Specktor Limited

Report and Accounts

30 April 1999

Registered Number: 02685390

Ernst & Young

CHAIRMAN'S STATEMENT

The Director's report and financial statements have been prepared following our sixth full year of trading and provide a thorough insight into the business. I propose to deal with the key elements of the business taking into account previous and future years.

The year reported on has seen immense change in our industry with manufacturers merging, European pricing issues, nearly new vehicle over supply, and even Ford Motor Company entering into direct servicing with their recent acquisition of Kwik Fit. We have also seen Toyota Motor Corporation make their intentions well known for growth throughout Europe, with the Yaris B-segment car being manufactured in France and the Corolla being manufactured at Burnaston, Derbyshire.

I am pleased to report that our company has taken the West Midlands dealerships further and not seen the same downturn experienced by other Ford dealerships. Used car residuals, however, was a problem to the company as throughout the Ford dealer body. I am in a position to report that actions taken by the company saw a vast improvement towards year end which is now being carried over into the new year. Used car control will be the largest single factor in ensuring success for the future and I am pleased to report that following our growth, Roger Gent has taken over the responsibility of implementing Group used car policies. I believe this will benefit the business as the industry moves to the inevitable European pricing alignment.

The company is also well placed following the completion of the senior management team which will ensure best practices are adopted throughout the Group and implement our format franchise approach not traditionally enjoyed by our competitors. In November 1998 following implementation of the new centralised IT system, £250,000 of annual overhead savings were enjoyed and we look forward to further benefits being brought about following the employment of our new Group Financial Controller who has a wealth of experience on the Kerridge system installed last year.

I am also pleased to report that the company, following lengthy competition from large PLC's, has secured the Birmingham marketing area and will be replacing three existing Toyota dealerships. The exciting Toyota World development worked on closely with Toyota throughout the period has now received its planning consent with the development expected to be open in the current year.

Turnover for the Group has increased to £54,575,092 from £53,217,958 in the year with an operating profit of £518,102, a decline from the £866,154 in the previous year almost wholly due to used car residuals. However, as I have reported above, our prudent and positive actions have seen the used car department enjoying improvements as required. Other departments have contributed well in the period given the backdrop of the issues.

Following extensive negotiations with Appleyard in Birmingham and Guests in West Bromwich I am pleased to report that these locations were secured post year end.

In conclusion, our brand has been well established and recognised over the six years since our formation resulting in many national awards and high market share performance. The company is in a strong position to achieve its medium to long term goals and the actions taken in the period of regionalising our franchises are already paying dividends with sizeable profit growth being enjoyed in the new year.

The recent downturn in our industry is hastening the pace of change and our respective manufacturers are already offering to the company the more partnership based retail structure that must be achieved for those that will remain and prosper. I am pleased to report further that following the acquisition of ailing Ford businesses the respect gained by our manufacturer is now seeing them affording greater and better opportunities to secure our future.

Once again we thank the management and staff for their loyalty and hard work and the company looks forward to delivering the returns that the changes in the industry and our hard work are already bringing about.

K Hamer

7 October 1999

REVIEW OF THE BUSINESS

I am pleased to report on the period to 30th April 1999 which has seen some of the biggest changes we have experienced in our history, with manufacturers and dealers alike being faced with regionalisation, pricing issues and over-supply. I am, however, given the back-drop of this marketplace, pleased to report that our new marketing area in the West Midlands has not been as affected.

Following our now completed IT network the Group has fully restructured its management team and administration cost base, the benefit of which we saw in the fourth quarter through a considerable improvement in operating profit. The figures below summarise individual department operating profits for the whole year before central administration and interest charges.

	1999	1998	Movement
	£	£	
New Vehicles	818,727	726,487	12.7%
Used Vehicles	(123,015)	103,296	(219.0%)
Parts	392,638	414,707	(5.3%)
Service	692,077	769,100	(10.0%)
Body Shop	240,449	231,579	3.8%
Rent-a-Car	(874)	10,439	(108.3%)
Rapid Fit	59,483	117,789	(49.5%)
	2,079,485	2,373,397	(12.4%)

New Vehicles
This area of the business continues to perform well throughout the Group reflecting the benefits of consistent processes, consistent brand marketing and further development of the businesses acquired in prior years. The growth of 12.7% has been achieved this year with no additional dealerships acquired in the year although we were pleased to be awarded the Stourbridge Ford franchise in February 1999. Market share continues to increase for the recently acquired businesses with Dudley reaching 22.7% during the year, compared to 8% in the year of acquisition. Burton maintains a very high market share compared to a Toyota national market share of 3.75%.

Tamworth continues to retain its No.1 position for sales in the Ford Motor Company league tables.

Used Vehicles
1998/99 has been a very difficult year in the industry for used vehicles. The continued pressure on residual values affected by manufacturers creating stocks of pre-registered vehicle which subsequently re-enter the market as used vehicles, the public uncertainty over new vehicle pricing, coupled with inducements to customers to buy new rather than used vehicles has affected the whole industry. Again, we anticipated this and made provision against our used vehicles and demonstrators and company cars of over £250,000. This prudent stance has, obviously, been felt in the operating profit of all departments during the year. Greater controls have been introduced and stocks are much reduced to minimise our exposure, the benefits of which we are already seeing. However, despite an overall increase in unit sales of 6.4%, operating profit of the Used Vehicle department after provisions was consequently much lower than last year. The Company is now following its Group Used Vehicle implementation policy and is well placed to bring the new Dealerships in line and improve the financial returns that the business requires.

Parts
Parts sales are in line with last year. Whilst we worked towards completion of our biggest CMA in the West Midlands during the year, our dealerships had to compete in an increasingly strong and fiercely fought market. This has been reflected in both gross and net profits. Parts sales in the West Midlands CMA are improving now that the CMA is nearing completion following the acquisition of Guests of West Bromwich. It has always been our plan to wholesale parts for the whole CMA from West Bromwich which came on board in August this year. With the relocation and integration of one wholesale parts depot into the CMA, I am pleased to report that the planned efficiencies and economies of scale are now being achieved.

Service
The trend in Parts is mirrored in the Service Departments which shows turnover consistent with last year. The margin, however, showed a slight decline to 68.2% compared to 69% in the previous year. Burton shows a growth in turnover of 20% and 26% on operating profit, reflecting the increase in vehicle sales volumes. Tamworth is running at optimum levels delivering virtually identical turnover and profits to the previous year. Halesowen and Dudley had a 5.2% increase in turnover but reduced margin reflecting the mix of work which now has a very high Fleet content. Halesowen shows the biggest decline in turnover reflecting an inability to attract the correct skill levels because of our stated intention to relocate the dealership as part of the development of the West Midlands CMA.

Body Shop
Body Shop business continues to grow against the backdrop of a national decline in the repair industry. Tamworth has shown a 23% increase in operating profit on the previous year with Halesowen showing a 3% increase. Burton, however, has shown a decline of 12.8% reflecting the increasing mix of insurance work. This area of our business is increasingly burdened with additional costs to remain insurance company approved. Like other departments the Body Shop department has borne the cost of the additional provision made against our courtesy cars. The costs related to running an Accident Repair Centre are high compared to the return, however, it has to be an integral part of the service we provide to our vehicles and customers.

Rent-a-Car
Ford Rent-a-Car is only represented at our Tamworth Dealership and the main benefit is to customer satisfaction and convenience. Turnover was down by 6.8%, but again vehicle depreciation was increased by 31% from £34,000 to £45,000 reflecting an increased provision as noted above. Since the year-end we have refocused this department as part of our service to customers of other departments with a resultant increase in revenue.

Fast Fit
The very competitive market this operation competes in and a need to increase opening hours has seen an attack on margins from national competition. Although sales were only marginally down on last year, gross profit was 24% lower than last year.

Marketing & Advertising
New vehicle marketing and advertising continues to be our strength and we maintain market leadership. Manufacturers continue to influence our advertising strategies through their standards programmes, but by working closely with them we are having a greater influence on their style of advertising.

Marketing & Advertising *(continued)*
We have recently reviewed our position and with the growth and opportunities facing the Group we have decided that as well as our New Vehicle branding we must work on branding our Used Vehicles as strongly as our New Vehicles. Two advertising agencies have been engaged; Third Wave will concentrate on our New Vehicle advertising and McCann-Erickson will concentrate on our Used Vehicle advertising. As the Group grows we have to be seen not only as a New Vehicle franchise, but also a Used Vehicle franchise. In this volatile area of our business we must develop and introduce control on our stocks and processes to improve on the performance of the previous year. Without doubt, the effect of used car residuals had the single most impact on our business during 1998/99.

Employees
As the company grows more and more responsibility is being put onto our management team. We have recently implemented Hamer 2000 which measures management standards to ensure our processes and the standards required are adhered to. Processes throughout the company are key to the strategy and success of our company through the year. This will be very much at the forefront of our policy throughout 1999 and 2000.

The year has seen the Management Team anticipate and take action, at a cost, to ensure we are well placed to benefit from industry changes. I am pleased to report that as a result of the many actions taken the trading performance of the current 1999/2000 financial year is well ahead for the same period in 1998/99.

ROGER GENT
Director

7 October 1999

Registered No. 02685390

DIRECTORS
K Hamer
R G Gent
J A Thompson
D V F Wimpress

SECRETARY
J A Thompson

AUDITORS
Ernst & Young
One Colmore Row
Birmingham
B3 2DB

BANKERS
National Westminster Bank
Mander House
Dudley Street
Wolverhampton
WV1 3NB

SOLICITORS
Pinsent Curtis
3 Colmore Circus
Birmingham
B4 6BH

REGISTERED OFFICE
Port West House
Waterfront West
Dudley Road
Brierley Hill
West Midlands
DY5 1LL

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 30 April 1999.

ACTIVITY
The principal activity of the group is the operation of Hamer Ford and Hamer Toyota motor dealerships.

REVIEW OF THE BUSINESS
Details of the review of the business are set out on pages 2, 3 and 4.

FUTURE PROSPECTS AND POST BALANCE SHEET EVENTS
Details of future developments of the group and company are given in the Chairman's statement, set out on page 1.

RESULTS AND DIVIDENDS
The loss for the year after taxation amounted to £181,854 (1998: profit £118,465). No dividends (1998: £28,739) for equity shares have been paid. No non-equity dividends (1998: £135,415) have been paid. Non-equity dividends of £95,400 have been accrued but not paid. The remaining loss of £277,254 (1998: loss £5,674) is set off against reserves.

DIRECTORS AND THEIR INTERESTS
The directors who held office at 30 April 1999 had the following beneficial interest in the shares of the company at the beginning and end of the financial year or on appointment:

	Ordinary shares of £1 each	
	1999	*1998*
K Hamer	5,300	5,300
R G Gent	700	700
J A Thompson (appointed 3 August 1998)	-	-
D V F Wimpress	-	-

No director had an interest in the 'A' ordinary shares or the redeemable preference shares at any time during the year.

EMPLOYEE INVOLVEMENT
The group has established detailed procedures for consultation, communication and negotiations with its employees. The group places importance on this aspect of the business and all managers have a responsibility to this end.

YEAR 2000

The group will shortly have completed its assessments of the risks to our business resulting from the date change to the Year 2000, together with the identification of actions required if necessary to ensure all key risks are resolved prior to January 2000.

EMPLOYMENT OF DISABLED PERSONS

In considering applications for employment from disabled persons the group seeks to ensure that full and fair consideration is given to the abilities and aptitudes of the applicant against the requirements of the job specification. Employees who become disabled are given individual consideration and are always offered alternative employment within the group, appropriate to their abilities and skills, together with any necessary retraining.

Training, career development and promotion opportunities are available to all employees based on the aptitude and abilities of the individual and the group's business requirements.

AUDITORS

Deloitte & Touche resigned as auditors during the year and Ernst & Young were appointed to fill the vacancy. A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

K Hamer
Director

7 October 1999

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing those accounts, 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; and
- prepare the accounts 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 Group and Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ERNST & YOUNG

REPORT OF THE AUDITORS
to the members of Specktor Limited

We have audited the accounts on pages 10 to 29, which have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings and on the basis of the accounting policies set out on pages 16 and 17.

Respective responsibilities of directors and auditors

As described on page 8 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group'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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Group and the Company as at 30 April 1999 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Registered Auditor
Birmingham

7 October 1999

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 30 April 1999

	Notes	1999 £	1998 £
TURNOVER	2	54,575,092	53,217,958
Cost of sales		47,506,386	46,273,749
GROSS PROFIT		7,068,706	6,944,209
Administrative expenses		6,536,142	6,065,300
PROFIT BEFORE AMORTISATION OF DEALERSHIP DEVELOPMENT EXPENDITURE AND GOODWILL		532,564	878,909
Amortisation of dealership development expenditure and goodwill	9	14,462	12,755
OPERATING PROFIT	2,4	518,102	866,154
Interest payable and similar charges	5	724,956	713,904
(LOSS) /PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(206,854)	152,250
Tax on (loss)/profit on ordinary activities	6	25,000	(33,785)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(181,854)	118,465
Dividends paid on equity shares	8	-	(28,739)
Dividends accrued/paid on non-equity shares	8	(95,400)	(135,415)
		(95,400)	(164,154)
Difference between non-equity finance costs and the related dividends	8	-	40,015
RETAINED LOSS FOR THE FINANCIAL YEAR	19	(277,254)	(5,674)

All turnover and operating profit derive from the Group's continuing operations. There are no other recognised gains or losses other than those reported above.

CONSOLIDATED BALANCE SHEET
at 30 April 1999

	Notes	1999 £	1998 £
FIXED ASSETS			
Intangible assets	9	244,405	227,421
Tangible fixed assets	10	8,199,348	6,322,362
		8,443,753	6,549,783
CURRENT ASSETS			
Stocks	12	6,979,831	7,417,453
Debtors	13	4,628,014	2,435,673
Cash at bank and in hand		953,902	281,323
		12,561,747	10,134,449
CREDITORS: amounts falling due within one year	14	11,363,957	8,717,278
NET CURRENT ASSETS		1,197,790	1,417,171
TOTAL ASSETS LESS CURRENT LIABILITIES		9,641,543	7,966,954
CREDITORS: amounts falling due after more than one year	15	6,621,470	5,215,027
PROVISIONS FOR LIABILITIES AND CHARGES	17	27,000	52,000
NET ASSETS		2,993,073	2,699,927
CAPITAL AND RESERVES			
Called up share capital	18	376,000	376,000
Share premium account	19	631,506	631,506
Revaluation reserve	19	1,819,095	1,344,095
Capital reserve	19	424,722	424,722
Other reserve	19	142,784	47,384
Profit and loss account	19	(401,034)	(123,780)
TOTAL SHAREHOLDERS' FUNDS		2,993,073	2,699,927
Attributable to equity shareholders' funds		1,890,289	1,692,543
Attributable to non-equity shareholders' funds	18(iii)	1,102,784	1,007,384
		2,993,073	2,699,927

These financial statements were approved by the Board of Directors on 7 October 1999

Signed on behalf of the Board of Directors

K Hamer - Director

BALANCE SHEET
at 30 April 1999

	Notes	1999 £	1998 £
FIXED ASSETS			
Intangible assets	9	55,017	53,719
Tangible fixed assets	10	7,401,801	5,425,207
Investments	11	2	2
		7,456,820	5,478,928
CURRENT ASSETS			
Stocks	12	927,765	972,058
Debtors	13	2,203,095	839,090
Cash at bank and in hand		952,717	279,748
		4,083,577	2,090,896
CREDITORS: amounts falling due within one year	14	3,852,022	1,715,199
NET CURRENT ASSETS		231,555	375,697
TOTAL ASSETS LESS CURRENT LIABILITIES		7,688,375	5,854,625
CREDITORS: amounts falling due after more than one year	15	4,294,282	3,127,698
PROVISIONS FOR LIABILITIES AND CHARGES	17	27,000	27,000
NET ASSETS		3,367,093	2,699,927
CAPITAL AND RESERVES			
Called up share capital	18	376,000	376,000
Share premium account	19	631,506	631,506
Revaluation reserve	19	1,819,095	1,344,095
Capital reserve	19	424,722	424,722
Other reserve	19	142,784	47,384
Profit and loss account	19	(27,014)	(123,780)
TOTAL SHAREHOLDERS' FUNDS		3,367,093	2,699,927
Attributable to equity shareholders' funds		2,264,309	1,692,543
Attributable to non-equity shareholders' funds	18(iii)	1,102,784	1,007,384
		3,367,093	2,699,927

These financial statements were approved by the Board of Directors on 7 October 1999

Signed on behalf of the Board of Directors

K Hamer - Director

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 30 April 1999

	1999 £	*1998* £
(Loss)/profit for the financial year	(181,854)	118,465
Revaluation surplus arising during the year	475,000	-
Total recognised gains and losses relating to the year	293,146	118,465

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 30 April 1999

	1999 £	*1998* £
(Loss)/profit for the financial year	(181,854)	118,465
Dividends	-	(164,154)
	(181,854)	(45,689)
Other recognised gains and losses relating to the year	475,000	-
Increase/(decrease) in shareholders' funds	293,146	(45,689)
Opening shareholders' funds	2,699,927	2,745,616
Closing shareholders' funds	2,993,073	2,699,927

ERNST & YOUNG

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 30 April 1999

	Notes	1999 £	1998 £
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	(i)	(675,544)	2,022,626
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(698,976)	(690,250)
Non-equity dividends paid		-	(135,415)
Interest element of finance lease rental payments		(25,980)	(23,654)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(724,956)	(849,319)
TAXATION			
Corporation tax paid		(23,530)	(3,000)
Advanced corporation tax paid		-	(70,068)
TAX PAID		(23,530)	(73,068)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(1,334,450)	(366,225)
Receipts from sales of tangible fixed assets		21,475	89,682
Dealerships development expenditure incurred		(31,446)	(22,136)
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(1,344,421)	(298,679)
EQUITY DIVIDENDS PAID		-	(28,739)
NET CASH (OUTFLOW)/INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		(2,768,451)	772,821
FINANCING			
Debt due within one year - debenture loans		1,360,959	167,488
Debt due beyond a year - debenture loans		1,198,881	386,484
Capital element of finance lease rentals		(165,295)	(221,843)
NET CASH INFLOW FROM FINANCING		2,394,545	332,129
(DECREASE)/INCREASE IN CASH	(iii)	(373,906)	1,104,950

ERNST & YOUNG

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
for the year ended 30 April 1999

(i) **RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES**

	1999 £	*1998* £
Operating profit	518,102	866,154
Amortisation of goodwill and dealership development costs	14,462	12,755
Depreciation	230,146	208,362
Decrease/(increase) in stocks	437,622	(457,628)
(Increase) in debtors	(2,086,288)	(684,718)
Increase in creditors	210,412	2,077,701
	(675,544)	2,022,626

(ii) **ANALYSIS OF NET DEBT**

	At 1 May 1998 £	*Cash Flow* £	*Other non-cash changes* £	*At 30 April 1999* £
Cash in hand and at bank	281,323	672,579	-	953,902
Overdraft	(913,724)	(1,046,485)	-	(1,960,209)
Debt due after one year	(3,090,234)	(1,198,881)	-	(4,289,115)
Debt due within one year	(197,488)	(1,360,959)	-	(1,558,447)
Finance leases	(322,906)	165,295	(225,873)	(383,484)
Net debt	(4,243,029)	(2,768,451)	(225,873)	(7,237,353)

(iii) **RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	£	*1999* £	£	*1998* £
(Decrease)/increase in cash in the period	(373,906)		1,104,950	
Cash inflow from increase debt and lease financing	(2,394,545)		(332,129)	
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS		(2,768,451)		772,821
New finance leases		(225,873)		(272,650)
MOVEMENT IN NET DEBT IN THE PERIOD		(2,994,324)		500,171
NET DEBT AT BEGINNING OF YEAR		(4,243,029)		(4,743,200)
NET DEBT AT END OF YEAR		(7,237,353)		(4,243,029)

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings.

Basis of consolidation

The group financial statements consolidate, using the acquisition accounting method, the financial statements of the company and its subsidiary undertaking.

Turnover

Turnover represents amounts receivable for goods and services provided in the UK net of trade discounts and value added tax.

Dealer development expenditure

Dealership development expenditure incurred prior to the opening of motor dealerships and relating to long term sales campaigns is amortised over its estimated useful life of twenty years.

Goodwill

Goodwill being the excess of the fair value of the consideration given to acquire a business over the fair value of the separable net assets acquired is capitalised and amortised over 20 years.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, less depreciation. Depreciation is provided on all tangible fixed assets, other than freehold land and buildings, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Leasehold improvements	-	Over the term of the lease
Plant and machinery	-	Over 5 to 20 years
Motor vehicles	-	Over 4 years
Fixtures and fittings, tools and equipment	-	Over 5 to 20 years

No depreciation is provided on freehold land and buildings as, in the opinion of the directors, the residual value would be sufficiently high to make any depreciation charge immaterial. The directors have based their estimate of residual value on current valuation. The company carries out full refurbishment to a high standard on an ongoing basis and costs are charged to the profit and loss account as it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents purchase cost on a first-in, first-out basis. Net realisable value is based on estimated selling price less further costs expected to be incurred prior to disposal.

Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that a liability to taxation is unlikely to crystallise.

1. **ACCOUNTING POLICIES** *(continued)*

Capital instruments
Capital instruments are accounted for and classified as debt, equity or non-equity share capital according to their form.

Leasing and hire purchase commitments
Assets obtained under leases which result in the transfer to the company of substantially all the risks and rewards of ownership (finance leases) are capitalised as tangible fixed assets at the estimated present value of underlying lease payments and are depreciated in accordance with the above policy. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The finance element of the rental payments is charged to the profit and loss account over the period of the lease so as to produce a constant periodic rate of charge on the outstanding balance of the net obligation in each period.

Rentals paid under other leases (operating leases) are charged against income on a straight line basis over the lease term.

Pensions
Pension contributions made to defined contribution schemes are charged to the profit and loss account in the year incurred.

2. **SEGMENTAL INFORMATION**

	Turnover 1999 £	*Operating profit/(loss) 1999* £	*Turnover 1998* £	*Operating profit/(loss) 1998* £
New vehicle sales	26,989,894	818,727	25,548,275	726,487
Used vehicle sales	19,708,404	(123,015)	19,811,028	103,296
Parts	3,770,576	392,638	3,838,448	414,707
Service	2,291,419	692,077	2,320,195	769,100
Rapid fit	541,589	59,483	584,253	117,789
Body Shop	1,143,687	240,449	976,914	231,579
Rent A Car	129,523	(874)	138,845	10,439
	54,575,092	2,079,485	53,217,958	2,373,397
Central administrative expenses		(1,561,383)		(1,507,243)
Operating profit		518,102		866,154

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1999	*1998*
	£	*£*
	No.	*No.*
Average number of persons employed	246	245
	£	£
Staff costs during the year (including directors)		
Wages and salaries	3,434,564	3,063,943
Social security costs	293,662	264,173
Pension costs	40,063	32,248
	3,768,289	3,360,364
	£	£
Directors' emoluments	234,348	191,229
Company contributions to defined contribution pension scheme	3,000	3,000

The amounts in respect of the highest paid director are as follows;

	£	£
Emoluments	116,974	124,575
Company contribution and defined contribution pension scheme	1,800	1,800
	No.	*No.*
Members of defined contribution scheme	2	2

4. OPERATING PROFIT

	1999	*1998*
	£	*£*
Operating profit is after charging:		
Amortisation of dealership development costs and goodwill	14,462	12,755
Depreciation:		
Owned assets	101,873	102,101
Leased assets	128,273	106,261
Rentals under operating leases:		
Land and buildings	158,000	158,000
Auditors' remuneration:		
Audit services	21,000	17,000
Non-audit services	5,000	6,000

5. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £	*1998* £
On bank loans and overdrafts repayable:		
Within five years	417,381	422,842
Wholly or partly in more than five years	281,595	271,408
On finance leases terminating within five years	25,980	19,654
	724,956	713,904

6. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	1999 £	*1998* £
UK corporation tax at 20.9% (1998: 21%)	-	31,000
Deferred taxation (note 17)	(25,000)	10,000
Adjustment in respect of prior year	-	(7,215)
	(25,000)	33,785

7. PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's profit after taxation for the financial year amounted to £192,166 (1998: £140,465).

8. DIVIDENDS

	1999 £	*1998* £
Paid on ordinary shares - £Nil per ordinary shares (1998: £2.874)	-	17,243
Final paid on 'A' ordinary equity shares - £Nil per ordinary share (1998: £2.874)	-	11,496
11.5% Redeemable preference dividend accrued/paid on non-equity shares	41,400	89,700
900% 'B' Redeemable preference dividend accrued/paid on non-equity shares	27,000	27,000
900% 'C' Redeemable preference dividend accrued/paid on non-equity shares	27,000	18,715
	95,400	164,154
Difference between non-equity finance costs and the related dividends	-	(40,015)
	95,400	124,139

9. INTANGIBLE ASSETS

The Group	*Dealer development expenditure*	*Goodwill*	*Total*
	£	£	£
Cost:			
At 1 May 1998	161,824	127,421	289,245
Additions	31,446	-	31,446
At 30 April 1999	193,270	127,421	320,691
Accumulated depreciation:			
At 1 May 1998	43,864	17,960	61,824
Charge for the year	8,091	6,371	14,462
At 30 April 1999	51,955	24,331	76,286
Net book value:			
At 30 April 1999	141,315	103,090	244,405
At 30 April 1998	117,960	109,461	227,421

The Company			
Cost:			
At 1 May 1998	34,136	24,479	58,615
Additions	2,522	-	2,522
At 30 April 1999	36,658	24,479	61,137
Accumulated depreciation:			
At 1 May 1998	-	4,896	4,896
Charge for the year	-	1,224	1,224
At 30 April 1999	-	6,120	6,120
Net book value:			
At 30 April 1999	36,658	18,359	55,017
At 30 April 1998	34,136	19,583	53,719

10. TANGIBLE FIXED ASSETS

The Group

	Freehold land and buildings	*Leasehold improve-ments*	*Plant and equipment*	*Motor vehicles*	*Fixtures, fittings, tools and equipment*	*Total*
	£	£	£	£	£	£
Cost or valuation:						
At 1 May 1998	4,927,124	312,589	799,391	159,578	641,787	6,840,469
Additions	1,540,980	4,166	19,689	20,533	68,239	1,653,607
Revaluation	475,000	-	-	-	-	475,000
Disposals	-	-	-	(44,413)	-	(44,413)
At 30 April 1999	6,943,104	316,755	819,080	135,698	710,026	8,924,663
Accumulated depreciation:						
At 1 May 1998	-	13,416	299,967	57,305	147,419	518,107
Charge for the year	-	11,147	107,257	26,685	85,057	230,146
Disposals	-	-	-	(22,938)	-	(22,938)
At 30 April 1999	-	24,563	407,224	61,052	232,476	725,315
Net book value:						
At 30 April 1999	6,943,104	292,192	411,856	74,646	477,550	8,199,348
At 30 April 1998	4,927,124	299,173	499,424	102,273	494,368	6,322,362

10. TANGIBLE FIXED ASSETS *(continued)*

The Company

	Freehold land and buildings	*Leasehold improve-ments*	*Plant and equipment*	*Motor vehicles*	*Fixtures, fittings, tools and equipment*	*Total*
	£	£	£	£	£	£
Cost or valuation:						
At 1 May 1998	4,927,124	312,589	143,333	32,982	80,079	5,496,107
Additions	1,540,980	4,166	14,199	-	-	1,559,345
Revaluation	475,000	-	-	-	-	475,000
Disposals	-	-	-	(11,732)	-	(11,732)
At 30 April 1999	6,943,104	316,755	157,532	21,250	80,079	7,518,720
Accumulated depreciation:						
At 1 May 1998	-	13,416	32,679	7,991	16,814	70,900
Charge for the year	-	11,147	24,508	4,922	12,005	52,582
Disposals	-	-	-	(6,563)	-	(6,563)
At 30 April 1999	-	24,563	57,187	6,350	28,819	116,919
Net book value:						
At 30 April 1999	6,943,104	292,192	100,345	14,900	51,260	7,401,801
At 30 April 1998	4,927,124	299,173	110,654	24,991	63,265	5,425,207

The net book value of fixed assets for the group includes £910,000 (1998: £576,924) in respect of assets held under finance leases and hire purchase contracts. The company has £380,007 (1998: £182,700) assets held under finance leases and hire purchase contracts.

10. TANGIBLE FIXED ASSETS *(continued)*

Asset revaluations

On 20 April 1999, the Merry Hill dealership property was acquired. This was subsequently revalued by DTZ Debenham Thorpe on an open market basis for existing use. Freehold land and buildings for the Tamworth and Halesowen dealerships were last revalued at 30 April 1998 and 25 September 1995 respectively. They were assessed on the basis of an open market valuation for existing use with the continuing benefit of a Ford franchise for Tamworth by Grimley JR Eve, Chartered Surveyors. Freehold land and buildings for Burton-upon-Trent were last revalued on 9 December 1998 by Bache Treharne on the same basis of open market valuation for existing use.

If freehold land and building had not been revalued they would have been included at the following amounts:

	1999 £	*1998* £
Cost and net book value	5,124,009	3,583,029
Land and buildings at cost or valuation are stated:		
At open market value for existing use		
25 September 1995	1,800,000	1,800,000
29 February 1996	1,850,000	1,850,000
14 August 1996	-	1,250,000
9 December 1998	1,350,000	-
20 April 1999	1,850,000	-
	6,850,000	4,900,000

11. FIXED ASSETS INVESTMENTS

Company	*Shares in group undertakings* £
Cost	
At 1 May 1998 and 30 April 1999	2

Investments comprise 100% of the share capital of Hamer Tamworth Limited, a company registered and operating in England and Wales. The principal activity of Hamer Tamworth Limited is the operation of Ford Motor dealerships. The investment is not listed.

12. STOCKS

	Group 1999	Group 1998	Company 1999	Company 1998
	£	£	£	£
New vehicles	14,234	1,384	9,683	276
Used vehicles	2,379,863	2,591,224	465,037	464,529
Vehicle buy-back obligations	2,879,759	2,890,471	-	-
Demonstrators, rental and courtesy cars	1,243,989	1,470,892	341,549	363,563
Other stocks	461,986	463,482	111,496	143,690
	6,979,831	7,417,453	927,765	972,058

Motability buy-back vehicles are included within vehicle stocks. The related liabilities are included within vehicle buy-back obligations. Included within stocks as a result of the above is £2,119,466 (1998: £1,975,096) in respect of vehicles on buy-back agreements which are not due to mature for more than one year.

13. DEBTORS

	Group 1999	Group 1998	Company 1999	Company 1998
	£	£	£	£
Trade debtors	3,075,977	1,752,555	424,407	487,099
Amounts owed by subsidiary undertakings	-	-	1,028,600	96,991
Other debtors	471,239	281,169	289,628	153,825
Prepayments and accrued income	1,080,798	401,949	460,460	101,175
	4,628,014	2,435,673	2,203,095	839,090

14. CREDITORS: amounts falling due within one year

	Group 1999	Group 1998	Company 1999	Company 1998
	£	£	£	£
Loans (note 16)	1,558,447	197,488	1,558,447	197,488
Bank loans and overdrafts	1,960,209	913,724	450,000	-
Obligations under finance leases and hire purchase contracts (note 21)	170,595	173,209	32,453	54,061
Trade creditors	6,387,372	5,906,974	1,357,057	1,333,511
Vehicle buy-back obligations (note 12)	760,293	915,375	-	-
Corporation tax	8,546	23,195	835	15,484
Amounts owed to subsidiary undertakings	-	-	274,337	-
Other taxes and social security	106,225	218,028	20,197	24,765
Accruals and deferred income	412,270	369,285	158,696	89,890
	11,363,957	8,717,278	3,852,022	1,715,199

14. CREDITORS: amounts falling due within one year *(continued)*

Included in group trade creditors are used vehicle stock loans of £1,845,511 (1998: £2,035,175), a working capital loan of £200,000 (1998: £100,000), an oil company loan of £206,878 (1998: £82,829) and rental, demonstrator and courtesy car loan of £1,528,050 (1998: £1,333,166), all repayable on demand.

15. CREDITORS: amounts falling due after more than one year

		Group		*Company*
	1999	*1998*	*1999*	*1998*
	£	*£*	*£*	*£*
Loans (note 16)	4,289,115	3,090,234	4,289,115	3,090,234
Obligations under finance leases and hire purchase contracts (note 21)	212,889	149,697	5,167	37,464
Vehicle buy-back obligations (note 12)	2,119,466	1,975,096	-	-
	6,621,470	5,215,027	4,294,282	3,127,698

16. LOANS

	Group and Company	
	1999	*1998*
	£	*£*
10% fixed repayable in 24 equal biannual instalments commencing 31 December 1999	400,000	400,000
14.00% fixed repayable in 20 equal quarterly instalments commencing 30 June 1994	-	20,000
LIBOR plus 2½% fixed repayable in 10 equal annual instalments commencing 31 December 1999	350,000	350,000
LIBOR plus 2½% fixed repayable in 10 equal annual instalments commencing 31 December 1999	490,000	490,000
LIBOR plus 2% fixed repayable in 80 equal quarterly instalments commencing in May 1998	1,116,386	1,206,000
LIBOR plus 2% fixed repayable in 80 equal annual instalments commencing July 1999	1,482,000	-
RBS base rate plus 2% fixed repayable in 168 monthly instalments commencing 30 August 1997	709,176	732,555
Interest free loan	-	89,167
Bridging loan	1,300,000	-
	5,847,562	3,287,722

Analysis of repayments:

Amounts repayable by instalments some of which fall after five years:		
Within one year or on demand	1,558,447	197,488
Between one and two years	275,114	294,821
Between two and five years	825,339	884,463
After five years	3,188,662	1,910,950
	5,847,562	3,287,722

The borrowings of the group are secured on the assets to which they relate.

17. PROVISIONS FOR LIABILITIES AND CHARGES

The Group	*1999* £	*1998* £
Deferred taxation		
Balance at 1 May	52,000	42,000
Profit and loss (credit)/charge (note 6)	(25,000)	10,000
Balance at 30 April	27,000	52,000

The amounts provided in the accounts and the amounts not provided are as follows:

	Provided 1999 £	*Not provided 1999* £	*Provided 1998* £	*Not Provided 1998* £
Capital allowances in excess of depreciation	27,000	116,000	27,000	75,000
Other timing differences	-	-	25,000	-
Taxation on valuation surplus	-	546,000	-	404,000
Tax losses available	-	(43,000)	-	-
	27,000	619,000	52,000	479,000

The Company	*1999* £	*1998* £
Deferred taxation at 1 May and 30 April	27,000	27,000

The amounts provided in the accounts and the amounts not provided are as follows:

	Provided 1999 £	*Not provided 1999* £	*Provided 1998* £	*Not provided 1998* £
Capital allowances in excess of depreciation	27,000	73,000	27,000	75,000
Taxation on valuation surplus	-	546,000	-	404,000
Other	-	-	25,000	-
	27,000	619,000	52,000	479,000

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18. CALLED UP SHARE CAPITAL
Group and company

(i) Summary

	1999 £	1998 £
Authorised, *Allotted, called up and fully paid:*		
6,000 Ordinary shares of £1 each	6,000	6,000
4,000 'A' ordinary shares of £1 each	4,000	4,000
360,000 11.5% Redeemable preference shares of £1 each	360,000	360,000
300,000 900% 'B' Redeemable preference shares of £0.01 each	3,000	3,000
300,000 900% 'C' Redeemable preference shares of £0.01 each	3,000	3,000
	376,000	376,000

(ii) Summary of share rights

The 11.5% Redeemable preference shares and the 900% 'B' Redeemable preference shares rank equally in all respects. They rank above the 'A' ordinary shares and the ordinary shares for dividends and on winding up. The preference shares have cumulative rights to dividends and are redeemable at par plus accrued unpaid dividends. They have no voting rights. The 11.5% Redeemable preference shares are redeemable at par in half yearly instalments commencing 31 October 1999. The 900% 'B' and 'C' Redeemable preference shares are redeemable at £1 per share in 12 half yearly equal instalments commencing 31 October 1999.

The 'A' ordinary shares are entitled to a cumulative participating dividend of 8½% of net profit. Any unpaid dividends are paid in preference to the ordinary shares on winding up. The 'A' ordinary shares and ordinary shares have equal voting rights.

(iii) Non-equity shareholders' funds

	1999 £	1998 £
Attributable to 11.5% Redeemable preference shares	421,784	380,384
Attributable to 900% 'B' Redeemable preference shares	340,500	313,500
Attributable to 900% 'C' Redeemable preference shares	340,500	313,500
	1,102,784	1,007,384

19. RESERVES

Group

	Capital reserve £	Share premium account £	Revaluation reserve £	Other reserve £	Profit and loss account £
At 1 May 1998	424,722	631,506	1,344,095	47,384	(123,780)
Retained loss for the year	-	-	-	-	(277,254)
Dividends accrued but not paid	-	-	-	95,400	-
Arising during the year	-	-	475,000	-	-
At 30 April 1999	424,722	631,506	1,819,095	142,784	(401,034)

Company

	Capital reserve £	Share premium account £	Revaluation reserve £	Other reserve £	Profit and loss account £
At 1 May 1998	424,722	631,506	1,344,095	47,384	(123,780)
Retained profit for the year	-	-	-	-	96,766
Dividends accrued but not paid	-	-	-	95,400	-
Arising during the year	-	-	475,000	-	-
At 30 April 1999	424,722	631,506	1,819,095	142,784	(27,014)

The other reserve represents cumulative unpaid dividends on preference shares.

20. FINANCIAL COMMITMENTS

	Group 1999 £	Company 1999 £	Group 1998 £	Company 1998 £
(i) Capital commitments				
Contracted for but not provided	712,500	712,500	-	-

20. FINANCIAL COMMITMENTS *(continued)*

(ii) Obligations under finance leases and hire purchase contracts

	Group 1999 £	*Group 1998 £*	*Company 1999 £*	*Company 1998 £*
Minimum lease payments due net of interest:				
Within one year	170,595	173,209	32,453	54,061
Within one to two years	105,716	90,420	3,111	33,717
Within two to five years	107,173	59,277	1,696	3,747
	383,484	322,906	37,260	91,525

Obligations under finance leases and hire purchase contracts are secured against the assets to which they relate.

(iii) Operating lease commitments

At 30 April 1999, the group and company had annual commitments under non-cancellable operating leases as set out below:

		Group		*Company*
	1999	*1998*	*1999*	*1998*
	£	*£*	*£*	*£*
Leases which expire:				
After five years	158,000	158,000	-	-

21. CONTINGENT LIABILITIES

At 30 April 1999, the company had entered into unlimited bank guarantees in respect of overdrafts of group companies. The group has bank loans and overdrafts of £1,960,209 (1998: £913,724).

22. RELATED PARTY TRANSACTIONS

The company has taken the advantage of the exemption under Financial Reporting Standard 8 - Related Party Transactions not to disclose transactions with group companies.