

Kellett (UK) Limited

Directors' report and financial statements

31 December 1997

Registered number 153935



Financial statements

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Company information

Directors

JE Bruce - resigned 13 February 1998
PR Beaumont
AH Trafford
PD Finch
SS Ashall
D Arundale
S McCracken

Secretary

D Arundale

Registered office

8 Stevenson Way
Attercliffe
Sheffield
S9 3WZ

Registered number

153935

Auditors

KPMG
St Nicholas House
Park Row
Nottingham
NG1 6FQ

Directors' report

The directors present to the members their report and the audited financial statements for the year ended 31 December 1997.

Principal activities

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

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 £448,789 (1996: £1,001,861).

Market value of land and buildings

The directors are of the opinion that the market value of the land and buildings included in the financial statements is not materially different from their book value.

Charitable contributions

During the year the company contributed £300 (1996: £303) to charitable organisations.

Directors

The present directors of the company and those who have served during the year ended 31 December 1997 are:

AH Trafford (Chairman)

JE Bruce - resigned 13 February 1998

PR Beaumont

PD Finch

AM MacIntosh - resigned 9 May 1997

SS Ashall - appointed 23 June 1997

D Arundale - appointed 1 August 1997

S McCracken - appointed 23 June 1997

S Roger - appointed 23 June 1997; resigned 18 July 1997

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

Directors' report *(continued)*

Directors' interests

The directors have no interests in the share capital of the company.

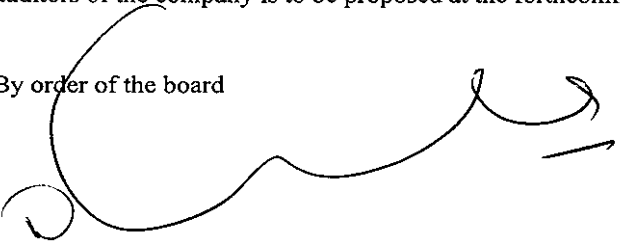
The directors' interests, as defined by the Companies Act 1985, in the shares of the ultimate parent undertaking, Spaldings Limited, were as follows:

	'A' ordinary shares of £1 each		'B' ordinary shares of £1 each	
	31 Dec 97	31 Dec 96	31 Dec 97	31 Dec 96
AH Trafford	46,905	46,905	-	-
PD Finch	25,650	25,650	-	-
JE Bruce	7,512	7,512	15,643	15,643
PR Beaumont	1,400	1,400	9,362	9,362
AM MacIntosh	-	-	-	-

Auditors

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


D Arundale
Secretary

Registered Office:

8 Stevenson Way
 Attercliffe
 Sheffield
 S9 3WZ

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

We have audited the financial statements on pages 5 to 14.

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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

13 May 1998

*Chartered Accountants
Registered Auditors*

Profit and loss account
for the year ended 31 December 1997

	<i>Note</i>	1997 £	1996 £
Turnover	2	13,281,625	12,885,613
Cost of sales		(9,316,939)	(9,043,164)
Gross profit		3,964,686	3,842,449
Distribution costs		(755,173)	(714,142)
Administrative expenses		(2,313,521)	(1,970,681)
Other operating income	3	895,992	1,157,626
		50,500	46,343
Operating profit	2	946,492	1,203,969
Other interest receivable and similar income		3,439	631
Interest payable and similar charges	4	(277,850)	(293,483)
Profit on ordinary activities before taxation	5	672,081	911,117
Tax on profit on ordinary activities	6	(227,797)	(235,954)
Profit on ordinary activities after taxation		444,284	675,163
Dividends proposed	9	(448,789)	(1,001,861)
Retained loss for the year	18	(4,505)	(326,698)

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


	1997 £	1996 £
Reported profit on ordinary activities before taxation	672,081	911,117
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 profit on ordinary activities before taxation	676,586	915,622
Historical cost profit for the year retained after taxation	448,789	679,668

Balance sheet
at 31 December 1997

	<i>Note</i>	1997	1996
		£	£
Fixed assets			
Tangible assets	<i>10</i>	1,616,521	1,637,257
Current assets			
Stocks	<i>11</i>	2,932,784	2,848,919
Debtors	<i>12</i>	3,225,326	3,345,529
Cash at bank and in hand		1,242	344,688
		<u>6,159,352</u>	<u>6,539,136</u>
Creditors: amounts falling due within one year	<i>13</i>	(3,808,519)	(3,025,655)
Net current assets		<u>2,350,833</u>	<u>3,513,481</u>
Total assets less current liabilities		<u>3,967,354</u>	<u>5,150,738</u>
Creditors: amounts falling due after more than one year	<i>14</i>	(3,496,492)	(4,675,371)
Net assets		<u>470,862</u>	<u>475,367</u>
Capital and reserves			
Called up share capital	<i>17</i>	190,017	190,017
Share premium account	<i>18</i>	83,270	83,270
Revaluation reserve	<i>18</i>	197,575	202,080
Profit and loss account	<i>18</i>	-	-
Equity shareholders' funds	<i>19</i>	<u>470,862</u>	<u>475,367</u>

These financial statements were approved by the board of directors on *13 May 1998*
and were signed on its behalf by:

AH Trafford
Director



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

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

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

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.

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.

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.

Notes (continued)

1 Accounting policies (continued)

Pension costs

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

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 Spaldings Limited 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 24.

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 profit

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

	Turnover		Operating profit	
	1997	1996	1997	1996
	£	£	£	£
<i>Geographical segments:</i>				
United Kingdom	9,965,495	9,356,665	710,247	874,241
Rest of Europe	2,565,120	2,732,967	182,768	255,355
Other	751,010	795,981	53,477	74,373
	<u>13,281,625</u>	<u>12,885,613</u>	<u>946,492</u>	<u>1,203,969</u>

3 Other operating income

	1997	1996
	£	£
Rent received	<u>50,500</u>	<u>46,343</u>

Notes (continued)

4 Interest payable and similar charges

	1997 £	1996 £
On bank loans and overdrafts	260,238	277,369
Other loans	17,612	16,114
	<u>277,850</u>	<u>293,483</u>

5 Profit on ordinary activities before taxation

	£	£
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Depreciation		
- owned assets	71,456	64,841
- assets held under finance leases and hire purchase contracts	73,462	48,767
Auditors' remuneration - for audit services	6,500	6,200
- for non-audit services	6,475	10,800
Loss/(profit) on disposal of tangible fixed assets	7,431	(9,708)
Operating lease rentals - plant and machinery	31,647	25,116
- land and buildings	26,500	26,500
Grants received - export	-	(1,875)
Release of capital grant	(3,000)	(3,000)
Interest on finance leases and hire purchase contracts	16,337	13,886
	<u>16,337</u>	<u>13,886</u>

6 Tax on profit on ordinary activities

	£	£
UK corporation tax at 31.5% (1996: 33%)	220,000	280,000
Under/(over) provision in prior years	7,797	(44,046)
	<u>227,797</u>	<u>235,954</u>

7 Directors' emoluments

	1997 £	1996 £
Directors' emoluments	183,867	143,595
Company contributions to money purchase pension schemes	3,844	7,095
	<u>187,711</u>	<u>150,690</u>

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

Notes (continued)

8 Employee information

	1997 Number	1996 Number
<i>The average weekly number of persons (including executive directors and agents) employed during the year were:</i>		
Sales	26	22
Administration	18	17
Stores	24	30
	<u>68</u>	<u>69</u>
	£	£
<i>The aggregate payroll costs of the above persons were:</i>		
Wages and salaries	1,050,845	942,231
Social security costs	92,088	75,452
Other pension costs	14,501	13,378
	<u>1,157,434</u>	<u>1,031,061</u>

9 Dividends

	1997 £	1996 £
'A' ordinary £11.54 (1996: £33.38) per share	448,789	1,001,861
'B' ordinary £nil (1996: £nil) per share	-	-
	<u>448,789</u>	<u>1,001,861</u>

10 Tangible fixed assets

	Freehold land and buildings £	Plant and fixtures and fittings £	Total £
<i>Cost or valuation:</i>			
At 1 January 1997	1,358,816	594,934	1,953,750
Additions	5,960	129,136	135,096
Disposals	-	(43,631)	(43,631)
At 31 December 1997	<u>1,364,776</u>	<u>680,439</u>	<u>2,045,215</u>
<i>Depreciation:</i>			
At 1 January 1997	78,571	237,922	316,493
Charge for the year	21,091	126,827	147,918
Disposals	-	(35,717)	(35,717)
At 31 December 1997	<u>99,662</u>	<u>329,032</u>	<u>428,694</u>
<i>Net book value:</i>			
At 31 December 1997	<u>1,265,114</u>	<u>351,407</u>	<u>1,616,521</u>
At 31 December 1996	<u>1,280,245</u>	<u>357,012</u>	<u>1,637,257</u>

Notes (continued)

10 Tangible fixed assets (continued)

Freehold land and buildings include non depreciable assets totalling £284,000 (1996: £284,000).

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

	1997 £	1996 £
Cost	1,146,761	1,140,801
Accumulated depreciation	(79,222)	(62,636)
Net book value	<u>1,067,539</u>	<u>1,078,165</u>

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 £183,470 (1996: £197,247) in respect of assets held under hire purchase contracts. The related depreciation charge for the year was £73,462 (1996: £48,767).

11 Stocks

	1997 £	1996 £
Finished goods and goods for resale	2,932,784	2,848,919

12 Debtors

	£	£
Trade debtors	3,034,499	3,128,608
Amounts due from group undertakings	79,709	175,056
Other debtors	77,807	7,906
Prepayments and accrued income	33,311	33,959
	<u>3,225,326</u>	<u>3,345,529</u>

13 Creditors: amounts falling due within one year

	£	£
Bank overdraft	66,147	-
Trade creditors	1,394,994	1,372,535
Obligations under hire purchase contracts	69,785	74,102
Amounts due to group undertakings	1,633,725	1,106,741
Corporation tax	220,000	280,000
Other taxation and social security	150,411	58,506
Other creditors	33,000	4,462
Accruals and deferred income	240,457	129,309
	<u>3,808,519</u>	<u>3,025,655</u>

Notes (continued)

13 Creditors: amounts falling due within one year (continued)

Included within accruals and deferred income in 1997 is £3,000 (1996: £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

	1997 £	1996 £
Bank loan	3,413,082	4,563,082
Obligations under hire purchase contracts	64,410	90,289
Accruals and deferred income	19,000	22,000
	<u>3,496,492</u>	<u>4,675,371</u>

Included within accruals and deferred income during 1997 is £19,000 (1996: £22,000) 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.

15 Loans

	£	£
Repayable within one to two years	3,413,082	-
Repayable within two to five years	-	4,563,082
	<u>3,413,082</u>	<u>4,563,082</u>

16 Provisions for liabilities and charges

Taxation including deferred taxation:

	Amount provided		Amount unprovided	
	1997 £	1996 £	1997 £	1996 £
<i>The effect of timing differences because of:</i>				
Excess of tax allowances over depreciation	-	-	11,993	(26,747)
Surplus on revaluation	-	-	55,920	58,181
Other timing differences	-	-	(25,546)	(34,815)
	<u>-</u>	<u>-</u>	<u>42,367</u>	<u>(3,381)</u>

Notes (continued)

17 Called up share capital

	1997 £	1996 £
<i>Authorised:</i>		
'A' 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>		
'A' ordinary shares of 10p each	30,017	30,017
'B' ordinary shares of £1 each	160,000	160,000
	<u>190,017</u>	<u>190,017</u>

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.

18 Reserves

	Share premium £	Revaluation reserve £	Profit and loss account £
At 1 January 1997	83,270	202,080	-
Retained loss for the year	-	-	(4,505)
Release of revaluation reserve	-	(4,505)	4,505
At 31 December 1997	<u>83,270</u>	<u>197,575</u>	<u>-</u>

19 Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Profit for the financial year	444,284	675,163
Dividends	(448,789)	(1,001,861)
Net reduction in shareholders' funds	(4,505)	(326,698)
Opening shareholders' funds	475,367	802,065
Closing shareholders' funds	<u>470,862</u>	<u>475,367</u>

Notes (continued)

20 Leasing and hire purchase commitments

As at 31 December 1997, 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	-	11,123
- within two to five years	26,500	20,524
	<u> </u>	<u> </u>

21 Capital commitments

	1997 £	1996 £
Authorised and contracted for	-	15,395
	<u> </u>	<u> </u>

22 Contingent liabilities

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.

23 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 £14,501 (1996: £13,378) for the year.

24 Ultimate and immediate parent company

The company's immediate parent company is S.A.H.L. (Predecessors) Limited, incorporated in Great Britain, 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.

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

Spaldings Limited
 Sadler Road
 Lincoln
 LN6 3XJ