

Kingavon Limited

Directors' report and financial statements

31 December 1998

Registered number 1325578



Directors' report and financial statements

Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the auditors to the members of Kingavon Limited	4
Profit and loss account	5
Balance sheet	6
Notes	7
Detailed trading profit and loss account	17

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

Business review

Turnover for the year to December 1998 was £9,514,192 compared to £9,472,642 in the nine months to December 1997. Profits before tax were £18,888 for the year versus £434,546 in the previous nine months.

Kingavon is a leading wholesale distributor of after market car accessories, in car entertainment, audio equipment, car security products and hydraulic jacks.

Year 2000

A committee was established to review the IT requirements of the company, including the Year 2000 issue. To date, all internal computer systems have been checked for Year 2000 compliance and all computers found not to be in compliance have been either fixed or replaced.

The review has not highlighted any significant problems associated with customers or suppliers. Minimal expenses for year 2000 rectification have been incurred and recognised in the profit and loss account.

Principal activities

The company is principally engaged in the import and distribution of motor vehicle accessories.

Proposed dividend

The directors recommend a final preference dividend of £12,000 and an ordinary dividend of £Nil.

Directors and directors' interests

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

N List	(ceased 19 February 1999)
M Bretherton	
AJM Van der Kar	(ceased 31 December 1998)
TG Munro	
AJ Harmer	
BL Marsh	(ceased 31 October 1998)
J Stables	
C Whiley	(appointed 24 February 1999)

Directors' report (continued)

Directors and directors' interests (continued)

The interests of the directors and their families in the ordinary shares of the company and of the group as at 31 December 1998 and 31 December 1997 were as follows:

	Group		Company	
	1998	1997	1998	1997
N List	2,490,435	2,490,435	-	-
M Bretherton	125,000	125,000	-	-
AJM Van der Kar	280,568	280,568	-	-
TG Munro	322,669	322,669	-	-

Auditors

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



A Harmer
Secretary

Parkside
Duke Street
Ipswich
Suffolk
IP3 0AF
6 August 1999

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
6 Lower Brook Street
Ipswich IP4 1AP
United Kingdom

Report of the auditors to the members of Kingavon Limited

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

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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

19th August 1999

*Chartered Accountants
Registered Auditor*

Profit and loss account

for the year ended 31 December 1998

	Note	1998 £	9 months to 31 December 1997 £
Turnover	1,2	9,514,192	9,472,642
Cost of sales		(6,910,822)	(6,873,854)
Gross profit		2,603,370	2,598,788
Distribution costs		(619,036)	(510,061)
Restructuring costs		(41,519)	(46,669)
Other administrative expenses		(1,852,191)	(1,557,590)
Administrative expenses		(1,893,710)	(1,604,259)
Operating profit		90,624	484,468
Other interest receivable and similar income	6	4,861	5,494
Interest payable and similar charges	7	(76,597)	(55,416)
Profit on ordinary activities before taxation	3-5	18,888	434,546
Tax on profit on ordinary activities	8	3,075	(153,000)
Profit on ordinary activities after taxation		21,963	281,546
Dividends on equity and non-equity shares	9	(12,000)	(175,000)
Retained profit for the year		9,963	106,546

All results derive from continuing activities.

The company has no recognised gains and losses other than shown above, and therefore no separate statement of total gains and losses has been presented.


There is no difference between the profit on ordinary activities before taxation and the retained loss for the period stated above, and their historical cost equivalents.

Balance sheet

at 31 December 1998

	Note	1998 £	1997 £
Fixed assets			
Tangible assets	10	299,624	398,644
Current assets			
Stocks	11	2,839,739	3,510,182
Debtors	12	1,978,201	2,327,484
Cash at bank and in hand		82,821	1,938
		<u>4,900,761</u>	<u>5,839,604</u>
Creditors: amounts falling due within one year	13	3,145,119	4,218,054
Net current assets		<u>1,755,642</u>	<u>1,621,550</u>
Total assets less current liabilities		<u>2,055,266</u>	<u>2,020,194</u>
Creditors: amounts falling due after more than one year	14	(48,281)	(23,172)
Net assets		<u>2,006,985</u>	<u>1,997,022</u>
Capital and reserves			
Called up share capital	15	514,055	514,055
Share premium account	16	266,883	266,883
Profit and loss account	16	1,226,047	1,216,084
	22	<u>2,006,985</u>	<u>1,997,022</u>
Shareholders' funds			
Equity		1,886,985	1,877,022
Non-equity	16	120,000	120,000
		<u>2,006,985</u>	<u>1,997,022</u>

These financial statements were approved by the board of directors on 6 August 1999 and were signed on its behalf by:


TG Munro
Director


A Harmer
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 preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under Financial Reporting Standard 1 (Revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Fixed assets and depreciation

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal annual instalments over their expected useful lives. The rates generally applicable are:

Improvements to leasehold properties	-	The period of the lease
Plant, packaging and display equipment	-	2 to 4 years straight line
Motor vehicles	-	3 years straight line
Fixtures and fittings	-	3 to 6 years straight line

Goodwill

Purchase goodwill arising in respect of acquisitions before 1 January 1998 was written off to reserves in the year of acquisition. When a subsequent disposal occurs, any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit and loss on disposal.

Purchase goodwill representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired arising in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction except where forward currency contracts have been entered into to cover purchases or sales in which case the contracted rate is used. Balances existing at the balance sheet date designated in foreign currency are translated at the rate ruling at the balance sheet date. Forward commitments to buy or sell currency existing at the balance sheet date, which are not matched with specific forward exchange commitments, are valued at the year end rate and any profit or loss arising is taken to trading results.

The effect of such exchange fluctuations, together with that arising from transactions in the year, is included in the company's trading results.

Notes (continued)

Accounting policies (continued)

Leases

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of leave.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Deferred expenditure

Expenditure incurred by the company for design loops and other related expenses associated with the launch of new products is carried forward and amortised over a period of one year from the time the material is used.

Stocks

Stocks are stated at the lower of cost and net realisable value and are calculated by reference to purchase price on a first in first out basis. Stock returns from customers are included in the stock valuation at cost in anticipation of credits and allowances from the original suppliers.

Taxation

The charge for taxation is based on the profit for the period 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.

Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

Customer rebates

Volume rebates to customers whose agreements operate on a calendar year basis are charged to the profit and loss account annually when it is known that the target has been achieved.

Volume rebates for other customers, where the agreements are coterminous with the company's year end, are dealt with on a current year basis.

Notes (continued)

2 Analysis of turnover

The turnover is attributable to one activity, namely the import and distribution of motor vehicle accessories.

	1998 £	1997 £
An analysis of turnover by geographical market is given below:		
United Kingdom	9,253,196	9,243,697
Europe	260,996	228,945
	<hr/>	<hr/>
	9,514,192	9,472,642
	<hr/>	<hr/>

3 Profit on ordinary activities before taxation

	1998 £	1997 £
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	12,000	9,000
Depreciation and other amounts written off tangible fixed assets:		
Owned	161,711	115,053
Leased	34,380	34,262
Other operating lease rentals (net of rents received)	66,281	50,031
<i>after crediting</i>		
Profit on sale of fixed assets	6,653	-

Notes (continued)

4 Remuneration of directors

	1998 £	1997 £
Directors' emoluments (including pension contributions)	230,348	192,091

One director receives retirement benefits under a money purchase scheme.

During the year to 31 December 1998, the company incurred management fees payable to Tradekar International BV of £14,410 (1997: £12,969). Mr Van de Kar holds a controlling interest in Tradekar International BV. The emoluments, excluding pension contributions, of the highest paid director were £92,662 (1997: £91,508).

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	Number of employees 1998	1997
Sales and distribution staff	47	62
Administrative staff	11	13
	<u>58</u>	<u>75</u>

The aggregate payroll costs of these persons were as follows:

	1998 £	1997 £
Wages and salaries	876,307	735,218
Social security costs	78,219	60,196
Pension costs	4,202	744
	<u>958,728</u>	<u>796,158</u>

Notes (continued)

6 Other interest receivable and similar income

	1998 £	1997 £
Bank interest	4,861	5,494
	<u>4,861</u>	<u>5,494</u>

7 Interest payable and similar charges

	1998 £	1997 £
On bank loans and overdrafts	67,368	45,036
Finance charges payable in respect of finance leases and hire purchase contracts	9,229	8,833
	<u>76,597</u>	<u>53,869</u>

8 Taxation

	1998 £	1997 £
UK corporation tax at 31% (1997: 31 %)	20,000	153,000
Adjustment relating to an earlier year	(23,075)	-
	<u>(3,075)</u>	<u>153,000</u>

The tax charge for the year is materially affected by the availability of group relief.

9 Dividends

	1998 £	1997 £
Final proposed dividend on equity shares	-	163,000
Dividends on non-equity preference shares:		
Final dividend proposed	12,000	12,000
	<u>12,000</u>	<u>175,000</u>

Notes (continued)

10 Tangible fixed assets

	Improvements to leasehold property	Plant, packaging and display equipment	Motor vehicles	Fixtures and fittings	Total
	£	£	£	£	£
Cost					
At beginning of period	84,912	509,041	144,649	180,505	919,107
Additions	-	10,650	82,250	6,116	99,016
Disposals	-	-	(26,948)	-	(26,948)
At end of period	84,912	519,691	199,951	186,621	991,175
Depreciation					
At beginning of period	29,586	273,419	74,475	142,983	520,463
Charge for period	12,964	112,427	50,558	20,142	196,091
On disposals	-	-	(25,003)	-	(25,003)
At end of period	42,250	385,846	100,030	163,125	691,551
Net book value					
At 31 December 1998	42,362	133,845	99,921	23,496	299,624
At 31 December 1997	55,326	235,622	70,174	37,522	398,644

The figures stated above include assets held under finance leases and similar hire purchase contracts, as follows:

	Plant, packaging and display equipment	Motor vehicles	Fixtures and fittings
	£	£	£
Net book value at 31 December 1998	-	94,217	6,489
Net book value at 31 December 1997	1,119	53,332	19,638
Depreciation provided during the period	-	30,978	3,402

Notes (continued)

11 Stocks

	1998 £	1997 £
Goods in transit	135,897	523,695
Finished goods and goods for resale	2,703,842	2,986,487
	<u>2,839,739</u>	<u>3,510,182</u>

12 Debtors

	1998 £	1997 £
Trade debtors	1,913,442	2,195,959
Other debtors	39,015	81,910
Prepayments and accrued income	25,744	49,615
	<u>1,978,201</u>	<u>2,327,484</u>

13 Creditors: amounts falling due within one year

	1998 £	1997 £
Bank overdrafts	1,660	85,516
Obligations under finance leases and hire purchase contracts (see note 14)	44,271	41,989
Trade creditors	1,392,708	1,917,558
Short term trade finance loans	899,826	881,032
Corporation tax	11,983	306,014
Advance corporation tax payable	10,011	26,000
Other taxation and social security	155,155	106,082
Other creditors	15,500	28,000
Accruals and deferred income	392,797	341,030
Amounts owed to group undertakings	221,208	484,833
	<u>3,145,119</u>	<u>4,218,054</u>

Included in trade creditors is an amount of £910,517 (1997: £1,356,858) in respect of letters of credit which are secured by way of a debenture over the company's assets.

The short term finance loans are also secured by way of the above debenture over the company's assets.

Within amounts owed to group undertakings is a balance of £12,000 (1997: £175,000) in respect of preference dividends payable.

Notes (continued)

14 Creditors: amounts falling due after more than one year

	1998 £	1997 £
Obligations under finance leases and hire purchase contracts	48,281	23,172
	<u>48,281</u>	<u>23,172</u>

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	1998 £	1997 £
Within one year	44,271	41,989
In the second to fifth years	48,281	23,172
	<u>92,552</u>	<u>65,161</u>

15 Called up share capital

	1998 £	1997 £
<i>Authorised</i>		
42,000,000 Ordinary shares of 1p each	420,000	420,000
120,000 10% cumulative redeemable preference shares of £1 each	120,000	120,000
	<u>540,000</u>	<u>540,000</u>
<i>Allotted, called up and fully paid</i>		
39,405,462 Ordinary shares of 1p each	394,055	394,055
120,000 10% cumulative redeemable preference shares of £1 each	120,000	120,000
	<u>514,055</u>	<u>514,055</u>

Rights of shares:

The Ordinary shares carry normal voting rights.

The Cumulative Redeemable Preference shares were redeemable at par, in three tranches between 1990 and 1992. The shares are now redeemable at par at the discretion of the preference shareholders. The shares carry voting rights only upon failure of redemption on due date. Such voting rights then enable the holders to pass a resolution to wind up the company but otherwise do not entitle the holders to vote.

The Cumulative Redeemable Preference shares carry the right to a fixed dividend each year. The Ordinary shares have a right to dividend subject to payment of the fixed dividend on the Cumulative Redeemable Preference shares.

On winding up, the Cumulative Redeemable preference shares rank first for repayment at nominal value together with a sum equal to arrears of fixed dividend. The balance shall then be applied to the ordinary shareholders.

Notes (continued)

16 Share premium and reserves

	Share premium £	Profit and loss account £
At beginning of period	266,883	1,216,084
Retained profit for the period	-	9,963
	<hr/>	<hr/>
At end of period	266,383	1,226,047
	<hr/> <hr/>	<hr/> <hr/>

Non-equity interests in shareholders' funds are analysed by class of share as follows:

	1998 £	1997 £
10% Cumulative redeemable preference shares	120,000	120,000
	<hr/>	<hr/>
Non-equity interests	120,000	120,000
	<hr/> <hr/>	<hr/> <hr/>

17 Contingent liabilities

At 31 December 1998 the company was party to a guarantee with its bankers in respect of Customs and Excise Duty Deferment on imports of £400,000 (1997: £400,000).

Notes (continued)

18 Commitments

(a) The company had placed committed orders at 31 December 1998 with suppliers to the value of £440,924 (1997 £590,268). These orders were shipped after the year end.

(b) Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings 1998 £	Land and buildings 1997 £
Operating leases which expire:		
Over five years	77,709	75,209
	<u>77,709</u>	<u>75,209</u>

19 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
At 1 April 1998	1,997,022	1,915,485
Retained profit for the period	9,963	106,546
Goodwill	-	(25,009)
	<u>2,006,985</u>	<u>1,997,022</u>
At 31 December 1998	<u>2,006,985</u>	<u>1,997,022</u>

20 Related party transactions

During the year the company made net payments of £31,723 (1997: £23,643) to Tradekar International, a company in which Mr Van de Kar is a director, in respect of trade purchases and sales made in the normal course of business.

The company has taken advantage of the exemption given under FRS 8(3) not to disclose related party transactions between subsidiary and parent undertakings.

21 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Bridgend Group plc. The consolidated accounts of this company are available to the public and may be obtained from Thompson House, 20-22 Curtain Road, London, EC2A 3NQ. No other group accounts include the results of the company.