

SLOUGH MOTOR COMPANY LIMITED

FINANCIAL STATEMENTS

30th November 2004



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Slough Motor Company Limited

Directors' report and financial statements

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Slough Motor Company Limited

Directors' report

The directors present their report and the audited financial statements of the company for the year ended 30th November 2004

Activities

The main activities of the company are the sale, export, hire and maintenance of motor vehicles and ancillary services.

Results

These are detailed in the profit and loss account on page 4. The directors do not recommend the payment of a dividend.

Future developments

On 8 April 2005, MG Rover Group Limited ['Rover'] went into administration and the Administrators announced that it was unlikely that Rover would be able to honour it's obligations to dealers. The Administrators also announced that the Rover manufacturers warranty would no longer be supported. The company has therefore addressed these issues and made provision in these financial statements. The company is confident that it's current operational plans will enable the company to continue to trade profitably in the foreseeable future.

Significant changes in fixed assets

Movements in fixed assets are set out in note 8.

Directors

The directors who held office during the year were:

M J Warnes
L B Friedman
C Redfern
T F Bradbury

M J Warnes and L B Friedman are directors of the ultimate parent company, Bestodeck Limited, and their interests in the shares of the group companies are shown in that company's financial statements.

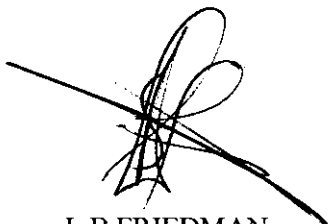
C Redfern and T F Bradbury hold no shares in group companies.

L B Friedman retires from the board and, being eligible, offers himself for re-election.

Auditors

On 8th October 2004, Leamans, the auditors of the company, transferred their business to The Leaman Partnership LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The Company has given consent to treating the appointment of Leamans as extending to The Leaman Partnership LLP with effect from 8th October 2004 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint The Leaman Partnership LLP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

On behalf of the board



L B FRIEDMAN
15th June 2005

Registered Office: 51 Queen Anne Street, London, W1G 9HS

Slough Motor Company Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Slough Motor Company Limited

Independent auditors' report to the shareholders of Slough Motor Company Limited

For the year ended 30 November 2004

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 7.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

It is our responsibility to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30th November 2004 and of the loss of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

The Leaman Partnership LLP

The Leaman Partnership LLP
Accountants &
Registered Auditors
51 Queen Anne Street
London W1G 9HS

15th June 2005

Slough Motor Company Limited

Profit And Loss Account

for the year ended 30th November 2004

	Note	2004 £	2003 £
Turnover	1	55,632,248	57,146,137
Cost of sales		<u>45,450,479</u>	<u>46,534,923</u>
Gross profit		10,181,769	10,611,214
Distribution and administrative expenses	2	<u>9,842,209</u>	<u>10,287,252</u>
		339,560	323,962
Other income	3	<u>138</u>	<u>60,002</u>
Operating profit		339,698	383,964
Interest payable	4	<u>326,770</u>	<u>293,372</u>
Profit on ordinary activities before taxation	5	12,928	90,592
Taxation	6	<u>(17,256)</u>	<u>(437)</u>
(Loss)/profit for the financial year	18	<u>(4,328)</u>	<u>90,155</u>

Recognised gains and losses

There are no recognised gains or losses other than the profit attributable to shareholders of the company.

All the activities of the company are classed as continuing.

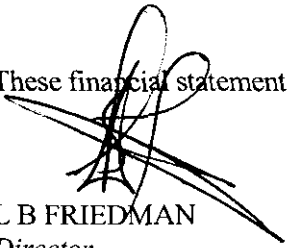
Slough Motor Company Limited

Balance Sheet

at 30th November 2004

	Note	£	2004 £	£	2003 £
Fixed assets					
Tangible assets	8		2,050,195		2,054,783
Current assets					
Stock	1	6,225,314		6,979,124	
Debtors	9	2,063,445		1,738,876	
Cash at bank and in hand		4,105		4,380	
			<u>8,292,864</u>	<u>8,722,380</u>	
Creditors					
Amounts falling due within one year	10	8,437,402		9,331,639	
Net current liabilities			(144,538)		(609,259)
Total assets less current liabilities			<u>1,905,657</u>		<u>1,445,524</u>
Creditors					
Amounts falling due after more than one year	11	464,461		-	
Loan from parent company	12	150,000		150,000	
			<u>(614,461)</u>		<u>(150,000)</u>
			<u>1,291,196</u>		<u>1,295,524</u>
Capital and reserves					
Called up share capital	14		50,100		50,100
Revaluation reserve	15		216,524		216,524
Profit and loss account			1,024,572		1,028,900
Total shareholders' funds	18		<u>1,291,196</u>		<u>1,295,524</u>
Shareholders' funds are attributable to:					
Non-equity shareholders' funds			100		100
Equity shareholders' funds			1,291,096		1,295,424
			<u>1,291,196</u>		<u>1,295,524</u>

These financial statements were approved by the board of directors on 15th June 2005 and were signed on its behalf by:


L B FRIEDMAN
Director

Slough Motor Company Limited

Cash Flow Statement

for the year ended 30th November 2004

	Note	£	2004 £	£	2003 £
<i>Net cash inflow from operating activities</i>	16		53,866		833,649
<i>Returns on investment and servicing of finance</i>					
Interest received	3	138		60,002	
Interest paid	4	(326,770)		(293,372)	
<i>Net cash outflow from returns on investment and servicing of finance</i>			(326,632)		(233,370)
<i>Taxation</i>					
Corporation tax paid			(193)		(23,901)
<i>Capital expenditure</i>					
Payments to acquire fixed assets			(317,025)		(465,649)
<i>Net cash (outflow)/inflow before financing</i>	17		(589,984)		110,729
<i>Financing</i>					
Increase in loans	17		604,461		-
<i>Increase in cash</i>	17		14,477		110,729
Reconciliation of net cash flow to movement in net debt					
Increase in cash in the year			14,477		110,729
Cash inflow from increase in debt			(604,461)		-
Movement in net debt in the year			(589,984)		110,729
Net debt at start of year			(715,334)		(826,063)
Net debt at end of year	17		(1,305,318)		(715,334)

Slough Motor Company Limited

Notes

(forming part of the financial statements)

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules as modified by the revaluation of properties.

Turnover

This represents the value of goods sold, services provided and commissions receivable by the company, excluding value added tax.

Fixed assets and depreciation

Depreciation is provided to write off the cost of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures, fittings, plant and equipment	-	10% to 33 ¹ / ₃ % per annum
Freehold property	-	2% to 10% per annum

Stock

Stock is valued at the lower of cost and net realisable value. Stock held on consignment is accounted for in the balance sheet only when title has passed to the company or when the commercial risk of obsolescence rests with the company.

Leased assets

Rental payments are written off in the period in which they are incurred.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Slough Motor Company Limited

Notes (continued)

	2004 £	2003 £
2. Distribution and administrative expenses		
Distribution costs	7,041,330	6,784,845
Administrative expenses	2,800,879	3,502,407
	<u>9,842,209</u>	<u>10,287,252</u>
3. Other income		
Interest	138	30,421
Other operating income	-	29,581
	<u>138</u>	<u>60,002</u>
4. Interest payable		
Bank overdraft	76,623	38,597
Loans repayable within five years	250,147	254,775
	<u>326,770</u>	<u>293,372</u>
5. Profit on ordinary activities		
This is stated after charging:		
Auditors' remuneration	20,000	20,000
Operating lease charges:		
Other	551,655	496,224
Depreciation and amounts written off tangible fixed assets	321,613	322,216
	<u>892,268</u>	<u>838,440</u>
6. Tax on profit on ordinary activities		
(a) Taxation		
Current tax:		
UK corporation tax based on the results for the year at 20.6% (2003 – 19.0%)	19,500	31,000
Over provision in prior years	(2,244)	(30,563)
Total current tax	<u>17,256</u>	<u>437</u>

Slough Motor Company Limited

Notes (continued)

	2004 £	2003 £
6. Tax on profit on ordinary activities (continued)		
(b) Factors affecting current tax charge		
Profit on ordinary activities before taxation	12,928	90,592
Tax at 20.6% (2003 – 19.0%)	2,664	17,212
Permanent timing differences	1,196	(259)
Other timing differences	13,646	1,758
Other adjustments	(250)	(18,274)
Total current tax (note 6(a))	17,256	437
	No.	No.
7. Staff numbers and costs		
The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:		
Production	40	37
Distribution	162	148
Administrative	40	41
	242	226
The aggregate payroll costs of these persons were as follows:	£	£
Wages and salaries	5,092,896	4,715,414
Social security costs	575,712	533,771
Other pension costs	132,316	106,911
	5,800,924	5,356,096

Slough Motor Company Limited

Notes (continued)

8. Tangible assets

	Freehold properties £	Fixtures, fittings, plant and equipment £	Total £
Cost or valuation			
At beginning of year	1,323,962	2,354,695	3,678,657
Additions	-	317,025	317,025
Disposals	-	(8,837)	(8,837)
At end of year	<u>1,323,962</u>	<u>2,662,883</u>	<u>3,986,845</u>
Depreciation			
At beginning of year	136,955	1,486,919	1,623,874
Provided this year	14,976	306,637	321,613
Disposals	-	(8,837)	(8,837)
At end of year	<u>151,931</u>	<u>1,784,719</u>	<u>1,936,650</u>

Net book values

30 th November 2004	<u>1,172,031</u>	<u>878,164</u>	<u>2,050,195</u>
30 th November 2003	<u>1,187,007</u>	<u>867,776</u>	<u>2,054,783</u>

Freehold properties comprise

	2004 £	2003 £
Cost	923,962	923,962
Valuation - 1988	400,000	400,000
	<u>1,323,962</u>	<u>1,323,962</u>

The historical cost of these properties was	<u>1,107,438</u>	<u>1,107,438</u>
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All other tangible assets are stated at historical cost.

9. Debtors

Trade debtors	530,616	761,904
Other debtors	2,776	1,706
Amounts owed by group undertakings	1,226,391	634,744
Prepayments and accrued income	303,662	340,522
	<u>2,063,445</u>	<u>1,738,876</u>

Slough Motor Company Limited

Notes (continued)

	2004 £	2003 £
10. Creditors falling due within one year		
Trade creditors	5,828,342	6,563,041
Other creditors	507	395
Social security and other taxes	421,784	757,436
Amounts owed to group undertakings	429,724	429,597
Accruals	879,511	845,947
Bank overdraft (secured - see note 13)	704,962	719,714
Term loans (secured – see note 13)	140,000	-
Corporation tax	32,572	15,509
	<u>8,437,402</u>	<u>9,331,639</u>

11. Creditors falling due after more than one year

Term loans (secured - see note 13)	<u>464,461</u>	<u>-</u>
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12. Related party transactions

The company's ultimate parent company and controlling party is Bestodeck Limited, a company registered in England. The group has no ultimate controlling party.

The company has taken advantage of the exemptions provided by FRS 8 and has not reported transactions with other group companies.

The loan of £150,000 from Bestodeck Limited is, at present, free of interest.

	2004 £	2003 £
13. Bank overdraft and loans		
The aggregate amount of secured borrowings is as follows:		
Falling due within five years:		
Bank overdraft	704,962	719,714
Term loans	604,461	-
	<u>1,309,423</u>	<u>719,714</u>

The bank overdraft and loans are secured by fixed and floating charges over the company's assets.

Slough Motor Company Limited

Notes (continued)

	2004 £	2003 £	
14. Share capital			
<i>Authorised</i>			
`A` ordinary shares of £1 each	50,000	50,000	
`B` ordinary shares of £1 each	100	100	
	<u>50,100</u>	<u>50,100</u>	
<i>Allotted, issued and fully paid</i>			
`A` ordinary shares of £1 each	50,000	50,000	
`B` ordinary shares of £1 each	100	100	
	<u>50,100</u>	<u>50,100</u>	
15. Revaluation reserve			
At beginning and end of year	<u>216,524</u>	<u>216,524</u>	
There is no present intention of disposing of the revalued properties; accordingly no provision has been made in these financial statements for taxation of £65,000 which would arise in the event of such a disposal.			
16. Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit	339,698	383,964	
Rent and other operating income	(138)	(60,002)	
Depreciation charges	321,613	322,216	
Decrease/(increase) in stock	753,810	(2,002,597)	
Increase in debtors	(324,569)	(584,427)	
(Decrease)/increase in creditors	(1,036,548)	2,774,495	
	<u>53,866</u>	<u>833,649</u>	
17. Analysis of net debt			
	1-December 2003	Cashflow 30-November 2004	
Cash at bank	4,380	(275)	4,105
Overdrafts	(719,714)	14,752	(704,962)
	<u>(715,334)</u>	<u>14,477</u>	<u>(700,857)</u>
Bank loans	-	(604,461)	(604,461)
Net debt	<u>(715,334)</u>	<u>(589,984)</u>	<u>(1,305,318)</u>

Slough Motor Company Limited

Notes (continued)

18. Reconciliation of movements in shareholders' funds

	2004 £	2003 £
(Loss)/profit for the financial year	(4,328)	90,155
Opening shareholders' funds	1,295,524	1,205,369
Closing shareholders' funds	<u>1,291,196</u>	<u>1,295,524</u>

19. Contingent liability

The company is the representative member of a group registration for value added tax purposes and, accordingly, is jointly and severally liable for any such tax due by other group members.

20. Financial commitments

Pensions

The parent company operates a group personal pension plan under which contributions are paid into individual policies. Contributions paid by the company are written off to the profit and loss account in the accounting period in which they are incurred.

Operating leases

The company has annual commitments expiring as follows:

	2004 £	2003 £
	Land and Buildings	Land and Buildings
Within one year	-	46,988
In two to five years	77,650	77,650
After five years	417,500	375,000
	<u>495,150</u>	<u>499,638</u>

21. Deferred taxation

	2004 £	2003 £
The total potential liability, none of which has been provided in these financial statements, is as follows:		
Revaluation of properties	<u>65,000</u>	<u>65,000</u>