

SLOUGH MOTOR COMPANY LIMITED

FINANCIAL STATEMENTS

30th September 1997



Slough Motor Company Limited

Directors' report and financial statements

Contents	Page
Directors' report	1
Statement of directors' responsibilities	2
Auditors' report	3
Profit and loss account	4
Balance sheet	5
Cash flow statement	6
Notes	7 - 13

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 1997.

Activities

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

Results

The results for the year are set out 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.

M J Warnes retires from the board and, being eligible, offers himself for re-election.

Auditors

Taylors 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

27th June 1998

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 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

As stated in note 1 on page 7 no depreciation is provided on freehold buildings. Accordingly the company has not complied with Statement of Standard Accounting Practice No. 12 and Schedule 4, Paragraph 32 (1) of the Companies Act 1985.

Except for the matter above, in our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30th September 1997 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

27th June 1998

Slough Motor Company Limited

Profit And Loss Account

for the year ended 30th September 1997

	<i>Note</i>	1997 £	1996 £
Turnover	<i>1</i>	38,090,282	36,984,644
Cost of sales		<u>32,644,472</u>	<u>31,609,208</u>
Gross profit		5,445,810	5,375,436
Distribution and administrative expenses	<i>2</i>	<u>5,252,655</u>	<u>5,133,545</u>
		193,155	241,891
Other income	<i>3</i>	<u>2,181</u>	<u>75</u>
		195,336	241,966
Interest payable	<i>4</i>	<u>154,840</u>	<u>198,791</u>
Profit on ordinary activities before taxation	<i>5</i>	40,496	43,175
Taxation	<i>6</i>	<u>(14,430)</u>	<u>(20,580)</u>
Profit for the financial year	<i>18</i>	<u><u>26,066</u></u>	<u><u>22,595</u></u>

Recognised gains and losses

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

Slough Motor Company Limited

Balance Sheet

at 30th September 1997

	Note	£	1997 £	1996 £
Fixed assets				
Tangible assets	8		2,015,597	2,140,087
Current assets				
Stock	1	4,309,009		3,994,036
Debtors	9	1,052,991		923,989
Cash at bank and in hand		2,975		2,475
		<u>5,364,975</u>		<u>4,920,500</u>
Creditors				
Amounts falling due within one year	10	5,843,166		5,462,603
Net current liabilities			(478,191)	(542,103)
Total assets less current liabilities			<u>1,537,406</u>	<u>1,597,984</u>
Creditors				
Amounts falling due after more than one year	11	467,441		554,085
Loan from parent company	12	150,000		150,000
		<u></u>	(617,441)	(704,085)
			<u>919,965</u>	<u>893,899</u>
Capital and reserves				
Called up share capital	14		50,100	50,100
Revaluation reserve	15		216,524	216,524
Profit and loss account			653,341	627,275
Total shareholders' funds			<u>919,965</u>	<u>893,899</u>
Shareholders' funds are attributable to:				
Non-equity shareholders' funds			100	100
Equity shareholders' funds			919,865	893,799
			<u>919,965</u>	<u>893,899</u>

These financial statements were approved by the board of directors on 27th June 1998 and were signed on its behalf by:


L B FRIEDMAN
Director

Slough Motor Company Limited

Cash Flow Statement

for the year ended 30th September 1997

	Note	£	1997 £	£	1996 £
<i>Net cash outflow from operating activities</i>	16		(90,509)		261,819
<i>Returns on investment and servicing of finance</i>					
Interest paid	4	(154,840)		(198,791)	
<i>Net cash outflow from returns on investment and servicing of finance</i>			(154,840)		(198,791)
<i>Taxation</i>					
Corporation tax paid			(19,718)		(15,000)
<i>Capital expenditure</i>					
Proceeds of sale of fixed assets		305,344		295,100	
Payments to acquire fixed assets		(336,813)		(442,962)	
			(31,469)		(147,862)
<i>Net cash outflow before financing</i>			(296,536)		(99,834)
<i>Financing</i>					
(Decrease) in loans	17		(92,519)		(115,670)
<i>Decrease in cash</i>	17		(389,055)		(215,504)
Reconciliation of net cash flow to movement in net debt					
Decrease in cash in the year			(389,055)		(215,504)
Cash outflow from increase in debt			92,519		115,670
Movement in net debt in the year			(296,536)		(99,834)
Net debt at start of year			(1,364,284)		(1,264,450)
Net debt at end of year	17		(1,660,820)		(1,364,284)

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 except that no depreciation has been provided on freehold buildings.

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 $\frac{1}{3}$ % per annum
Car hire vehicles	- 2% to 4% per month
Leasehold property	- over the unexpired period of the lease

No depreciation is provided on freehold buildings.

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)

	1997 £	1996 £
2. Distribution and administrative expenses		
Distribution costs	3,451,037	3,270,135
Administrative expenses	1,801,618	1,863,410
	<u>5,252,655</u>	<u>5,133,545</u>
3. Other income		
Interest	2,181	-
Other operating income	-	75
	<u>2,181</u>	<u>75</u>
4. Interest payable		
Bank overdraft	77,294	81,684
Loans repayable within five years	52,072	84,616
Loans repayable wholly or partly in more than five years	25,474	32,491
	<u>154,840</u>	<u>198,791</u>
5. Profit on ordinary activities		
This is stated after charging:		
Auditors' remuneration	9,000	9,000
Operating lease charges:		
Equipment	17,376	8,025
Other	220,300	203,467
Depreciation and amounts written off tangible fixed assets	155,959	186,017
Loss on sale of tangible fixed assets	-	801
	<u></u>	<u></u>
6. Taxation		
Based on the profit for the year:		
Corporation tax at 22.5%	19,000	23,000
Adjustment in respect of prior years	(4,570)	(2,420)
	<u>14,430</u>	<u>20,580</u>

Slough Motor Company Limited

Notes (continued)

	1997 No.	1996 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	69	73
Distribution	64	62
Administrative	42	34
	<u>175</u>	<u>169</u>

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	2,869,443	2,700,534
Social security costs	277,862	251,750
Other pension costs	63,348	52,316
	<u>3,210,653</u>	<u>3,004,600</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	1,121,962	382,014	2,827,938
Additions	-	111,000	225,813	336,813
Disposals	-	-	(354,855)	(354,855)
At end of year	<u>1,323,962</u>	<u>1,232,962</u>	<u>252,972</u>	<u>2,809,896</u>
Depreciation				
At beginning of year		657,573	30,278	687,851
Provided this year		126,636	29,323	155,959
Disposals		-	(49,511)	(49,511)
At end of year		<u>784,209</u>	<u>10,090</u>	<u>794,299</u>
Net book values				
30th September 1997	<u>1,323,962</u>	<u>448,753</u>	<u>242,882</u>	<u>2,015,597</u>
30th September 1996	<u>1,323,962</u>	<u>464,389</u>	<u>351,736</u>	<u>2,140,087</u>

Slough Motor Company Limited

Notes (continued)

	1997 £	1996 £
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>
 As stated in the Accounting Policies, no depreciation is provided on freehold buildings.		
All other tangible assets are stated at historical cost.		
9. Debtors		
Trade debtors	982,215	880,601
Other debtors	-	2,340
Prepayments and accrued income	70,776	41,048
	<u>1,052,991</u>	<u>923,989</u>
10. Creditors falling due within one year		
Trade creditors	3,403,121	3,343,551
Social security and other taxes	327,163	175,039
Amounts owed to group undertakings	356,309	504,536
Accruals	542,507	603,803
Bank overdraft (secured - see note 13)	1,078,920	689,365
Short term loans (secured - see note 13)	32,734	38,609
Long term loans (secured - see note 13)	84,700	84,700
Corporation tax	17,712	23,000
	<u>5,843,166</u>	<u>5,462,603</u>
11. Creditors falling due after more than one year		
Long term loans (secured - see note 13)	<u>467,441</u>	<u>554,085</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.

	1997 £	1996 £
13. Bank overdraft and loans		
The aggregate amount of secured borrowings is as follows:		
Falling due within five years:		
Bank overdraft	1,078,920	689,365
Short term loans	32,734	38,609
Long term loans	423,481	423,500
	<u>1,535,135</u>	<u>1,151,474</u>
Falling due after more than five years:		
Long term loans	<u>128,660</u>	<u>215,285</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>	
	1997	1996
	£	£

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)

	1997 £	1996 £
15. Revaluation reserve		
At beginning and end of year	216,524	216,524
There is no present intention of disposing of the revalued properties; accordingly no provision has been made in these financial statements for taxation of £72,000 which would arise in the event of such a disposal.		
16. Reconciliation of operating profit to net cash outflow from operating activities		
Operating profit	195,336	241,966
Depreciation charges	155,959	186,017
Loss on sale of fixed assets	-	801
(Increase) in stock	(314,973)	(1,679,816)
(Increase) in debtors	(129,002)	(22,958)
Increase in creditors	2,171	1,535,809
	<u>(90,509)</u>	<u>261,819</u>
17. Analysis of net debt		
	1-October 1996	Cashflow 30-September 1997
Cash at bank	2,475	500
Overdrafts	(689,365)	(389,555)
	<u>(686,890)</u>	<u>(389,055)</u>
Loans	(677,394)	92,519
	<u>(1,364,284)</u>	<u>(1,660,820)</u>
Net Debt		
18. Reconciliation of movements in shareholders' funds		
	1997 £	1996 £
Profit for the financial year	26,066	22,595
Opening shareholders' funds	893,899	871,304
Closing shareholders' funds	<u>919,965</u>	<u>893,899</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.

Slough Motor Company Limited

Notes (continued)

20. Financial commitments

Pensions

The company contributed to a fully insured defined benefit scheme operated by a fellow subsidiary. During the year, the decision was made to discontinue this scheme which is now in the process of being wound-up. In its place, the parent company has introduced 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:

	£	1997 £	£	1996 £
	Land and Buildings	Other	Land and Buildings	Other
Within one year	-	3,088	-	-
In two to five years	57,000	11,201	31,000	8,025
After five years	182,800	-	180,800	-
	<u>239,800</u>	<u>14,289</u>	<u>211,800</u>	<u>8,025</u>

Other commitments

	1997 £	1996 £
The company has commitments to repurchase Motability vehicles as follows:		
Within one year	130,600	140,195
Thereafter	275,800	309,100
	<u>406,400</u>	<u>449,295</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>72,000</u>	<u>72,000</u>
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