

**Donnelly Bros. (Belfast) Limited**

**Annual report and financial statements**

**For the period ended 31 December 2017**



## **Donnelly Bros. (Belfast) Limited**

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**Donnelly Bros. (Belfast) Limited**

**Company information**

|                             |  |
|-----------------------------|--|
| <b>Directors</b>            | Terence Donnelly<br>Edwin Black<br>Raymond Donnelly  |
| <b>Company secretary</b>    | Philip Jordan  |
| <b>Registered number</b>    | NI032024   |
| <b>Registered office</b>    | 59 Moy Road<br>Dungannon<br>Co Tyrone<br>BT71 7DT  |
| <b>Independent auditors</b> | PricewaterhouseCoopers LLP<br>Chartered Accountants and Statutory Auditors<br>Waterfront Plaza<br>8 Laganbank Road<br>Belfast<br>BT1 3LR |
| <b>Bankers</b>              | Dankse Bank<br>Donegall Square West<br>Belfast<br>BT1 6JS  |
| <b>Solicitors</b>           | Eamonn McEvoy & Co<br>22 Church Place<br>Lurgan<br>Co Armagh<br>BT66 6EY   |

## **Donnelly Bros. (Belfast) Limited**

### **Strategic report**

**For the period ended 31 December 2017**

The directors present their Strategic report on the company for the period ended 31 December 2017.

### **Principal activities**

The principal activities of the company are that of retailing of new and second-hand motor vehicles and associated services.

### **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.

### **Financial key performance indicators**

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.

### **Other key performance indicators**

The main operational key performance indicator is operational efficiency within each area of the business, which is monitored and communicated internally using a series of balanced scorecards.

### **Performance and future developments**

Results for the year are in line with the directors' expectations, with a continually high level of turnover and profitability. The directors have plans in place to ensure the company is strongly placed to retain its market position and to continue to remain profitable. Since the year end performance to date has been encouraging.

This report was approved by the board and signed on its behalf on *22 June 2018.*



**Philip Jordan**  
Secretary

## **Donnelly Bros. (Belfast) Limited**

### **Directors' report**

**For the period ended 31 December 2017**

The directors present their report and the audited financial statements of the company for the period ended 31 December 2017.

### **Results and dividends**

The profit for the period amounted to £7,604 (2016 - £184,099).

The directors do not recommend the payment of a dividend (2016 - £Nil).

### **Directors**

The directors who served during the period and up to the date of signing the financial statements were:

Terence Donnelly  
Raymond Donnelly  
Edwin Black

### **Future developments**

The section on future developments which is detailed in the Strategic report is included in this report by cross reference.

### **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.

**Donnelly Bros. (Belfast) Limited**

**Directors' report (continued)**

**For the period ended 31 December 2017**

**Statement of directors' responsibilities in respect of the financial statements**

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

Company law requires the directors to prepare financial statements for each financial accounting period. 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 102, 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 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.

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.

**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 the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has 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.

**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 on *22 June 2018*

and signed on its behalf.



**Philip Jordan**  
Secretary

**Independent Auditors' Report to the Members of Donnelly Bros. (Belfast) Limited**

**Report on the audit of the financial statements**

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**Opinion**

In our opinion, Donnelly Bros. (Belfast) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the 14 month period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual report"), which comprise: the Balance sheet as at 31 December 2017; the Statement of income and retained earnings for the 14 month period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK). ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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**Conclusions relating to going concern**

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

- 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.

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**Reporting on other information**

The other information comprises all of the information in the Annual report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

**Independent Auditors' Report to the Members of Donnelly Bros. (Belfast) Limited (continued)**

**Reporting on other information (continued)**

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

*Strategic report and Directors' report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the period ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

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**Responsibilities for the financial statements and the audit**

*Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 4, 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.

*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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

*Use of this report*

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.

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**Other required reporting**

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**Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

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Martin Cowie (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Belfast

Date: 22 June 2018

**Donnelly Bros. (Belfast) Limited**

**Statement of income and retained earnings  
For the period ended 31 December 2017**

|  | Note | 14 month<br>period ended<br>31 December<br>2017<br>£ | Year ended<br>31 October<br>2016<br>£ |
|--|------|--|---------------------------------------|
| Turnover   | 5    | 42,770,511   | 37,269,734                            |
| Cost of sales  |      | (37,628,734)   | (32,570,676)                          |
| <b>Gross profit</b>                                    |      | <b>5,141,777</b>                                     | <b>4,699,058</b>                      |
| Administrative expenses                                |      | (5,092,803)  | (4,404,475)                           |
| <b>Operating profit</b>                                | 6    | <b>48,974</b>  | <b>294,583</b>                        |
| Interest payable and similar expenses                  | 9    | (28,123)   | (55,582)                              |
| <b>Profit before taxation</b>                          |      | <b>20,851</b>  | <b>239,001</b>                        |
| Tax on profit  | 10   | (13,247)   | (54,902)                              |
| <b>Profit for the financial period/year</b>            |      | <b>7,604</b>   | <b>184,099</b>                        |
| Retained earnings at the beginning of the period/year  |      | 3,202,916  | 3,018,817                             |
| Profit for the financial period/year                   |      | 7,604  | 184,099                               |
| <b>Retained earnings at the end of the period/year</b> |      | <b>3,210,520</b>                                     | <b>3,202,916</b>                      |

The notes on pages 10 to 21 form part of these financial statements.

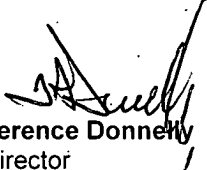
**Donnelly Bros. (Belfast) Limited**  
**Registered number: NI032024**

**Balance sheet**  
**As at 31 December 2017**

|  | Note | 2017<br>£        | 2017<br>£        | 2016<br>£        | 2016<br>£        |
|--|------|------------------|------------------|------------------|------------------|
| <b>Fixed assets</b>                            |      |                  |                  |                  |                  |
| Tangible assets                                | 11   |                  | 695,235          |                  | 272,346          |
|  |      |                  | <u>695,235</u>   |                  | <u>272,346</u>   |
| <b>Current assets</b>                          |      |                  |                  |                  |                  |
| Stocks   | 12   | 3,771,944        |                  | 3,366,961        |                  |
| Debtors  | 13   | 2,799,607        |                  | 2,871,079        |                  |
| Cash at bank and in hand                       |      | 354,952          |                  | 1,064,137        |                  |
|  |      | <u>6,926,503</u> |                  | <u>7,302,177</u> |                  |
| Creditors: amounts falling due within one year | 14   | (4,411,216)      |                  | (4,371,605)      |                  |
| <b>Net current assets</b>                      |      |                  | <u>2,515,287</u> |                  | <u>2,930,572</u> |
| <b>Total assets less current liabilities</b>   |      |                  | <u>3,210,522</u> |                  | <u>3,202,918</u> |
| <b>Net assets</b>                              |      |                  | <u>3,210,522</u> |                  | <u>3,202,918</u> |
| <b>Capital and reserves</b>                    |      |                  |                  |                  |                  |
| Called up share capital                        | 16   |                  | 2                |                  | 2                |
| Retained earnings                              |      |                  | <u>3,210,520</u> |                  | <u>3,202,916</u> |
| <b>Total shareholders' funds</b>               |      |                  | <u>3,210,522</u> |                  | <u>3,202,918</u> |

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

22 June 2018.

  
**Terence Donnelly**  
 Director

The notes on pages 10 to 21 form part of these financial statements.

**Notes to the Financial Statements**  
**For the period ended 31 December 2017**

**1. General information**

The company's principal activities during the financial period was the retailing of new and second-hand motor vehicles and associated services.

The company is a private company limited by shares and is incorporated and domiciled in the UK. The address of the registered office is 59 Moy Road, Dungannon, Co. Tyrone, United Kingdom, BT71 7DT.

**2. Statement of compliance**

The financial statements of Donnelly Bros. (Belfast) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

**3. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

**3.1 Basis of preparation of financial statements**

These financial statements are prepared under the going concern basis 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 judgment in applying the company's accounting policies (see note 4).

**Comparative amounts**

Certain comparative amounts in the financial statements have been reclassified to conform to changes in presentation in the current year.

The following principal accounting policies have been applied:

**3.2 Exemptions for qualifying entity under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with.

The company has taken advantage of the following exemptions:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Donnelly Bros. Garages (Dungannon) Limited, includes the company's cash flows in its own consolidated financial statements;
- from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures;
- from disclosing the company's key management personnel compensation as required by FRS 102 paragraph 33.7; and
- from disclosure of transactions and balances with wholly owned group companies under FRS 102 paragraph 33.1A, as all of the voting rights are controlled within the group.

**Notes to the Financial Statements  
For the period ended 31 December 2017**

**3. Summary of significant accounting policies (continued)**

**3.3 Turnover**

Turnover represents the invoiced value of services supplied during the year and is recognised when and to the extent that the company obtains the right to consideration in exchange for its performance.

Turnover from sales of vehicles 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 turnover can be estimated reliably and collectability is reasonably assured.

Turnover is recognised excluding value added tax and is net of sales returns, discounts and future maintenance costs.

**3.4 Employee benefits**

The company provides a range of benefits to employees, including paid holiday arrangements and a defined contribution pension plan.

*(i) Short term benefits*

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

*(ii) Defined contribution pension plan*

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the Balance sheet. The assets of the plan are held separately from the company in independently administered funds.

**3.5 Finance costs**

Finance costs are charged to the Statement of income and retained earnings over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**3.6 Operating leases**

Rentals paid under operating leases are charged to the Statement of income and retained earnings on a straight line basis over the lease term.

**Notes to the Financial Statements  
For the period ended 31 December 2017**

**3. Summary of significant accounting policies (continued)**

**3.7 Tangible assets**

Tangible 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.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

|                               |   |                      |
|-------------------------------|---|----------------------|
| Short-term leasehold property | - | 20% straight line    |
| Plant and machinery           | - | 25% reducing balance |
| Motor vehicles                | - | 25% straight line    |
| Fixtures and fittings         | - | 25% reducing balance |
| Computer equipment            | - | 33% straight line    |

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 the Statement of income and retained earnings.

**3.8 Stocks**

Stocks are stated at the lower of historical cost and estimated selling price less cost to complete and sell after making due allowance for obsolete and slow moving stocks. Inventories consumed are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the first in first out (FIFO) method. Costs include the purchase price including taxes and duties and transport and handling directly attributable to bringing the stock to its present location and condition.

In addition to the stock recorded in the Balance sheet, the company holds vehicles under consignment arrangements, further details of which are given in note 12.

At the end of each reporting period stocks are assessed for impairment. If an item is impaired, the identified stock is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of income and retained earnings. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the Statement of income and retained earnings.

**3.9 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.

**3.10 Cash and cash equivalents**

Cash and cash equivalents includes 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. Bank overdrafts are shown within borrowings in current liabilities.

**Notes to the Financial Statements  
For the period ended 31 December 2017**

**3. Summary of significant accounting policies (continued)**

**3.11 Financial instruments**

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of income and retained earnings.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the Balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**Notes to the Financial Statements  
For the period ended 31 December 2017**

**3. Summary of significant accounting policies (continued)**

**3.12 Current and deferred taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of income and retained earnings, 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 operates and generates 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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.

**3.13 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**4. Critical accounting judgements and 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.

**(a) Critical judgements in applying the entity's accounting policies**

There are no critical judgements in applying the company's accounting policies.

**(b) Critical accounting estimates and assumptions**

There are no critical accounting estimates and assumptions.

**5. Turnover**

The whole of the turnover is attributable to the company's main activity which is carried out in the United Kingdom.

# Donnelly Bros. (Belfast) Limited

## Notes to the Financial Statements For the period ended 31 December 2017

### 6. Operating profit

The operating profit is stated after charging:

|  | 2017<br>£         | 2016<br>£         |
|--|-------------------|-------------------|
| Depreciation of tangible assets  | 120,969           | 143,956           |
| Fees payable to the company's auditors and their associates for the audit of the company's annual financial statements | 11,955            | 13,196            |
| Taxation compliance  | -                 | 1,660             |
| Other operating lease rentals  | 289,503           | 263,492           |
| Inventory recognised as an expense   | 36,680,147        | 31,524,026        |
| Defined benefit pension cost   | 26,554            | 23,275            |
|  | <u>          </u> | <u>          </u> |

### 7. Employees

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

|                       | 2017<br>£        | 2016<br>£        |
|-----------------------|------------------|------------------|
| Wages and salaries    | 3,170,900        | 2,707,014        |
| Social security costs | 295,119          | 245,064          |
| Other pension costs   | 26,554           | 23,275           |
|                       | <u>3,492,573</u> | <u>2,975,353</u> |

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

|                          | 2017<br>Number | 2016<br>Number |
|--------------------------|----------------|----------------|
| Selling and distribution | 108            | 98             |
| Administration           | 9              | 9              |
|                          | <u>117</u>     | <u>107</u>     |

### 8. Directors' remuneration

|                       | 2017<br>£      | 2016<br>£     |
|-----------------------|----------------|---------------|
| Directors' emoluments | 144,801        | 88,701        |
|                       | <u>144,801</u> | <u>88,701</u> |

**Donnelly Bros. (Belfast) Limited**

**Notes to the Financial Statements  
For the period ended 31 December 2017**

**9. Interest payable and similar expenses**

|                                    | 2017<br>£     | 2016<br>£     |
|------------------------------------|---------------|---------------|
| Bank loans and overdrafts interest | 28,123        | 48,499        |
| Interest on other loans            | -             | 7,083         |
|                                    | <u>28,123</u> | <u>55,582</u> |

Interest on stocking loans of £176,746 (2016: £Nil) is included within cost of sales.

**10. Tax on profit**

|  | 2017<br>£     | 2016<br>£     |
|--|---------------|---------------|
| <b>Corporation tax</b>                     |               |               |
| Current tax on profits for the period/year | 12,169        | 54,902        |
| Adjustments in respect of previous periods | 1,078         | -             |
|  | <u>13,247</u> | <u>54,902</u> |
| <b>Total current tax</b>                   | <u>13,247</u> | <u>54,902</u> |
| <b>Tax on profit</b>                       | <u>13,247</u> | <u>54,902</u> |

**Factors affecting tax charge for the period/year**

The tax assessed for the period/year is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

|   | 2017<br>£     | 2016<br>£      |
|---|---------------|----------------|
| Profit before tax   | <u>20,851</u> | <u>239,001</u> |
| Profit multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)    | 4,014         | 47,800         |
| <b>Effects of:</b>  |               |                |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 4,485         | 5,584          |
| Accelerated capital allowances and other timing differences                               | 2,443         | 1,518          |
| Adjustments in respect of previous periods  | 1,078         | -              |
| Effects of other rates  | 1,227         | -              |
| <b>Total tax charge for the period/year</b>   | <u>13,247</u> | <u>54,902</u>  |

**Notes to the Financial Statements**  
For the period ended 31 December 2017

**10. Tax on profit (continued)**

**Factors that may affect future tax charges**

Further reductions to the UK Corporation Tax rate were substantively enacted as part of the Finance Act 2016. These reduce the main rate of tax to 19% from 1 April 2017 and to 17% from 1 April 2020. The deferred tax assets and liabilities reflect these rates.

**11. Tangible assets**

|                                 | Long-term<br>leasehold<br>property<br>£ | Short-term<br>leasehold<br>property<br>£ | Plant and<br>machinery<br>£ | Motor<br>vehicles<br>£ | Fixtures and<br>fittings<br>£ | Total<br>£       |
|---------------------------------|---|--|-----------------------------|------------------------|-------------------------------|------------------|
| <b>Cost</b>                     |   |  |                             |                        |                               |                  |
| At 1 November 2016              | -                                       | 561,596                                  | 648,390                     | 84,130                 | 887,921                       | 2,182,037        |
| Additions                       | 300,000                                 | 79,721                                   | 18,152                      | 68,277                 | 104,103                       | 570,253          |
| Disposals                       | -                                       | -  | -                           | (56,920)               | -                             | (56,920)         |
| At 31 December 2017             | <u>300,000</u>                          | <u>641,317</u>                           | <u>666,542</u>              | <u>95,487</u>          | <u>992,024</u>                | <u>2,695,370</u> |
| <b>Accumulated depreciation</b> |   |  |                             |                        |                               |                  |
| At 1 November 2016              | -                                       | 544,554                                  | 546,607                     | 53,219                 | 765,311                       | 1,909,691        |
| Charge for the year             | -                                       | 16,092                                   | 31,106                      | 18,159                 | 55,612                        | 120,969          |
| Disposals                       | -                                       | -  | -                           | (30,525)               | -                             | (30,525)         |
| At 31 December 2017             | <u>-</u>                                | <u>560,646</u>                           | <u>577,713</u>              | <u>40,853</u>          | <u>820,923</u>                | <u>2,000,135</u> |
| <b>Net book value</b>           |   |  |                             |                        |                               |                  |
| At 31 December 2017             | <u>300,000</u>                          | <u>80,671</u>                            | <u>88,829</u>               | <u>54,634</u>          | <u>171,101</u>                | <u>695,235</u>   |
| At 31 October 2016              | <u>-</u>                                | <u>17,042</u>                            | <u>101,783</u>              | <u>30,911</u>          | <u>122,610</u>                | <u>272,346</u>   |

**Donnelly Bros. (Belfast) Limited**

**Notes to the Financial Statements  
For the period ended 31 December 2017**

**12. Stocks**

|                                     | 2017<br>£        | 2016<br>£        |
|-------------------------------------|------------------|------------------|
| Finished goods and goods for resale | 3,771,944        | 3,366,961        |
|                                     | <u>3,771,944</u> | <u>3,366,961</u> |

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 December 2017, the value of the consignment stock off balance sheet was £3,137,956 (31 October 2016: £2,532,421)

**13. Debtors**

|                                    | 2017<br>£        | 2016<br>£        |
|------------------------------------|------------------|------------------|
| Trade debtors                      | 1,386,572        | 1,755,002        |
| Amounts owed by group undertakings | 815,962          | 846,074          |
| Other debtors                      | -                | 31,692           |
| Prepayments and accrued income     | 597,073          | 238,311          |
|                                    | <u>2,799,607</u> | <u>2,871,079</u> |

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

## Donnelly Bros. (Belfast) Limited

### Notes to the Financial Statements For the period ended 31 December 2017

#### 14. Creditors: amounts falling due within one year

|                                    | 2017<br>£        | 2016<br>£        |
|------------------------------------|------------------|------------------|
| Bank loans and overdrafts          | 201,292          | -                |
| Stocking loans                     | 1,733,154        | 1,808,403        |
| Trade creditors                    | 1,384,995        | 1,217,844        |
| Amounts owed to group undertakings | 528,650          | 704,223          |
| Corporation tax                    | 18,514           | 101,247          |
| Other tax and social security      | 253,727          | 304,098          |
| Accruals and deferred income       | 290,884          | 235,790          |
|                                    | <u>4,411,216</u> | <u>4,371,605</u> |

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

#### 15. Deferred taxation

The company has the following deferred tax asset not recognised:

|  | 2017<br>£     | 2016<br>£     |
|--|---------------|---------------|
| Depreciation in excess of capital allowances | 29,144        | 31,586        |
|  | <u>29,144</u> | <u>31,586</u> |

The company has a potential deferred tax asset of £29,144 (2016: £31,586) which has not been recognised in the financial statements as its future recovery is uncertain. This potential deferred tax asset will be recognised when it can be regarded as more likely than not that there will be sufficient taxable profits from which the tax losses can be deducted.

# Donnelly Bros. (Belfast) Limited

## Notes to the Financial Statements For the period ended 31 December 2017

### 16. Called up share capital

|  | 2017<br>£ | 2016<br>£ |
|--|-----------|-----------|
| <b>Allotted and fully paid</b>         |           |           |
| 2 (2016: 2) ordinary shares of £1 each | <u>2</u>  | <u>2</u>  |

### 17. Pension commitments

The company operates a defined contribution pension scheme for a number of its employees. The assets of the scheme are held separately from those of the company, being invested with insurance companies. The pension cost charge represents contributions payable by the company and amounted to £26,554 for the year (2016: £23,275).

### 18. Operating lease commitments

At 31 December 2017 the company had future minimum lease payments under non-cancellable operating leases as follows:

|  | 2017<br>£      | 2016<br>£      |
|--|----------------|----------------|
| Not later than 1 year                        | 276,156        | 248,145        |
| Later than 1 year but not later than 5 years | -              | 536,580        |
| <b>Total</b>                                 | <u>276,156</u> | <u>784,725</u> |

### 19. Related party transactions

The company has taken advantage of the exemption under paragraph 33.1A from the provisions of FRS 102, on the grounds that at 31 December 2017 it was a wholly owned subsidiary. Transactions with other related parties are as follows:

|   |           | 2017<br>Amount of<br>transaction<br>£ | 2016<br>Amount of<br>transaction<br>£ | 2017<br>Amount owed<br>from/(to) related<br>party<br>£ | 2016<br>Amount owed<br>from/(to) related<br>party<br>£ |
|---|-----------|---------------------------------------|---------------------------------------|--|--|
| Donnelly & Taggart<br>Limited<br>(common influence)             | Sales     | 314,923                               | 486,615                               | 22,139   | 119,076  |
|   | Purchases | (550,660)                             | (570,507)                             | (9,652)  | (123,312)  |
| Donnelly & Taggart<br>(Ballymena) Limited<br>(common influence) | Sales     | 64,677                                | 37,570                                | 19,538   | 11,634   |
|   | Purchases | (13,714)                              | (43,444)                              | (8,748)  | (6,416)  |
| Taxi & Bus<br>Conversion Limited<br>(common influence)          | Sales     | 650                                   | 1,230                                 | -  | 321  |
|   | Purchases | (850)                                 | (41)                                  | (1,406)  | (333)  |

**Donnelly Bros. (Belfast) Limited**

**Notes to the Financial Statements  
For the period ended 31 December 2017**

**20. Ultimate parent undertaking and controlling party**

The ultimate controlling party is Terence Donnelly.

The company's ultimate parent undertaking is Donnelly Bros. (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: