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ROGERS AND REES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2004



MRI Moores Rowland
Chartered Certified Accountants
Finch House
24 Finch Road
Douglas
Isle of Man

ROGERS AND REES LIMITED

Directors report

The directors are pleased to present their report together with the audited financial statements for the year ended 31 July 2004.

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

- * select suitable accounting policies and apply them consistently;
- * make judgements and estimates which 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 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 Acts 1931 to 2004. 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.

Principal activity

The principal activity of the company is the operation of a motor cycle dealership.

Results and dividend

The results for the period are set out on page 3. The directors do not recommend the payment of a dividend.

Directors and their interests

The directors who held office during the period, together with their interests in the share capital of the company, were as follows :

	Shares	
	Ordinary	Preference
Mrs J C Lucas	890	700
Ms P M Donegan	-	-
Mr M G Rees	40	-

Auditors

The auditors for the year under review were MRI Moores Rowland, Chartered Certified Accountants. MRI Moores Rowland retire at the forthcoming annual general meeting and, being eligible, offer themselves for reappointment.

By order of the board

Company secretary



Date 21st March 2005

Independent Auditors Report to the Shareholders of Rogers and Rees Limited

We have audited the financial statements of Rogers and Rees Limited which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the members, as a body, in accordance with section 15 of the Companies Act 1982. 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

As described in the Statement of Directors Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report our opinion to you as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Acts 1931 to 2004. 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, or if we have not received all the information and explanations we require for our audit.

We read the Directors Report and consider the implications for our report if we become aware of any apparent misstatement within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Fundamental uncertainty

In forming our opinion we have considered the directors decision to prepare the accounts on a going concern basis (see Note 1f). The financial statements have been prepared on a going concern basis, the validity of which depends on future support being available from the current loan creditor and increased share capital being provided. Details relating to this fundamental uncertainty are described in Note 1f and the current loan terms are described in Note 7. Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the company's affairs as at 31 July 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Acts 1931 to 2004.

.....
MRI Moores Rowland
Chartered Certified Accountants

Finch House
24 Finch Road
Douglas
Isle of Man

..... 21/3/2005
Date

ROGERS AND REES LIMITED

Profit and loss account for the year ended 31 July 2004.

	Note	2004 £	2003 £
Turnover		<u>1,048,238</u>	<u>1,120,409</u>
Loss before taxation		(40,327)	(114,676)
After charging:			
Directors fees		18,500	21,000
Rent		27,700	24,375
Audit fees		2,400	2,000
Company formation expenses		-	620
Depreciation	3	<u>8,292</u>	<u>9,936</u>
Taxation	2	<u>-</u>	<u>-</u>
Loss after taxation		(40,327)	(114,676)
Dividends		-	-
Profit and loss account brought forward		(114,676)	-
Profit and loss account carried forward		<u>(155,003)</u>	<u>(114,676)</u>

The company had no other gains and losses other than the loss for the period therefore no separate statement of gains and losses has been presented.

All of the company's activities are ongoing.

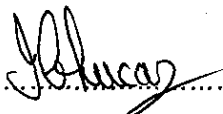
The notes on pages 5 to 8 form part of these financial statements.

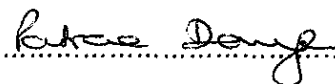
ROGERS AND REES LIMITED

Balance sheet as at 31 July 2004.

	Note	2004 £	2003 £
Fixed assets	3	52,526	59,147
Current assets			
Stocks	4	206,202	206,240
Debtors and prepayments	5	56,437	53,564
Cash and bank		26,713	41,269
		<u>289,352</u>	<u>301,073</u>
Current liabilities			
Sundry creditors	6	309,945	285,388
Loan	14	78,486	-
		<u>388,431</u>	<u>285,388</u>
Net current (liabilities)/assets		(99,079)	15,685
Creditors: amounts due after more than one year	7	-	(81,058)
		<u>(46,553)</u>	<u>(6,226)</u>
Share capital and reserves			
Share capital	8	1,630	1,630
Share premium	9	106,820	106,820
Profit and loss account		(155,003)	(114,676)
Shareholders funds	10	<u>(46,553)</u>	<u>(6,226)</u>

Approved by the board of directors on 21st MARCH 2005 and signed on their behalf by

.....(director)

.....(director).

The notes on pages 5 to 8 form part of these financial statements.

ROGERS AND REES LIMITED

Notes to the financial statements for the year ended 31 July 2004.

1 Accounting policies

a Accounting conventions

These financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting and Financial Reporting Standards.

b Turnover

Turnover is accounted for to the extent that it is receivable and is stated exclusive of value added taxation and net of related credits.

c Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated so as to write down the cost of the assets to their residual values over their estimated useful lives at the following rates :

Motor vehicles	- 20% straight line
Plant and equipment	- 20% straight line
Shop fittings and improvements	- 10% straight line

d Hire purchase assets

Assets purchased under hire purchase agreements are capitalised at fair value at the inception of the agreement with the resulting obligation included within creditors. Depreciation is charged on those assets over the economic useful life of the assets.

e Cash flow statement

The company has availed itself of the exemption contained in Financial Reporting Standard number 1 not to produce a cash flow statement on the grounds that it is a small company.

f Basis of preparation

The directors, having obtained confirmations from the loan creditors as to their continuing financial support, believe that the going concern basis of preparation is appropriate.

They have also obtained confirmation that further financial support will be available in order to allow the company to meet its liabilities as they fall due. One of the directors has agreed to provide further share capital to the company after the year end (see note 14).

2 Taxation

No provision for Isle of Man income tax is required due to the incidence of losses and the availability of capital allowances.

ROGERS AND REES LIMITED

Notes to the financial statements (continued)

3 Fixed assets	TOTAL	Motor vehicles	Plant and equipment	Shop fittings
At cost				
At 1 August 2003	69,082	7,010	9,420	52,652
Additions	1,671		996	675
Disposals	-	-	-	-
At 31 July 2004	<u>70,753</u>	<u>7,010</u>	<u>10,416</u>	<u>53,327</u>
Depreciation				
At 1 August 2003	9,935	1,752	2,041	6,142
Charged	8,292	1,380	1,632	5,280
Disposals	-	-	-	-
At 31 July 2004	<u>18,227</u>	<u>3,132</u>	<u>3,673</u>	<u>11,422</u>
Net book value				
2004	<u>52,526</u>	<u>3,878</u>	<u>6,743</u>	<u>41,905</u>
2003	<u>59,147</u>	<u>5,258</u>	<u>7,379</u>	<u>46,510</u>

All motor vehicles were acquired under hire purchase contracts.

	2004	2003
	£	£
4 Stocks		
New vehicles	104,683	108,163
Used vehicles	12,500	18,100
Accessories and clothing	85,034	78,276
Work in progress	3,985	1,701
	<u>206,202</u>	<u>206,240</u>

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

5 Debtors and prepayments		
Trade debtors	40,680	38,521
Other debtors	-	1,000
Prepaid expenses	15,757	14,043
	<u>56,437</u>	<u>53,564</u>

All debtors are recoverable within one year.

6 Creditors due within one year		
Trade creditors	284,029	273,005
Accruals	3,622	5,144
Hire purchase creditor	3,449	1,265
VAT payable	7,708	3,849
PAYE and national insurance	5,687	2,025
Loan from related party	5,000	-
Other creditors	450	100
	<u>309,945</u>	<u>285,388</u>

The loan from related party is from Jarman Enterprises Limited a company under common control.

7 Creditors due after more than one year		
Hire purchase creditor	-	3,448
Loan payable	-	77,610
	<u>-</u>	<u>81,058</u>

ROGERS AND REES LIMITED

Notes to the financial statements (continued)

	2004 £	2003 £
8 Share capital		
Authorised share capital		
1,000 ordinary shares of £1 each	1,000	1,000
1,000 6% cumulative redeemable preference shares of £1 each	1,000	1,000
	<u>2,000</u>	<u>2,000</u>
Issued share capital		
930 ordinary shares of £1 each	930	930
700 6% cumulative redeemable preference shares of £1 each	700	700
	<u>1,630</u>	<u>1,630</u>
The holders of the cumulative preference shares have waived their entitlement to their dividend for the period.		
9 Share premium		
On issue of 700 preference shares at £152.60 per share	<u>106,820</u>	<u>106,820</u>
10 Shareholders funds		
Issue of shares	-	108,450
Loss for the period	(40,327)	(114,676)
Net addition to shareholders funds	(40,327)	(6,226)
Shareholders funds brought forward	(6,226)	-
Shareholders funds carried forward	<u>(46,553)</u>	<u>(6,226)</u>
Analysed between:		
Equity shareholders funds	(154,073)	(113,746)
Non equity shareholders funds	107,520	107,520
	<u>(46,553)</u>	<u>(6,226)</u>
11 Obligations under hire purchase contracts		
Fair value of future payments	3,850	5,650
Less finance charges allocated to future accounting periods	(401)	(937)
	<u>3,449</u>	<u>4,713</u>
Due within one year	3,449	1,265
Due between one and two years	-	3,448
	<u>3,449</u>	<u>4,713</u>

12 Related party transactions

The loan referred to in note 7 is payable to Mr R Lucas, the husband of a director of the company.

During the period the company paid rent of £27,700 (2003: £20,775) and management fees of nil (2003: £9,000) to Jarman Enterprises Limited, a company in which Mrs Lucas is a director and sole shareholder.

The ultimate controlling party is Mrs J C Lucas by virtue of her ownership of 96% of the ordinary share capital and the entire issued preference share capital.

13 Comparative figures

The comparative figures are for the period 26 February 2002 (date of incorporation) to 31 July 2003.

ROGERS AND REES LIMITED

Notes to the financial statements (continued)

14 Post Balance Sheet event

After the year-end Mr M Rees a director of the company has agreed to purchase shares in the company to the value of £108,450 in order to provide financing. Part of this will be used to repay the outstanding loan with the remainder used to provide working capital.

In order to facilitate this investment the authorised share capital has been increased to 2,000 ordinary shares of £1 each and 2,000 redeemable preference shares of £1 each.

ROGERS AND REES LIMITED

Detailed profit and loss account for the year ended 31 July 2004.

APPENDIX I

	2004 £	2003 £
Sales	1,048,238	1,120,409
Cost of sales	(895,271)	(970,843)
Gross profit	152,967	149,566
Less overheads		
Motor expenses	5,671	3,819
Repairs and renewals	880	1,043
Plant and equipment hire	9,017	11,844
Telephone	3,025	4,585
Printing, stationery and postages	1,738	4,550
Consultancy fees	940	9,000
Heating and lighting	5,846	4,033
Insurances	10,250	10,449
Rent and rates	42,132	43,135
Finance charges	4,908	6,010
Legal and professional fees	88	8,825
Sundry expenses	12,964	15,989
Advertising and marketing	13,867	20,112
Repairs and maintenance	331	1,765
Company formation expenses	-	620
Audit fees	2,400	2,000
Directors fees	18,500	21,000
Wages and NI	52,445	85,527
Depreciation	8,292	9,936
	(193,294)	(264,242)
Loss before taxation for the period	(40,327)	(114,676)