Donnelly Bros. (Belfast) Limited

Annual Report and Financial Statements

31 December 2021

Directors
Terence Donnelly
Edwin Black
Raymond Donnelly

Secretary
Malcolm Kerr

Auditor
Ernst & Young LLP
Bedford House
16 Bedford Street
Belfast BT2 7DT

Bankers
Dankse Bank
Donegall Square West
Belfast
BT1 6JS

Solicitors
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59 Moy Road
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Strategic report

The directors present their Strategic report on the company for the year ended 31 December 2021.

Principal activities, business review and future developments

The principal activities of the company is the retailing of new and second-hand motor vehicles and associated services. Donnelly Bros. (Belfast) Limited operates from locations across Northern Ireland.

The profit for the financial year amounted to £1,050,335 (2020 – £443,063). The directors do not recommend the payment of a dividend (2020 – £nil).

The directors are satisfied with the financial results for the year ended 31 December 2021, and are confident the company can continue to grow into the future

Results and dividends

The profit for the financial year amounted to £1,050,335 (2020 – £443,063). The directors do not recommend the payment of a dividend (2020 – £nil).

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.

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 areas of the sites and offices safe environments for employees and customers alike.

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of the company.

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.

This report was approved by the board and signed by its order on

Malcolm Kerr
Company secretary

Registered No. NI032024

Directors' report

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

Directors

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

Terence Donnelly
Edwin Black
Raymond Donnelly

Results and dividends

The profit for the financial year amounted to £1,050,335 (2020 – £443,063). The directors do not recommend the payment of a dividend (2020 – £nil).

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.

Going Concern

The company is part of the Donnelly Bros. Garages (Dungannon) Limited group ("the Group") and all companies within the Group are party to the Group bank facilities agreements. The Directors have received a letter of support from Donnelly Bros. Garages (Dungannon) Limited confirming they will provide financial support and the Group has the ability to provide this support until 30 June 2023.

The Group has prepared financial forecasts recognising the potential impacts of on-going inflationary market conditions, as well as testing a number of sensitivities. These forecasts show that the Group is forecast to continue to be cash generative, will operate within its facilities including covenant requirements. and meet its obligations as they fall due until 30 June 2023.
Thus, with the letter of support in place the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements

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 year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

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

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- they have taken all the steps that ought to have been 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 auditor

Ernst & Young LLP were appointed as auditors during the year and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006This report was approved by the board and signed by its order.

By order of the Board

Malcolm Kerr
Secretary
13th June 2022

Independent auditor's report

to the members of Donnelly Bros. (Belfast) Limited

Opinion

We have audited the financial statements of Donnelly Bros. (Belfast) Limited for the year ended 31 December 2021 which comprise the Statement of income and retained earnings, the Balance Sheet, and the related notes 1 to 22, 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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 company's ability to continue as a going concern until June 2023.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information 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 this report, we do not express any form of assurance conclusion thereon.

Other information (continued)

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 there is 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the Companies Act 2006, the reporting framework FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Bribery Act 2010, Money Laundering Regulations and UK Tax Legislation.

- We understood how Donnelly Bros. (Belfast) Limited complying with those frameworks making enquiries of senior management, those charged with governance and those responsible for legal and compliance procedures. We corroborated our enquiries through review of the following documentation or performance of the following procedures:

  - obtaining an understanding of entity-level controls and considering the influence of the control environment;

  - obtaining an understanding of policies and procedures in place regarding compliance with laws and regulations, including how compliance with such policies is monitored and enforced; obtaining an understanding of management's process for identifying and responding to fraud risks, including programs and controls established to address risks identified, or otherwise prevent, deter and detect fraud, and how senior management monitors those programs and controls;

  - Issuing confirmation letters to all known legal counsel in the year and reviewing responses for instances of non-compliance

  - Review of board meeting minutes in the year and to date of signing;

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur through discussion within the audit team which included:

  - Identification of related parties, including circumstances related to the existence of a related party with dominant influence;

  - understanding the company's business and entity-level controls and considering the influence of the control environment; and

  - considering the nature of the account and our assessment of inherent risk for relevant assertions of significant accounts.

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved testing of journal entries, with focus on manual journals, large or unusual transactions, or journals meeting our defined risk criteria based on our understanding of the business; reviewing accounting estimates for evidence of management bias; enquiring of members of senior management and those charged with governance regarding their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements; and inspecting correspondence, if any, with the relevant licensing or regulatory authorities.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Michael Kidd (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast
Date: 15 June 2022

Statement of income and retained earnings

for the year ended 31 December 2021

	Note	2021 £	2020 £
Turnover	5	35.354.945	31.265.518
Cost of sales		(30.163.276)	(26.951.023)
Gross profit		5.191.669	4,314,495
Administrative expenses		(4,007.664)	(4.276.439)
Other income	6	126,672	549,000
Operating profit	7	1.310.677	587,056
Interest payable and similar expenses	10	(10.687)	(15.298)
Profit before taxation		1,299.990	571.758
Tax on profit	11	(249.655)	(128,695)
Profit for the financial year		1,050.335	443,063
Retained earnings at the beginning of the year		3,694.544	3.251.481
Profit for the financial year		1,050,335	443,063
Retained earnings at the end of the year		4,744,879	3,694,544

The notes on pages 13 to 23 form part of these financial statements.

Registered No. NI032024

Balance sheet

at 31 December 2021

	Note	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Tangible assets	12		1,284,232		1,492,282
			1,284,232		1,492,282
Current assets					
Stocks	13	3,571,896		4,169,501	
Debtors	14	1,350,032		1,987,717	
Cash at bank and in hand		2,930,427		1,403,413	
		7,852,355		7,560,631	
Creditors: amounts falling due within one year	15	(4,348,322)		(5,297,600)	
Net current assets			3,504,033		2,263,031
Total assets less current liabilities			4,788,265		3,755,313
Creditors: amounts falling due after more than one year	16		(43,384)		(60,767)
Net assets			4,744,881		3,694,546
Capital and reserves					
Called up share capital	18		2		2
Profit and loss reserve	18		4,744,879		3,694,544
Total shareholders' funds			4,744,881		3,694,546

The financial statements on pages 11 to 23 were approved and authorised for issue by the board and were signed on its behalf on

Terence Donnelly
Director

The notes on pages 13 to 23 form part of these financial statements.

Notes to the financial statements

at 31 December 2021

1. General information

The principal activities of the company are that of 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 Northern Ireland, within the United Kingdom. The address of the registered office is 59 Moy Road, Dungannon, United Kingdom, BT71DT.

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. Accounting policies

Basis of preparation of financial statements

These financial statements are prepared on a 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).

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, required under FRS 102 paragraph 3.17(d) 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;
- disclosure of financial instruments, required under FRS 102 paragraphs. 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A, as the information is provided in the consolidated financial statements of its ultimate parent;
- 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

at 31 December 2021

3. Accounting policies (continued)

Going Concern

The company is part of the Donnelly Bros. Garages (Dungannon) Limited group ("the Group") and all companies within the Group are party to the Group bank facilities agreements. The Directors have received a letter of support from Donnelly Bros. Garages (Dungannon) Limited confirming they will provide financial support and the Group has the ability to provide this support until 30 June 2023.

The Group has prepared financial forecasts recognising the potential impacts of on-going inflationary market conditions, as well as testing a number of sensitivities. These forecasts show that the Group is forecast to continue to be cash generative, will operate within its facilities including covenant requirements, and meet its obligations as they fall due until 30 June 2023.
Thus, with the letter of support in place the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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 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.

Other Income

Job Retention Scheme grant income (furlough income) relates to wages paid to workers who have been furloughed due to coronavirus. The income is recognised on an accrual basis in the period to which the underlying furloughed staff costs relate to. There are no unfulfilled conditions nor other contingencies attaching to the grant and there are no other forms of government assistance from which the entity has directly benefited.

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.

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.

Notes to the financial statements

at 31 December 2021

3. Accounting policies (continued)

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.

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

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.

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 13.

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.

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.

Notes to the financial statements

at 31 December 2021

3. Accounting policies (continued)

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.

Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

i. Financial assets

Basic financial assets, including trade and other debtors and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

i. Financial assets (continued)

Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of income and retained earnings.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Statement of income and retained earnings.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii. Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and loans from fellow group companies initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Notes to the financial statements

at 31 December 2021

3. Accounting policies (continued)

iii. Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally 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.

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.

Current and deferred taxation (continued)

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.

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

The fair value of used stock is reviewed by management regularly to estimate its net realisable value in comparisons to market values. Where appropriate a provision is put in place for vehicles that carrying value exceeded the market value.

Notes to the financial statements

at 31 December 2021

5. Turnover

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

6. Other income

	2021	2020
	£	£
COVID rates grant	50,000	-
Other miscellaneous	1,500	-
HMRC CJRS grant income	75,172	549,000
Total other income	126,672	549,000

7. Operating profit

The operating profit is stated after charging

	2021	2020
	£	£
Depreciation of tangible assets	227,829	196,657
Fees payable to the company's auditors and their associates for the audit of the company's annual financial statements	25,000	17,000
Operating lease rentals	370,201	296,722
Inventory recognised as an expense	31,677,933	26,243,554
Defined contribution pension cost (note 8)	49,773	72,658

In accordance with SI 2008/489 the company has not disclosed the fees payable to the company's auditors for 'Other services' as this information is included in the consolidated financial statements of Donnelly Bros. Garages (Dungannon) Limited.

8. Employees

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

	2021	2020
	£	£
Wages and salaries	2,354,881	2,669,227
Social security costs	244,661	223,053
Other pension costs	49,773	72,658
	2,649,315	2,964,938

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

	2021	2020
	Number	Number
Selling and distribution	71	86
Administrative	7	7
	78	93

Notes to the financial statements

at 31 December 2021

9. Directors' remuneration

	2021	2020
	£	£
Directors' emoluments	162,380	107,457

10. Interest payable and similar expenses

	2021	2020
	£	£
Bank interest payable	10,687	15,298

Interest on stocking loans of £101,951 (2020 – £130,513) is included within cost of sales.

11. Tax on profit

	2021	2020
	£	£
Corporation tax		
UK corporation tax on profits for the period	263,128	138,651
Adjustment in respect of previous periods	(5,524)	11,094
Total current tax	257,604	149,745
Deferred tax		
Origination and reversal of timing differences	3,242	(7,941)
Adjustment in respect of previous periods	(12,214)	(8,617)
Effect of changes in tax rates	1,023	(4,492)
Total deferred tax	(7,949)	(21,050)
Total tax charge for the year	249,655	128,695

The charge for the year can be reconciled to the profit per the income statement as follows:

	2021	2020
	£	£
Profit for the period	1,299,990	571,758
Tax on profit at standard UK tax rate of 19% (2019: 19%)	246,998	108,634
Effects of:		
Expenses not deductible	20,626	22,076
Income not taxable	(1,255)	-
Adjustments from previous periods	(17,738)	2,477
Tax rate changes	1,024	(4,492)
Tax charge for the period	249,655	128,695

Notes to the financial statements

at 31 December 2021

12. Tangible assets

	Long-term leasehold property	*Short-term leasehold property*	*Plant and machinery*	*Motor vehicles*	*Fixtures and fittings*	*Total*
	£	*£*	*£*	*£*	*£*	*£*
Cost or valuation						
At 1 January 2020	300,000	1.596.679	743,675	203,961	1.128,936	3.973.251
Additions	-	18.484	-	15,000	20,594	54.078
Disposals	-	-	-	(62,427)	-	(62,427)
At 31 December 2021	300,000	1,615,163	743,675	156,534	1,149.530	3,964.902
Accumulated depreciation						
At 1 January 2020	-	780,073	655,013	71,193	974.690	2.480.969
Charge for the year	-	112,488	27,440	43,116	44.785	227.829
Disposals	-	-	-	(28,128)	-	(28.128)
At 31 December 2021	-	892,561	682,453	86,181	1,019.475	2.680.670
New book value						
At 31 December 2021	**300,000**	**722,602**	**61,222**	**70,353**	**130,055**	**1,284,232**
At 31 December 2020	300,000	816,606	88,662	132,768	154,246	1,492.282

13. Stocks

	2021	*2020*
	£	*£*
Finished goods and goods for resale	3,571.896	4.169,501

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 2021, the value of the consignment stock off Balance sheet was £773.184 (2020 – £1,078,523)

Notes to the financial statements

at 31 December 2021

14. Debtors

	2021	2020
	£	£
Trade debtors	812,360	753,418
Amounts owed by group undertakings	53,505	643,981
Amounts owed by related party undertakings (note 21)	55,892	14,783
Other debtors	-	24,564
Prepayments and accrued income	364,182	477,066
Corporation tax	5,524	23,285
Deferred taxation asset (note 17)	58,569	50,620
	1,350,032	1,987,717

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

15. Creditors: amounts falling due within one year

	2021	2020
	£	£
Stocking loans	1,396,019	1,868,502
Trade creditors	1,660,765	1,856,560
Amounts owed to group undertakings	97,403	578,156
Amounts owed to related party undertakings (note 21)	3,501	4,956
Corporation tax	263,128	-
Other tax and social security	377,304	401,768
Other creditors	299,366	117,426
Obligations under finance lease and hire purchase agreements	17,383	17,383
Accruals and deferred income	233,453	452,849
	4,348,322	5,297,600

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

The bank facilities are secured by:

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 Bros (Bangor) Limited, Donnelly & Taggart (Ballymena) Limited and Taxi & Bus Conversion Limited;

Floating charge over the assets and undertakings of the company.

Notes to the financial statements

at 31 December 2021

16. Creditors: amounts falling due after more than one year

	2021	2020
	£	£
Obligations under finance lease and hire purchase agreements	43.384	60.767
	43.384	60.767

Analysis of the maturity of loans is given below:

	2021	2020
	£	£
Obligations under finance lease and hire purchase agreements		
Amounts falling due 1-2 years	17.383	17.383
Amounts falling due 2-5 years	26.001	43.384
	43.384	60.767

17. Deferred tax asset

	2021	2020
	£	£
At beginning of year	50.620	29.570
Adjustment in respect of prior years	12.214	-
(Debited)/credited to Statement of income and retained earnings	(4.265)	21.050
At end of year	58.569	50.620

The deferred taxation asset balance is made up as follows:

	2021	2020
	£	£
Fixed asset timing differences	57.551	49.825
Short-term timing differences - trading	1,018	795
	58.569	50.620

18. Called up share capital and reserves

	2021	2020
	£	£
Allotted and fully paid		
2 (2020 – 2) Ordinary shares of £1 each	2	2

Profit and loss account

The profit and loss account represents cumulative profits, losses and total other recognised gains or losses made by the Company, including distributions to and contributions from the parent company

Notes to the financial statements

at 31 December 2021

19. 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 £49,773 for the year (2020 – £72,658)

20. Operating lease commitments

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

	2021	*2020*
	£	*£*
Not later than 1 year	341,475	316,568
Between 2 and 5 years	740,505	966,638
Later than 5 years	13,633,536	14,031,729
	14,715,516	15,314,935

21. 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 2021 it was a wholly owned subsidiary. Transactions with other related parties are as follows:

	Nature of transaction	*2021 Amount of transaction £*	*2020 Amount of transaction £*	*2021 Amount owed from/(to) related party £*	*2020 Amount owed from/(to) related party £*
Donnelly & Taggart Limited	Sales	188,774	168,316	3,989	14,746
(common influence)	Purchases	(196,430)	(343,954)	(2,659)	(4,050)
Donnelly & Taggart (Ballymena) Limited	Sales	382,729	261,668	51,903	37
(common influence)	Purchases	(189,490)	(205,102)	(842)	(906)
Taxi & Bus Conversion Limited	Sales	-	368	-	-
(common influence)	Purchases	(11,530)	(32,150)	-	-

22. 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.