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IAN SKELLY (MANCHESTER) LIMITED

ACCOUNTS - 31 DECEMBER 1989



IAN SKELLY (MANCHESTER) LIMITED  
REPORT OF THE DIRECTORS FOR THE YEAR ENDED  
31 DECEMBER 1989

1 The directors present herewith the audited accounts for the year ended 31 December 1989.

Review of activities

2 The profit and loss account for the year is set out on page 5.

3 The company started trading during the year and is involved principally in the sale and service of motor vehicles. Both the level of business and the year end financial position were satisfactory and the directors expect that the present level of activity will at least be sustained for the foreseeable future.

Stocks and depreciation

4 On 28 September 1989 the company was acquired by Appleyard Group PLC. Rates of depreciation of tangible fixed assets have been standardised with those adopted by member companies of the Appleyard Group. Stocks of used vehicles have been valued in accordance with normal industry practice.

Dividends

5 The directors do not recommend the payment of a dividend in respect of the year ended 31 December 1989 (1988: £Nil).

Directors

6 The directors of the company, all of whom have been directors for the whole of the year ended 31 December 1989, except where stated, are:-

Mr M G Williamson	- appointed 28 September 1989 (Chairman)
Mr J M Stuart	- appointed 28 September 1989
Mr J R Atkin	- appointed 28 September 1989
Mr D J Healey	- appointed 28 September 1989
Mr J P O'Donnell	- appointed 3 October 1989
Mr D O Houston	- appointed 3 October 1989
Mr I B Skelly	- resigned 28 September 1989
Mrs M R Skelly	- resigned 28 September 1989

Mr D O Houston resigned as a director on 16 February 1990.

IAN SKELLY (MANCHESTER) LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED  
31 DECEMBER 1989 (continued)

Directors' interests in shares of the company

7 According to the register required to be kept by Section 325 of the Companies Act 1985, the directors had no interest in the shares of the company and their interest in the shares of Appleyard Group PLC were as set out below:-

	<u>Appleyard Group PLC:</u>			
	<u>At 31 December 1989</u>		<u>At date of appointment</u>	
	<u>Ordinary shares</u>	<u>Options</u>	<u>Ordinary shares</u>	<u>Options</u>
	<u>of 10p each</u>		<u>of 10p each</u>	
Mr D J Healey	825	-	825	-
Mr J P O'Donnell	-	45,000	-	-

As permitted by Statutory Instrument, the register does not include shareholdings of directors who are also directors of Appleyard Group PLC and whose interests are shown in the accounts of that company.

Changes in fixed assets

8 The movements in fixed assets during the year are set out in note 7 to the accounts.

Share capital

9 During the year, the ordinary share capital of the company was increased to £250,000 by the issue of 249,998 ordinary shares of £1 each, at par, to finance the working capital of the company.

IAN SKELLY (MANCHESTER) LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED  
31 DECEMBER 1989 (continued)

Close company provisions

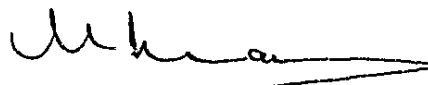
10 In the opinion of the directors the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company and there has been no change in this respect since 31 December 1989.

Auditors

11 Our auditors Coopers & Lybrand are in the process of merging their practice with Deloitte Haskins & Sells and in the meantime have adopted Coopers & Lybrand Deloitte as their business name. They have signed the auditors' report in their new name. A resolution to reappoint Coopers & Lybrand Deloitte as the company's auditors will be proposed at the annual general meeting.

BY ORDER OF THE BOARD

HARROGATE: 22 February 1990

  
Secretary

REPORT OF THE AUDITORS TO THE MEMBERS OF  
IAN SKELLY (MANCHESTER) LIMITED

We have audited the accounts set out on pages 5 to 15 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1989 and of its loss and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Coopers & Lybrand Deloitte*

Glasgow: 22 February 1990

Chartered Accountants

IAN SKELLY (MANCHESTER) LIMITED  
PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 1989

	<u>Notes</u>	<u>1989</u> £'000	<u>1988</u> £'000
TURNOVER	1(c)	11,002	-
Cost of Sales		(9,778)	-
		<hr/>	<hr/>
Gross profit		1,224	-
Distribution and selling costs		(1,022)	-
Administrative expenses		(837)	(11)
		<hr/>	<hr/>
Operating loss	2	(635)	(11)
Interest payable and similar charges	5	(240)	(1)
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION		(875)	(12)
		<hr/>	<hr/>

STATEMENT OF ACCUMULATED LOSSES

ACCUMULATED LOSSES BROUGHT FORWARD	(12)	-
ACCUMULATED LOSSES FOR THE YEAR	(875)	(12)
	<hr/>	<hr/>
ACCUMULATED LOSSES CARRIED FORWARD	(887)	(12)
	<hr/>	<hr/>

The notes on pages 8 to 15 form part of these accounts.

Auditors' report - page 4

IAN SKELLY (MANCHESTER) LIMITEDBALANCE SHEET - 31 DECEMBER 1989

	<u>Notes</u>	<u>1989</u>		<u>1988</u>	
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b>FIXED ASSETS</b>					
Tangible assets	7		5,051		779
<b>CURRENT ASSETS</b>					
Stocks	8	2,268		-	
Debtors	9	532		18	
Cash at bank and in hand		4		-	
		<u>2,804</u>		<u>18</u>	
<b>CREDITORS: amounts falling due within one year</b>	10	<u>(5,125)</u>		<u>(132)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(2,321)</u>		<u>(114)</u>
Total assets less current liabilities			2,730		665
<u>Less: Non-current liabilities</u>					
<b>CREDITORS: amounts falling due after more than one year</b>	11		<u>(2,042)</u>		<u>(677)</u>
			<u>688</u>		<u>(12)</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	12	250		-	
Revaluation reserve	13	1,325		-	
Profit and loss account		<u>(887)</u>		<u>(12)</u>	
		<u>688</u>		<u>(12)</u>	

These accounts were approved by the board on 22 February 1990.

 Directors

The notes on pages 8 to 15 form part of these accounts.

Auditors' report - page 4

IAN SKELLY (MANCHESTER) LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED 31 DECEMBER 1989

	<u>1989</u>		<u>1988</u>	
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
SOURCE OF FUNDS				
Loss before taxation		(875)		(12)
Adjustment for item not involving movement of funds:				
Depreciation of tangible fixed assets		64		-
TOTAL APPLIED TO OPERATIONS		<u>(811)</u>		<u>(12)</u>
FUNDS FROM OTHER SOURCES:				
Loans advanced	2,101		-	
Increase in obligations under hire purchase contract	45		-	
Issue of shares	250		-	
	<u>        </u>	2,396	<u>        </u>	-
		<u>1,585</u>		<u>(12)</u>
APPLICATION OF FUNDS				
Purchase of tangible fixed assets		(3,011)		(779)
DECREASE IN WORKING CAPITAL		<u>(1,426)</u>		<u>(791)</u>
REPRESENTED BY:				
Stocks	2,268		-	
Debtors	514		18	
Creditors falling due within one year (excluding taxation and bank overdraft)	(3,829)		(697)	
		(1,047)		(679)
Movement in net liquid funds:				
Cash at bank and in hand	4		-	
Bank overdraft	(383)		(112)	
		<u>(379)</u>		<u>(112)</u>
		<u>(1,426)</u>		<u>(791)</u>



IAN SKELLY (MANCHESTER) LIMITEDNOTES TO THE ACCOUNTS - 31 DECEMBER 1989Principal accounting policies

1 The accounts have been prepared under the historical cost convention as modified by the revaluation of land and buildings. A summary of the more important accounting policies is set out below.

(a) Depreciation

Depreciation is calculated so as to write off the difference between cost and estimated realisable value of fixed assets by equal annual instalments over their expected useful lives which are considered to be:-

Freehold buildings - up to a maximum of eighty years.  
Motor vehicles - up to a maximum of four years.  
Plant and equipment - seven years.

Leasehold land and buildings are amortised over the period of the lease. Freehold land is not depreciated.

(b) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value.

(c) Turnover

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

(d) Taxation

The charge for taxation is based on the profit for the year as adjusted for disallowable items and other permanent differences. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the accounts. Provision is made at the corporation tax rate which is expected to be applied when the liability or asset is expected to crystallise.

IAN SKELLY (MANCHESTER) LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1989 (Continued)

Principal accounting policies (continued)

(e) Finance and operating leases

Costs in respect of operating leases are charged in arriving at the operating profit. Assets held under finance leases and hire purchase contracts are capitalised and depreciated over the period of the lease. The corresponding leasing commitments are shown as obligations to the lessor. The finance charges are charged to the profit and loss account using the sum of the digits method.

Operating loss

2 Operating loss is stated after charging:-

	<u>1989</u> £'000	<u>1988</u> £'000
Auditors' remuneration	12	17
Hire of plant and equipment	-	5
Depreciation of tangible fixed assets	<u>64</u>	<u>101</u>

Directors' emoluments

3 The directors did not receive any emoluments from the company in respect of the year ended 31 December 1989.

Employee information

4(a) The average number of persons, including executive directors, employed by the company during the year is analysed below:-

	<u>1989</u>	<u>1988</u>
Servicing	20	-
Selling and distribution	78	-
Administration	32	-
	<u>130</u>	<u>-</u>

IAN SKELLY (MANCHESTER) LIMITEDNOTES TO THE ACCOUNTS - 31 DECEMBER 1989 (Continued)Employee information (continued)

(b) Employment costs of all employees included above:-

	<u>1989</u> £'000	<u>1988</u> £'000
Aggregate gross wages and salaries	816	-
Employer's national insurance contributions	79	-
	<u>895</u>	<u>-</u>

(c) The number of employees whose emoluments were in excess of £30,000 were within the ranges:-

	<u>1989</u>	<u>1988</u>
£30,001 to £35,000	1	-

Interest payable and similar charges

	<u>1989</u> £'000	<u>1988</u> £'000
5		
On sums wholly repayable within five years:		
Bank loans and overdrafts	15	1
Finance leases and hire purchase contracts	4	-
Vehicle stocking finance	131	-
Other loans wholly repayable after 5 years	90	-
	<u>240</u>	<u>1</u>

Taxation

6 There is no charge for corporation tax in respect of the year ended 31 December 1989.

IAN SKELLY (MANCHESTER) LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1989 (Continued)

Tangible fixed assets

7	Leasehold Land and buildings £'000	Plant and Equipment £'000	Motor vehicles £'000	Total £'000
<b>COST OR VALUATION</b>				
At 1 January 1989	776	3	-	779
Additions	2,571	423	17	3,011
Revaluation adjustment	1,325	-	-	1,325
At 31 December 1989	<u>4,672</u>	<u>426</u>	<u>17</u>	<u>5,115</u>
<b>DEPRECIATION</b>				
At 1 January 1989	-	-	-	-
Charge for year	22	37	5	64
At 31 December 1989	<u>22</u>	<u>37</u>	<u>5</u>	<u>64</u>
<b>NET BOOK VALUE</b>				
At 31 December 1989	<u>4,650</u>	<u>389</u>	<u>12</u>	<u>5,051</u>
At 31 December 1988	<u>776</u>	<u>3</u>	<u>-</u>	<u>779</u>

(a) Land and buildings were valued on the basis of existing use open market valuation at 30 September 1989 by Knight, Frank and Rutley, Chartered Surveyors resulting in a surplus of £1,325,000 over book value.

The historical cost and related depreciation of these properties at 31 December 1989 is set out below:-

	£'000
Cost	3,347
Accumulated depreciation	(22)
Net book value	<u>3,325</u>

(b) Included within plant and equipment are assets held under finance leases and hire purchase contracts with a net book value of £46,000 (1988: £Nil).

IAN SKELLY (MANCHESTER) LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1989 (Continued)

Stocks

8 The amounts attributable to the different categories are as follows:

	<u>1989</u> £'000	<u>1988</u> £'000
Vehicles	2,017	-
Parts and other stocks	251	-
	<u>2,268</u>	<u>-</u>

Debtors

	<u>1989</u> £'000	<u>1988</u> £'000
Trade debtors	201	-
Amounts owed by holding company and fellow subsidiaries	264	5
Other debtors	44	13
Prepayments and accrued income	23	-
	<u>532</u>	<u>18</u>

All the above amounts are due within one year.

Creditors: amounts falling due within one year

	<u>1989</u> £'000	<u>1988</u> £'000
Bank loans and overdrafts	383	-
Payments received on account	167	112
Trade creditors	729	-
Amounts owed to holding company and fellow subsidiaries	22	-
Other creditors including taxation and social security ((a) below)	45	-
Accruals and deferred income	1,022	20
Vehicle stock finance ((b) below)	1,976	-
Obligations under finance leases and hire purchase contracts	11	-
Other loans	770	-
	<u>5,125</u>	<u>132</u>

IAN SKELLY (MANCHESTER) LIMITEDNOTES TO THE ACCOUNTS - 31 DECEMBER 1989 (Continued)Creditors: amounts falling due within one year (continued)

(a) 'Other creditors including taxation and social security' is made up as follows:

	<u>1989</u> £'000	<u>1988</u> £'000
PAYE and NIC contributions	45	-

(b) The vehicle stocking finance is secured by a fixed charge over any deposit monies with VAG, and on all new cars on consignment, plus a first floating charge over used car stock and a floating charge over all other assets.

Creditors: amounts falling due after more than one year

	<u>1989</u> £'000	<u>1988</u> £'000
11		
Other loans	2,008	677
Obligations under finance leases and hire purchase contracts	34	-
	<u>2,042</u>	<u>677</u>

Obligations under finance leases and hire purchase contracts all fall due for payment within five years and include amounts falling due after 31 December 1991 of £23,000.

Called up share capital

	<u>Ordinary shares of £1 each</u>	
	<u>1989</u>	<u>1988</u>
12		
Authorised:		
Number	250,000	250,000
Amount	£250,000	£250,000
Allotted, called up and fully paid:		
Number	250,000	2
Amount	£250,000	£2

During the year, 249,998 ordinary £1 shares were issued at par to finance the working capital of the company.

IAN SKELLY (MANCHESTER) LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1989 (Continued)

Revaluation reserve

13 The revaluation reserve arises as a consequence of carrying interests in land and buildings in the balance sheet at a revaluation as stated in note 7(a). There is a potential liability to tax on the surplus of £400,000. There is no intention to sell the property on which the revaluation arises and therefore the potential tax liability has not been provided.

Financial commitments and contingent liabilities

14(a) Capital expenditure

	<u>1989</u> £'000	<u>1988</u> £'000
Expenditure contracted for Approved by the directors but not yet contracted for	4 -	1,322 967
Approved expenditure outstanding	<u>4</u>	<u>2,289</u>

(b) Lease commitments

The company has entered into non-cancellable operating lease commitments and the total annual rental payable under these arrangements in the next year is as follows:-

	<u>Plant and machinery</u> £'000
Date of lease termination:	
Within one year	6
More than one year but within five years	23
After five years	5
	<u>34</u>

IAN SKELLY (MANCHESTER) LIMITEDNOTES TO THE ACCOUNTS - 31 DECEMBER 1989 (Continued)Group banking arrangements

15 The company has given unlimited cross guarantees in favour of other group companies. At 31 December 1989 the amount outstanding under the group banking arrangements was approximately £2,180,000.

Ultimate Holding Company

16 The ultimate holding company is Appleyard Group PLC, a company incorporated in Great Britain.