

Shields Automotive Limited

**Directors' report and consolidated
financial statements**

Registered number 146098

30 June 2003



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Directors' report

The directors present their annual report and audited financial statements of the company for the year ended 30 June 2003.

Principal activities

The principal activities of the company and of the group are the sale, maintenance and repair of motor vehicles.

Review of business

In June 2003, the Peugeot franchise for Glasgow South relocated from 154 St Andrews Road to a purpose built facility at Darnley.

During the year the company commenced operating Peugeot and Toyota franchises for South Lanarkshire from temporary facilities. Purpose built facilities for both of these franchises opened in January 2004.

It is the directors' intention to continue to develop industry leading facilities and seek further motor trade acquisitions.

Results and dividends

The profit for the year, after taxation, amounted to £846,000 (*15 months ended 30 June 2002: £471,000*). The directors propose an "A" ordinary dividend of £67,295 (*15 months ended 30 June 2002: £46,948*). This, together with the preference dividend of £Nil (*15 months ended 30 June 2002: £7,244*) paid during the period, leaves retained profits for the year of £779,000 (*15 months ended 30 June 2002: £417,000*).

Directors and directors' interests

The directors of the company during the year together with their interests in the share capital of the company are shown below:

	Ordinary shares of £1 each	
	As at 30 June 2003	As at 30 June 2002
JP O'Donnell	105,000	105,000
SC McLaren	4,091	4,091
EV Macnaughton	2,727	2,727
A O'Donnell	-	-
J McDonald	-	-

According to the register of directors' interests, no rights to subscribe for shares in the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Directors' report *(continued)*

Auditors

A resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



EV Macnaughton
Secretary

154 St Andrews Road
Glasgow
G41 1PF

30 April 2004

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 group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG LLP

24 Blythswood Square
Glasgow
G2 4QS
United Kingdom

Report of the independent auditors to the members of Shields Automotive Limited

We have audited the financial statements on pages 5 to 22.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 an auditor's report 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

The directors are responsible for preparing the directors' report and as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and the group as at 30 June 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink that reads 'KPMG LLP'.

KPMG LLP
Chartered Accountants
Registered Auditor

30 April 2004

Consolidated profit and loss account
for the year ended 30 June 2003

	<i>Note</i>	Year ended 30 June 2003	15 month period ended 30 June 2002
		£000	£000
Turnover	2	61,988	64,084
Cost of sales		(55,070)	(56,475)
Gross profit		6,918	7,609
Distribution costs		(4,673)	(4,617)
Administrative expenses		(1,759)	(2,092)
Operating profit	3	486	900
Gain on sale of fixed assets		940	-
Profit on ordinary activities before interest		1,426	900
Net interest payable and similar charges	6	(274)	(197)
Profit on ordinary activities before taxation	3	1,152	703
Tax on profit on ordinary activities	7	(306)	(232)
Profit for the financial year/period		846	471
Dividends on equity and non-equity shares	8	(67)	(54)
Retained profit for the year/period		779	417

Consolidated balance sheet
at 30 June 2003

	<i>Note</i>	£000	2003 £000	£000	2002 £000
Fixed assets					
Tangible assets	9		11,257		7,276
Current assets					
Stocks	11	12,610		8,862	
Debtors	12	2,668		1,631	
Cash at bank and in hand		-		26	
		<u>15,278</u>		<u>10,519</u>	
Creditors: amounts falling due within one year	14	<u>(17,269)</u>		<u>(11,249)</u>	
Net current liabilities			(1,991)		(730)
Total assets less current liabilities			9,266		6,546
Creditors: amounts falling due after more than one year	15		(2,093)		(2,321)
Net assets			7,173		4,225
Capital and reserves					
Called up share capital	16		136		136
Share premium account	17		187		187
Revaluation reserve	17		3,588		1,419
Capital redemption reserve	17		152		152
Profit and loss account	17		3,110		2,331
Shareholders' funds			7,173		4,225

These financial statements were approved by the board of directors on 30 April 2004 and were signed on its behalf by:



JP O'Donnell
Director

Company balance sheet
at 30 June 2003

	<i>Note</i>	2003 £000	2002 £000
Fixed assets			
Tangible assets	9	11,257	6,359
Investments	10	219	219
		<hr/>	<hr/>
		11,476	6,578
Current assets			
Stocks	11	12,610	6,556
Debtors	12	2,668	1,734
Cash at bank and in hand		-	597
		<hr/>	<hr/>
		15,278	8,887
Creditors: amounts falling due within one year	14	(17,656)	(9,087)
		<hr/>	<hr/>
Net current liabilities		(2,378)	(200)
		<hr/>	<hr/>
Total assets less current liabilities		9,098	6,378
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	15	(2,093)	(2,321)
		<hr/>	<hr/>
Net assets		7,005	4,057
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	16	136	136
Share premium account	17	187	187
Revaluation reserve	17	3,588	1,419
Capital redemption reserve	17	152	152
Profit and loss account	17	2,942	2,163
		<hr/>	<hr/>
Shareholders' funds		7,005	4,057
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 30 April 2004 and were signed on its behalf by:



JP O'Donnell
Director

Consolidated cash flow statement
for the year ended 30 June 2003

	<i>Note</i>	Year ended 30 June 2003 £000	15 month period ended 30 June 2002 £000
Cash inflow from operating activities	<i>20(a)</i>	609	1,240
Returns on investments and servicing of finance			
Interest paid		(274)	(197)
Dividends paid		(47)	(54)
		<hr/>	<hr/>
Net cash outflow from returns on investments and servicing of finance		(321)	(251)
Taxation		(282)	(181)
Capital expenditure			
Purchase of tangible fixed assets		(2,911)	(2,177)
Disposal of tangible fixed assets		1,743	8
		<hr/>	<hr/>
Net cash outflow on capital expenditure		(1,168)	(2,169)
Acquisitions and disposals			
Purchase of subsidiary		-	(219)
Overdrafts acquired with subsidiary		-	(259)
		<hr/>	<hr/>
Net cash outflow from acquisitions and disposals		-	(478)
		<hr/>	<hr/>
Cash (outflow) before financing		(1,162)	(1,839)
Financing			
Redemption of preference share capital		-	(113)
Repayment of other loans		-	(120)
New bank loan		-	1,660
Repayment of bank loan		(220)	(54)
		<hr/>	<hr/>
Net cash (outflow)/inflow from financing		(220)	1,373
		<hr/>	<hr/>
Decrease in cash in the year/period		(1,382)	(466)
		<hr/>	<hr/>

Consolidated statement of total recognised gains and losses
for the year ended 30 June 2003

	Year ended 30 June 2003 £000	15 month period ended 30 June 2002 £000
Profit for the financial year/period	846	471
Unrealised surplus on revaluation of properties	2,169	261
Release of negative goodwill	-	183
	<hr/>	<hr/>
Total recognised gains and losses relating to the financial year/period	3,015	915
	<hr/>	<hr/>

Note of consolidated historical cost profits and losses
for the year ended 30 June 2003

	Year ended 30 June 2003 £000	15 month period ended 30 June 2002 £000
Reported profit on ordinary activities before taxation	1,152	703
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	21	33
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	1,173	736
	<hr/>	<hr/>
Historical cost profit for the year retained after taxation and dividends	800	450
	<hr/>	<hr/>

Reconciliations of movements in shareholders' funds
for the year ended 30 June 2003

	Group		Company	
	Year ended	15 month period ended	Year ended	15 month period ended
	30 June	30 June	30 June	30 June
	2003	2002	2003	2002
	£000	£000	£000	£000
Profit for the financial year/period	846	471	846	486
Dividends	(67)	(54)	(67)	(54)
	<hr/>	<hr/>	<hr/>	<hr/>
	779	417	779	432
Other recognised gains and losses relating to the year/period (net):				
- revaluation of properties	2,169	261	2,169	261
- release of negative goodwill	-	183	-	
Preference shares redeemed	-	(113)	-	(113)
	<hr/>	<hr/>	<hr/>	<hr/>
Net addition to shareholders' funds	2,948	748	2,948	580
Opening shareholders' funds	4,225	3,477	4,057	3,477
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	7,173	4,225	7,005	4,057
	<hr/>	<hr/>	<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules modified by the revaluation of certain land and buildings. In accordance with Financial Reporting Standard 15, the company has adopted a policy of revaluation of land and buildings.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertaking made up to 30 June 2003.

Under S230(4) of the Companies Act 1985, the company is exempt from the requirement to present its own profit and loss account.

Turnover

Turnover represents sales to customers, at invoiced amount net of value added tax.

Fixed assets and depreciation

The group has adopted a policy of revaluation of land and buildings. Such assets are held at their current value at the balance sheet date. Valuations are performed on a regular basis, details of which are given in note 9.

Depreciation is provided to write off, on a straight line basis, the cost or valuation of fixed assets other than freehold land over their estimated useful economic lives as follows:

Freehold premises	- 50 years
Plant, fittings and office equipment-	5 years
Computer equipment	- 4 years
Motor vehicles	- 4 years
Workshop tools	- 3 years

No depreciation is provided on freehold premises until such time as they are brought into use.

Directly attributable finance costs for the development of a new car dealership are included in the costs of land and buildings only where they relate to borrowing specific to a capital project.

Goodwill and negative goodwill

Positive goodwill is capitalised and amortised over its estimated useful life.

Negative goodwill arising on acquisitions is either included within fixed assets and released to the profit and loss account in line with assets acquired or taken to reserves through the Statement of Total Recognised Gains and Losses, depending on the nature of the acquisition.

Stocks

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

Vehicles held on consignment in the normal course of business are included in the financial statements along with the appropriate liability where the company has an obligation to purchase them.

Notes (continued)

Accounting policies (continued)

Taxation

Deferred taxation liabilities are recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date except as otherwise required by FRS 19. Where relevant, deferred taxation balances are reduced by tax losses available to the group in the future. Deferred tax assets are only recognised where there is reasonable likelihood of recovery.

Leasing

Rental payments due under operating lease agreements are charged to the profit and loss account in the year to which they relate.

Assets acquired under finance leases are recorded in the balance sheet as tangible fixed assets and are depreciated over their estimated useful lives. Future instalments under finance leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments in a manner which gives a constant periodic rate of interest.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the period in which they become payable. The assets of the scheme are held separately from the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Cash flow statement

The company has taken advantage of the exemption in FRS 1 not to present its own cash flow statement.

2 Segmental information

All turnover and operating profit is derived from the operation of motor dealerships within the United Kingdom.

3 Profit on ordinary activities before taxation

	Year ended 30 June 2003 £000	15 month period ended 30 June 2002 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditors' remuneration:		
Group and Company - audit	22	17
- other services	4	11
Depreciation and other amounts written off tangible fixed assets:	296	383
Hire of other assets - operating leases	67	121
Gain on sale of fixed assets	(940)	-
	<hr/>	<hr/>

Notes (continued)

4 Remuneration of directors

	Year ended 30 June 2003 £000	15 month period ended 30 June 2002 £000
Directors' emoluments		
As executives	389	469
Fees	17	23
Company contributions to money purchase pension schemes	35	43
	<u>441</u>	<u>535</u>

The aggregate of emoluments of the highest paid director for the year was £160,868 (15 month period ended 30 June 2002: £187,442), and company pension contributions of £13,358 (15 month period ended 30 June 2002: £19,837) were made to a money purchase scheme on his behalf.

Retirement benefits are accruing to four (15 month period ended 30 June 2002: four) directors under the company's defined contribution pension scheme.

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year/period, analysed by category, was as follows:

	Number of employees Year ended 30 June 2003	15 month period ended 30 June 2002
After sales	135	110
Sales	71	52
Administration	36	35
	<u>242</u>	<u>197</u>

The aggregate payroll costs of these persons were as follows:

	Year ended 30 June 2003 £000	15 month period ended 30 June 2002 £000
Wages and salaries	4,685	4,792
Social security costs	485	513
Other pension costs	57	71
	<u>5,227</u>	<u>5,376</u>

Notes (continued)

6 Net interest payable and similar charges

	Year ended 30 June 2003 £000	15 month period ended 30 June 2002 £000
Bank interest receivable	(11)	(3)
Interest payable and similar charges: on bank loans and overdrafts	168	160
on other funding	117	40
	<u>274</u>	<u>197</u>

7 Taxation

Analysis of charge in period

	Year ended 30 June 2003 £000	15 month period ended 30 June 2002 £000
<i>UK corporation tax</i>		
Current year corporation tax	332	282
Adjustments in respect of prior year	(26)	(10)
	<u>306</u>	<u>272</u>
Corporation tax	306	272
Deferred tax	-	(40)
	<u>306</u>	<u>232</u>

The effective rate of tax is lower (2002: higher) than the standard rate of corporate tax of 30%. The difference is explained below:

	£000	£000
Profit before tax	1,152	703
	<u>346</u>	<u>211</u>
Corporation tax at 30%	346	211
Actual tax charge at 30%	332	282
	<u>(14)</u>	<u>71</u>
Difference	(14)	71

Effects of:

	£000	£000
Deferred tax	13	34
Other permanent differences	10	37
Gains not subject to tax	(27)	-
Effect of small companies' rate	(10)	-
	<u>(14)</u>	<u>71</u>
Difference	(14)	71

Notes (continued)

8 Dividends and other appropriations

	Year ended 30 June 2003 £000	15 month period ended 30 June 2002 £000
Non equity:		
"B" preference - paid	-	7
"A" ordinary – proposed	67	47
	<u>67</u>	<u>54</u>

9 Tangible fixed assets

	Freehold Land and buildings <i>Valuation</i> £000	Assets under construction <i>Cost</i> £000	Plant, fittings and office equipment <i>Cost</i> £000	Motor vehicles <i>Cost</i> £000	Total £000
Group					
<i>Cost or valuation</i>					
At beginning of year	6,965	-	1,502	79	8,546
Additions	2,167	337	378	29	2,911
Disposals	(786)	-	(15)	(27)	(828)
Revaluations	2,169	-	-	-	2,169
	<u>10,515</u>	<u>337</u>	<u>1,865</u>	<u>81</u>	<u>12,798</u>
At end of year	10,515	337	1,865	81	12,798
<i>Depreciation</i>					
At beginning of year	147	-	1,079	44	1,270
Charge for year	82	-	198	16	296
On disposals	-	-	(15)	(10)	(25)
	<u>229</u>	<u>-</u>	<u>1,262</u>	<u>50</u>	<u>1,541</u>
At end of year	229	-	1,262	50	1,541
<i>Net book value</i>					
At 30 June 2003	<u>10,286</u>	<u>337</u>	<u>603</u>	<u>31</u>	<u>11,257</u>
At 30 June 2002	<u>6,818</u>	<u>-</u>	<u>423</u>	<u>35</u>	<u>7,276</u>

Notes (continued)

9 Tangible fixed assets (continued)

Company	Freehold land and buildings <i>Valuation</i> £000	Assets under construction <i>Cost</i> £000	Plant, fittings and office equipment <i>Cost</i> £000	Motor vehicles <i>Cost</i> £000	Total £000
Cost or valuation					
At beginning of year	6,065	-	1,450	79	7,594
Additions	2,167	337	378	29	2,911
Disposals	(786)	-	(15)	(27)	(828)
Revaluations	2,169	-	-	-	2,169
Transfer from group companies	900	-	52	-	952
At end of year	10,515	337	1,865	81	12,798
Depreciation					
At beginning of year	134	-	1,057	44	1,235
Charge for year	82	-	198	16	296
On disposals	-	-	(15)	(10)	(25)
Transfer from group companies	13	-	22	-	35
At end of year	229	-	1,262	50	1,541
Net book value					
At 30 June 2003	10,286	337	603	31	11,257
At 30 June 2002	5,931	-	393	35	6,359

Included in the historical cost of tangible fixed assets is £95,483 (2002: £95,483) in respect of capitalised finance costs. In accordance with the group's accounting policy only interest specifically related to a capital project is capitalised.

Included within land and buildings of the group and company is £5.5 million (2002 group £3.7 million and company : £3.3 million) of land which is not depreciated.

The following relates to tangible fixed assets carried on the basis of revaluations in accordance with FRS 15 : *tangible fixed assets*

Each of the properties included within land and buildings were professionally valued by independent valuers Montagu Evans, Chartered Surveyors. The revaluations of individual properties were undertaken at different dates as follows:

- 30 November 2000
- 29 March 2001
- 18 October 2001
- 12 November 2001
- 19 August 2002
- 12 June 2003

All values are based on an open market value for existing use basis in accordance with RICS Appraisal and Valuation Manual.

The original cost of the revalued land and buildings was £6,787,356 (2002: £4,646,028) and the written down value at the end of the period on an historical cost basis would be £6,622,766 (2002: £4,542,446).

Notes (continued)

10 Fixed asset investments

Company

£000

Investments in subsidiary undertakings

At beginning and end of year

219

Subsidiary undertaking

Country of
incorporation

Principal
activity

Class and
percentage
of shares held
Company

Inverclyde Sales & Service Limited

Scotland

Non trading

100%

11 Stocks

	Group		Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
Vehicles	12,119	8,555	12,119	6,309
Parts	413	250	413	202
Sundry items	78	57	78	45
	<u>12,610</u>	<u>8,862</u>	<u>12,610</u>	<u>6,556</u>

12 Debtors

	Group		Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
Trade debtors	1,417	684	1,417	609
Amounts owed by group undertakings	-	-	-	350
Other debtors	1,058	744	1,058	583
Prepayments and accrued income	153	163	153	152
Deferred tax asset (see note 13)	40	40	40	40
	<u>2,668</u>	<u>1,631</u>	<u>2,668</u>	<u>1,734</u>

Notes (continued)

13 Deferred taxation

	Group and Company	
	2003 £000	2002 £000
Deferred tax asset at 30%	40	40
<hr/>		
The elements of deferred taxation are as follows:		
	2003 £000	2002 £000
Difference between accumulated depreciation and amortisation and capital allowances	86	67
Tax losses	17	23
	<hr/>	<hr/>
Deferred tax asset	103	90
Less not recognised	(63)	(50)
	<hr/>	<hr/>
	40	40
	<hr/>	<hr/>

14 Creditors: amounts falling due within one year

	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
Bank loans and overdrafts	1,584	220	1,584	220
Trade creditors	11,662	8,709	11,662	6,633
Other creditors including taxation and social security	2,786	1,593	2,786	1,550
Corporation tax	307	284	307	283
Accruals and deferred income	863	396	863	354
Dividend proposed	67	47	67	47
Group loan account	-	-	387	-
	<hr/>	<hr/>	<hr/>	<hr/>
	17,269	11,249	17,656	9,087
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

15 Creditors: amounts falling due after more than one year

	Group		Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
Bank loans (secured)	2,093	2,321	2,093	2,321

Analysis of debt:

	Group		Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
Debt can be analysed as falling due:				
In one year or less, or on demand	1,584	220	1,584	220
Between one and two years	384	228	384	228
Between two and five years	931	1,107	931	1,107
In five years or more	778	986	778	986
	3,677	2,541	3,677	2,541

All bank loans are secured by a bond and floating charge over the whole assets of the group and company in favour of the Bank of Scotland. Interest is charged at 2.25% over the bank base rate for the period from the date of drawdown to the first repayment. Thereafter interest is charged at 2% over the bank base rate. The loans are repayable in instalments over five to eight years.

16 Called up share capital

	Group and Company	
	2003	2002
	£000	£000
<i>Authorised, allotted, issued and fully paid</i>		
111,818 ordinary shares of £1 each	112	112
24,546 'A' Ordinary shares of £1 each	24	24
	136	136

Under the terms of the "A" ordinary shares subscription agreement, the company is liable to pay a cumulative preferential net cash dividend of a sum equal to 5% of adjusted net profit. The "A" ordinary shares may be converted at par into ordinary shares at any time, provided all arrears of cumulative preference dividends and dividends due to holders of "A" ordinary shares have been paid.

Notes (continued)

17 Share premium and reserves

Group	Share premium account £000	Revaluation reserve £000	Capital redemption reserve £000	Profit and loss account £000
At beginning of year	187	1,419	152	2,331
Revaluation of fixed assets	-	2,169	-	-
Retained profit for the year	-	-	-	779
At end of year	187	3,588	152	3,110

Company	Share premium account £000	Revaluation reserve £000	Capital redemption reserve £000	Profit and loss account £000
At beginning of year	187	1,419	152	2,163
Revaluation of assets	-	2,169	-	-
Retained profit for the year	-	-	-	779
At end of year	187	3,588	152	2,942

18 Commitments

- (a) Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	Group and Company	
	2003 £000	2002 £000
Contracted	2,788	28

- (b) Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings	
	2003 £000	2002 £000
Group and company		
Operating leases which expire:		
Within one year	-	24
In the second to fifth years inclusive	-	-
Over five years	45	45
	45	69

19 Pension scheme

The group operates a defined contribution pension scheme. The pension cost charge represents contributions payable by the company to the fund and amounted to £57,030 for the year (15 months ended 30 June 2002: £71,018).

Notes (continued)

20 Group cash flow statement

(a) Reconciliation of operating profit to operating cash flows

	Year ended 30 June 2003 £000	15 months ended 30 June 2002 £000
Operating profit	486	900
Depreciation	296	383
Increase in stocks	(3,748)	(1,396)
(Increase)/decrease in debtors	(1,037)	1,017
Increase in creditors	4,612	336
	<u>609</u>	<u>1,240</u>
Net cash inflow from operating activities	<u>609</u>	<u>1,240</u>

(b) Reconciliation of net cash flow to movement in net debt

	Year ended 30 June 2002 £000	15 months ended 30 June 2002 £000
Decrease in cash in the year/period	(1,382)	(466)
Repayment of loans	220	120
New loans	-	(1,660)
	<u>(1,162)</u>	<u>(2,006)</u>
Increase in net debt in the year/period	(1,162)	(2,006)
Net debt at 30 June 2002	(2,515)	(509)
	<u>(3,677)</u>	<u>(2,515)</u>
Net debt at 30 June 2003	<u>(3,677)</u>	<u>(2,515)</u>

(c) Analysis of changes in net debt

	At 30 June 2002	Cash flow	At 30 June 2003
Cash in hand and at bank	26	(26)	-
	<u>26</u>	<u>(26)</u>	<u>-</u>
<i>Debts due within one year</i>			
Bank loans and overdrafts	(220)	(1,364)	(1,584)
	<u>(220)</u>	<u>(1,364)</u>	<u>(1,584)</u>
<i>Debts due after one year</i>			
Bank loans	(2,321)	228	(2,093)
	<u>(2,321)</u>	<u>228</u>	<u>(2,093)</u>
Total debt	(2,541)	(1,136)	(3,677)
	<u>(2,541)</u>	<u>(1,136)</u>	<u>(3,677)</u>
Net debt	(2,515)	(1,162)	(3,677)
	<u>(2,515)</u>	<u>(1,162)</u>	<u>(3,677)</u>

Notes *(continued)*

21 Related party transactions

During the period the company paid rent of £45,000 (*15 month period ended 30 June 2002: £45,000*) to the Trustees of the Shields Automotive Limited Executive Retirement and Death Benefit Scheme, a self administered scheme, the beneficiaries of which are JP O'Donnell and A O'Donnell. The rentals are at market value as set by independent chartered surveyors, Montagu Evans. There were no balances due to/from the related party at the year end (*2002: £Nil*).