MSF Motor Group Limited

Directors' report and financial statements

Registered Number 2863609

31 December 1999

Contents

Officers and advisors

Directors

TJA McPhail
N Smillie
JR Fletcher OBE MBA (Chairwoman)
K Colgrave FCA MBA (appointed 31 December 1999)

Secretary

K Colgrave FCA MBA

Registered office

Rossmore Road East
Ellesmere Port
South Wirral
CH65 3BR

Auditors

KPMG
St James' Square
Manchester
M2 6DS

Solicitors

Pinsent Curtis
1 Park Row
Leeds
LS1 5AB

Bankers

HSBC Bank plc
33 Park Row
Leeds
LS1 1LD

Registered Number

2863609 (England and Wales)

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

Principal activities

The principal activities of the group are the operation of motor vehicle dealerships.

Business review

The Directors are extremely encouraged by the underlying performance of the Group which delivered an operating profit of £2.2m (before exceptional items). This represents a 60% increase over 1998's performance.

During the year, the Group undertook a substantial restructuring programme which resulted in exceptional cost of £1.1m.

The Directors look forward to developing further the Group's potential in future years.

Dividends and transfers to reserves

The Directors do not recommend a dividend (1998: £nil). The retained profit for the year was transferred to reserves.

Directors

The directors of the company at 31 December 1999 are listed on page 1. G Manton resigned from the Board of Directors on 31 December 1999 and K Colgrave was appointed as Finance Director on the same date.

Directors' interests

The interest of the directors in the shares of the company at 1 January and 31 December 1999 were:

	Ordinary share of £1 each	
	1 January 1999	**31 December 1999**
TJA McPhail	100	**100**
N Smillie	100	**100**
JR Fletcher OBE	100	**100**
K Colgrave	-	-

Changes in fixed assets

The movements in tangible fixed assets during the year are set out in note 11 to the financial statements. In the opinion of the directors, there was no significant difference between market and book values of property at 31 December 1999.

Directors' report *(continued)*

Year 2000

The directors of the company are aware of the year 2000 problem, and have considered the associated risks and uncertainties. Management have taken steps to address the year 2000 issues relating to its business and operations and, where material, relationships with customers, suppliers and other relevant parties.

No significant impact has been noted within the business as a result of the year 2000 date change.

The total estimated costs regarding the year 2000 problem cannot be practicably isolated as they have been integrated with the upgrading of systems for normal business improvement.

Supplier payment policy

The company policy is normally to pay suppliers according to agreed terms of business. These terms are agreed upon entering into binding contracts and the company seeks to adhere to the payment terms providing the relevant goods and services have been supplied in accordance with the contracts.

Employees

The group, having regard to particular aptitudes and abilities, does not discriminate in any way in its employee recruitment, training or career development because of colour, sex, creed or physical disability. In the event of any employee becoming disabled, retraining and continued employment is arranged whenever practicable. During the year, the group continued its policy of regular meetings with employees and their representatives, within the limitations of commercial confidentiality and security.

Charitable and political contributions

The contributions made by the group during the year for charitable purposes amounted to £1,000 (1998: £1,000). No political donations were made.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution to re-appoint KPMG as auditors will be proposed at the forthcoming Annual General Meeting.

By order of the board

JR Fletcher OBE
Chairwoman

2 May 2000

Rossmore Road East
Ellesmere Port
South Wirral
CH65 3BR

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

St James' Square
Manchester M2 6DS
United Kingdom

Report of the auditors to the members of MSF Motor Group Limited

We have audited the financial statements on pages 6 to 22.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and , as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. 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 disclose.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

2 May 2000

Consolidated profit and loss account

for the year ended 31 December 1999

	Note	Before exceptional items 1999 £000	Exceptional items *(note 2)* 1999 £000	**1999 £000**	1998 £000
Turnover		171,807	-	**171,807**	157,369
Cost of sales		(152,004)	-	**(152,004)**	(138,186)
Gross profit		19,803	-	**19,803**	19,183
Administrative expenses		(17,594)	(1,104)	**(18,698)**	(17,807)
Operating profit		2,209	(1,104)	**1,105**	1,376
Funding and other costs incurred on discontinuance of related undertaking	*3*	-	-	-	(5,681)
Profit / (Loss) on ordinary activities after exceptional items and before interest		2,209	(1,104)	**1,105**	(4,305)
Interest payable and similar charges	*6*	(717)	-	**(717)**	(644)
Profit / (Loss) on ordinary activities after exceptional items and before taxation	*7*	1,492	(1,104)	**388**	(4,949)
Tax on profit / (loss) on ordinary activities	*8*			**(206)**	(325)
Profit / (Loss) for the financial year	*9*			**182**	(5,274)
Dividends - distribution in specie	*10*			**-**	(576)
Retained profit / (loss) for the year	*19*			**182**	(5,850)

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

Balance sheet
at 31 December 1999

	Note	Group 1999	Group 1998	Company 1999	Company 1998
Fixed assets					
Tangible assets	*11*	**5,152**	4,852	**2,115**	2,127
Investments	*12*	-	-	**1,180**	1,180
		5,152	4,852	**3,295**	3,307
Current assets					
Stocks	*13*	**7,777**	5,810	-	-
Debtors	*14*	**13,925**	10,995	**6,349**	3,258
		21,702	16,805	**6,349**	3,258
Creditors: amounts falling due within one year	*15*	**(24,792)**	(20,177)	**(13,414)**	(10,875)
Net current liabilities		**(3,090)**	(3,372)	**(7,065)**	(7,617)
Net assets		**2,062**	1,480	**(3,770)**	(4,310)
Capital and reserves					
Called up share capital	*18*	-	-	-	-
Merger reserve	*19*	**2,268**	2,268	-	-
Capital redemption reserve	*19*	**663**	663	-	-
Revaluation reserve	*19*	**400**	-	-	-
Profit and loss account	*19*	**(1,269)**	(1,451)	**(3,770)**	(4,310)
Equity shareholders' funds	*20*	**2,062**	1,480	**(3,770)**	(4,310)

These financial statements were approved by the board of directors on 2 May 2000 and were signed on its behalf by:

TJA McPhail
Director

N Smillie
Director

Consolidated cash flow statement

for the year ended 31 December 1999

	Note	1999 £000	1998 £000
Net cash inflow from operating activities	21	**1,179**	7,813
Returns on investments and servicing of finance	22	**(717)**	(644)
Taxation	23	**(162)**	(669)
Capital expenditure	24	**(446)**	(674)
Termination of related undertaking	25	-	(5,680)
Cash (outflow) / inflow before financing		**(146)**	146
Financing	26	**(9)**	(2,682)
Decrease in cash in the period		**(155)**	2,536

Reconciliation of net cashflow to movement in net debt

	Note	1999 £000	1998 £000
Decrease in cash in the period		**(155)**	(2,536)
Cash inflow from decrease in debt and lease financing		**9**	2,682
Changes in net debt resulting from cashflow		**(146)**	146
Net debt at start of period	27	**(11,455)**	(11,601)
Net debt at end of period	27	**(11,601)**	(11,455)

The notes of pages 9 to 22 form part of these financial statements.

Consolidated statement of total recognised gains and losses

for the year ended 31 December 1999

	1999 £000	1998 £000
Profit/(loss)for the financial year	**182**	(5,850)
Unrealised surplus on revaluation of properties	**400**	-
Total gains and losses recognised since last annual report	**582**	(5,850)

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Turnover

Turnover, which excludes value added tax, sales between group companies and trade discounts, represents the invoiced value of goods and services supplied, together with incentives receivable from operating activities.

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 December 1999. The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of the acquisition are recorded at their fair values reflecting their condition at that date. All subsequent changes to those assets and liabilities, and the resulting gains and losses, that arise after the group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

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 the acquisition of subsidiaries and associates is written off immediately against reserves.

Tangible fixed assets

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

Depreciation

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

Freehold buildings	-	2% straight line
Short leasehold buildings	-	20% straight line
Plant and equipment	-	20% straight line
Fixtures and fittings	-	20% straight line
Motor vehicles	-	$33^1/_3$% straight line

Notes *(continued)*

1 Accounting policies *(continued)*

Stocks

Stocks are stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

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. Full provision is made for deferred taxation on timing differences arising from the provision of employee pensions.

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 group 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 so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of the equivalent owned assets.

Pension costs

The group operates a defined contribution pension scheme covering certain of its employees. The pension charge represents contributions payable by the group to the scheme during the year.

A small number of employees participate in defined benefit schemes administered by Motor Industry Pensions Scheme Limited and the MSF Motor Group Pension Scheme. The funds are valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years, the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the group benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme.

Notes *(continued)*

2 Exceptional items

During the year there were costs associated with the restructuring of the group. Included within these exceptional costs are professional fees, as well as certain payments to suppliers incurred to protect the on-going trading relationship with the group.

3 Funding and other costs incurred on the discontinuance of related undertaking

MSF funded the development of Jasmor Limited (a company controlled by the shareholders of MSF Limited) incurring costs of £685,000 and provided support for the development of the business and incurred costs to protect its own trading position. Jasmor went into receivership in June 1999. The write-off in 1998 amounted to £5,681,000.

4 Directors' emoluments

	1999	1998
	£000	£000
Directors' emoluments	**320**	320
Company contributions to pension scheme	**52**	52
	372	372

Fees and other emoluments (excluding pension contributions) paid to the highest paid director totalled £98,000 (*1998: £98,000*) and contributions of £20,000 *(1998: £20,000)* were paid to a pension scheme on his behalf.

Notes *(continued)*

5 Employee information

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

	1999 Number	1998 Number
By activity:		
Administration	153	116
Other	437	421
	590	537

	1999 £000	1998 £000
Staff costs (for the above persons):		
Wages and salaries	8,675	6,754
Social security costs	842	766
Other pension costs	181	127
	9,698	7,647

6 Interest payable and similar charges

	1999 £000	1998 £000
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	717	574
On finance leases	-	70
	717	644

Notes *(continued)*

7 Profit on ordinary activities before taxation

	1999 £000	1998 £000
Profit on ordinary activities before taxation is stated after charging		
Depreciation charge for the year		
Tangible owned fixed assets	**546**	543
Tangible fixed assets held under finance leases	**-**	-
Auditors' remuneration:		
Audit (Company £10,000; *1998: £10,000)*	**45**	45
Non-audit services	**25**	96

8 Tax on profit on ordinary activities

	1999 £000	1998 £000
United Kingdom corporation tax at 30.25% *(1998:31%)*		
Current	**206**	353
Deferred	**-**	(28)
	206	325

9 Profit for the financial year

As permitted by Section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's profit for the financial year was £540,000 (1998: loss £5,544,000).

Notes *(continued)*

10 Dividends

	1999	1998
	£000	£000
Dividends on equity shares		
Distribution in specie	**-**	576

11 Tangible fixed assets

Group

	Freehold and long leasehold land and buildings	Short leasehold land and buildings	Plant and equipment	Fixtures and fittings	Motor vehicles	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 31 December 1998	3,839	511	1,847	655	231	7,083
Additions	18	5	252	133	45	453
Revaluation	400	-	-	-	-	400
Disposals	-	-	-	-	(21)	(21)
At 31 December 1999	**4,257**	**516**	**2,099**	**788**	**255**	**7,915**
Depreciation						
At 31 December 1998	173	278	1,210	429	141	2,231
Charge for year	51	51	295	90	59	546
Disposals	-	-	-	-	(14)	(14)
At 31 December 1999	**224**	**329**	**1,505**	**519**	**186**	**2,763**
Net book value						
At 31 December 1999	**4,033**	**187**	**594**	**269**	**69**	**5,152**
Net book value						
At 31 December 1998	3,666	233	637	226	90	4,852

One of the freehold properties was sold after the year end and accordingly has been revalued in these accounts based upon the value ascribed in the contract with the purchaser. The revaluation amounts to £400,000.

The cost of freehold land, which is not depreciated, is £843,000 *(1998: £843,000).*

Notes *(continued)*

11 Tangible fixed assets *(continued)*
Company

	Freehold land and buildings £000	Motor vehicles £000	Plant & Equipment £000	Total £000
Cost				
At 31 December 1998	2,038	120	86	2,244
Additions	11	-	74	85
Disposals	-	(12)	-	(12)
At 31 December 1999	**2,049**	**108**	**160**	**2,317**
Depreciation				
At 31 December 1998	44	67	6	117
Charge for year	27	37	26	90
Disposals	-	(5)	-	(5)
At 31 December 1999	**71**	**99**	**32**	**202**
Net book value				
At 31 December 1999	**1,978**	**9**	**128**	**2,115**
Net book value				
At 31 December 1998	1,994	53	80	2,127

12 Fixed asset investment
Company

	£000
Cost	
At beginning and end of year	1,184
Amounts written off	
At beginning and end of year	4
Net book value	
At beginning and end of year	1,180

Notes *(continued)*

12 Fixed asset investments *(continued)*

Interests in group undertakings

The directors consider that to give full particulars of all investments would lead to a statement of excessive length. The following information relates to those subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the figures of the group:

Name of undertaking	Description of shares held	Proportion of nominal value of issued shares held by Group %	Company %	Nature of business
MSF Motors Limited	Ordinary shares	100	100	Ford main dealership
MSF Motors (Yorkshire) Limited	Ordinary shares	100	100	Peugeot main dealership
MSF Accident Repair Centres Limited	Ordinary shares	100	100	Accident repairs centres
MSF Fleet Services Limited	Ordinary shares	100	100	Fleet sales

All of the above companies are registered in England and Wales and operate in Great Britain.

13 *Stocks*

	Group 1999 £000	1998 £000
Goods for re-sale	**7,777**	5,810

14 Debtors

	Group		Company	
Amounts falling due within one year	**1999 £000**	1998 £000	**1999 £000**	1998 £000
Trade debtors	**7,261**	6,797	**11**	8
Amounts owed by subsidiary undertakings	-	-	**46**	743
Other debtors	**5,163**	2,897	**6,365**	2,507
Prepayments and accrued income	**1,501**	1,301	**220**	-
	13,925	10,995	**6,349**	3,258

Included within other debtors are amounts totalling £1,904,000 (1998: £1,904,000) due from FPS Limited and Pinco (1327) Limited, companies owned by JR Fletcher, a director of MSF Motor Group Limited.

Notes *(continued)*

15 Creditors: amounts falling due within one year

	Group		Company	
	1999	1998	**1999**	1998
	£000	£000	**£000**	£000
Bank loans and overdrafts	**10,806**	10,651	**11,017**	6,315
Obligations under finance leases	**545**	554	**-**	-
Trade creditors	**9,627**	5,496	**124**	-
Amounts owed to subsidiary undertakings	**-**	-	**1,611**	2,888
Corporation tax	**889**	601	**-**	30
Other taxation and social security	**320**	90	**19**	78
Other creditors	**1,205**	1,664	**476**	1,327
Accruals	**1,400**	1,121	**167**	237
	24,792	20,177	**13,414**	10,875

The bank loans and overdrafts are secured by fixed charges over certain group properties together with floating charges over other group assets.

16 Deferred taxation

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

	Amount provided		Amount unprovided	
	1999	1998	**1999**	1998
	£000	£000	**£000**	£000
Tax effect of timing differences:				
Excess of tax allowances over depreciation	**-**	-	**(43)**	(21)
Other timing differences	**-**	-	**-**	(3)
	-	-	**(43)**	(24)

The company has no potential liability or unprovided liability to deferred taxation.

Notes *(continued)*

17 Pension and similar obligations

The group operates a defined contribution pension scheme for certain of its employees. The pension cost for the year ended 31 December 1999 under this scheme was £52,500 (1997: £52,500). There were no accruals or prepaid contributions at the year end.

A small number of employees also participate in a defined benefit scheme administered by Motor Industry Pensions Scheme Limited ('MIP') and the MSF Motor Group Pension Scheme ('MSFPS'). The assets of the schemes are held in separate trustee administered funds.

The total pension cost arising under the schemes was £129,000 (1998: £75,000), which was assessed in accordance with the advice of an independent qualified actuary using the Attained Age method. The latest actuarial valuation of the MIP scheme was as at 6 April 1995, and that of MSFPS as at 6 April 2000. The assumptions that have the most significant effect on the valuation were those relating to the rate of return on investments, rate of increase in dividends and the rates of increase in salaries and pensions.

Key assumptions - MIP scheme

The investment return would be 9% per annum, dividend increases would be 4.5% per annum, that salary increases would average 7% per annum and that present and future pensions would not increase beyond the 3% per annum on the Guaranteed Minimum Pension.

At the date of the latest actuarial valuation, the market value of the assets of the scheme was £604,000 and the actuarial value of the assets was sufficient to cover 105% of the benefits which had accrued to members, after allowing for expected future increases in earnings.

Key assumptions - MSFPS

The investment return would be 8.5% per annum, that salary increases would average 8% per annum and that present and future pensions would not increase beyond the 6.5% per annum on the Guaranteed Minimum Pension.

At the date of the latest actuarial valuation, the market value of the assets of the scheme was £550,000 and the actuarial value of the assets was sufficient to cover 135% of the benefits which had accrued to members, after allowing for expected future increases in earnings.

There is no pension provision as the accumulated pension cost does not vary significantly from the payment of contributions to the pension scheme.

18 Called up share capital

	1999	1998
	£	£
Authorised:		
1,000 ordinary shares of £1 each	**1,000**	1,000
Allotted, called up and fully paid:		
300 ordinary shares of £1 each	**300**	300

Notes *(continued)*

19 Reserves

Group

	Capital redemption reserve £000	Revaluation reserve £000	Merger reserve £000	Profit and loss account £000
At 31 December 1997	663	-	2,268	4,399
Retained loss for the financial year	-	-	-	(5,850)
At 31 December 1998	663	-	2,268	(1,451)
Revaluation in year	-	400	-	-
Retained profit for the financial year	-	-	-	**182**
At 31 December 1999	**663**	**400**	**2,268**	**(1,269)**

Company

	Profit and loss account £000
At 31 December 1997	1,234
Retained loss for the financial year	(5,544)
At 31 December 1998	(4,310)
Retained profit for the financial year	540
At 31 December 1999	**(3,770)**

20 Reconciliation of movement in shareholders' funds

	Group		Company	
	1999 £000	1998 £000	**1999 £000**	1998 £000
Profit / (loss) for the financial year	**182**	(5,274)	**540**	(4,968)
Dividends	-	(576)	-	(576)
	182	(5,850)	**540**	(5,544)
Revaluation during the year	**400**	-	-	-
Net additions to shareholders' funds	**582**	(5,850)	**540**	(5,544)
Opening shareholders' funds	**1,480**	7,330	**(4,310)**	1,234
Closing shareholders' funds	**2,062**	1,480	**(3,770)**	(4,310)

Notes *(continued)*

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

	1999 £000	1998 £000
Operating profit before exceptional items	**1,105**	1,376
Depreciation	**546**	543
(Decrease)/Increase in stock	**(1,967)**	2,370
(Decrease)/Increase in debtors	**(2,931)**	182
Increase in creditors	**4,426**	3,342
Net cashflow from operating activities	**1,179**	7,813

22 Return on investments and servicing of finance

	1999 £000	1998 £000
Interest paid	**(649)**	(574)
Interest element of finance lease payments	**(68)**	(70)
	(717)	(644)

23 Taxation

	1999 £000	1998 £000
UK corporation tax paid	**(162)**	(669)

24 Capital expenditure

	1999 £000	1998 £000
Purchase of fixed assets	**(453)**	(741)
Sale of fixed assets	**7**	67
	(446)	(674)

Notes *(continued)*

25 Analysis of net outflow of cash and cash equivalents in respect of the termination of a related undertaking

	1999	1998
	£000	£000
Sums incurred and advanced	-	5,680

26 Financing

	1999	1998
	£000	£000
Capital element of finance lease repayments	(9)	(2,682)

27 Analysis of changes in net debt

	At start of year £000	**Cash flows £000**	**Non cash changes £000**	**At end of year £000**
Bank loans and overdrafts	(10,651)	(155)	-	(10,806)
Finance company loan	(250)	-	-	(250)
Finance leases	(554)	9	-	(545)
	(11,455)	146	-	(11,601)

28 Contingent liabilities

Company

The company has given an Unlimited Multilateral Company Guarantee, dated 22 July 1998 in respect of the bank borrowings of its subsidiary undertakings. At 31 December 1999, such borrowings amounted to £nil (1998: £4,336,000).

Group

At 31 December 1999, the group had an obligation to buy back vehicles acquired by its customers under the Motability Scheme totalling £9,868,000 (1998: £7,268,000). The obligation at 31 December 1999 relates to vehicle buy backs in the period from 1 January 2000 to 31 December 2001. The Directors do not expect a loss to arise as a result of these arrangements.

Notes *(continued)*

29 Consignment stock

The value of consignment stock held by the group on behalf of vehicle manufacturers was £11,418,000 (1998: £12,815,000). The stock remains the property of the manufacturers until such time as it is formally adopted by the group.

30 Capital commitments

Neither the company nor the group had any capital commitments either contracted but not committed or authorised but not contracted as at 31 December 1999.

31 Related party transactions

During the year, the group made payments of £444,000 (1998: £344,000) to FPS Limited, of which JR Fletcher is a director and controlling shareholder. The payments were for rents, which are calculated on an arms' length basis, on properties used by the group.

32 Financial commitments

At 31 December 1999, the group had the following annual commitments under non-cancellable operating leases:

	1999		1998	
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
Expiring within one year	**109**	-	-	21
Expiring within two to five years inclusive	-	-	-	-
Expiring in over five years	**695**	-	595	-
	804	-	595	-

A number of the subsidiaries operate from premises leased from FPS Limited (see note 31 above).