

**Touche  
Ross**

Deloitte Touche  
Tohmatsu  
International



2685390

**SPECKTOR LIMITED**

**Report and Financial Statements**

**30 April 1995**



**Touche Ross & Co.  
Colmore Gate  
2 Colmore Row  
Birmingham  
B3 2BN**

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**REPORT AND FINANCIAL STATEMENTS 1995**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

K Hamer (Chairman)  
R G Gent  
D V F Wimpess (Non-executive)

**SECRETARY**

P A Lamare

**REGISTERED OFFICE**

Bonehill Road  
Tamworth  
Staffs  
B78 3HH

**BANKERS**

Royal Bank of Scotland PLC  
79-83 Colmore Row  
Birmingham  
B3 2BA

**SOLICITORS**

Pinsent Curtis  
3 Colmore Circus  
Birmingham  
B4 6BH

**INSTITUTIONAL INVESTORS**

3i plc  
6th Floor  
St John's House  
East Street  
Leicester  
LE1 9NN

**AUDITORS**

Touche Ross & Co.  
Chartered Accountants  
Colmore Gate  
2 Colmore Row  
Birmingham  
B3 2BN

## **CHAIRMAN'S STATEMENT**

The directors' report and financial statements have been prepared following our second full year of trading and provide a full insight into the business.

I propose in my statement to deal with the key points of the business, taking into account both past and future indicators facing the group.

Over the last year the group has continued to be the market leader for Ford Motor Company Limited, in the Midlands region. We will continue to strive in the coming periods to achieve the optimum performance that the Board of Directors and Investors to the group require.

Following seven months of lengthy negotiations, I am pleased to report the addition of our second Ford main dealership at Halesowen, West Midlands. This dealership is already showing the great potential available since our acquisition from Benz of Halesowen on 19 December 1994. The company will be bringing its best practices of environments, systems and people to this operation over the coming months.

It is the opinion of the board of directors that following the refurbishment of the new Ford main dealership the land and buildings valuation of £1.65 million will be considerably more than the purchase price.

I am particularly pleased that in a declining retail market that our industry was faced with, that we have managed to maintain our vehicle sales profit and market share performance. Recognition of this success has come from many fields both in and out of the industry. With group turnover for the period increasing by 58% to £16,997,212, the group is confident that the potential for further organic growth bodes well for the future. I am also pleased to report that the pre-interest operating profit has increased by 83.3% to £336,544.

However, we are in a very competitive industry. Our expertise in forming car dealerships to modern day retail dealer standards, whilst maintaining the right cost base will be continued as the group strives for its future growth.

Once again we are indebted to the managers and staff for their continued loyalty and their utter determination to bring the group the maximum return it deserves.



**K HAMER**

Managing Director

20 July 1995

## REVIEW OF THE BUSINESS

I am pleased to report over the last two full year's of trading, most departments at our Tamworth Dealership have continued to show growth, and the recent acquisition of our Halesowen Dealership has also shown early signs of its potential. Set out below is a summary of profit by department for each dealership and the group.

	Year ended 30 April 1994	Tamworth	Year ended 30 April 1995 Halesowen (4 months)	Consolidated Total	Increase
	£	£	£	£	%
New Vehicles	246,208	253,875	44,965	298,840	21.3
Used Vehicles	116,411	126,718	75,039	201,757	73.3
Parts	72,439	68,138	51,182	119,320	64.7
Service	184,982	193,082	89,772	282,854	52.9
Rapid Fit	11,071	23,739	1,159	24,898	124.8
Bodyshop	(24,671)	20,439	25,475	45,914	-
Rent A Car	-	1,623	476	2,099	-
	<u>606,440</u>	<u>687,614</u>	<u>288,068</u>	<u>975,682</u>	<u>60.8</u>

**New Vehicle Sales:** Performance at both dealerships was encouraging with Tamworth increasing vehicle sales from 761 to 925 an increase of 21% compared with the year ended 30 April 1994. Halesowen achieved 200 vehicle sales in our first four months of ownership. These performances have maintained the Tamworth Dealership at the top of the Ford Motor Company Limited performance tables for the Midlands. Our Halesowen Dealership has already made a mark in its own right, demonstrating the potential available. The total new vehicle sales profit is particularly pleasing, as the retail market nationally has seen a downward trend.

**Used Vehicles:** The used vehicle market saw a substantial change in fortunes towards the end of 1994 with residual values falling. To maintain control and to increase profits on a similar number of vehicle sales at Tamworth of 510 in 1994 compared with 529 in 1995, without obstructing the performance of new vehicles sales, has been a good performance. A performance which has been helped with the acquisition of the Halesowen Dealership, with 152 vehicle sales in four months which has assisted in reducing used vehicle stock in the group. Halesowen has been designed to take advantage of used car potential available due to its position in the heart of the West Midlands.

**Parts Department:** This department shows at Tamworth a reduction of profits which is reflected nationally in the Ford Dealer network. This is showing trends in the first three months of 1995 of returning to previous performance. Action plans are now in place to improve upon this unacceptable performance.

Halesowen shows an excellent performance for the first four months trading, this is due to the mix of business and the excellent negotiated terms at acquisition. Again, the location of the Halesowen Dealership will benefit the wholesale market with its close proximity to the motorway network.

**Service Department:** Both dealerships are now seeing an established and profitable after sales market. The customer base obtained with our Halesowen acquisition will be worked upon in order to take full potential, from what has been the mainstay at this dealership. The acquisition has enabled the Tamworth after sales manager to have responsibilities for both Halesowen and Tamworth, thus benefiting direct overhead expenses and at the same time giving unity of direction.

**Rapid Fit:** This market continues to grow, particularly due to the potential of older vehicles which are remaining on the road longer. For this reason in the Halesowen refurbishment the Rapid Fit department has been given far greater profile than at Tamworth, in order to take full advantage of this growing market.

Tamworth has grown by over 100% on last year's performance and we expect to see this area of the business continue to expand.

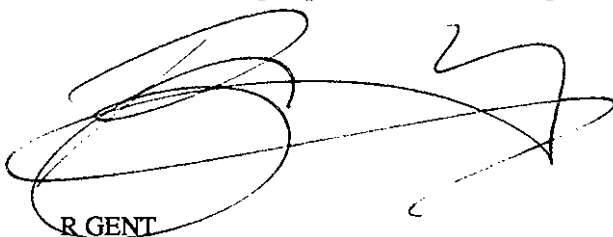


## **REVIEW OF THE BUSINESS**

**Bodyshop:** It is pleasing to see the profit from the bodyshop of £45,914 compared to a loss of £24,671 for 1994. The separate location at Tamworth offers great potential for growth as the department becomes more established especially in the insurance market. The bodyshop department is integral to the dealership at Halesowen, and the company will be looking for optimum performance in this area.

**Rent A Car:** This is not seen as a core department in achieving significant profits in the short term. However, it offers the benefit of customer satisfaction.

**Marketing and Advertising:** The group continues with its strong marketing message, as required for a growing business such as ours. There are certain benefits to both locations following the acquisition of the Halesowen Dealership, due to their close proximity. We will continue to strive in our quest of giving customers a reason to do business with our group at the initial vehicle purchase and beyond.



Director

20 July 1995

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 30 April 1995.

### **ACTIVITIES**

The principal activity of the group is the operation of Hamer Ford motor dealerships in Tamworth and Halesowen. All activities of the group have been transferred to Hamer Tamworth Limited, a subsidiary undertaking on 19 December 1994.

### **REVIEW OF THE BUSINESS**

Details of the review of the business are set out on pages 3 and 4.

### **FUTURE PROSPECTS**

Details of future developments of the group and company are given in the Chairman's statement, set out on page 2.

### **RESULTS AND DIVIDENDS**

The profit for the year after taxation amounted to £135,708 (1994 - £22,970). No dividends are proposed, however, an amount of £51,164 (1994 - £41,400) has been transferred to other reserves for finance charges in respect of non-equity shares. The remaining balance of £84,544 (1994 - Loss of £18,430) is transferred to reserves.

### **FIXED ASSETS**

Details of the movement in fixed assets during the period are set out in notes 8 and 9 to the financial statements.

Fixed assets were transferred to Hamer Tamworth Limited, a subsidiary undertaking on 19 December 1994.

### **DIRECTORS AND THEIR INTERESTS**

The directors who held office at 30 April 1995 had the following beneficial interest in the shares of the company at the beginning and end of the financial year.

	Ordinary shares of £1 each	
	1995	1994
K Hamer	5,300	5,300
R G Gent	700	700
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.

The directors hold a total of 60% of the voting rights of the combined ordinary and 'A' ordinary share capital. The remaining 40% of voting rights are held by 3i plc.

### **EMPLOYEE INVOLVEMENT**

The group has established status and procedures from consultation, communication and negotiations with its employees. Importance being placed on this aspect of the business and all managers have a responsibility to this end.

The company is actively seeking Investment in People status in order to bring a recognised standard of excellence. With reference to our recent Halesowen acquisition, all employees will be counselled and appraised to Hamer Ford's best practise standard.

## **DIRECTORS' REPORT**

### **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 with 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**

The Birmingham Partnership of BDO Binder Hamlyn merged their practice with Touche Ross & Co. on 1 October 1994 and now carry on business under the name of Touche Ross & Co. The directors consented to the appointment of the Birmingham Partnership of BDO Binder Hamlyn as auditors of the company being treated as extending to Touche Ross & Co. A resolution to reappoint Touche Ross & Co. as auditors will be proposed at the Annual General Meeting.

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

K HAMER

Director

20 June 1995



## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

By order of the Board

  
P A LAMARE

Secretary

20 July 1995



## Chartered Accountants

Touche Ross & Co.  
Colmore Gate  
2 Colmore Row  
Birmingham B3 2BN

Telephone: National 0121 200 2211  
International + 44 121 200 2211  
Fax (Gp. 3): 0121 236 1513

## AUDITORS' REPORT TO THE MEMBERS OF

### SPECKTOR LIMITED

We have audited the financial statements on pages 9 to 29 which have been prepared under the accounting policies set out on pages 16 and 17.

#### Respective responsibilities of directors and auditors

As described on page 7 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, 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 affairs of the company and the group as at 30 April 1995 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and Registered Auditors

20 July 1995

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**Year ended 30 April 1995**

	Note	£	Group 1995 £	Company 1994 £
<b>TURNOVER</b>	2			
Continuing operations		13,300,919		10,736,188
Acquisition		3,696,293		-
			16,997,212	10,736,188
Cost of sales				
Continuing operations		(11,299,457)		
Acquisition		(3,028,935)		
			(14,328,392)	(9,106,369)
Gross profit			2,668,820	1,629,819
Administrative expenses				
Continuing operations		(1,742,456)		
Acquisition		(579,772)		
			(2,322,228)	(1,441,935)
<b>PROFIT/(LOSS) BEFORE AMORTISATION OF DEALERSHIP DEVELOPMENT EXPENDITURE</b>			346,592	187,884
Amortisation of dealership development expenditure				
Continuing operations		(5,692)		
Acquisition		(4,356)		
			(10,048)	(4,320)
<b>OPERATING PROFIT</b>	2, 4			
Continuing operations		253,314		183,564
Acquisitions		83,230		-
			336,544	183,564
Other interest receivable and similar income			1,560	934
Interest payable and similar charges	5		(202,396)	(161,528)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			135,708	22,970
Tax on profit on ordinary activities	6		-	-
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>			135,708	22,970
Other finance charges in respect of non-equity shares			(51,164)	(41,400)
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>	19		84,544	(18,430)



**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**Year ended 30 April 1995**

	1995	1994
	£	As restated £
Profit/(loss) for the year	84,544	(18,430)
Unrealised surplus on revaluation of freehold land and buildings	150,000	277,704
	<u>234,544</u>	<u>259,274</u>
Prior year adjustment (see note 19 (ii))	(85,522)	-
	<u>149,022</u>	<u>259,274</u>


**CONSOLIDATED BALANCE SHEET  
30 April 1995**

	Note	1995	1994
		£	As restated £
<b>FIXED ASSETS</b>			
Intangible assets	8	172,467	95,398
Tangible assets	9	<u>3,109,480</u>	<u>1,851,317</u>
		3,281,947	1,946,715
<b>CURRENT ASSETS</b>			
Stocks	11	2,579,253	1,293,846
Debtors	12	1,093,478	589,416
Cash at bank and in hand		<u>106,729</u>	<u>1,050</u>
		3,779,460	1,884,312
<b>CREDITORS: amounts falling due within one year</b>	13	<u>(3,106,491)</u>	<u>(1,693,247)</u>
<b>NET CURRENT ASSETS</b>		<u>672,969</u>	<u>191,065</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		3,954,916	2,137,780
<b>CREDITORS: amounts falling due after more than one year</b>	14	<u>(2,550,588)</u>	<u>(1,307,350)</u>
<b>NET ASSETS</b>		<u>1,404,328</u>	<u>830,430</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	373,000	370,000
Share premium account	19	342,722	57,532
Other reserve	19	136,686	85,522
Revaluation reserve	19	674,578	524,578
Profit and loss account	19	<u>(122,658)</u>	<u>(207,202)</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>	20	<u>1,404,328</u>	<u>830,430</u>
Attributable to equity shareholders' funds		607,642	397,210
Attributable to non-equity shareholders' funds		<u>796,686</u>	<u>433,220</u>
		<u>1,404,328</u>	<u>830,430</u>

These financial statements were approved by the Board of Directors on 20 July 1995

Signed on behalf of the Board of Directors

K HAMER

Director


**BALANCE SHEET  
30 April 1995**

	Note	1995	1994
		£	As restated £
<b>FIXED ASSETS</b>			
Intangible assets	8	-	95,398
Tangible assets	9	2,567,263	1,851,317
Investment in subsidiary	10	24,481	-
		<u>2,591,744</u>	<u>1,946,715</u>
<b>CURRENT ASSETS</b>			
Stocks	11	-	1,293,846
Debtors	12	65,840	589,416
Cash at bank and in hand		300,684	1,050
		<u>366,524</u>	<u>1,884,312</u>
<b>CREDITORS: amounts falling due within one year</b>	13	(93,308)	(1,693,247)
<b>NET CURRENT ASSETS</b>		<u>273,216</u>	<u>191,065</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,864,960</u>	<u>2,137,780</u>
<b>CREDITORS: amounts falling due after more than one year</b>	14	(1,603,750)	(1,307,350)
<b>NET ASSETS</b>		<u>1,261,210</u>	<u>830,430</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	373,000	370,000
Share premium account	19	342,722	57,532
Revaluation reserve	19	674,578	524,578
Other reserve	19	136,686	85,522
Profit and loss account	19	(265,776)	(207,202)
<b>TOTAL SHAREHOLDERS' FUNDS</b>	20	<u>1,261,210</u>	<u>830,430</u>
Attributable to equity shareholders' funds		464,524	397,210
Attributable to non-equity shareholders' funds		796,686	433,220
		<u>1,261,210</u>	<u>830,430</u>

These financial statements were approved by the Board of Directors on 20 July 1995

Signed on behalf of the Board of Directors

K HAMER

Director


**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 30 April 1995**

	Note	£	1995 £	£	1994 £
<b>Net cash inflow/(outflow) from operating activities</b>	(i)		169,274		(116,661)
<b>Returns on investments and servicing of finance</b>					
Interest received		1,560		934	
Interest paid		(182,819)		(139,207)	
Interest element of finance lease rentals		(19,577)		(17,678)	
<b>Net cash outflow from returns on investments and servicing of finance</b>			(200,836)		(155,951)
<b>Investing activities</b>					
Purchase of subsidiary undertaking	(v)	(24,481)		-	
Purchase of tangible fixed assets		(892,239)		(42,240)	
Disposal of tangible fixed assets		10,786		-	
Dealership development expenditure incurred		(12,638)		(19,661)	
<b>Net cash outflow from investing activities</b>			(918,572)		(61,901)
<b>Net cash outflow before financing</b>			(950,134)		(334,513)
<b>Financing</b>					
Capital element of finance lease rentals		(380,567)		(48,460)	
Issue of shares		288,190		-	
Capital element of debenture loans		(15,000)		-	
Debenture loans issued		793,750		-	
<b>Net cash inflow/(outflow) from financing</b>	(iv)		686,373		(48,460)
<b>Decrease in cash and cash equivalents</b>	(ii)		(263,761)		(382,973)


**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 30 April 1995**
**(i) RECONCILIATION OF OPERATING PROFIT TO NET CASH  
FLOW FROM OPERATING ACTIVITIES**

	1995 £	1994 £
Operating profit	336,544	183,564
Amortisation of goodwill and dealership development costs	10,048	4,320
Depreciation	58,728	34,997
Loss on sale of fixed assets	67	-
Increase in stocks	(705,974)	(308,768)
Increase in debtors	(390,708)	(196,419)
Increase in creditors	860,569	165,645
Net cash inflow/(outflow) from operating activities	<u>169,274</u>	<u>(116,661)</u>

**(ii) ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS  
DURING THE YEAR**

	£
Balance at 1 May 1994	(972,246)
Net cash outflow	<u>(263,761)</u>
Balance at 30 April 1995	<u>(1,236,007)</u>

**(iii) ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS  
AS SHOWN IN THE BALANCE SHEET**

	1995 £	1994 As restated £	Change in year £
Stock financing loans	(1,342,736)	(963,139)	(379,597)
Cash at bank and in hand	106,729	1,050	105,679
Bank overdraft	-	(10,157)	10,157
	<u>(1,236,007)</u>	<u>(972,246)</u>	<u>(263,761)</u>

The group stock financing loan for 1994 has been restated to include the working capital loan and the oil company loan.





# **NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT** **Year ended 30 April 1995**

## **(iv) ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR**

	Share capital (including share premium) £	Debenture loans £	Finance leases £
Balance at 1 May 1994	427,532	850,000	151,754
Cash inflow/(outflow) from financing	288,190	(15,000)	(380,567)
Inception of finance lease contracts	-	-	117,495
Finance leases acquired	-	-	350,518
Debenture loan issued	-	793,750	-
Balance at 30 April 1995	<u>715,722</u>	<u>1,628,750</u>	<u>239,210</u>

## **(v) PURCHASE OF SUBSIDIARY UNDERTAKING AND BUSINESS OF HAMER TAMWORTH LIMITED**

<b>Net assets acquired:</b>	<b>£</b>
Owned fixtures and fittings	48,175
Leased fixtures and fittings	8,470
Leased plant	111,465
Trade debtors	113,354
Stock	579,433
Lease creditors	(350,528)
Trade creditors	(289,564)
Other creditors	(270,803)
	<u>(49,998)</u>
Goodwill	50,000
Cash paid	2
Cost associated with purchase	<u>24,479</u>
Total cost of acquisition	<u>24,481</u>

## **(vi) NON-CASH TRANSACTIONS**

During the year the group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of £117,495.

## **NOTES TO THE ACCOUNTS**

### **Year ended 30 April 1995**

#### **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 made up to 30 April 1995. The subsidiary was incorporated on 13 July 1994 and is included from this date.

##### **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 represents expenditure incurred prior to the motor dealership's opening and expenditure relating to long term sales campaigns. Development expenditure is amortised over its estimated useful life of twenty years.

##### **Goodwill**

Goodwill is the excess of the fair value of the consideration given to acquire a business over the fair value of the separable net assets acquired. Goodwill is capitalised and amortised over the period during which the company is expected to benefit. The rate of amortisation charged is 5% per annum.

##### **Tangible fixed assets**

Tangible fixed assets are stated at cost or valuation, less depreciation. Depreciation is provided on all tangible fixed assets other than 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, 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 they are incurred. Any permanent diminution in value is 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.

**NOTES TO THE ACCOUNTS**  
**Year ended 30 April 1995**

**1. ACCOUNTING POLICIES (continued)**

**Capital instruments**

Capital instruments are accounted for and classified as equity or non-equity share capital, equity or non-equity minority interests and debt according to their form. Convertible debt is separately disclosed and regarded as debt unless conversion actually occurs.

**Leases 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.

**Pension costs**

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

**2. SEGMENTAL INFORMATION**

Class of business	Operating profit/		Operating profit/	
	Turnover	(loss)	Turnover	(loss)
	1995	1995	1994	1994
	£	£	£	£
New vehicle sales	8,864,823	298,840	5,835,991	246,208
Used vehicle sales	5,299,225	201,757	3,589,817	116,411
Parts	1,365,391	119,320	742,459	72,439
Service	811,861	282,854	388,865	184,982
Rapid fit	193,466	24,898	100,217	11,071
Body shop	403,670	45,914	78,839	(24,671)
Rent A Car	58,776	2,099	-	-
	<u>16,997,212</u>	<u>975,682</u>	<u>10,736,188</u>	<u>606,440</u>
Central administration expenses		(639,138)		(422,876)
Operating profit		<u>336,544</u>		<u>183,564</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 30 April 1995**

**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	<b>1995</b>	<b>1994</b>
	<b>£</b>	<b>£</b>
<b>Directors' emoluments</b>		
Management remuneration (including pension contributions and benefits in kind)	<u>97,956</u>	<u>90,950</u>
Remuneration of the chairman and highest paid director	<u>59,086</u>	<u>53,961</u>
	<b>No</b>	<b>No</b>
<b>Scale of other directors' remuneration</b>		
£ 0 - £ 5,000	1	1
£ 35,001 - £ 40,000	<u>1</u>	<u>1</u>

**Other transactions with directors**

D W F Wimpress the non-executive director received no fee or remuneration for his services as a director during the year but received consultancy fees amounting to £450 (1994 - £1,885).

	<b>1995</b>	<b>1994</b>
<b>Average number of persons employed</b>	<u>118</u>	<u>56</u>
	<b>£</b>	<b>£</b>
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	1,404,763	714,332
Social security costs	108,445	72,863
Pension costs	<u>3,544</u>	<u>3,000</u>
	<u>1,516,752</u>	<u>790,195</u>

**4. OPERATING PROFIT**

	<b>1995</b>	<b>1994</b>
	<b>£</b>	<b>£</b>
<b>Operating profit is after charging:</b>		
Amortisation of dealership development costs and goodwill	10,048	4,320
Depreciation		
Owned assets	13,664	12,675
Leased assets	45,064	22,322
Rentals under operating leases:		
Land and buildings	20,450	11,700
Auditors' remuneration:		
Audit services	10,900	6,000
Non audit services	<u>13,200</u>	<u>-</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 30 April 1995**

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	1995 £	1994 £
On bank loans and overdrafts repayable:		
Within five years	89,900	90,772
Wholly or partly in more than five years	67,751	53,048
Finance charges payable - finance leases terminating within five years	44,745	17,678
	<u>202,396</u>	<u>161,528</u>

**6. TAX ON PROFIT ON ORDINARY ACTIVITIES**

Tax on profit on ordinary activities is £Nil. Tax losses of approximately £56,000 (1994 - £68,000) are available for relief against future trading profits.

**7. LOSS 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 loss for the financial year amounted to £7,410 (1994 - Profit of £22,970).

**8. INTANGIBLE FIXED ASSETS**

	Dealer development expenditure £	Goodwill £	Total Group £	Total Company £
<b>Cost</b>				
At 1 May 1994	113,846	-	113,846	113,846
Additions	12,638	74,479	87,117	-
Transfer to subsidiary	-	-	-	(113,846)
At 30 April 1995	<u>126,484</u>	<u>74,479</u>	<u>200,963</u>	<u>-</u>
<b>Accumulated depreciation</b>				
At 1 May 1994	18,448	-	18,448	18,448
Charge for the year	6,324	3,724	10,048	-
Transfer to subsidiary	-	-	-	(18,448)
At 30 April 1995	<u>24,772</u>	<u>3,724</u>	<u>28,496</u>	<u>-</u>
<b>Net book value</b>				
At 30 April 1995	<u>101,712</u>	<u>70,755</u>	<u>172,467</u>	<u>-</u>
At 30 April 1994	<u>95,398</u>	<u>-</u>	<u>95,398</u>	<u>95,398</u>


**NOTES TO THE ACCOUNTS**  
**Year ended 30 April 1995**
**9. TANGIBLE FIXED ASSETS**

(i) Summary	Freehold land and buildings £	Leasehold improve- ments £	Plant and equipment £	Motor vehicles £	Fixtures, fittings, tools and equipment £	Total £
<b>The Group</b>						
<b>Cost or valuation</b>						
At 1 May 1994	1,550,000	13,381	220,260	19,864	102,970	1,906,475
Revaluation	150,000	-	-	-	-	150,000
Additions	831,959	-	162,622	100,413	82,750	1,177,744
Disposals	-	-	-	(19,864)	-	(19,864)
At 30 April 1995	<u>2,531,959</u>	<u>13,381</u>	<u>382,882</u>	<u>100,413</u>	<u>185,720</u>	<u>3,214,355</u>
<b>Accumulated depreciation</b>						
At 1 May 1994	-	371	31,109	7,884	15,794	55,158
Charge for the year	-	906	32,867	10,702	14,253	58,728
Disposals	-	-	-	(9,011)	-	(9,011)
At 30 April 1995	<u>-</u>	<u>1,277</u>	<u>63,976</u>	<u>9,575</u>	<u>30,047</u>	<u>104,875</u>
<b>Net book value</b>						
At 30 April 1995	<u>2,531,959</u>	<u>12,104</u>	<u>318,906</u>	<u>90,838</u>	<u>155,673</u>	<u>3,109,480</u>
At 30 April 1994	<u>1,550,000</u>	<u>13,010</u>	<u>189,151</u>	<u>11,980</u>	<u>87,176</u>	<u>1,851,317</u>
<b>The Company</b>						
<b>Cost or valuation</b>						
At 1 May 1994	1,550,000	13,381	220,260	19,864	102,970	1,906,475
Transfer to subsidiary	-	-	(220,260)	(19,864)	(102,970)	(343,094)
Additions	831,959	-	-	23,200	-	855,159
Revaluation	150,000	-	-	-	-	150,000
At 30 April 1995	<u>2,531,959</u>	<u>13,381</u>	<u>-</u>	<u>23,200</u>	<u>-</u>	<u>2,568,540</u>
<b>Accumulated depreciation</b>						
At 1 May 1994	-	371	31,109	7,884	15,794	55,158
Transfer to subsidiary	-	-	(31,109)	(7,884)	(15,794)	(54,787)
Charge for the year	-	906	-	-	-	906
At 30 April 1995	<u>-</u>	<u>1,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,277</u>
<b>Net book value</b>						
At 30 April 1995	<u>2,531,959</u>	<u>12,104</u>	<u>-</u>	<u>23,200</u>	<u>-</u>	<u>2,567,263</u>
At 30 April 1994	<u>1,550,000</u>	<u>13,010</u>	<u>189,151</u>	<u>11,980</u>	<u>87,176</u>	<u>1,851,317</u>

The net book value of fixed assets for the group includes £424,579 (1994 - £146,239) in respect of assets held under finance leases and hire purchase contracts. The company has no assets under finance leases.

**NOTES TO THE ACCOUNTS**  
**Year ended 30 April 1995**

**9. TANGIBLE FIXED ASSETS (continued)**

**(ii) Asset revaluation**

Freehold land and buildings for Tamworth were revalued at 30 April 1994 and the freehold land and buildings for Halesowen were revalued at 24 November 1994, both on the basis of an open market valuation for existing use by Grimley JR Eve, Chartered Surveyors.

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

	1995 £	1994 £
Cost and net book value	<u>1,857,381</u>	<u>1,025,422</u>

Land and buildings at cost or valuation are stated:

	1995 £	1994 £
At open market value for existing use		
24 November 1994	981,959	-
30 April 1994	<u>1,550,000</u>	<u>1,550,000</u>
	<u>2,531,959</u>	<u>1,550,000</u>

**10. FIXED ASSET INVESTMENTS**

Company	Shares at cost £
<b>Cost and net book value</b>	
At 1 May 1994	-
Additions	<u>24,481</u>
At 30 April 1995	<u>24,481</u>

The investment is unlisted.

During the year the company acquired 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. Details of the assets acquired and consideration paid is set out in note (v) of the consolidated cash flow statement.



**NOTES TO THE ACCOUNTS**  
**Year ended 30 April 1995**

**11. STOCKS**

	<b>Group 1995</b>	<b>Company 1995</b>	<b>Group and Company 1994</b>
	<b>£</b>	<b>£</b>	<b>As restated £</b>
Consignment stock and obligation under vehicle buy-back agreement	1,130,160	-	416,625
Goods for resale	1,449,093	-	877,221
	<u>2,579,253</u>	<u>-</u>	<u>1,293,846</u>

Specktor Limited transferred its stock to Hamer Tamworth Limited on 19 December 1994 at net book value.

During the current period FRS5 "Reporting the substance of transaction" became effective. Interest bearing consignment vehicles and motability buy-back vehicles are now included within vehicle stocks. The related liabilities are included within obligation under vehicle buy-back agreement. Previously, the vehicles and the related liabilities were excluded from the balance sheet. Included within used vehicle stock as a result of the above is £836,628 in respect of vehicles on buy-back agreements which are not due to mature for more than one year.

**12. DEBTORS**

	<b>Group 1995</b>	<b>Company 1995</b>	<b>Group and Company 1994</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Trade debtors	726,482	-	391,377
Amounts owed by subsidiary undertakings	-	63,379	-
Other debtors	216,806	2,461	51,106
Prepayments and accrued income	150,190	-	146,933
	<u>1,093,478</u>	<u>65,840</u>	<u>589,416</u>




**NOTES TO THE ACCOUNTS**  
**Year ended 30 April 1995**
**13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group 1995	Company 1995	Group and Company 1994 As restated
	£	£	£
Debenture loan (see note 15)	25,000	25,000	20,000
Bank loans and overdrafts	-	-	10,157
Trade creditors	2,420,021	-	1,366,370
Obligation and vehicle buy-back agreement (see note 11)	293,533	-	63,825
Obligations under finance leases and hire purchase contracts (see note 21)	129,000	-	60,941
Other taxes and social security	121,668	22,007	31,946
Other creditors	-	21,967	96,638
Accruals and deferred income	117,269	24,334	43,370
	<u>3,106,491</u>	<u>93,308</u>	<u>1,693,247</u>

Included in group trade creditors are used vehicle stock loans of £667,744 (1994 - £459,875), a working capital loan of £100,000 (1993 - £100,000), an oil company loan of £82,861 (1994 - £47,867) and rental, demonstrator and courtesy car loan of £492,131 (1994 - £355,397), all repayable on demand.

**14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	Group 1995	Company 1995	Group and Company 1994 As restated
	£	£	£
Debenture loan (see note 15)	1,603,750	1,603,750	830,000
Obligation under vehicle buy-back agreement (see note 11)	836,628	-	352,800
Obligations under finance leases and hire purchase contracts (see note 21)	110,210	-	90,813
Other creditors	-	-	33,737
	<u>2,550,588</u>	<u>1,603,750</u>	<u>1,307,350</u>



**NOTES TO THE ACCOUNTS**  
**Year ended 30 April 1995**

**15. DEBENTURE LOANS**

	<b>Group and Company</b>	
	<b>1995</b>	<b>1994</b>
	<b>£</b>	<b>£</b>
10% fixed repayable in 24 equal biannual instalments commencing 31 December 1999	400,000	400,000
8.125% fixed repayable 30 June 1997	350,000	350,000
15.75% fixed repayable in 20 equal quarterly instalments commencing 30 June 1994	85,000	100,000
LIBOR plus 2½% fixed repayable in 10 equal annual instalments commencing 31 December 1998	793,750	-
	<u>1,628,750</u>	<u>850,000</u>
<b>Analysis of repayments</b>		
<b>Amounts repayable by instalments some of which fall due after five years</b>		
Within one year or on demand	25,000	20,000
Between one and two years	20,000	20,000
Between two and five years	981,667	410,000
After five years	602,083	400,000
	<u>1,628,750</u>	<u>850,000</u>

**16. DEFERRED TAXATION**

No provision for deferred taxation is required because no reversal is foreseen. The total potential tax liability is as follows:

	<b>Group</b>	<b>Company</b>	<b>Group and Company</b>
	<b>1995</b>	<b>1995</b>	<b>1994</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Capital allowances in excess of depreciation	59,500	11,500	8,012
Other timing differences	3,500	3,500	(5,512)
Taxation on valuation surplus	160,000	160,000	160,000
Tax losses available (see note 22)	(56,000)	-	(68,000)
	<u>167,000</u>	<u>175,000</u>	<u>94,500</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 30 April 1995**

**17. SECURITY**

The Royal Bank of Scotland PLC provides overdraft facilities. Debenture loans are provided by 3i plc. Ford Motor Credit Limited provides used vehicle stocking loans and a working capital loan. The charges on assets securing these borrowings rank as follows:

(a) On the property at Bonehill Road, Tamworth:-

- first: 3i plc's charges limited to £825,000;
- second: Ford Motor Credit Limited's charges limited to £100,000;
- third: the Royal Bank of Scotland PLC's charges limited to £400,000;
- fourth: 3i plc's charges and the Royal Bank of Scotland PLC's charges without limit.

(b) On the property at Manor Lane, Halesowen:-

- first: 3i plc's charges limited to £810,000;
- second: the Royal Bank of Scotland PLC's charges limited to £50,000;
- third: Ford Motor Credit Limited's charges limited to £50,000;
- fourth: 3i plc's charges without limit;
- fifth: the Royal Bank of Scotland PLC's charges limited to £350,000

(c) On bulk deposit, used car and demonstrators:-

- first: Ford Motor Credit Limited's unlimited charges;
- second: the Royal Bank of Scotland PLC's charges limited to £400,000;
- third: 3i plc's charges without limit;
- fourth: the Royal Bank of Scotland PLC's charges without limit.

(d) On all other owned assets:-

- first: the Royal Bank of Scotland PLC's charges limited to £400,000;
- second: 3i plc's charges without limit;
- third: the Royal Bank of Scotland PLC's charges without limit;
- fourth: Ford Motor Credit Limited's charges.

The total amount recoverable by the Royal Bank of Scotland PLC under the priorities afforded by (a) third, (b) second and fifth, (c) second and fourth, and (d) first and third shall not exceed a principal sum of £400,000 in aggregate.

**NOTES TO THE ACCOUNTS**  
**Year ended 30 April 1995**

**18. CALLED UP SHARE CAPITAL**

		<b>1995</b>	<b>1994</b>
		<b>£</b>	<b>£</b>
Authorised			
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	-
		<u>373,000</u>	<u>370,000</u>
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	-
		<u>373,000</u>	<u>370,000</u>

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 twelve equal quarterly instalments commencing 30 April 1996.

The 900% 'B' redeemable preference shares are redeemable at £1 per share in 10 annual equal instalments commencing 30 April 1997.

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.

The issue of shares was to finance the acquisition of the Halesowen dealership.

**NOTES TO THE ACCOUNTS**  
**Year ended 30 April 1995**

**19. RESERVES**

<b>(i) Summary</b>	<b>Share premium account £</b>	<b>Revaluation reserve £</b>	<b>Profit and loss account £</b>	<b>Other reserve £</b>
<b>Group</b>				
At 1 May 1994 as previously reported	57,532	524,578	(121,680)	-
Prior period adjustment	-	-	(85,522)	85,522
At 1 May 1994 as restated	57,532	524,578	(207,202)	85,522
Surplus on revaluation of freehold land and buildings	-	150,000	-	-
Retained profit for the year	-	-	84,544	-
Share issue costs written off	(11,810)	-	-	-
Premium on share issue	297,000	-	-	-
Other finance charge in respect of non-equity shares	-	-	-	51,164
	<u>342,722</u>	<u>674,578</u>	<u>(122,658)</u>	<u>136,686</u>
<b>Company</b>				
At 1 May 1994 as previously reported	57,532	524,578	(121,680)	-
Prior period adjustment	-	-	(85,522)	85,522
At 1 May 1994 as restated	57,532	524,578	(207,202)	85,522
Surplus on revaluation of freehold land and buildings	-	150,000	-	-
Retained profit for the year	-	-	(58,574)	-
Share issue costs written off	(11,810)	-	-	-
Premium on share issue	297,000	-	-	-
Other finance charge in respect of non-equity shares	-	-	-	51,164
	<u>342,722</u>	<u>674,578</u>	<u>(265,776)</u>	<u>136,686</u>

**(ii) Prior period adjustment**

The prior period adjustment occurs due to the introduction of FRS4 "Capital Instruments", which requires finance cost of non-equity shares to be accounted for as an appropriation of profit over the term of the non-equity shares at a constant rate on the carrying amount.



**NOTES TO THE ACCOUNTS**  
**Year ended 30 April 1995**

**20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS**

	1995 £	1994 As restated £
Profit for the financial year	135,708	22,970
New share capital subscribed	300,000	-
Expenses of share issued	(11,810)	-
Surplus on revaluation of freehold land and buildings	150,000	277,704
	<u>573,898</u>	<u>300,674</u>
Net addition to shareholders' funds		
	573,898	300,674
Opening shareholders' funds	830,430	529,756
	<u>830,430</u>	<u>529,756</u>
Closing shareholders' funds	1,404,328	830,430
	<u>1,404,328</u>	<u>830,430</u>

**21. FINANCIAL COMMITMENTS**

	Group 1995 £	Company 1995 £	Group and Company 1994 £
(i) <b>Capital commitments</b>			
Contracted for but not provided	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Authorised but not yet contracted for	600,000	574,000	14,000
	<u>600,000</u>	<u>574,000</u>	<u>14,000</u>
(ii) <b>Obligations under finance leases and hire purchase contracts</b>			£
Minimum lease payments due net of interest:			
Within one year			129,000
Within one to two years			110,210
			<u>239,210</u>

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

**(iii) Operating lease commitments**

At 30 April 1995, the group and company had annual commitments under non-cancellable other operating leases as set out below:

	Group 1995 £	Company 1995 £	Group and Company 1994 £
Leases which expire:			
After five years	30,000	30,000	30,000
	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 30 April 1995****22. CONTINGENT LIABILITIES**

At 30 April 1995, the company had entered into unlimited bank guarantees in respect of overdrafts of group companies. The group had cash in hand of £106,729 at 30 April 1995.

An additional £50,000 is payable in respect of the acquisition of Hamer Tamworth Limited. Payment of this amount is contingent upon tax losses transferred to Hamer Tamworth Limited from Benz of Halesowen Limited being utilised in the future. As a result the contingent liability to pay £50,000 is matched by a contingent deferred taxation asset.