

SLOUGH MOTOR COMPANY LIMITED

FINANCIAL STATEMENTS

30th September 1998



Slough Motor Company Limited

Directors' report and financial statements

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Slough Motor Company Limited

Directors' report

The directors present their annual report and the audited financial statements of the company for the year ended 30th September 1998.

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.

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.

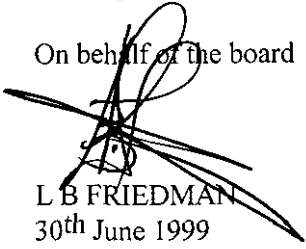
Year 2000

The company is working to address the problems generally referred to as "Year 2000". During the year the company commenced the replacement of the main dealer management system and continued a review of all hardware and software, to ascertain Year 2000 compliance.

Auditors

Taylor's are willing to continue in office and a resolution for their re-appointment will be proposed at the annual general meeting.

On behalf of the board



L B FRIEDMAN
30th June 1999

Registered Office: 51 Queen Anne Street, London, W1M 0HS

Slough Motor Company Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year 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

Auditors' report to the shareholders of Slough Motor Company Limited

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.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 September 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



TAYLORS

Chartered Accountants and Registered Auditors

51 Queen Anne Street, London W1M 0HS

30th June 1999

Slough Motor Company Limited

Profit And Loss Account

for the year ended 30th September 1998

	Note	1998 £	1997 £
Turnover	1	45,827,036	38,090,282
Cost of sales		<u>38,948,009</u>	<u>32,644,472</u>
Gross profit		6,879,027	5,445,810
Distribution and administrative expenses	2	<u>6,554,563</u>	<u>5,252,655</u>
		324,464	193,155
Other income	3	<u>75</u>	<u>2,181</u>
Operating profit		324,539	195,336
Interest payable	4	<u>175,313</u>	<u>154,840</u>
Profit on ordinary activities before taxation	5	149,226	40,496
Taxation	6	<u>(31,975)</u>	<u>(14,430)</u>
Profit for the financial year	18	<u><u>117,251</u></u>	<u><u>26,066</u></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 September 1998

	Note	£	1998 £	1997 £
Fixed assets				
Tangible assets	8		2,075,482	2,015,597
Current assets				
Stock	1	4,975,648		4,309,009
Debtors	9	1,041,692		1,052,991
Cash at bank and in hand		2,675		2,975
		<u>6,020,015</u>		<u>5,364,975</u>
Creditors				
Amounts falling due within one year	10	6,525,541		5,843,166
Net current liabilities			(505,526)	(478,191)
Total assets less current liabilities			<u>1,569,956</u>	<u>1,537,406</u>
Creditors				
Amounts falling due after more than one year	11	382,740		467,441
Loan from parent company	12	150,000		150,000
			<u>(532,740)</u>	<u>(617,441)</u>
			<u>1,037,216</u>	<u>919,965</u>
Capital and reserves				
Called up share capital	14		50,100	50,100
Revaluation reserve	15		216,524	216,524
Profit and loss account			770,592	653,341
Total shareholders' funds			<u>1,037,216</u>	<u>919,965</u>
Shareholders' funds are attributable to:				
Non-equity shareholders' funds			100	100
Equity shareholders' funds			1,037,116	919,865
			<u>1,037,216</u>	<u>919,965</u>

These financial statements were approved by the board of directors on 30th June 1999 and were signed on its behalf by:


L B FRIEDMAN
Director

Slough Motor Company Limited

Cash Flow Statement

for the year ended 30th September 1998

	Note	£	1998 £	£	1997 £
<i>Net cash inflow/(outflow) from operating activities</i>	16	845,484		(90,509)	
<i>Returns on investment and servicing of finance</i>					
Interest paid	4	(175,313)		(154,840)	
<i>Net cash outflow from returns on investment and servicing of finance</i>			(175,313)		(154,840)
<i>Taxation</i>					
Corporation tax paid			(18,126)		(19,718)
<i>Capital expenditure</i>					
Proceeds of sale of fixed assets		209,702		305,344	
Payments to acquire fixed assets		(506,692)		(336,813)	
			(296,990)		(31,469)
<i>Net cash inflow/(outflow) before financing</i>			355,055		(296,536)
<i>Financing</i>					
(Decrease) in loans	17		(87,826)		(92,519)
<i>Increase/(Decrease) in cash</i>	17		267,229		(389,055)
Reconciliation of net cash flow to movement in net debt					
Increase/(Decrease) in cash in the year			267,229		(389,055)
Cash outflow from decrease in debt			87,826		92,519
Movement in net debt in the year			355,055		(296,536)
Net debt at start of year			(1,660,820)		(1,364,284)
Net debt at end of year	17		(1,305,765)		(1,660,820)

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
Car hire vehicles	-	2% to 4% per month
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 year 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)

	1998 £	1997 £
2. Distribution and administrative expenses		
Distribution costs	4,273,464	3,451,037
Administrative expenses	2,281,099	1,801,618
	<u>6,554,563</u>	<u>5,252,655</u>
3. Other income		
Interest	<u>75</u>	<u>2,181</u>
4. Interest payable		
Bank overdraft	90,321	77,294
Loans repayable within five years	43,752	52,072
Loans repayable wholly or partly in more than five years	41,240	25,474
	<u>175,313</u>	<u>154,840</u>
5. Profit on ordinary activities		
This is stated after charging:		
Auditors' remuneration	9,000	9,000
Operating lease charges:		
Equipment	8,319	17,376
Other	250,833	220,300
Depreciation and amounts written off tangible fixed assets	<u>237,105</u>	<u>155,959</u>
6. Taxation		
Based on the profit for the year:		
Corporation tax at 31% (1997 - 22.5%)	35,000	19,000
Adjustment in respect of prior years	<u>(3,025)</u>	<u>(4,570)</u>
	<u>31,975</u>	<u>14,430</u>

Slough Motor Company Limited

Notes (continued)

	1998 No.	1997 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	33	69
Distribution	113	64
Administrative	23	42
	<u>169</u>	<u>175</u>

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	3,511,488	2,869,443
Social security costs	362,822	277,862
Other pension costs	55,947	63,348
	<u>3,930,257</u>	<u>3,210,653</u>

8. Tangible assets

	Freehold properties £	Fixtures, fittings, plant and equipment £	Car hire vehicles £	Total £
Cost or valuation				
At beginning of year	1,323,962	1,232,962	252,972	2,809,896
Additions	-	249,946	256,746	506,692
Disposals	-	(1,000)	(233,392)	(234,392)
At end of year	<u>1,323,962</u>	<u>1,481,908</u>	<u>276,326</u>	<u>3,082,196</u>
Depreciation				
At beginning of year	-	784,209	10,090	794,299
Provided this year	31,045	159,065	47,060	237,170
Disposals	-	(65)	(24,690)	(24,755)
At end of year	<u>31,045</u>	<u>943,209</u>	<u>32,460</u>	<u>1,006,714</u>
Net book values				
30th September 1998	<u>1,292,917</u>	<u>538,699</u>	<u>243,866</u>	<u>2,075,482</u>
30th September 1997	<u>1,323,962</u>	<u>448,753</u>	<u>242,882</u>	<u>2,015,597</u>

Slough Motor Company Limited

Notes (continued)

	1998 £	1997 £
8. Tangible assets (continued)		
<i>Freehold properties comprise</i>		
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>
 All other tangible assets are stated at historical cost.		
9. Debtors		
Trade debtors	905,506	982,215
Other debtors	196	-
Amounts owed by group undertakings	122,426	-
Prepayments and accrued income	13,564	70,776
	<u>1,041,692</u>	<u>1,052,991</u>
10. Creditors falling due within one year		
Trade creditors	4,185,348	3,403,121
Other creditors	86	-
Social security and other taxes	362,649	327,163
Amounts owed to group undertakings	311,590	356,309
Accruals	708,607	542,507
Bank overdraft (secured - see note 13)	811,391	1,078,920
Short term loans (secured - see note 13)	29,609	32,734
Long term loans (secured - see note 13)	84,700	84,700
Corporation tax	31,561	17,712
	<u>6,525,541</u>	<u>5,843,166</u>
11. Creditors falling due after more than one year		
Long term loans (secured - see note 13)	<u>382,740</u>	<u>467,441</u>

Slough Motor Company Limited

Notes (continued)

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.

	1998 £	1997 £
13. Bank overdraft and loans		
The aggregate amount of secured borrowings is as follows:		
Falling due within five years:		
Bank overdraft	811,391	1,078,920
Short term loans	29,609	32,734
Long term loans	362,281	423,481
	<u>1,203,281</u>	<u>1,535,135</u>
Falling due after more than five years:		
Long term loans	<u>105,159</u>	<u>128,660</u>

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

The long term loans are repayable by monthly instalments as follows:

	£	
Interest variable with Finance House base rate	1,958	
Inclusive of interest	<u>5,062</u>	
	1998	1997
	£	£

14. Share capital

Authorised

'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>

Allotted, issued and fully paid

'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>

Slough Motor Company Limited

Notes (continued)

	1998 £	1997 £
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 £67,000 which would arise in the event of such a disposal.		
16. Reconciliation of operating profit to net cash outflow from operating activities		
Operating profit	324,539	195,336
Depreciation charges	237,170	155,959
Profit on sale of fixed assets	(65)	-
Increase in stock	(666,639)	(314,973)
Decrease/(Increase) in debtors	11,299	(129,002)
Increase in creditors	939,180	2,171
	<u>845,484</u>	<u>(90,509)</u>
17. Analysis of net debt		
	1-October 1997	Cashflow 30-September 1998
Cash at bank	2,975	(300)
Overdrafts	(1,078,920)	267,529
	<u>(1,075,945)</u>	<u>267,229</u>
Loans	(584,875)	87,826
	<u>(1,660,820)</u>	<u>355,055</u>
Net Debt		<u>(1,305,765)</u>
18. Reconciliation of movements in shareholders' funds		
	1998 £	1997 £
Profit for the financial year	117,251	26,066
Opening shareholders' funds	919,965	893,899
Closing shareholders' funds	<u>1,037,216</u>	<u>919,965</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:

	£	1998 £	£	1997 £
	Land and Buildings	Other	Land and Buildings	Other
Within one year	-	2,172	-	3,088
In two to five years	85,000	811	57,000	11,201
After five years	177,500	-	182,800	-
	<u>262,500</u>	<u>2,983</u>	<u>239,800</u>	<u>14,289</u>

Other commitments

	1998 £	1997 £
The company has commitments to repurchase Motability vehicles as follows:		
Within one year	155,500	130,600
Thereafter	342,982	275,800
	<u>498,482</u>	<u>406,400</u>

21. Deferred taxation

The total potential liability, none of which has been provided in these financial statements, is as follows:

Revaluation of properties	<u>67,000</u>	<u>72,000</u>
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