

Kingavon Limited

Financial statements

For the year ended 31 December 2003

Grant Thornton 



Company No. 1325578

Company information

Company registration number	1325578
Registered office	Parkside Duke Street Ipswich Suffolk IP3 0AF
Directors	T G Munro A J Harmer R Holliday
Secretary	A J Harmer
Bankers	Lloyds TSB Bank plc National Westminster Bank plc Ansbacher & Co Limited
Solicitors	Prettys
Auditors	Grant Thornton Chartered Accountants Registered Auditors Crown House Crown Street Ipswich Suffolk IP1 3HS

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 December 2003.

Principal activities and business review

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

Whilst the company achieved a 10% rise in sales, the intense competition in the market place reduced profits slightly. All signs point to further expansion in 2004.

Results and dividends

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have recommended the following dividends:

	2003	2002
	£	£
Dividends paid on ordinary shares	<u>6,000</u>	<u>-</u>

Directors

The directors who served the company during the year were as follows:

T G Munro
A J Harmer
R Holliday

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company.

Directors' responsibilities

Company law in the United Kingdom 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 at the end of the year and of the profit or loss for the year then ended. 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.

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Financial statements for the year ended 31 December 2003

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The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to re-appoint Grant Thornton as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



A J Harmer

Secretary

28 April 2004

Report of the independent auditors to the members of Kingavon Limited

We have audited the financial statements of Kingavon Limited for the year ended 31 December 2003 which comprise the principal accounting policies, profit and loss account, balance sheet, cash flow statement and notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the report of the directors and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

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.

We read other information contained in the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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 affairs of the company as at 31 December 2003 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

IPSWICH

29 April 2004

Principal accounting policies

Basis of accounting

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

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Improvements to leasehold properties	- The period of the lease
Plant, packing and display equipment	- 2 - 4 years straight line
Fixtures & Fittings	- 4 - 6 years straight line
Motor Vehicles	- 3 years straight line

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 less any appropriate provision in anticipation of credits and allowances from the original suppliers.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Deferred taxation

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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 rates ruling at the balance sheet date. Forward commitments to buy or sell currencies existing at the balance sheet date, which are not matched with specific forward exchange commitments are valued at the period end rates 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 period is included in the company's trading results.

Deferred expenditure

Expenditure incurred by the company for design logos 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.

Customer rebates

Volume rebates to customers are recognised on an accruals basis, where on the basis of sales during the accounting period it is likely that rebates will be paid at the end of the rebate period.

Profit and loss account

	Note	2003 £	2002 £
Turnover	1	13,318,138	12,184,130
Cost of sales		9,832,578	9,157,330
Gross profit		3,485,560	3,026,800
Other operating charges	2	3,058,564	2,571,987
Operating profit	3	426,996	454,813
Interest receivable		5,922	14,716
Interest payable and similar charges	6	(23,356)	(18,163)
Profit on ordinary activities before taxation		409,562	451,366
Tax on profit on ordinary activities	7	118,690	124,399
Profit on ordinary activities after taxation		290,872	326,967
Dividends	8	6,000	—
Retained profit for the financial year		284,872	326,967

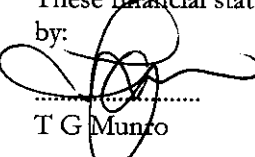
All of the activities of the company are classed as continuing.

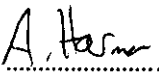
The company has no recognised gains or losses other than the results for the year as set out above.

Balance sheet

	Note	2003 £	2002 £
Fixed assets			
Tangible assets	9	<u>112,092</u>	<u>133,853</u>
Current assets			
Stocks	10	3,173,362	2,804,397
Debtors	11	3,017,930	2,178,660
Cash at bank		<u>457,744</u>	<u>723,442</u>
		<u>6,649,036</u>	<u>5,706,499</u>
Creditors: amounts falling due within one year	12	<u>4,083,553</u>	<u>3,441,203</u>
Net current assets		<u>2,565,483</u>	<u>2,265,296</u>
Total assets less current liabilities		<u>2,677,575</u>	<u>2,399,149</u>
Creditors: amounts falling due after more than one year	13	<u>18,960</u>	<u>25,406</u>
		<u>2,658,615</u>	<u>2,373,743</u>
Capital and reserves			
Called-up share capital	18	514,055	514,055
Share premium account		266,883	266,883
Profit and loss account	19	<u>1,877,677</u>	<u>1,592,805</u>
		<u>2,658,615</u>	<u>2,373,743</u>
Shareholders' funds:	20		
Equity		2,538,615	2,253,743
Non-equity		<u>120,000</u>	<u>120,000</u>
		<u>2,658,615</u>	<u>2,373,743</u>

These financial statements were approved by the directors on 28/6/04 and are signed on their behalf by:


T G Munro


A J Harmer

Cash flow statement

	Note	2003 £	2002 £
Net cash outflow from operating activities	21	(1,052,633)	(187,199)
Returns on investments and servicing of finance			
Interest received		5,922	14,716
Interest paid		(16,249)	(13,460)
Interest element of finance leases and hire purchase		(7,107)	(4,703)
Net cash outflow from returns on investments and servicing of finance		(17,434)	(3,447)
Taxation	22	(124,404)	(18,340)
Capital expenditure			
Payments to acquire tangible fixed assets		(77,337)	(38,134)
Receipts from sale of fixed assets		3,800	15,350
Net cash outflow from capital expenditure		(73,537)	(22,784)
Equity dividends paid		(6,000)	—
Cash outflow before financing		(1,274,008)	(231,770)
Financing			
Trade finance loan		704,871	86,363
Capital element of finance leases and hire purchase		(1,170)	(46,055)
Net cash inflow from financing		703,701	40,308
Decrease in cash	23	(570,307)	(191,462)

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.
An analysis of turnover is given below:

	2003	2002
	£	£
United Kingdom	12,383,615	11,506,928
Overseas	934,523	677,202
	<u>13,318,138</u>	<u>12,184,130</u>

2 Other operating income and charges

	2003	2002
	£	£
Distribution costs	830,947	665,249
Administrative expenses	2,227,617	1,906,738
	<u>3,058,564</u>	<u>2,571,987</u>

3 Operating profit

Operating profit is stated after charging/(crediting):

	2003	2002
	£	£
Depreciation of owned fixed assets	43,519	59,234
Depreciation of assets held under finance leases and hire purchase agreements	55,579	43,953
Profit on disposal of fixed assets	(3,800)	(8,015)
Auditors' remuneration:		
Audit fees	8,000	6,728
Operating lease costs:		
Land and buildings	97,426	83,709
Plant and equipment	<u>10,615</u>	<u>13,357</u>

4 Directors and employees

The average number of staff employed by the company during the financial year amounted to:

	2003	2002
	No	No
Number of distribution staff	45	40
Number of administrative staff	23	23
	<u>68</u>	<u>63</u>

The aggregate payroll costs of the above were:

	2003	2002
	£	£
Wages and salaries	1,164,222	978,818
Social security costs	114,561	76,529
	<u>1,278,783</u>	<u>1,055,347</u>

5 Directors

Remuneration in respect of directors was as follows:

	2003	2002
	£	£
Emoluments receivable	<u>248,695</u>	<u>228,568</u>

Emoluments of highest paid director:

	2003	2002
	£	£
Total emoluments (excluding pension contributions):	<u>119,743</u>	<u>115,721</u>

6 Interest payable and similar charges

	2003	2002
	£	£
Interest payable on bank borrowing	16,249	6,383
Finance charges	7,107	4,703
Group interest	—	7,077
	<u>23,356</u>	<u>18,163</u>

7 Taxation on ordinary activities

(a) Analysis of charge in the year

	2003	2002
	£	£
Current tax:		
UK Corporation tax based on the results for the year at 30% (2002 - 30%)	118,690	124,399
Total current tax	<u>118,690</u>	<u>124,399</u>

7 Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2002 - 30%).

	2003 £	2002 £
Profit on ordinary activities before taxation	<u>409,562</u>	<u>451,366</u>
Profit/(loss) on ordinary activities by rate of tax	122,869	135,410
Expenses not allowed for tax purposes	1,046	1,873
Capital allowances in excess of depreciation	(5,225)	(8,784)
Other items	-	(4,100)
Total current tax (note 7(a))	<u>118,690</u>	<u>124,399</u>

8 Dividends

	2003 £	2002 £
Equity dividends:		
Dividend paid on ordinary shares	<u>6,000</u>	<u>-</u>

9 Tangible fixed assets

	Leasehold Property £	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost					
At 1 January 2003	113,061	295,954	231,874	249,431	890,320
Additions	422	-	23,037	53,878	77,337
Disposals	-	-	(13,400)	(23,500)	(36,900)
At 31 December 2003	<u>113,483</u>	<u>295,954</u>	<u>241,511</u>	<u>279,809</u>	<u>930,757</u>
Depreciation					
At 1 January 2003	105,917	292,605	216,919	141,026	756,467
Charge for the year	4,931	3,145	17,966	73,056	99,098
On disposals	-	-	(13,400)	(23,500)	(36,900)
At 31 December 2003	<u>110,848</u>	<u>295,750</u>	<u>221,485</u>	<u>190,582</u>	<u>818,665</u>
Net book value					
At 31 December 2003	<u>2,635</u>	<u>204</u>	<u>20,026</u>	<u>89,227</u>	<u>112,092</u>
At 31 December 2002	<u>7,144</u>	<u>3,349</u>	<u>14,955</u>	<u>108,405</u>	<u>133,853</u>

Included within the net book value of £112,092 is £93,613 (2002 - £94,004) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £55,579 (2002 - £43,953).

10 Stocks

	2003	2002
	£	£
Goods in transit	453,106	184,543
Finished goods	2,720,256	2,619,854
	<u>3,173,362</u>	<u>2,804,397</u>

11 Debtors

	2003	2002
	£	£
Trade debtors	2,963,806	2,135,877
Other debtors	5,246	3,785
Prepayments and accrued income	48,878	38,998
	<u>3,017,930</u>	<u>2,178,660</u>

12 Creditors: amounts falling due within one year

	2003	2002
	£	£
Trade finance loan	2,252,781	1,547,910
Bank loans and overdrafts	425,702	121,093
Trade creditors	503,586	862,391
Corporation tax	118,685	124,399
Other taxation and social security	160,935	91,896
Amounts due under finance leases and hire purchase agreements	45,530	40,254
Amounts owed to group undertakings	—	154,352
Accruals and deferred income	576,334	498,908
	<u>4,083,553</u>	<u>3,441,203</u>

Trade finance loans are secured by way of a debenture over the company's assets.

Included in trade creditors is an amount of £232,013 (2002: £427,458) in respect of letters of credit which are also secured by way of a debenture over the company's assets.

13 Creditors: amounts falling due after more than one year

	2003	2002
	£	£
Amounts due under finance leases and hire purchase agreements	<u>18,960</u>	<u>25,406</u>

14 Commitments under finance leases and hire purchase agreements

Future commitments under finance leases and hire purchase agreements are as follows:

	2003	2002
	£	£
Amounts payable within 1 year	45,530	40,254
Amounts payable between 2 to 5 years	18,960	25,406
	<u>64,490</u>	<u>65,660</u>

15 Deferred taxation

No provision has been made in the financial statements and the amounts unprovided at the end of the year are as follows:

	2003	2002
	£	£
Excess of taxation allowances over depreciation on fixed assets	72,331	77,556
Tax losses available	3,551	3,551
	<u>75,882</u>	<u>81,107</u>

16 Leasing commitments

At 31 December 2003 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings	
	2003	2002
	£	£
Operating leases which expire:		
Within 1 year	10,000	—
Within 2 to 5 years	—	3,500
After more than 5 years	77,709	77,709
	<u>87,709</u>	<u>81,209</u>

17 Transactions with directors

There were no transactions with the directors.

18 Share capital

Authorised share capital:

	2003	2002
	£	£
42,000,000 Ordinary shares of £0.01 each	420,000	420,000
120,000 Redeemable Preference shares of £1 each	120,000	120,000
	<u>540,000</u>	<u>540,000</u>

Allotted, called up and fully paid:

	2003		2002	
	No	£	No	£
Ordinary shares of £0.01 each	39,405,451	394,055	39,405,451	394,055
Redeemable Preference shares of £1 each	120,000	120,000	120,000	120,000
	<u>39,525,451</u>	<u>514,055</u>	<u>39,525,451</u>	<u>514,055</u>

The redeemable preference shares carry no right to dividends. On winding up of the company the surplus assets of the company shall be applied first in paying to the holders of the preference shares the sum of £1 per share. Any further surplus is distributable to the holders of the Ordinary shares only.

19 Profit and loss account

	2003	2002
	£	£
Balance brought forward	1,592,805	1,265,838
Retained profit for the financial year	284,872	326,967
Balance carried forward	<u>1,877,677</u>	<u>1,592,805</u>

20 Reconciliation of movements in shareholders' funds

Equity shareholders' funds

	2003	2002
	£	£
Profit for the financial year	290,872	326,967
Dividends	(6,000)	—
	<u>284,872</u>	<u>326,967</u>
Opening shareholders' equity funds	<u>2,253,743</u>	<u>1,926,776</u>
Closing shareholders' equity funds	<u>2,538,615</u>	<u>2,253,743</u>

Non-equity shareholders' funds

Opening and closing shareholders' non-equity funds	<u>120,000</u>	<u>120,000</u>
Total shareholders' funds	<u>2,658,615</u>	<u>2,373,743</u>

21 Reconciliation of operating profit to net cash outflow from operating activities

	2003	2002
	£	£
Operating profit	426,996	454,813
Depreciation	99,098	103,187
Profit on disposal of fixed assets	(3,800)	(8,015)
Increase in stocks	(368,965)	(517,550)
(Increase)/decrease in debtors	(839,270)	50,434
Decrease in creditors	(366,692)	(270,068)
Net cash outflow from operating activities	<u>(1,052,633)</u>	<u>(187,199)</u>

22 Taxation

	2003	2002
	£	£
Taxation	<u>(124,404)</u>	<u>(18,340)</u>

23 Reconciliation of net cash flow to movement in net debt

	2003	2002
	£	£
Decrease in cash in the period	(570,307)	(191,462)
Trade finance loan	(704,871)	(86,363)
Cash outflow in respect of finance leases and hire purchase	1,170	46,055
Change in net debt resulting from cash flows	(1,274,008)	(231,770)
New finance leases	—	(59,978)
Movement in net debt in the period	(1,274,008)	(291,748)
Net debt at 1 January 2003	(1,011,221)	(719,473)
Net debt at 31 December 2003	(2,285,229)	(1,011,221)

24 Analysis of changes in net debt

	At 1 Jan 2003	Cash flows	At 31 Dec 2003
	£	£	£
Net cash:			
Cash in hand and at bank	723,442	(265,698)	457,744
Overdrafts	(121,093)	(304,609)	(425,702)
	602,349	(570,307)	32,042
Debt:			
Debt due within 1 year	(1,547,910)	(704,871)	(2,252,781)
Finance leases and hire purchase agreements	(65,660)	1,170	(64,490)
	(1,613,570)	(703,701)	(2,317,271)
Net debt	(1,011,221)	(1,274,008)	(2,285,229)

25 Other commitments

The company had placed committed orders at 31 December 2003 with suppliers to the value of £635,607 (2002: £1,081,224). These orders were shipped after the year end.

26 Ultimate parent company

The directors consider that the immediate parent undertaking of this company is Worldwide Imports Limited, a company registered in England and Wales, and that the ultimate parent undertaking is Aintree Limited, a company registered in Jersey, the Channel Islands.

At 31 December 2003 the company owed its immediate parent undertaking £nil (2002: £154,352). Interest of £nil (2002: £7,077) was payable on this amount during the year.