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Citygate Dealerships Limited

Annual report for the period ended 31 December 1994

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Citygate Dealerships Limited

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Directors and advisers

Directors

N R Lancaster
T C M Dodwell
D H Jaggar
D G Evans
A Foster

Solicitors

Plummer Tilsley & Partners
8 - 9 West Stockwell Street
Colchester
Essex
CO1 1HN

Secretary and registered office

T C M Dodwell
25 Old Brompton Road
London
SW7 3TD

Auditors

Coopers & Lybrand
Mount Pleasant House
Huntingdon Road
Cambridge
CB3 0BL

Bankers

Midland Bank plc
26 North Station Road
Colchester
Essex
CO1 1SY

Directors' report for the period ended 31 December 1994

The directors present their first report and the audited financial statements for the period ended 31 December 1994. The company was incorporated on 2 July 1993 and commenced trading on 1 September 1993.

Principal activity

The principal activity of the company during the period was that of franchised motor dealer operating sites in the Greater London and Stockport areas.

Review of business and future developments

During the period, the company acquired certain businesses of Heron Motor Group Limited including the trading names of H R Owen and Hollingdrake. Further details of the acquisition are shown in note 18 to the accounts.

Both the level of business and the period end financial position were satisfactory, and the directors are confident that increasing levels of activity, and the contribution from acquisitions made, will allow the company to move to profit in 1995.

Results and dividends

The loss for the period after taxation amounted to £1,220,786.

The directors are unable to recommend the payment of a dividend. The loss for the period of £1,220,786 will be transferred to reserves.

Changes in fixed assets

The movements in fixed assets during the period are set out in note 10 to the financial statements.

Directors

The directors of the company who served during the period are listed below:

N R Lancaster	(appointed 2 August 1993)
T C M Dodwell	(appointed 2 August 1993)
D H Jaggar	(appointed 2 August 1993)
D G Evans	(appointed 2 August 1993)
A Foster	(appointed 26 May 1994)

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Directors' interests

No director had any interest in the shares of the company at 31 December 1994. At 31 December 1994, Mr A Foster was interested in 5,000 ordinary shares of Malaya Group Plc, the ultimate holding company. These shares were acquired subsequent to his appointment as a director. There have been no movements in his holding since the end of the financial year. The interests of the other directors in the shares of Malaya Group Plc, the ultimate holding company, are disclosed in that company's financial statements.

Share issues

The company's share capital on incorporation consisted of two ordinary £1 shares. During the period the company made the following share issues:

	Ordinary £1 shares Number
6 December 1993	998
31 December 1993	999,000
25 April 1994	1,000,000
11 November 1994	2,000,000
22 December 1994	6,000,000

All shares were issued at par to Malaya Group Plc, the ultimate holding company, in order to fund acquisitions made in the period.

Change of name

During the period the company changed its name from Citygate Bow Limited to Citygate Dealerships Limited.

Registered office

During the period, the company transferred its registered office from 68-70 High Street, Stratford, London to 25 Old Brompton Road, London.

Close company provisions

The company is not a close company as defined by the provisions of the Income and Corporation Taxes Act 1988. There has been no change in this respect since the end of the financial period.

Citygate Dealerships Limited

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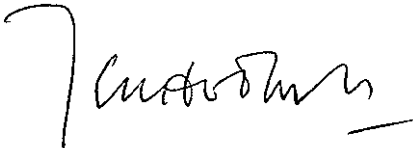
Charitable donations

During the period the company made charitable donations of £135. No political donations were made.

Auditors

Coopers & Lybrand were appointed by the directors as the company's first auditors. A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board

A handwritten signature in dark ink, appearing to be 'J. Anderson', written over a horizontal line.

Secretary
3 April 1995

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 year. 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 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.

Report of the auditors to the members of Citygate Dealerships Limited

We have audited the financial statements on pages 7 to 18.

Respective responsibilities of directors and auditors

As described on page 5, 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 affairs of the company at 31 December 1994 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
Cambridge, 3 April 1995

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Profit and loss account for the period ended 31 December 1994

	Notes	1994 £
Turnover	2	64,746,324
Cost of sales		(56,618,719)
Gross profit		8,127,605
Net operating expenses	3	(9,017,692)
Operating loss		(890,087)
Interest receivable and similar income	6	1,721
Interest payable and similar charges	7	(332,420)
Loss on ordinary activities before taxation	8	(1,220,786)
Tax on loss on ordinary activities	9	-
Retained loss for the period	16	(1,220,786)

The results shown above cover the 16 month period from commencement of trade on 1 September 1993 to 31 December 1994. Therefore, all results arise from acquisitions or businesses started in the period. Details of the acquisitions are given in note 18.

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

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

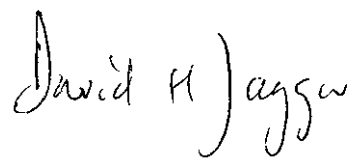
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Balance sheet at 31 December 1994

	Notes	1994 £
Fixed assets		
Tangible assets	10	<u>3,680,164</u>
Current assets		
Stocks	11	21,127,566
Debtors	12	5,639,827
Cash at bank and in hand		2,020
		<u>26,769,413</u>
Creditors: amounts falling due within one year	13	<u>(22,851,808)</u>
Net current assets		<u>3,917,605</u>
Total assets less current liabilities		<u>7,597,769</u>
Creditors: amounts falling due after more than one year	14	<u>(6,923,105)</u>
Net assets		<u>674,664</u>
Capital and reserves		
Called up share capital	15	10,000,000
Profit and loss account	16	(9,325,336)
Shareholder's funds	17	<u>674,664</u>

The financial statements on pages 7 to 18 were approved by the Board of Directors on 3 April 1995 and were signed on its behalf by:



Director

**Notes to the financial statements
for the period ended 31 December 1994****1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

The company was incorporated on 2 July 1993 and commenced trading on 1 September 1993. These financial statements cover the sixteen month trading period to 31 December 1994.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill arising on acquisitions is written off immediately against reserves.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated on a straight line basis so as to write off the cost of tangible fixed assets, less their estimated residual values, over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Plant and equipment	10 - 20
Fixtures and fittings	15
Computer equipment	20 - 33½

Improvements to leasehold premises are depreciated over the remaining life of the relevant lease.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements, which transfer to the company substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost of vehicles and parts stocks represents the purchase price plus any additional costs incurred. Where necessary, provision is made for obsolete, slow moving and defective stock.

Vehicles on consignment are included in stock when substantially all of the principal benefits and inherent risks rest with the company. The corresponding liability after deducting any deposits is included under creditors.

Turnover

Turnover, which excludes value added tax, represents the invoiced value of goods and services supplied.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Cash flow

The company is a wholly owned subsidiary of Malaya Group Plc and the cash flows of the company are included in the consolidated group cash flow statement of Malaya Group Plc. Consequently the company is exempt from the requirement to publish a cash flow statement.

2 Turnover

Turnover consists entirely of sales made in the United Kingdom and arises from the company's sole principal activity.

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3 Net operating expenses

	1994 £
Administrative expenses	4,134,354
Selling and distribution expenses	4,883,338
	<u>9,017,692</u>

4 Directors' emoluments

	1994 £
Fees	-
Other emoluments (including pension contributions and benefits in kind)	32,061
	<u>32,061</u>

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	1994 £
The Chairman	-
The highest paid director	<u>30,232</u>

The number of directors (including the Chairman and highest paid director) who received fees and other emoluments (excluding pension contributions) within the following ranges was:

£0 - £5,000	4
£30,001 - £35,000	1
	<u>5</u>

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5 Employee information

The average weekly number of persons (including executive directors) employed by the company during the period was:

	1994 Number
By activity	
Distribution and selling	133
Administration	44
	<hr/>
	177
	<hr/>
	1994 £
Staff costs (for the above persons)	
Wages and salaries	4,256,733
Social security costs	398,886
Other pension costs (see note 22)	33,443
	<hr/>
	4,689,062
	<hr/>

6 Interest receivable and similar income

	1994 £
Other interest	1,721
	<hr/>

7 Interest payable and similar charges

	1994 £
On bank overdrafts repayable within 5 years, not by instalments	198,845
Manufacturers' stocking loans	124,592
Finance leases and hire purchase contracts	8,983
	<hr/>
	332,420
	<hr/>

8 Loss on ordinary activities before taxation

	1994 £
Loss on ordinary activities before taxation is stated after charging:	
Depreciation charge for the period	
Tangible owned fixed assets	201,184
Tangible leased fixed assets	40,076
Loss on disposal of tangible fixed assets	6,086
Auditors' remuneration for audit services	35,000
Auditors' remuneration for non-audit services	4,250
Operating leases - land and buildings	706,448
Operating leases - plant and machinery	66,215
	<hr/>

9 Taxation on loss on ordinary activities

There is no charge for UK corporation tax owing to losses arising in the period. The tax losses incurred are available either for surrender to fellow group companies or for set off against future trading profits.

At 31 December 1994 there was no actual or potential liability to deferred taxation (1993: £Nil).

10 Tangible fixed assets

	Leasehold land and buildings	Plant and equipment £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
Additions	21,295	321,690	278,417	96,273	717,675
Acquisitions	2,510,829	424,358	238,571	52,061	3,225,819
Transferred from fellow subsidiary	-	86,487	212,144	-	298,631
Transferred to parent company	-	-	-	(1,444)	(1,444)
Disposals	-	(91,254)	(130,466)	(50,131)	(271,851)
At 31 December 1994	2,532,124	741,281	598,666	96,759	3,968,830
Depreciation					
Charge for period	31,383	93,601	89,915	26,361	241,260
Transferred from fellow subsidiary	-	37,246	71,848	-	109,094
Transferred to parent company	-	-	-	(337)	(337)
Disposals	-	(26,407)	(22,954)	(11,990)	(61,351)
At 31 December 1994	31,383	104,440	138,809	14,034	288,666
Net book value					
At 31 December 1994	2,500,741	636,841	459,857	82,725	3,680,164

The net book value of tangible fixed assets includes an amount of £51,287 in respect of assets held under finance leases and hire purchase contracts. The depreciation charge for the period includes £8,693 in respect of these assets.

Plant and machinery additions shown above include an amount of £93,733 in respect of assets in the course of construction at 31 December 1994.

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11 Stocks

	1994 £
Work in progress	39,182
Finished goods and goods for resale	21,088,384
	<u>21,127,566</u>

The company's stocks of new vehicles are held on consignment from the manufacturers and are not included within the balance sheet until either the vehicles are registered or the manufacturers' free stocking year has expired. The value of such vehicles excluded from finished goods and goods for resale above at 31 December 1994 was £1,280,112.

In the opinion of the directors, the values of stocks shown above were not materially different from their replacement values.

12 Debtors

	1994 £
Amounts falling due within one year	
Trade debtors	3,173,380
Amounts owed by parent company and fellow subsidiaries	165,720
Other debtors	667,418
Prepayments and accrued income	1,633,309
	<u>5,639,827</u>

13 Creditors: amounts falling due within one year

	1994 £
Bank overdraft	302,594
Trade creditors	3,094,002
Manufacturers' stocking loans	15,508,787
Other loans	542,905
Amounts owed to parent company and fellow subsidiaries	90,446
Other taxation and social security costs	319,104
Obligations under finance leases and hire purchase contracts	20,136
Other creditors	2,178,725
Accruals and deferred income	795,109
	<u>22,851,808</u>

The bank overdrafts are secured by fixed and floating charges over the assets of the company.

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

The manufacturers' stocking loans are secured by fixed and floating charges over the stocks of new vehicles held. Other loans are secured by fixed and floating charges over the stocks of used vehicles held.

Other taxation and social security includes £45,173 in respect of VAT payable to HM Customs & Excise.

14 Creditors: amounts falling due after more than one year

1994
£

Amounts owed to parent company	6,899,351
Obligations under finance leases and hire purchase contracts	23,754
	<u>6,923,105</u>

Amounts owed to parent company have no specific repayment dates and are interest free.

Obligations under finance leases and hire purchase contracts are all due within five years.

15 Called up share capital

	Ordinary £1 shares Number	£
Authorised		
On incorporation	2	2
Increased during the period	9,999,998	9,999,998
At 31 December 1994	<u>10,000,000</u>	<u>10,000,000</u>
Allotted, called up and fully paid		
On incorporation	2	2
Shares issued during the period	9,999,998	9,999,998
At 31 December 1994	<u>10,000,000</u>	<u>10,000,000</u>

15 Called up share capital (continued)

The company's share capital on incorporation consisted of two ordinary £1 shares. During the period the company made the following share issues:

	Ordinary £1 shares Number
6 December 1993	998
31 December 1993	999,000
25 April 1994	1,000,000
11 November 1994	2,000,000
22 December 1994	6,000,000

All shares were issued at par to Malaya Group Plc, the ultimate holding company, in order to fund acquisitions made in the period.

16 Profit and loss account

	1994 £
Retained loss for the period	(1,220,786)
Goodwill arising on acquisitions (see note 18)	(8,104,550)
At 31 December 1994	<u>(9,325,336)</u>

17 Reconciliation of movements in shareholder's funds

	1994 £
Loss for the period	(1,220,786)
Proceeds of share issues	10,000,000
Goodwill arising on acquisition	(8,104,550)
Closing shareholder's funds	<u>674,664</u>

18 Acquisitions

With effect from 1 June 1994 the Company acquired certain assets and liabilities of the business of H F Edwards & Co Limited, a multi site dealership including Fiat, Peugeot and Suzuki franchises located in Epsom, Surrey. The total consideration, including acquisition expenses, was £2,965,366 and was settled in part by the issue of 360,361 Ordinary 10p shares in Malaya Group Plc at an agreed value of 27¾p with the balance in cash.

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18 Acquisitions (continued)

Under an agreement dated 14 October 1994 Malaya Group Plc, the ultimate holding company, agreed to purchase, via certain of its subsidiaries, various assets, liabilities and businesses of Heron Motor Group Limited and HMG (Bromley) Limited with effect from 14 November 1994. Under this agreement Citygate Dealerships Limited acquired the assets and liabilities of the following businesses:

- H R Owen, a Rolls Royce, Land Rover, Jaguar, Ferrari and TVR multi-site dealership located in central and west London;
- Hollingdrake, a Land Rover and Jaguar dual site franchise located in Stockport, Cheshire;
- H R Owen, a Toyota and Lexus franchise located in Hampstead, London; and
- H R Owen, a Toyota franchise located in East Horsley, Surrey.

The total consideration paid for these businesses, including acquisition costs, was £12,698,990, paid in cash.

Details of the assets and liabilities acquired were as follows:

	£
Fixed assets	3,225,819
Stocks	6,203,212
Debtors	2,064,757
Cash	4,090
Creditors	(3,938,072)
Book value of net assets acquired	7,559,806
Fair value adjustments	-
Net assets acquired	7,559,806
Total consideration	15,664,356
Goodwill arising on acquisition	8,104,550

19 Capital commitments

	1994 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	149,000
Capital expenditure that has been authorised by the directors but has not yet been contracted for	119,500

20 Financial commitments

At 31 December 1994 the company had annual commitments under non-cancellable operating leases as follows:

	1994	
	Land and buildings £	Other £
Expiry date:		
Within one year	-	28,082
Between one and five years	-	54,026
After five years	1,304,200	-
	<u>1,304,200</u>	<u>82,108</u>

21 Contingent liabilities

Midland Bank Plc hold unlimited guarantees by the company in respect of amounts owing to the holding company and certain fellow subsidiaries. At 31 December 1994 the sums guaranteed totalled £2,425,156.

22 Pension obligations

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 pension cost charge for the period represents contributions payable by the Company to the fund and amounted to £33,443. Included in creditors are outstanding pension contributions of £10,919.

23 Ultimate holding company

The directors regard Malaya Group Plc, a company registered in England and Wales, as the ultimate parent company. According to the register kept by the company, Malaya Group Plc has a 100% interest in the equity capital of Citygate Dealerships Limited at 31 December 1994. Copies of the parent company's consolidated financial statements may be obtained from The Secretary, 25 Old Brompton Road, London SW7 3TD.