

Registered number: 06322549

ADAM BAILEY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021



ADAM BAILEY LIMITED

COMPANY INFORMATION

Directors	A J Bailey J A Bailey
Company secretary	L S Bailey
Registered number	06322549
Registered office	Bumpers Way Bumpers Farm Chippenham Wiltshire SN14 6LF
Independent auditors	Crowe U.K. LLP Fourth Floor St James House St James Square Cheltenham GL50 3PR
Bankers	Barclays Bank plc Leicester Servicing Centre Leicester LE87 2BB

ADAM BAILEY LIMITED

CONTENTS

	Page
Group strategic report	3 - 4
Directors' report	1 - 2
Independent auditors' report	5 - 8
Consolidated statement of comprehensive income	9
Consolidated balance sheet	10
Company balance sheet	11
Consolidated statement of changes in equity	12
Company statement of changes in equity	13
Consolidated Statement of cash flows	14
Consolidated analysis of net debt	15
Notes to the financial statements	16 - 33

ADAM BAILEY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Directors' responsibilities statement

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

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

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

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

Results and dividends

The profit for the year, after taxation, amounted to £1,201,965 (2020 - £361,007).

During the year the directors recommended a dividend of £590,397 (2020 - £3,922).

Directors

The directors who served during the year were:

A J Bailey
J A Bailey

Matters covered in the Group Strategic Report

Under s414C(11), the Strategic Report contains a fair review of the business; the principal risks and uncertainties faced by the business; future developments; and the key financial and non-financial performance indicators as considered by the board of directors. This information is therefore excluded from the Director's Report.

ADAM BAILEY LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Auditor

The auditors, Crowe U.K. LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on **9th MAY 2021** and signed on its behalf.



A J Bailey
Director

ADAM BAILEY LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Introduction

The directors presents their Strategic Report for Adam Bailey Limited for the year ended 31 December 2021.

Business review

The Group's principal activity for the year ended 31 December 2021 is the sales and service of new and used motor vehicles together with the associated sale of parts and accessories.

Along with the wider economy, the UK new car market continued to be adversely impacted during the year by COVID 19, due to further showroom lockdowns and a global shortage of semiconductors affecting the manufacturing capacity of all car manufacturers. Total registrations rose by 1% to 1.65 million units, but the market was down by -28.7% on pre-pandemic 2019, representing the second worst year since 1992.

However, 2021 became the most successful year in history for electric vehicle uptake as more new battery electric vehicles were registered than over the previous five years combined. Adding all plug-in and conventional hybrid cars, 27.5% of the total new car sales are now electrified in some form. Following billions of pounds of investment into new technology by manufacturers, more than 40% of models are now available as plug-ins, and the shift in customer preference for these new technologies continues apace.

The market saw private vehicle demand increase by a moderate 7.4%, with fleet sales down by -4.7%, partly due to supply constraints. Britain's most popular class of car remained the supermini, and combined with the lower medium sector, these smaller vehicles remain the most popular with a combined market share of nearly 60%. We remain fortunate that the brands that we represent have strong products in this highly competitive sector.

In terms of how the franchises that we represent performed compared with the national market growth for the full year of 1%, Kia sales grew by 28.8%, whilst SEAT sales fell by -30.2%. Following the proposed restructuring of their Dealer networks by both Peugeot and Ford, the Company elected to relinquish the sales franchise for both brands in August and September respectively, allowing management to focus on the growth and development of our two strongest partners. We have retained Authorised Repairer status for Peugeot, Citroën and Ford, enabling us to continue to serve our longstanding customers and retain their service and repair business in our Workshops. We continue to retain the Aftersales franchise for Volvo.

New car margins across all the ranges hardened throughout the year due to supply constraints, whilst used car margins increased by over 2% over last year, partly due to increased demand following the aforementioned shortfall in new car supply. Used volumes increased by over 150 units over 2021 partly thanks to our aggressive 'click and collect' marketing activities during the periods of lockdown.

Our Aftersales departments suffered due to the reluctance of many customers to bring in their cars for routine servicing during the lockdown periods, even though our Workshops remained open as an essential service. However, business levels increased each month as the second half year progressed.

Group turnover rose by over £4m to £30.2m, an increase of 16.2% over the previous year. The overall gross profit increased by £1.6m (132%) with the margin rising from 4.6% last year to 9.3%, strongly supported by our increase in used car volumes and margins. The Group has benefitted from a considerable reduction in administrative expenses over the period following an intense focus on costs across the business and a reduction in staffing levels, enabling the Company to produce a record net profit before tax for the year of £1.502m (5.0%), compared to last year's £333.0K (1.3%), an increase of 451%.

With COVID restrictions on trading now lifted, 2022 offers challenges from the ongoing restricted supply of new cars, and the focus on sourcing used stock to meet demand. We believe that margins will remain strong in both sectors, and that our Aftersales departments will maintain steady growth. The impact of growing UK inflation on the cost of living and the war in Ukraine will inevitably affect the market, but the Company approaches the year ahead with cautious optimism.

ADAM BAILEY LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Principal risks and uncertainties

The principal challenges facing the Group continue due to the economy and competition from other dealerships and manufactures.

Financial instruments

The Group's principal financial instruments comprise of cash, borrowings, trade debtors and trade creditors. The main purpose of these financial instruments is to raise finance for the group's operations. The main risks arising from the group's financial instruments are:

Interest rate risk

Interest rate risks arise from the group's exposure to interest rate fluctuations and is managed by use of a mixture of floating facilities.

Liquidity risk

Liquidity risk is managed by the group by ensuring that sufficient liquidity is maintained by means of cash and overdraft facilities to meet the foreseeable needs of the business.

Credit risk

Credit risk arises from the group's trade debtors and in order to minimise this, limits are set based on a combination of payment history and third party credit references. Outstanding amounts are monitored regularly based upon debt ageing and collection history.

Financial key performance indicators

The Directors use a number of key performance measures to monitor and manage performance within the business. The key performance indicators used are turnover, gross profit and operating profit and these are disclosed in the financial statements. The directors monitor these key performance indicators on a regular basis throughout the year to ensure the group's strategy is achieved.

Future developments

The business is now firmly established in two trading locations in Chippenham, and we will continue to focus on methods by which we can grow volumes across all departments of the business, whilst seeking to improve margins and maintain a firm control on staffing levels and costs.

This report was approved by the board on

9TH MAY 2022

and signed on its behalf.


A J Bailey
Director

ADAM BAILEY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ADAM BAILEY LIMITED

Opinion

We have audited the financial statements of Adam Bailey Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021, which comprise the Group Statement of comprehensive income, the Group and Company Balance sheets, the Group Statement of cash flows, the Group and Company Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

ADAM BAILEY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ADAM BAILEY LIMITED (CONTINUED)

Other Information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' report thereon. The directors are responsible for the other information contained within the Annual Report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinion 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 Group 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 Group 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 Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

ADAM BAILEY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ADAM BAILEY LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and Taxation legislation.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management, timing of recognition of income, posting of unusual journals and estimates subject to bias, the existence and valuation of stock held at the yearend to manipulate results and the valuation of properties held for accuracy. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for biases, designed audit procedures to test the timing of revenue and removal of items from stock and reviewed areas of judgement, including valuation of properties.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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

ADAM BAILEY LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ADAM BAILEY LIMITED
(CONTINUED)**

Use of our report

This report is made solely to the Company's directors, 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 directors those matters we are required to state to them in an Auditors' 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 directors, as a body, for our audit work, for this report, or for the opinions we have formed.



Chris Mould (Senior statutory auditor)
for and on behalf of
Crowe U.K. LLP
Statutory Auditor
Fourth Floor
St James House
St James Square
Cheltenham
GL50 3PR
Date: 11.05.2022

ADAM BAILEY LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £	2020 £
Turnover	4	30,153,314	25,953,188
Cost of sales		(27,363,754)	(24,746,682)
Gross profit		2,789,560	1,206,506
Administrative expenses		(1,388,657)	(1,114,029)
Other operating income	5	137,777	291,654
Operating profit	6	1,538,680	384,131
Interest payable and expenses	8	(36,009)	(51,154)
Profit before taxation		1,502,671	332,977
Tax on profit	9	(300,706)	28,030
Profit for the financial year		1,201,965	361,007
Total comprehensive income for the year		1,201,965	361,007

There were no recognised gains and losses for 2021 or 2020 other than those included in the consolidated statement of comprehensive income.

The notes on pages 16 to 33 form part of these financial statements.

ADAM BAILEY LIMITED
REGISTERED NUMBER: 06322549

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	11	-	-
Tangible assets	12	3,519,138	3,739,170
		<u>3,519,138</u>	<u>3,739,170</u>
Current assets			
Stocks	14	4,955,496	3,981,736
Debtors: amounts falling due within one year	15	950,892	744,202
Cash at bank and in hand		993,109	1,313,489
		<u>6,899,497</u>	<u>6,039,427</u>
Creditors: amounts falling due within one year	16	(6,195,400)	(5,884,213)
Net current assets		<u>704,097</u>	<u>155,214</u>
Total assets less current liabilities		<u>4,223,235</u>	<u>3,894,384</u>
Creditors: amounts falling due after more than one year	17	(1,433,485)	(1,736,478)
Provisions for liabilities			
Deferred taxation	20	(201,069)	(180,793)
Net assets		<u><u>2,588,681</u></u>	<u><u>1,977,113</u></u>
Capital and reserves			
Called up share capital	21	100	100
Revaluation reserve	22	1,029,531	1,029,531
Profit and loss account	22	1,559,050	947,482
		<u><u>2,588,681</u></u>	<u><u>1,977,113</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

9th May 2022



A J Bailey
Director

The notes on pages 16 to 33 form part of these financial statements.

ADAM BAILEY LIMITED
REGISTERED NUMBER: 06322549

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	12	2,874,419	2,935,533
Investments	13	2,152,849	2,152,849
		<u>5,027,268</u>	<u>5,088,382</u>
Current assets			
Debtors: amounts falling due within one year	15	416,096	427,247
Cash at bank and in hand		152,477	418,968
		<u>568,573</u>	<u>846,215</u>
Creditors: amounts falling due within one year	16	(2,126,996)	(1,605,355)
Net current liabilities		<u>(1,558,423)</u>	<u>(759,140)</u>
Total assets less current liabilities		<u>3,468,845</u>	<u>4,329,242</u>
Creditors: amounts falling due after more than one year	17	(1,066,272)	(1,215,645)
Provisions for liabilities			
Deferred taxation	20	(135,681)	(135,681)
Net assets		<u><u>2,266,892</u></u>	<u><u>2,977,916</u></u>
Capital and reserves			
Called up share capital	21	100	100
Revaluation reserve	22	1,029,531	1,029,531
Profit and loss account carried forward		1,237,261	1,948,285
		<u><u>2,266,892</u></u>	<u><u>2,977,916</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

9th MAY 2022



A J Bailey
Director

The notes on pages 16 to 33 form part of these financial statements.

ADAM BAILEY LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

Group	Called up share capital £	Revaluation reserve £	Profit and loss account £	Total equity £
At 1 January 2020	100	1,029,531	590,397	1,620,028
Profit for the year	-	-	361,007	361,007
Dividends: Equity capital	-	-	(3,922)	(3,922)
At 1 January 2021	100	1,029,531	947,482	1,977,113
Profit for the year	-	-	1,201,965	1,201,965
Dividends: Equity capital	-	-	(590,397)	(590,397)
At 31 December 2021	100	1,029,531	1,559,050	2,588,681

The notes on pages 16 to 33 form part of these financial statements.

ADAM BAILEY LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

Company	Called up share capital £	Revaluation reserve £	Profit and loss account £	Total equity £
At 1 January 2020	100	1,029,531	2,046,900	3,076,531
Loss for the year	-	-	(94,693)	(94,693)
Dividends: Equity capital	-	-	(3,922)	(3,922)
At 1 January 2021	100	1,029,531	1,948,285	2,977,916
Loss for the year	-	-	(120,627)	(120,627)
Dividends: Equity capital	-	-	(590,397)	(590,397)
At 31 December 2021	100	1,029,531	1,237,261	2,266,892

The notes on pages 16 to 33 form part of these financial statements.

ADAM BAILEY LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021 £	2020 £
Cash flows from operating activities		
Profit for the financial year	1,201,965	361,007
Adjustments for:		
Depreciation of tangible assets	249,677	248,212
Loss on disposal of tangible assets	-	(11,147)
Interest paid	36,009	51,154
Taxation charge	(309,435)	(8,605)
(Increase)/decrease in stocks	(973,760)	2,744,519
(Increase)/decrease in debtors	(206,690)	1,186,552
(Decrease) in creditors	(513,941)	(3,307,818)
Net cash generated from operating activities	<u>(516,175)</u>	<u>1,263,874</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(36,434)	(63,862)
Sale of tangible fixed assets	6,789	26,832
Net cash from investing activities	<u>(29,645)</u>	<u>(37,030)</u>
Cash flows from financing activities		
New loans	-	1,079,260
Repayment of loans	(1,036,022)	(309,450)
Repayment of/new finance leases	1,278,046	-
Interest paid	(36,009)	(51,154)
Net cash used in financing activities	<u>206,015</u>	<u>718,656</u>
Net (decrease)/increase in cash and cash equivalents	<u>(339,805)</u>	<u>1,945,500</u>
Cash and cash equivalents at beginning of year	1,332,914	(612,586)
Cash and cash equivalents at the end of year	<u><u>993,109</u></u>	<u><u>1,332,914</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	993,109	1,332,914
	<u><u>993,109</u></u>	<u><u>1,332,914</u></u>

The notes on pages 16 to 33 form part of these financial statements.

ADAM BAILEY LIMITED

**CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2021**

	At 1 January 2021 £	Cash flows £	New finance leases £	At 31 December 2021 £
Cash at bank and in hand	1,313,489	(320,380)	-	993,109
Debt due after 1 year	(1,736,478)	302,993	-	(1,433,485)
Debt due within 1 year	(3,738,409)	733,029	(1,278,046)	(4,283,426)

The notes on pages 16 to 33 form part of these financial statements.

ADAM BAILEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. General information

Adam Bailey Limited is a private company, limited by shares, incorporated and domiciled in the UK. The address of its registered office is Bumpers Way, Bumpers Farm, Chippenham, Wiltshire, SN14 6LF. The company registered number is 06322549.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

The financial statements are presented in pounds sterling and rounded to the nearest pound.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the parent Company for the year was £112,576 (2020 - £94,694).

2.2 Basis of consolidation

The financial statements consolidate the accounts of Adam Bailey Limited and all of its subsidiary undertakings ('subsidiaries'). Intercompany transactions and balances between group companies are therefore eliminated in full.

2.3 Going concern

During 2020 and into 2021, the group experienced significant disruption as a result of the Coronavirus lockdowns. Despite trading being adversely impacted during the year, the 2021 accounts show a profit, and the Directors have prepared forecasts of the profit and loss account for the rest of 2022 and into 2023 as part of their going concern assessment which continues to present a profit through uncertain times. The group continues to rely on the strong, long term relationship with its manufacture partners, providers of finance facilities and Barclays Bank plc, who the Directors have assumed will continue to provide facilities going forward.

The Directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For finance the group relies on a bank facilities, vehicle stocking loans and other loans as disclosed in note 13 and 14. The Directors are not aware, however, of any circumstances that may adversely affect the renewal of these facilities. Accordingly, the Directors believe it is appropriate to prepare the financial statements on the going concern basis.

ADAM BAILEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of vehicles are recognised on delivery to the customer together with the associated manufacture bonus income. Any other manufacture income in relation to achieving targets is recognised on an accruals basis.

Sale of parts are recognised at point of sale or delivery of goods to the customer. Service sales are recognised on completion of all work and handover to the customer.

2.5 Intangible assets

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of comprehensive income account over its useful economic life.

Amortisation is provided on the following bases:

Goodwill	-	20 %
----------	---	------

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

ADAM BAILEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.6 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 2%
Leasehold property	- 10%
Fixtures and fittings	- 20%
Website development costs	- 20%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.7 Revaluation of tangible fixed assets

Individual freehold properties are carried at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Balance sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the Consolidated statement of comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

2.8 Investments

Investments held as fixed assets are shown as cost less provision for impairment.

2.9 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

The directors consider the substance of stocking arrangements with manufacturers and where the group has access to the benefits of the stock and exposure to the risk and costs, the stock is treated as an asset of the group.

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment.

ADAM BAILEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.11 Creditors

Short term creditors are measured at the transaction price.

2.12 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans to/from related parties.

2.13 Operating leases

Rentals paid under operating leases are charged to the Statement of comprehensive income account on a straight line basis over the period of the lease.

2.14 Pensions

The Group contributes to the personal pension plans of certain permanent employees and the pension charge represents the amount payable by the group to the funds in respect of the period.

2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

ADAM BAILEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The items in the financial statements where these estimates and judgments have been made include:

2.1 Useful economic lives of tangible assets

The annual depreciation charge for the tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of leasehold land and buildings, plant and equipment and fixtures and fittings and note 1.7 for the useful lives for each class of assets.

2.2 Stock provisioning

It is necessary to consider the recoverability of the cost of stock and the associated provisioning required. When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability and future usage.

2.3 Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

2.4 Revaluation of freehold property

The group carries freehold buildings at fair value, with changes in fair value recognised in retained earnings. The group engaged an independent valuation to determine the fair value over a rolling 5 year period. This valuation is reviewed annually by the directors to take account of market changes. See note 11 for the net carrying amount of freehold property.

4. Turnover

All turnover arose within the United Kingdom.

The whole of turnover is attributable to the principal activities of the Group being the sale and service of new and used motor vehicles together with the sale of parts and accessories.

5. Other operating income

	2021 £	2020 £
Government grants receivable	137,777	291,654

ADAM BAILEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

6. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2021	2020
	£	£
Depreciation of tangible fixed assets	227,297	227,629
Auditor's remuneration	14,215	12,000
Auditor's remuneration - non-audit services	5,785	15,900
	<u>247,307</u>	<u>255,529</u>

7. Employees

Staff costs were as follows:

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Wages and salaries	1,562,558	1,573,094	6,236	3,500
Social security costs	147,199	137,252	-	-
Pension costs	29,518	26,402	-	-
	<u>1,739,275</u>	<u>1,736,748</u>	<u>6,236</u>	<u>3,500</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2021 No.	2020 No.
Sales staff	14	16
Services, parts and forecourt staff	36	40
Administration staff and management	13	14
	<u>63</u>	<u>70</u>

The Company has no employees other than the directors, who did not receive any remuneration (2020 - £NIL)

ADAM BAILEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

8. Interest payable and similar charges

	2021	2020
	£	£
Bank interest payable	33,459	5,656
Other loan interest payable	2,550	45,498
	36,009	51,154

9. Taxation

	2021	2020
	£	£
Corporation tax		
Current tax on loss for the year	280,435	-
Total current tax	280,435	-
Deferred tax		
Origination and reversal of timing differences	20,271	(28,030)
Total deferred tax	20,271	(28,030)
Taxation on profit/(loss) on ordinary activities	300,706	(28,030)

ADAM BAILEY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - *higher than*) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	1,502,671	332,977
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	285,507	63,266
Effects of:		
Capital allowances for year in excess of depreciation	(1,336)	25,924
Income/expenses not deductible for tax purposes	824	(111)
Utilisation of tax losses	-	(89,079)
Deferred tax	15,711	(28,030)
Total tax charge for the year	300,706	(28,030)

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

10. Dividends

	2021 £	2020 £
Dividends paid on equity capital	590,397	3,922

ADAM BAILEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

11. Intangible assets

Group	Goodwill £
Cost	
At 1 January 2021	4,360,996
At 31 December 2021	4,360,996
Amortisation	
At 1 January 2021	4,360,996
At 31 December 2021	4,360,996
Net book value	
At 31 December 2021	-
At 31 December 2020	-

ADAM BAILEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

12. Tangible fixed assets

Group

Group	Freehold property £	Leasehold Property £	Equipment, fixtures and fittings £	Website £	Total £
Cost or valuation					
At 1 January 2021	2,935,533	812,913	755,447	28,400	4,532,293
Additions	-	12,897	23,537	-	36,434
Disposals	-	-	(21,328)	-	(21,328)
At 31 December 2021	2,935,533	825,810	757,656	28,400	4,547,399
Depreciation					
At 1 January 2021	-	262,332	502,391	28,400	793,123
Charge for the year on owned assets	61,114	82,588	105,975	-	249,677
Disposals	-	-	(14,539)	-	(14,539)
At 31 December 2021	61,114	344,920	593,827	28,400	1,028,261
Net book value					
At 31 December 2021	2,874,419	480,890	163,829	-	3,519,138
At 31 December 2020	2,935,533	550,581	253,056	-	3,739,170

Freehold property at Bumpers Farm was valued by Carter Jonas, an independent firm of chartered surveyors, as at 29 July 2019 at open market value of £3,220,000. This valuation has been reviewed by the directors to take account of market changes and in their opinion £3.22m is a fair reflection of the open market value at 31 December 2021. The company's freehold property has an historic cost of £2,297,748.

ADAM BAILEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

12. Tangible fixed assets (continued)**Company**

Group	Freehold property £
Cost or valuation	
At 1 January 2021	2,935,533
At 31 December 2021	<u>2,935,533</u>
Depreciation	
Charge for the year on owned assets	61,114
At 31 December 2021	<u>61,114</u>
Net book value	
At 31 December 2021	<u><u>2,874,419</u></u>
At 31 December 2020	<u><u>2,935,533</u></u>

Freehold property at Bumpers Farm was valued by Cater Jonas, an independent firm of chartered surveyors, as at 29 July 2019. This valuation has been reviewed by the directors to take account of market changes. The company's freehold property has a historic cost of £2,084,008.

ADAM BAILEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

13. Fixed asset investments

Company

	Investments in subsidiary companies £
Group	
Cost or valuation	
At 1 January 2021	2,152,849
At 31 December 2021	<u>2,152,849</u>
Net book value	
At 31 December 2021	<u>2,152,849</u>
At 31 December 2020	<u>2,152,849</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding
Chippenham Motor Company Limited	Ordinary	100%
Gemini Motor Company LLP	Members' Capital	100%
Malmesbury Road Garage Limited	Ordinary	100%

The registered office for all group undertakings is Chippenham Motor Company, Bumpers Way, Chippenham, Wiltshire, SN14 6LF.

Both Malmesbury Road Garage Limited and Gemini Motor Company LLP were dormant in the financial year.

ADAM BAILEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

14. Stocks

	Group 2021 £	Group 2020 £
Consignment stock	519,549	1,271,812
Vehicle stock	4,256,601	2,550,390
Part stock	179,346	159,534
	<u>4,955,496</u>	<u>3,981,736</u>

The directors have considered the substance of the stocking arrangements with manufacturers, and consider that the consignment stock held by the group is in substance an asset of the group. The group has access to the benefits of the stock and exposure to the risk and costs of holding it. The group has therefore recognised consignment stock in its balance sheet at 31 December 2021 and a corresponding liability to the manufacturers.

15. Debtors

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Trade debtors	407,793	146,794	-	-
Other debtors	456,955	516,716	416,096	419,196
Prepayments and accrued income	86,144	80,692	-	8,051
	<u>950,892</u>	<u>744,202</u>	<u>416,096</u>	<u>427,247</u>

ADAM BAILEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

16. Creditors: Amounts falling due within one year

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Bank loans	239,796	177,873	139,796	136,206
Other loans	359,854	402,543	-	-
Obligations under finance lease and hire purchase contracts	3,164,227	1,886,181	-	-
Consignment stock	519,549	1,271,812	-	-
Trade creditors	726,195	916,087	-	-
Corporation tax	280,435	-	-	-
Amounts owed to group undertakings	-	-	1,870,282	1,320,282
Other taxation and social security	191,257	554,725	-	-
Other creditors	175,576	150,368	8,051	-
Accruals and deferred income	538,511	524,624	108,867	148,867
	6,195,400	5,884,213	2,126,996	1,605,355

Stocking loans, other loans and consignment stock are secured against the individual vehicle stocks included within these financial statements of the same value.

The company also has fixed charges over its assets dated 2 May 2014, 11 May 2015, 23 December 2015 and 4 May 2017.

17. Creditors: Amounts falling due after more than one year

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Bank loans	1,433,485	1,673,978	1,066,272	1,215,645
Other loans	-	62,500	-	-
	1,433,485	1,736,478	1,066,272	1,215,645

Other loans are repayable in monthly instalments and interest is charged at 0.75% above the finance house base rate. The loans are secured against the individual vehicle stocks and by a legal charge over the group's freehold property.

Bank loans are repayable in monthly instalments and interest is charged at 2.6% per annum. Limited guarantee is given by the Secretary of State of Business, Energy and Industrial Strategy for £400,000 dated 28 July 2020.

ADAM BAILEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

18. Loans

Analysis of the maturity of loans is given below:

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Amounts falling due within one year				
Bank loans	239,796	177,873	139,796	136,206
Other loans	359,854	402,543	-	-
Stocking loans	-	-	-	-
	599,650	580,416	139,796	136,206
Amounts falling due 1-2 years				
Bank loans	1,433,485	1,673,978	1,066,272	1,215,645
Other loans	-	62,500	-	-
	1,433,485	1,736,478	1,066,272	1,215,645
	2,033,135	2,316,894	1,206,068	1,351,851

Other loans are repayable in monthly instalments and interest is charged at 0.75% above the finance house base rate. The loans are secured against the individual vehicle stocks and by a legal charge over the company's freehold property.

Stocking loans are secured against the individual vehicle stocks included within these financial statements of the same value.

ADAM BAILEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

19. Financial instruments

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	<u>864,748</u>	<u>1,975,903</u>	<u>416,096</u>	<u>427,247</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>(3,113,563)</u>	<u>6,348,879</u>	<u>-</u>	<u>2,821,488</u>

Financial assets that are debt instruments measured at amortised cost comprise of trade and other debtors and cash and equivalents.

Financial liabilities measured at amortised cost comprise of trade and other creditors, accruals, intercompany, bank loans, stocking loans and other loans.

20. Deferred taxation

Group

	2021 £
Group	
At beginning of year	(180,793)
Charged to profit or loss	(20,276)
At end of year	<u>(201,069)</u>

ADAM BAILEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

20. Deferred taxation (continued)

Company

Group	2021 £
At beginning of year	(135,681)
Charged to profit or loss	-
At end of year	(135,681)

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Accelerated capital allowances	(28,145)	(77,069)	-	-
Losses and other deductions	-	69,200	37,243	37,243
Revaluation of freehold property	(172,924)	(172,924)	(172,924)	(172,924)
	(201,069)	(180,793)	(135,681)	(135,681)

21. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
100 (2020 - 100) Ordinary shares of £1.00 each	100	100

22. Reserves

Share premium account

Profit and loss account includes all current and prior year retained profits and losses.

Revaluation reserve

Revaluation reserve includes the surplus on revaluation of freehold property.

ADAM BAILEY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

23. Commitments under operating leases

At 31 December 2021 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2021 £	Group 2020 £
Not later than 1 year	210,000	210,000
Later than 1 year and not later than 5 years	840,000	840,000
Later than 5 years	-	210,000
	<u>1,050,000</u>	<u>1,260,000</u>

24. Related party transactions

During the year £180,778 (2020 - £175,000) rent was paid by Chippenham Motor Company Limited to Suffolk Life Annuities Limited. This is deemed to be a related party as the directors of the company are also beneficiaries of Suffolk Life Annuities Limited.

Included within other debtors due within one year is a balance at year end with Adam Bailey Properties Ltd, a company related by mutual directorship, amounting to £416,096 (2019 - £419,196). This is held as due within one year as it is repayable on demand.

25. Controlling party

A J Bailey is deemed to be the controlling party by virtue of his majority shareholding in the company and his position as director.