Registered number: NI032024

Donnelly Bros. (Belfast) Limited

Directors' report and financial statements

for the year ended 31 May 2012

Donnelly Bros. (Belfast) Limited

Company information

Directors	Terence Donnelly Edwin Black Raymond Donnelly
Company secretary	Malcolm Kerr
Registered number	NI032024
Registered office	59 Moy Road Dungannon Co Tyrone BT71 7DT
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 32 Linen Green Dungannon BT71 7HB
Bankers	Northern Bank Limited Donegall Square West Belfast BT1 6JS
Solicitors	Eamonn McEvoy & Co 22 Church Place Lurgan Co Armagh BT66 6EY

Donnelly Bros. (Belfast) Limited

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Donnelly Bros. (Belfast) Limited

Directors' report
for the year ended 31 May 2012

The directors present their report and the audited financial statements for the year ended 31 May 2012.

Principal activity

The principal activity of the company is that of the retailing of new and second hand motor vehicles and associated services.

Business review and future outlook

The directors consider the results for the year to be pleasing with increased turnover and a return to pre-tax profits. The company will continue to seek every opportunity to increase profitable turnover.

At the year end the company is in a good position to take advantage of opportunities to increase shareholder value.

The directors have plans in place to ensure the company is well placed to retain its market position and maintain profitability.

Principal risks and uncertainties

The directors of the ultimate parent company, Donnelly Bros. Garages (Dungannon) Limited, manage the group's risk at a group level rather than at an individual company level. For this reason, the company's directors believe that a discussion of the group's risks would be inappropriate for an understanding of the development, performance or position of Donnelly Bros. (Belfast) Limited's business. The principal risks and uncertainties of Donnelly Bros. Garages (Dungannon) Limited, which include those of the company, are discussed on page 2 of the group's annual report, which does not form part of this report.

Key performance indicators (KPI)

The directors of the ultimate parent company, Donnelly Bros. Garages (Dungannon) Limited, manage the group's operations at a group level, rather than at an individual company level. For this reason, the company's directors believe that analysis using KPI's for the company is not necessary or appropriate for an understanding of the development, performance or position of Donnelly Bros. (Belfast) Limited's business. The development, performance and position of Donnelly Bros. Garages (Dungannon) Limited, which include those of the company, are discussed in page 2 of the group's annual report, which does not form part of this report.

Environment

The company recognises its corporate responsibility to carry out its operations whilst minimising environmental impacts. The directors' continued aim is to comply with all applicable environmental legislation, prevent pollution and reduce waste wherever possible.

Health and safety

The company is committed to achieving the highest practicable standards in health and safety management and strives to make all sites and offices safe environments for employees and customers alike.

Human resources

The company's most important resource is its people; their knowledge and experience is crucial to meeting customer requirements. Retention of key staff is critical and the company has invested increasingly in employment training and development and has introduced appropriate incentive and career progression arrangements.

Directors' report
for the year ended 31 May 2012

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of foreign exchange risk, credit risk and interest rate risk. 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 costs. 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.

Foreign exchange risk

While the greater part of the company's turnover and expenses are denominated in sterling, the company is exposed to some foreign exchange risk in the normal course of business. While the company has not used financial instruments to date to hedge foreign exchange exposure, this position is kept constantly under review.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to individual customers is subject to a limit, which is reassessed regularly by the Board.

Interest rate risk

The company has interest bearing liabilities. The company has a policy of maintaining debt at a competitive rate to ensure a reasonable degree of certainty over future interest cash flows. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

Results

The loss for the year, after taxation, amounted to £23,112 (2011 - loss £192,149).

Directors

The directors who served during the year, and up to the date of signing, were:

Terence Donnelly
Edwin Black
Raymond Donnelly

Directors' report
for the year ended 31 May 2012

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the directors are required to:

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

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

Statement of 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 that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

Independent auditors

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

This report was approved by the Board and signed on its behalf.

Malcolm Kerr
Company secretary

Date: 18 December 2012

Independent auditors' report to the members of Donnelly Bros. (Belfast) Limited

We have audited the financial statements of Donnelly Bros. (Belfast) Limited for the year ended 31 May 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2012 and of its loss 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Donnelly Bros. (Belfast) Limited

Independent auditors' report to the members of Donnelly Bros. (Belfast) Limited

Matters on which we are required to report by exception

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

Martin O'Hanlon

Martin O'Hanlon (Senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
32 Linen Green
Dungannon
BT71 7HB

18 December 2012

Profit and loss account
for the year ended 31 May 2012

	Note	2012 £	2011 £
Turnover	1,2	**26,238,295**	25,870,573
Cost of sales		**(22,722,787)**	(22,823,866)
Gross profit		**3,515,508**	3,046,707
Administrative expenses		**(3,470,124)**	(3,252,177)
Operating profit/(loss)	3	**45,384**	(205,470)
Interest payable and similar charges	6	**(30,982)**	(33,262)
Profit/(loss) on ordinary activities before taxation		**14,402**	(238,732)
Tax on profit/(loss) on ordinary activities	7	**(37,514)**	46,583
Loss for the financial year	15	**(23,112)**	(192,149)

All amounts relate to continuing operations.

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial year stated above, and their historical cost equivalents.

The notes on pages 8 to 16 form part of these financial statements.

Donnelly Bros. (Belfast) Limited
Registered number: NI032024

Balance sheet
as at 31 May 2012

	Note	£	2012 £	£	2011 £
Fixed assets					
Intangible assets	8		**18,661**		43,973
Tangible assets	9		**875,687**		629,765
			894,348		673,738
Current assets					
Stocks	10	**3,430,768**		2,628,196	
Debtors	11	**2,212,036**		1,687,824	
Cash at bank and in hand		**380,433**		518,502	
		6,023,237		4,834,522	
Creditors: amounts falling due within one year	12	**(3,960,053)**		(2,535,131)	
Net current assets			**2,063,184**		2,299,391
Total assets less current liabilities			**2,957,532**		2,973,129
Creditors: amounts falling due after more than one year	13		**(7,515)**		-
Net assets			**2,950,017**		2,973,129
Capital and reserves					
Called up share capital	14		**2**		2
Profit and loss account	15		**2,950,015**		2,973,127
Total shareholders' funds	16		**2,950,017**		2,973,129

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 18 December 2012.

Terence Donnelly
Director

The notes on pages 8 to 16 form part of these financial statements.

Notes to the financial statements
for the year ended 31 May 2012

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies which have been applied consistently throughout the year are set out below.

1.2 Intangible fixed assets and amortisation

Purchased goodwill arising on acquisitions is eliminated by amortisation through the profit and loss account over its useful economic life. The useful economic life of the asset shown in note 8 has been estimated by the directors at five years. Financial Reporting Standard (FRS) 10 "Goodwill and Intangible Assets" requires goodwill to be accounted for as an asset and amortised over its useful economic life.

The company evaluates the carrying value of goodwill in each financial year to determine if there has been an impairment in value, which would result in the ability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account.

Amortisation is provided at the following rates:

Goodwill	-	20%

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic cost or valuation less accumulated deprecation.

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, over the expected useful economic lives of the assets concerned. The principal annual rates used are as follows:

Short-term leasehold property	-	20% straight line
Plant and machinery	-	25% reducing balance
Motor vehicles	-	25% straight line
Fixtures and fittings:		
- Fixtures and fittings	-	25% reducing balance
- Computer equipment	-	33.3% straight line

1.4 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Cost is determined on a first in first out basis and includes transport and handling costs. Provision is made for obsolete, slow moving and defective stocks. In addition to the stocks recorded in the balance sheet, the company holds vehicles under consignment arrangements, further details of which are given in note 10.

1.5 Debtors

Debtors are stated after all known bad debts have been written off and specific provisions have been made against all debts considered doubtful of collection.

1. Accounting policies (continued)

1.6 Turnover

Revenue from sales of vehicles, service parts and other related products including dealer bonus, is recognised when the risks and rewards of ownership of the goods are transferred to the customer, the amount of revenue can be estimated reliably and collectability is reasonably assured.

1.7 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term.

1.8 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

1.9 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.10 Deferred income

Deferred income comprises assistance received for showroom development and is credited to the profit and loss account over the period that the related cost is recognised.

2. Turnover

Turnover relates to the company's main activity. Turnover derives from one class of business and comprises the invoiced value of goods and services supplied by the company, exclusive of VAT.

All turnover arose within the United Kingdom.

3. Operating profit/(loss)

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

	2012	2011
	£	£
Amortisation of goodwill	**25,312**	25,000
Depreciation of tangible fixed assets:		
- owned by the company	**235,591**	168,509
Auditors' remuneration for audit services	**13,100**	13,240
Operating lease rentals:		
- other operating leases	**244,500**	270,521

**Notes to the financial statements
for the year ended 31 May 2012**

4. Staff costs

Staff costs, including directors' remuneration, were as follows:

	2012	2011
	£	£
Wages and salaries	1,959,899	1,690,498
Social security costs	187,635	168,275
	2,147,534	1,858,773

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

	2012	2011
	Number	Number
Selling and distribution	95	74
Administration	8	6
	103	80

5. Directors' remuneration

	2012	2011
	£	£
Aggregate remuneration	80,951	128,630

6. Interest payable and similar charges

	2012	2011
	£	£
On bank loans and overdrafts	30,982	27,933
On other loans	-	5,329
	30,982	33,262

7. Tax on (loss)/profit on ordinary activities

	2012 £	2011 £
Analysis of tax charge/(credit) in the year		
Current tax		
UK corporation tax charge on profit/loss for the year	6,666	-
Adjustments in respect of prior periods	4,419	-
	11,085	-
Receivable for group relief	26,429	(44,312)
Total current tax	37,514	(44,312)
Deferred tax		
Adjustment in respect of rate change	-	(161)
Accelerated capital allowances	-	(2,110)
Total deferred tax	-	(2,271)
Total tax on (loss)/profit on ordinary activities	37,514	(46,583)

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2011 - the same as) the standard rate of corporation tax in the UK of 24% (2011 - 26%) as set out below:

	2012 £	2011 £
Profit/loss on ordinary activities before tax	14,402	(238,732)
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% (2011 - 26%)	3,456	(62,070)
Effects of:		
Expenses not deductible for tax purposes	17,566	1,756
Accelerated capital allowances and other timing differences	-	2,110
Adjustments to tax charge in respect of prior periods	4,419	-
Movement in deferred tax asset not provided	10,398	717
Group relief receivable at effective rate	1,675	(2,668)
Depreciation on non-qualifying assets	-	15,843
Total current tax (see note above)	37,514	(44,312)

7. Tax on (loss)/profit on ordinary activities (continued)

Factors that may affect future tax charges

Deferred tax liabilities have not been discounted.

The company has surrendered the benefit of tax losses amounting to £160,170 to fellow subsidiary undertakings for a consideration of £44,312.

In addition to the changes in rates of Corporation tax disclosed above a number of further changes to the UK Corporation tax system were announced in the March 2012 UK Budget Statement. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 was included in the Finance Act 2012. A further reduction to the main rate is proposed to reduce the rate to 22% from 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The effect of the changes enacted in the Finance Act 2012 would be to reduce the deferred tax asset not provided at the balance sheet date by £740. This £740 decrease in the deferred tax asset would increase profit by £740. This decrease in the deferred tax asset is due to the reduction in the corporation tax rate from 24 per cent to 23 per cent with effect from 1 April 2013.

The proposed reduction of the main rate of corporation tax to 22% from 1 April 2014 is expected to be enacted separately. The overall effect of this further change, if it applied to the deferred tax balance at the balance sheet date, would be to further reduce the deferred tax asset by an additional £740.

8. Intangible fixed assets

	Goodwill £
Cost	
At 1 June 2011 and 31 May 2012	**125,000**
Accumulated amortisation	
At 1 June 2011	**81,027**
Charge for the year	**25,312**
At 31 May 2012	**106,339**
Net book value	
At 31 May 2012	**18,661**
At 31 May 2011	43,973

9. Tangible fixed assets

	Short-term leasehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost					
At 1 June 2011	375,563	444,074	111,462	505,167	1,436,266
Additions	153,297	118,358	32,933	222,348	526,936
Disposals	-	(1,760)	(49,016)	-	(50,776)
At 31 May 2012	528,860	560,672	95,379	727,515	1,912,426
Accumulated depreciation					
At 1 June 2011	117,095	298,651	36,050	354,705	806,501
Charge for the year	100,155	54,692	25,635	80,744	261,226
On disposals	-	(122)	(30,866)	-	(30,988)
At 31 May 2012	217,250	353,221	30,819	435,449	1,036,739
Net book value					
At 31 May 2012	311,610	207,451	64,560	292,066	875,687
At 31 May 2011	258,468	145,423	75,412	150,462	629,765

10. Stocks

	2012 £	2011 £
Finished goods and goods for resale	3,430,768	2,628,196

Stock on consignment is not recognised in the balance sheet because the terms of the contract state:

i) title to the vehicle does not pass to the dealer until full payment is due;
ii) the manufacturer can demand the return of stock within the consignment year; and
iii) no interest is payable on consignment stock within terms set out in the individual franchise agreements.

At 31 May 2012, the value of the consignment stock off balance sheet was £1,970,432 (2011 - £906,023).

11. Debtors

	2012 £	2011 £
Trade debtors	1,593,684	1,369,602
Amounts owed by group undertakings	279,895	126,450
Prepayments and accrued income	338,457	191,772
	2,212,036	1,687,824

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Notes to the financial statements
for the year ended 31 May 2012

12. Creditors:
Amounts falling due within one year

	2012	2011
	£	£
Loans and overdrafts	2,017,231	1,338,162
Other loans	18,036	-
Trade creditors	1,627,847	829,781
Amounts owed to group undertakings	52,435	172,143
Corporation tax	13,462	-
Other taxation and social security	130,751	116,277
Other creditors	1,401	1,402
Accruals and deferred income	98,890	77,366
	3,960,053	2,535,131

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Security

The bank facilities are secured by:

(i) Unlimited intercompany cross guarantee in respect of Donnelly Bros. Garages (Dungannon) Limited, Donnelly Bros. (Belfast) Limited, Donnelly Bros. Garages (Fermanagh) Limited, Donnelly Bros (Honda) Limited, Donnelly Motorstore Limited, Donnelly & Taggart (Ballymena) Limited and Taxi & Bus Conversion Limited; and

(ii) Floating charge over the assets and undertakings of the company.

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

	2012	2011
	£	£
Other loans	7,515	-

14. Called up share capital

	2012	2011
	£	£
Allotted and fully paid		
2 (2011 - 2) ordinary shares of £1 each	2	2

15. Reserves

	Profit and loss account £
At 1 June 2011	2,973,127
Loss for the financial year	(23,112)
At 31 May 2012	2,950,015

16. Reconciliation of movements in shareholders' funds

	2012 £	2011 £
Opening shareholders' funds	2,973,129	3,165,278
Loss for the financial year	(23,112)	(192,149)
Closing shareholders' funds	2,950,017	2,973,129

17. Operating lease commitments

At 31 May 2012 the company had annual commitments under non-cancellable operating leases expiring as follows:

	Land and buildings	
	2012 £	2011 £
Expiry date:		
After more than 5 years	244,500	247,855

Notes to the financial statements
for the year ended 31 May 2012

18. Related party transactions

The company has taken advantage of the exemptions contained in Financial Reporting Standard 8 "Related Party Disclosures" not to disclose related party transactions with related parties that are wholly owned by Donnelly Bros. Garages (Dungannon) Limited as the financial statements of the group are publicly available.

The company has identified the following transactions which must be disclosed under the terms of Financial Reporting Standard 8 "Related Party Disclosures".

	Nature of transaction	**2012** **Amount of transaction** **£**	2011 Amount of transaction £	**2012** **Amount owed from/(to) related party** **£**	2011 Amount owed from/(to) related party £
Donnelly & Taggart Limited	Sales	**-**	54,748	**71**	8,298
(common influence)	Purchases	**42,783**	199,355	**(7,677)**	(19,639)
Donnelly & Taggart (Ballymena) Limited	Sales	**68,305**	27,192	**4,860**	149
(common influence)	Purchases	**67,245**	110,732	**(5,013)**	(164)
Taxi & Bus Conversion Limited	Sales	**3,505**	2,228	**449**	-
(common influence)	Purchases	**45,628**	34,756	**(48)**	-

19. Ultimate parent undertaking and controlling party

The ultimate controlling party is Mr Terence Donnelly.

The company's ultimate parent undertaking is Donnelly Bros. Garages (Dungannon) Limited, a company incorporated in Northern Ireland.

The smallest and largest undertakings of which the company is a member, and for which group financial statements are prepared, is Donnelly Bros. Garages (Dungannon) Limited, a company incorporated in Northern Ireland. Group financial statements for this company are prepared and available to the public from The Company Secretary, Donnelly Bros. Garages (Dungannon) Limited, 59 Moy Road, Dungannon, Co Tyrone, BT71 7DT.