REGISTERED NUMBER: 02235225 (England and Wales)

Strategic Report, Report of the Directors and

Financial Statements for the Year Ended 31 December 2017

for

Bells Motor Group Limited

ASE Audit LLP
Statutory Auditors & Chartered Accountants
Rowan Court
Concord Business Park
Manchester
Greater Manchester
M22 0RR

Contents of the Financial Statements for the Year Ended 31 December 2017

Company Information
for the Year Ended 31 December 2017

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

Strategic Report
for the Year Ended 31 December 2017

The directors present their strategic report for the year ended 31 December 2017.

REVIEW OF BUSINESS

2017 saw trading profit before tax increase by 1.3% for the company from 2016, the company's turnover increased by 17% in the period, driven mainly by a large increase in New and Used Vehicle Sales. The Corporate Ecommerce Sales Team continued to increase sales with an increase of £6 million on turnover year on year. New Gross profit per unit decreased slightly as the pressure to achieve Manufacturer targets increased discount levels. The company maintained its strong focus in all key areas of the business and continues to offer high levels of customer service. Q1 2017 was a strong quarter for the industry, with increased deliveries due to the Government increasing Vehicle Excise Duty as of the 1st April. The Market continued to decline in 2017, but Volvo and Kia continued to increase sales driven by strong retail offerings. PCH Sales continued to drive the market in a positive direction.

2017 was a strong growth year for the company, each department increased revenue streams which increased turnover year on year. Profitability remained stable as the company increased headcount in all areas of the business, to cope with increased workloads. The management team will continue to review all areas of the business to keep profitability in line with expectations. The Fleet / Ecommerce sales team continue to increase Sales and a strong focus on Used vehicles has driven profitability to counter balance decreased margins on New vehicles.

Used vehicle sales increased by 8% in 2017 with gross profit increasing by 10%. Volvo introduced a trimester bonus on used vehicles which definitely increased focus within the business. Used vehicles will always be a strong focus area for the company, with the business looking to increase sales and profitability on used vehicles in 2018. The company has purchased additional properties to assist with the cleaning and preparation of used vehicles which will help in achieving our 2018 sales plan.

The after sales revenues remained strong in 2017, total labour sales increased by 15% for the group, with departmental profitability increasing by 7 % in 2017. Technician recruitment continues to cause concern, with the requirement to train apprentices never greater. Service departmental costs have risen and will continue to do so in 2018, as the demand for skilled labour increases. The company's overhead absorption by the after sales department remained well above industry average. Sales forecasts will grow throughout 2018, in line with the continued growth of the Kia and Volvo vehicle parcs.

The company's parts sales grew in all areas in 2017 with an increase in turnover of 14% on total parts sold year on year. The decision was made for the trade parts operation to be relocated to Bedford to allow for a greater focus on Trade Parts. Departmental profit increased in 2017 after a decrease in 2016, with all manufacturer targets being achieved. The business will continue to focus on its trade potential but will monitor carefully as Trade Parts profit remains under pressure. The Group will continue to generate more retail parts sales through its workshops in 2018, in line with the increase in both Volvo and Kia vehicle parcs.

The company traded strongly in 2017 and achieved all of its Manufacturer Sales objectives in the period. The company has traded strongly in the first quarter of 2018 with strong growth year on year. Market conditions have been challenging in Q2 but all sales objectives will be achieved. The outlook for the 2nd half of the year will see a tougher trading environment for the industry, but both Volvo and Kia continue to produce strong results. Achievement of manufacturer new vehicle targets will be key to a successful finish to 2018. Bells Northampton Volvo Retail Experience development will be completed in Q3 2018. Bells Kia Northampton was awarded Platinum Dealer status in 2017 and both dealerships were awarded the Kia Customer Experience, awarded to the top 25 dealers in the UK.

The company continues to strengthen its core value of customer satisfaction and introduced a new group role, Group Customer Service Co-Ordinator, which will enable us to maintain the group's high standards. Bells, with its strong Management team and its active approach, will continue to expand the business both in turnover and profitability throughout 2018.

Strategic Report
for the Year Ended 31 December 2017

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.

Brexit
A "Hard" Brexit may have an impact on the UK car market from March 2019 with possible rises in the cost of vehicles and parts from overseas due to adverse exchange rates and higher tariffs. Per SMMT "Import tariffs alone could push up the list price of cars imported to the UK from the continent by an average of £1,500 if brands and their retail networks were unable to absorb these additional costs." This would affect demand for new car sales with selling price rises very likely, although used car volumes may increase.

KEY PERFORMANCE INDICATORS
Growth in Turnover year on year: 17% - 2017: £57,248,224 compared to 2016: £48,939,878
Gross Profit Margin increase: 9% - 2017: £2,551,080 compared to 2016: £2,348,863
Operating Profit before Tax increase: 2% - 2017: £1,024,608 compared to 2016: £1,004,141

Vehicle Sales

New Volvo Sales nits increased by 16% in 2017 from 590 in 2016 to 683
New Kia Sales units increased by 29% in 2017 from 657 in 2016 to 847
Used vehicle Sales units increased by 8% to 1,911 in 2017 from 1,768 in 2016

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: 21.09.2018

Report of the Directors
for the Year Ended 31 December 2017

The directors present their report with the financial statements of the company for the year ended 31 December 2017.

DIVIDENDS

The total distribution of dividends for the year ended 31 December 2017 will be £206,500 (2016 : £200,150).

FUTURE DEVELOPMENTS

See comments in the Review of Business section of the Strategic Report.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2017 to the date of this report.

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

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.

Report of the Directors
for the Year Ended 31 December 2017

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.

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 D Bell - Director

Date: 21.09.2018

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

Opinion
We have audited the financial statements of Bells Motor Group Limited (the 'company') for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Statement of Cash Flows, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 December 2017 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 Auditors' 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
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements 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
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 the Report of the Directors.

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.

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, 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 necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

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.

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: 24th September 2018

Statement of Comprehensive Income
for the Year Ended 31 December 2017

	Notes	2017 £	2016 £
TURNOVER	3	**57,248,224**	48,939,878
Cost of sales		**54,704,987**	46,591,015
GROSS PROFIT		**2,543,237**	2,348,863
Administrative expenses		**1,642,195**	1,474,978
		901,042	873,885
Other operating income	4	**123,566**	130,256
OPERATING PROFIT	6	**1,024,608**	1,004,141
Interest payable and similar expenses	8	**95,995**	87,632
PROFIT BEFORE TAXATION		**928,613**	916,509
Tax on profit	9	**177,138**	178,616
PROFIT FOR THE FINANCIAL YEAR		**751,475**	737,893
OTHER COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**751,475**	737,893

The notes form part of these financial statements

Statement of Financial Position
31 December 2017

	Notes	2017 £	2016 £
FIXED ASSETS			
Tangible assets	11	**6,717,806**	6,408,803
Investments	12	**4**	4
Investment property	13	**864,314**	859,659
		7,582,124	7,268,466
CURRENT ASSETS			
Stocks	14	**9,314,624**	6,866,652
Debtors	15	**1,308,046**	1,005,134
Cash at bank and in hand		**911,818**	859,358
		11,534,488	8,731,144
CREDITORS			
Amounts falling due within one year	16	**(8,867,720)**	(6,514,777)
NET CURRENT ASSETS		**2,666,768**	2,216,367
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,248,892**	9,484,833
CREDITORS			
Amounts falling due after more than one year	17	**(206,254)**	-
PROVISIONS FOR LIABILITIES	22	**(132,313)**	(119,483)
NET ASSETS		**9,910,325**	9,365,350
CAPITAL AND RESERVES			
Called up share capital	23	**49,002**	49,002
Capital redemption reserve	24	**125,189**	125,189
Retained earnings	24	**9,736,134**	9,191,159
SHAREHOLDERS' FUNDS		**9,910,325**	9,365,350

The financial statements were approved by the Board of Directors on 21.9.2018 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 2017

	Called up share capital £	Retained earnings £	Capital redemption reserve £	Total equity £
Balance at 1 January 2016	49,002	8,653,416	125,189	8,827,607
Changes in equity				
Dividends	-	(200,150)	-	(200,150)
Total comprehensive income	-	737,893	-	737,893
Balance at 31 December 2016	49,002	9,191,159	125,189	9,365,350
Changes in equity				
Dividends	-	(206,500)	-	(206,500)
Total comprehensive income	-	751,475	-	751,475
Balance at 31 December 2017	49,002	9,736,134	125,189	9,910,325

The notes form part of these financial statements

Bells Motor Group Limited (Registered number: 02235225)

Statement of Cash Flows
for the Year Ended 31 December 2017

	Notes	2017 £	2016 £
Cash flows from operating activities			
Cash generated from operations	1	**818,951**	367,783
Interest paid		**(95,995)**	(87,632)
Tax paid		**(147,245)**	(109,315)
Net cash from operating activities		**575,711**	170,836
Cash flows from investing activities			
Purchase of tangible fixed assets		**(408,346)**	(642,204)
Purchase of investment property		**(4,655)**	(9,492)
Sale of tangible fixed assets		**-**	10,500
Net cash from investing activities		**(413,001)**	(641,196)
Cash flows from financing activities			
New loans in year		**275,000**	-
Loan repayments in year		**(13,750)**	-
Movements on directors loans		**(165,000)**	-
Equity dividends paid		**(206,500)**	(200,150)
Net cash from financing activities		**(110,250)**	(200,150)
Increase/(decrease) in cash and cash equivalents		**52,460**	(670,510)
Cash and cash equivalents at beginning of year	2	**859,358**	1,529,868
Cash and cash equivalents at end of year	2	**911,818**	859,358

The notes form part of these financial statements

Notes to the Statement of Cash Flows
for the Year Ended 31 December 2017

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

	2017	2016
	£	£
Profit before taxation	**928,613**	916,509
Depreciation charges	**99,343**	113,041
Finance costs	**95,995**	87,632
	1,123,951	1,117,182
Increase in stocks	**(2,447,972)**	(719,567)
Increase in trade and other debtors	**(302,912)**	(10,430)
Increase/(decrease) in trade and other creditors	**2,445,884**	(19,402)
Cash generated from operations	**818,951**	367,783

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 2017

	31.12.17	1.1.17
	£	£
Cash and cash equivalents	**911,818**	**859,358**

Year ended 31 December 2016

	31.12.16	1.1.16
	£	£
Cash and cash equivalents	859,358	1,529,868

Notes to the Financial Statements
for the Year Ended 31 December 2017

1. **STATUTORY INFORMATION**

Bells Motor Group Limited is a private company, limited by shares, registered in England and Wales. The company's registered office address is Norman-D-Gate, Bedford Road, Northampton, Northamptonshire, NN1 5NT.

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

The principal activity of company is that of the operation of a motor dealership involving the sale, maintenance and repair of motor vehicles and the supply of related accessories.

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:

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 its 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.

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2. **ACCOUNTING POLICIES - continued**

Turnover
Turnover from the sale of goods is recognised in the Statement of Comprehensive Income, net of discounts and value added tax, when the significant risks and rewards of ownership have been transferred to the buyer. In general this occurs when vehicles or parts have been supplied or when a service has been completed.

Commission income is accounted for on a receivable basis.

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

Freehold property is not depreciated although the Companies Act 2006 requires all assets to be depreciated, in the directors' opinion, this would result in an inappropriate carrying value of freehold property being stated in the financial statements. The directors consider that the market value of the properties is at least equal to the residual value, hence no depreciation has been provided in the financial statements.

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.

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.

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2. **ACCOUNTING POLICIES - continued**

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.

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.

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 fair values of the company's financial assets, cash and cash equivalents, and financial liabilities (which include liabilities in respect of consignment stock) are assumed to approximate to their book value. The company does not enter into derivative financial instruments.

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

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

continued...

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:

	2017	2016
	£	£
Sale of goods	54,083,641	46,237,008
Rendering of services	3,164,583	2,702,870
	57,248,224	48,939,878

All turnover arose within the UK.

4. **OTHER OPERATING INCOME**

	2017	2016
	£	£
Rents received	123,566	130,256

5. **EMPLOYEES AND DIRECTORS**

	2017	2016
	£	£
Wages and salaries	2,682,774	2,231,637
Social security costs	249,360	205,100
Other pension costs	102,798	87,293
	3,034,932	2,524,030

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

	2017	2016
Directors	4	4
Administrative	4	4
Sales	53	46
Production	38	30
	99	84

	2017	2016
	£	£
Directors' remuneration	56,879	56,791
Directors' pension contributions to money purchase schemes	45,000	45,000

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

Money purchase schemes	3	3

The directors consider themselves to be key management. Their remuneration including Employers National Insurance for the year was £105,142 (2016: £105,072).

6. **OPERATING PROFIT**

The operating profit is stated after charging:

	2017	2016
	£	£
Depreciation - owned assets	99,343	113,041

continued...

7. AUDITORS' REMUNERATION

	2017	2016
	£	£
Fees payable to the company's auditors for the audit of the company's financial statements	**10,000**	9,622
Auditors' remuneration for non audit work	**3,000**	2,406

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2017	2016
	£	£
Other loan interest	**3,492**	-
Stocking interest	**92,503**	87,632
	95,995	87,632

9. TAXATION

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

	2017	2016
	£	£
Current tax:		
UK corporation tax	**160,709**	143,654
Adjustment in respect of prior periods	**3,599**	-
Prior year overprovision	**-**	(8)
Total current tax	**164,308**	143,646
Deferred tax	**12,830**	34,970
Tax on profit	**177,138**	178,616

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:

	2017	2016
	£	£
Profit before tax	**928,613**	916,509
Profit multiplied by the standard rate of corporation tax in the UK of 19.246% (2016 - 20%)	**178,721**	183,302
Effects of:		
Expenses not deductible for tax purposes	**-**	165
Capital allowances in excess of depreciation	**-**	(34,259)
Adjustments to tax charge in respect of previous periods	**134**	-
Deferred tax	**-**	34,970
Balance sheet adjustments	**-**	(5,562)
Deferred tax rate differences	**(1,717)**	-
Total tax charge	**177,138**	178,616

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 6 September 2016. Future tax liabilities will reduce accordingly.

continued...

10. **DIVIDENDS**

	2017 £	2016 £
'C' Ordinary shares of £1 each		
Final	119,000	119,250
'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	42,500	35,900
	206,500	200,150

11. **TANGIBLE FIXED ASSETS**

	Freehold property £	Plant and machinery £	Office equipment £	Motor vehicles £	Totals £
COST					
At 1 January 2017	6,169,154	504,635	506,144	122,451	7,302,384
Additions	269,987	60,743	60,881	16,735	408,346
Disposals	-	-	-	(14,865)	(14,865)
Reclassification/transfer	(16,797)	10,400	6,397	-	-
At 31 December 2017	6,422,344	575,778	573,422	124,321	7,695,865
DEPRECIATION					
At 1 January 2017	-	399,975	438,340	55,266	893,581
Charge for year	-	38,204	34,522	26,617	99,343
Eliminated on disposal	-	-	-	(14,865)	(14,865)
At 31 December 2017	-	438,179	472,862	67,018	978,059
NET BOOK VALUE					
At 31 December 2017	6,422,344	137,599	100,560	57,303	6,717,806
At 31 December 2016	6,169,154	104,660	67,804	67,185	6,408,803

12. **FIXED ASSET INVESTMENTS**

	Shares in group undertakings £
COST	
At 1 January 2017 and 31 December 2017	4
NET BOOK VALUE	
At 31 December 2017	4
At 31 December 2016	4

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:	% holding
Ordinary	100.00

continued...

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:	% holding
Ordinary	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**

	Total
	£
FAIR VALUE	
At 1 January 2017	**859,659**
Additions	**4,655**
At 31 December 2017	**864,314**
NET BOOK VALUE	
At 31 December 2017	**864,314**
At 31 December 2016	859,659

The 2017 valuations were made by the directors, on an open market value for existing use basis.

14. **STOCKS**

	2017	2016
	£	£
Vehicle stock	**9,128,524**	6,743,929
Parts stock	**186,100**	122,723
	9,314,624	6,866,652

Stock recognised in cost of sales during the year as an expense was £51,090,243 (2016: £43,552,741).

An impairment loss of £304,488 was recognised (2016: £129,428 reversed) in cost of sales against stock during the year due to slow-moving and obsolete stock.

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

	2017	2016
	£	£
Trade debtors	**542,417**	584,025
VAT	**189,110**	-
Prepayments	**576,519**	421,109
	1,308,046	1,005,134

An impairment loss of £1,483 (2016: £5,863) was reversed against trade debtors.

continued...

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

	2017	2016
	£	£
Other loan (see note 18)	54,996	-
Trade creditors	8,028,263	5,796,985
Corporation tax	160,709	143,646
Social security and other taxes	85,526	79,437
Director's loan account	250,000	415,000
Accruals	288,226	79,709
	8,867,720	6,514,777

17. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2017	2016
	£	£
Other loan (see note 18)	206,254	-

18. **LOANS**

An analysis of the maturity of loans is given below:

	2017	2016
	£	£
Amounts falling due within one year or on demand:		
Other loan	54,996	-
Amounts falling due between one and two years:		
Other loan - 1-2 years	109,992	-
Amounts falling due between two and five years:		
Other loan - 2-5 years	96,262	-

The other loan is repayable over 60 equal instalments and bears interest at 1.54% per annum.

19. **LEASING AGREEMENTS**

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

	2017	2016
	£	£
Within one year	65,100	47,200
Between one and five years	240,000	153,100
In more than five years	2,787,167	2,722,583
	3,092,267	2,922,883

continued...

20. SECURED DEBTS

The following secured debts are included within creditors:

	2017	2016
	£	£
Vehicle funding	9,056,263	6,156,268
Other loan	261,250	-
	9,317,513	6,156,268

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

The other loan is secured by a debenture.

21. FINANCIAL INSTRUMENTS

	2017	2016
	£	£
Financial assets		
Financial assets that are debt instruments measured at amortised cost	998,711	922,363
	998,711	922,363
Financial liabilities		
Financial liabilities measured at amortised cost	(9,963,952)	(6,291,694)
	(9,963,952)	(6,291,694)

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.

22. PROVISIONS FOR LIABILITIES

	2017	2016
	£	£
Deferred tax		
Accelerated capital allowances	-	115,955
Short term timing differences	-	3,528
Deferred tax	132,313	-
	132,313	119,483

	Deferred tax
	£
Balance at 1 January 2017	119,483
Provided during year	12,830
Balance at 31 December 2017	132,313

continued...

23. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2017 £	2016 £
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
			49,002	49,002

24. **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 paid.

25. **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 £102,798 (2016: £87,293). Contributions totalling £12,129 (2016: £9,292) were payable to the fund at the reporting date.

26. **CAPITAL COMMITMENTS**

	2017 £	2016 £
Contracted but not provided for in the financial statements	**375,205**	-

27. **RELATED PARTY DISCLOSURES**

During the year rent was paid to the Bells Motor Group self administered pension plan amounting to £59,999 (2016: £59,999).

During the year two vehicles (2017: one) were sold to the directors, the total consideration amounted to £75,208 (2017: £42,035). The transaction was at arms length.

Included within other creditors is £250,000 (2016: £415,000) which is due to a director, the loan attracts no interest and is repayable on demand and the entire balance was repaid post year end.

Dividends amounting to £206,500 (2016: £200,150) were paid to directors.

28. **ULTIMATE CONTROLLING PARTY**

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