

Company Registration No. 2759719 (England and Wales)

**MERRITTS MOTOR GROUP LIMITED**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED 31 JANUARY 2003**



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# MERRITTS MOTOR GROUP LIMITED

## DIRECTORS AND ADVISERS

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### Directors

J. Reynolds  
J. A. Merritt  
D. J. Wallington  
T. J. Merritt (Appointed 1 February 2003)  
S. J. Kidney

### Secretary

R. D. Lockyer

### Company number

2759719

### Registered office

Torrington House,  
47 Holywell Hill  
St Albans  
Hertfordshire  
AL1 1HD

### Registered auditors

Audit Assure  
Chartered Accountants and Registered Auditors  
Torrington House, 47 Holywell Hill  
St. Albans  
Herts  
AL1 1HD

### Accountants

Vantis Morton Thornton  
Accountants . Business Advisers  
Torrington House  
47 Holywell Hill  
St Albans, Herts  
AL1 1HD

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# MERRITTS MOTOR GROUP LIMITED

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# MERRITTS MOTOR GROUP LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 2003

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The directors present their report and financial statements for the year ended 31 January 2003.

### Directors

The following directors have held office since 1 February 2002:

J. Reynolds	
J. A. Merritt	
D. J. Wallington	
T. J. Merritt	(Appointed 1 February 2003)
S. J. Kidney	

### Principal activities and review of the business

The principal activity of the group continued to be that of selling and servicing motor vehicles.

The results for the year were considered to be disappointing by the directors. The year has seen a process of rationalisation within the group. Merritts Jeep Limited and Merritts of Amersham Limited ceased to trade at the end of the year having made significant losses in the year. The directors are now in a position to concentrate on the three remaining dealerships and expect growth in the foreseeable future.

### Results and dividends

The consolidated profit and loss account for the year is set out on page 4.

The directors do not recommend payment of an ordinary dividend.

### Directors' interests

The directors' interests in the shares of the company and other group companies were as stated below:

#### Merritts Motor Group Limited

	Ordinary shares of £1 each	
	31 January 2003	1 February 2002
J. Reynolds	23,944	23,944
J.A. Merritt	-	-
D.J. Wallington	-	-
S.J. Kidney	-	-

No director held any shares in other group companies.

### Auditors

The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with section 386(1) of the Companies Act 1985. Therefore, the auditors, Audit Assure, will be deemed to be reappointed for each succeeding financial year.

# MERRITTS MOTOR GROUP LIMITED

## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2003

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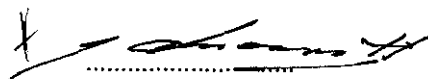
### Directors' responsibilities

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 group and of the profit or loss of the group 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 group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



9th July 2003

# MERRITTS MOTOR GROUP LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MERRITTS MOTOR GROUP LIMITED

We have audited the financial statements of Merritts Motor Group Limited on pages 4 to 22 for the year ended 31 January 2003. These financial statements have been prepared under the historical cost convention and 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 auditor's 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

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of audit 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 and the group'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 and the group's affairs as at 31 January 2003 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

9th July 2003

Audit Assure

AUDIT ASSURE  
CHARTERED ACCOUNTANTS  
& REGISTERED AUDITORS  
TORRINGTON HOUSE  
47 HOLYWELL HILL  
ST. ALBANS  
HERTS AL1 1HD

# MERRITTS MOTOR GROUP LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JANUARY 2003

	Notes	2003 £	2002 £
<b>Turnover</b>	<b>2</b>		
Continuing operations		29,058,217	29,960,023
Discontinued activities		<u>7,162,870</u>	<u>8,403,275</u>
		36,221,087	38,363,298
<b>Cost of sales</b>		<u>(32,045,277)</u>	<u>(33,579,446)</u>
<b>Gross profit</b>		4,175,810	4,783,852
Distribution costs		(3,724,440)	(3,719,354)
Administrative expenses		(2,169,094)	(2,183,985)
Other operating income		<u>1,438,787</u>	<u>1,201,619</u>
<b>Operating (loss)/profit</b>	<b>4</b>		
Continuing operations		56,368	48,334
Discontinued activities		<u>(335,305)</u>	<u>33,798</u>
		(278,937)	82,132
<b>Interest payable and similar charges</b>	<b>5</b>	<u>(197,497)</u>	<u>(212,660)</u>
<b>Loss on ordinary activities before taxation</b>		(476,434)	(130,528)
<b>Tax on loss on ordinary activities</b>	<b>6</b>	<u>28,719</u>	<u>9,897</u>
<b>Loss on ordinary activities after taxation</b>	<b>18</b>	<u>(447,715)</u>	<u>(120,631)</u>

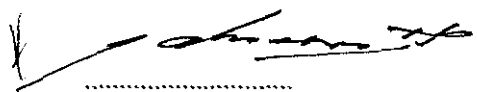
There are no recognised gains and losses other than those passing through the profit and loss account.

# MERRITTS MOTOR GROUP LIMITED

## BALANCE SHEETS AS AT 31 JANUARY 2003

	Notes	Group 2003 £	2002 £	Company 2003 £	2002 £
<b>Fixed assets</b>					
Intangible assets	8	339,118	385,730	-	-
Tangible assets	9	1,049,252	1,292,282	18,958	18,563
Investments	10	-	-	399,410	436,610
		<u>1,388,370</u>	<u>1,678,012</u>	<u>418,368</u>	<u>455,173</u>
<b>Current assets</b>					
Stocks	11	2,817,639	3,639,082	-	-
Debtors	12	1,218,981	1,477,690	1,394,134	1,421,757
Cash at bank and in hand		8,190	6,273	-	-
		<u>4,044,810</u>	<u>5,123,045</u>	<u>1,394,134</u>	<u>1,421,757</u>
<b>Creditors: amounts falling due within one year</b>	13	4,354,473	(5,219,061)	(1,806,712)	(1,853,580)
<b>Net current liabilities</b>		<u>(309,663)</u>	<u>(96,016)</u>	<u>(412,578)</u>	<u>(431,823)</u>
<b>Total assets less current liabilities</b>		1,078,707	1,581,996	5,790	23,350
<b>Creditors: amounts falling due after more than one year</b>	14	(4,935)	(31,788)	-	-
<b>Provisions for liabilities and charges</b>	15	<u>(30,135)</u>	<u>(58,856)</u>	<u>-</u>	<u>(384)</u>
		<u>1,043,637</u>	<u>1,491,352</u>	<u>5,790</u>	<u>22,966</u>
<b>Capital and reserves</b>					
Called up share capital	17	299,310	299,310	299,310	299,310
Profit and loss account	18	744,327	1,192,042	(293,520)	(276,344)
<b>Shareholders' funds - equity interests</b>	19	<u>1,043,637</u>	<u>1,491,352</u>	<u>5,790</u>	<u>22,966</u>

The financial statements were approved by the board on ..... 9th July 2003



Director



# MERRITTS MOTOR GROUP LIMITED

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JANUARY 2003

	2003		2002	
	£	£	£	£
Net cash inflow from operating activities		1,315,770		197,199
<b>Returns on investments and servicing of finance</b>				
Interest paid	(197,497)		(212,660)	
<b>Net cash outflow for returns on investments and servicing of finance</b>		(197,497)		(212,660)
<b>Taxation</b>		(2)		882
<b>Capital expenditure</b>				
Payments to acquire intangible assets	-		(140,000)	
Payments to acquire tangible assets	(77,605)		(85,655)	
Receipts from sales of tangible assets	32,994			
<b>Net cash outflow for capital expenditure</b>		(44,611)		(225,655)
<b>Net cash inflow/(outflow) before management of liquid resources and financing</b>		1,073,660		(240,234)
<b>Financing</b>				
Repayment of long term bank loan	(18,563)		(93,861)	
Capital element of finance lease contracts	(37,435)		(29,418)	
<b>Net cash (outflow)/inflow from financing</b>		(55,998)		(123,279)
<b>Increase/(decrease) in cash in the year</b>		1,017,662		(363,513)

# MERRITTS MOTOR GROUP LIMITED

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JANUARY 2003

1	Reconciliation of operating (loss)/profit to net cash inflow from operating activities		2003	2002
			£	£
	Operating (loss)/profit		(278,937)	82,132
	Depreciation of tangible assets		146,006	158,707
	Amortisation of intangible assets		46,612	28,114
	Loss on disposal of tangible assets		141,635	41,135
	Decrease/(increase) in stocks		821,443	(850,630)
	Decrease in debtors		258,709	(175,153)
	Increase/(decrease) in creditors within one year		180,302	912,894
	Net cash inflow from operating activities		1,315,770	197,199

2	Analysis of net debt	1 February 2002	Cash flow	Other non-cash changes	31 January 2003
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	6,273	1,917	-	8,190
	Bank overdrafts	(1,147,353)	1,015,745	-	(131,608)
		(1,141,080)	1,017,662	-	(123,418)
	Finance leases	(68,180)	37,435	-	(30,745)
	Debts falling due within one year	(18,563)	18,563	-	-
	Net debt	(1,227,823)	1,073,660	-	(154,163)

3	Reconciliation of net cash flow to movement in net debt	2003	2002
		£	£
	Increase/(decrease) in cash in the year	1,017,662	(363,513)
	Cash outflow from decrease in debt and lease financing	55,998	123,279
	Movement in net debt in the year	1,073,660	(240,234)
	Opening net debt	(1,227,823)	(987,589)
	Closing net debt	(154,163)	(1,227,823)

4	Liquid resources
	Liquid resources relate to cash in hand and at bank.

# MERRITTS MOTOR GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2003

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### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

#### 1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

#### 1.3 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 January 2003. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

#### 1.4 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

#### 1.5 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life.

Goodwill arising on consolidation of subsidiaries is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life.

#### 1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Leasehold	Over the period of the lease/ 4% straight line
Plant and machinery	15% reducing balance
Fixtures, fittings & equipment	15% reducing balance / 20% straight line

#### 1.7 Leasing

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

#### 1.8 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

#### 1.9 Stock

Stock and work in progress are valued at the lower of cost and net realisable value.

#### 1.10 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS17.

# MERRITTS MOTOR GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2003

### 1 Accounting policies

(continued)

#### 1.11 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

### 2 Turnover

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

### 3 Cost of sales and net operating expenses

	2003		Total	2002		Total
	Continuing	Discontinued		Continuing	Discontinued	
	£	£	£	£	£	£
Cost of sales	25,926,285	6,118,992	32,045,277	26,606,778	6,972,668	33,579,446
Distribution costs	2,816,190	908,250	3,724,440	2,694,902	1,024,452	3,719,354
Administrative expenses	1,677,654	491,440	2,169,094	1,797,552	386,433	2,183,985
Other operating income	(1,418,280)	(20,507)	(1,438,787)	(1,187,543)	(14,076)	(1,201,619)
	<u>29,001,849</u>	<u>7,498,175</u>	<u>36,500,024</u>	<u>29,911,689</u>	<u>8,369,477</u>	<u>38,281,166</u>

### 4 Operating (loss)/profit

	2003	2002
	£	£
Operating (loss)/profit is stated after charging:		
Depreciation of intangible assets	46,612	28,114
Depreciation of tangible assets	146,006	158,707
Loss on disposal of tangible assets	141,635	14,002
Operating lease rentals		
- Property	266,025	247,199
- Other assets	1,667	1,043
Auditors' remuneration (company £1,400; 2002 : £2000)	12,500	15,000
Remuneration of auditors for non-audit work	27,000	27,480
and after crediting:		
Rents receivable	<u>56,720</u>	<u>48,066</u>

# MERRITTS MOTOR GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2003

<b>5</b>	<b>Interest payable</b>	<b>2003</b>	<b>2002</b>
		<b>£</b>	<b>£</b>
	On bank loans and overdrafts	56,975	89,873
	On other loans wholly repayable within 5 years	243	10,096
	Lease finance charges	5,719	13,687
	Other interest	134,560	99,004
		<u>197,497</u>	<u>212,660</u>
<b>6</b>	<b>Taxation</b>	<b>2003</b>	<b>2002</b>
		<b>£</b>	<b>£</b>
	<b>Domestic current year tax</b>		
	Adjustment for prior years	-	154
	<b>Current tax charge</b>	-	154
	<b>Deferred tax</b>		
	Deferred tax charge/credit current year	(28,719)	(10,051)
		<u>(28,719)</u>	<u>(9,897)</u>
	<b>Factors affecting the tax charge for the year</b>		
	Loss on ordinary activities before taxation	<u>(476,434)</u>	<u>(130,528)</u>
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2002 : 30.00%)	<u>(142,930)</u>	<u>(39,158)</u>
	Effects of:		
	Non deductible expenses	57	2,333
	Depreciation	98,954	63,812
	Capital allowances	(7,593)	(19,875)
	Tax losses utilised	65,098	2,177
	Adjustments to previous periods	-	154
	Other tax adjustments	<u>(13,586)</u>	<u>(9,289)</u>
		<u>142,930</u>	<u>39,312</u>
	<b>Current tax charge</b>	-	154

The group has estimated losses of £ 180,825 (2002 : £ nil) available for carry forward against future trading profits.

# MERRITTS MOTOR GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2003

### 7 Loss for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The loss for the financial year is made up as follows:

	2003 £	2002 £
Holding company's loss for the financial year	<u>(17,176)</u>	<u>(176,730)</u>

### 8 Intangible fixed assets Group

	Goodwill £
<b>Cost</b>	
At 1 February 2002 & at 31 January 2003	<u>558,278</u>
<b>Amortisation</b>	
At 1 February 2002	172,548
Charge for the year	26,264
Written off	<u>20,348</u>
At 31 January 2003	<u>219,160</u>
<b>Net book value</b>	
At 31 January 2003	<u>339,118</u>
At 31 January 2002	<u>385,730</u>

Goodwill arose on the purchase of a business by Merritts Chesham Limited in 1994 and is being amortised over 20 years. In addition the group purchased a Skoda franchise in 2001. Purchased goodwill was capitalised and is being amortised over 20 years. The directors consider this to be a suitable period to amortise the goodwill.

Goodwill on consolidation of Merritts of Amersham Limited arose in 1993. As this company has ceased to trade the balance of the goodwill has been written off in these financial statements.

# MERRITTS MOTOR GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2003

### 9 Tangible fixed assets Group

	Land and buildings Leasehold	Plant and machinery	Fixtures, fittings & equipment	Total
	£	£	£	£
<b>Cost</b>				
At 1 February 2002	1,189,075	684,857	805,386	2,679,318
Additions	35,579	33,831	8,195	77,605
Disposals	(183,664)	(213,221)	(47,331)	(444,216)
	<u>1,040,990</u>	<u>505,467</u>	<u>766,250</u>	<u>2,312,707</u>
<b>At 31 January 2003</b>				
<b>Depreciation</b>				
At 1 February 2002	507,831	445,447	433,758	1,387,036
On disposals	(89,011)	(153,481)	(27,095)	(269,587)
Charge for the year	43,905	39,699	62,402	146,006
	<u>462,725</u>	<u>331,665</u>	<u>469,065</u>	<u>1,263,455</u>
<b>At 31 January 2003</b>				
<b>Net book value</b>				
At 31 January 2003	<u>578,265</u>	<u>173,802</u>	<u>297,185</u>	<u>1,049,252</u>
At 31 January 2002	<u>681,244</u>	<u>239,411</u>	<u>371,627</u>	<u>1,292,282</u>

Included above are assets held under finance leases or hire purchase contracts as follows:

	Plant and machinery	Fixtures, fittings & equipment	Total
	£	£	£
<b>Net book values</b>			
At 31 January 2003	-	53,694	53,694
At 31 January 2002	<u>1,946</u>	<u>123,715</u>	<u>125,661</u>
<b>Depreciation charge for the year</b>			
31 January 2003	-	12,982	12,982
31 January 2002	<u>662</u>	<u>24,698</u>	<u>25,360</u>

# MERRITTS MOTOR GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2003

### 9 Tangible fixed assets (continued) Company

	Fixtures, fittings & equipment £
<b>Cost</b>	
At 1 February 2002	38,703
Additions	4,152
	<hr/>
At 31 January 2003	42,855
	<hr/>
<b>Depreciation</b>	
At 1 February 2002	20,140
Charge for the year	3,757
	<hr/>
At 31 January 2003	23,897
	<hr/>
<b>Net book value</b>	
At 31 January 2003	18,958
	<hr/>
At 31 January 2002	18,563
	<hr/>



# MERRITTS MOTOR GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2003

### 10 Fixed asset investments Company

	Shares in subsidiary undertakings £
<b>Cost</b>	
At 1 February 2002 & at 31 January 2003	436,610
<b>Provisions for diminution in value</b>	
At 1 February 2002	-
Charge for the year	37,200
At 31 January 2003	37,200
<b>Net book value</b>	
At 31 January 2003	399,410
At 31 January 2002	436,610

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

#### Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held	
		Class	%
<b>Subsidiary undertakings</b>			
Merritts Jaguar Limited	England & Wales	Ordinary	100
Merritts Chesham Limited	England & Wales	Ordinary	100
Merritts Autopoint Limited	England & Wales	Ordinary	100
Merritts of Amersham Limited	England & Wales	Ordinary	100
Merritts Jeep Limited	England & Wales	Ordinary	100

The principal activity of these undertakings for the last relevant financial year was as follows:

	Principal activity
Merritts Jaguar Limited	Motor trade
Merritts Chesham Limited	Motor trade
Merritts Autopoint Limited	Motor trade
Merritts of Amersham Limited	Motor trade - ceased in year
Merritts Jeep Limited	Motor trade - ceased in year

The consolidated accounts include the results of all group companies.

# MERRITTS MOTOR GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2003

### 11 Stocks and work in progress

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Work in progress	34,316	32,562	-	-
Finished goods and goods for resale	2,783,323	3,606,520	-	-
	<u>2,817,639</u>	<u>3,639,082</u>	<u>-</u>	<u>-</u>

Not included in the above are vehicle stocks held by the group under consignment agreements with Volkswagen Financial Services Limited and P.S.A. Wholesale Limited. The liability for these vehicles will only crystallise when they are adopted by the group. The value of the cars held at the year end was £482,262 (2002: £805,111). The amount for 2002 also includes vehicles held under a consignment agreement with CJ Financial Services Limited.

Merritts Jaguar Limited held vehicle stocks under a vehicle supply agreement with Jaguar Cars Limited with a value of £665,230 (2002: £606,078). In accordance with FRS5 these vehicles are included in year end stock and also trade creditors. Jaguar Cars Limited, however, retain full legal title of these cars until paid for in full.

### 12 Debtors

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Trade debtors	1,004,873	1,162,300	-	-
Amounts owed by group undertakings	-	-	1,338,656	1,378,225
Other debtors	-	-	25,990	24,601
Prepayments and accrued income	214,108	315,390	29,488	18,931
	<u>1,218,981</u>	<u>1,477,690</u>	<u>1,394,134</u>	<u>1,421,757</u>

# MERRITTS MOTOR GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2003

### 13 Creditors : amounts falling due within one year

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Bank loans and overdrafts	131,608	1,165,916	588,528	217,181
Net obligations under finance lease and hire purchase contracts	25,810	36,392	-	-
Trade creditors	3,242,334	3,134,991	12,737	2,979
Amounts owed to group undertakings	-	-	769,123	1,322,269
Taxes and social security costs	318,447	128,885	18,456	15,596
Directors current accounts	195,584	240,607	164,129	207,244
Other creditors	201,791	206,837	200,000	-
Accruals and deferred income	238,899	305,433	53,739	88,311
	<u>4,354,473</u>	<u>5,219,061</u>	<u>1,806,712</u>	<u>1,853,580</u>

The bank loan and overdraft are secured by a debenture charging all of the assets and undertakings of the group.

### 14 Creditors : amounts falling due after more than one year

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Net obligations under finance leases and hire purchase agreements	<u>4,935</u>	<u>31,788</u>	<u>-</u>	<u>-</u>
<b>Net obligations under finance leases and hire purchase contracts</b>				
Repayable within one year	25,810	36,392	-	-
Repayable between one and five years	<u>4,935</u>	<u>31,788</u>	<u>-</u>	<u>-</u>
	30,745	68,180	-	-
Included in liabilities falling due within one year	<u>(25,810)</u>	<u>(36,392)</u>	<u>-</u>	<u>-</u>
	<u>4,935</u>	<u>31,788</u>	<u>-</u>	<u>-</u>

# MERRITTS MOTOR GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2003

### 15 Provisions for liabilities and charges Group

	Deferred taxation £
Balance at 1 February 2002	58,856
Profit and loss account	(28,721)
	<hr/>
Balance at 31 January 2003	30,135
	<hr/>

### Company

Balance at 1 February 2002	384
Profit and loss account	(384)
	<hr/>
Balance at 31 January 2003	-
	<hr/>

Deferred taxation provided in the financial statements is as follows:

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Accelerated capital allowances	35,532	60,701	-	2,229
Other timing differences	-	(1,845)	-	(1,845)
Tax losses available	(5,397)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	30,135	58,856	-	384
	<hr/>	<hr/>	<hr/>	<hr/>

### 16 Pension costs

#### Defined contribution

	2003 £	2002 £
Contributions payable by the company for the year	29,422	39,325
	<hr/>	<hr/>

# MERRITTS MOTOR GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2003

<b>17 Share capital</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
1,000,000 Ordinary shares of £ 1 each	<u>1,000,000</u>	<u>1,000,000</u>
<b>Allotted, called up and fully paid</b>		
299,310 Ordinary shares of £ 1 each	<u>299,310</u>	<u>299,310</u>
<b>18 Statement of movements on profit and loss account</b>		
<b>Group</b>		<b>Profit and loss account £</b>
Balance at 1 February 2002		1,192,042
Retained loss for the year		<u>(447,715)</u>
Balance at 31 January 2003		<u>744,327</u>
<b>Company</b>		<b>Profit and loss account £</b>
Balance at 1 February 2002		(276,344)
Retained loss for the year		<u>(17,176)</u>
Balance at 31 January 2003		<u>(293,520)</u>

# MERRITTS MOTOR GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2003

19 Reconciliation of movements in shareholders' funds Group	2003	2002
	£	£
Loss for the financial year	(447,715)	(120,631)
Net depletion in shareholders' funds	(447,715)	(120,631)
Opening shareholders' funds	1,491,352	1,611,983
Closing shareholders' funds	1,043,637	1,491,352
Company	2003	2002
	£	£
Loss for the financial year	(17,176)	(176,730)
Opening shareholders' funds	22,966	199,696
Closing shareholders' funds	5,790	22,966

### 20 Contingent liabilities

#### Group

There are no contingent liabilities within the group other than those that relate to other group companies.

#### Company

The company is a member of a VAT group with Merritts Jaguar Limited, Merritts Autopoint Limited, Merritts Chesham Limited, Merritts of Amersham Limited and Merritts Jeep Limited. At the 31st January 2003 the VAT liability under the group registration was £231,870 (2002: £29,614).

The company has entered into a cross guarantee with other group companies in favour of CJ Financial Services Limited with regard to finance facilities provided to Merritts Jeep Limited. At the 31st January 2003 the liability was £ Nil (2002: £188,707).

The company has also entered into a cross guarantee with other group companies in favour of Jaguar Financial Services Limited with regard to finance facilities provided to Merritts Jaguar Limited. At 31st January 2003 the liability was £1,826,668 (2002: £1,483,437).

The company has also entered into a cross guarantee with other group companies in favour of Volkswagen Financial Services Limited with regard to finance facilities provided to Merritts Autopoint Limited. At 31st January 2003 the liability was £185,099 (2002: £165,296).

There is a bank cross guarantee and debenture between Merritts Autopoint Limited, Merritts Jeep Limited, Merritts Jaguar Limited, Merritts Chesham Limited, Merritts of Amersham Limited and Merritts Motor Group Limited. At 31st January 2003 there were no bank borrowings in any group company other than Merritts Motor Group Limited.

# MERRITTS MOTOR GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2003

### 21 Financial commitments

At 31 January 2003 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2003	2002
	£	£
Expiry date:		
In over five years	209,500	281,250

At 31 January 2003 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2003	2002
	£	£
Expiry date:		
In over five years	85,000	85,000

### 22 Directors' emoluments

	2003	2002
	£	£
Emoluments for qualifying services	254,739	235,240
Company pension contributions to money purchase schemes	16,575	23,067
	271,314	258,307

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 4 (2002 - 3).

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	110,851	96,559
Company pension contributions to money purchase schemes	9,300	9,301

# MERRITTS MOTOR GROUP LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2003

### 23 Employees

#### Number of employees

The average monthly number of employees (including directors) during the year was:

	2003 Number	2002 Number
Directors	4	4
Administration and management	44	49
Production and sales	115	125
	<u>163</u>	<u>178</u>

#### Employment costs

	£	£
Wages and salaries	3,374,655	3,280,999
Social security costs	319,878	320,099
Other pension costs	29,422	39,325
	<u>3,723,955</u>	<u>3,640,423</u>

### 24 Control

The company's immediate parent undertaking at the balance sheet date was Biggleswade Investments Limited, a company incorporated in the British Virgin Islands.

Biggleswade Investments Limited is ultimately owned by the Merritt Trust, the beneficiaries of which are Mr T.J. Merritt and Mrs C.J. Hitchcock.



# **MERRITTS MOTOR GROUP LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2003**

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### **25 Related party transactions**

#### **Group**

Mr J.A. Merritt is a director of the group and therefore both he and his children, Mr T.J. Merritt and Mrs C.J. Hitchcock, are related parties of the group. He is also a director and shareholder of Merritts Properties Limited with which the group trades.

Mr J.A. Merritt has made loans to the group. As at 31st January 2003 £195,584 (2002: £240,607) was due to him. Interest charged on these loans amounted to £23,750.

In addition Mr J.A. Merritt rents a property to the group. The annual rental was £88,500 (2002: £80,000).

Biggleswade Investments Limited (the parent company) has given the group's bankers a charge over a property owned by it as security for the group's bank borrowings.

In addition Biggleswade Investments Limited rents a property to the group. The annual rental was £26,850 (2002: £30,000).

Mr T.J. Merritt and Mrs C.J. Hitchcock have made loans to the group totalling £200,000 (2002: £200,000). Interest charged on these loans amounted to £26,038 (2002: £24,000).

Merritts Properties Limited leases a property to the group. The annual rental amounted to £85,000 (2002: £62,949).

Mr J.A. Merritt is a director of Skimglade Limited which provided consultancy services to the group with a value of £750 (2002: 3,000).

Mr T.J. Merritt is a director of Glenfile Limited which provided consultancy services to the group with a value of £20,000 (2002: £20,000).