the existing level of activity to be maintained for the foreseeable future although they are also actively seeking additional business opportunities within the motorsport services field.

Research and Development

The company does not itself carry out research and development. However it does, as part of its service agreement with Pirelli Tyre SpA, assist in gathering tyre, vehicle performance and track data to enable the Pirelli group to support its position as a major supplier of competition race tyres.

Financial Instruments and Risk Management

The company's exposure to financial risk management is outlined in the Strategic Report on page 3.

Going Concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. In reaching this conclusion the Directors' have considered:

- The importance of the company to the group's current activities and future plans and the strong position of the Pirelli group
- The active involvement from the parent companies
- The budgets and forecasts prepared by the company for 2020.
- The contract with the parent company (Pirelli Tyre S.p.A.) which reflects the contract Pirelli Tyre S.p.A. has with the FIA, and constitutes the company's business. The current contract has been renewed until the end of the F1 season 2023 and therefore more than 12 months after the signing of the financial statements.
- The continuing success of the renewed involvement in F1 / F2 / F3 for both the company and the Pirelli & C. Group under the agreement.
- The risks and opportunities in the circumstances the company operates and the cost base.

Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

DIRECTORS' REPORT (continued)
for the year ended 31 December 2019

Employee Involvement

The Pirelli group recognises the crucial importance of human resources in the belief that the key to success in any business is the professional input of the people that work for it in a climate of fairness and mutual trust. The Pirelli group safeguards health, safety and industrial hygiene in the workplace, both through management systems that are continually improving and developing and by promoting an approach to health and safety based on prevention and the effective handling of occupational risk.

The Pirelli group considers respect for workers' rights as fundamental to the business. The company is committed to ensuring that it complies with its legal obligations pursuant to Human Rights legislation. More information can be found in the Company's modern slavery statement which is available on its website. Working relationships are managed by placing particular emphasis on equal opportunity, on furthering each person's career development, and on promoting diversity as adding value by creating a multi-cultural working environment.

The above mentioned principles are reiterated in the Pirelli group policies "Social Responsibility Policy for Occupational Health, Safety and Rights and Environment", "Human Rights Policy" and "Equal Opportunities Statement".

It is the company's policy to keep employees informed of matters which are of interest or concern to them as employees through the established practice of regular, direct communication between management and employees and their representatives. Due consideration is given to their interests when taking management decisions.

The Board thanks all employees for their continued support and dedication throughout the year.

Disabled Employees

The company provides equal employment opportunities for disabled persons, where their skills and aptitudes can be used, and provides disabled employees with the same opportunities for continued employment, promotion, career development and training as other employees. In the event of an employee developing a disability, every effort is made to ensure their employment with the company continues and appropriate training is provided.

Statement on engagement with suppliers, customers and others in a business relationship with the company

A statement on engagement with stakeholders including suppliers, customers and others in a business relationship with the company is included in the Strategic Report above.

By Order of the Board

C S Sagoo

Secretary

28 May 2020

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

The directors are 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.

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.

Statement of disclosure of information to auditors

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

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

By Order of the Board

D A Sandivasci

Director

28 May 2020

[redacted]

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PIRELLI MOTORSPORT SERVICES LIMITED

Year ended 31 December 2019

Opinion

We have audited the financial statements included within the Annual Report and Financial Statements (the "Annual Report") for the year ended 31 December 2019 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet as at 31 December 2019, the significant accounting policies and the notes to the financial statements.

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.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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. 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom will withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

[redacted]

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PIRELLI MOTORSPORT SERVICES LIMITED (continued)

Year ended 31 December 2019

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 our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

With respect to the Strategic Report and Director's Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Opinions on other matters prescribed by the Companies Act 2006

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

•the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

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

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 the 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.

[redacted]

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PIRELLI MOTORSPORT SERVICES LIMITED (continued)

Year ended 31 December 2019

Responsibilities of directors

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

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

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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

[redacted]

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PIRELLI MOTORSPORT SERVICES LIMITED (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Mr Andrew Pountney (Senior Statutory Auditor)

For and on behalf of
Rostance Edwards Limited
1 & 2 Heritage Park
Hayes Way
Cannock
Staffordshire
WS11 7LT

28 May 2020

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2019

	Note	*2019* *£000*	*2018* *£000*
Turnover	1	**28,506**	**29,873**
Cost of sales		(15,790)	(14,928)
Gross profit		**12,716**	**14,945**
Distribution and selling costs		(11,769)	(13,953)
Administrative expenses		(54)	(116)
Operating profit	2	**893**	**876**
Interest payable and similar expenses	5	(20)	(40)
Profit before taxation		**873**	**836**
Tax on profit	6	(171)	(171)
Profit for the financial year		**702**	**665**

All items dealt with in the above profit and loss account relate to continuing operations. There were no acquisitions in either year.

There are no amounts of other comprehensive income, therefore no separate statement of other comprehensive income has been presented.

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

	Note	*Called up share capital (note 13)*	*Profit & loss account*	*Total*
		£000	*£000*	*£000*
At 1 January 2018		**-**	**3,728**	**3,728**
Profit for the financial year		-	665	665
Total comprehensive income for the financial year		-	665	665
At 31 December 2018		**-**	**4,393**	**4,393**
Effect of adoption of IFRS 16: Leases	19	-	-	-
Adjusted balance as at 1 January 2019		**-**	**4,393**	**4,393**
Profit for the financial year		-	702	702
Total comprehensive income for the financial year		-	702	702
Dividend paid		-	(4,300)	(4,300)
At 31 December 2019		**-**	**795**	**795**

BALANCE SHEET
as at 31 December 2019

	Note	*2019* *£000*	*2018* *£000*
Fixed assets			
Intangible assets	7	2	15
Tangible assets	8	817	1,067
Right of use assets	9	1,459	-
		2,278	1,082
Current assets			
Stocks	10	675	828
Debtors:			
amounts falling due within one year	11	3,701	6,283
amounts falling due after more than one year	11	233	281
		3,934	6,564
Cash at bank and in hand		164	522
		4,773	7,914
Creditors: amounts falling due within one year	12	(4,930)	(4,387)
Net current assets		**(157)**	**3,527**
Total assets less current liabilities		**2,121**	**4,609**
Creditors: amounts falling due after more than one year	12	(1,094)	-
Provisions for liabilities	13	(232)	(216)
Net assets		**795**	**4,393**
Capital and reserves			
Called up share capital	14	-	-
Profit and loss account		795	4,393
Total equity		**795**	**4,393**

The significant accounting policies and notes on pages 19 to 46 are an integral part of these financial statements.

The financial statements on pages 16 to 46 were approved by the Board of Directors on 28 May 2020 and signed on its behalf by:

D A Sandivasci
Director
28 May 2020

SIGNIFICANT ACCOUNTING POLICIES
for the year ended 31 December 2019

1. Authorisation of financial statements and statement of compliance with FRS 101

Pirelli Motorsport Services Limited (the 'company') is a private company limited by shares, domiciled and incorporated in the United Kingdom. The registered office of the company is given on page 1. The nature of the company's operations and its principal activities are set out in the review of the business section of the Strategic Report.

The company's registered number is 07415654.

The financial statements of Pirelli Motorsport Services Limited for the year ended 31 December 2019 were authorised for issue by the board of directors on 28 May 2020 and the balance sheet was signed on the board's behalf by G Andrews.

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and in accordance with applicable accounting standards. The company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

These financial statements present the company as an individual entity. The results of the company are included in the consolidated financial statements of Pirelli & C. SpA which are publically available from the address of Pirelli & C. SpA's registered office at Viale Piero e Alberto Pirelli n.25 Milan, Italy.

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

2. Accounting policies

2.1 Basis of preparation

The financial statements are prepared on a going concern basis in accordance with the historical cost convention and in accordance with FRS 101 'Reduced Disclosure Framework' and the Companies Act 2006 as applicable to companies using FRS 101.

The principal accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019. These policies have been applied consistently to all the years presented, unless otherwise stated.

SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 31 December 2019

2.1 Basis of preparation (continued)

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

a) the requirements of IFRS 7 Financial Instruments: Disclosures;
b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
c) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements ('IAS 1') to present comparative information in respect of:
   i) paragraph 79(a)(iv) of IAS 1;
   ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
   iii) paragraph 118(e) of IAS 38 Intangible Assets; and
d) the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
e) the requirements of IAS 7 Statement of Cash Flows;
f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures ('IAS 24');
h) the requirements in IAS 24 to disclose related party transactions entered into between two or more members of a company, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
i) the requirements of paragraphs 130(f)(ii), 130(f)(iii) 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets,

2.2 New standards, amendments and IFRIC interpretations

IFRS 16 is a new accounting standard that is effective for the year ended 31 December 2019 and has had a material impact on the company's financial statements – see note 19.

There are no other amendments to accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2019 that have had a material impact on the company's financial statements.

2.3 Judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS101 requires management to make assumptions, estimates and judgements that affect the amounts reported as assets and liabilities as at the balance sheet date and the amounts reported as revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

i. Leases
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 December 2019

2.3 Judgments and key sources of estimation uncertainty (continued)

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the company is typically reasonably certain to extend (or not terminate);

- contract renewal clauses are considered for the purposes of determining the duration of the lease contract, when the company has the option to exercise these clauses without the need to obtain the consent of the other party, and when their exercise is considered reasonably certain. In the case of clauses which provide for multiple renewal periods that can be exercised unilaterally by the company, only the first extension period is considered;

- automatic renewal clauses in contracts, in which both parties have the right to terminate the contract, are not considered for the purposes of determining the duration of the contract, as the ability to extend its duration is not under the unilateral control of the company, and the penalty to which the lessor could be exposed is not significant. However in the event that the lessor is exposed to a significant penalty, the company includes a renewal option in the determination of the duration of the contract. This assessment is also carried out considering the degree of customization of the leased asset. If customization is high, the lessor could incur a significant penalty if he opposes the renewal;

- early termination clauses in contracts are not considered in determining the duration of the contract if they can be exercised only by the lessor or by both parties. In cases where they can be unilaterally exercised by the company, specific assessments are made on a contract by contract basis;

- If any leasehold improvements are expected to have a significant remaining value, the company is typically reasonably certain to extend (or not terminate);

- Otherwise, the company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of £1,459,000.

SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 31 December 2019

2.3 Judgments and key sources of estimation uncertainty (continued)

The following estimates are dependent upon assumptions which could change in the next financial year and could have a material effect on the carrying amount of assets and liabilities recognised at the balance sheet date.

i. Taxation
Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the 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 6.

ii. Estimation of useful life
The depreciation charge for an asset is derived using estimates of its expected useful life and expected residual value, which are reviewed annually. Increasing an asset's expected life or residual value would result in a reduced depreciation charge in the profit and loss account. Management determines the useful lives and residual values for assets when they are acquired, based on experience with similar assets and taking into account other relevant factors such as any expected changes in technology.

iii. Inventory provision
Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition on a first-in, first-out basis, as follows:

Goods for resale - purchase cost

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. Provision is made where appropriate for obsolete, slow moving and defective stocks.

iv. Lease accounting
The discount rate applied to lease payments to determine the lease liability is the incremental borrowing rate ("IBR").

The IBR is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The discount rate used at the commencement date remains unchanged during the lease term, unless a modification/reassessment of the lease liability occurs during the lease term.

The IBR is calculated by the Pirelli Group's Finance and Risk Management Department.

The calculation of the IBR involves the following steps:

- extraction of the Risk-Free rates according to IRS curve for all the different countries composing the Group. These rates are extracted for the following repayment dates: 1 year, 2 years, 3 years, 5 years, 7 years and 10 years;
- adjustment by adding the Group's credit spread to the extracted Risk-Free rates in order to obtain the relevant IBRs (the Groups' credit spread is revised periodically);
- adjustment by adding the local credit spread to the extracted Risk-Free rates (the local credit spread is revised periodically).

SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 December 2019

2.3 Judgments and key sources of estimation uncertainty (continued)

In order to reflect the different reimbursement schedules between the IRS curve (bullet) and the lease (periodic payments), IBRs will be applied as follows;

- 1Y IBR is applied to leases with a lease term between 0 (if not short term) and 2 years;
- 2Y IBR is be applied to leases with a lease term between 2 and 4 years;
- 3Y IBR is be applied to leases with a lease term between 4 and 6 years;
- 5Y IBR is applied to leases with a lease term between 6 and 10 years;
- 7Y IBR is applied to leases with a lease term between 10 and 14 years;
- 10Y IBR is applied to leases with a lease term longer than 14 years.

The IBR to be applied is consistent with the currency of the lease contract.

2.4 Significant accounting policies

Going Concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least one year from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Intangible Assets

Intangible assets acquired separately from a business are capitalised at cost and are amortised on a straight line basis within costs of sales over their estimated useful lives as follows:

Applied software	3 years

The carrying value of intangible assets with finite lives is assessed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable. The amortisation period and the amortisation method are reviewed at least at each financial year end. Amortisation is charged to cost of sales and distribution and selling costs within the profit and loss account.

Tangible Assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible assets, other than land and assets under construction, on a straight-line basis to its residual value over its expected useful life as follows:

Leasehold buildings	over 40 years or term of lease, whichever is less or over the period to the next break clause in the lease where applicable
Plant, machinery and vehicles	3-5 years
Fixtures, fittings and equipment	2-5 years

SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 December 2019

2.4 Significant accounting policies (continued)

Leases

As explained in notes 2.2 and 2.3, the company has changed its accounting policy for leases where the company is the lessee. The impact of the change is explained in note 19.

Leasing contracts (IAS 17 until 31 December 2018)

Any property, plant and equipment acquired through finance lease agreements, through which essentially all the risks and rewards of ownership are transferred to the company, are accounted for as property, plant and equipment at their fair value or, if lower, at the present value of the minimum lease payments, with a counter entry in financial liabilities. The cost of the lease payment is separated into two components: a financial expense which is recognised in the Profit and Loss Account, and the reimbursement of capital which is recorded as a reduction of the financial liability. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the company will obtain ownership at the end of the lease term.

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Profit and Loss Account on a straight-line basis over the period of the lease.

Leases - Right of Use (IFRS 16 as of 1 January 2019)

As of the date on which the assets which are the subject of a lease contract become available for use by the company, lease contracts are accounted for as a right of use under non-current assets with a counter entry under financial liabilities.

The cost of lease payments is separated into two components: a financial expense which is recognised in the Profit and Loss Account for the duration of the contract, and a reimbursement of capital which is recorded as a reduction of the financial liability. The right of use is amortised on a monthly basis at constant rates, for whichever period is shorter, between the useful life of the asset and the duration of the contract.

Rights of use and financial liabilities are initially measured at the present value of future lease payments.

The present value of financial liabilities for lease contracts includes the following payments:

- Fixed payments;
- Variable payments based on an index or rate;
- The exercise price of a purchase option, in the event that the exercise of the option is considered reasonably certain;
- The payment of penalties for the termination of the contract, if the exercise of the option to terminate the contract is considered reasonably certain;
- Optional payments subsequent to the non-cancellable period, if the extension of the contract beyond the non-cancellable period is considered reasonably certain.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Non-lease components are recognised as incurred in the Profit and Loss Account and do not form part of the right-of-use asset and of the lease liability. The only exception to this is the service components for the lease of cars where the company has decided not to account for them separately from the lease components. This component has been considered together with the lease component in determining the lease liability and the related right of use asset. A lease liability and a right of use value of £1,459,000 have been recognised on the balance sheet.

SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 31 December 2019

2.4 Significant accounting policies (continued)

Future payments are discounted using the incremental borrowing rate ("IBR"). The IBR is calculated by the Pirelli Group's Finance and Risk Management Department and consists of the risk free rate of the country in which the contract is negotiated and is based on the duration of the contract. It is then adjusted on the basis of the Group's credit spread and local credit spread.

The rights of use are measured at cost, and composed of the following elements:

- Initial amount of the financial liability;
- Payments made before the start of the contract net of the leasing incentives received;
- Directly attributable incidental expenses;
- Estimated costs for decommissioning or reinstatement.

Lease payments associated with the following types of lease contracts are recorded in the Profit and Loss Account on a linear basis for the duration of the respective contracts:

- Contracts with a duration of less than twelve months for all asset classes;
- Lease contracts for which the underlying asset is configured as a low-value asset, that is, the unitary value of the underlying assets is not greater than €8,000 when new;
- Contracts for which the payment for the right of use of the underlying asset varies in accordance with any changes in the facts or circumstances (not related to sales performance), which are not foreseeable at the starting date.

Low-value contracts are mainly relative to the following categories of assets:

- Computers, telephones and tablets;
- Office and multi-function printers;
- Other electronic devices;
- Tyre storage pallets;
- Small items of office furniture.

The company does not apply IFRS 16 to lease contracts for intangible assets.

Information about critical accounting estimates and judgments in the application of lease accounting is disclosed in note 2.3.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition on a first-in, first-out basis. Goods for resale are held at their purchase cost. The company classifies uniforms as consumables and therefore includes these within stock. These are also held at their purchase cost. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. Provision is made where appropriate for obsolete, slow moving and defective stocks.

Pensions and other post-employment benefits

The company participates in the defined contribution section of the Pirelli Tyres Limited 1988 Pension & Life Assurance Fund which is a trustee administered fund..

The company's contributions in respect of the defined contribution section are charged to the profit and loss account in the periods in which they fall due.

SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 31 December 2019

2.4 Significant accounting policies (continued)

Financial Instruments

Financial assets and financial liabilities are recognised in the balance sheet when the company becomes a party to the contractual provisions of the instrument.

i) Financial Assets

The classification depends on the purpose for which the financial assets were acquired. It depends on the company's business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition. The company classifies its financial assets in the following categories:

(a) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- Equity securities which are not held for trading, and which the company has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the company considers this classification to be more relevant.
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the company's business model is achieved both by collecting contractual cash flows and selling financial assets.

(b) Financial assets at amortised cost

- The company classifies its financial assets as at amortised cost only if both of the following criteria are met:
- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

(c) Financial assets at fair value through profit or loss

The following financial assets are classified at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at either amortised cost (see notes (a) and (b) above)
- equity investments that are held for trading, and
- equity investments for which the has not elected to recognise fair value gains and losses through Other Comprehensive Income (OCI).

At 31 December 2019, the company's financial assets include cash at bank and in hand, amounts owed by group undertakings, debtors and other receivables.

Initial recognition and measurement

Purchases and sales of financial assets are recognised on trade date (that is, the date on which the company commits to purchase or sell the asset).

All financial assets are recognised initially at fair value.

SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 December 2019

2.4 Significant accounting policies (continued)

Financial Instruments (continued

Subsequent measurement

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the company classifies its debt instruments:

(a) Financial assets at fair value through other comprehensive income

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as a separate line item in the profit and loss account.

(b) Financial assets at amortised cost

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the profit and loss account.

(c) Financial assets at fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Subsequent measurement of all equity investments is at fair value. Where the company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the company's right to receive payments is established.

Trade and other debtors

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 December 2019

2.4 Significant accounting policies (continued)

Financial Instruments (continued)

Impairment of financial assets

The company assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

ii) Financial Liabilities

Initial recognition and measurement

Financial liabilities are measured at amortised cost, unless a standard requires them to be measured at fair value through profit or loss, or an entity has opted to measure a liability at fair value through profit or loss.

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

The company's financial liabilities as at 31 December 2019 include bank overdrafts, creditors, accruals, amounts owed to group undertakings including forward currency contracts and other payables.

Subsequent measurement

Creditors

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Derecognition of financial liabilities

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

iii) Offsetting of Financial Instruments

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

SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 31 December 2019

2.4 Significant accounting policies (continued)

Financial Instruments (continued)

iv) Fair values, Derivative Financial Instruments and Hedging

The company uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations The cash flows for these financial instruments are not solely principal plus interest (SPPI) and therefore they are held at fair value through the profit and loss account. Therefore, derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value is the price that would have been received to seal an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy described in IFRS 13 'Fair Value Measurement'.

Specifically, the fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Any gains or losses arising from changes in the fair value of derivatives are taken to the profit and loss account.

The company does not apply hedge accounting.

Impairment of Non-Financial Assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the profit and loss account in those expense categories consistent with the function of the impaired asset.

Provisions for Liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Further details are provided in note 13.

Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

SIGNIFICANT ACCOUNTING POLICIES (continued)

for the year ended 31 December 2019

2.4 Significant accounting policies (continued)

Financial Instruments (continued)

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services or goods supplied, stated net of discounts, returns, value added taxes and other sales taxes or duty.

The company recognises revenue when performance obligations have been satisfied and for the company this is when the services (engineering services, technical assistance, provision of tyres, fitting, transport) or goods (tyres) have transferred to the customer and the customer has control of these. The company bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Interest Income

Revenue is recognised as interest accrues using the effective interest method.

Income Taxes

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

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

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

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

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

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

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the profit and loss account within tax on profit.

SIGNIFICANT ACCOUNTING POLICIES (continued)
for the year ended 31 December 2019

2.4 Significant accounting policies (continued)

Financial Instruments (continued)

Foreign Currencies

Transactions in foreign currencies are initially recorded in the entity's functional and presentational currency (Sterling) by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into Sterling at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

This reflects the currency of the primary economic environment in which the company operates being Sterling, as the company is autonomous of its parent company and is based in the UK and primarily generates and expends cash in Sterling. The company is financed mainly through intercompany loans, which are primarily denominated in Sterling.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

1. Turnover

Turnover represents the amount derived from services provided and goods supplied, after deducting rebates and discounts. All turnover is attributable to the company's provision of tyres and motorsport services operations, which are all based in the United Kingdom and are considered to be one class of business.

Turnover recognised in the profit and loss account is analysed as follows:

	2019	*2018*
	£000	*£000*
Sale of services	28,497	29,861
Sale of goods	9	12
Turnover from continuing operations	28,506	29,873
Geographical market supplied:		
United Kingdom	9	10
France		1
Germany		1
Italy	28,497	29,861
	28,506	29,873

2. Operating Profit

This is stated after charging:

	2019	*2018*
	£000	*£000*
Amortisation on intangible assets (note 7)	13	21
Depreciation and amounts written off owned tangible assets (note 8)	425	429
Gain on disposal of tangible assets	(76)	-
Auditors' remuneration (note 3)	17	13
Net foreign currency exchange differences	(38)	20
Cost of stocks recognised as an expense (included in cost of sales)	11,022	10,339
Impairment of inventory (included in cost of sales)	-	-
- Reversal of impairment of inventory (included in cost of sales)	-	-
Lease expenses	533	141

Lease expenses for 2019 include only short term and low value leases. There was no right of use depreciation in 2019.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

3. Auditors' remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements

	2019	*2018*
	£000	*£000*
Fees payable to the company's auditors for the audit of the financial statements	17	13

The company's auditors did not perform other services in the current or prior year.

4. Staff costs and directors' remuneration

a) Staff costs

	2019	*2018*
	£000	*£000*
Wages and salaries	2,441	2,455
Social security costs	271	269
Other pension costs (note 16)	119	99
	2,831	2,823

The average monthly number of employees during the year was:

	2019	*2018*
	No	*No*
Selling and distribution	41	41
Administration	1	1
	42	42

b) Directors' remuneration

Directors' emoluments have been borne by other companies within the Pirelli group since these directors are either officers or directors of other group companies. The directors' services to the company do not occupy a significant amount of their time. As such the directors do not consider that they have received any remuneration for their incidental services to the company for the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

5. Interest payable and similar expenses

	2019	*2018*
	£000	*£000*
Interest payable to Pirelli & C. SpA group companies	17	33
Short term lease charge	3	7
	20	40

The company initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. During 2018 two assets were held under finance leases under IAS 17 while in 2019 the interest expense is for lease liabilities under IFRS 16.

No material amount of borrowings costs have been capitalised in the current year or prior financial year.

6. Tax on profit

a) Tax charged in the profit and loss account

	2019	*2018*
	£000	*£000*
Current income tax:		
Group relief	155	135
Adjustments in respect of previous years	(32)	102
Total current income tax	123	237
Deferred tax:		
Origination and reversal of timing differences	20	23
Adjustments in respect of previous years	28	(89)
Total deferred tax	48	(66)
Tax expense in the profit and loss account	171	171

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

6. Tax on profit (continued)

b) Reconciliation of the total tax charge

The tax expense in the profit and loss account for the year is higher (2018: higher) than the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The differences are reconciled below:

	2019	*2018*
	£000	*£000*
Profit before taxation	873	836
Profit before taxation multiplied by UK standard rate of corporation tax of 19.00% (2018: 19.00%)	166	159
Effects of:		
Expenses not deductible for tax purposes	11	1
Adjustments in respect of previous years	(4)	13
Impact of difference between corporation tax rate and deferred tax rate	(2)	(2)
Total tax expense reported in the profit and loss account	171	171

c) Change in corporation tax rate

Under UK tax legislation in place at 31st December 2019, the corporation tax rate was due to reduce to 17% from 1 April 2020. The Company considers that the timing differences included in the deferred tax calculation will, for the most part, reverse after 1 April 2020 and therefore the deferred tax liability has been calculated using the 17% rate.

The UK Government has announced that the planned reduction in the corporation tax rate to 17% from 1 April 2020 will not now take place. The corporation tax rate will therefore remain at 19% from 1 April 2020. If the legislation keeping the corporation tax rate at 19% had been enacted as at 31 December 2019, this would have decreased the deferred tax charge to the profit and loss account by £27,000 to £21,000. The deferred tax asset included in the balance sheet would have increased by £27,000 from £233,000 to £260,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

6. Tax on profit (continued)

d) Deferred tax

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

	2019	*2018*
	£000	*£000*
Deferred tax assets (note 10)		
Fixed assets	233	281
	233	281

	2019	*2018*
	£000	*£000*
At 1 January	281	215
Tax income/(expense) recognised in profit and loss	(48)	66
At 31 December	233	281

All deferred tax balances are recognised (2018: all recognised).

There was no effect on deferred tax as a result of the adoption of IFRS 16 Leases on 1 January 2019.

Deferred tax in the profit and loss account:

	2019	*2018*
	£000	*£000*
Fixed assets	(20)	23
Adjustments in respect of previous years	(28)	(89)
Changes in tax laws and rates	-	-
Deferred tax (income)/expense	(48)	(66)

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

7. Intangible assets

	£000
Cost:	
At 1 January 2019	63
Additions	-
At 31 December 2019	63
Accumulated amortisation:	
At 1 January 2019	(48)
Amortisation during the year	(13)
At 31 December 2019	(61)
Net book amount:	
At 31 December 2019	2
At 31 December 2018	15

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

8. Tangible assets

	Leasehold land and buildings	*Fixtures, fittings and equipment*	*Plant, machinery and vehicles*	*Assets under construction*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
Cost:					
At 1 January 2019	292	694	3,925	37	4,948
Additions	-	89	194	29	312
Brought into service	-	-	-	-	-
Disposals	-	(3)	(175)	-	(178)
At 31 December 2019	292	780	3,944	66	5,082
Accumulated depreciation:					
At 1 January 2019	292	614	2,975	-	3,881
Provided in the year	-	77	348	-	425
Disposals	-	(2)	(39)	-	(41)
At 31 December 2019	292	689	3,284	-	4,265
Net book amount:					
At 31 December 2019	-	91	660	66	817
At 31 December 2018	-	80	950	37	1,067

Assets under construction
Assets under construction at 31 December 2019 amounting to £66,000 (2018: £37,000) relates to expenditure for plant in the course of construction.

Leasehold vehicles
Plant, machinery and vehicles includes two refrigerated trailers purchased under a finance lease arrangement.

Included in leasehold land and buildings is land valued at £nil (2018: £nil) which is not subject to depreciation. £nil tangible fixed assets are held under finance leases at 31 December 2019 (2018: £157,000).

The directors estimate that the fair value of tangible fixed assets, including land and buildings, equates to their carrying value.

No material amount of borrowing costs have been capitalised in the current or prior financial year.

£2,283,000 (2018: £2,867,000) of fully depreciated assets are still in use at the balance sheet date. £1,103,000 (2018: £nil) have been retired from active use.

As at 31 December 2018 two assets were held under a finance lease which ended on 31 December 2019. From 2019 leased assets are presented as a separate line item in the balance sheet (right-of-use assets). See note 19 for details about the effect of adoption of IFRS 16.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

9. Leases

The company has lease contracts for various buildings, vehicles and plant and machinery used in its operations. The amounts recognised in the financial statements in relation to the leases are as follows:

a) *Amounts recognised in the balance sheet*

The balance sheet shows the following amounts relating to leases:

	31 Dec 2019 £000	*1 Jan 2019 £000*
Right of use assets		
Buildings	1,459	-
Plant and machinery	-	-
Other assets	-	-
	1,459	-

The right of use for buildings relates to a lease for the warehouse.

	31 Dec 2019 £000	*1 Jan 2019 £000*
Lease liabilities		
Current	365	-
Non-current	1,094	-
	1,459	-

A lease was agreed in April 2019 for the warehouse taking effect from 1 January 2020. While the inception of the lease has not occurred at the balance sheet date but at 1 January 2020, there is a significant commitment to enact the contract in existence at the balance sheet date and so the lease has been treated under IFRS16. A right of use asset and a liability has been recognised on the balance sheet date. No payments regarding the new lease commitment have been made in 2019 and accordingly, no depreciation or interest charge has been recognised in respect of this lease that impacts on the profit and loss account.

Additions of right of use assets during the 2019 financial year were £1,459,000

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

b) Amounts recognised in the profit and loss account

The profit and loss account shows the following amounts relating to leases:

	2019	*2018*
	£000	*£000*
Depreciation charge on right of use assets		
Buildings	-	-
Plant and machinery	-	-
Other assets	-	-
	-	-

	2019	2018
Interest expense (included in finance cost) (note 5)	-	-
Expense relating to short-term leases (included in administrative expenses)	1,323	-
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	-	-
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	-	-

Future minimum lease payments as at 31 December 2019 are as follows:

	2019	*2018*
	£000	*£000*
Not later than one year	407	-
Later than one year and not later than five years	1,120	-
Later than five years	-	-
Total gross payments	1,527	-
Impact of finance expenses	(68)	-
Carrying amount of liability	1,459	-

The company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. Thus, the comparative future minimum lease payments presented are based on IAS 17 while the current year are based on IFRS 16.

Total cash outflow for leases in 2019 was £1,323,000 (2018: £180,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

10. Stocks

	2019	*2018*
	£000	*£000*
Supply materials	195	-
Finished goods	480	828
	675	828

Stock recognised as expenses in the profit and loss account amounted to £11,022,000 (2018: £10,339,000).

11. Debtors

Amounts falling due within one year:

	2019	*2018*
	£000	*£000*
Trade debtors	5	3
Amounts owed by Pirelli & C. SpA group companies	2,472	5,199
Corporation tax	-	-
Other debtors	330	116
Prepayments and accrued income	894	965
	3,701	6,283

Amounts owed by Pirelli & C. SpA. group companies are unsecured, payable on demand, interest free and on normal commercial terms.

Immaterial provisions are held for impairment (2018 : none).

Amounts falling due after more than one year:

	2019	*2018*
	£000	*£000*
Deferred tax (note 6)	233	281
	233	281

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

12. Creditors

Amounts falling due within one year:

	2019	*2018*
	£000	*£000*
Trade creditors	3,977	3,020
Loans from Pirelli & C. SpA group companies	-	568
Amounts owed to Pirelli & C. SpA group companies	-	-
Corporation tax	-	-
Other taxation and social security payable	82	79
Lease liabilities	365	76
Other creditors	85	168
Accruals and deferred income	421	476
	4,930	4,387

Interest is charged on the loans from Pirelli & C. SpA group companies at 2.5% above the monthly average of the daily Euro Overnight Index Average as quoted daily by Bloomberg. The loans are payable on demand and unsecured.

Amounts owed to Pirelli & C. SpA group companies are unsecured, payable on demand, interest free and on normal commercial terms.

All amounts are unsecured (2018: all unsecured).

The company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. Thus, the comparative lease liabilities presented are based on IAS 17 while for the current year are based on IFRS 16.

Amounts falling due after more than one year:

	2019	*2018*
	£000	*£000*
Lease liabilities	1,094	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

13. Provisions for liabilities

	Dilapidations and property retirement costs £000
At 1 January 2019	216
Arising during the year	16
At 31 December 2019	232

The provision for dilapidations and property retirement costs represents the present value of the company's obligations under a short property lease where it is required by the terms of the lease to reinstate the property to its condition at the start of the lease. The company's obligations under the lease are expected to be discharged within the next four years.

14. Called up share capital

	2019 No.	*2018 No.*	*2019 £*	*2018 £*
Authorised:				
Ordinary Shares of £1 each	1	1	1	1
Allotted and fully paid:				
Ordinary Shares of £1 each	1	1	1	1

Ordinary shares carry no rights to fixed income. Holders of ordinary shares are entitled to vote at meetings.

15. Capital Commitments

At 31 December 2019, amounts contracted for but not provided in the financial statements for the acquisition of tangible assets amounted to £1,290,000 (2018: £nil) and for the acquisition of intangible assets amounted to £nil (2018: £nil). A right of use asset amounting to £1,459,000 (2018: nil) has been recognised on the balance sheet for a warehouse lease commencing on 1st January 2020.

16. Pensions and other post-employment benefits

The company participates in the defined contribution section of the Pirelli Tyres Limited 1988 Pension & Life Assurance Fund which is a trustee administered pension scheme. Both the company and the members make contributions to the scheme.

The cost of contributions to the scheme amounted to £119,000 (2018: £99,000) and at the balance sheet date there was £nil (2018: £nil) employer contributions outstanding.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

17. **Obligations under leases**

Commitments for minimum lease payments in relation to non-cancellable operating leases (under IAS 17) are as follows:

	2019	*2018*
	£000	*£000*
Not later than one year	-	512
After one year but not more than five years	-	-
After five years	-	-
	-	512

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 19.

18. **Ultimate parent company and controlling party**

The company's immediate parent company is Pirelli UK Limited. Pirelli UK Limited is wholly owned by Pirelli & C. SpA which is the smallest group for which consolidated financial statements are prepared. The company's ultimate parent company and controlling party is China National Chemical Corporation which is the largest group for which consolidated financial statements are prepared.

Pirelli UK Limited is incorporated in the UK and Pirelli & C. SpA is incorporated in Italy. China National Chemical Corporation is a Chinese state owned company incorporated in the People's Republic of China.

Copies of the financial statements of Pirelli UK Limited, Pirelli & C. SpA and China National Chemical Corporation may be obtained from the company's registered office at Derby Road, Burton-upon-Trent, Staffordshire, DE13 0BH.

19. **Effect of adoption of IFRS16 – Leases**

As indicated in notes 2.3 and 9, the company has adopted IFRS 16 Leases from 1 January 2019. The new accounting policies are disclosed in note 2.4.

Following the application of IFRS 16, at the transition date, the company accounted for lease contracts previously classified as 'operating leases' under the principles of IAS 17 Leases as:

- a financial liability equal to the present value of residual future lease payments at the transition date, discounted using for each contract the incremental borrowing rate applicable at the transition date. The weighted average incremental borrowing rate applied to the lease liabilities at 1 January 2019 was 4.8%.
- a right of use asset equal to the value of the lease liability at the transition date, net of any deferred rent asset or liability related to the lease and recognised in the Balance Sheet at the date of transition.

The company has chosen to apply the standard retrospectively, recording the cumulative effect deriving from the application of the standard in equity at 1 January 2019 (the modified retrospective approach). The comparative data for the 2018 financial year end have not been restated as permitted under the specific transition provisions in the standard.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

a) Practical expedients applied

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

- contracts with an expiry date within twelve months from the date of transition are classified as short-term leases. For these contracts, lease payments are recorded in the Profit and Loss Account on a straight-line basis;
- the company has decided not to separate non-lease components for vehicles and not to account for them separately from the lease components. This component has been considered together with the lease component in determining the lease liability and the related right of use asset;
- use of the information present at the transition date for the determination of the lease term, with particular reference to the exercise of extension and early termination options.

The company has also used the practical expedient provided for by the standard on first-time adoption, which makes it possible to rely on the conclusions reached in the past on the basis of IFRIC 4 and IAS 17 regarding the quantification of the operating lease components for a specific contract. This practical expedient has been applied to all contracts.

b) Measurement of lease liabilities

The following table shows the reconciliation between the minimum future lease payments, as provided previously under IAS 17, and the lease liabilities at 1 January 2019 deriving from the adoption of IFRS 16:

	£000
Operating lease commitments disclosed as at 31 December 2018	512
Future lease payments not disclosed as at 31 December 2018	352
Restated operating lease commitments as at 31 December 2018	864
Less: short-term leases not recognised as a liability	(352)
Less: low-value leases not recognised as a liability	(1)
Less: services and other non-lease components	(4)
Add: other	20
Lease liability recognised as at 1 January 2019	527
Of which are:	
Current lease liabilities	527
Non-current lease liabilities	-
	527

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

c) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets – no change
- Lease liabilities – no change
- Deferred tax assets-no change
- Provision for liabilities and charges – no change
- Prepayments and accrued income – no change
- Accruals and deferred income – no change

There was no overall net impact on retained earnings on 1 January 2019.

d) Lessor accounting

The company did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.