

RON STRATTON (KNUTSFORD) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 JANUARY 1999

REGISTRATION NUMBER: 3493567



RON STRATTON (KNUTSFORD) LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the period from incorporation on 16 January 1998 to 31 January 1999.

PRINCIPAL ACTIVITY

The company's principal activity is the sale of motor vehicles and associated service and parts.

TRADING RESULTS

The profit for the financial period amounted to £88,298. No dividends have been paid during the year.

REVIEW OF THE BUSINESS

Although the financial statements reflect the period from incorporation on 16 January 1998 to 31 January 1999, the results reflect a trading period of eleven months subsequent to the acquisition of the Land Rover business based at Knutsford from Lex Retail Group Limited on 27 February 1998. The company has traded profitably during the period, benefiting from the customer base passed over by Lex and the successful launch of the new Freelander and Discovery models during the year. Investment has been made in both the facilities and the infrastructure of the business and this should provide the foundations on which to build in the coming year.

DIRECTORS

The directors of the company during the period were as follows:

R Stratton (Chairman)
JA Fairbotham
GA Friend

None of the directors hold any interests in the shares of the company.

R Stratton is also a director of the parent undertaking, Ian Anthony (Holdings) Limited, and his interests in the shares of that company are disclosed in its financial statements.

RON STRATTON (KNUTSFORD) LIMITED

DIRECTORS' REPORT (CONTINUED)

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 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 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.

YEAR 2000

Management are implementing plans to ensure the computer systems and other equipment are millennium compliant as part of the Ian Anthony group wide millennium compliance project. The costs associated with this project are disclosed in the Ian Anthony (Holdings) Limited accounts and are not quantifiable on an individual company basis.

AUDITORS

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board


R Stratton
DIRECTOR

28 April 1999

PricewaterhouseCoopers
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Lower Mosley Street
Manchester M2 3PW
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Facsimile +44 (0) 161-245 2903

AUDITORS' REPORT TO THE MEMBERS OF RON STRATTON (KNUTSFORD) LIMITED

We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 2 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 January 1999 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PRICEWATERHOUSECOOPERS
Chartered Accountants and

Registered Auditors

PricewaterhouseCoopers is a member firm of the UK firms of Price Waterhouse and Coopers & Lybrand. The principal place of business of PricewaterhouseCoopers and its member firms is 1 Embankment Place, London WC2N 6NN. The principal place of business of Price Waterhouse is Southwark Towers, 32 London Bridge Street, London SE1 9SY. Lists of the partners' names are available for inspection at those places.

All partners in the associate partnerships are authorised to conduct business as agents of, and all contracts for services to clients are with, PricewaterhouseCoopers. PricewaterhouseCoopers is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

PricewaterhouseCoopers is a member of PricewaterhouseCoopers International Limited, a company limited by guarantee registered in England and Wales.

28 April 1999

RON STRATTON (KNUTSFORD) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD 16 JANUARY 1998 TO 31 JANUARY 1999

	<u>31 January 1999</u> £
TURNOVER (Note 1)	17,081,683
Cost of sales	<u>(15,192,084)</u>
GROSS PROFIT	1,889,599
Distribution costs	(1,280,108)
Administrative expenses	<u>(409,817)</u>
OPERATING PROFIT	199,674
Interest receivable (Note 2)	7,802
Interest payable (Note 2)	<u>(71,331)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 2)	136,145
Tax on profit on ordinary activities (Note 3)	<u>(47,847)</u>
PROFIT FOR THE FINANCIAL PERIOD TRANSFERRED TO RESERVES (Note 11)	<u><u>88,298</u></u>

The notes on pages 6 to 14 form part of these financial statements.

The profit for the financial period, which arises from continuing operations, includes all gains and losses recognised in the financial statements for the period.

RON STRATTON (KNUTSFORD) LIMITED

BALANCE SHEET - 31 JANUARY 1999

	<u>31 January 1999</u>
	£
FIXED ASSETS	
Tangible assets (Note 4)	232,495
CURRENT ASSETS	
Stocks (Note 5)	2,808,684
Debtors (Note 6)	1,013,534
Cash at bank and in hand	<u>750</u>
	3,822,968
CREDITORS - amounts falling due within one year (Note 7)	<u>(3,728,099)</u>
NET CURRENT ASSETS	<u>94,869</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	327,364
CREDITORS - amounts falling due after more than one year (Note 8)	(228,333)
PROVISIONS FOR LIABILITIES AND CHARGES (Note 12)	<u>(10,731)</u>
	<u>88,300</u>
CAPITAL AND RESERVES	
Called up share capital (Note 10)	2
Profit and loss account (Note 11)	<u>88,298</u>
EQUITY SHAREHOLDERS' FUNDS (Note 17)	<u>88,300</u>

APPROVED BY THE BOARD ON 28 APRIL 1999


R Stratton


J A Fairbotham
DIRECTORS

The notes on pages 6 to 14 form part of these financial statements.

RON STRATTON (KNUTSFORD) LIMITED

ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

Turnover

Turnover, which includes manufacturer's bonuses, represents the amount receivable for goods and services provided after deducting returns and value added tax.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided in equal annual instalments at rates which are expected to write off the cost of the assets over their estimated useful lives as follows:

Fixtures and fittings	- 15%
Plant and machinery	- 15%
Motor vehicles	- 25%
Computers	- 20%
Computer software	- 15%

No depreciation is provided on fitting out costs of freehold and long leasehold premises. The freehold and leasehold to the company's premises is held by the parent undertaking and it is the group's policy to maintain such properties in a continual state of sound repair, the cost being written off to the profit and loss account as incurred. It is the group's policy to revalue these properties on a regular basis and to recognise any significant surplus or deficit of such revaluation in the financial statements.

Leases

Assets acquired under finance leases are capitalised in the balance sheet (the related lease creditor is also recorded) and are depreciated over the duration of the lease. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the period of the lease.

Stocks

Stocks are stated at the lower of cost and estimated net realisable value. Stocks include new vehicles held on sale or return terms where it is considered with reasonable probability that the vehicles will not be returned to the manufacturer.

RON STRATTON (KNUTSFORD) LIMITED

ACCOUNTING POLICIES (CONTINUED)

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effects of material timing differences to the extent that it is probable that a liability or asset will crystallise. Timing differences result from the inclusion of items of income and expenditure in the profit and loss account in different years from those in which they are assessed for tax purposes.

Warranty costs

Where warranty costs are not recovered from the manufacturer, they are charged to the profit and loss account as they are incurred.

Pension costs

The company contributes to a group defined contribution scheme covering the majority of its employees. Contributions to the scheme are independently administered by an insurance company. The pension costs charge shown in Note 2 represents contributions payable by the company to the scheme.

Cash flows

A statement of group cash flows has been included in the consolidated financial statements presented by the parent undertaking. Accordingly no statement is presented within these financial statements.

RON STRATTON (KNUTSFORD) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 JANUARY 1999

1 TURNOVER

All of the company's turnover arose within the United Kingdom. The directors are of the opinion that the company's activities represent a single class of business, being the sale of motor vehicles and associated service and parts.

2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging/(crediting):

	<u>31 January 1999</u>
Staff costs:	£
Wages and salaries	893,581
Social security costs	83,972
Pension costs	<u>7,076</u>
	984,629
	<u> </u>
	Number
Average number of persons employed	58
	<u> </u>
	£
Management charge	88,196
Auditors' - remuneration	5,958
- fees for other services	1,833
Depreciation - owned assets	18,691
- leased assets	6,550
Interest on bank overdraft and stocking finance	70,276
Finance lease and hire purchase interest	1,055
Operating lease rentals - other	18,797
Bank interest receivable	(7,802)
Profit on sale of fixed assets	<u>(2,500)</u>

3 TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>31 January 1999</u>
	£
UK Corporation Tax on the profit for the financial period at 31%	37,116
Deferred taxation (Note 12)	<u>10,731</u>
	47,847
	<u> </u>

RON STRATTON (KNUTSFORD) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 JANUARY 1999 (CONTINUED)

4 TANGIBLE FIXED ASSETS

	<u>Fitting out costs</u> £	<u>Fixtures and fittings</u> £	<u>Plant, machinery and vehicles - owned</u> £	<u>Computers and computer software - leased</u> £	<u>Computers and computer software - owned</u> £	<u>Total</u> £
COST						
At 1 February 1998	-	-	-	-	-	-
Additions	42,494	74,357	53,296	36,950	50,639	257,736
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 1999	42,494	74,357	53,296	36,950	50,639	257,736
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
DEPRECIATION						
At 1 February 1998	-	-	-	-	-	-
Charge for the year	-	7,289	4,910	6,550	6,492	25,241
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 1999	-	7,289	4,910	6,550	6,492	25,241
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK AMOUNT						
At 31 January 1999	42,494	67,068	48,386	30,400	44,147	232,495
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Fitting out costs relating to long leasehold property amounted to £42,494.

5 STOCKS

	<u>31 January 1999</u> £
New and used vehicles	2,648,580
Sundry stocks	<u>160,104</u>
	<hr/>
	2,808,684
	<hr/>

Included in new and used vehicles is £1,375,544 in respect of vehicles held on sale or return.

RON STRATTON (KNUTSFORD) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 JANUARY 1999 (CONTINUED)

6 DEBTORS

	<u>31 January 1999</u>
	£
Trade debtors	610,967
Amounts owed by parent undertaking	141,171
Other debtors	204,760
Prepayments	<u>56,636</u>
	1,013,534
	<u><u> </u></u>

7 CREDITORS: amounts falling due within one year

	<u>31 January 1999</u>
	£
Payments received on account	61,574
Stocking finance	1,224,780
Bank overdraft	12,768
Oil company loan	24,000
Trade creditors	2,260,329
Amounts owed to fellow subsidiaries	6,679
Corporation tax	37,116
Other taxes and social security	23,885
Obligations under finance leases and hire purchase contracts (Note 9)	10,000
Other creditors and accruals	<u>66,968</u>
	3,728,099
	<u><u> </u></u>

The stocking loans and bank borrowings of the company are secured by fixed and floating charges on the assets and undertakings of the company.

8 CREDITORS: amounts falling due after more than one year

	<u>31 January 1999</u>
	£
Amounts owed to parent undertaking	50,000
Oil company loan	165,833
Obligations under finance leases and hire purchase contracts (Note 9)	<u>12,500</u>
	228,333
	<u><u> </u></u>

The amount owed to parent undertakings represents a loan which the parent undertaking has indicated will not be repayable in the foreseeable future. Interest is payable at 2% over the Barclays Bank base rate.

RON STRATTON (KNUTSFORD) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 JANUARY 1999 (CONTINUED)

9 FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of the amounts due under finance leases and hire purchase contracts is as follows:

	<u>31 January 1999</u>
	£
Under one year	11,407
In the second to fifth year	14,259
Less interest	<u>(3,166)</u>
	22,500
	<u>=====</u>

Finance leases and hire purchase contracts are shown as:

Current obligations	10,000
Non-current obligations	<u>12,500</u>
	22,500
	<u>=====</u>

10 CALLED UP SHARE CAPITAL

	<u>31 January 1999</u>
	£
Authorised:	
Ordinary shares of £1 each	1,000
	<u>=====</u>
Allotted and fully paid:	
Ordinary shares of £1 each	2
	<u>=====</u>

11 PROFIT AND LOSS ACCOUNT

	£
Profit for the period	<u>88,298</u>
At 31 January 1999	88,298
	<u>=====</u>

RON STRATTON (KNUTSFORD) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 JANUARY 1999 (CONTINUED)

12 PROVISIONS FOR LIABILITIES AND CHARGES

	<u>31 January 1999</u> £
Deferred taxation:	
Profit and loss account (Note 3)	<u>10,731</u>
At 31 January 1999	<u>10,731</u>

Deferred taxation is fully provided at 30% in respect of liabilities arising from accelerated capital allowances and short term timing differences. No provision is made for deferred taxation assets.

	<u>31 January 1999</u> £
Accelerated capital allowances	
Short term timing differences	<u>10,731</u>
	<u>-</u>
	<u>10,731</u>

13 DIRECTORS' EMOLUMENTS

	<u>31 January 1999</u> £
Aggregate emoluments	<u>59,242</u>

On 29 January 1999 £17,404 was paid to Hallco 187 Limited, a company in which R Stratton has a shareholding. This was for the lease of land and buildings, the rent being determined at open market rates. No amounts were outstanding as at 31 January 1999.

14 CAPITAL COMMITMENTS

	<u>31 January 1999</u> £
Authorised and contracted for	<u>5,000</u>

15 CONTINGENT LIABILITIES

The company has guaranteed the bank borrowings of Ron Stratton and Co Limited. At 31 January 1999, these amounted to £Nil.

RON STRATTON (KNUTSFORD) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 JANUARY 1999 (CONTINUED)

16 OPERATING LEASE COMMITMENTS

At 31 January 1999 the company had annual commitments under operating leases as set out below:

	31 January 1999		
	Land and buildings £	Other £	Total £
Operating leases expiring:			
Within one year	-	20,188	20,188
In two to five years inclusive	<u>115,500</u>	<u>7,159</u>	<u>122,659</u>
	115,500	27,347	142,847
	<u> </u>	<u> </u>	<u> </u>

17 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	31 January 1999 £
Profit for the financial period	88,298
New shares issued	<u>2</u>
Net addition to shareholders' funds	88,300
Opening equity shareholders' funds	<u>-</u>
Closing equity shareholders' funds	<u>88,300</u>

18 PARENT UNDERTAKING

The ultimate parent undertaking and controlling party of the company is Ian Anthony (Holdings) Limited, a company registered in England and Wales. This is the parent of the only group for which consolidated financial statements are prepared and of which the company is a member. Copies of the consolidated financial statements may be obtained from:

Ian Anthony (Holdings) Limited
Carlton House
141-149 Bradshawgate
Bolton
BL2 1BP

RON STRATTON (KNUTSFORD) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 JANUARY 1999 (CONTINUED)

19 ACQUISITION

On 27 February 1998, the company acquired the Land Rover Business based at Knutsford previously operated by the Lex Retail Group Limited. The net assets acquired, to which no fair value adjustments were made, is as follows:

	Book and fair value £
Goodwill	1
Fixed assets	4
Stocks	244,778
Cash at bank and in hand	250
Prepayments	1,919
Accruals	<u>(23,985)</u>
Cash consideration	<u>222,967</u>

Under the business transfer agreement the employees of Lex Land Rover Knutsford transferred to Ron Stratton (Knutsford) Limited on substantially the same terms as they were previously employed. The business operates from a freehold site on Manchester Road, Knutsford, this site being acquired in December 1998 by another newly formed fellow subsidiary, Halico 187 Limited, for the sum of £950,000. The property concerned was simultaneously leased back to Ron Stratton (Knutsford) Limited over a 25 year period, the company having an option to break after 10 years.

20 RELATED PARTY TRANSACTIONS

Transactions with other companies within the group are not disclosed as the company has taken advantage of the exemption available under Financial Reporting Standard No. 8 "Related Party Disclosures". The consolidated financial statements of Ian Anthony (Holdings) Limited, in which the company is included, are available at the address noted above.

Transactions with directors are disclosed under Note 13, directors' emoluments.