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S Jennings Limited

Annual report

for the year ended 31 December 1999



S Jennings Limited

for the year ended 31 December 1999

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S Jennings Limited

Directors and Advisors for the year ended 31 December 1999

Directors

A Bentley (Chairman)
GH Armstrong
IJ Brunning
TD Hodgson
NA Khan
NW Dalkin

Secretary and registered office

GH Armstrong
32 Portland Terrace
Newcastle upon Tyne
NE2 1SQ

Solicitors

Eversheds
Sun Alliance House
Mosley Street
Newcastle upon Tyne
NE1 1XX

Registered auditors

PricewaterhouseCoopers
89 Sandyford Road
Newcastle upon Tyne
NE99 1PL

Bankers

HSBC Bank plc
1 Prospect Place
Darlington
CO Durham
DL3 7LQ

S Jennings Limited

Directors' report for the year ended 31 December 1999

The directors present their report and the audited financial statements of the company for the year ended 31 December 1999.

Principal activities

The principal activities of the company at 31 December 1999 comprised the sale, service and repair of motor vehicles, and the supply of parts and accessories.

Review of business and future developments

The Company has produced an operating profit despite difficult market conditions. The directors expect to improve on this result in the coming year.

The company purchased the business and certain assets of a Ford dealership located in Durham and Stanley on the 31 January 2000.

During the year, the company commenced the construction of a new dealership in Middlesbrough. The new dealership is scheduled to open mid 2000.

Results and Dividends

During the year the company made a profit after taxation of £389,092 (1998: £139,733). Dividends of £230,589 (1998: £1,182,341) have been paid, leaving a retained profit for the year of £158,503 (1998: loss £1,042,608) transferred to reserves.

Directors and their interests

The directors of the company have the following interests, including family interests, in the shares of S Jennings Limited

	Ordinary shares of £1 each	
	31 December 1999	31 December 1998
A Bentley	250	250
IJ Brunning	41,032	41,032
GH Armstrong	250	250
NA Khan	250	250
NW Dalkin	250	250
TD Hodgeson	14,660	14,660

The interests of A Bentley, GH Armstrong, NA Khan and NW Dalkin in the shares of the parent company, AB500 Limited, are disclosed in that company's directors' report.

S Jennings Limited

Year 2000

The Company implemented a review to identify all of its systems which were not 2000 compliant. The total cost of this review was not significant. In accordance with established accounting guidelines, the costs are written off to the profit and loss account in the years they are incurred. The company has not experienced any significant disruption or malfunctions since the turn of the year.

European Monetary Union (EMU)

The Company currently only trades within the United Kingdom and as such is currently considering the impact that monetary union will have upon the business in future years.

Policy on payment to suppliers

The company's policy regarding the payment of suppliers is either to agree terms of payment at the start of business with each supplier or to ensure that the supplier is made aware of the payment terms, and in either case to pay in accordance with its contractual or other legal obligations. At 31 December 1999, the company's trade creditors represented approximately 9 days purchases (1998 - 11 days).

Political and charitable contributions

Contributions during the year to United Kingdom charitable organisations amounted to £765 (1998: £25,698). There were no political contributions.

Fixed Assets

Movements in the company's tangible fixed assets are shown in note 10.

Employees

The company gives consideration to applications for employment made by disabled persons, depending upon the nature of the vacancies arising. Company policy provides where practicable for the continued employment of persons disabled in the course of their employment. Training facilities are available to all employees.

The directors have a practice of formally publicising important developments of the business and of promoting the common interests of the company and the staff by means of regular meetings and continuous individual contact.

Auditors

The auditors, PricewaterhouseCoopers have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

S Jennings Limited

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.

By order of the board

A handwritten signature in dark ink, appearing to read 'G.H. Armstrong', written over a horizontal line.

GH Armstrong
Secretary

14 April 2000

S Jennings Limited

Auditors' report to the members of S Jennings Limited

We have audited the financial statements on pages 7 to 23 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 pages 11 and 12.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report including, as described on pages 4 and 5, preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

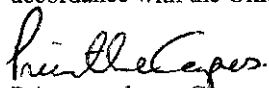
Basis of audit opinion

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 at 31 December 1999 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the United Kingdom Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

14 April 2000

S Jennings Limited

Profit and loss account for the year ended 31 December 1999

	Note	1999 £	1998 £
Turnover - continuing operations	1,2	87,713,680	80,446,204
Cost of sales		(76,758,737)	(70,522,142)
Gross profit	2	10,954,943	9,924,062
Operating expenses	3	(11,048,106)	(10,153,010)
Rents receivable		120,000	130,250
Other operating income	6	1,326,748	1,300,681
Operating profit - continuing operations		1,353,585	1,201,983
Profit on disposal of fixed assets	4	85,000	-
Interest payable	7	(867,308)	(1,011,372)
Profit on ordinary activities before taxation		571,277	190,611
Taxation	8	(182,185)	(50,878)
Profit on ordinary activities after taxation	18	389,092	139,733
Equity dividends paid	9, 18	(230,589)	(1,182,341)
Retained profit/(loss) for the financial year		158,503	(1,042,608)

There are no recognised gains and losses for the current and prior financial years other than as stated in the profit and loss account.

S Jennings Limited

Balance sheet as at 31 December 1999

	Note	1999 £	1998 £
Fixed assets			
Tangible assets	10	9,591,720	8,230,011
Investments	11	-	-
		9,591,720	8,230,011
Current assets			
Stocks	12	5,640,939	8,030,667
Advance Corporation Tax		-	5,868
Debtors	13	3,165,924	3,398,802
Cash in hand and at bank		2,821	3,615
		8,809,684	11,438,952
Creditors: amounts falling due within one year	14	(12,908,764)	(14,277,641)
Net current liabilities		(4,099,080)	(2,838,689)
Total assets less current liabilities		5,492,640	5,391,322
Creditors : amounts falling due after more than one year	15	(122,981)	(215,201)
Provisions for liabilities and charges	16	(94,193)	(59,158)
Net assets		5,275,466	5,116,963
Capital and reserves			
Called up equity share capital	18, 19	658,827	658,827
Share premium account	18	26,425	26,425
Revaluation reserve	18	1,516,419	1,773,767
Profit and loss account	18	3,057,447	2,641,596
Capital reserve	18	16,348	16,348
Equity shareholders' funds		5,275,466	5,116,963

The notes on pages 11 to 23 form part of these financial statements.

The financial statements were approved by the board of directors on 14 April 2000 and were signed on its behalf by:

A Bentley
Chairman



S Jennings Limited

Cash flow statement for the year ended 31 December 1999

	Note	1999 £	1998 £
Net cash inflow/(outflow) from operating activities	21	4,768,737	(1,096,436)
Returns on investment and servicing of finance:			
Interest paid		(863,618)	(1,011,372)
Taxation:			
Corporation tax paid		(3,495)	(87,141)
Capital expenditure:			
Prepayments to acquire tangible fixed assets		(2,027,031)	(280,790)
Receipts from sales of tangible fixed assets		435,000	4,000
		2,309,593	(2,471,739)
Equity dividends paid		(230,589)	(1,182,341)
		2,079,004	(3,654,080)
Financing:			
Ford Credit PLC finance		(1,000,000)	532,000
Bank loans		840,000	-
Other loans repaid		(11,034)	(22,067)
Hire purchase finance repaid		(287,782)	(21,820)
Increase/(decrease) in cash	22, 23	1,620,188	(3,165,967)

S Jennings Limited

Historical cost profits and losses

	1999	1998
	£	£
Reported profit on ordinary activities before taxation	571,277	190,611
Realisation of property revaluations of prior years	249,067	-
Difference between a historical cost		
Depreciation charge and the actual		
Depreciation charge calculated on the revalued amount	8,281	6,580
Historical cost profit on ordinary activities before taxation	828,625	197,191
Historical cost profit for the year retained after taxation and dividends	415,851	(1,036,028)

S Jennings Limited

Notes to the Accounts for the year ended 31 December 1999

1 Accounting policies

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

Accounting convention

The financial statements are prepared under the historical cost convention except in respect of land and buildings which have been revalued, and have been accounted for in accordance with applicable accounting standards.

Turnover

Turnover presents amounts invoiced by the company in respect of goods and services provided during the year, excluding value added tax.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation.

Depreciation on tangible fixed assets is calculated on the straight line method by equal annual instalments and aims to write down the cost of all tangible fixed assets over their expected useful lives.

The annual rates applicable are:

Freehold properties	1%
Motor vehicles	25%
Plant, machinery and fixtures and fittings	20% - 33%

Stocks

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

Deferred taxation

The company makes provision on the liability basis only if the deferred taxation on accelerated capital allowances and other timing differences is likely to crystallise in the foreseeable future.

Finance leases

Assets which are acquired under finance leases are recorded in the balance sheet as tangible fixed assets and the related obligations to pay future rentals (net of finance charges) are included within creditors.

Operating leases

Operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Lubricant support grants

Lubricant support grants received are treated as deferred income which is credited to the profit and loss account over the period of the support contract

S Jennings Limited

1 Accounting policies (continued)

Rents

Rents receivable have been brought into these financial statements on an earnings basis.

Pension contributions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge in the accounts represents contributions payable by the company to the fund in the year.

2 Segmental information

	Turnover	Gross profit	Turnover	Gross profit
	1999	1999	1998	1998
	£	£	£	£
Activity:				
Motor vehicles	74,143,251	5,222,689	68,019,362	4,634,059
Services, parts, petrol and sundry activities	13,570,429	5,732,254	12,426,842	5,290,003
	87,713,680	10,954,943	80,446,204	9,924,062

All trading activities are conducted within the United Kingdom.

3 Operating expenses

	1999	1998
	£	£
Staff costs (see note 5)	5,408,655	5,091,356
Other costs including - auditors' remuneration of £28,000 (1998: £28,000)	4,244,129	3,912,061
Depreciation and amounts written off tangible fixed assets	315,322	255,193
Management charges payable to parent company	1,080,000	894,400
	11,048,106	10,153,010

Non audit fees in the year amounted to £13,400 (1998: £12,250)

The management charge is payable to AB500 Limited, the parent undertaking. A Bentley, GH Armstrong, NA Khan and NW Dalkin are shareholders of AB500 Limited.

S Jennings Limited

4 Profit on disposal of fixed assets

The profit on disposal of fixed assets of £85,000 relates to the profit made on the disposal of the Bridge Street site in Morpeth. Proceeds of £435,000 were received for the asset which had a carrying value of £350,000 at the disposal date.

5 Directors and employees

The average number of persons employed (including directors) during the year was as follows:

	1999 Number	1998 Number
Non-executive directors	2	2
Management	25	24
Administration	71	71
Vehicle sales	61	65
Mechanics and others	226	215
	385	377

The aggregate payroll costs of these persons were as follows:

	1999 £	1998 £
Salaries and wages	4,900,752	4,593,315
Employer's social security costs	406,579	403,223
Employer's pension contributions	101,324	94,818
	5,408,655	5,091,356

Directors' emoluments

	1999 £	1998 £
Aggregate emoluments	3,432	3,120
Sums paid to third parties for directors services	648,059	563,748

No retirement benefits are accruing to directors under either defined contribution (money purchase) schemes or defined benefit schemes during the year (1998: nil)

S Jennings Limited

Highest paid director

	1999	1998
	£	£
Total amount of emoluments	1,716	3,120

A Bentley, GH Armstrong, NA Khan and NW Dalkin are directors and shareholders of AB500 Limited, the parent undertaking. Their emoluments for the year are shown in the accounts of that company.

Pensions

The company operates defined contribution pension schemes. The assets of the schemes are held separately from those of the group in independently administered schemes. The pension costs charge represents contributions payable by the company to the funds and amounted to £101,324 (1998: £94,818).

6 Other operating income

	1999	1998
	£	£
Ford Credit plc finance commission	1,068,674	1,105,179
Insurance commission	1,144	3,282
Lubricant support grant	92,220	92,220
Other income	162,000	100,000
Interest received	2,710	-
	1,326,748	1,300,681

7 Interest payable

	1999	1998
	£	£
Bank loans and overdrafts	388,247	340,240
Ford Credit plc	372,425	492,535
Hire purchase contracts	106,636	178,597
	867,308	1,011,372

S Jennings Limited

8 Taxation

	1999 £	1998 £
<hr/>		
The tax charge on the profit on ordinary activities for the year comprises:		
Current Year		
Corporation tax at 29.27% (1998: 21%)	157,910	30,199
Deferred tax at 30% (1998: 30%)	34,607	22,676
Prior Year		
Corporation tax at 31% (1998: 31%)	(10,760)	14,242
Deferred tax at 31% (1998: 31%)	428	(292)
ACT (written back)/written off	-	(14,721)
Adjustment to deferred tax balances due to changes in tax rates	-	(1,226)
	<hr/>	<hr/>
	182,185	50,878
	<hr/>	<hr/>

9 Equity dividends

	1999 £	1998 £
<hr/>		
Interim dividend of 25p (1998: 15p) per ordinary share, paid 18 June 1999	164,706	98,825
Second interim dividend of 10p (1998: £2.70) per ordinary share, paid 14 December 1999	65,883	1,050,575
Third interim dividend of £Nil (1998: 5p) per ordinary share.	-	32,941
	<hr/>	<hr/>
	230,589	1,182,341
	<hr/>	<hr/>

S Jennings Limited

10 Tangible fixed assets

	Freehold land and buildings	Plant Machinery fixtures and company vehicles	Total
	£	£	£
Cost or valuation			
At 1 January 1999	8,012,494	2,091,061	10,103,555
Additions	1,629,285	397,746	2,027,031
Disposals	(350,000)	(5,966)	(355,966)
At 31 December 1999	9,291,779	2,482,841	11,774,620
Depreciation			
At 1 January 1999	212,839	1,660,705	1,873,544
Charge for the year	86,919	228,403	315,322
Disposals	-	(5,966)	(5,966)
At 31 December 1999	299,758	1,883,142	2,182,900
Net Book Amount			
31 December 1999	8,992,021	599,699	9,591,720
31 December 1998	7,799,655	430,356	8,230,011

Certain of the land and buildings of the company were valued by Messrs Lamb & Edge in January 1997 on an open market basis of valuation in accordance with guidance issued by the Royal Institution of Chartered Surveyors, this valued properties whose cost/ valuation was £8,449,778 at £8,927,956.

The previous valuation occurred during 1992, when properties which had cost £4,727,384 were valued at £7,293,500.

The amount of freehold land and buildings determined according to the historical cost convention would be as follows:

	1999 £	1998 £
Cost	8,291,237	6,704,455
Aggregate depreciation	(453,271)	(388,384)
Net book amount	7,837,966	6,316,071

S Jennings Limited

11 Investments in subsidiary undertaking

	1999	1998
	£	£
At 1 January 1999	404,000	404,000
Provision for permanent diminution in value	(404,000)	(404,000)
At 31 December 1999	-	-

Subsidiaries held throughout the year, all of which were wholly owned, and are registered in England were:

	Principal activity
S Jennings (South Shields) Limited	Dormant

Consolidated accounts have not been prepared as the company is a subsidiary of AB500 Limited whose consolidated accounts include those of S Jennings Limited and its subsidiaries.

12 Stock

	1999	1999
	£	£
Stocks for resale	5,640,939	8,030,667

13 Debtors

	1999	1998
	£	£
Trade debtors	2,583,864	2,495,016
Amounts due from parent company	211,919	204,377
Prepayments and accrued income	370,141	699,409
	3,165,924	3,398,802

S Jennings Limited

14 Creditors: Amounts falling due within one year

	1999	1998
	£	£
Ford Credit plc (Secured)	3,500,000	4,500,000
Bank overdrafts (Secured)	3,607,897	5,228,879
Bank loan (Secured)	840,000	-
Other loans	-	11,034
Trade creditors	1,851,267	1,746,843
Amounts due to subsidiary undertakings	65,946	65,946
Hire purchase contracts (due within five years)	1,136,924	1,424,706
Corporation tax	147,475	1,454
Advance corporation tax	-	8,235
Social security and other taxes	222,987	185,568
Accruals and deferred income	1,536,268	1,104,976
	12,908,764	14,277,641

The amount due to Ford Credit plc is secured by a first charge on the vehicle stocks of the company.

The overdraft facility from HSBC Bank plc, is secured by mortgages over the freehold properties of the company, and by a fixed charge on the debts and a floating charge on the assets of the company dated 28 November 1988 and reviewed on 6 January 1992.

The loan facility from HSBC Bank plc is secured by mortgages over the freehold properties of the company.

The interest rate on the bank loan is the bank base rate plus a margin of 2%. The loan is repayable by equal quarterly repayments over a 10 year period on completion of the new Middlesbrough dealership.

15 Creditors: Amounts falling due after more than one year

	1999	1998
	£	£
Lubricant support grant	122,981	215,201

S Jennings Limited

16 Provisions for liabilities and charges

The full potential liability for deferred taxation at 30% (1998 – 30%) not provided in the accounts is as follows:

	1999	1998
	£'000	£'000
Losses	(27,683)	(33,160)
Taxation on property revaluation surplus	676,174	678,658
	648,491	645,498

Provision has been made in 1999 for deferred taxation of £94,193 (1998: £59,158), arising from accelerated capital allowances.

17 Pension and similar obligations

The group operates a funded defined contribution scheme. The assets of the schemes are held in separate trustee administered funds.

The pension contributions for the group were £145,640 (1998: £145,305), including £101,324 (1998: £94,818) paid directly by the company. The pension cost is charged to the profit and loss account as incurred. There was no outstanding or prepaid contributions at 31 December 1999.

S Jennings Limited

18 Movement on reserves and reconciliation of equity shareholders' funds

	Share Capital £	Share Premium £	Revaluation Reserve £	Profit and Loss Account £	Capital Reserve £	Equity Shareholders' Funds £
At 31 December 1998	658,827	26,425	1,773,767	2,641,596	16,348	5,116,963
Historical cost depreciation charge transferred to reserves	-	-	(8,281)	8,281	-	-
Retained profit for the year attributable to ordinary shareholders	-	-	-	389,092	-	389,092
Ordinary dividends paid	-	-	-	(230,589)	-	(230,589)
Transfer re sale of property	-	-	(249,067)	249,067	-	-
At 31 December 1999	658,827	26,425	1,516,419	3,057,447	16,348	5,275,466

19 Called up equity share capital

	1999 £	1998 £
Authorised		
750,000 ordinary shares of £1 each	750,000	750,000
Allotted, called up and fully paid		
658,827 ordinary shares of £1 each	658,827	658,827

20 Contingent liability

A contingent liability exists under mortgages held by HSBC Bank plc on the freehold properties of S Jennings Limited which are held as security against company borrowings.

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21 Reconciliation of operating profit to net cash inflow from operating activities

	1999	1998
	£	£
Operating profit	1,353,585	1,201,983
Depreciation charges	315,322	255,193
Decrease in stocks	2,389,728	1,569,900
Decrease/(increase) in debtors	232,878	(768,418)
Increase/(decrease) in creditors	477,224	(3,355,094)
Net cash inflow from operating activities	4,768,737	(1,096,436)

22 Reconciliation of net cashflow to movement in net debt

	1999	1998
	£	£
Decrease/(increase) in cash in the period	1,620,188	(3,165,967)
Decrease/(increase) in Ford Credit finance	1,000,000	(532,000)
Decrease in Hire Purchase finance	287,782	21,820
(Increase) in bank loans	(840,000)	-
Decrease in other loans	11,034	22,067
Change in net debt	2,079,004	(3,654,080)
Net debt at 1 January	(11,161,004)	(7,506,924)
Net funds at 31 December	(9,082,000)	(11,161,004)

S Jennings Limited

23 Analysis of changes in net debt

	1 January 1999	Cashflows	31 December 1999
	£	£	£
Cash in hand and at bank	3,615	(794)	2,821
Overdrafts	(5,228,879)	1,620,982	(3,607,897)
	(5,225,264)	1,620,188	(3,605,076)
Debt due within one year	(5,935,740)	1,298,816	(4,636,924)
Debt due after one year	-	(840,000)	(840,000)
Total	(11,161,004)	2,079,004	(9,082,000)

24 Financial commitments

At 31 December 1999 the company had annual commitments under non-cancellable operating leases as follows:

	1999	1998
	£	£
Other operating leases		
Expiry date:		
Between two and five years	199,683	-

25 Capital commitments

The company had authorised capital commitments of £1,885,203 (1998: nil) at the year end.

26 Sale or return stock

At 31 December 1999 the company held vehicles valued at £12,411,130 (excluding vehicles on behalf of retail dealers) on a sale or return basis (1998: £9,815,389). These vehicles were supplied by Ford Motor Company Limited who retain control over their distribution until such time as they are formally adopted by a dealership. These vehicles together with the associated liability are therefore not included in the company's balance sheet.

S Jennings Limited

27 Parent undertaking

The ultimate parent undertaking is AB500 Limited, a company registered in England.