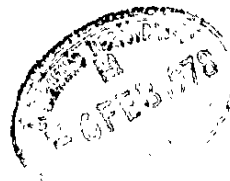


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THE DOVERCOURT MOTOR COMPANY LIMITED

ACCOUNTS

30TH SEPTEMBER 1977



DELOITTE & CO.
CHARTERED ACCOUNTANTS

2/

THE DOVERCOURT MOTOR COMPANY LIMITED

DIRECTORS' REPORT

The directors submit their report and the audited accounts of the company for the year ended 30th September 1977.

1. PRINCIPAL ACTIVITIES

The principal activities of the company are sales of vehicles and parts and vehicle servicing.

2. RATIONALISATION

During August 1977 the companies dealerships at Ashford and Byfleet were closed and the fixed assets sold. The dealership at Crewe was closed on the 30th September 1977 and the fixed assets sold on the 30th November.

3. RESULTS FOR THE YEAR

The company made a surplus, after tax, of £62,882. The adverse balance of £82,772 as shown by the profit and loss account has been carried forward. The directors recommend that no dividend be paid.

4. EXPORTS

There were £36,344 of parts exported in the year (1976 nil)

5. DIRECTORS

The names of the directors who have served during the period and their interests in shares and loan capital of Lonrho Limited group companies are as follows:-

		Fully paid ordinary shares of 25p each in Lonrho Limited		Options for ordinary shares of 25p each in Lonrho Limited expiring 26th April 1984 *	
		1st October 1976 or date of appointment	30th September 1977	1st October 1976 or date of appointment	30th September 1977
M.L.Heelas	Served throughout the year	NIL	NIL	NIL	7,500
M.J.G.Knox	Served throughout the year	NIL	NIL	NIL	5,000
T.J. Roden	Served throughout the year	NIL	NIL	NIL	NIL
J.Thompson	Appointed 7th January 1977	NIL	NIL	NIL	NIL

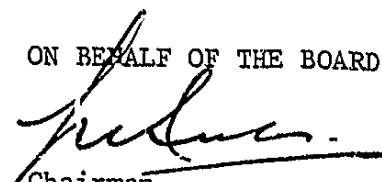
* The options were granted on 27th April 1977 under the Lonrho Limited share option scheme 1975 at an option price of 70p each share.

DIRECTORS' REPORT (Continued)

6. AUDITORS

In accordance with Section 14 of the Companies Act 1976, a resolution proposing the appointment of Peat, Marwick, Mitchell & Co. as auditors of the company will be put to the Annual General Meeting. Deloitte & Co. have agreed not to seek re-appointment as auditors.

ON BEHALF OF THE BOARD


Chairman

London

20th January 1978

REPORT OF THE AUDITORS TO THE MEMBERS OF DOVERCOURT MOTOR COMPANY LIMITED

In our opinion, the accounts set out on pages 4 to 10, which have been prepared on the historical cost basis of accounting, give, on this basis, a true and fair view of the state of the company's affairs at 30th September 1977 and of its results and source and application of funds for the year ended on that date and comply with the Companies Acts 1948 and 1967.



Chartered Accountants

London

23rd January 1978

DOVERCOURT MOTOR COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER 1977

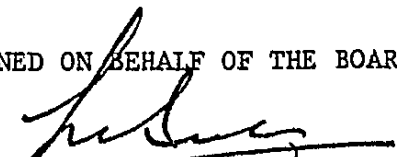

	<u>Notes</u>	£	Year ended 30th September 1977 <u>£</u>	£	Year ended 30th September 1976 <u>£</u>
Turnover	1		£10,627,257		£7,802,559
Trading Loss			(67,788)		(268,201)
Commission Receivable			-		147,200
(Loss) before taxation	5		(67,788)		(121,001)
Taxation					
U.K. Corporation tax	8	58,400		-	
Amounts receivable for group relief for losses surrendered		-		(60,000)	
Transfer to/(from) Deferred taxation	4	40,000		(4,000)	
			98,400		(64,000)
			(166,188)		
Less: Extraordinary item	9		(74,545)		-
			(240,733)		(57,001)
Amount receivable for losses to be surrendered as group relief to fellow subsidiaries re prior period			303,615		-
			62,882		(57,001)
Adverse balance brought forward as previously stated		(143,654)		(86,653)	
Prior year adjustment re change in accounting policy for deferred tax	4	(2,000)		(2,000)	
			(145,654)		(88,653)
Adverse balance carried forward			£(82,772)		£(145,654)

THE DOVERCOURT MOTOR COMPANY LIMITED

BALANCE SHEET 30TH SEPTEMBER 1977

	<u>Notes</u>	<u>1977</u> £	<u>1976</u> £
FUNDS EMPLOYED:-			
SHARE CAPITAL			
Authorised, ordinary shares of £1 each		£500,000	£500,000
Issued and fully paid ordinary shares of £1 each		15,000	15,000
ADVERSE BALANCE ON PROFIT AND LOSS ACCOUNT		(82,772)	(145,654)
LONG TERM LOAN FROM INTERMEDIATE PARENT COMPANY	10	750,000	600,000
DEFERRED TAXATION	4 & 11	66,000	26,000
		£748,228	£495,346
ASSETS EMPLOYED:-			
FIXED ASSETS	12	91,978	110,823
GOODWILL		-	2,000
NET CURRENT ASSETS	13	656,250	382,523
		£748,228	£495,346

SIGNED ON BEHALF OF THE BOARD


 } Directors

THE DOVERCOURT MOTOR COMPANY LIMITED

NOTES TO ACCOUNTS FOR THE YEAR ENDED 30TH SEPTEMBER 1977

ACCOUNTING POLICIES

1. TURNOVER

Turnover is the invoiced value of charges less allowances made to customers excluding value added tax and special car tax.

2. DEPRECIATION

Depreciation is provided on plant, vehicles, fixtures and fittings by the straight line method at 20% per annum.

3. STOCKS

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

4. DEFERRED TAXATION

The accounting policy of the company up to the 30th September 1976 was to provide for deferred taxation using the liability method and represented:

- (a) corporation tax on the excess of capital allowances for tax purposes over related accumulated depreciation to date and on any other timing differences;
- (b) stock appreciation relief for increase in stock values;
- (c) provision for potential tax on capital gains, less
- (d) taxation losses carried forward.

Provision is now made for deferred taxation on the liability method where there is reasonable probability that a liability will arise in the foreseeable future. For this purpose, the company has designated three years as the 'foreseeable future'. The remaining contingent liability to deferred taxation has been shown by way of note. 1976 figures have been restated to reflect the change in accounting policy.

PROFIT AND LOSS ACCOUNT

	Notes	Year ended 30th September 1977 £	Year ended 30th September 1976 £
5. (LOSS)/PROFIT BEFORE TAXATION			
The following amounts have been charged in arriving at the loss before taxation:-			
Goodwill		2,000	-
Depreciation	2	40,184	38,001
Audit fees (including expenses)		8,250	6,149
Interest payable	6	108,525	120,200
Directors' emoluments	7	23,922	10,003
Hire of plant and machinery		5,734	4,810

NOTES TO ACCOUNTS (Continued)

PROFIT AND LOSS ACCOUNT (continued)

	Year ended 30th September 1977 £	Year ended 30th September 1976 £
6. INTEREST PAYABLE		
Bank	84,260	75,509
Other	24,265	44,691
	<u>£108,525</u>	<u>£120,200</u>
7. REMUNERATION OF DIRECTORS		
	£	£
Emoluments as directors (including pension contributions)	23,922	10,003
Compensation for loss of office	-	12,361
Chairman's emoluments	NIL	NIL
Highest paid director	11,578	5,872
Other directors		
Nil - £ 2,500	1	1
£ 2,501 - £ 5,000	-	1
£10,001 - £12,500	1	-
8. TAXATION		
The accounts loss for the year after adjusting for stock relief clawback gave rise to a corporation tax liability of £90,000. This liability is reduced by corporation tax losses arising on the extraordinary items amounting to £58,400. The remaining charge of £31,600 has been extinguished by losses surrendered by a fellow subsidiary for which no payment will be made.		
9. EXTRAORDINARY ITEM		
	<u>1977</u>	
	£	
Costs attributable to closure of branches	132,945	
Less: Corporation tax relief	(58,400)	
	<u>£ 74,545</u>	

BALANCE SHEET

10. LONG TERM LOAN

The long term loan from the intermediate parent company is interest free and is not repayable within five years.

NOTES TO ACCOUNTS (Continued)

BALANCE SHEET (continued)

11. DEFERRED TAXATION

	<u>1977</u>		<u>1976</u>	
	<u>Actual</u>	<u>Contingent</u>	<u>Actual</u>	<u>Contingent</u>
	£	£	£	£
The deferred taxation liability comprises:-				
(a) Excess of capital allowances over related accumulated depreciation		45,415	42,500	
(b) Stock appreciation relief on increase in stock values	78,335	44,585		247,094
(c) Other timing differences (12,335)			(16,500)	
(d) Taxation losses available		-		(247,094)
(e) Potential liability to capital gain/(loss)		(2,000)		(2,000)
	<u>£66,000</u>	<u>£88,000</u>	<u>£26,000</u>	<u>£ (2,000)</u>

12. FIXED ASSETS

	<u>Plant and Equipment</u>
	£
Net book value 1st October 1976	110,823
Additions at cost	24,590
Depreciation written back on assets disposed of immediately after the year end	9,180
Depreciation for year	(40,184)
Disposals	(12,431)
Net book value 30th September 1977	<u>£ 91,978</u>
Representing:	
Cost	309,012
Depreciation	217,034
	<u>£ 91,978</u>

NOTES TO ACCOUNTS (Continued)

BALANCE SHEET (continued)

13. NET CURRENT ASSETS

	<u>1977</u> £	<u>1976</u> £
CURRENT ASSETS		
Stocks	782,240	985,632
Amounts due from:-		
Intermediate parent	611,241	209,240
Lonrho Limited	921	191
Other Lonrho group companies	247,207	NIL
Fellow subsidiaries	116,814	60,000
Debtors	247,251	245,432
Cash	2,629	3,762
	<u>2,008,303</u>	<u>1,504,257</u>
DEDUCT:		
CURRENT LIABILITIES		
Amounts due to fellow subsidiaries	141	1,295
Creditors	354,846	621,696
Bank overdraft (secured £782,524 - 1976 £498,743)	997,066	498,743
	<u>1,352,053</u>	<u>1,121,734</u>
NET CURRENT ASSETS	<u>£ 656,250</u>	<u>£ 382,523</u>

14. HOLDING COMPANY

The ultimate holding company is Lonrho Limited, a company incorporated in Great Britain.

15. CAPITAL COMMITMENTS

	<u>1977</u> £	<u>1976</u> £
Contracted for but not yet provided in the accounts	4,475	3,600
Authorised by the Directors but not contracted for	-	1,069

16. CHARGES AND GUARANTEES

The company's bankers hold fixed and floating first charges, ranking equally with each other on the company's assets, in respect of overdraft facilities granted to the company amounting to £1,000,000 of which £782,524 was utilised at 30th September 1977.

The company guarantees similar facilities granted by bankers to other companies in the Volkswagen (G.B.) Group amounting to £13,500,000 which £472,428 was utilised at 30th September 1977.

THE DOVERCOURT MOTOR COMPANY LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 30TH SEPTEMBER 1977

	£	1977	£	£	1976	£
SOURCE OF FUNDS						
Loss before taxation		(67,788)			(121,001)	
Extraordinary item		(132,945)			-	
		<u>(200,733)</u>			<u>(121,001)</u>	
Adjustment for items not involving the movement of funds:						
Depreciation charge for year	40,184			38,001		
Goodwill written off	<u>2,000</u>			<u>-</u>		
		42,184			38,001	
TOTAL GENERATED FROM OPERATIONS		<u>(158,549)</u>			<u>(83,000)</u>	
Funds from other sources:-						
Receipt for group relief for losses surrendered		303,615			60,000	
Loan from parent company		<u>150,000</u>			<u>100,000</u>	
		295,066			77,000	
APPLICATION OF FUNDS						
Purchase of Fixed Assets (net)		(21,339)			(34,922)	
Tax paid		<u>-</u>			<u>(7,209)</u>	
		<u>£ 273,727</u>			<u>£ 34,869</u>	
INCREASE/(DECREASE) IN WORKING CAPITAL						
Increase/(decrease) in stocks		(203,392)			439,776	
Increase/(decrease) in debtors		1,819			33,755	
Increase/(decrease) in amounts due from parent company and fellow subsidiaries of group		707,906			(272,025)	
(Increase)/decrease in creditors		<u>266,850</u>			<u>(232,059)</u>	
		773,183			(30,553)	
MOVEMENT IN NET LIQUID FUNDS						
Increase/(decrease) in cash balances	(1,133)			1,593		
(Increase)/decrease in bank overdrafts	<u>(498,323)</u>			<u>63,829</u>		
		(499,456)			65,422	
		<u>£ 273,727</u>			<u>£ 34,869</u>	