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PILLING MOTOR GROUP LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2000

Company no. 00993353

PILLING MOTOR GROUP LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2000

INDEX	PAGE
Report of the directors	1 - 2
Report of the auditors	3
Principal accounting policies	4 - 5
Profit and loss account	6
Balance sheet	7
Cash flow statement	8
Notes to the financial statements	9 - 18

PILLING MOTOR GROUP LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2000

Company registration number: 00993353

Registered office: London Road
Two Waters
Hemel Hempstead
Hertfordshire
HP3 9AA

Directors: K J Pilling
C G Pilling

Secretary: C G Pilling

Bankers: National Westminster Bank plc
Central Milton Keynes

Solicitors: Pictons
St Albans

Auditors: Grant Thornton
Registered auditors
Chartered accountants
Central Milton Keynes

PILLING MOTOR GROUP LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 December 2000.

Principal activities

The principal activity of the company during the year was that of motor retailers.

Business review

2000 was a unique year for the retail motor industry, with the results of the Government orders on car legislation, and the effects of European pricing harmonisation.

Profit for the year after taxation amounted to £108,786 (1999: £214,542). The directors do not recommend payment of a dividend, and the profit has therefore been transferred to reserves.

2001 has started very well, with improvements for sales volumes and overall margins. The directors remain confident that scheduled new products, and renewed consumer confidence, will maintain the momentum of the first quarter.

Directors

The present membership of the Board is set out below. Both directors served throughout the year.

The interests of the directors and their families in the shares of the company as at 31 December 2000 and 1 January 2000 were as follows:

	Ordinary Shares	
	31 December 2000	1 January 2000
K J Pilling	125,850	125,850
C G Pilling	124,150	124,150

Directors' responsibilities for the financial statements

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

The directors are responsible for maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.


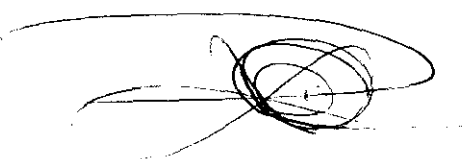
PILLING MOTOR GROUP LIMITED

REPORT OF THE DIRECTORS

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



K J Pilling
Director
3 April 2001

**REPORT OF THE AUDITORS TO THE MEMBERS OF
PILLING MOTOR GROUP LIMITED**

We have audited the financial statements on pages 4 to 18 which have been prepared under the accounting policies set out on pages 4 to 5.

Respective responsibilities of the directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

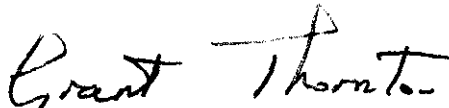
Basis of opinion

We conducted our audit in accordance with 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 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

CENTRAL MILTON KEYNES

11 May 2001

PILLING MOTOR GROUP LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention, except that certain fixed assets have been included at their revalued amount.

The company has not prepared consolidated financial statements on the grounds that its subsidiary does not trade and is not material. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

TURNOVER

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

DEPRECIATION

Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets other than freehold land, over their expected useful economic lives. The rates generally applicable are:

Freehold buildings	2.5% - straight line
Plant and machinery	20% - reducing balance
Motor vehicles	25 - 33% - straight line
Fixtures and fittings	20% - reducing balance
Computer equipment	33% - straight line

INVESTMENTS

Investments are included at cost. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

STOCKS AND WORK IN PROGRESS

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

DEFERRED TAXATION

Deferred tax is provided for using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

PILLING MOTOR GROUP LIMITED

PRINCIPAL ACCOUNTING POLICIES

CONTRIBUTIONS TO PENSION FUNDS

Defined contribution scheme

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet, and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

Operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

MANUFACTURERS BONUS

Other operating income and charges include amounts received from suppliers for non-refundable bonuses. These amounts are accounted for either when they are received, or upon sale of the asset concerned, whichever is the later.

PILLING MOTOR GROUP LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2000

	Note	2000 £	1999 £
Turnover	1	33,967,947	35,671,870
Other operating income and charges	2	33,341,778	34,948,883
Operating Profit		626,169	722,987
Net interest	3	515,872	463,445
Profit on ordinary activities before taxation		110,297	259,542
Tax on profit on ordinary activities	5	1,511	45,000
Profit for the financial year transferred to reserves	15	108,786	214,542

There were no other recognised gains or losses other than the profit for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.

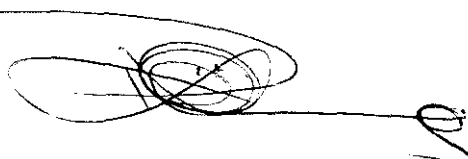
PILLING MOTOR GROUP LIMITED

BALANCE SHEET AT 31 DECEMBER 2000

	Note	2000 £	2000 £	1999 £	1999 £
Fixed Assets					
Tangible assets	6		4,796,278		4,872,097
Investments	7		1		1
Current Assets					
Stocks	8	5,326,089		4,914,085	
Debtors	9	1,055,417		507,193	
Cash at bank & in hand		330		279,193	
		<u>6,381,836</u>		<u>5,700,471</u>	
Creditors: amounts falling due within one year	10	<u>7,440,304</u>		<u>6,456,767</u>	
Net current liabilities			<u>(1,058,468)</u>		<u>(756,296)</u>
Total assets less current liabilities			<u>3,737,811</u>		<u>4,115,802</u>
Creditors: amounts falling due after more than one year	11		<u>2,129,838</u>		<u>2,606,615</u>
Provision for liabilities and charges	12		<u>55,000</u>		<u>65,000</u>
			<u>1,552,973</u>		<u>1,444,187</u>
Capital and reserves					
Called up share capital	14		250,000		250,000
Revaluation reserve	15		627,422		627,422
Profit and loss account	15		675,551		566,765
Shareholders' funds	16		<u>1,552,973</u>		<u>1,444,187</u>

The financial statements were approved by the Board of Directors on 3 April 2001

K J Pilling



Director

The accompanying accounting policies and notes form an integral part of these financial statements.

PILLING MOTOR GROUP LIMITED

CASH FLOW STATEMENT

For the year ended 31 December 2000

	Note	2000 £	1999 £
Net cash inflow from operating activities	17	385,922	1,439,281
Returns on investments and servicing of finance			
Interest paid		(495,554)	(444,053)
Finance lease interest paid		(26,622)	(15,112)
Net cash outflow from returns on investments and servicing of finance		(522,176)	(459,165)
Taxation		(8,511)	0
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(40,189)	(1,372,620)
Sale of tangible fixed assets		151,680	1,299,099
Net cash inflow / (outflow) from capital expenditure and financial investment		111,491	(73,521)
Financing			
Receipts from borrowings		241,096	461,675
Repayment of borrowings		(551,217)	(375,741)
Capital element of finance lease rentals		(220,831)	(27,813)
Net cash (outflow) / inflow from financing		(530,952)	58,121
(Decrease) / Increase in cash	18	(564,226)	964,716

The accompanying accounting policies and notes form an integral part of these financial statements.

PILLING MOTOR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The whole of the turnover is attributable to the principal activity of the company, and is derived wholly from within the United Kingdom.

The profit on ordinary activities is stated after:

	2000 £	1999 £
Auditors' remuneration:		
Audit services	20,000	20,000
Non-audit services	24,698	9,265
Depreciation and amortisation:		
Tangible fixed assets, owned	119,672	106,705
Tangible fixed assets, held under finance leases and hire purchase contracts	35,845	59,657
Other operating lease rentals	122,363	122,363

2 OTHER OPERATING INCOME AND CHARGES

	2000 £	1999 £
Other operating income and charges:		
Change in stocks of finished goods	171,479	(16,309)
Raw materials and consumables	29,244,989	31,008,323
Other operating income	(20,880)	(20,880)
Staff costs	2,180,930	2,231,826
Depreciation	155,517	166,362
Other operating charges	1,609,743	1,579,561
	33,341,778	34,948,883

3 NET INTEREST

	2000 £	1999 £
On bank loans and overdrafts	265,421	263,076
Finance charges in respect of finance leases	26,622	15,987
Other interest payable and similar charges	223,829	184,382
	515,872	463,445

PILLING MOTOR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2000

4 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2000 £	1999 £
Wages and salaries	2,035,407	2,109,947
Social security costs	197,915	200,653
Other pension costs	81,300	79,739
	2,314,622	2,390,339

The average number of employees of the company during the year were as follows:

	2000 Number	1999 Number
Production	29	24
Selling and distribution	48	50
Administration	33	34
	110	108

Remuneration in respect of directors was as follows:

	2000 £	1999 £
Emoluments	185,182	169,138
Pension contributions to money purchase pension schemes	60,000	60,000
	245,182	229,138

During the year 2 directors (1999: 2) participated in money purchase pension schemes.

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge represents:

	2000 £	1999 £
UK Corporation tax at 25% (1999: 25%)	16,000	50,000
Deferred taxation - change in timing differences	12,000	15,000
- change in tax rate	(22,000)	0
Adjustments in respect of prior periods:		
Corporation tax	(4,489)	(20,000)
	1,511	45,000

PILLING MOTOR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2000

6 TANGIBLE FIXED ASSETS

	Freehold Land & Buildings £	Computers Plant & Machinery £	Vehicles £	Fixtures & Fittings £	Total £
Cost Or Valuation					
As at 1 January 2000	4,552,976	482,078	274,560	171,047	5,480,661
Additions	13,832	19,958	191,189	6,399	231,378
Disposals	0	0	(188,580)	0	(188,580)
As at 31 December 2000	<u>4,566,808</u>	<u>502,036</u>	<u>277,169</u>	<u>177,446</u>	<u>5,523,459</u>
Depreciation					
As at 1 January 2000	121,878	309,899	99,852	76,935	608,564
Charged in the Year	36,480	48,969	56,929	13,139	155,517
On Disposals	0	0	(36,900)	0	(36,900)
As at 31 December 2000	<u>158,358</u>	<u>358,868</u>	<u>119,881</u>	<u>90,074</u>	<u>727,181</u>
Net Book Value 1/1/00	<u>4,431,098</u>	<u>172,179</u>	<u>174,708</u>	<u>94,112</u>	<u>4,872,097</u>
Net Book Value 31/12/00	<u>4,408,450</u>	<u>143,168</u>	<u>157,288</u>	<u>87,372</u>	<u>4,796,278</u>

The figures stated above include assets held under finance leases and similar hire purchase contracts, as follows:

	Motor Vehicles £
Net book amount at 31 December 2000	155,344
Net book amount at 31 December 1999	172,059
Depreciation provided during the year	35,845

The figures stated above for cost or valuation include valuations as follows:

	Freehold land and buildings 2000	1999
At Cost	2,816,808	2,802,976
Valuation - 1997	1,750,000	1,750,000
	<u>4,566,808</u>	<u>4,552,976</u>

PILLING MOTOR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2000

During 1997, the property at Hemel Hempstead was revalued by Messrs. Aitchinsons. The basis of the valuation was existing use value, assuming vacant possession. The surplus arising was transferred to the revaluation reserve.

No provision has been made in the deferred taxation account for the estimated corporation tax that would be payable on disposal at this valuation, because, in the opinion of the directors, this asset is unlikely to be disposed of in the foreseeable future.

If the freehold land and buildings had not been revalued, they would have been included on the historical cost basis at the following amount:

	Freehold land and buildings 2000 £
Cost	1,209,476
Accumulated depreciation	86,898
	<hr/>
Net book amount at 31 December 2000	1,122,578
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Net book amount at 31 December 1999	1,122,578
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7 FIXED ASSET INVESTMENTS

	Shares in Group Undertakings £
Cost or valuation	
At 1 January 2000 and 31 December 2000	1
	<hr/>

At 31 December 2000, the company held 100% of the allotted share capital of Pilling (Luton) Limited, which is incorporated in England and Wales, and is dormant.

No consolidated accounts have been prepared as the subsidiary does not trade.

PILLING MOTOR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2000

8 STOCKS

	2000 £	1999 £
Raw materials and consumables	494,448	253,923
Finished goods and goods for resale	4,831,641	4,660,162
Total stocks held	5,326,089	4,914,085

Consignment stock

The directors have considered the substance of the stocking arrangements with the suppliers of vehicle stock. The directors consider that the consignment stock held by the company is in substance an asset of the company. The company has access to the benefits to the stock and the exposure to the risks and costs of holding it.

The company has therefore recognised consignment stock in its balance sheet together with a corresponding liability to the manufacturer.

9 DEBTORS

	2000 £	1999 £
Trade debtors	877,527	372,799
Other debtors	97,307	29,509
Taxation recoverable	0	37,000
Prepayments and accrued income	80,583	67,885
	1,055,417	507,193

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £	1999 £
Bank loans and overdrafts	558,968	358,948
Stocking finance	4,892,753	4,651,657
Trade creditors	637,207	237,265
Corporation tax payable	16,000	50,000
Social security and other taxes	350,458	276,057
Other creditors	924,982	804,165
Amounts due under finance leases and hire purchase contracts	59,936	78,675
	7,440,304	6,456,767

The bank loan, mortgage and overdraft are secured by mortgages on the properties of the company and directors life insurance policies.

The stocking finance is secured by a floating charge over all the stocks of vehicles and by guarantees by the directors and Pilling (Coachbuilders) Limited.

PILLING MOTOR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2000

11 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2000 £	1999 £
Bank loans	1,994,245	2,460,119
Amounts due under finance leases and hire purchase contracts	135,593	146,496
	<u>2,129,838</u>	<u>2,606,615</u>

Bank loans

The bank mortgage and term loan are secured by a mortgage over the company's assets. The mortgage of £1,432,183 is repayable in equal monthly instalments over a 10 year period ending March 2007. Interest is charged at 8.63% fixed for the term. The term loan of £835,667 is repayable in equal monthly instalments over a ten year period ending January 2010. Interest is charged at 1.875% over base rate.

Borrowings are repayable as follows:

	2000 £	1999 £
Within one year		
Bank and other borrowings	5,451,721	5,010,605
Finance leases	59,936	78,675
After one and within two years		
Bank and other borrowings	289,610	373,613
Finance leases	135,593	146,496
After two and within five years		
Bank and other borrowings	978,762	1,021,525
After five years		
Bank and other borrowings	725,873	1,064,981
	<u>7,641,495</u>	<u>7,695,895</u>

12 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred Taxation (Note 13)

	2000 £
At 1 January 2000	55,000
Provided during the year	0
	<u>55,000</u>
At 31 December 2000	<u>55,000</u>

PILLING MOTOR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2000

13 DEFERRED TAXATION

Deferred taxation provided for and not provided for in the financial statements is set out below

	Amount provided		Amount unprovided	
	2000	1999	2000	1999
	£	£	£	£
Accelerated capital allowances	55,000	65,000	-	-
Unrealised capital gains	-	-	180,000	180,000

No provision has been made for taxation which would accrue if the land and buildings were disposed of at their revalued amounts. The amount unprovided is shown under the unrealised capital gains.

14 SHARE CAPITAL

	2000	1999
	£	£
Authorised 500,000 ordinary shares of £1 each	500,000	500,000
Allotted, called up and fully paid 250,000 ordinary shares of £1 each	250,000	250,000

15 RESERVES

	Revaluation reserve	Profit and loss account
	£	£
At 1 January 2000	627,422	566,765
Retained profit for the year	-	108,786
At 31 December 2000	627,422	675,551

PILLING MOTOR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2000

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £	1999 £
Profit for the financial year	108,786	214,542
Net increase in shareholders' funds	108,786	214,542
Shareholders' funds at 1 January 2000	1,444,187	1,229,645
Shareholders' funds at 31 December 2000	1,552,973	1,444,187

17 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000 £	1999 £
Operating profit	626,169	722,987
Depreciation	155,517	166,362
(Increase) / Decrease in stocks	(412,004)	69,184
(Increase) / Decrease in debtors	(585,224)	280,875
Increase in creditors	601,464	199,873
Net cash inflow from operating activities	385,922	1,439,281

18 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2000 £	1999 £
(Decrease) / Increase in cash in the year	(564,226)	964,716
Cash outflow / inflow from financing	310,121	(85,934)
Cash inflow / outflow from finance lease	220,831	27,813
Inception of finance leases	(191,189)	(188,080)
Movement in net debt in the year	(224,463)	718,515
Net debt at 1 January 2000	(7,416,702)	(8,135,217)
Net debt at 31 December 2000	(7,641,165)	(7,416,702)

PILLING MOTOR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2000

19 ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2000 £	Cashflow £	Non - cash items £	At 31 December 2000 £
Cash at bank and in hand	279,193	(278,863)	0	330
Bank overdrafts	0	(285,363)	0	(285,363)
	279,193	(564,226)	0	(285,033)
Bank loans	(2,819,067)	551,217	0	(2,267,850)
Stocking finance	(4,651,657)	(241,096)		(4,892,753)
Finance leases	(225,171)	220,831	(191,189)	(195,529)
	(7,416,702)	(33,274)	(191,189)	(7,641,165)

20 CONTINGENT LIABILITIES

The company has given unlimited guarantees to the bankers of Pilling (Coachbuilders) Limited covering any liabilities due to the bank. In the opinion of the directors at 31 December 2000 the potential liability is £nil (1999: nil).

21 PENSIONS

Defined Contribution Scheme

The company has contributed in the year into group personal pension schemes for the benefit of senior employees and directors. The assets of the scheme are administered by trustees in funds independent of the company.

22 LEASING COMMITMENTS

Operating lease payments amounting to £122,363 (1999: £122,363) are due within one year. The leases to which these amounts relate expire as follows:

	2000		1999	
	Land and buildings £	Other £	Land and buildings £	Other £
Between two and five years	-	55,023	-	55,023
In five years or more	67,340	-	67,340	-
	67,340	55,023	67,340	55,023

23 CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 2000 or 31 December 1999.

PILLING MOTOR GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2000

24 TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES

a) Transactions with directors:

There were no transactions with the directors during the year.

b) Transactions with other related parties:

This company traded with one other company which is also controlled by the directors.

The trade has been carried out on usual business terms (unless otherwise stated), as follows:

Pilling (Coachbuilders) Limited	Sales	Parts and servicing	£129,257	(1999: £24,887)
		Vehicles (at cost)	£4,750	(1999: £201,229)
		Salary recharge (at cost)	£209,068	(1999: £177,662)
	Purchases	Parts and servicing	£117,405	(1999: £61,967)
		Vehicles	£40,669	(1999: £nil)
	Interest payable		£27,000	(1999: £27,250)

The company also had the following balances at 31 December 2000 and 31 December 1999 with its related companies:

Pilling (MK) Limited	Intercompany debtor	£0	(1999: £46,226)
	Intercompany creditor	£3,448	(1999: £nil)
Pilling (Coachbuilders) Limited	Trade debtors	£26,088	(1999: £3,426)
	Trade creditors	£11,024	(1999: £12,887)
	Other creditors loan	£621,279	(1999: £450,000)