

Kellett (UK) Limited

**Directors' report and financial
statements**

Registered Number 153935

31 December 2001



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

On 1 January 2001 the company's trade and assets were transferred to a fellow group undertaking, Lex Multipart Limited (formerly Multipart Distribution Limited) at nil profit.

Principal activities

Until 1 January 2001 the company's business was the supply of equipment to the commercial vehicle spare parts market. After 1 January 2001 the company ceased to trade.

Business review

The results for the year are set out on page 5.

Results and dividends

The directors do not recommend the payment of a dividend.

The result for the year retained in the company is £nil (2000: (£87,162) loss).

Directors and directors' interests

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

HP Ashcroft
PR Harris
BJ Sneyd
J Stephenson

No director at 31 December 2001 had any interest in the shares of the company.

J Stephenson resigned as a director of the company on 31 March 2002.

A Harrison was appointed as a director of the company on 13 May 2002.

HP Ashcroft resigned as a director of the company on 31 May 2002.

PR Harris is also a director of Lex Service PLC (now known as RAC plc) which is the company's ultimate parent company and his interests are stated in the directors' report of that company.

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

BJ Sneyd is also a director of Lex Multipart Limited, the company's immediate parent company and his interests are stated in the directors' report of that company.

Directors' report *(continued)*

Employees

The company's policy is to involve employees by way of appropriate consultation and discussion with staff and recognised trade unions in matters likely to affect employees' interests.

Information on matters of concern to employees is given through monthly team briefings which seek to achieve common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, where possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Political and charitable contributions

The company made no political contributions or charitable donations during the year (£2000: £nil).

Insurance

The directors and officers of Kellett (UK) Limited are indemnified under the Lex Service PLC (now known as RAC plc) worldwide directors and officers' insurance cover.

General Meeting

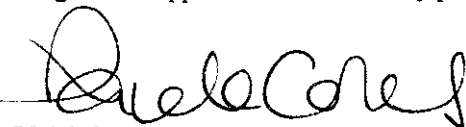
An elective resolution was passed on 21 November 2001 whereby the company elected to dispense with the laying of accounts and reports in the general meeting.

Annual General Meeting

An elective resolution was passed on 21 November 2001 whereby the company elected to dispense with the holding of Annual General Meetings in 2002 and subsequent years pursuant to Section 366A of the Companies Act 1985.

Auditor

An elective resolution was passed on 21 November 2001 whereby the company elected to dispense with the obligation to appoint auditors annually pursuant to Section 386 of the Companies Act 1985.



PM Coles
Secretary

Lex House
17 Connaught Place
London
W2 2EL

18 October 2002

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 independent 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 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 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 affairs of the company as at 31 December 2001 and of the result of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

23/10/02

Profit and loss account
for the year ended 31 December 2001

		Year ended 31 December 2001 £	Year ended 31 December 2000 £
Turnover	2	-	13,658,438
Cost of sales		-	(9,566,233)
		<hr/>	<hr/>
Gross profit		-	4,092,205
Distribution costs		-	(1,108,235)
Administrative expenses		-	(3,109,964)
		<hr/>	<hr/>
Operating (loss)	2-4	-	(125,994)
Interest payable and similar charges	3	-	(10,815)
		<hr/>	<hr/>
(Loss) on ordinary activities before taxation		-	(136,809)
Tax on profit on ordinary activities	5	-	49,647
		<hr/>	<hr/>
Retained (loss) for the financial year		-	(87,162)
		<hr/>	<hr/>

The movement on reserves is shown in note 14.

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

Statement of total recognised gains and losses
for the year ended 31 December 2001

	2001 £	2000 £
Loss for the financial year	-	(87,162)
Unrealised gain on transfer of properties (revaluation reserve transfer)	184,060	-
	<hr/>	<hr/>
Total recognised gains and losses relating to the financial year	184,060	(87,162)
	<hr/>	<hr/>

Note on historical cost profits and losses
for the year ended 31 December 2001

	2001 £	2000 £
Reported (loss) on ordinary activities before taxation	-	(136,809)
Difference between a historical cost depreciation charge and the actual charge for the year calculated on the revalued amount	-	4,505
	<hr/>	<hr/>
Historical cost (loss) on ordinary activities before taxation	-	(132,304)
	<hr/>	<hr/>
Historical cost (loss) for the year retained after taxation and dividend	-	(82,657)
	<hr/>	<hr/>

The notes on pages 8 to 16 form part of these financial statements.

Balance sheet
at 31 December 2001

	Note	2001	2000
		£	£
Fixed assets			
Tangible assets	8	-	2,057,700
Current assets			
Stocks	9	-	4,511,107
Debtors	10	35,213	4,388,310
Cash at bank and in hand		-	788,963
		<u>35,213</u>	<u>9,688,380</u>
Creditors: amounts falling due within one year	11	-	(11,695,006)
Net current assets		<u>35,213</u>	<u>(2,006,626)</u>
Total assets less current liabilities		<u>35,213</u>	<u>51,074</u>
Creditors: amounts falling due after one year	12	-	(15,862)
Net assets		<u>35,213</u>	<u>35,212</u>
Capital and reserves			
Called up share capital	13	190,017	190,017
Share premium account	14	83,270	83,270
Revaluation reserve	14	-	184,060
Profit and loss account	14	(238,074)	(422,135)
Equity shareholders' funds	15	<u>35,213</u>	<u>35,212</u>

These financial statements were approved by the board of directors on 18 October 2002 and were signed on its behalf by:


PR Harris
Director

The notes on pages 8 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.

FRS 19

Although not mandatory until the year ended 31 December 2002, the Group has decided to adopt the standard in full for the year ended 31 December 2001. Further details regarding the impact of the change in accounting policy resulting from the adoption of FRS 19 are set out in note 5. As the company had previously provided for deferred taxation in full no prior year adjustment has arisen.

Basis of preparation

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

Turnover

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

Fixed assets and 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% per annum
Plant and machinery	-	10-50% per annum
Motor vehicles	-	20-33% per annum

Leases

The assets acquired under finance leases are recorded in the balance sheet as tangible fixed assets and are depreciated over their estimated useful lives 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.

Valuation of stock

Stock is valued at the lower of cost and net realisable value.

Notes *(continued)*

1 Accounting policies *(continued)*

Pension costs

The company operates a pension scheme which provides benefits based on final pensionable salary. The assets of the scheme are held separately from those of the company, being invested by pension fund managers in treasury stocks and unit trusts. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The difference between contributions paid to the scheme and the charge to the profit and loss account is included in 'Provision for liabilities and charges' in the balance sheet.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing between the treatment of certain items for taxation and accounting purposes. Deferred tax is fully provided for. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less in the future have occurred at the balance sheet date.

A deferred tax asset is regarded as recoverable and therefore recognised only, when on the basis of all available evidence, it can be regarded as a more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not discounted.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date, or where appropriate, the rate of exchange fixed under the terms of the relevant transaction and the gains or losses on translation are included in the profit and loss account.

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 (now known as RAC 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 18.

Cash flow statement

Throughout the year the company was a wholly owned subsidiary of a company incorporated in the United Kingdom. Therefore, in accordance with the provisions of Financial Reporting Standard 1 (revised), the company has not prepared a cash flow statement.

Notes (continued)

2 Turnover and operating loss

The geographical split of turnover and operating loss is as follows:

	Turnover		Operating (loss)/profit	
	2001	2000	2001	2000
	£	£	£	£
<i>Geographical segments:</i>				
United Kingdom	-	10,646,761	-	(103,720)
Rest of Europe	-	2,444,403	-	(18,227)
Other	-	567,274	-	(4,047)
	<hr/>	<hr/>	<hr/>	<hr/>
	-	13,658,438	-	(125,994)
	<hr/>	<hr/>	<hr/>	<hr/>

3 Interest payable and similar charges

	2001	2000
	£	£
Interest on finance leases and hire purchase contracts	-	6,972
Other loans	-	3,843
	<hr/>	<hr/>
	-	10,815
	<hr/>	<hr/>

4 Profit on ordinary activities before taxation

	2001	2000
	£	£
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Depreciation		
- owned assets	-	123,173
- assets held under finance leases and hire purchase contracts	-	51,862
Auditors' remuneration - for audit services	-	13,000
- for non-audit services	-	4,300
Loss on disposal of tangible fixed assets	-	4,113
Operating lease rentals - plant and machinery	-	33,152
Release of capital grant	-	(3,000)
	<hr/>	<hr/>

Notes *(continued)*

5 Taxation

	2001 £	2000 £
UK Corporation at 30.0% (2000: 30.0%)	-	(37,781)
Deferred taxation	-	(11,866)
	<hr/>	<hr/>
	-	(49,647)
	<hr/>	<hr/>

6 Directors' emoluments

The directors received no remuneration from the company during the year.

7 Staff numbers and costs

The average number of persons employed by the company during the year was as follows:

	Number of employees	
	2001	2000
Sales	-	29
Administration	-	20
Stores	-	44
	<hr/>	<hr/>
	-	93
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2001 £	2000 £
Wages and salaries	-	1,505,671
Social security costs	-	135,278
Other pension costs	-	27,886
	<hr/>	<hr/>
	-	1,668,835
	<hr/>	<hr/>

Notes (continued)

8 Tangible fixed assets

	Freehold land and buildings £	Plant Fixtures & Fittings £	Total £
Cost or valuation			
At 1 January 2001	1,878,451	809,038	2,687,489
Transfer to group companies	(1,878,451)	(809,038)	(2,687,489)
	<hr/>	<hr/>	<hr/>
At 31 December 2001	-	-	-
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2001	183,067	446,722	629,789
Transfer to group companies	(183,067)	(446,722)	(629,789)
	<hr/>	<hr/>	<hr/>
At 31 December 2001	-	-	-
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2001	-	-	-
	<hr/>	<hr/>	<hr/>
At 1 January 2001	1,695,384	362,316	2,057,700
	<hr/>	<hr/>	<hr/>

Freehold land and buildings include non depreciable assets totalling £nil (2000: £284,000)

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

	2001 £	2000 £
Cost	-	1,660,436
Accumulated depreciation	-	(149,112)
	<hr/>	<hr/>
Net book value	-	1,511,324
	<hr/>	<hr/>

Freehold land and buildings were valued at August 1999 on acquisition of the company by Multipart (Holdings) Limited. The gross depreciable value of land and buildings is £nil.

The net book value of assets held under finance leases within plant, fixtures and fittings at 31 December 2000 was £nil (2000: £33,618). The depreciation charged during the year was £nil (2000: £51,862)

Notes (continued)

9 Stocks

	2001 £	2000 £
Finished goods and goods for resale	-	4,511,107

10 Debtors

	2001 £	2000 £
Due within one year		
Trade debtors	-	4,267,110
Amounts owed by group undertakings	35,213	-
Corporation Tax – Group Relief	-	37,781
Deferred tax	-	11,866
Other debtors	-	18,371
Prepayments and accrued income	-	53,182
	<u>35,213</u>	<u>4,388,310</u>

11 Creditors: amounts falling due within one year

	2001 £	2000 £
Trade creditors	-	2,116,385
Amounts payable under finance leases	-	25,640
Amounts due to group undertakings	-	9,304,257
Other taxation and social security	-	313
Accruals and deferred income	-	248,411
	<u>-</u>	<u>11,695,006</u>

Included within accruals and deferred income in 2001 is £nil (2000: £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 undertakings as part of the group's overall borrowing facilities.

Notes *(continued)*

12 Creditors: amounts falling due after one year

	2001	2000
	£	£
Amounts payable under finance leases	-	5,862
Accruals and deferred income	-	10,000
	<hr/>	<hr/>
	-	15,862
	<hr/>	<hr/>

Included within accruals and deferred income in 2001 is £nil (2000: £10,000) 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 maturity of obligations under finance leases and hire purchase contracts is as follows:

	2001	2000
	£	£
Within one year	-	25,640
In the second to fifth years	-	5,862
	<hr/>	<hr/>
	-	31,502
	<hr/>	<hr/>

13 Called up share capital

	2001	2000
	£	£
<i>Authorised</i>		
Ordinary shares of £1 each	1,100,000	1,100,000
	<hr/>	<hr/>
	1,100,000	1,100,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	190,017	190,017
	<hr/>	<hr/>
	190,017	190,017
	<hr/>	<hr/>

Notes (continued)

14 Reserves

	Share premium £000	Revaluation Reserve £000	Profit and loss account £000
At 31 December 2000	83,270	184,060	(422,135)
Reserve transfer	-	(184,060)	184,060
At 31 December 2001	83,270	-	(238,075)

15 Reconciliation of movements in shareholders' funds

	2001 £	2000 £
(Loss) for the financial year	-	(87,162)
Net reduction in shareholders' funds	-	(87,162)
Opening shareholders' funds	35,212	122,374
Closing shareholders' funds	35,212	35,212

16 Leasing and hire purchase commitments

As at 31 December 2001, the company had annual commitments under non-cancellable operating leases as set out below:

	2001 £	2000 £
Operating leases which expire:		
within one year	-	50,933
Within two to five years	-	55,602
	-	106,535

Notes *(continued)*

17 Pension fund

Employees are members of the funded defined benefit Lex Service Pension Scheme and details of this scheme are set out in the financial statements of Lex Service PLC.

The company pension charge for the year was £nil (2000: £27,886).

The company is a member of the Lex Service PLC pension scheme providing benefits based on final pensionable pay. Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits' the scheme will be accounted for by the company when the accounting standard is fully adopted by the company, as if the scheme was a defined contribution scheme.

The latest full actuarial valuation was carried out at 5 April 2001 and was updated for FRS 17 purposes to 31 December 2001 by a qualified independent actuary. Further details on the Lex Service PLC pension scheme are disclosed in the Lex Service PLC financial statements.

18 Ultimate parent company and group accounts

The immediate parent undertaking of Kellett (UK) Limited as at 31 December 2001, was Lex Multipart Limited, registered in England and Wales, the ultimate parent undertaking being Lex Service PLC (now known as RAC plc).

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

RAC plc
17 Connaught Place
LONDON
W2 2EL