

**Kellett (UK) Limited**

Directors' report and financial  
statements

153935

31 December 1999

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## Directors' report

The directors present to the members their report and the audited financial statements for the year ended 31 December 1999.

### Principal activities

The company's business is the supply of equipment to the commercial vehicle spare parts market.

### Business review

On 31 August 1999 the company underwent a capital reconstruction where the 1,000,000 issued and unissued ordinary shares of 10p each were consolidated into 100,000 ordinary shares of £1 each and the 1,000,000 issued and unissued 'B' ordinary shares were redesignated as ordinary shares of £1 each.

On 1 September 1999 Multipart (Holdings) Limited acquired the share capital of the company.

### Results and dividend

The results for the year are shown in the attached profit and loss account. The directors do not recommend the payment of a dividend (1998: £350,564).

### Directors and directors' interests

The directors who held office during the year were as follows:

HP Ashcroft	-	appointed 1 September 1999
PR Harris	-	appointed 1 September 1999
B J Sneyd	-	appointed 1 September 1999
J Stephenson	-	appointed 1 September 1999
D Arundale	-	resigned 1 March 1999
S McCracken	-	resigned 31 July 1999
SS Ashall	-	resigned 1 September 1999
PD Finch	-	resigned 1 September 1999
DH Moss	-	appointed 4 January 1999, resigned 1 September 1999
A Sealey	-	appointed 1 March 1999, resigned 1 September 1999
AH Trafford	-	resigned 1 September 1999

No directors at 31 December 1999 had any interest in the shares of the company.

PR Harris is also a director of Lex Service PLC which is the company's ultimate holding company and his interests are stated in the directors' report of that company.

HP Ashcroft and J Stephenson are also directors of the immediate parent undertaking, Multipart (Holdings) Limited and their interests are stated in the directors' report of that company.

Otherwise the remaining director who held office at the end of the financial year had the following interests in the ordinary shares of Lex Service PLC.



## Directors' report (continued)

### Long Term Incentive Plan

The Long Term Incentive Plan was approved by shareholders at the Lex Service PLC 1998 Annual General Meeting. It is designed to align the interests of executive directors and the other senior executives with those of shareholders, to encourage increased shareholdings, to assist with the attraction and retention of individuals who will be crucial to the Group's success in the coming years, and to reward sustained good performance over the period of time.

Details of the Lex Service PLC ordinary shares provisionally awarded to each director as a participant of the Long Term Incentive Plan are as follows:

	Number of shares held at 1 January 1999	Grants/awards during 1999	Number of shares held at 31 December 1999
BJ Sneyd	*5,791		5,791

\* as at date of appointment

Full details of the Long Term Incentive Plan are disclosed in the directors' report of Lex Service PLC.

### Millennium

All critical work for the millennium date change was completed during the year and regular progress reports were made to the company and the Lex Service PLC board, supported by independent external reviews. No material problems were identified in either the group, its customers or suppliers over the millennium rollover period. The cost of ensuring compliance is expected to be £14,175 of which £14,175 is revenue expenditure and £nil will be capitalised. During 1999 revenue expenditure was £8,419 and £nil was capitalised within fixed assets.

Contingency plans are in place for millennium failures which may still occur affecting business critical systems. Given the complexity of the millennium problem it is not possible for any organisation to guarantee that there will not be any future problems. However, based on the experience to date, the Lex Service board believe that the group is at an acceptable state of readiness.

### Auditor

During the year KPMG resigned as auditors and KPMG Audit Plc were appointed to fill a casual vacancy.

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

ML Young  
Secretary

10 May 2000

### Registered Office:

Lex House  
17 Connaught Place  
London  
W2 2EL



## 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 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 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 Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## KPMG Audit Plc

St James' Square  
Manchester M2 6DS  
United Kingdom

### Report of the auditors to the members of Kellett (UK) Limited

We have audited the financial statements on pages 5 to 16.

#### 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. 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 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 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.

#### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

Chartered Accountants  
Registered Auditor

*23rd May 2000*



**Profit and loss account**  
*for the year ended 31 December 1999*

	<i>Note</i>	<b>1999</b> £	<b>1998</b> £
<b>Turnover</b>	2	13,129,186	13,749,210
Cost of sales		(9,562,595)	(9,593,153)
<b>Gross profit</b>		<b>3,566,591</b>	<b>4,156,057</b>
Distribution costs		(926,281)	(873,729)
Administrative expenses		(2,953,810)	(2,631,910)
		<b>(313,500)</b>	<b>650,418</b>
Other operating income	3	50,500	50,500
<b>Operating (loss)/profit</b>	3-5	<b>(263,000)</b>	<b>700,918</b>
Other interest receivable and similar income	4	-	-
Interest payable and similar charges		(162,398)	(242,145)
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(425,398)</b>	<b>458,773</b>
Tax on profit on ordinary activities	6	81,415	(112,714)
<b>(Loss)/profit on ordinary activities after taxation</b>		<b>(343,983)</b>	<b>346,059</b>
Dividends proposed	9	-	(350,564)
<b>Retained loss for the year</b>	17	<b>(343,983)</b>	<b>(4,505)</b>

In both the current and preceding years, the company made no material acquisitions and had no discontinued operations.

There were no recognised gains or losses in either the current or preceding years other than those disclosed in the profit and loss account.

**Note of historical cost profits and losses**

	<b>1999</b> £	<b>1998</b> £
Reported (loss)/profit on ordinary activities before taxation	(343,983)	458,773
Difference between a historical cost depreciation charge and the actual charge for the year calculated on the revalued amount	4,505	4,505
Historical cost (loss)/profit on ordinary activities before taxation	(339,478)	463,278
Historical cost (loss)/profit for the year retained after taxation and dividend	(257,633)	-

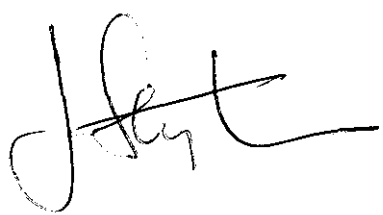
The notes on pages 7 to 16 form part of these financial statements.

**Balance sheet**  
*at 31 December 1999*

	<i>Note</i>	<b>1999</b>	<b>1998</b>
		<b>£</b>	<b>£</b>
<b>Fixed assets</b>			
Tangible assets	10	2,057,366	1,561,756
<b>Current assets</b>			
Stocks	11	3,227,845	2,879,465
Debtors	12	3,289,547	3,722,106
Cash at bank and in hand		258,353	4,264
		<u>6,775,745</u>	<u>6,605,835</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(8,649,694)</u>	<u>(7,629,586)</u>
<b>Net current liabilities</b>		<b>(1,873,949)</b>	<b>(1,023,751)</b>
<b>Total assets less current liabilities</b>		<b>183,417</b>	<b>538,005</b>
<b>Creditors: amounts falling due after more than one year</b>	14	<b>(61,043)</b>	<b>(64,108)</b>
<b>Provisions for liabilities and charges</b>	15	<b>-</b>	<b>(7,540)</b>
<b>Net assets</b>		<b>122,374</b>	<b>466,357</b>
<b>Capital and reserves</b>			
Called up share capital	16	190,017	190,017
Share premium account	17	83,270	83,270
Revaluation reserve	17	188,565	193,070
Profit and loss account	17	<u>(339,478)</u>	<u>-</u>
<b>Equity shareholders' funds</b>	18	<b>122,374</b>	<b>466,357</b>

These financial statements were approved by the board of directors on 10 May 2000 and were signed on its behalf by:

J Stephenson  
Director



The notes on pages 7 to 16 form part of these financial statements.

## 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 company's financial statements.

#### *Basis of accounting*

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards, modified to include the revaluation of certain land and buildings.

#### *Turnover*

Turnover represents the invoiced value of goods supplied, excluding value added tax.

#### *Depreciation*

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold land	Nil%
Freehold buildings	2%
Plant and equipment	10 - 50%
Motor vehicles	20 - 33%

#### *Leased assets*

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such 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.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

#### *Stocks*

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

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

## Notes (continued)

### Currency translation

Assets and liabilities in overseas currencies are translated at the rate of exchange at the balance sheet date or the committed rate of a forward contract. Any trading profits or losses arising from exchange rate movements are dealt with through the profit and loss account. Trading results of overseas subsidiaries are translated into sterling at average exchange rates for the year. Any currency translation differences arising on consolidation are dealt with through reserves.

### Government grants

Grants in respect of buildings are included in creditors and are written back to the profit and loss account over ten years.

Grants in respect of innovation have been credited directly to the profit and loss account.

### Related party transactions

As the company is a wholly owned subsidiary of Lex Service PLC the company has taken advantage of the exemption contained within Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements can be obtained from the address given in note 21.

### Cash flow statement

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

## 2 Turnover and operating (loss)/profit

The geographical split of turnover and operating (loss)/profit is as follows:

	Turnover		Operating (loss)/profit	
	1999	1998	1999	1998
	£	£	£	£
<i>Geographical segments:</i>				
United Kingdom	9,862,591	10,414,228	(196,787)	509,053
Rest of Europe	2,768,513	2,780,646	(57,162)	160,730
Other	498,082	554,336	(9,051)	31,135
	<u>13,129,186</u>	<u>13,749,210</u>	<u>(263,000)</u>	<u>700,918</u>

## 3 Other operating income

	1999	1998
	£	£
Rent received	<u>50,500</u>	<u>50,500</u>

**Notes (continued)**

**4 Interest payable and similar charges**

	1999 £	1998 £
On bank loans and overdrafts	153,124	138,931
Interest on finance leases and hire purchase contracts	9,074	14,165
Other loans	200	89,049
	<u>162,398</u>	<u>242,145</u>

**5 Profit on ordinary activities before taxation**

	1999 £	1998 £
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Depreciation		
- owned assets	92,084	83,214
- assets held under finance leases and hire purchase contracts	53,165	85,699
Auditors' remuneration - for audit services	11,000	6,500
- for non-audit services	10,950	11,500
Loss on disposal of tangible fixed assets	48,201	1,456
Operating lease rentals - plant and machinery	14,759	11,212
- land and buildings	26,500	27,141
Release of capital grant	(3,000)	(3,000)
	<u></u>	<u></u>

**6 Tax on profit on ordinary activities**

	1999 £	1998 £
UK corporation tax at 31% (1997: 31.5%)	-	132,000
(Over)/under provision in prior years	(73,875)	(26,826)
Deferred taxation	(7,540)	7,540
	<u>(81,415)</u>	<u>112,714</u>

**Notes (continued)**

**7 Directors' emoluments**

	1999 £	1998 £
Directors' emoluments	140,241	191,727
Company contributions to money purchase pension schemes	5,002	8,033
	<u>145,243</u>	<u>199,760</u>

The emoluments of the chairman and one other director were paid by the ultimate parent undertaking and are disclosed in those financial statements.

	Number of directors	
	1999	1998
Retirement benefits are accruing to the following number of directors under :		
Money purchase schemes		
Defined benefit schemes		
	<u>          </u>	<u>          </u>

Information relating to directors' options is disclosed in the directors' report at page 2.

**8 Employee information**

	1999 Number	1998 Number
<i>The average weekly number of persons (including executive directors and agents) employed during the year were:</i>		
Sales	31	26
Administration	21	19
Stores	29	26
	<u>81</u>	<u>71</u>

	1999 £	1998 £
<i>The aggregate payroll costs of the above persons were:</i>		
Wages and salaries	1,265,838	1,170,823
Social security costs	114,421	103,259
Other pension costs	12,867	14,322
	<u>1,393,126</u>	<u>1,288,404</u>

## Notes (continued)

### 9 Dividends

	1999 £	1998 £
'A' ordinary £nil (1998: £1.17) per share	-	350,564
	-	350,564

### 10 Tangible fixed assets

	Freehold land and buildings £	Plant and fixtures and fittings £	Total £
<i>Cost or valuation:</i>			
At 1 January 1999	1,378,182	676,249	2,054,431
Additions	454,501	250,114	704,615
Disposals	-	(174,534)	(174,534)
At 31 December 1999	1,832,683	751,829	2,584,512
<i>Depreciation:</i>			
At 1 January 1999	124,299	368,376	492,675
Charge for the year	25,137	123,522	148,659
Disposals	-	(114,188)	(114,188)
At 31 December 1999	149,436	377,710	527,146
<i>Net book value:</i>			
At 31 December 1999	1,683,247	374,119	2,057,366
At 31 December 1998	1,253,883	307,873	1,561,756

**Notes (continued)**

**10 Tangible fixed assets (continued)**

Freehold land and buildings include non depreciable assets totalling £284,000 (1998: £284,000).

If the freehold property had not been revalued it would have been included at the following amounts:

	1999 £	1998 £
Cost	1,614,668	1,160,167
Accumulated depreciation	(124,491)	(99,354)
Net book value	1,490,177	1,060,813

Freehold land and buildings were valued at 31 December 1992 by the directors. The gross depreciable value of land and buildings is £876,167.

The net book value of tangible assets includes an amount of £138,245 (1998: £85,699) in respect of assets held under hire purchase contracts. The related depreciation charge for the year was £53,165 (1998: £76,402).

**11 Stocks**

	1999 £	1998 £
Finished goods and goods for resale	3,227,845	2,879,465

**12 Debtors**

	1999 £	1998 £
Trade debtors	3,207,923	3,626,845
Amounts due from group undertakings	-	10,760
Other debtors	31,799	60,827
Prepayments and accrued income	49,825	23,674
	3,289,547	3,722,106



**Notes (continued)**

**13 Creditors: amounts falling due within one year**

	1999 £	1998 £
Bank overdraft	-	202,160
Trade creditors	1,913,258	1,869,061
Obligations under hire purchase contracts	60,816	49,779
Amounts due to group undertakings	6,322,357	5,060,373
Corporation tax	-	132,000
Other taxation and social security	27,810	149,978
Accruals and deferred income	325,453	166,235
	<u>8,649,694</u>	<u>7,629,586</u>

Included within accruals and deferred income in 1999 is £3,000 (1998: £3,000) representing the balance of a grant received in connection with building development work carried out in the year. The grant is being released to the profit and loss account over ten years.

The company's bank overdraft facility is guaranteed by its parent undertaking as part of the group's overall borrowing facilities.

**14 Creditors: amounts falling due after more than one year**

	1999 £	1998 £
Obligations under hire purchase contracts	48,043	48,108
Accruals and deferred income	13,000	16,000
	<u>61,043</u>	<u>64,108</u>

Included within accruals and deferred income during 1999 is £13,000 (1998: £16,000) representing the balance of a grant received in connection with building development work. This grant is being released to the profit and loss account over ten years.

**Notes (continued)**

**15 Provisions for liabilities and charges**

Taxation including deferred taxation:

	<b>Amount provided</b>		<b>Amount unprovided</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<i>The effect of timing differences because of:</i>				
Excess of tax allowances over depreciation	-	12,635	-	-
Surplus on revaluation	-	(5,983)	-	55,920
Other timing differences	-	888	-	-
	<u>-</u>	<u>7,540</u>	<u>-</u>	<u>55,920</u>
	<u><u>-</u></u>	<u><u>7,540</u></u>	<u><u>-</u></u>	<u><u>55,920</u></u>

**16 Called up share capital**

	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>£</b>
<i>Authorised:</i>		
1,000,000 'A' ordinary shares of 10p each	-	100,000
1,000,000 'B' ordinary shares of £1 each	-	1,000,000
1,100,000 ordinary shares of £1 each	<u>1,100,000</u>	<u>-</u>
	<u><u>1,100,000</u></u>	<u><u>1,100,000</u></u>
<i>Allotted, called up and fully paid:</i>		
300,170 'A' ordinary shares of 10p each	-	30,017
160,000 'B' ordinary shares of £1 each	-	160,000
190,017 ordinary shares of £1 each	<u>190,017</u>	<u>-</u>
	<u><u>190,017</u></u>	<u><u>190,017</u></u>

On 31 August 1999 the company underwent a capital reconstruction whereby the 1,000,000 issued and unissued ordinary shares of 10p each were consolidated into 100,000 ordinary shares of £1 each and the 1,000,000 issued and unissued 'B' ordinary shares were redesignated as ordinary shares of £1 each.

## Notes (continued)

### 17 Reserves

	Share premium £	Revaluation reserve £	Profit and loss account £
At 31 December 1998	83,270	193,070	-
Retained loss for the year	-	-	(343,983)
Release of revaluation reserve	-	(4,505)	4,505
<b>At 31 December 1999</b>	<b>83,270</b>	<b>188,565</b>	<b>(339,478)</b>

### 18 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
(Loss)/profit for the financial year	(343,983)	346,059
Dividends	-	(350,564)
Net reduction in shareholders' funds	(343,983)	(4,505)
Opening shareholders' funds	466,357	470,862
Closing shareholders' funds	122,374	466,357

### 19 Leasing and hire purchase commitments

As at 31 December 1999, the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings £	Other £
Operating leases which expire:		
- within one year	6,625	11,131
- within two to five years	-	11,628

### 20 Pension fund

The company operates defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charged represents contributions paid and payable to the various funds and amounted to £12,867 (1998: £14,082) for the year.

## Notes (continued)

### 7 Directors' emoluments

	199
Directors' emoluments	140,24
Company contributions to money purchase pension schemes	5,00
	<u>145,24</u>

The emoluments of the chairman and one other director were paid by the ultimate parent un  
are disclosed in those financial statements.

Retirement benefits are accruing to the following number of directors under :

Money purchase schemes  
Defined benefit schemes

Information relating to directors' options is disclosed in the directors' report at page 2.

### 8 Employee information

*The average weekly number of persons (including executive directors and agents)  
employed during the year were:*

Sales  
Administration  
Stores

*The aggregate payroll costs of the above persons were:*

Wages and salaries  
Social security costs  
Other pension costs



**Notes** *(continued)*

**21 Ultimate and intermediate parent undertaking**

The immediate parent undertaking of Kellett (UK) Limited is Multipart (Holdings) Limited, registered in England and Wales, the ultimate parent undertaking being Lex Service PLC.

The accounts of Lex Service PLC which consolidate the results of Multipart (Holdings) Limited are available to the public and may be obtained from:

Lex Service PLC  
Lex House  
17 Connaught Place  
LONDON  
W2 2EL