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Citygate Dealerships Limited

Annual report for the year ended 31 December 1995

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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
D Coomber

Solicitors

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

Secretary and registered office

J M Dodwell
25 Old Brompton Road
London
SW7 3TD

Auditors

Coopers & Lybrand
Abacus House
Castle Park
Gloucester Street
Cambridge
CB3 0AN

Bankers

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

Directors' report for the year ended 31 December 1995

The directors present their financial statements for the year ended 31 December 1995.

Principal activity

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

Review of business and future developments

Both the level of business and the year end financial position were satisfactory, and the directors are confident that the present level of activity will be sustained for the foreseeable future.

Results and dividends

The profit for the year after taxation amounted to £870,629 (1994: loss of £1,220,786).

The directors are unable to recommend the payment of a dividend. The profit for the year of £870,629 (1994: loss of £1,220,786) will be transferred to reserves.

Changes in fixed assets

The movements in fixed assets during the year are set out in note 11 to the financial statements.

Directors

The directors of the company at 31 December 1995, all of whom have been directors for the whole of the year ended on that date, are listed below:

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

Directors' interests

No director had any interest in the shares of the company at 31 December 1995. At 31 December 1995, Mr A Foster was interested in 13,900 (1994: 5,000) and Mr D Coomber was interested in 2,605 (1994: Nil) ordinary shares of Malaya Group Plc, the ultimate holding company. There have been no movements in their 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.

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 year.

Charitable donations

During the year the company made charitable donations of £3,937. No political donations were made.

Employees

The company's policy is to consult and discuss with employees matters likely to affect employees' interests.

Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, where possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

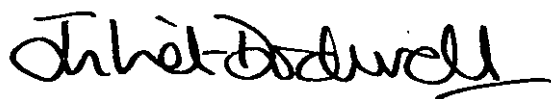
Citygate Dealerships Limited

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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 cursive script, appearing to read "Janet Dodwell".

14 March 1996

Secretary

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 20.

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.

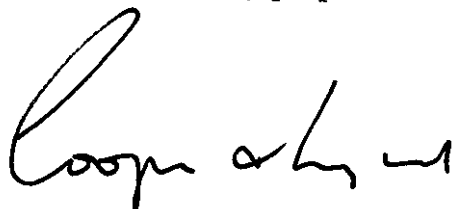
Basis of opinion

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 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
Cambridge

22 March 1996

**Profit and loss account
for the year ended 31 December 1995**

	Notes	Year ended 31 December 1995 £	16 months ended 31 December 1994 £
Turnover			
Continuing operations	2	175,649,603	64,746,324
Acquisitions		605,213	-
		<hr/>	<hr/>
Cost of sales	3	176,254,816 (156,640,788)	64,746,324 (56,618,719)
		<hr/>	<hr/>
Gross profit		19,614,028	8,127,605
Net operating expenses	4	(17,960,380)	(9,017,692)
		<hr/>	<hr/>
Operating profit/(loss)		1,653,648	(890,087)
		<hr/>	<hr/>
Operating profit/(loss)			
Continuing operations		1,639,135	(890,087)
Acquisitions		14,513	-
		<hr/>	<hr/>
Interest receivable	7	1,653,648	(890,087)
Interest payable and similar charges	8	- (501,091)	1,721 (332,420)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation	9	1,152,557	(1,220,786)
Tax on profit/(loss) on ordinary activities	10	(281,928)	-
		<hr/>	<hr/>
Retained profit/(loss) for the year	18,19	870,629	(1,220,786)
		<hr/>	<hr/>

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

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

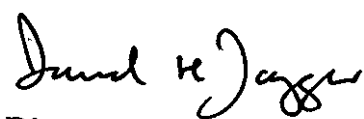
Citygate Dealerships Limited

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Balance sheet at 31 December 1995

	Notes	31 December 1995 £	31 December 1994 £
Fixed assets			
Tangible assets	11	<u>4,582,725</u>	<u>3,680,164</u>
Current assets			
Stocks and work in progress	12	21,983,454	21,127,566
Debtors	13	9,070,044	5,639,827
Cash at bank and in hand		<u>931,951</u>	<u>2,020</u>
		<u>31,985,449</u>	<u>26,769,413</u>
Creditors: amounts falling due within one year	14	<u>(21,939,641)</u>	<u>(22,851,808)</u>
Net current assets		<u>10,045,808</u>	<u>3,917,605</u>
Total assets less current liabilities		<u>14,628,533</u>	<u>7,597,769</u>
Creditors: amounts falling due after more than one year	15	<u>(13,132,077)</u>	<u>(6,923,105)</u>
Provisions for liabilities and charges	16	<u>(14,200)</u>	<u>-</u>
Net assets		<u><u>1,482,256</u></u>	<u><u>674,664</u></u>
Capital and reserves			
Called up share capital	17	10,000,000	10,000,000
Profit and loss account	18	<u>(8,517,744)</u>	<u>(9,325,336)</u>
Equity shareholders' funds	19	<u><u>1,482,256</u></u>	<u><u>674,664</u></u>

The financial statements on pages 7 to 20 were approved by the Board of Directors on 14th March 1996 and were signed on its behalf by:



Director

Notes to the financial statements for the year ended 31 December 1995

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 financial statements cover the year ended 31 December 1995. The comparative period covers the sixteen month period from commencement of trade of the company on 1 September 1993 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.

3 Cost of sales

	Year ended 31 December 1995 £	16 months ended 31 December 1994 £
Arising from:		
Continuing operations	156,311,352	56,618,719
Acquisitions	329,436	-
	<u>156,640,788</u>	<u>56,618,719</u>

4 Net operating expenses

	Year ended 31 December 1995 £	16 months ended 31 December 1994 £
Distribution and selling expenses		
Continuing operations	9,672,875	4,883,338
Acquisitions	148,163	-
	<u>9,821,038</u>	<u>4,883,338</u>
Administrative expenses		
Continuing operations	8,126,241	4,134,354
Acquisitions	193,101	-
	<u>8,319,342</u>	<u>4,134,354</u>
Other operating income		
Continuing operations	(100,000)	-
Acquisitions	(80,000)	-
	<u>(180,000)</u>	<u>-</u>
Total net operating expenses	<u>17,960,380</u>	<u>9,017,692</u>

5 Directors' emoluments

	Year ended 31 December 1995 £	16 months ended 31 December 1994 £
Fees	-	-
Other emoluments (including pension contributions and benefits in kind)	127,914	62,061
	<u>127,914</u>	<u>62,061</u>

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

	Year ended 31 December 1995 £	16 months ended 31 December 1994 £
The Chairman	-	-
The highest paid director	<u>77,952</u>	<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:

	Year ended 31 December Number	16 months ended 31 December Number
£0 - £5,000	4	4
£30,001 - £35,000	-	2
£40,001 - £45,000	1	-
£75,001 - £80,000	1	-
	<u>6</u>	<u>6</u>

6 Employee information

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

	Year ended 31 December 1995 Number	16 months ended 31 December 1994 Number
By activity		
Distribution and selling	391	133
Administration	111	44
	<u>502</u>	<u>177</u>
	Year ended 31 December 1995 £	16 months ended 31 December 1994 £
Staff costs (for the above persons)		
Wages and salaries	9,204,567	4,256,733
Social security costs	907,323	398,886
Other pension costs (see note 24)	65,622	33,443
	<u>10,177,512</u>	<u>4,689,062</u>

7 Interest receivable and similar income

	Year ended 31 December 1995 £	16 months ended 31 December 1994 £
Other interest	-	1,721

8 Interest payable and similar charges

	Year ended 31 December 1995 £	16 months ended 31 December 1994 £
On bank overdrafts repayable within 5 years, not by instalments	157,479	198,845
On manufacturers' stocking loans	326,937	124,592
On finance leases and hire purchase contracts	16,675	8,983
	<u>501,091</u>	<u>332,420</u>

9 Profit/(loss) on ordinary activities before taxation

	Year ended 31 December 1995 £	16 months ended 31 December 1994 £
Profit/(loss) on ordinary activities before taxation is stated after charging:		
Depreciation charge for the year		
Owned tangible fixed assets	323,970	201,184
Leased tangible fixed assets	255,279	40,076
Loss on disposal of tangible fixed assets	-	6,086
Auditors' remuneration for audit services	34,000	35,000
Auditors' remuneration for non-audit services	4,500	4,250
Operating leases - land and buildings	1,526,228	706,448
Operating leases - plant and machinery	124,228	66,215
	<u>2,278,215</u>	<u>1,053,159</u>

10 Taxation on profit/(loss) on ordinary activities

	Year ended 31 December 1995 £	16 months ended 31 December 1994 £
UK Corporation tax at 33% (1994: 33%)		
Current	268,661	-
Deferred	14,200	-
Overprovision for prior years	(933)	-
	<u>281,928</u>	<u>-</u>

The UK corporation tax charge for the year has been reduced because of the availability of tax losses brought forward from the previous accounting period.

11 Tangible fixed assets

	Leasehold improvements	Plant and equipment £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1 January 1995	2,532,124	741,281	598,666	96,759	3,968,830
Additions	573,521	267,192	358,972	184,367	1,384,052
Acquisitions	61,959	31,090	970	8,008	102,027
Transferred from parent company	-	-	1,669	-	1,669
Disposals	-	(7,357)	(348)	-	(7,705)
At 31 December 1995	3,167,604	1,032,206	959,929	289,134	5,448,873
Depreciation					
At 1 January 1995	31,383	104,440	138,809	14,034	288,666
Charge for year	215,013	107,505	209,401	47,330	579,249
Transferred from parent company	-	-	383	-	383
Disposals	-	(2,037)	(113)	-	(2,150)
At 31 December 1995	246,396	209,908	348,480	61,364	866,148
Net book value					
At 31 December 1995	2,921,208	822,298	611,449	227,770	4,582,725
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 £247,336 (1994: £51,287) in respect of assets held under finance leases and hire purchase contracts. The depreciation charge for the year includes £40,266 (1994: £8,693) in respect of these assets.

The cost of plant and equipment at 1 January 1995 includes £93,733 in respect of assets in the course of construction. These assets were brought in to use during the year ended 31 December 1995.

12 Stocks and work in progress

	1995 £	1994 £
Work in progress	85,010	39,182
Finished goods and goods for resale	18,765,724	9,418,629
Interest bearing consignment stock	3,132,720	11,669,755
	<u>21,983,454</u>	<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 period has expired. The value of such vehicles excluded from finished goods and goods for resale above at 31 December 1995 was £1,918,024 (1994: £1,280,112).

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

13 Debtors

	1995 £	1994 £
Amounts falling due within one year:		
Trade debtors	5,146,394	3,173,380
Amounts owed by parent company and fellow subsidiaries	503,089	165,720
Other debtors	2,329,932	667,418
Prepayments and accrued income	1,090,629	1,633,309
	<u>9,070,044</u>	<u>5,639,827</u>

Other debtors includes £833,279 recoverable from HM Customs & Excise.

14 Creditors: amounts falling due within one year

	1995 £	1994 £
Bank overdraft	-	302,594
Trade creditors	10,640,580	3,094,002
Manufacturers' stocking loans	5,635,568	15,508,787
Other loans	1,034,913	542,905
Amounts owed to fellow subsidiaries	167,245	90,446
Corporation tax	268,661	-
Other taxation and social security costs	332,811	319,104
Obligations under finance leases and hire purchase contracts	88,278	20,136
Other creditors	2,864,516	2,178,725
Accruals and deferred income	907,069	795,109
	<u>21,939,641</u>	<u>22,851,808</u>

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

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

15 Creditors: amounts falling due after more than one year

	1995 £	1994 £
Amounts owed to parent company	12,958,442	6,899,351
Obligations under finance leases and hire purchase contracts	173,635	23,754
	<u>13,132,077</u>	<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.

16 Provisions for liabilities and charges

Deferred taxation provided in the financial statements, and the amount unprovided of the total potential liability, are as follows:

	Amount provided		Amount unprovided	
	1995	1994	1995	1994
	£	£	£	£
Tax effect of timing differences because of:				
Excess of capital allowances over depreciation	14,200	-	-	-
	<u>14,200</u>	<u>-</u>	<u>-</u>	<u>-</u>

The movement on the provision for deferred taxation is as follows:

	£
At 1 January 1995	-
Charged to profit and loss account	14,200
At 31 December 1995	<u>14,200</u>

17 Called up share capital

	Ordinary shares of £1 each	
	Number	£
Authorised		
At 1 January and 31 December 1995	10,000,000	10,000,000
	<u>10,000,000</u>	<u>10,000,000</u>
Allotted, called up and fully paid		
At 1 January and 31 December 1995	10,000,000	10,000,000
	<u>10,000,000</u>	<u>10,000,000</u>

18 Profit and loss account

	1995	1994
	£	£
At 1 January 1995	(9,325,336)	-
Retained profit/(loss) for the year	870,629	(1,220,786)
Goodwill arising on acquisitions (see note 20)	(63,037)	(8,104,550)
At 31 December 1995	<u>(8,517,744)</u>	<u>(9,325,336)</u>

19 Reconciliation of movements in equity shareholders' funds

	1995 £	1994 £
Profit/(loss) for the year	870,629	(1,220,786)
Proceeds of share issues	-	10,000,000
Goodwill arising on acquisition	(63,037)	(8,104,550)
Net increase in equity shareholders' funds	807,592	674,664
Opening equity shareholders' funds	674,664	-
Closing equity shareholders' funds	1,482,256	674,664

20 Acquisitions

With effect from 15 September 1995 the Company acquired certain assets and liabilities from Rolls Royce Motors Cars Limited, comprising the business of The London Service Centre - a Rolls Royce after sales operation located in north-west London. The total consideration, including acquisition expenses, was £381,275 and was settled in cash.

Details of the assets and liabilities acquired were as follows:

	£
Fixed assets	102,027
Stocks	173,007
Debtors	94,116
Creditors	(38,426)
Book value of net assets acquired	330,724
Fair value adjustments	-
Net assets acquired	330,724
Total consideration	381,275
Goodwill arising on acquisition	50,551
Adjustments to goodwill on acquisitions made in the prior period	12,486
Total goodwill for the year	63,037

21 Capital commitments

	1995 £	1994 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	108,450	149,000
Capital expenditure that has been authorised by the directors but has not yet been contracted for	560,000	119,500

22 Financial commitments

At 31 December 1995 the company had annual commitments under non-cancellable operating leases as follows:

	1995		1994	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiry date:				
Within one year	-	58,466	-	28,082
Between one and five years	19,000	71,047	-	54,026
After five years	1,765,800	-	1,304,200	-
	<u>1,784,800</u>	<u>129,513</u>	<u>1,304,200</u>	<u>82,108</u>

23 Contingent liabilities

Midland Bank Plc hold unlimited guarantees by the company in respect of amounts owing by Malaya Group plc, the holding company, and its subsidiaries. At 31 December 1995 the sums guaranteed totalled £988,162 (1994: £Nil).

24 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 year represents contributions payable by the Company to the fund and amounted to £65,622 (1994: £33,443). Included in creditors are outstanding pension contributions of £32,892 (1994: £10,919).

25 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 1995. Copies of the parent company's consolidated financial statements may be obtained from The Secretary, 25 Old Brompton Road, London SW7 3TD.