

Spencers Limited
(formerly Falinn Limited)**Report and Financial Statements**

**For the period from the date of incorporation
on 8 May 1998 to 31 December 1998**



SPENCERS LIMITED

Annual report and financial statements for the period ended 31 December 1998

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Directors

NA Spencer
CM Spencer

Secretary and registered office

CM Spencer, Thetford Road, Bury St Edmunds, Suffolk, IP31 3SX

Company number

3560193

Auditors

BDO Stoy Hayward, 87 Guildhall Street, Bury St Edmunds, Suffolk, IP33 1PU

SPENCERS LIMITED

Report of the directors for the period ended 31 December 1998

The directors present their report together with the audited financial statements for the period from the date of incorporation on 8 May 1998 to 31 December 1998.

Incorporation and change of name

The company was incorporated on 8 May 1998 as Falinn Limited, with an issued and authorised share capital of 2 ordinary shares of £1 each. The company changed its name on 29 June 1998 to Spencers Limited.

Results and dividends

The profit and loss account is set out on page 4 and shows the profit for the period

The directors do not recommend a final ordinary dividend.

Principal activity, trading review and future developments

The company commenced trading on 1 July 1998, its main activity is the retailing and repairing of motor vehicles. The directors are satisfied with the results for the year and are confident that this will continue in the future.

Directors

The directors of the company during the period and their interests in the ordinary share capital of the company were:

	£1 ordinary shares	
	1998	On incorporation
NA Spencer – appointed on 12 June 1998	1	-
CM Spencer – appointed on 12 June 1998	1	-
Combined Secretarial Services Limited – appointed on 8 May 1998 and resigned on 12 June 1998	-	1
Combined Nominees Limited – appointed on 8 May 1998 and resigned on 12 June 1998	-	1

Year 2000

The company is currently assessing the impact of the Year 2000 issue on its business and operations. The costs of addressing these issues have not yet been quantified, but they are not anticipated to be significant.

SPENCERS LIMITED

Report of the directors for the period ended 31 December 1998 (*Continued*)

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 of the company for that period. In preparing those financial statements, the directors are required to:

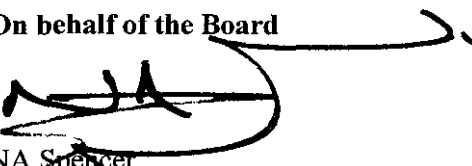
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare 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 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 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.

Auditors

BDO Stoy Hayward, who were appointed as auditors during the period, have expressed their willingness to continue in office. Resolutions will be proposed at the Annual General Meeting to confirm their original appointment and to reappoint them for the coming year.

On behalf of the Board



NA Spencer
Director

SPENCERS LIMITED

Report of the auditors

To the shareholders of Spencers Limited

We have audited the financial statements on pages 4 to 14 which have been prepared under the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the 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.

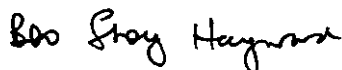
Basis of opinion

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 31 December 1998 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants
and Registered Auditors
Bury St Edmunds

17 May 1999

SPENCERS LIMITED**Profit and loss account for the period ended 31 December 1998**

	Note	£
Turnover	2	5,730,007
Cost of sales		5,337,813
Gross profit		392,194
Administrative expenses	5	134,381
Operating profit		257,813
Interest payable	6	102,194
Profit on ordinary activities before taxation		155,619
Taxation on profit on ordinary activities	7	(40,760)
Profit on ordinary activities after taxation	17	114,859

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

There are no movements on shareholders' funds apart from the profit for the period.

There was no material difference between the historical cost profit before taxation and the profit on ordinary activities before taxation in 1998.


The notes on pages 7 to 14 form part of these financial statements.

SPENCERS LIMITED

Balance sheet at 31 December 1998

	Note	1998	On incorporation
		£	£
Fixed assets			
Intangible assets	8	346,125	-
Tangible assets	9	1,454,046	-
		<u>1,800,171</u>	-
Current assets			
Stocks	10	850,843	-
Debtors	11	861,095	2
Cash at bank and in hand		562	-
		<u>1,712,500</u>	2
Creditors: amounts falling due within one year	12	<u>1,895,657</u>	-
Net current (liabilities)/assets		<u>(183,157)</u>	2
Total assets less current liabilities		<u>1,617,014</u>	2
Creditors: amounts falling due after more than one year	13	(986,205)	-
Provision for liabilities and charges			
Deferred taxation	14	(15,950)	-
		<u>614,859</u>	2
Subordinated loan	15	499,998	-
Capital and reserves			
Called up share capital	16	2	2
Profit and loss account	17	<u>114,859</u>	-
Shareholders' funds – all equity		<u>114,861</u>	2
		<u>614,859</u>	2

The financial statements were approved by the Board on 17 May 1999


 NA Spencer
 Director

The notes on pages 7 to 14 form part of these financial statements.

SPENCERS LIMITED

Cash flow statement for the period ended 31 December 1998

	Note	1998 £	£	On incorporation £	£
Net cash outflow from operating activities	19		(905,708)		(2)
Returns on investments and servicing of finance					
Interest paid		(101,242)		-	
Interest element of hire purchase repayments		(952)		-	
			(102,194)		-
Capital expenditure					
Payments to acquire tangible fixed assets		(1,450,701)		-	
Payments to acquire intangible fixed assets		(355,000)		-	
			(1,805,701)		-
Cash outflow before use of liquid resources and financing			(2,813,603)		(2)
Financing					
Issue of share capital		-		2	
Subordinated loan	20	499,998		-	
New loans - bank		1,300,000		-	
New loans - other		899,778		-	
Loans repaid		(71,943)		-	
Capital element of hire purchase repayments	20	(4,949)		-	
			2,622,884		2
Increase in cash			(190,719)		-

The notes on pages 7 to 14 form part of these financial statements.

SPENCERS LIMITED

Notes forming part of the financial statements for the period ended 31 December 1998

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax.

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets, except freehold land buildings, evenly over their expected useful lives. It is calculated at the following rates:

Improvements to property	-	1% per annum straight line
Plant and equipment	-	10% per annum straight line
Motor vehicles	-	20% per annum straight line
Fixtures, fittings and equipment	-	10% per annum straight line
Computer equipment	-	20% per annum straight line

It is the company's practice to maintain freehold buildings in a continual state of sound repair. Accordingly, the directors consider that the lives of these assets and their residual values, based on prices prevailing at the time of their acquisition or subsequent revaluation, are such that their depreciation would not be material. Provision will be made should any permanent diminution in value of these properties occur.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Net realisable value is based on estimated selling price less further costs expected to be incurred to disposal.

Stock held on consignment is treated as follows:-

Where title has not passed and the commercial risk of obsolescence rests with the manufacturer, stock is not accounted for in the financial statements.

Costs incurred directly by the company on consignment stock are accounted for as prepayments. Such costs are written off to profit and loss account in the event such consignment stock being returned to the manufacturer or passed to another dealer with no prospect of recovering the cost.

Deposits paid to manufacturers in respect of stock held on consignment are treated as prepayments.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that a liability will crystallise.

SPENCERS LIMITED

Notes forming part of the financial statements for the period ended 31 December 1998 (*Continued*)

1 Accounting policies (*Continued*)

Leased assets

Where assets are financed by leasing or hire purchase agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum payments payable during the term of the agreement. The corresponding commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease and hire purchase payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the agreement and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor. All other leases are treated as operating leases, their annual rentals being charged to the profit and loss account on a straight-line basis over the term of the lease.

Pensions

Contributions to the company's group personal pension scheme are charged to the profit and loss account in the year in which they become payable.

Goodwill

Goodwill represents the cost of acquiring established customer bases and is stated in the financial statements at cost less amortisation. Amortisation is charged on the original cost of acquisition on a straight line basis over 20 years.

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

3 Employees

Staff costs (including directors) consist of:

	1998 £
Wages and salaries	280,211
Social security costs	27,276
Other pension costs	6,108
	<hr/>
	313,595
	<hr/>

The average monthly number of employees of the company during the year, including directors, were as follows:

	1998 Number
Sales and service	27
Administration	4
	<hr/>
	31
	<hr/>

SPENCERS LIMITED

Notes forming part of the financial statements for the period ended 31 December 1998 (*Continued*)

4 Directors

	1998
Directors' emoluments consist of:	£
Emoluments	71,842

5 Operating profit

	1998
This has been arrived at after charging:	£
Depreciation	11,555
Hire of other assets – operating leases	2,202
Auditors' remuneration for audit services	6,000
Amortisation of goodwill	8,875

6 Interest payable

	1998
	£
Bank loans and overdraft	60,872
Stocking plan loan	40,370
Hire purchase contracts	952
	102,194

7 Taxation

	1998
	£
UK corporation tax	24,810
Transfer from deferred tax	15,950
	40,760

8 Intangible assets

	Goodwill
<i>Cost</i>	£
Additions	765,000
Revaluation adjustment (note 17)	(410,000)
At 31 December 1998	355,000
<i>Amortisation</i>	
Provided for the period	8,875
At 31 December 1998	8,875
<i>Net book value</i>	
At 31 December 1998	346,125

SPENCERS LIMITED

Notes forming part of the financial statements for the period ended 31 December 1998 (Continued)

9 Tangible assets

	Freehold land and buildings £	Improvements to property £	Plant and equipment £	Motor vehicles £	Fixtures, fittings and equipment £	Computer equipment £	Total £
<i>Cost or valuation</i>							
Additions	1,275,200	8,627	80,559	26,350	52,901	21,964	1,465,601
At 31 December 1998	1,275,200	8,627	80,559	26,350	52,901	21,964	1,465,601
<i>Depreciation</i>							
Provided for the period	-	43	4,028	2,635	2,653	2,196	11,555
At 31 December 1998	-	43	4,028	2,635	2,653	2,196	11,555
<i>Net book value</i>							
At 31 December 1998	1,275,200	8,584	76,531	23,715	50,248	19,768	1,454,046

The net book value of tangible fixed assets includes an amount of £19,768 in respect of assets held under hire purchase agreements. The related depreciation charge for the period was £2,196.

The freehold land and buildings are stated at their valuation of £1,250,000. The valuation was carried out by King Sturge & Co at 1 July 1998, other additions are stated at cost. The freehold land and buildings will be revalued on a periodical basis.

10 Stocks

	1998 £	On incorporation £
New vehicles	132,201	-
Used vehicles	273,507	-
Demonstration vehicles	351,751	-
Parts and accessories	91,034	-
Stationery	2,350	-
	850,843	-

There was no material difference between the replacement cost of stocks and the amounts stated above.

11 Debtors

	1998 £	On incorporation £
Trade debtors	351,461	-
Other debtors	45,431	2
Prepayments	22,624	-
Prepayments on consignment stocks	441,579	-
	861,095	2

SPENCERS LIMITED

Notes forming part of the financial statements for the period ended 31 December 1998 *(Continued)*

12 Creditors: amounts falling due within one year

	1998 £	On incorporation £
Finance for prepayments on consignment stocks	441,579	-
Stocking plan loan	458,199	-
Bank overdraft	191,281	-
Bank loan (secured)	245,707	-
Obligations under hire purchase agreements	6,096	-
Trade creditors	338,195	-
Corporation tax	24,810	-
Other taxes and social security costs	49,484	-
Other creditors	101,971	-
Accruals	36,355	-
Directors loan account	1,980	-
	<u>1,895,657</u>	<u>-</u>

The stocking plan loan is secured on the stock of demonstration and used vehicles included in note 10 at a value of £625,258. Interest is charged on the loan at a rate linked to Finance House Base Rate.

Included in creditors is £441,579 owed to BMW (GB) Limited, in respect of consignment stock. This amount is secured on vehicles of an equivalent value included in consignment stock and bears interest linked to Finance House Base Rate.

The bank borrowings are secured by a legal charge over the company's freehold land and buildings and by a fixed and floating charge over the company's other assets.

13 Creditors: amounts falling due after more than one year

	1998 £	On incorporation £
Bank loan (secured – see note 12)	982,350	-
Obligations under hire purchase agreements	3,855	-
	<u>986,205</u>	<u>-</u>

Included within the above are amounts falling due as follows:

In 1 – 2 years:		
Loan instalments	245,707	-
Hire purchase obligations	2,189	-
In 2 – 5 years:		
Loan instalments	419,685	-
Hire purchase obligations	1,666	-
In more than 5 years		
Loan instalments	316,958	-
	<u>986,205</u>	<u>-</u>

SPENCERS LIMITED

Notes forming part of the financial statements for the period ended 31 December 1998 *(Continued)*

14 Deferred taxation

Deferred tax is provided in full in the financial statements, and consists of:

	1998 £	On incorporation £
Accelerated capital allowances	15,400	-
Other timing differences	550	-
	<u>15,950</u>	<u>-</u>

15 Subordinated loan

On 30 June 1998 a Deed of Postponement and Subordination was completed in respect of an unsecured loan by NA Spencer and Mrs CM Spencer to the company amounting to £499,998. The Deed states that on winding up, dissolution, bankruptcy or similar proceeding involving any distribution to creditors of the company, the director shall receive no payment or benefit in respect of the subordinated loan until all other creditors of the company have been paid in full. The loan cannot be withdrawn without the prior written approval of BMW (GB) Limited.

No interest is payable by the company on the loan.

16 Called up share capital

	Authorised		Allotted, called up and fully paid	
	1998 £	On incorporation £	1998 £	On incorporation £
Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>	<u>2</u>	<u>2</u>

17 Reserves

	Profit and loss account £	Revaluation reserve £
On incorporation	-	-
Profit for the year	115,358	-
Revaluation in the period	-	410,000
Offset against goodwill	-	(410,000)
Closing balance at 31 December 1998	<u>115,358</u>	<u>-</u>

SPENCERS LIMITED

Notes forming part of the financial statements for the period ended 31 December 1998 *(Continued)*

18 Related party transactions

There was no controlling shareholding in the company throughout the period however, NA Spencer has ultimate influence over the operating decisions of the company.

The company had the following balances outstanding with NA Spencer and Mrs CM Spencer at 31 December 1998:

	1998 £
Creditor balance (note 12)	1,980
Subordinated loan (note 15)	499,998

19 Reconciliation of operating profit to net cash outflow from operating activities

	1998 £	On incorporation £
Operating profit	257,813	-
Amortisation of intangible assets	8,875	-
Depreciation of tangible fixed assets	11,555	-
Increase in stocks	(850,843)	-
Increase in debtors	(861,093)	(2)
Increase in creditors	527,985	-
Net cash outflow from operating activities	(905,708)	(2)

20 Analysis of changes in financing during the period

	Share capital		Loans		Hire purchase obligations	
	1998 £	On incorporation £	1998 £	On incorporation £	1998 £	On incorporation £
Balance brought forward	2	-	-	-	-	-
Issue of shares	-	2	-	-	-	-
Cashflow from financing	-	-	2,127,835	-	(4,949)	-
Inception of hire purchase agreement	-	-	-	-	14,900	-
Subordinated loan	-	-	499,998	-	-	-
Balance at 31 December 1998	2	2	2,627,833	-	9,951	-

SPENCERS LIMITED

Notes forming part of the financial statements for the period ended 31 December 1998 *(Continued)*

21 Reconciliation of net cashflow to movement in net debt

	1998 £	On incorporation £
Decrease in cash in the year	(190,719)	-
Cashflow from change in debt	(2,127,835)	-
Cashflow from hire purchase agreements	4,949	-
New hire purchase agreements	(14,900)	-
Subordinated loan	(499,998)	-
Net debt at 31 December 1998	(2,828,503)	-

22 Analysis of changes in cash and net debt

	On incorporation £	Cash flows £	Other changes £	At 31 December 1998 £
Cash in hand, at bank	-	562	-	562
Bank overdraft	-	(191,281)	-	(191,281)
	-	(190,719)	-	
Debt due within one year	-	(1,145,485)	-	(1,145,485)
Debt due after one year	-	(982,350)	-	(982,350)
Subordinated loan	-	(499,998)	-	(499,998)
Hire purchase	-	4,949	(14,900)	(9,951)
Total	-	(2,813,603)	(14,900)	(2,828,503)