

Company Registration No. 05576327 (England and Wales)

AUDI SOUTH WEST LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2007

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AUDI SOUTH WEST LIMITED

DIRECTORS AND ADVISERS

Directors	M A Small A W Russell D J Evans (Appointed 4 June 2007)
Secretary	D J Evans
Company number	05576327
Registered office	Priory Way Taunton Somerset TA1 2BB
Registered auditors	Albert Goodman Mary Street House Mary Street Taunton Somerset TA1 3NW
Bankers	Barclays Bank Plc Midlands Corporate Banking PO Box 3333 15 Colmore Row Birmingham B3 2WN
Solicitors	Clarke Willmott 1 Georges Square Bath Street Bristol BS1 6BA

AUDI SOUTH WEST LIMITED

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AUDI SOUTH WEST LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

The directors present their report and financial statements for the year ended 31 December 2007

Directors

The following directors have held office since 1 January 2007

M A Small

A W Russell

D J Evans

(Appointed 4 June 2007)

Principal activities and review of the business

The principal activity of the group continued to be that of the sale and servicing of new and used Audi vehicles

Background

Audi South West Limited operates five Audi franchises in Devon and Somerset. At our Audi centres in Exeter, Plymouth and Taunton we are authorised by Audi UK to sell new and used Audi passenger cars, act as an Audi Authorised Repairer and sell original Audi parts. Our franchises in Newton Abbot and Barnstaple are authorised to sell used Audi passenger cars, act as an Audi Authorised Repairer and sell original Audi parts. Audi UK has a network of around 120 franchised operations in the UK.

Audi South West Limited was formed in September 2005. Trading did not commence until April 2006 and the company was dormant prior to this time.

Audi South West negotiates its supply contract in respect of new Audi vehicles from Audi UK annually. Due to the nature of the franchise agreement with Audi UK, Audi South West cannot obtain new Audi vehicles from any source other than from another Audi franchisee.

As a franchisee of Audi AG, Audi South West relies on the manufacturer for the development of new products, and Audi AG relies on Audi South West to interact with the customer and supply Audi products and services to them.

New Products

2007 saw the launch by Audi of many new products, some of which were launched into sectors of the car market in which Audi had not previously competed - A5 was the major highlight of new Audi products in 2007 and provided a significant opportunity for increased sales. The opportunity for growth in sales volume was significant in 2007 and Audi South West exploited the availability of new and used Audi products to grow the number of new and used Audi vehicles it sold in 2007.

Audi AG continue to invest heavily in the development of new products. In 2008 more new products will be launched, the major opportunity being new A4, a model from which a large proportion of Audi's sales volume is derived. Audi will also be launching products into new sectors and replacing existing models, throughout 2008, 2009 and 2010.

Audi UK sold over 100,000 new units in the UK market in 2007, and expect to sell over 105,000 units in 2008. Audi South West expects to share in the growth of the Audi brand in 2008 and beyond.

Approved Used Cars

We invested heavily in providing additional used car display capacity in 2007. This resulted in a large rise in used car sales volume in 2007, with significant growth experienced at Exeter Audi, where average monthly sales volumes rose significantly.

AUDI SOUTH WEST LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

Service and Parts

A major part of our business is in aftersales - servicing Audi cars and supplying original parts to our customers. We experienced significant growth in service throughputs in 2007 due to growing levels of Audi vehicles being sold in prior years increasing the vehicle parc. We expect further growth in the number of aftersales customers we see in our business in 2008.

Parts sales to trade customers fell in 2007 due to the impact of our Trade Parts Specialist business opening in August 2007. Exeter Trade Parts Specialists LLP is a subsidiary of Audi South West Limited. The business operates an agency agreement for the sales of original Audi, Seat, Skoda and Volkswagen parts to trade customers. While the immediate impact on Audi South West parts sales was to reduce parts sales volume, there has been an overall growth in parts sales volume in the Trade Parts Specialist business.

Property

In 2007 we relocated our Exeter Audi business to new brand new facilities. The increase in sales and aftersales capacity has allowed the opportunity to properly serve the Exeter market and maximise the business opportunity in that area.

Ownership of the properties from which the businesses operates was as follows in 2007,

Exeter	- leasehold from unconnected third party
Plymouth	- leasehold from unconnected third party
Taunton	- leasehold from Silver Street Motors Limited
Newton Abbot	- freehold
Barnstaple	- leasehold from unconnected third party

Financial Performance

A summary of the key operational drivers of the business are shown below, along with a comparison of the previous trading period.

Key performance indicators - trading period 1 January 2007 to 31 December 2007

	2007 Full Year	2006 8 Months
New Audi vehicles sold	932	761
Market share	3%	1.9%
Used Audi vehicles sold	1026	961
Service throughputs	21480	13757

Definitions

New Audi vehicles sold is defined as the number of new Audi cars registered by Audi South West with the DVLA in the period.

Market share relates to Audi South West's new Audi sales in the retail new car market in the geographical area of Plymouth to Taunton and is expressed as a proportion of the total new car market in the area.

Used Audi vehicles sold is defined as the number of used Audi cars sold by Audi South West in the period.

Service throughputs is defined as the total number of vehicles attended to in the aftersales function of Audi South West in the period.

AUDI SOUTH WEST LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

Future Outlook

The UK car market is a competitive environment in which to operate. The overall UK car market has experienced a slow decline in recent years, but the prestige market in which Audi operates, and Audi itself, is outperforming this trend by experiencing significant growth in its new car sales in the UK.

We remain confident that the continued supply of new Audi product will enable Audi South West to experience growth over the coming years.

The new car and used car markets are susceptible to fluctuations in the wider economic climate. Many consumers rely on personal loans to fund their purchase. Changes in the economy affect the levels of consumer demand for new and used cars. We expect some uncertainty in the used car market throughout 2008 due to the effects of lower consumer confidence and the lack of availability of liquidity in the financial markets affecting consumers' access to credit.

Principal risks and uncertainties

The market for the sale of new and used cars is competitive and the sales opportunity for Audi South West is sensitive to the activities of other Audi franchisees, that of other manufacturers, the offers available from other brands in the market place and the behaviour of those brands in the local and national markets.

While Audi brand products are popular, supply is limited and lead times for new Audi cars are typically 60-90 days. Limitations as to supply affect potential growth as potential customers may purchase from elsewhere rather than wait for supply from Audi South West.

As stated above the business of new and used car sales is sensitive to the wider economic climate and demand may reduce should the economic conditions harden.

Notwithstanding these uncertainties the directors are confident that Audi South West can continue to experience growth throughout 2008.

Financial Instruments

The company's principal financial instruments comprise bank balances, bank overdrafts, trade creditors, trade debtors, loans to the company and financial lease agreements. The main purpose of these instruments is to raise funds for the company's operations and to finance the company's trading.

In respect of bank balances the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of overdrafts at floating rates of interest. The company makes use of money market facilities where funds are available.

In respect of loans these comprise loans from financial institutions. The interest rate on the loans from financial institutions is variable but the monthly repayments are fixed. The company manages the liquidity risk by ensuring there are sufficient funds to meet the payments.

The company is a lessee in respect of finance leased assets. The liquidity risk in respect of these is managed in the same way as loans above.

Trade debtors are managed in respect of credit and cash flow by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits.

Trade creditors' liquidity risk is managed by ensuring sufficient funds are available to meet the amounts due.

AUDI SOUTH WEST LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

Environmental Issues

'Green' issues may affect the wider UK car market as carbon emissions from motor vehicles are thought to contribute to global warming. Although the total amount of carbon emitted by motor vehicles in the UK represents a fraction of the total carbon output from the UK, there is a strong focus on car buyers to purchase a car with low carbon emissions.

Audi AG are focused on developing cars which balance carbon emissions from fuel with the whole life carbon footprint of manufacturing and disposing of the vehicle. The majority of a new Audi car is recyclable and efficient production processes are used where possible in the manufacture of each vehicle.

Audi AG are focusing on making further improvement to the fuel efficiency of their vehicles, particularly in the area of diesel fuel powered cars.

Audi South West takes its responsibility to the environment seriously. We dispose of all waste according to best practice where possible. Waste products are recycled where appropriate. Toxic or hazardous materials such as oil or anti-freeze removed during vehicle maintenance are removed from our sites and processed for safe disposal by our partners.

Employees

Audi South West is focused on being the most attractive motor retail employer in the local market. As such we are developing competitive training, reward and benefits packages for our employees. We also operate and monitor our equal opportunity policies to ensure equal access for all to vacancies and new positions.

Results and dividends

The consolidated profit and loss account for the year is set out on page 8.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Albert Goodman be reappointed as auditors of the company will be put to the Annual General Meeting.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the group's auditors are aware of that information.

On behalf of the board



Director

6 October 2008

AUDI SOUTH WEST LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2007

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDI SOUTH WEST LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AUDI SOUTH WEST LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Audi South West Limited for the year ended 31 December 2007 set out on pages 8 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 group's and 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.


AUDI SOUTH WEST LIMITED

**INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE SHAREHOLDERS OF AUDI SOUTH WEST LIMITED**

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and parent company's affairs as at 31 December 2007 and of the group's loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements


Albert Goodman
Chartered Accountants
Registered Auditor

7 October 2008

Mary Street House
Mary Street
Taunton
Somerset
TA1 3NW

AUDI SOUTH WEST LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Notes	2007 £	2006 £
Turnover	2	62,391,603	37,683,791
Cost of sales		(58,746,562)	(34,962,854)
Gross profit		3,645,041	2,720,937
Administrative expenses		(3,306,947)	(2,529,185)
Other operating income		125,000	125,000
Operating profit	3	463,094	316,752
Loss on group re-organisation		(222,381)	-
Profit on ordinary activities before interest		240,713	316,752
Interest payable and similar charges	4	(501,042)	(294,537)
(Loss)/profit on ordinary activities before taxation		(260,329)	22,215
Tax on (loss)/profit on ordinary activities	5	8,557	(14,427)
(Loss)/profit on ordinary activities after taxation		(251,772)	7,788

The profit and loss account has been prepared on the basis that all operations are continuing operations

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

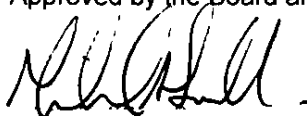
AUDI SOUTH WEST LIMITED

BALANCE SHEETS AS AT 31 DECEMBER 2007

	Notes	Group 2007 £	2006 £	Company 2007 £	2006 £
Fixed assets					
Tangible assets	7	2,021,955	535,343	1,959,360	535,343
Investments	8	-	-	1	-
		<u>2,021,955</u>	<u>535,343</u>	<u>1,959,361</u>	<u>535,343</u>
Current assets					
Stocks	9	7,739,918	6,393,755	7,739,918	6,393,755
Debtors amounts falling due within one year	10	1,277,073	1,357,296	1,350,617	1,357,296
Debtors amounts falling due after more than one year	10	75,050	208,283	75,050	208,283
Cash at bank and in hand		146,238	48,360	77,546	48,360
		<u>9,238,279</u>	<u>8,007,694</u>	<u>9,243,131</u>	<u>8,007,694</u>
Creditors amounts falling due within one year	11	<u>(10,632,724)</u>	<u>(8,457,753)</u>	<u>(10,605,859)</u>	<u>(8,457,753)</u>
Net current liabilities		<u>(1,394,445)</u>	<u>(450,059)</u>	<u>(1,362,728)</u>	<u>(450,059)</u>
Total assets less current liabilities		<u>627,510</u>	<u>85,284</u>	<u>596,633</u>	<u>85,284</u>
Creditors amounts falling due after more than one year	12	<u>(867,623)</u>	<u>(65,449)</u>	<u>(836,745)</u>	<u>(65,449)</u>
Provisions for liabilities	13	<u>(2,870)</u>	<u>(11,047)</u>	<u>(2,870)</u>	<u>(11,047)</u>
		<u>(242,983)</u>	<u>8,788</u>	<u>(242,982)</u>	<u>8,788</u>
Capital and reserves					
Called up share capital	15	1,001	1,000	1,001	1,000
Profit and loss account	16	(243,984)	7,788	(243,983)	7,788
Shareholders' funds	17	<u>(242,983)</u>	<u>8,788</u>	<u>(242,982)</u>	<u>8,788</u>

Approved by the Board and authorised for issue on

6 October 2008



M A Small
Director



A W Russell
Director

AUDI SOUTH WEST LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007**

	2007	2006
£	£	£
Net cash inflow from operating activities	1,104,837	120,879
Returns on investments and servicing of finance		
Interest paid	(501,042)	(294,537)
Net cash outflow for returns on investments and servicing of finance	(501,042)	(294,537)
Taxation	(3,000)	-
Capital expenditure		
Payments to acquire tangible assets	(1,429,243)	(40,196)
Receipts from sales of tangible assets	9,205	2,800
Net cash outflow for capital expenditure	(1,420,038)	(37,396)
Acquisitions and disposals		
Cost of businesses acquired (net of cash acquired)	-	(402,160)
Net cash outflow for acquisitions and disposals	-	(402,160)
Net cash outflow before management of liquid resources and financing	(819,243)	(613,214)
Financing		
Issue of ordinary share capital	1	1,000
New long term bank loan	187,549	-
Other new long term loans	940,000	-
Capital element of hire purchase contracts	(66,201)	(32,240)
Net cash inflow/(outflow) from financing	1,061,349	(31,240)
Increase/(decrease) in cash in the year	242,106	(644,454)

AUDI SOUTH WEST LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

1	Reconciliation of operating profit to net cash inflow from operating activities		2007	2006
			£	£
	Operating profit		463,094	316,752
	Depreciation of tangible assets		158,680	81,040
	Loss on disposal of tangible assets		-	572
	Increase in stocks		(1,346,163)	(716,960)
	Decrease/(increase) in debtors		213,456	(559,894)
	Increase in creditors within one year		1,838,151	999,369
	Loss on group re-organisation		(222,381)	-
	Net cash inflow from operating activities		1,104,837	(120,879)

2	Analysis of net debt	1 January 2007	Cash flow	Other non-cash changes	31 December 2007
		£	£	£	£
	Net cash				
	Cash at bank and in hand	48,360	97,878	-	146,238
	Bank overdrafts	(692,814)	144,228	-	(548,586)
		(644,454)	242,106	-	(402,348)
	Hire purchase contracts	(108,630)	252,857	(225,254)	(267,683)
	Debts falling due within one year	-	(431,250)	-	(431,250)
	Debts falling due after one year	-	(696,299)	-	(696,299)
		(108,630)	(874,692)	(225,254)	(1,395,232)
	Net debt	(753,084)	(632,586)	(411,910)	(1,797,580)

3	Reconciliation of net cash flow to movement in net debt	2007	2006
		£	£
	Increase/(decrease) in cash in the year	242,106	(644,454)
	Cash inflow from increase in debt	(874,692)	(108,630)
	Change in net debt resulting from cash flows	(632,586)	(753,084)
	New hire purchase contracts	(225,254)	-
	Movement in net debt in the year	(1,044,496)	(753,084)
	Opening net debt	(753,084)	-
	Closing net debt	(1,797,580)	(753,084)

AUDI SOUTH WEST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

1.2 Going concern

The group meets its day to day working capital requirements through a bank overdraft repayable on demand and a loan from an associated company

The directors prepare regular projected cash flow information and on the basis of this cash flow information and discussions with the group's bankers, the directors consider that the group will continue to operate within the facility currently agreed

However, the margin of facilities over requirements is not large and, inherently there can be no certainty in relation to these matters. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result from a withdrawal of the overdraft facility by the group's bankers or support of the associated company

1.3 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

1.4 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 2007. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation

1.5 Turnover

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

1.6 Tangible fixed assets and depreciation

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

Land and buildings Freehold	2% straight line (excluding land)
Land and buildings Leasehold	4 - 10% straight line
Plant and machinery	10 - 33% straight line
Fixtures, fittings & equipment	10 - 33% straight line
Motor vehicles	25 - 33% straight line

AUDI SOUTH WEST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

1 Accounting policies

(Continued)

1.7 Leasing and hire purchase commitments

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

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

1.8 Investments

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

1.9 Stock and work in progress

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

Consignment stocks are included in the balance sheet where in substance they are an asset of the group or of the company and to the extent that the group or company has access to the benefits of holding the stocks and exposure to the risks of ownership as if they were owned outright.

1.10 Pensions

The Group operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.11 Deferred taxation

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

2 Turnover

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

3 Operating loss

	2007	2006
	£	£
Operating loss is stated after charging		
Depreciation of tangible assets	158,680	81,040
Loss on disposal of tangible assets	-	572
Operating lease rentals	213,679	138,012
Auditors' remuneration (company £17,570, 2006 £12,900)	18,520	12,900
Fees payable to the group's auditor for the audit of the group's annual accounts (company £17,570, 2006 £12,900)	18,520	12,900

The exceptional item of £222,381 relates to the loss incurred on the group re-organisation undertaken on 31 December 2007 when the entire share capital of Hanjo Russell Ltd was acquired via a share for share exchange. The loss represents the net liabilities acquired by the group.

AUDI SOUTH WEST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

4	Interest payable	2007	2006
		£	£
	On bank loans and overdrafts	8,655	19,482
	Hire purchase interest	4,564	1,887
	Other interest	487,823	273,168
		<u>501,042</u>	<u>294,537</u>
5	Taxation	2007	2006
		£	£
	Domestic current year tax		
	U K corporation tax	-	3,380
	Adjustment for prior years	(380)	-
	Current tax charge	<u>(380)</u>	<u>3,380</u>
	Deferred tax		
	Origination and reversal of timing differences	(8,177)	11,047
		<u>(8,557)</u>	<u>14,427</u>
	Factors affecting the tax charge for the year		
	(Loss)/profit on ordinary activities before taxation	<u>(260,329)</u>	<u>22,215</u>
	(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20% (2006 - 19%)	<u>(52,066)</u>	<u>4,221</u>
	Effects of		
	Non deductible expenses	50,812	8,391
	Depreciation add back	30,506	15,506
	Capital allowances	(35,470)	(24,738)
	Adjustments to previous periods	(380)	-
	Other tax adjustments	6,218	-
		<u>51,686</u>	<u>(841)</u>
	Current tax charge	<u>(380)</u>	<u>(3,380)</u>

The company has estimated losses of £ 62,000 (2006 - £ 35,000) available for carry forward against future trading profits

AUDI SOUTH WEST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

6 (Loss)/profit for the financial year

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

	2007 £	2006 £
Holding company's (loss)/profit for the financial year	<u>(251,771)</u>	<u>7,788</u>

AUDI SOUTH WEST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

7 Tangible fixed assets Group

	Land and buildings Freehold £	Land and buildings Leasehold £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost						
At 1 January 2007	-	213,534	119,278	254,093	29,478	616,383
Additions	1,122,284	62,078	285,422	157,113	27,600	1,654,497
Disposals	-	-	-	-	(22,512)	(22,512)
At 31 December 2007	1,122,284	275,612	404,700	411,206	34,566	2,248,368
Depreciation						
At 1 January 2007	-	9,551	33,428	32,352	5,709	81,040
On disposals	-	-	-	-	(13,307)	(13,307)
Charge for the year	996	15,162	50,975	71,495	20,052	158,680
At 31 December 2007	996	24,713	84,403	103,847	12,454	226,413
Net book value						
At 31 December 2007	1,121,288	250,899	320,297	307,359	22,112	2,021,955
At 31 December 2006	-	203,983	85,850	221,741	23,769	535,343

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

	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Net book values				
At 31 December 2007	36,423	296,831	-	333,254
At 31 December 2006	-	101,838	-	101,838
Depreciation charge for the year				
31 December 2007	3,212	26,792	-	30,004
31 December 2006	-	5,336	-	5,336

AUDI SOUTH WEST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

Tangible fixed assets (continued)

Company

	Land and buildings Freehold £	Land and buildings Leasehold £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost						
At 1 January 2007	-	213,534	119,278	254,093	29,478	616,383
Additions	1,122,284	42,654	236,104	157,113	27,600	1,585,755
Disposals	-	-	-	-	(22,512)	(22,512)
At 31 December 2007	1,122,284	256,188	355,382	411,206	34,566	2,179,626
Depreciation						
At 1 January 2007	-	9,551	33,428	32,352	5,709	81,040
On disposals	-	-	-	-	(13,307)	(13,307)
Charge for the year	996	13,552	46,438	71,495	20,052	152,533
At 31 December 2007	996	23,103	79,866	103,847	12,454	220,266
Net book value						
At 31 December 2007	1,121,288	233,085	275,516	307,359	22,112	1,959,360
At 31 December 2006	-	203,983	85,850	221,741	23,769	535,343

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

	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Net book values				
At 31 December 2007	-	296,831	-	296,831
At 31 December 2006	-	101,838	-	101,838
Depreciation charge for the year				
31 December 2007	-	26,792	-	26,792
31 December 2006	-	5,336	-	5,336

AUDI SOUTH WEST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

8 Fixed asset investments Company

	Shares in group undertakings £
Cost	
At 1 January 2007	-
Additions	1
At 31 December 2007	1
Net book value	
At 31 December 2007	1

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

Holdings of more than 20%

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

Company	Country of registration or incorporation	Shares held	
		Class	%
Subsidiary undertakings			
Exeter Trade Parts Specialists LLP	England and Wales		98
Hanjo Russell Limited	England and Wales	Ordinary	100

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

	Principal activity
Exeter Trade Parts Specialists LLP	Motor parts sales
Hanjo Russell Limited	Dormant

9 Stocks and work in progress

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Vehicles on consignment	2,936,067	2,687,170	2,936,067	2,687,170
Parts and other stocks	293,298	348,580	293,298	348,580
Vehicles for resale	4,510,553	3,358,005	4,510,553	3,358,005
	<u>7,739,918</u>	<u>6,393,755</u>	<u>7,739,918</u>	<u>6,393,755</u>

AUDI SOUTH WEST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

10 Debtors

	Group 2007 £	2006 £	Company 2007 £	2006 £
Trade debtors	809,193	792,636	710,632	792,636
Amounts owed by group undertakings	-	-	189,344	-
Other debtors	108,574	392,299	105,722	392,299
Prepayments and accrued income	434,356	380,644	419,969	380,644
	<u>1,352,123</u>	<u>1,565,579</u>	<u>1,425,667</u>	<u>1,565,579</u>

Amounts falling due after more than one year and included in the debtors above are

	2007 £	2006 £	2007 £	2006 £
Other debtors	<u>75,050</u>	<u>208,283</u>	<u>75,050</u>	<u>208,283</u>

11 Creditors : amounts falling due within one year

	Group 2007 £	2006 £	Company 2007 £	2006 £
Bank loans and overdrafts	579,836	692,814	579,836	692,814
Net obligations under finance lease and hire purchase contracts	96,359	43,181	88,639	43,181
Trade creditors	8,557,857	6,774,320	8,554,819	6,774,320
Amounts owed to group undertakings	-	335,855	-	335,855
Amounts owed to associated companies	408,351	-	408,351	-
Corporation tax	-	3,380	-	3,380
Taxes and social security costs	351,059	331,708	351,059	331,708
Other creditors	409,129	10,583	409,129	10,583
Accruals and deferred income	230,133	265,912	214,026	265,912
	<u>10,632,724</u>	<u>8,457,753</u>	<u>10,605,859</u>	<u>8,457,753</u>

Included within trade creditors is a balance of £7,492,296 (2006 £5913,246) in relation to stocking loans that are secured on the company's vehicle stocks

The bank loan and overdraft are secured by a debenture over the company's assets and the bank overdraft is repayable on demand

The hire purchase liabilities are secured on the assets to which they relate

AUDI SOUTH WEST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

12 Creditors : amounts falling due after more than one year

	Group 2007 £	2006 £	Company 2007 £	2006 £
Bank loans	156,299	-	156,299	-
Other loans	540,000	-	540,000	-
Net obligations under finance leases and hire purchase agreements	171,324	65,449	140,446	65,449
	<u>867,623</u>	<u>65,449</u>	<u>836,745</u>	<u>65,449</u>
Analysis of loans				
Not wholly repayable within five years by instalments				
Bank loan	187,549	-	187,549	-
Wholly repayable within five years	940,000	-	940,000	-
	<u>1,127,549</u>	<u>-</u>	<u>1,127,549</u>	<u>-</u>
Included in current liabilities	(431,250)	-	(431,250)	-
	<u>696,299</u>	<u>-</u>	<u>696,299</u>	<u>-</u>
Loan maturity analysis				
In more than one year but not more than two years	231,250	-	231,250	-
In more than two years but not more than five years	433,750	-	433,750	-
In more than five years	31,299	-	31,299	-
	<u>696,299</u>	<u>-</u>	<u>696,299</u>	<u>-</u>

The bank loans are secured by a debenture over the company's assets and a cross group guarantee with Silver Street Motors Ltd, which was the parent company until 31 December 2007 when Silver Street Motors Ltd reduced its shareholding to 50%. The hire purchase liabilities are secured on the assets to which they relate.

AUDI SOUTH WEST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

13 Provisions for liabilities Group

	Deferred taxation £
Balance at 1 January 2007	11,047
Profit and loss account	(8,177)
Balance at 31 December 2007	<u>2,870</u>

Company

Balance at 1 January 2007	11,047
Profit and loss account	(8,177)
Balance at 31 December 2007	<u>2,870</u>

The deferred tax liability is made up as follows

	Group 2007 £	2006 £	Company 2007 £	2006 £
Accelerated capital allowances	<u>2,870</u>	<u>11,047</u>	<u>2,870</u>	<u>11,047</u>

14 Pension and other post-retirement benefit commitments

Defined contribution

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund.

	2007 £	2006 £
Contributions payable by the group for the year	<u>45,905</u>	<u>34,211</u>

AUDI SOUTH WEST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

15 Share capital	2007 £	2006 £
Authorised		
99,999 Ordinary shares of £1 each	99,999	100,000
1 Ordinary B shares of £1 each	1	-
	<u>100,000</u>	<u>100,000</u>
 Allotted, called up and fully paid		
1,000 Ordinary shares of £1 each	1,000	1,000
1 Ordinary B shares of £1 each	1	-
	<u>1,001</u>	<u>1,000</u>

During the year 1 £1 Ordinary B Share was issued at par in return for the entire share capital of Hanjo Russell Limited

The Ordinary B Share has specific rights to a dividend only on the sale of a specific freehold property for proceeds in excess of a specific amount. The calculation of the dividend is set out in the Articles of Association of the Company.

The holder of the Ordinary B Share is not entitled to receive notice of or to attend and vote at any general meeting of the Company.

On liquidation reserves available for distribution to share holders shall be distributed *pari passu* between the share holders as if they were one and the same class of share.

AUDI SOUTH WEST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

16 Statement of movements on profit and loss account Group

	Profit and loss account £
Balance at 1 January 2007	7,788
Loss for the year	(251,772)
Balance at 31 December 2007	<u>(243,984)</u>

Company

	Profit and loss account £
Balance at 1 January 2007	7,788
Loss for the year	(251,771)
Balance at 31 December 2007	<u>(243,983)</u>

17 Reconciliation of movements in shareholders' funds Group

	2007 £	2006 £
(Loss)/Profit for the financial year	(251,772)	7,788
Proceeds from issue of shares	1	1,000
Net (depletion in)/addition to shareholders' funds	<u>(251,771)</u>	<u>8,788</u>
Opening shareholders' funds	8,788	-
Closing shareholders' funds	<u>(242,983)</u>	<u>8,788</u>

	2007 £	2006 £
(Loss)/Profit for the financial year	(251,771)	7,788
Proceeds from issue of shares	1	1,000
Net (depletion in)/addition to shareholders' funds	<u>(251,770)</u>	<u>8,788</u>
Opening shareholders' funds	8,788	-
Closing shareholders' funds	<u>(242,982)</u>	<u>8,788</u>

AUDI SOUTH WEST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

18 Contingent liabilities

Company

The company has given an unlimited guarantee to the bankers of Silver Street Motors Limited and its subsidiary companies. At the balance sheet date bank borrowings of Silver Street Motors Limited and its subsidiaries were £1,502,934 (2006 £1,221,265)

19 Financial commitments

At 31 December 2007 the group had annual commitments under non-cancellable operating leases as follows

	Land and buildings	Other
	2007	2007
	£	£
Expiry date		
Between two and five years	17,500	36,815
In over five years	295,325	-
	<u>312,825</u>	<u>36,815</u>

At 31 December 2007 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings	Other
	2007	2007
	£	£
Expiry date		
Between two and five years	17,500	36,815
In over five years	295,325	-
	<u>312,825</u>	<u>36,815</u>

20 Directors' emoluments

	2007	2006
	£	£
Emoluments for qualifying services	<u>67,774</u>	<u>-</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2006- -)

AUDI SOUTH WEST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

21 Transactions with directors

The following directors had interest free loans during the year. The movement on these loans are as follows

	Amount outstanding		Maximum
	2007	2006	in year
	£	£	£
A W Russell	8,192	-	8,192

22 Employees

Number of employees

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

	2007 Number	2006 Number
Management and administration	51	49
Sales	45	43
Service and workshop	88	76
	184	168

Employment costs

	2007 £	2006 £
Wages and salaries	3,299,122	2,397,034
Social security costs	352,971	227,563
Other pension costs	45,905	34,211
	3,697,998	2,658,808

23 Control

Until 31 December 2007, the parent company was Silver Street Motors Limited. On this date the parent company reduced its shareholding to 50% and the directors consider that Silver Street Motors Ltd no longer has control of the company.

In the opinion of the Directors, there is now no controlling party of this company.

AUDI SOUTH WEST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

24 Related party transactions

Group and Company

During the year the company paid management charges of £100,000 (2006 £100,000) and rent of £218,000 (2006 £210,500) to Silver Street Motors Limited, which was the parent company until 31 December when it became a 50% shareholder. Included within sales and purchases are amounts of £48,569 (2006 £86,728) and £392,591 (2006 £125,091) respectively relating to trading activity with this company and its subsidiaries.

At the year end the group and company owed Silver Street Motors Limited £408,351 (2006 £335,585). This balance has been lent to the company on an interest free basis.

On 31 December 2007, the company acquired the share capital of Hanjo Russell Ltd from A W Russell, Director via a share for share exchange. The assets and liabilities of this company were transferred to Audi South West Ltd on purchase. The company paid management charges of £100,000 (2006 £75,000) and rent of £90,000 (2006 £67,500) to Hanjo Russell Limited during the year. This company had a participating interest in Audi South West Limited until 31 December 2007 and was controlled by A W Russell, a director of the company until this date. At the year end the company was owed £222,380 (2006 £133,823) by Hanjo Russell Limited and this balance has been fully provided for.

In order to secure the company's bank borrowings Silver Street Motors Limited has provided a composite guarantee and legal charge over properties owned by itself and its wholly owned subsidiaries to the bankers of Audi South West Limited.