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A A Clark Limited
REPORT AND FINANCIAL STATEMENTS

31 December 1998



A A Clark Limited

DIRECTORS AND OFFICERS

DIRECTORS

P Newton
RJ Clark
GI Nicholson
DA Grayson
TW Kirby
AC Owen
P Fagg

SECRETARY

DA Grayson

REGISTERED OFFICE

17/19 Alma Road
Windsor
Berkshire

AUDITORS

Baker Tilly
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

A A Clark Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of A A Clark Limited for the year ended 31 December 1998.

PRINCIPAL ACTIVITIES

The principal activities of the company during the year were those of garage proprietors, motor car distributors and motor car hirers.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The expansion into Bracknell has enabled profits to improve significantly in 1998. With the continued development of Bracknell the company is expected to achieve further growth in 1999.

DIVIDENDS

The directors recommend a dividend on the ordinary shares of 13.33p per share (amounting to £400,000).

MARKET VALUE OF LAND AND BUILDINGS

The directors consider that there is no significant difference between the value of land and buildings as shown in the balance sheet and market value.

DIRECTORS

The directors of the company at 31 December 1998 were as follows:

P. Newton
RJ Clark
GI Nicholson
DA Grayson
TW Kirby
AC Owen
P Fagg

No director had any interest in the shares of the company.

P Newton, RJ Clark, GI Nicholson and DA Grayson are directors of the ultimate parent company, Aureole Investments Limited, and their interests in the shares of that company are disclosed in that company's financial statements.

ENVIRONMENTAL POLICY

It is the policy of the company that, in its operation, due regard and care be taken of the effects on the environment of its working processes, practices and procedures.

TAXATION STATUS

The company is a close company within the provisions of the Income and Corporation Taxes Act 1988.

A A Clark Limited

DIRECTORS' REPORT

YEAR 2000 COMPLIANCE

The problems associated with computer and digital systems using data which can accommodate the Year 2000 and beyond are well publicised. This is a complex and pervasive issue and the operation of our business not only depends on our own systems but also to some degree on those of our suppliers, bankers, customers and anyone else associated with our business. This could expose us to risks in the event that there is a failure by other parties to address their own Year 2000 issues.

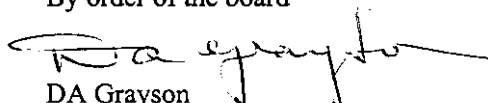
The directors believe that the potential risks to the business have been reviewed and reasonable steps have or are being taken to deal with the Year 2000 issues within the company.

The costs to date associated in dealing with the above issues have been absorbed within the normal running costs of the business and no significant further costs are expected to be incurred.

AUDITORS

A resolution to reappoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

By order of the board



DA Grayson
Secretary

20 July 1999

A A Clark Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- d. 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 requirements of 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.

AUDITORS' REPORT TO THE MEMBERS OF A A CLARK LIMITED

We have audited the financial statements on pages 6 to 17 which have been prepared under the historical cost convention as modified by the revaluation of land and buildings and the accounting policies as set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.


Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BAKER TILLY

Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

20 July 1999

A A Clark Limited
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1998

	<i>Notes</i>	Continuing operations 1998 £	Acquisitions 1998 £	Total 1998 £	1997 £
TURNOVER	1	18,967,749	1,368,089	20,335,568	16,713,528
Cost of sales	2	(16,853,716)	(844,889)	(17,698,605)	(14,780,065)
Gross profit		2,113,763	523,200	2,636,963	1,933,463
Distribution costs		(271,800)	(13,226)	(285,026)	(245,865)
Administrative expenses	3	(1,740,832)	(415,621)	(2,156,453)	(1,574,882)
OPERATING PROFIT		101,131	94,353	195,484	112,716
Income from shares in group undertakings				325,000	-
				520,484	112,716
Interest payable	4			(104,930)	(67,596)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION				415,554	45,120
Tax on profit on ordinary activities	6			11,000	(7,000)
PROFIT FOR THE FINANCIAL YEAR				426,554	38,120
Dividends	7			(400,000)	-
PROFIT FOR THE YEAR	18			26,554	38,120

The operating profit for the year arises from the company's continuing operations.

No separate statement of total recognised gains and losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

A A Clark Limited

BALANCE SHEET

31 December 1998

	Notes	1998 £	1997 £
FIXED ASSETS			
Tangible assets	8	2,925,193	2,969,972
Investments	9	3,000,000	3,000,000
		<u>5,925,193</u>	<u>5,969,972</u>
CURRENT ASSETS			
Vehicles	10	449,699	452,838
Stocks	11	1,965,387	1,602,006
Debtors - amounts due within one year	12	1,188,219	1,612,451
Debtors - due after more than one year	12	1,391,304	-
Cash at bank and in hand		21,958	15,807
		<u>5,016,567</u>	<u>3,683,102</u>
CREDITORS: Amounts falling due within one year	13	<u>(4,071,032)</u>	<u>(3,011,506)</u>
NET CURRENT ASSETS		<u>945,535</u>	<u>671,596</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,870,728</u>	<u>6,641,568</u>
CREDITORS: Amounts falling due after more than one year	14	<u>(1,691,309)</u>	<u>(1,477,703)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	15	<u>(33,000)</u>	<u>(44,000)</u>
		<u>5,146,419</u>	<u>5,119,865</u>
CAPITAL AND RESERVES			
Called up share capital	16	3,003,550	3,003,550
Revaluation reserve	17	1,536,736	1,536,736
Profit and loss account	18	606,133	579,579
SHAREHOLDERS' FUNDS		<u>5,146,419</u>	<u>5,119,865</u>

Approved by the board on 20 July 1999

P Newton - Director

RJ Clark - Director

A A Clark Limited

ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards.

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

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention modified to include the revaluation of freehold properties.

TANGIBLE FIXED ASSETS

Depreciation is provided on all tangible fixed assets other than freehold land at rates calculated to write each asset down to its estimated residual value over its expected useful life, as follows:-

Leasehold properties	over the remaining terms of the lease
Plant and machinery	20% reducing balance
Motor vehicles	on a straight line basis over an average of 2 years.

Depreciation is not provided in respect of freehold properties as it is the company's policy to maintain the buildings to a high standard, and, because of this, such properties maintain residual disposal values in aggregate at least equal to their book values.

The company's appraisal of residual values is based on prices prevailing at the time of acquisition or subsequent valuation of the property in question. Provision is made in the profit and loss account in the event of the occurrence of any permanent diminution in property values.

Freehold land and buildings are stated at revalued amounts.

VEHICLES

Vehicles held for hire are included in the balance sheet under current assets at cost less accumulated depreciation.

Depreciation on vehicles held for hire is provided on a straight line basis over an average of 2 years.

INVESTMENTS

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

STOCKS

Stocks are valued on a first in, first out basis at the lower of cost and net realisable value.

Cost includes all expenditure incurred in the normal course of business in bringing stocks to their present location and condition.

Net realisable value is based on the estimated selling price less further costs expected to be incurred up to subsequent disposal.

Stocks legally owned by the manufacturer, but held by the company on terms that give a right to sell the stocks in the normal course of business, are treated as assets of the company. The stocks together with the corresponding liability to the manufacturer are recognised in the financial statements at the time of delivery.

HIRE PURCHASE OBLIGATIONS

Assets held under hire purchase agreements and the related obligations are recorded in the balance sheet at the fair value of the assets at the inception of the agreements. The excess of the payments over the recorded obligations are treated as finance charges. The finance charges are allocated to accounting periods to give a constant rate of charge on the remaining balance of the obligation.

A A Clark Limited

ACCOUNTING POLICIES

DEFERRED TAXATION

Provision is made for taxation deferred or accelerated by the effect of timing differences, to the extent that it is probable that a liability will crystallise, at the rate expected to be ruling at that date.

PENSIONS CONTRIBUTIONS

The company participates in a defined contribution pension scheme operated on a group basis covering the majority of the permanent employees. Pension costs charged against profits represent amounts payable to the scheme in respect of the year.

TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers.

A A Clark Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1998

1 TURNOVER

The turnover of the company during the year covered by these financial statements was made in the same geographical area.

The turnover derives from the same class of business which is more particularly described in the directors' report.

2	COST OF SALES	1998	1997
		£	£
	Cost of sales includes:-		
	Depreciation - own assets	179,338	164,370
	- assets held under hire purchase contracts	57,025	29,975
	Loss/(profit) on sale of fixed assets and hire vehicles	(3,289)	2,996
		<hr/>	<hr/>
3	ADMINISTRATIVE EXPENSES	1998	1997
		£	£
	Administrative expenses include:-		
	Depreciation - own assets	67,050	65,250
	- assets held under hire purchase contracts	16,450	7,950
	(Profit)/loss on sale of fixed assets and hire vehicles	(3,573)	(9,722)
	Auditors' remuneration	9,600	7,800
		<hr/>	<hr/>
4	INTEREST PAYABLE	1998	1997
		£	£
	Interest payable comprises:		
	Interest on bank loans and overdrafts	27,276	13,463
	Finance charges on hire purchase obligations	60,072	42,143
	Interest on other loans	17,582	11,990
		<hr/>	<hr/>
		104,930	67,596
		<hr/>	<hr/>

A A Clark Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1998

		1998 No.	1997 No.
5	EMPLOYEES		
	The average monthly number of persons (including directors) employed by the company during the year was:		
	Office and management	37	31
	Sales	6	5
	Other	80	44
		<u>123</u>	<u>80</u>
		1998 £	1997 £
	Staff costs for the above persons:		
	Wages and salaries	1,632,276	1,178,647
	Social security costs	149,577	105,129
	Other pension costs	38,571	31,138
		<u>1,820,424</u>	<u>1,314,914</u>
		1998 £	1997 £
	Directors emoluments	<u>Nil</u>	<u>Nil</u>
		1998 £	1997 £
6	TAXATION		
	Based on the profit for the year:		
	Deferred tax (release)/provision	<u>(11,000)</u>	<u>7,000</u>
		1998 £	1997 £
7	DIVIDENDS		
	Proposed - 13.33p per share (1997 - NIL)	<u>400,000</u>	<u>-</u>

A A Clark Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1998

8 TANGIBLE FIXED ASSETS

	<i>Land and buildings</i> £	<i>Plant and machinery</i> £	<i>Motor vehicles</i> £	<i>Total</i> £
Cost or valuation				
1 January 1998	2,377,877	613,922	393,797	3,385,596
Additions	-	73,446	327,330	400,776
Disposals	-	(20,000)	(351,422)	(371,422)
31 December 1998	2,377,877	667,368	369,705	3,414,950
Depreciation				
1 January 1998	-	350,944	64,680	415,624
Charged in the year	12,003	67,285	83,500	162,788
Disposals	-	(20,000)	(68,655)	(88,655)
31 December 1998	12,003	398,229	79,525	489,757
Net book value				
31 December 1998	2,365,874	269,139	290,180	2,925,193
31 December 1997	2,377,877	262,978	329,117	2,969,972

The net book value of the company's fixed assets includes £121,319 (1997 - £77,280) in respect of assets held under hire purchase contracts.

Cost or valuation at 31 December 1998 is represented by:

Valuation in 1992	1,250,000	-	-	1,250,000
Valuation in 1986	525,000	-	-	525,000
Cost	602,877	667,368	369,705	1,639,950
	2,377,877	667,368	369,705	3,414,950

Certain of the company's freehold land and buildings were revalued at their open market values at 31 December 1992 by the directors.

Land and buildings at net book value comprise:-

	1998 £	1997 £
Freehold	2,137,813	2,137,813
Long leasehold	228,061	240,064
	2,365,874	2,377,877

The historical cost of freehold property stated at valuation is £238,264 (1997 - £238,264).

A A Clark Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1998

9	INVESTMENTS	<i>Subsidiary undertakings £</i>
	Cost	
	1 January 1998 and 31 December 1998	3,000,000
	Provision for diminution in value	
	1 January 1998 and 31 December 1998	-
	Net book value	
	31 December 1998	3,000,000
	31 December 1997	3,000,000

The company holds 100% of the equity of Windsor Vehicle Leasing Limited, a company registered in England and Wales whose activities are those of motor vehicle lessors.

The company is exempt from the requirement to prepare group accounts since its immediate parent, Aureole Investments Limited, is incorporated in Great Britain and registered in England and Wales.

10	VEHICLES	
	Cost	
	1 January 1998	524,163
	Additions	727,739
	Disposals	(704,428)
	1 January 1998	547,474
	Depreciation	
	31 December 1997	71,325
	Charge for the year	157,075
	Disposals	(130,625)
		97,775
	Net book value	
	31 December 1998	449,699
	31 December 1998	452,838

The net book value of vehicles held for hire includes £372,142 (1997 - £248,036) in respect of assets held under hire purchase contracts.

A A Clark Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1998

	1998	1997
	£	£
11 STOCKS		
Finished goods and goods for resale	1,965,387	1,602,006

The replacement value of stocks is not materially greater than the balance sheet value.

Where vehicles on consignment are deemed in substance to be assets of the company they have been included in stocks. The company has included £1,060,945 (1997 - £853,627) of consignment stock in finished goods and a corresponding amount in trade creditors.

	1998	1997
	£	£
12 DEBTORS		
Due within one year:		
Trade debtors	1,076,066	734,262
Amounts owed by group undertakings	-	826,200
Other debtors	30,747	6,759
Prepayments	81,406	45,230
	<u>1,188,219</u>	<u>1,612,451</u>
Due after more than one year		
Amounts owed by group undertakings	1,391,304	-
	<u>2,579,523</u>	<u>1,612,451</u>

	1998	1997
	£	£
13 CREDITORS: Amounts falling due within one year		
Bank loans and overdrafts	1,167,071	1,017,959
Trade creditors	1,634,513	1,297,327
Dividends payable	400,000	-
Other taxation and social security costs	75,029	117,375
Hire purchase loans	706,986	484,819
Accruals	87,433	94,026
	<u>4,071,032</u>	<u>3,011,506</u>

Bank loans and overdrafts included above are secured by way of a floating charge over the company's assets.

Hire purchase loans are secured on certain motor vehicles.

Trade creditors include £1,060,945 (1997 : £853,627) in respect of vehicles on consignment that are deemed in substance to be assets of the company.

A A Clark Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1998

		1998 £	1997 £		
14	CREDITORS: Amounts falling due after more than one year				
	Amounts owed to group undertakings	1,691,309	1,477,703		
15	PROVISIONS FOR LIABILITIES AND CHARGES				
	<i>Amount provided</i>	<i>Unprovided liability</i>			
	1998 £	1997 £	1998 £		
	1997 £	1998 £	1997 £		
	Excess of tax allowances over depreciation	38,000	48,000	26,000	29,000
	Other timing differences	(5,000)	(4,000)	-	-
	Tax on revaluation surplus	-	-	414,000	431,000
	Capital gain on subsidiary acquired from group company	-	-	900,000	930,000
		33,000	44,000	1,340,000	1,390,000
16	SHARE CAPITAL			1998 £	1997 £
	Authorised:				
	Ordinary shares of £1 each			3,000,050	3,000,050
	Deferred shares of 50p each			3,500	3,500
				3,003,550	3,003,550
	Allotted, issued and fully paid:				
	Ordinary shares of £1 each			3,000,050	3,000,050
	Deferred shares of 50p each			3,500	3,500
				3,003,550	3,003,550
17	REVALUATION RESERVE			1998 £	1997 £
	1 January 1998 and 31 December 1998			1,536,736	1,536,736
18	PROFIT AND LOSS ACCOUNT			1998 £	1997 £
	1 January 1998			579,579	541,459
	Profit for the financial year			26,554	38,120
	31 December 1998			606,133	579,579

A A Clark Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1998

19	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	1998 £	1997 £
	Profit for the financial year	426,554	38,120
	Dividends	(400,000)	-
		<u>26,554</u>	<u>38,120</u>
	Opening shareholders' funds	5,119,865	5,081,745
	Closing shareholders' funds	<u>5,146,419</u>	<u>5,119,865</u>

20 COMMITMENTS UNDER OPERATING LEASES

At 31 December 1998 the company had annual commitments under non-cancellable operating leases as follows:

	1998 £	1997 £
Land and buildings expiring after more than five years	17,000	17,000

21 CONTINGENT LIABILITIES

The company has guaranteed the bank borrowings of its parent company and a fellow subsidiary company. At 31 December 1998 the contingent liability in respect of these guarantees was £1,240,000 (1997 - £1,347,599).

The company is included in group guarantees of the hire purchase loans and vehicle fleet loans of its subsidiary company. At 31 December 1998 the contingent liability in respect of these guarantees was £22,298,094 (1997 - £16,769,132).

The company is included in a group registration for VAT purposes with its parent company and fellow subsidiaries. All members of the VAT group are jointly and severally liable for the total amount of VAT due and at 31 December 1998 the contingent liability in respect of this group registration was £125,254 (1997 - £69,087).

22 ASSETS CHARGED

The parent company has secured its bank borrowings by granting a fixed charge over the properties of this company which are included under fixed assets.

23 RELATED PARTY TRANSACTIONS

Details of the company's ultimate parent company are given in Note 24.

The company has taken advantage of the exemptions from disclosure of transactions with group companies available to subsidiary undertakings under Financial Reporting Standard No. 8.

A A Clark Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1998

24 ULTIMATE PARENT COMPANY

The company's ultimate parent company is Aureole Investments Limited.

Copies of the parent company's financial statements are available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.