

Kellett (UK) Limited

(formerly W Kellett & Company Limited)

Directors' report and financial statements

31 December 1995

Registered number 153935



Kellett (UK) Limited

(formerly W Kellett & Company Limited)

Financial statements

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Kellett (UK) Limited

(formerly W Kellett & Company Limited)

Company information

Directors

JE Bruce
PR Beaumont
AH Trafford
PD Finch

Secretary

PD Finch

Registered office

8 Stevenson Way
Attercliffe
Sheffield
S9 3WZ

Registered number

153935

Auditors

KPMG
St Nicholas House
Park Row
Nottingham
NG1 6FQ

Kellett (UK) Limited

(formerly W Kellett & Company Limited)

Directors' report

The directors present to the members their report and the audited financial statements for the year ended 31 December 1995.

Principal activities and business review

The company's business is the distribution of commercial vehicle spare parts.

The company changed its name on 18 December 1995 from W Kellett & Company Limited to Kellett (UK) Limited.

Sale of the business

The share capital of the company was sold to S.A.H.L. (Predecessors) Limited on 24 March 1995.

Results and dividend

The results for the year are shown in the attached profit and loss account. The directors recommend the payment of a dividend of £nil (1994: £1,161,600).

Changes in fixed assets

The changes in fixed assets during the year are summarised in the notes to the financial statements.

Market value of land and buildings

The directors consider that the market value of the company's interest in land and buildings approximates to the book value shown in the financial statements.

Charitable contributions

During the year the company contributed £230 (1994: £740) to charitable organisations.

Directors

The present directors of the company and those who have served during the year ended 31 December 1995 are:

D Kellett (Chairman)	- resigned 24 March 1995
JE Bruce	
DS Doman	- resigned 24 March 1995
PR Beaumont	
AH Trafford (Chairman)	- appointed 24 March 1995
PD Finch	- appointed 24 March 1995

During the year directors' and officers' indemnity insurance was purchased in respect of all directors.

Kellett (UK) Limited

(formerly W Kellett & Company Limited)

Directors' report (continued)

Directors' interests

The directors interests in the share capital of the company were:

	31 December 1995		31 December 1994	
	Ordinary	'B' ordinary	Ordinary	'B' ordinary
D Kellett (Chairman)	-	-	4,500	-
JE Bruce	-	-	152,445	100,000
DS Doman	-	-	250	-
PR Beaumont	-	-	89,525	60,000
PD Finch	-	-	-	-
AH Trafford	-	-	-	-

During the year the directors shares were sold to SAHL (Predecessors) Limited. Full details of the transaction are disclosed in the accounts of the ultimate parent undertaking Spaldings Limited.

The directors' interests, as defined by the Companies Act 1985, in the shares of the ultimate parent undertaking, Spaldings Limited, are as follows:

31 December 1995

AH Trafford	44,000
PD Finch	24,000
JE Bruce	15,643
PR Beaumont	9,362

Auditors

BDO Stoy Hayward resigned during the year and KPMG were appointed in their place.

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

By order of the board



PD Finch

Secretary

Registered Office:

8 Stevenson Way
Attercliffe
Sheffield
S9 3WZ

29 April 1996

Kellett (UK) Limited

(formerly W Kellett & Company Limited)

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 of the company 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 a 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 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.



St Nicholas House
Park Row
NOTTINGHAM
NG1 6FQ

Report of the auditors to the members of Kellett (UK) Limited
(formerly W Kellett & Company Limited)

We have audited the financial statements on pages 5 to 17.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Chartered Accountants
Registered Auditors*

29 April 1996

Kellett (UK) Limited

(formerly W Kellett & Company Limited)

Profit and loss account

for the year ended 31 December 1995

	Note	1995 £	1994 £
Turnover	2	11,056,311	9,132,185
Cost of sales		(7,709,152)	(6,451,340)
Gross profit		3,347,159	2,680,845
Distribution costs		(604,720)	(422,755)
Administrative expenses (including exceptional costs of £211,000 as per note 6)		(1,855,664)	(1,377,397)
Other operating income	3	886,775 24,650	880,693 27,900
Operating profit	2	911,425	908,593
Interest receivable and similar income		2,841	2,217
Interest payable and similar charges	4	(297,112)	(215,334)
Profit on ordinary activities before taxation	5	617,154	695,476
Tax on profit on ordinary activities	7	(299,996)	(217,254)
Profit on ordinary activities after taxation		317,158	478,222
Dividends proposed	10	-	(1,161,600)
Retained profit/(loss) for the year	19	317,158	(683,378)

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.

The notes on pages 8 to 17 form part of these financial statements.

Kellett (UK) Limited

(formerly W Kellett & Company Limited)

Note of historical cost profits and losses

	1995 £	1994 £
Profit on ordinary activities before tax	617,154	695,476
Difference between an historical cost depreciation charge and the actual charge for the year	4,036	4,036
Historical cost profit before tax	<u>621,190</u>	<u>699,512</u>
Historical cost profit after tax	<u>321,194</u>	<u>482,258</u>

The notes on pages 8 to 17 form part of these financial statements.

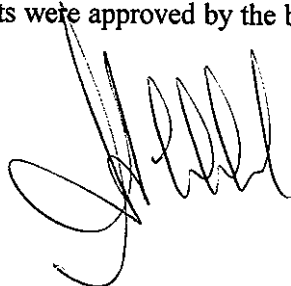
Kellett (UK) Limited

(formerly W Kellett & Company Limited)

Balance sheet at 31 December 1995

	Note	1995	1994
		£	£
Fixed assets			
Tangible assets	11	1,520,563	895,926
Current assets			
Stocks	12	2,674,955	1,932,792
Debtors - due within one year	13	3,043,265	2,613,324
Debtors - due after more than one year	13	211	290,400
Cash at bank and in hand		1,406	991
		<u>5,719,837</u>	<u>4,837,507</u>
Creditors: amounts falling due within one year	14	<u>(1,708,781)</u>	<u>(4,883,177)</u>
Net current assets/(liabilities)		<u>4,011,056</u>	<u>(45,670)</u>
Total assets less current liabilities		<u>5,531,619</u>	<u>850,256</u>
Creditors: amounts falling due after more than one year	15	<u>(4,729,554)</u>	<u>(367,299)</u>
Net assets		<u>802,065</u>	<u>482,957</u>
Capital and reserves			
Called up share capital	18	190,017	189,717
Share premium account	19	83,270	81,620
Revaluation reserve	19	206,585	210,621
Profit and loss account	19	322,193	999
Equity shareholders' funds	20	<u>802,065</u>	<u>482,957</u>

These financial statements were approved by the board of directors on 29 April 1996 and were signed on its behalf by:



AH Trafford
Director

The notes on pages 8 to 17 form part of these financial statements.

Kellett (UK) Limited

(formerly W Kellett & Company Limited)

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

The depreciation policies of the company were reviewed during the year and certain changes made to more accurately assess the remaining useful life of the assets.

Fixed assets are depreciated in equal annual instalments over their expected useful lives at the following rates:

	1995	1994
Freehold land	Nil%	Nil%
Freehold buildings	2%	4%
Plant and equipment	10 - 50%	10 - 25%
Motor vehicles	20 - 33%	20 - 33%

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss account.

Costs incurred in the acquisition of patterns have been included within fixed assets to reflect the use the company will receive from the use of patterns over their lifetime.

Stocks

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

Deferred taxation

Deferred taxation is provided at current rates using the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that a liability will crystallise.

Pension costs

The costs of contributions to the company's defined contribution pension scheme are charged in the profit and loss account as incurred.

Kellett (UK) Limited

(formerly W Kellett & Company Limited)

Notes (continued)

1 Accounting policies (continued)

Leased assets

Fixed assets acquired under finance leases and hire purchase agreements are treated as if they had been purchased and the corresponding lease commitments are included under creditors. The annual rentals of operating leases are charged to 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.

2 Turnover and operating profit

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

	Turnover		Operating profit	
	1995	1994	1995	1994
	£	£	£	£
<i>Geographical segments:</i>				
United Kingdom	8,232,954	7,189,464	665,914	705,152
Rest of Europe	2,288,584	1,456,632	199,009	152,988
Other	534,773	486,089	46,502	50,453
	<u>11,056,311</u>	<u>9,132,185</u>	<u>911,425</u>	<u>908,593</u>

3 Other operating income

	1995	1994
	£	£
Rent received	24,650	27,900
	<u>24,650</u>	<u>27,900</u>

4 Interest payable

	£	£
On bank overdraft wholly repayable within five years not by instalments	250,379	37,130
On bank overdraft repayable after more than five years	-	38,529
On hire purchase contracts	11,818	5,562
Other interest payable	34,915	134,113
	<u>297,112</u>	<u>215,334</u>

Kellett (UK) Limited

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Notes (continued)

5	Profit on ordinary activities before taxation	1995	1994
		£	£
	<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
	Depreciation		
	- owned assets	42,174	41,804
	- assets held under finance leases and hire purchase contracts	38,537	38,509
	Auditors' remuneration		
	- for audit services	6,000	3,200
	- for non-audit services	-	-
	Profit on disposal of tangible fixed assets	(1,213)	(27,419)
	Operating lease rentals - plant and machinery	19,388	13,008
	- land and buildings	26,109	25,762
	Grants received - innovation	(25,000)	-
	Release of capital grant	(1,000)	-
		<u> </u>	<u> </u>
6	Exceptional item	£	£
	<i>During the year payments were made into a pension scheme on behalf of certain employees as follows:</i>		
	Mr JE Bruce	131,875	-
	Mr PR Beaumont	79,125	-
		<u> </u>	<u> </u>
		211,000	-
		<u> </u>	<u> </u>
7	Taxation	£	£
	<i>United Kingdom taxation at 33% (1994: 33%):</i>		
	Current corporation tax	300,000	216,974
	(Over)/under provision in prior years	(4)	280
		<u> </u>	<u> </u>
		299,996	217,254
		<u> </u>	<u> </u>
8	Directors' emoluments	£	£
	Emoluments other than fees (including pension contributions and benefits in kind)	322,012	121,824
		<u> </u>	<u> </u>
		£	£
	<i>Emoluments (excluding pension contributions) include amounts paid to:</i>		
	Current chairman from 24 March 1995	-	-
	Former chairman to 23 March 1995	3,725	7,222
	Highest paid director	56,838	37,300
		<u> </u>	<u> </u>

Kellett (UK) Limited

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Notes (continued)

8 Directors' emoluments (continued)

The number of directors (including the chairman and highest paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges were:

	1995 Number	1994 Number
£0 - £5,000	3	-
£5,001 - £10,000	1	1
£25,001 - £30,000	-	1
£30,001 - £35,000	-	1
£35,001 - £40,000	-	1
£45,001 - £50,000	1	-
£55,001 - £60,000	1	-
	<u> </u>	<u> </u>

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

9 Employee information

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

	Number	Number
Sales	16	18
Administration	15	11
Stores	24	16
	<u> </u>	<u> </u>
	55	45
	<u> </u>	<u> </u>

The aggregate payroll costs of the above persons were:

	£	£
Wages and salaries	931,079	715,716
Social security costs	63,505	44,201
Other pension costs	227,774	23,000
	<u> </u>	<u> </u>
	1,222,358	782,917
	<u> </u>	<u> </u>

10 Dividends

	£	£
Ordinary	£nil (1994: £3,909) per share	-
'B' ordinary	£nil (1994: £nil) per share	-
	<u> </u>	<u> </u>
	-	1,161,600
	<u> </u>	<u> </u>

Kellett (UK) Limited

(formerly W Kellett & Company Limited)

Notes (continued)

11 Tangible fixed assets

	Freehold land and buildings £	Plant and fixtures and fittings £	Total £
<i>Cost or valuation:</i>			
At 1 January 1995	821,649	251,984	1,073,633
Additions	514,718	218,361	733,079
Disposals	-	(42,108)	(42,108)
At 31 December 1995	1,336,367	428,237	1,764,604
<i>Depreciation:</i>			
At 1 January 1995	43,500	134,207	177,707
Charge for the year	14,281	66,430	80,711
Disposals	-	(14,377)	(14,377)
At 31 December 1995	57,781	186,260	244,041
<i>Net book value:</i>			
At 31 December 1995	1,278,586	241,977	1,520,563
At 31 December 1994	778,149	117,777	895,926

Freehold land and buildings include non depreciable assets totalling £284,000.

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

	1995 £	1994 £
Cost	1,118,352	603,634
Accumulated depreciation	(46,351)	(36,106)
Net book value	1,072,001	567,528

Freehold land and buildings were valued at 31 December 1992 by the directors. The gross depreciable value of land and buildings is £834,352.

The net book value of tangible assets includes an amount of £123,932 (1994: £87,544) in respect of assets held under hire purchase contracts. The related depreciation charge for the year was £38,537 (1994: £38,509).

The rates of depreciation used during the year were revised to better reflect the useful lives of certain assets. The depreciation charge under the old rates of depreciation would have been £109,602.

Kellett (UK) Limited

(formerly W Kellett & Company Limited)

Notes (continued)

12	Stocks	1995 £	1994 £
	Finished goods and goods for resale	2,674,955	1,932,792
13	Debtors		
	<i>Amounts falling due within one year:</i>	£	£
	Trade debtors	3,008,692	2,559,401
	Other debtors	11,071	15,770
	Prepayments and accrued income	23,502	38,153
		<u>3,043,265</u>	<u>2,613,324</u>
	<i>Amounts falling due after more than one year:</i>	£	£
	Other debtors	211	-
	ACT recoverable	-	290,400
		<u>211</u>	<u>290,400</u>
14	Creditors: amounts falling due within one year		
		£	£
	Bank loan (secured)	-	11,299
	Bank overdraft (secured)	212,386	666,427
	Trade creditors	1,163,666	654,844
	Amounts due to parent and fellow subsidiary undertakings	61,861	-
	Corporation tax	9,600	493,124
	Other taxation and social security	56,968	59,001
	Other creditors	21,775	1,706,200
	Obligations under hire purchase contracts	58,226	53,719
	Accruals and deferred income	124,299	76,963
	Proposed dividend	-	1,161,600
		<u>1,708,781</u>	<u>4,883,177</u>

Included within accruals and deferred income is £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.

The company had financing agreements whereby a certain element of their debtors were subject to invoice discounting on a non-recourse basis. The terms of the agreements were such that, prior to payment, an advance may be made by the financing company against those debtors. In such an event the company bore an element of the slow payment risk. These financing agreements were terminated during the year.

Kellett (UK) Limited

(formerly W Kellett & Company Limited)

Notes (continued)

15	Creditors: amounts falling due after more than one year	1995	1994
		£	£
	Bank loan	4,663,082	335,285
	Obligations under hire purchase contracts	41,472	32,014
	Accruals and deferred income	25,000	-
		<u>4,729,554</u>	<u>367,299</u>
		<u><u>4,729,554</u></u>	<u><u>367,299</u></u>
	<i>The future bank finance arrangements to which the company is committed are as follows:</i>	£	£
	Within one to two years	-	12,497
	Within two to five years	4,663,082	144,000
	After five years	-	178,788
		<u>4,663,082</u>	<u>335,285</u>
		<u><u>4,663,082</u></u>	<u><u>335,285</u></u>

Included within accruals and deferred income is £25,000 representing the balance of a grant received in connection with building development work carried out in the year. This grant is being released to the profit and loss account over ten years.

16	Hire purchase obligations	1995	1994
		£	£
	<i>Obligations under hire purchase contracts are:</i>		
	Current (see note 14)	58,226	53,719
	Within one to two years	29,197	30,214
	Within two to five years	12,275	1,800
		<u>99,698</u>	<u>85,733</u>
		<u><u>99,698</u></u>	<u><u>85,733</u></u>

17 Provisions for liabilities and charges

Deferred taxation:	Amount provided		Amount unprovided	
	1995	1994	1995	1994
	£	£	£	£
<i>The effect of timing differences because of:</i>				
Excess of tax allowances over depreciation	-	-	49,500	-
Surplus on revaluation	-	-	61,482	58,995
Other timing differences	-	-	3,460	-
	<u>-</u>	<u>-</u>	<u>114,442</u>	<u>58,995</u>
	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>114,442</u></u>	<u><u>58,995</u></u>

Kellett (UK) Limited

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Notes (continued)

18 Called up share capital

	1995 £	1994 £
<i>Authorised:</i>		
Ordinary shares of 10p each	100,000	100,000
'B' ordinary shares of £1 each	1,000,000	1,000,000
	<u>1,100,000</u>	<u>1,100,000</u>
<i>Allotted, called up and fully paid:</i>		
Ordinary shares of 10p each	30,017	29,717
'B' ordinary shares of £1 each	160,000	160,000
	<u>190,017</u>	<u>189,717</u>

During the year 3,000 10p ordinary shares were issued for a total consideration of £1,950. The shares were issued at the exercise price of 65p per share as part of a directors' share option scheme prior to the sale of the business.

The 'B' ordinary shares do not confer on the holders the right to vote at any general meeting. Upon any winding up, or other distribution of capital, the assets available for distribution amongst the members shall be applied:

- i) Firstly in repaying the amounts paid up on the 'B' ordinary shares;
- ii) Next in repaying the amounts paid up on the 'A' ordinary shares;
- iii) Lastly in distributing *pari passu*, any remaining assets amongst the holders of the 'A' ordinary shares.

19 Reserves

	Share premium £	Revaluation reserve £	Profit and loss account £
At 1 January 1995	81,620	210,621	999
Retained profit for the year	-	-	317,158
Release of revaluation reserve	-	(4,036)	4,036
Premium on shares issued in the year	1,650	-	-
At 31 December 1995	<u>83,270</u>	<u>206,585</u>	<u>322,193</u>

Kellett (UK) Limited

(formerly W Kellett & Company Limited)

Notes (continued)

20 Reconciliation of movements in shareholders' funds

	1995 £	1994 £
Profit for the financial year	317,158	478,222
Dividends	-	(1,161,600)
	<u>317,158</u>	<u>(683,378)</u>
New share capital issued	1,950	-
	<u>319,108</u>	<u>(683,378)</u>
Net addition/(reduction) to shareholders' funds	482,957	1,166,335
Opening shareholders' funds		
	<u>802,065</u>	<u>482,957</u>
Closing shareholders' funds		

21 Contingent liabilities

At the balance sheet date the company had outstanding forward foreign exchange contracts amounting to £nil (1994: £8,416) and a guarantee to HM Customs & Excise of £120,000 (1994: £90,000).

There are cross guarantees and fixed and floating charges over the whole of the company's assets in favour of NM Rothschild and Sons Limited as security for facilities granted to the ultimate parent undertaking and its subsidiary undertakings.

22 Capital commitments

	1995 £	1994 £
Authorised and contracted for	36,750	120,000
	<u> </u>	<u> </u>
Authorised but not contracted for	-	330,000
	<u> </u>	<u> </u>

23 Commitments under operating leases

As at 31 December 1995, the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings £	Other £
<i>Operating leases which expire:</i>		
- within one year	-	4,816
- in two to five years	26,500	19,272
	<u> </u>	<u> </u>

Kellett (UK) Limited

(formerly W Kellett & Company Limited)

Notes *(continued)*

24 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 £227,774 (1994: £23,000) for the year.

25 Ultimate and immediate parent company

The company's immediate parent company is S.A.H.L. (Predecessors) Limited, incorporated in Great Britain and registered in England and Wales, which has a 100% interest in the equity share capital of Kellett (UK) Limited.

The ultimate parent company is Spaldings Limited, which is incorporated in Great Britain and registered in England and Wales.

Copies of the financial statements of Spaldings Limited are available from the following address:

Spaldings Limited
Sadler Road
Lincoln
LN6 3XJ