

REGISTERED NUMBER: 02235225 (England and Wales)

Strategic Report, Report of the Directors and  
Financial Statements for the Year Ended 31 December 2016  
for  
Bells Motor Group Limited

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**Contents of the Financial Statements**  
**for the Year Ended 31 December 2016**

	<b>Page</b>
<b>Company Information</b>	<b>1</b>
<b>Strategic Report</b>	<b>2</b>
<b>Report of the Directors</b>	<b>4</b>
<b>Report of the Independent Auditors</b>	<b>7</b>
<b>Statement of Comprehensive Income</b>	<b>8</b>
<b>Statement of Financial Position</b>	<b>9</b>
<b>Statement of Changes in Equity</b>	<b>10</b>
<b>Statement of Cash Flows</b>	<b>11</b>
<b>Notes to the Statement of Cash Flows</b>	<b>12</b>
<b>Notes to the Financial Statements</b>	<b>13</b>

**Bells Motor Group Limited**

**Company Information**  
**for the Year Ended 31 December 2016**

<b>DIRECTORS:</b>	C A Bell K D Bell Mrs V Bell Mrs E Eales
<b>SECRETARY:</b>	C A Bell
<b>REGISTERED OFFICE:</b>	Norman-D-Gate Bedford Road Northampton Northamptonshire NN1 5NT
<b>REGISTERED NUMBER:</b>	02235225 (England and Wales)
<b>AUDITORS:</b>	ASE Audit LLP Statutory Auditors & Chartered Accountants Rowan Court Concord Business Park Manchester Greater Manchester M22 0RR
<b>BANKERS:</b>	Lloyds Bank Plc 249 Silbury Boulevard Secklow Gate West Milton Keynes MK9 1NA

**Strategic Report**  
**for the Year Ended 31 December 2016**

The directors present their strategic report for the year ended 31 December 2016.

**REVIEW OF BUSINESS**

2016 saw trading profit before tax increase by 52% for the company from 2015, the company's turnover increased by 28% in the period, driven mainly by a large increase in Fleet Sales. The company's new vehicle sales volumes increased with the introduction of our Corporate Ecommerce Sales Team. New Gross profit per unit remained strong with the introduction of the new XC90 and the continuation of strong Kia Sportage sales. The company maintained its strong focus in all key areas of the business and continues to offer high levels of customer service. Consumer confidence remained strong in 2016, and consumer finance products PCP and PCH continued to drive the market in a positive direction.

2016 was a growth year for the company, each revenue stream was reviewed by the management team in all areas of the business, the key focus to improve New Vehicle sales and overall dealership profitability year on year. The decision to expand our Northampton Sales team by introducing the Fleet / Ecommerce team has been a positive one, combining with the decision to open all dealerships on Sundays as of January 2016, has had a positive impact on the business.

The used vehicle sales increased by 16% in 2016 and continued to remain a strong focus area for the company. Revenues generated from used vehicle sales increased by 16% year on year. With more part exchanges being generated from our growing Kia and Volvo brands, it is imperative the company maximises the revenue and profit from all used sales and trade disposals.

The company's after sales performance remained strong in 2016, with a focus to expand both Northampton and Bedford Aftersales departments, with technician recruitment at the forefront of this. Retail, Warranty and Internal hours all increased in line with expectations, but profitability fell slightly year on year due to the increase in headcount. The company's overhead absorption by the after sales department remained well above industry average. Sales forecasts will grow throughout 2017, in line with the continued growth of the Kia and Volvo vehicle parcs.

The company's parts sales grew in 2016 with an increase in turnover of 7% on total parts sold year on year. The trade parts operations in 2016 were under increased pressure and discount levels increased due to manufacturer target increases. Departmental profit declined slightly in 2016 with increased departmental headcount and a reduction in parts trade profit. The business will continue to focus on its trade potential but will continue to generate more retail parts sales through its workshops in 2017.

The company traded strongly in 2016 and will continue to grow all areas of the business throughout 2017. The company has traded strongly in the first quarter of 2017 with strong growth year on year. Market conditions have been challenging in Q2 2017 and the outlook for the remaining quarters will see a tougher trading environment. Achievement of manufacturer new vehicle targets will be key to a successful finish to 2017. Bells will continue to invest throughout 2017 with further investment in the Volvo Franchise, with the Volvo Retail Experience development commencing in Q3 at Northampton. The company was recognised in 2016 by the London Stock Exchange as one of the 1000 medium sized companies to inspire Britain. This accolade was based on the company's performance in turnover and profitability over the past four years, and is a great platform to continue the growth of the company.

**Strategic Report  
for the Year Ended 31 December 2016**

**PRINCIPAL RISKS AND UNCERTAINTIES**

The management of the business and the nature of the company's strategy are subject to a number of risks. The directors have set out below the principal risks facing the business.

**General economic conditions**

The general economic environment and levels of consumer and business confidence have a direct impact on levels of demand in the motor retail sector. In addition, fuel prices, interest rates, and levels of unemployment can all significantly impact sales levels. Demand levels are closely monitored by the business on an on-going basis (via sales and enquiry analysis) and action taken accordingly if these measures deviate from expectation.

**Manufacturer relationships**

The company relies on the strength of its relationships with the vehicle manufacturers to deliver a significant component of company profitability. Changes in the fortunes and strategy of the company's key manufacturer partners could directly and materially impact the company's result. The directors are confident that the future new products from its manufacturer/supplier will continue to be competitively priced and high quality and therefore consider that this "manufacturer risk" is minimal. It is, in any case, mitigated by the other core business areas of the company, including used vehicle sales, parts sales and service work.

**Used vehicle prices**

Used vehicle price volatility can present a significant risk in the event that the market price moves rapidly between the point of purchase and the point of sale of a used vehicle. This leads to reduced margins and increased provisions on unsold stock. This risk is mitigated by a combination of regular monitoring of the used vehicle market by the company used car buyers, a focus on stock turn to reduce the length of time that used vehicles are held in stock, and regular review and re-pricing to ensure that vehicles are priced competitively in the market.

**Company people and reputation**

The company has invested heavily in its people and its reputation over a number of years. It is therefore reliant on these individuals to a degree in delivering the company result and reinforcing the underlying Bells brand. The company undertakes a regular review of remuneration and packages to ensure that it attracts and retains the best people.

**KEY PERFORMANCE INDICATORS**

Growth in Turnover year on year: 28% - 2016: £48,939,878 compared to 2015: £38,362,606

Gross Profit Margin increase: 15% - 2016: £2,348,863 compared to 2015: £2,049,183

Operating Profit before Tax increase: 45% - 2016: £1,004,141 compared to 2015: £694,405

**Vehicle Sales**

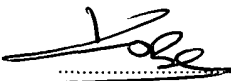
New Volvo Sales Units increase by 36% in 2016 from 433 in 2015 to 590

New Kia Sales units increased by 13% in 2016 from 657 in 2015 to 742

Used vehicle Sales units increased by 8% to 1,768 in 2016 from 1,640 in 2015

The Directors have and will continue to monitor all of the KPIs and daily operating controls and maintain a strong focus on increasing performance in all aspects of the business.

**ON BEHALF OF THE BOARD:**

  
K D Bell - Director

Date: 15/9/17

**Bells Motor Group Limited (Registered number: 02235225)**

**Report of the Directors**  
**for the Year Ended 31 December 2016**

The directors present their report with the financial statements of the company for the year ended 31 December 2016.

**PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of the operation of a motor dealership involving the sale, maintenance and repair of motor vehicles and the supply of related accessories.

**DIVIDENDS**

The total distribution of dividends for the year ended 31 December 2016 will be £200,150.

**FUTURE DEVELOPMENTS**

The company traded strongly in 2016 and will continue to expand its vehicle sales operations throughout 2017. The company will continue to focus on all key areas of the business and work with the management team to achieve its goals in 2017. The company will continue to strengthen its core value of customer satisfaction to increase customer loyalty which will allow Bells to remain a strong, profitable family run organisation.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2016 to the date of this report.

C A Bell  
K D Bell  
Mrs V Bell  
Mrs E Eales

**Report of the Directors**  
**for the Year Ended 31 December 2016**

**FINANCIAL INSTRUMENTS**

The company uses various financial instruments; these include cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

The main risks arising from the company's financial instrument are categorised as liquidity risk, market risk, credit risk and cash flow risk. The directors review and agree policies for managing each of these risks and they are summarised below.

The use of financial derivatives is governed by the company's policies approved by the board of directors. The company does not use derivative financial instruments for speculative purposes.

**LIQUIDITY RISK**

Funds available to the company are above operating requirements. The board of directors assess the need for liquidity within the business with reference to the funding cycle most appropriate to the trading performance and the short term cash flow need of the business.

**MARKET RISK**

The new car market for the next 12 months is expected to continue to grow, however the referendum decision by the UK public for Brexit from the EU, has left the economy with an uncertain medium term future.

The Bank of England have made changes to monetary policy, in an attempt to stabilise any immediate and future uncertainty.

**CREDIT RISK**

The company's principal financial assets are cash and trade debtors. The credit risk associated with the cash is minimal.

The principal credit risk therefore arises from trade debtors. In order to manage credit risk, the directors have implemented processes to ensure receipt of cleared funds for vehicle sales before the vehicle is released. The bonuses due from the manufacturer are paid by direct debit.

Other trade debtors require approved credit in advance which is supported by references and payment is required within the company's credit terms and hence credit risk is minimised.

**CASH FLOW RISK**

The company's activities primarily expose it to the financial risks of changes in its working capital, brought about by the seasonality of the industry and the stock holding requirements.

The board of directors monitor the working capital requirement and are able to assess the commercial rationale against the costs of raising capital through the company's bankers and primary funders.

The security offered by the fixed term/ term deposits are assessed against their potential rewards.

**POST BALANCE SHEET EVENTS**

There have been no events that have affected the company after the reporting date.

**DISCLOSURE IN THE STRATEGIC REPORT**

The Directors review of business, and their consideration of the risks and uncertainties surrounding the business may be found in the Strategic Report.

**Report of the Directors**  
**for the Year Ended 31 December 2016**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

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

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

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

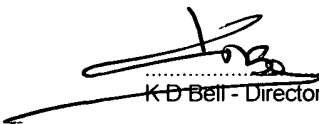
**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**

The auditors, ASE Audit LLP, will be proposed for re-appointment in accordance with Section 485 of the Companies Act 2006.

**ON BEHALF OF THE BOARD:**

  
.....  
K-B Bell - Director

Date: 15/9/17 .....



**Report of the Independent Auditors to the Members of**  
**Bells Motor Group Limited**

We have audited the financial statements of Bells Motor Group Limited for the year ended 31 December 2016 on pages eight to twenty two. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 a Report of the Auditors 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.

**Respective responsibilities of directors and auditors**

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

**Scope of the audit of the financial statements**

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

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the accounts are prepared is consistent with the financial statements, and the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

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

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

*ASE Audit LLP*

Paul Allan Byrne BA (Double Hons) FCA (Senior Statutory Auditor)  
for and on behalf of ASE Audit LLP  
Statutory Auditors & Chartered Accountants  
Rowan Court  
Concord Business Park  
Manchester  
Greater Manchester  
M22 0RR

Date: *15th September 2017*

**Statement of Comprehensive Income**  
**for the Year Ended 31 December 2016**

	Notes	2016 £	2015 £
<b>TURNOVER</b>	3	<b>48,939,878</b>	<b>38,362,606</b>
Cost of sales		<b>46,591,015</b>	<b>36,313,423</b>
<b>GROSS PROFIT</b>		<b>2,348,863</b>	<b>2,049,183</b>
Administrative expenses		<b>1,474,978</b>	<b>1,483,576</b>
		<b>873,885</b>	<b>565,607</b>
Other operating income	4	<b>130,256</b>	<b>128,798</b>
<b>OPERATING PROFIT</b>	6	<b>1,004,141</b>	<b>694,405</b>
Interest payable and similar expenses	8	<b>87,632</b>	<b>90,261</b>
<b>PROFIT BEFORE TAXATION</b>		<b>916,509</b>	<b>604,144</b>
Tax on profit	9	<b>178,616</b>	<b>113,184</b>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>737,893</b>	<b>490,960</b>
<b>OTHER COMPREHENSIVE INCOME</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>737,893</b>	<b>490,960</b>

The notes form part of these financial statements

**Statement of Financial Position**  
**31 December 2016**

	Notes	2016 £	2015 £
<b>FIXED ASSETS</b>			
Tangible assets	11	6,408,803	5,890,140
Investments	12	4	4
Investment property	13	859,659	850,167
		<u>7,268,466</u>	<u>6,740,311</u>
<b>CURRENT ASSETS</b>			
Stocks	14	6,866,652	6,147,085
Debtors	15	1,005,134	994,704
Cash at bank and in hand		859,358	1,529,868
		<u>8,731,144</u>	<u>8,671,657</u>
<b>CREDITORS</b>			
Amounts falling due within one year	16	(6,514,777)	(6,499,848)
<b>NET CURRENT ASSETS</b>		<u>2,216,367</u>	<u>2,171,809</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>9,484,833</u>	<u>8,912,120</u>
<b>PROVISIONS FOR LIABILITIES</b>	20	(119,483)	(84,513)
<b>NET ASSETS</b>		<u>9,365,350</u>	<u>8,827,607</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	21	49,002	49,002
Capital redemption reserve	22	125,189	125,189
Retained earnings	22	9,191,159	8,653,416
<b>SHAREHOLDERS' FUNDS</b>		<u>9,365,350</u>	<u>8,827,607</u>

The financial statements were approved by the Board of Directors on 15/9/17 and were signed on its behalf by:

  
K D Bell - Director

  
C A Bell - Director

The notes form part of these financial statements

**Statement of Changes in Equity**  
**for the Year Ended 31 December 2016**

	<b>Called up share capital £</b>	<b>Retained earnings £</b>	<b>Capital redemption reserve £</b>	<b>Total equity £</b>
<b>Balance at 1 January 2015</b>	49,002	8,324,556	125,189	8,498,747
<b>Changes in equity</b>				
Dividends	-	(162,100)	-	(162,100)
Total comprehensive income	-	490,960	-	490,960
<b>Balance at 31 December 2015</b>	<u>49,002</u>	<u>8,653,416</u>	<u>125,189</u>	<u>8,827,607</u>
<b>Changes in equity</b>				
Dividends	-	(200,150)	-	(200,150)
Total comprehensive income	-	737,893	-	737,893
<b>Balance at 31 December 2016</b>	<u>49,002</u>	<u>9,191,159</u>	<u>125,189</u>	<u>9,365,350</u>

**Statement of Cash Flows**  
**for the Year Ended 31 December 2016**

	Notes	2016 £	2015 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	367,783	1,188,179
Interest paid		(87,632)	(90,261)
Tax paid		(109,315)	(94,342)
Net cash from operating activities		<u>170,836</u>	<u>1,003,576</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(642,204)	(144,609)
Purchase of investment property		(9,492)	-
Sale of tangible fixed assets		10,500	-
Net cash from investing activities		<u>(641,196)</u>	<u>(144,609)</u>
<b>Cash flows from financing activities</b>			
Equity dividends paid		(200,150)	(162,100)
Net cash from financing activities		<u>(200,150)</u>	<u>(162,100)</u>
(Decrease)/increase in cash and cash equivalents		<u>(670,510)</u>	<u>696,867</u>
Cash and cash equivalents at beginning of year	2	1,529,868	833,001
Cash and cash equivalents at end of year	2	<u><u>859,358</u></u>	<u><u>1,529,868</u></u>

The notes form part of these financial statements

**Notes to the Statement of Cash Flows**  
**for the Year Ended 31 December 2016**

**1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	2016	2015
	£	£
Profit before taxation	916,509	604,144
Depreciation charges	113,041	126,461
Finance costs	87,632	90,261
	<hr/>	<hr/>
Increase in stocks	1,117,182	820,866
(Increase)/decrease in trade and other debtors	(719,567)	(539,982)
(Decrease)/increase in trade and other creditors	(10,430)	183,826
	<hr/>	<hr/>
<b>Cash generated from operations</b>	<b>367,783</b>	<b>1,188,179</b>
	<hr/>	<hr/>

**2. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

**Year ended 31 December 2016**

	31.12.16	1.1.16
	£	£
Cash and cash equivalents	859,358	1,529,868
	<hr/>	<hr/>

**Year ended 31 December 2015**

	31.12.15	1.1.15
	£	£
Cash and cash equivalents	1,529,868	833,001
	<hr/>	<hr/>

**Notes to the Financial Statements**  
**for the Year Ended 31 December 2016**

**1. STATUTORY INFORMATION**

Bells Motor Group Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

The principal activity of company is disclosed within the Report of the Directors.

The company has no one single place of business.

**2. ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

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

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.

The following principal accounting policies have been applied:

**Significant judgements and estimates**

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities at the reporting date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgments (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

**Consignment stock**

Vehicles held on consignment have been included in stock on the basis that the company has determined that it holds the significant risks and rewards attached to these vehicles.

**Stock valuation**

Stock valuation is regularly monitored against age profile and market demand. Management use a number of market tools during the appraisal process including Glass' and CAP valuation guides. The directors maintain oversight of ageing stock profiles and a monthly review of any provision required is performed.

**Property, plant and equipment assets**

Property, plant and equipment are reviewed for impairment if events or circumstances indicate that the carrying value may not be recoverable. When an impairment review is carried out the recoverable value is determined based on value in use calculations which require estimates to be made of future cash flows.

**Incentives and other rebates from brand partners**

The company receives income in the form of various incentives which are determined by our brand partners. The amount received is generally based on achieving specific objectives such as a specified sales volume, as well as other objectives including maintaining brand partner standards which may include, but are not limited to, retail centre image and design requirements, customer satisfaction survey results and training standards. Objectives are generally set and measured on either a quarterly or annual basis.

Where incentives are based on a specific sales volume or number of registrations, the related income is recognised as a reduction in cost of sales when it is reasonably certain that the income has been earned. This is generally the later of the date the related vehicles are sold or registered or when it is reasonably certain that the related target will be met. Where incentives are linked to retail centre image and design requirements, customer satisfaction survey results or training standards, they are recognised as a reduction in cost of sales when it is reasonably certain that the incentive will be received for the relevant period.

The company may also receive contributions towards advertising, promotional and rent expenditure. Where such contributions are received they are recognised as a reduction in the related expenditure in the period to which they relate.

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2016**

**2. ACCOUNTING POLICIES - continued**

**Turnover**

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

**Sale of goods**

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

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

**Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and;
- the costs incurred and the costs to complete the contract can be measured reliably.

**Tangible fixed assets**

Tangible fixed assets under the cost model, other than investment properties, 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.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Statement of Comprehensive Income during the period in which they are incurred.

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

Depreciation is provided on the following basis:

Freehold property	- Not provided
Plant and machinery	- 20% - 50% on cost
Motor vehicles	- 25% - 50% on cost
Office equipment	- 20% - 50% on cost

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 within the Statement of Comprehensive Income.

**Investments in subsidiaries**

Investments in subsidiaries are measured at cost less accumulated impairment.

**Investment property**

Investment property is carried at fair value determined annually by the directors and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.



**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2016**

**2. ACCOUNTING POLICIES - continued**

**Stocks**

Stocks are stated at the lower of cost and net realisable value, after making due allowance for slow moving items.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

Consignment vehicles which bear considerably more of the risks and responsibilities of ownership are regarded effectively as being under control of the company and, in accordance with the FRS 102 are included in stocks on the Statement of Financial Position, although legal title has not passed to the company. The corresponding liability is included in trade creditors and is secured directly on these vehicles.

**Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a change 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 reporting 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 Statement of Financial Position 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 reporting date.

Current or deferred tax assets and liabilities are not discounted.

**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 payments obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2016**

**2. ACCOUNTING POLICIES - continued**

**Debtors**

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

**Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

**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 accounts receivable and payable, loans from banks and other third 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 payables or receivables, 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 Comprehensive Income.

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 reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position 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.

**Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**Finance costs**

Finance costs are charged to the Statement of Comprehensive Income 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.

**Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders.

**Bells Motor Group Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2016**

**3. TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by class of business is given below:

	2016 £	2015 £
Sale of goods	46,237,008	35,881,561
Rendering of services	2,702,870	2,481,045
	<u>48,939,878</u>	<u>38,362,606</u>

All turnover arose within the UK.

**4. OTHER OPERATING INCOME**

	2016 £	2015 £
Rents received	<u>130,256</u>	<u>128,798</u>

**5. EMPLOYEES AND DIRECTORS**

	2016 £	2015 £
Wages and salaries	2,231,637	1,967,050
Social security costs	205,100	175,832
Other pension costs	87,293	103,275
	<u>2,524,030</u>	<u>2,246,157</u>

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

	2016	2015
Directors	4	4
Administrative	4	4
Sales	46	44
Production	30	28
	<u>84</u>	<u>80</u>

	2016 £	2015 £
Directors' remuneration	56,791	60,165
Directors' pension contributions to money purchase schemes	<u>45,000</u>	<u>60,000</u>

The number of directors to whom retirement benefits were accruing was as follows:

	3	3
Money purchase schemes	<u>3</u>	<u>3</u>

**6. OPERATING PROFIT**

The operating profit is stated after charging:

	2016 £	2015 £
Depreciation - owned assets	<u>113,041</u>	<u>126,463</u>

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2016**

**7. AUDITORS' REMUNERATION**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Fees payable to the company's auditors for the audit of the company's financial statements	<b>9,622</b>	<b>9,622</b>
Auditors' remuneration for non audit work	<b>2,406</b>	<b>2,406</b>

**8. INTEREST PAYABLE AND SIMILAR EXPENSES**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Stocking interest	<b>87,632</b>	<b>90,261</b>

**9. TAXATION**

**Analysis of the tax charge**

The tax charge on the profit for the year was as follows:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Current tax:		
UK corporation tax	<b>143,654</b>	<b>101,539</b>
Prior year overprovision	<b>(8)</b>	<b>-</b>
Total current tax	<b>143,646</b>	<b>101,539</b>
Deferred tax	<b>34,970</b>	<b>11,645</b>
Tax on profit	<b>178,616</b>	<b>113,184</b>

**Reconciliation of total tax charge included in profit and loss**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Profit before tax	<b>916,509</b>	<b>604,144</b>
Profit multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20.247%)	<b>183,302</b>	<b>122,321</b>
Effects of:		
Expenses not deductible for tax purposes	<b>165</b>	<b>700</b>
Capital allowances in excess of depreciation	<b>(34,259)</b>	<b>(13,113)</b>
Adjustments to tax charge in respect of previous periods	<b>-</b>	<b>(7,778)</b>
Marginal relief	<b>-</b>	<b>(591)</b>
Deferred tax	<b>34,970</b>	<b>11,645</b>
Balance sheet adjustments	<b>(5,562)</b>	<b>-</b>
Total tax charge	<b>178,616</b>	<b>113,184</b>

A reduction in the corporation tax rate from 20% to 19% from 1 April 2019 and to 17% from 1 April 2020 was substantively enacted on 18 November 2015. Future tax liabilities will reduce accordingly and deferred tax has been provided at 19% in these financial statements.

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2016**

**10. DIVIDENDS**

	2016 £	2015 £
'C' Ordinary shares of £1 each Final	119,250	90,400
'D' Ordinary shares of £1 each Final	20,000	20,000
'E' Ordinary shares of £1 each Final	25,000	25,000
'F' Ordinary shares of £1 each Final	35,900	26,700
	<u>200,150</u>	<u>162,100</u>

**11. TANGIBLE FIXED ASSETS**

	Freehold property £	Plant and machinery £	Office equipment £	Motor vehicles £	Totals £
<b>COST</b>					
At 1 January 2016	5,665,046	455,419	484,197	91,219	6,695,881
Additions	504,108	59,332	21,947	56,817	642,204
Disposals	-	(10,116)	-	(25,585)	(35,701)
At 31 December 2016	<u>6,169,154</u>	<u>504,635</u>	<u>506,144</u>	<u>122,451</u>	<u>7,302,384</u>
<b>DEPRECIATION</b>					
At 1 January 2016	-	360,408	395,107	50,226	805,741
Charge for year	-	49,683	43,233	20,125	113,041
Eliminated on disposal	-	(10,116)	-	(15,085)	(25,201)
At 31 December 2016	<u>-</u>	<u>399,975</u>	<u>438,340</u>	<u>55,266</u>	<u>893,581</u>
<b>NET BOOK VALUE</b>					
At 31 December 2016	<u>6,169,154</u>	<u>104,660</u>	<u>67,804</u>	<u>67,185</u>	<u>6,408,803</u>
At 31 December 2015	<u>5,665,046</u>	<u>95,011</u>	<u>89,090</u>	<u>40,993</u>	<u>5,890,140</u>

**12. FIXED ASSET INVESTMENTS**

	Shares in group undertakings £
<b>COST</b>	
At 1 January 2016 and 31 December 2016	<u>4</u>
<b>NET BOOK VALUE</b>	
At 31 December 2016	<u>4</u>
At 31 December 2015	<u>4</u>

The company's investments at the Statement of Financial Position date in the share capital of companies include the following:

**Lorrimar Limited**

Registered office: Norman-D-Gate, Bedford Road, Northampton, NN1 5NT, UK  
Nature of business: Dormant

Class of shares:	%
Ordinary	holding 100.00

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2016**

**12. FIXED ASSET INVESTMENTS - continued**

**Lorrimar Management Limited**

Registered office: Norman-D-Gate, Bedford Road, Northampton, NN1 5NT, UK

Nature of business: Dormant

Class of shares:	%
Ordinary	holding 100.00

The financial statements contain information about Bells Motor Group Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is considered exempt under Section 405(2) of the Companies Act 2006 from the requirements to prepare consolidated financial statements due to the inclusion of the subsidiaries not being material for the purpose of giving a true and fair view.

**13. INVESTMENT PROPERTY**

	<b>Total £</b>
<b>FAIR VALUE</b>	
At 1 January 2016	<b>850,167</b>
Additions	<b>9,492</b>
	<hr/>
At 31 December 2016	<b>859,659</b>
	<hr/>
<b>NET BOOK VALUE</b>	
At 31 December 2016	<b>859,659</b>
	<hr/>
At 31 December 2015	<b>850,167</b>
	<hr/>

The 2016 valuations were made by the directors, on an open market value for existing use basis.

**14. STOCKS**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Vehicle stock	<b>6,743,929</b>	<b>6,011,174</b>
Parts stock	<b>122,723</b>	<b>135,911</b>
	<hr/>	<hr/>
	<b>6,866,652</b>	<b>6,147,085</b>
	<hr/>	<hr/>

Stock recognised in cost of sales during the year as an expense was £43,552,741 (2015: £33,595,458).

An impairment loss of £129,428 was reversed (2015: £1,065 recognised) in cost of sales against stock during the year due to slow-moving and obsolete stock.

**15. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Trade debtors	<b>584,025</b>	<b>574,904</b>
Prepayments	<b>421,109</b>	<b>419,800</b>
	<hr/>	<hr/>
	<b>1,005,134</b>	<b>994,704</b>
	<hr/>	<hr/>

An impairment loss of £5,863 was reversed (2015: £7,663 was recognised) against trade debtors.

**Bells Motor Group Limited**

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2016**

**16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2016	2015
	£	£
Trade creditors	5,796,985	5,594,760
Corporation tax	143,646	109,315
Social security and other taxes	79,437	272,588
Director's loan account	415,000	475,753
Accruals	79,709	47,432
	<u>6,514,777</u>	<u>6,499,848</u>

**17. LEASING AGREEMENTS**

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2016	2015
	£	£
Within one year	47,200	51,757
Between one and five years	153,100	163,300
In more than five years	2,722,583	2,759,583
	<u>2,922,883</u>	<u>2,974,640</u>

**18. SECURED DEBTS**

The following secured debts are included within creditors:

	2016	2015
	£	£
Vehicle funding	<u>6,156,268</u>	<u>6,010,646</u>

The vehicle funding is secured directly on the vehicles that are financed.

The bank overdraft is secured by a debenture.

**19. FINANCIAL INSTRUMENTS**

	2016	2015
	£	£
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	<u>922,363</u>	<u>923,793</u>
	<u>922,363</u>	<u>923,793</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>(6,291,694)</u>	<u>(6,117,945)</u>
	<u>(6,291,694)</u>	<u>(6,117,945)</u>

Financial assets measured at amortised cost comprise trade and other debtors as well as items of accrued income and included within prepayments.

Financial liabilities measured at amortised cost comprise trade creditors, accruals where a cash settlement will take place and overdrafts.

**Bells Motor Group Limited (Registered number: 02235225)**

**Notes to the Financial Statements - continued  
for the Year Ended 31 December 2016**

**20. PROVISIONS FOR LIABILITIES**

	2016 £	2015 £
Deferred tax		
Accelerated capital allowances	115,955	86,409
Short term timing differences	3,528	(1,896)
	<u>119,483</u>	<u>84,513</u>
		<b>Deferred tax</b>
		<b>£</b>
Balance at 1 January 2016		84,513
Charge to Statement of Comprehensive Income during year		<u>34,970</u>
Balance at 31 December 2016		<u>119,483</u>

**21. CALLED UP SHARE CAPITAL**

Number:	Class:	Nominal value:	2016 £	2015 £
29,877	'A' Ordinary	£1	29,877	29,877
4,851	'B' Ordinary	£1	4,851	4,851
4,400	'C' Ordinary	£1	4,400	4,400
4,400	'D' Ordinary	£1	4,400	4,400
4,400	'E' Ordinary	£1	4,400	4,400
1,074	'F' Ordinary	£1	1,074	1,074
			<u>49,002</u>	<u>49,002</u>

**22. RESERVES**

**Capital redemption reserve**

This reserve includes the nominal value of shares which have been redeemed by the company.

**Retained earnings**

This reserve includes all current and prior period retained profit and losses less dividends.

**23. PENSION COMMITMENTS**

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £87,293 (2015: £103,275). Contributions totalling £9,292 (2015: £9,048) were payable to the fund at the reporting date.

**24. RELATED PARTY DISCLOSURES**

During the year rent was paid to the Bells Motor Group self administered pension plan amounting to £59,999 (2015 : £59,999).

During the year a vehicle (2015: four) was sold to a director, the total consideration amounted to £42,035 (2015 : £93,531). The transaction was at arms length.

Included within other creditors is £415,000 (2015: £475,753) which is due to a director, the loan attracts no interest and is repayable on demand.

Dividends amounting to £200,150 (2015: £162,100) were paid to directors.

**25. ULTIMATE CONTROLLING PARTY**

The ultimate controlling party is K D Bell by virtue of his majority shareholding in the company.