

Company Registration No. 00354363 (England and Wales)

**BAILEY CARAVANS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

# BAILEY CARAVANS LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Mr S P Howard Mr N G Howard Mr S R Howard Mr A J Rowles Mr J A Tanner Mr I Rawlings Mr S Trossell Mr J R Aisbitt	(Appointed 20 April 2017)
<b>Secretary</b>	Mr C Harvey	
<b>Company number</b>	00354363	
<b>Registered office</b>	22/24 South Liberty Lane Bristol Avon BS3 2SS	
<b>Auditor</b>	Whitley Stimpson Limited Penrose House 67 Hightown Road Banbury Oxon OX16 9BE	
<b>Business address</b>	22/24 South Liberty Lane Bristol Avon BS3 2SS	

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# BAILEY CARAVANS LIMITED

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# BAILEY CARAVANS LIMITED

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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

### Review of the business

The company specialises in the manufacture and distribution of caravans and motorhomes, primarily via a network of third party owned and operated caravan and motorhome dealers.

The year ended 31 December 2017 proved to be a year of mixed fortunes. Turnover and gross profit increased year on year however profits fell year on year as production shortfalls early in the year, coupled with a softening of the market towards the end of the year, resulted in supply and demand mismatches at either end of the year; both events increasing overheads and therefore depressing profits. The effects on our business of the softening market was to negatively affect gross margin, as we incentivised our retailers to take product during the year but a little later than originally planned; particularly during Q3 and Q4. An additional yet important effect was that our finished goods inventory position by the year end had increased by 49.64% with a consequent increase in our net borrowings position from £4.76m to £5.29m. Net assets increased from £5.3m to £7.2m. The increased borrowings and inventory position has been rectified during the first half of 2018. Overall sales increased by 20.46% but profitability declined by 35.84%. Gross margin percentage decreased from 18.09% to 16.44%.

The year was impacted by the effects of two significant projects implemented during 2016; the Large Panel Laminating Centre was relocated to Clevedon, Somerset to enable an increase in production capacity. In addition, a second production line dedicated to motorhome production was implemented in 2016 in order to free up a single dedicated production line for caravans. Both projects have reduced the company's overall risk profile but during transition introduced some disruption and additional short-term risk.

### Principal risks and uncertainties

#### Economic conditions

Bailey Caravans Limited is succeeding in the current market for touring caravans, but monitors its position in relation to general market conditions and consumer demand.

#### International trade

Bailey Caravans Limited purchases large quantities of raw materials from Europe and are exposed to logistical issues and exchange rate risk. Purchasing policies look to mitigate these risks where possible, and the company protects itself from falls in the value of sterling by using forward exchange contracts.

### Development and performance

The results for the year and the financial position at the year end were considered satisfactory by the directors.

### Key performance indicators

Gross profit margin: 16.44% (2016 – 18.09%)

Profit for the period after tax: £1,883,214 (2016 – £2,935,230)

The directors expect continued growth in the foreseeable future.

### On behalf of the board

Mr N G Howard

**Director**

25 July 2018

# **BAILEY CARAVANS LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017**

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

### **Principal activities**

The principal activity of the company continues to be the manufacture of caravans and motorhomes. Bailey Caravans Limited continues to be the largest single brand of touring caravans in the UK.

### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr S P Howard

Mr N G Howard

Mr S R Howard

Mr C Harvey

(Resigned 15 June 2018)

Mr A J Rowles

Mr J A Tanner

Mr I Rawlings

Mr S Trossell

Mr J R Aisbitt

(Appointed 20 April 2017)

### **Results and dividends**

The results for the year are set out on page 7.

There were no interim dividends paid for the year ended 31 December 2017. The directors recommend that no final dividend be paid on the ordinary shares.

### **Financial instruments**

#### **Treasury operations and financial instruments**

The company operates a treasury function which is responsible for managing the liquidity, interest and foreign currency risks associated with the company's activities.

The company's principal financial instruments include derivative financial instruments, the purpose of which is to manage currency risks and interest rate risks arising from the company's activities.

In addition, the company has various other financial assets and liabilities such as trade debtors and trade creditors arising directly from its operations. Derivative transactions which the company enters into principally comprise forward exchange contracts. In accordance with the company's treasury policy, derivative instruments are not entered into for speculative purposes.

#### **Liquidity risk**

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business.

#### **Credit risk**

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

## **BAILEY CARAVANS LIMITED**

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017**

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#### **Price risk**

The company is exposed to commodity price risk as a result of its operations. The cost of managing exposure to price risk exceeds any potential benefits. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

#### **Disabled persons**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

#### **Employee involvement**

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

#### **Future developments**

The directors intend for the company to continue operating its existing activities, whilst taking advantage of opportunities as they arise.

#### **Auditor**

In accordance with the company's articles, a resolution proposing the Whitley Stimpson Limited be reappointed as auditors of the company will be put to a General Meeting.

#### **Strategic Report**

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report.

#### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Mr N G Howard

**Director**

25 July 2018

## **BAILEY CARAVANS LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

# BAILEY CARAVANS LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BAILEY CARAVANS LIMITED

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### Opinion

We have audited the financial statements of Bailey Caravans Limited (the 'company') for the year ended 31 December 2017 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and 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 FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the 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 Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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 included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

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

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



## **BAILEY CARAVANS LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBER OF BAILEY CARAVANS LIMITED**

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#### **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 and the directors' report.

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.

#### **Responsibilities of directors**

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

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### **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.

**Laura Adkins (Senior Statutory Auditor)**  
**for and on behalf of Whitley Stimpson Limited**  
Chartered Accountants  
Statutory Auditor  
Penrose House  
67 Hightown Road  
Banbury  
Oxon  
OX16 9BE

25 July 2018

## BAILEY CARAVANS LIMITED

### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2016 £
<b>Turnover</b>	<b>3</b>	132,906,410	110,335,807
Cost of sales		(111,055,109)	(90,375,340)
<b>Gross profit</b>		21,851,301	19,960,467
Distribution costs		(1,470,271)	(1,117,645)
Administrative expenses		(18,011,858)	(15,262,939)
Other operating income		60,473	126,486
<b>Operating profit</b>	<b>4</b>	2,429,645	3,706,369
Interest receivable and similar income	<b>8</b>	2,022	13,428
Interest payable and similar expenses	<b>9</b>	(3,039)	-
Amounts written off investments	<b>10</b>	(133,097)	(87,900)
<b>Profit before taxation</b>		2,295,531	3,631,897
Tax on profit	<b>11</b>	(412,317)	(696,667)
<b>Profit for the financial year</b>		1,883,214	2,935,230

# BAILEY CARAVANS LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2017

	Notes	£	2017 £	£	2016 £
<b>Fixed assets</b>					
Tangible assets	12		8,400,554		7,844,781
<b>Current assets</b>					
Stocks	14	17,403,369		17,486,784	
Debtors	15	22,269,268		18,591,323	
Cash at bank and in hand		292,856		1,213,777	
		39,965,493		37,291,884	
<b>Creditors: amounts falling due within one year</b>	16	(30,753,325)		(29,790,759)	
<b>Net current assets</b>			9,212,168		7,501,125
<b>Total assets less current liabilities</b>			17,612,722		15,345,906
<b>Creditors: amounts falling due after more than one year</b>	17		(82,641)		-
<b>Provisions for liabilities</b>					
Provisions	20	10,176,911		9,824,952	
Deferred tax liability	21	161,771		212,769	
			(10,338,682)		(10,037,721)
<b>Net assets</b>			7,191,399		5,308,185
<b>Capital and reserves</b>					
Called up share capital	23		10,000		10,000
Profit and loss reserves	24		7,181,399		5,298,185
<b>Total equity</b>			7,191,399		5,308,185

The financial statements were approved by the board of directors and authorised for issue on 25 July 2018 and are signed on its behalf by:

Mr N G Howard  
Director

Company Registration No. 00354363

## BAILEY CARAVANS LIMITED

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	Profit and loss reserves	Total
	£	£	£
<b>Balance at 1 January 2016</b>	10,000	2,362,955	2,372,955
<b>Year ended 31 December 2016:</b>			
Profit and total comprehensive income for the year	-	2,935,230	2,935,230
<b>Balance at 31 December 2016</b>	10,000	5,298,185	5,308,185
<b>Year ended 31 December 2017:</b>			
Profit and total comprehensive income for the year	-	1,883,214	1,883,214
<b>Balance at 31 December 2017</b>	10,000	7,181,399	7,191,399

# BAILEY CARAVANS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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### 1 Accounting policies

#### Company information

Bailey Caravans Limited is a limited company incorporated in England and Wales. The registered office is 22/24 South Liberty Lane, Bristol, Avon, BS3 2SS.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared on the historical cost convention. The principal accounting policies adopted are set out below.

#### Reporting exemptions:

The company has consent from its shareholder to exclude from its financial reports the following, as detailed in paragraph 1.12 of FRS 102:

- Cash flow statement
- Compensation of key management personnel
- Financial instruments disclosure in respect of the value of assets and liabilities at amortised cost and the movement in any impairment of debtors

The disclosure exemptions are taken on the basis that the company is included in group accounts prepared by Keenwork Limited, which are publicly available.

#### 1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 1.3 Turnover

Turnover represents amounts receivable for goods net of VAT and trade discounts.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (when goods are physically delivered to the customer), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred, or to be incurred, in respect of the transaction can be measured reliably.

#### 1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and machinery	10% - 33% straight line
Fixtures, fittings and equipment	10% - 33% straight line
Motor vehicles	25% straight line
Other assets	10% straight line

# BAILEY CARAVANS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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### 1 Accounting policies

(Continued)

#### 1.5 Impairment of fixed assets

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Cost is calculated using the first in first out method.

#### 1.7 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

# BAILEY CARAVANS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 1 Accounting policies

(Continued)

#### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

#### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

#### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

#### **Other financial liabilities**

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

# BAILEY CARAVANS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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### 1 Accounting policies

(Continued)

#### 1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

#### 1.10 Derivatives

The company uses derivative financial instruments in the form of forward exchange contracts to economically hedge risks associated with movements in exchange rates. The company does not hold or issue derivatives for trading purposes.

Such instruments are initially measured at fair value on the date the contract is entered into and are subsequently remeasured at fair value. Financial derivatives are recognised as current and non-current based on the maturity profile of the associated cash flows.

#### 1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

##### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

##### Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### 1.12 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

##### Warranty provision

The company offers a six year warranty on all caravans and motorhomes. The warranty provision is made for the future estimated liability on all caravans and motorhomes still under warranty and is based on previous costs incurred and the expertise and judgement of the directors.



# BAILEY CARAVANS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 1 Accounting policies

(Continued)

#### 1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### 1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

#### 1.15 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

#### 1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

### 2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The only significant accounting estimates included in the financial statements are the warranty provision and the provision for bad and doubtful debts, where the directors made their best estimate at the balance sheet date. The directors' estimate of the warranty provision, is based on the number of vans produced, previous warranty spend and known issues. The directors' estimate for the bad and doubtful debt provision is based on past experience of bad debts.

There were no critical judgements apart from accounting estimates.

# BAILEY CARAVANS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2017 £	2016 £
<b>Turnover analysed by class of business</b>		
Sale of goods	132,906,410	110,335,807
	<u>132,906,410</u>	<u>110,335,807</u>
	2017 £	2016 £
<b>Other significant revenue</b>		
Interest income	2,022	13,428
	<u>2,022</u>	<u>13,428</u>
	2017 £	2016 £
<b>Turnover analysed by geographical market</b>		
United Kingdom	130,818,938	108,717,274
Europe	-	16,818
Rest of the world	2,087,472	1,601,715
	<u>132,906,410</u>	<u>110,335,807</u>

### 4 Operating profit

	2017 £	2016 £
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(541,008)	(1,435,524)
Depreciation of owned tangible fixed assets	1,276,178	1,000,122
(Profit)/loss on disposal of tangible fixed assets	(13,243)	6,354
Cost of stocks recognised as an expense	98,055,119	79,505,250
Operating lease charges	690,747	412,942
	<u>1,008,733</u>	<u>784,744</u>

### 5 Auditor's remuneration

	2017 £	2016 £
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the company	47,569	76,450
	<u>47,569</u>	<u>76,450</u>
<b>For other services</b>		
All other non-audit services	-	8,978
	<u>-</u>	<u>8,978</u>

## BAILEY CARAVANS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

#### 6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2017 Number	2016 Number
Sales	7	7
Production	425	333
Administration	29	29
	<u>461</u>	<u>369</u>

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	17,788,493	15,595,445
Social security costs	1,295,156	1,080,392
Pension costs	496,247	495,682
	<u>19,579,896</u>	<u>17,171,519</u>

#### 7 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	815,567	660,454
Company pension contributions to defined contribution schemes	70,599	66,212
	<u>886,166</u>	<u>726,666</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 7 (2016 - 6).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2017 £	2016 £
Remuneration for qualifying services	133,155	133,477
Company pension contributions to defined contribution schemes	12,563	15,356
	<u>145,718</u>	<u>148,833</u>

# BAILEY CARAVANS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 8 Interest receivable and similar income

	2017 £	2016 £
<b>Interest income</b>		
Interest on bank deposits	455	12,954
Other interest income	1,567	474
	<u>2,022</u>	<u>13,428</u>

### 9 Interest payable and similar expenses

	2017 £	2016 £
Interest on finance leases and hire purchase contracts	3,039	-
	<u>3,039</u>	<u>-</u>

### 10 Amounts written off investments fixed asset investments

	2017 £	2016 £
<b>Fair value gains/(losses) on financial instruments</b>		
Loss on hedge item in a fair value hedge	(133,097)	(87,900)
	<u>(133,097)</u>	<u>(87,900)</u>

The company is exposed to currency exchange rate risk due to a significant proportion of receivables and operating expenses being denominated in non-sterling currencies. The net exposure of each currency is monitored and managed by the use of forward exchange contracts.

At the year end date the fair value of the forward exchange contracts amounted to an asset of £188,115 (2016 - £321,212).

The company enters into foreign currency contracts to mitigate the exchange rate risk for certain foreign currency debtors. As at 31 December 2017 the outstanding contracts mature within 12 months (2016 - 11 months) of the year end. The company is committed to buy €11,490,000 (2016 - €12,306,000) and pay a fixed sterling amount.

The forward currency contracts are measured at fair value using quoted forward exchange rates.

### 11 Taxation

	2017 £	2016 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	463,315	565,657
Adjustments in respect of prior periods	-	(110,473)
	<u>463,315</u>	<u>455,184</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(50,998)	241,483
	<u>(50,998)</u>	<u>241,483</u>
<b>Total tax charge</b>	<u>412,317</u>	<u>696,667</u>

# BAILEY CARAVANS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 11 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2017 £	2016 £
Profit before taxation	2,295,531	3,631,897
Expected tax charge based on the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	441,811	726,379
Tax effect of expenses that are not deductible in determining taxable profit	3,259	4,823
Effect of change in corporation tax rate	663	(11,200)
Under/(over) provided in prior years	-	(110,473)
Deferred tax adjustments in respect of prior years	(33,416)	109,771
Patent box adjustment	-	(22,633)
Taxation charge for the year	412,317	696,667

### 12 Tangible fixed assets

	Assets under construction	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Other assets	Total
	£	£	£	£	£	£
<b>Cost</b>						
At 1 January 2017	2,105,973	14,682,105	2,251,529	92,621	127,103	19,259,331
Additions	428,974	1,090,963	237,268	77,103	-	1,834,308
Disposals	-	-	-	(37,720)	-	(37,720)
At 31 December 2017	2,534,947	15,773,068	2,488,797	132,004	127,103	21,055,919
<b>Depreciation and impairment</b>						
At 1 January 2017	-	9,940,694	1,390,665	83,191	-	11,414,550
Depreciation charged in the year	-	894,552	374,553	7,073	-	1,276,178
Eliminated in respect of disposals	-	-	-	(35,363)	-	(35,363)
At 31 December 2017	-	10,835,246	1,765,218	54,901	-	12,655,365
<b>Carrying amount</b>						
At 31 December 2017	2,534,947	4,937,822	723,579	77,103	127,103	8,400,554
At 31 December 2016	2,105,973	4,741,411	860,864	9,430	127,103	7,844,781

# BAILEY CARAVANS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 13 Financial instruments

	2017 £	2016 £
<b>Carrying amount of financial assets</b>		
Instruments measured at fair value through profit or loss	188,115	321,212

### 14 Stocks

	2017 £	2016 £
Raw materials and consumables	6,645,564	10,408,304
Work in progress	403,608	158,939
Finished goods and goods for resale	10,354,197	6,919,541
	<u>17,403,369</u>	<u>17,486,784</u>

### 15 Debtors

	2017 £	2016 £
<b>Amounts falling due within one year:</b>		
Trade debtors	1,357,755	348,317
Corporation tax recoverable	363,308	75,185
Amounts owed by group undertakings	19,568,404	16,779,488
Derivative financial instruments	188,115	321,212
Other debtors	-	222,372
Prepayments and accrued income	791,686	844,749
	<u>22,269,268</u>	<u>18,591,323</u>

### 16 Creditors: amounts falling due within one year

	Notes	2017 £	2016 £
Bank loans and overdrafts	18	5,291,770	4,766,101
Obligations under finance leases	19	69,318	-
Trade creditors		17,577,057	15,522,984
Other taxation and social security		2,056,592	364,038
Other creditors		98,395	83,318
Accruals and deferred income		5,660,193	9,054,318
		<u>30,753,325</u>	<u>29,790,759</u>

### 17 Creditors: amounts falling due after more than one year

	Notes	2017 £	2016 £
Obligations under finance leases	19	82,641	-

# BAILEY CARAVANS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 18 Loans and overdrafts

	2017 £	2016 £
Bank overdrafts	5,291,770	4,766,101
Payable within one year	5,291,770	4,766,101

The bank overdraft is secured via an omnibus guarantee and set off agreement with Lloyds Bank Plc who have a charge of the assets of the company.

### 19 Finance lease obligations

	2017 £	2016 £
Future minimum lease payments due under finance leases:		
Within one year	71,723	-
In two to five years	83,676	-
	155,399	-
Less: future finance charges	(3,440)	-
	151,959	-

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

### 20 Provisions for liabilities

	2017 £	2016 £
Warranty provision	10,176,911	9,824,952
Movements on provisions:		
		<b>Warranty provision</b>
		<b>£</b>
At 1 January 2017		9,824,952
Additional provisions in the year		3,642,211
Reversal of provision		(3,290,252)
At 31 December 2017		10,176,911

## BAILEY CARAVANS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

#### 20 Provisions for liabilities

(Continued)

A provision of £10,176,911 has been recognised for expected warranty claims on caravans and motor homes sold during the last six to ten financial years. It is expected that the majority of this expenditure will be incurred within two years, and all will be incurred within ten years. During the year, £3,290,252 of the provision brought forward was utilised and an increase in the provision of £3,642,211 was made.

This represents the directors' best estimate at the balance sheet date.

#### 21 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2017 £	Liabilities 2016 £
<b>Balances:</b>		
Accelerated capital allowances	142,895	152,816
Other timing differences	18,876	59,953
	<u>161,771</u>	<u>212,769</u>
<b>Movements in the year:</b>		2017 £
Liability at 1 January 2017		212,769
Credit to profit or loss		(50,998)
Liability at 31 December 2017		<u>161,771</u>

#### 22 Retirement benefit schemes

	2017 £	2016 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	<u>496,247</u>	<u>495,682</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.



## BAILEY CARAVANS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

#### 23 Share capital

	2017 £	2016 £
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
10,000 ordinary shares of £1 each	10,000	10,000
	<u>10,000</u>	<u>10,000</u>

#### 24 Profit and loss reserves

	2017 £	2016 £
At the beginning of the year	5,298,185	2,362,955
Profit for the year	1,883,214	2,935,230
	<u>7,181,399</u>	<u>5,298,185</u>

The profit and loss account reserve represents cumulative profits and losses, net of dividends paid and other adjustments.

#### 25 Financial commitments, guarantees and contingent liabilities

On 28 May 2014, the company, together with its parent, Keenwork Limited, entered into an omnibus guarantee and set off agreement with Lloyds Bank Plc, which was amended on 9 February 2017 to include its sister company, Prima Leisure Limited. At the year end £7,841,770 (2016 - £7,617,712) was outstanding to Lloyds Bank Plc.

As at 31 December 2017 the company was committed to purchasing £10,200,000 (2016 - £10,500,000) of foreign currency under forward exchange contracts. They are intended to hedge exchange rate movements on anticipated future material import transactions.

#### 26 Operating lease commitments

##### Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017 £	2016 £
Within one year	<u>630,000</u>	<u>630,000</u>

## BAILEY CARAVANS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 27 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2017 £	2016 £
Acquisition of tangible fixed assets	-	240,163

#### 28 Related party transactions

The disclosure exemption conferred by FRS 102 Section 33.1A has been utilised, whereby the company has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

During the year, sales of £70,813 (2016 - £915,533) were made to Bailey Leisure Pty Ltd. Bailey Leisure Pty Ltd is a subsidiary of Bailey Leisure Holdings Pty. Ltd, which is an 80% subsidiary of Keenwork Limited. As at 31 December 2017, Bailey Leisure Pty Ltd owed the company £3,948,053 (2016 - £3,983,545).

During the year, sales of £702,914 (2016 - £336,892) were made to Bailey Leisure (Manufacturing) Pty Ltd, a wholly owned subsidiary of Bailey Leisure Holdings Pty Ltd. At 31 December 2017 the company owed Bailey Caravans Limited £692,443 (2016 - £336,892).

#### 29 Parent company

The immediate and ultimate parent company is Keenwork Limited, a company registered in England and Wales.

Keenwork Limited prepares group financial statements and copies can be obtained from the Registrar of Companies.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.