DONALD MACKENZIE LIMITED

REPORT OF THE DIRECTORS AND

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2012

CONTENTS OF THE FINANCIAL STATEMENTS
for the year ended 31 January 2012

DONALD MACKENZIE LIMITED

COMPANY INFORMATION
for the year ended 31 January 2012

DIRECTORS:	D G MacKenzie Mrs C Y MacKenzie J Forbes J Macaulay J Beaton
SECRETARY:	Mrs C Y MacKenzie
REGISTERED OFFICE:	62 Seafield Road Inverness IV1 1SG
REGISTERED NUMBER:	SC058445
AUDITORS:	MacKenzie Kerr Chartered Accountants and Statutory Auditor Redwood 19 Culduthel Road Inverness IV2 4AA
BANKERS:	Royal Bank of Scotland plc Inverness Chief Office 29 Harbour Road Inverness IV1 1NU
SOLICITORS:	MacAndrew & Jenkins WS 5 Drummond Street Inverness IV1 1QF

REPORT OF THE DIRECTORS
for the year ended 31 January 2012

The directors present their report with the financial statements of the company for the year ended 31 January 2012.

PRINCIPAL ACTIVITY
The principal activity of the company in the year under review was that of the retailing and servicing of motor vehicles.

REVIEW OF BUSINESS
Turnover for the year at £11,238,727 was down 2% on last year, leading to a decrease in profit of £115,536. At the end of the year, the equity shareholders funds have risen from £4,074,108 to £4,362,221.
Both the level of business and the year end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

Financial risk management
The company's financial instruments comprise cash at bank. The main purpose of this financial instrument is to maintain adequate finance for the company's operations.

The main risk arising from the company's financial instruments are interest rate fluctuations. It is the company's policy to finance its operations through its cash reserves and to review this periodically with regard to the projected cash flow requirements of the company.

Results
The profit for the year before taxation amounted to £359,171 (2011 - £474,707).

DIVIDENDS
No dividends have been distributed for the year ended 31 January 2012.

FIXED ASSETS
The movements in the fixed assets are set out in the notes to the accounts.

DIRECTORS
The directors shown below have held office during the whole of the period from 1 February 2011 to the date of this report.

D G MacKenzie
Mrs C Y MacKenzie
J Forbes
J Macaulay
J Beaton

POLITICAL AND CHARITABLE CONTRIBUTIONS
During the year the company contributed £56,881 to charities. £45,200 was donated to Christian organisations, £8,820 to organisations of a medical nature and £2,861 to other charitable organisations.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, MacKenzie Kerr, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

....
D G MacKenzie - Director

Date: 26 September 2012

We have audited the financial statements of Donald MacKenzie Limited for the year ended 31 January 2012 on pages six to seventeen. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page three, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Qualified opinion arising from disagreement about accounting treatment
As discussed in note 1, included in the fixed assets shown on the balance sheet is an amount of £901,409 which relates to long leasehold property. Depreciation has not been provided for on the property, as required by Financial Reporting Standard 15 (FRS 15). The directors have chosen not to comply with FRS 15 on the grounds that the value of the property is in excess of the cost shown in the accounts. In our opinion a provision of £9,014 should have been made this year, reducing the profit before tax and net assets by that amount over the year and resulting in a property net book value of £667,509 (2011 - £676,523) when added to depreciation that should have been accounted for in previous years.

No impairment review has been carried out by the company in accordance with FRS 15 following the non depreciation of long leasehold property. In our opinion, an impairment review should have been carried out on the leasehold property by the company.

Qualified opinion arising from limitation in audit scope
With respect to retirement benefits, the evidence available to us was limited because the directors have not obtained a valuation sufficient to comply with the disclosure requirements of Financial Reporting Standard 17. There were no other satisfactory audit procedures that we could adopt to obtain this information.

Except for the financial effects of not making the adjustments referred to above, or such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the defined benefit pension scheme surplus or deficit, in our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2012 and of its profit for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
  and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF DONALD MACKENZIE LIMITED

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

John Fraser

John Fraser, MA, CA (Senior Statutory Auditor)
for and on behalf of MacKenzie Kerr
Chartered Accountants and
Statutory Auditor
Redwood
19 Culduthel Road
Inverness
IV2 4AA

Date: 26 September 2012

DONALD MACKENZIE LIMITED (REGISTERED NUMBER: SC058445)

PROFIT AND LOSS ACCOUNT
for the year ended 31 January 2012

	Notes	2012 £	2012 £	2011 £	2011 £
TURNOVER	2		11,238,727		11,476,877
Cost of sales			9,801,323		9,931,183
GROSS PROFIT			1,437,404		1,545,694
Distribution costs		502,593		479,540	
Administrative expenses		636,941		687,091	
			1,139,534		1,166,631
			297,870		379,063
Other operating income			52,989		63,885
OPERATING PROFIT	4		350,859		442,948
Income from fixed asset investments		14,451		10,321	
Interest receivable and similar income		25,552		20,638	
			40,003		30,959
			390,862		473,907
Investment write off	5		26,462		(7,309)
			364,400		481,216
Interest payable and similar charges	6		5,229		6,509
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			359,171		474,707
Tax on profit on ordinary activities	7		71,058		110,600
PROFIT FOR THE FINANCIAL YEAR			288,113		364,107

CONTINUING OPERATIONS
None of the company's activities were acquired or discontinued during the current year or previous year.

TOTAL RECOGNISED GAINS AND LOSSES
The company has no recognised gains or losses other than the profits for the current year or previous year.

The notes form part of these financial statements

DONALD MACKENZIE LIMITED (REGISTERED NUMBER: SC058445)

BALANCE SHEET
31 January 2012

		2012		2011	
	Notes	£	£	£	£
FIXED ASSETS					
Tangible assets	8		985,484		1,001,749
Investments	9		863,809		778,021
			1,849,293		1,779,770
CURRENT ASSETS					
Stocks	10	1,628,067		1,318,176	
Debtors	11	660,319		638,325	
Cash at bank and in hand		1,625,876		1,631,833	
		3,914,262		3,588,334	
CREDITORS					
Amounts falling due within one year	12	1,355,678		1,241,726	
NET CURRENT ASSETS			2,558,584		2,346,608
TOTAL ASSETS LESS CURRENT LIABILITIES			4,407,877		4,126,378
PROVISIONS FOR LIABILITIES	14		45,656		52,270
NET ASSETS			4,362,221		4,074,108
CAPITAL AND RESERVES					
Called up share capital	15		3,400		3,400
Share premium	16		37,400		37,400
Capital redemption reserve	16		19,200		19,200
Profit and loss account	16		4,302,221		4,014,108
SHAREHOLDERS' FUNDS	19		4,362,221		4,074,108

The financial statements were approved by the Board of Directors on 26 September 2012 and were signed on its behalf by:

....

D G MacKenzie - Director

The notes form part of these financial statements

CASH FLOW STATEMENT
for the year ended 31 January 2012

	Notes	2012 £	2011 £
Net cash inflow from operating activities	1	259,923	119,235
Returns on investments and servicing of finance	2	34,774	24,450
Taxation		(96,868)	(128,292)
Capital expenditure and financial investment	2	(120,658)	(208,095)
		77,171	(192,702)
Financing	2	(83,128)	(170,400)
Decrease in cash in the period		(5,957)	(363,102)

	Notes	2012 £	2011 £
Reconciliation of net cash flow to movement in net funds	3		
Decrease in cash in the period		(5,957)	(363,102)
Change in net funds resulting from cash flows		(5,957)	(363,102)
Movement in net funds in the period		(5,957)	(363,102)
Net funds at 1 February		1,631,833	1,994,935
Net funds at 31 January		1,625,876	1,631,833

The notes form part of these financial statements

NOTES TO THE CASH FLOW STATEMENT
for the year ended 31 January 2012

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2012 £	2011 £
Operating profit	350,859	442,948
Depreciation charges	25,412	26,213
Profit on disposal of fixed assets	(739)	(15,514)
Increase in stocks	(309,891)	(17,890)
Increase in debtors	(21,994)	(319,999)
Increase in creditors	216,276	3,477
Net cash inflow from operating activities	259,923	119,235

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2012 £	2011 £
Returns on investments and servicing of finance		
Interest received	25,552	20,638
Interest paid	(5,229)	(6,509)
Dividends received	14,451	10,321
Net cash inflow for returns on investments and servicing of finance	34,774	24,450
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(9,147)	(45,064)
Purchase of fixed asset investments	(213,959)	(229,906)
Sale of fixed asset investments	102,448	66,875
Net cash outflow for capital expenditure and financial investment	(120,658)	(208,095)
Financing		
Amount introduced by directors	75,340	-
Amount withdrawn by directors	(158,468)	(170,400)
Net cash outflow from financing	(83,128)	(170,400)

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1/2/11 £	Cash flow £	At 31/1/12 £
Net cash:			
Cash at bank and in hand	1,631,833	(5,957)	1,625,876
	1,631,833	(5,957)	1,625,876
Total	1,631,833	(5,957)	1,625,876

The notes form part of these financial statements

1. ACCOUNTING POLICIES

Accounting convention
The financial statements have been prepared under the historical cost convention.

Turnover
Turnover represents the amounts invoiced, excluding value added tax, in respect of the sale of goods and services to customers during the year.

Tangible fixed assets
Depreciation is provided on tangible fixed assets at rates calculated to write off the cost of each asset over its expected useful life, as follows:

Plant and machinery	-	Over 4 to 10 years
Office equipment	-	Over 4 to 10 years

No depreciation is provided for on leasehold property, which represents a departure from Financial Reporting Standard 15 and the Companies Act 2006.

Stocks
Stocks are valued at the lower of cost and net realisable value. Consignment stock is also held by the company on its premises but is not included in the accounts because title is held by the manufacturer.

Deferred tax
Deferred tax arises as a result of including items of income and expenditure in taxation computations in periods different from those in which they are included in the company's accounts. Deferred tax is provided in full on timing differences which result in an obligation to pay more (or less) tax at a future date, at the average tax rates that are expected to apply when the timing differences reverse, based on current tax rates and laws.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset.

Deferred tax assets and liabilities are not discounted.

Hire purchase and leasing commitments
Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

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1. ACCOUNTING POLICIES - continued

Pension costs and other post-retirement benefits
The company operates a funded defined benefit pension scheme providing benefits based on final pensionable pay. The company closed this defined benefit scheme to future member contributions on 30 June 2008. The assets of the scheme are held separately from those of the company, being invested in units in a segregated fund managed by an external investment manager. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations. The most recent valuation was made as at 5 April 2010. The only contributions in future will be by the company to finance the past service deficit. The directors have not obtained a valuation sufficient to comply with the disclosure requirements of Financial Reporting Standard 17.

The valuation was made using the defined accrued benefit method. The principal assumptions used were:

(i) a future inflation rate of 3.9% p.a.

(ii) deferred pension increases of 3.9%.

(iii) pension increases in payment of 3.6% or 2.3%

(iv) a rate used to discount scheme liabilities before retirement of 5.5%.

(v) a rate used to discount scheme liabilities after retirement of 4.5%.

The market value of the assets of the scheme at the valuation date was £1,576,208 with a past service deficit of £221,000.

From April 2008, the company operated a defined contribution pension scheme.

The pension charge for the year was £82,587 (2011 - £102,483). Contributions outstanding at the balance sheet date amounted to £6,240 (2011 - £6,191).

Contributions in respect of three directors are made to a defined contribution scheme and are charged to the profit and loss account for the year in which they are payable to the scheme. The pension charge for the year was £8,368 (2011 - £7,665).

Fixed asset investments
Fixed asset investments are stated at cost less amounts written off investments at the balance sheet date.

2. TURNOVER

The total turnover of the company for the year has been derived from its principal activities of retailing, repairing and servicing motor vehicles. The company operates in the UK and the whole of its turnover is to the UK market.

3. STAFF COSTS

	2012	2011
	£	£
Wages and salaries	1,159,489	1,169,743
Social security costs	108,553	109,137
Other pension costs	82,597	102,483
	1,350,639	1,381,363

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3. STAFF COSTS - continued

The average monthly number of employees during the year was as follows:

	2012	2011
Administration	14	15
Sales	16	16
Service	25	26
	55	57

4. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2012	2011
	£	£
Other operating leases	(1,634)	3,211
Depreciation - owned assets	25,412	26,213
Profit on disposal of fixed assets	(739)	(15,514)
Auditors' remuneration	7,500	7,700
Directors' remuneration	190,718	170,560
Directors' pension contributions to money purchase schemes	8,368	7,665

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	3	3
Defined benefit schemes	5	5

5. INVESTMENT WRITE OFF

	2012	2011
	£	£
Investment write off (reversed)	26,462	(7,309)

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2012	2011
	£	£
Bank interest	5,229	6,509

continued...

7. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	2012 £	2011 £
Current tax:		
UK corporation tax	85,267	104,463
Overprovision in previous year	(7,595)	(1,485)
Total current tax	77,672	102,978
Deferred tax	(6,614)	7,622
Tax on profit on ordinary activities	71,058	110,600

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2012 £	2011 £
Profit on ordinary activities before tax	359,171	474,707
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26.323% (2011 - 28%)	94,545	132,918
Effects of:		
Expenses not deductible for tax purposes	3,162	(4,936)
Capital allowances in excess of depreciation	2,244	(12,710)
Adjustment re marginal relief	(16,327)	(17,991)
Other differences	1,643	7,182
Adjustments to tax charge in respect of previous periods	(7,595)	(1,485)
Current tax charge	77,672	102,978

continued...

8. TANGIBLE FIXED ASSETS

	Long leasehold £	Plant and machinery £	Office equipment £	Totals £
COST				
At 1 February 2011	901,409	281,075	68,859	1,251,343
Additions	-	7,912	1,235	9,147
At 31 January 2012	901,409	288,987	70,094	1,260,490
DEPRECIATION				
At 1 February 2011	-	203,999	45,595	249,594
Charge for year	-	19,061	6,351	25,412
At 31 January 2012	-	223,060	51,946	275,006
NET BOOK VALUE				
At 31 January 2012	901,409	65,927	18,148	985,484
At 31 January 2011	901,409	77,076	23,264	1,001,749

As explained in note 1, depreciation has not been provided for on leasehold property. If full provision had been made the depreciation charge would have been increased by £9,014.

9. FIXED ASSET INVESTMENTS

	Listed investments £
COST	
At 1 February 2011	1,157,523
Additions	213,959
Disposals	(101,709)
At 31 January 2012	1,269,773
PROVISIONS	
At 1 February 2011	379,502
Provision for year	26,462
At 31 January 2012	405,964
NET BOOK VALUE	
At 31 January 2012	863,809
At 31 January 2011	778,021

The market value of investments included in the balance sheet at cost was £953,755 (2011 - £877,838).

10. STOCKS

	2012 £	2011 £
Stocks	1,628,067	1,318,176

continued...

11. DEBTORS

	2012	2011
	£	£
Amounts falling due within one year:		
Trade debtors	426,599	410,493
Other debtors	22,575	20,332
Prepayments	44,145	28,500
	493,319	459,325
Amounts falling due after more than one year:		
Other debtors	167,000	179,000
Aggregate amounts	660,319	638,325

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012	2011
	£	£
Trade creditors	829,368	595,889
Tax	142,684	161,880
Social security and other taxes	33,675	36,024
VAT	63,605	82,364
Other creditors	166,094	136,287
Directors' current accounts	81,054	164,182
Accrued expenses	39,198	65,100
	1,355,678	1,241,726

13. SECURED DEBTS

The bank holds a guarantee of £92,000 granted in favour of Fiat Auto Financial Services Limited.

14. PROVISIONS FOR LIABILITIES

	2012	2011
	£	£
Deferred taxation	45,656	52,270

	Deferred tax
	£
Balance at 1 February 2011	52,270
Decrease in provision	(6,614)
Balance at 31 January 2012	45,656

The deferred tax provision relates to accelerated capital allowances and other short term timing differences.

continued...

15. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2012 £	2011 £
3,400	Ordinary	£1	3,400	3,400

16. RESERVES

	Profit and loss account £	Share premium £	Capital redemption reserve £	Totals £
At 1 February 2011	4,014,108	37,400	19,200	4,070,708
Profit for the year	288,113			288,113
At 31 January 2012	4,302,221	37,400	19,200	4,358,821

17. RELATED PARTY DISCLOSURES

D G MacKenzie

Loans to the value of £83,044 were repaid during the year.

	2012 £	2011 £
Amount due to related party at the balance sheet date	55,830	138,874

Mrs C Y MacKenzie

Loans to the value of £83 were repaid during the year.

	2012 £	2011 £
Amount due to related party at the balance sheet date	25,224	25,307

A & I Quality Butchers
one of whose partners is the brother in law of George Mackenzie

Sales to the value of £2,173 were made during the year.

	2012 £	2011 £
Amount due from related party at the balance sheet date	34,460	31,882

18. ULTIMATE CONTROLLING PARTY

The controlling party is D G MacKenzie.

continued...

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2012	2011
	£	£
Profit for the financial year	288,113	364,107
Net addition to shareholders' funds	288,113	364,107
Opening shareholders' funds	4,074,108	3,710,001
Closing shareholders' funds	4,362,221	4,074,108