

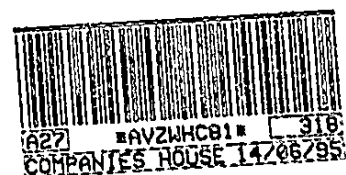
19 - 06 - 95

534618

Appleyard Limited

Report and Accounts

31 December 1994



19 - 06 - 95

Appleyard Limited

Registered No. 534618

DIRECTORS

M G Williamson (Chairman)
P J Chambers
G Robinson
P Taylor

SECRETARY

A I Ward

AUDITORS

Ernst & Young
PO Box 61
Cloth Hall Court
14 King Street
Leeds
LS1 2JN

BANKERS

Barclays Bank PLC
28 Park Row
Leeds
LS1 1PA

SOLICITORS

Jacobsens
The Outer Temple
222 Strand
London
WC2R 1DE

REGISTERED OFFICE

Windsor House
Cornwall Road
Harrogate
HG1 2PW

 **ERNST & YOUNG**

19 - 06 - 95

Appleyard Limited

DIRECTORS' REPORT

The directors present their report and the accounts for the year ended 31 December 1994.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounts to £622,000. The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is the sale and service of motor vehicles.

The trading performance during the year improved significantly in line with the growth in demand in the executive car market. This performance was assisted by the successful introduction of new models by Mercedes-Benz.

Rose & Young successfully relocated to new, purpose built premises, at Redhill, Surrey during the year.

The business and assets of Eyebury Motors, a Mercedes-Benz dealership at Peterborough, were acquired during the first half of the year.

FIXED ASSETS

The changes in fixed assets during the year are summarised in note 7.

DIRECTORS AND THEIR INTERESTS

The present directors of the company are shown on page 1. Mr G Robinson was appointed a director on 20 January 1994. Mr P Taylor was appointed a director on 1 June 1994 and on the same date Mr J R Atkin resigned as a director.

According to the register maintained as required under the Companies Act 1985, none of the directors who held office at the year end had any interest in the share capital of the company.

Mr M G Williamson, Mr P J Chambers and Mr P Taylor are directors of the ultimate parent undertaking, Appleyard Group PLC, and their interests in the share capital of that company are shown in its accounts.

The interests of Mr G Robinson in the share capital of Appleyard Group PLC are as follows:

| | <i>At 31 December 1994</i> | <i>At date of appointment</i> |
|-----------------|--------------------------------|-----------------------------------|
| Ordinary shares | 10,773 | 10,773 |
| Options | 136,798 | 109,798 |

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The company maintains liability insurance for its directors and officers as permitted by section 310 (3) of the Companies Act 1985.

AUDITORS

Ernst & Young were appointed as auditors of the company in place of the retiring auditors, Coopers & Lybrand, at the Annual General Meeting of the company held on 7 July 1994.

By order of the board

A J Ward
Secretary

20 March 1995

ERNST & YOUNG

19 - 06 - 95

Appleyard Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements.

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 accounts 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.

ERNST & YOUNG

19 - 06 - 95

 ERNST & YOUNG

REPORT OF THE AUDITORS
to the members of Appleyard Limited

We have audited the accounts on pages 5 to 13 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

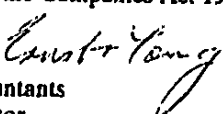
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young 
Chartered Accountants
Registered Auditor
Leeds

26 April 1995

Appleyard Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1994

| | Notes | 1994 £000 | 1993 £000 |
|--|-------|---------------|---------------|
| TURNOVER | | | |
| Continuing operations | 2 | 18,474 | 12,901 |
| Acquisitions | | 4,669 | - |
| | | <u>23,143</u> | <u>12,901</u> |
| Cost of sales | | 20,035 | 11,284 |
| Gross profit | | <u>3,108</u> | <u>1,617</u> |
| Distribution costs | | 1,075 | 641 |
| Administrative expenses | | 1,220 | 811 |
| OPERATING PROFIT | | | |
| Continuing operations | | 740 | 165 |
| Acquisitions | | 73 | - |
| | 3 | <u>813</u> | <u>165</u> |
| Interest payable | 5 | (128) | (79) |
| Interest receivable | | 4 | - |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | <u>689</u> | <u>86</u> |
| Tax on profit on ordinary activities | 6 | 67 | 8 |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | <u>622</u> | <u>78</u> |

There were no recognised gains and losses other than the profit attributable to shareholders of the company of £622,000 in the year ended 31 December 1994 (1993 - £78,000).

STATEMENT OF MOVEMENTS ON RESERVES AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | Share capital £000 | Profit and loss account £000 | Total shareholders' funds £000 |
|---------------------------------------|--------------------------|---------------------------------------|---|
| Balance at 1 January 1993 | 1,500 | (169) | 1,331 |
| Profit for the year | - | 78 | 78 |
| Goodwill written off | - | (281) | (281) |
| At 31 December 1993 | <u>1,500</u> | <u>(372)</u> | <u>1,128</u> |
| Profit for the year | - | 622 | 622 |
| Goodwill written back on acquisitions | - | 267 | 267 |
| At 31 December 1994 | <u>1,500</u> | <u>517</u> | <u>2,017</u> |

19 - 06 - 95

Appleyard Limited

BALANCE SHEET

at 31 December 1994

| | Notes | 1994 £000 | 1993 £000 |
|--|-------|----------------|----------------|
| FIXED ASSETS | | | |
| Tangible assets | 7 | 702 | 3,557 |
| CURRENT ASSETS | | | |
| Stocks | 8 | 2,984 | 3,157 |
| Debtors | 9 | 870 | 1,215 |
| Cash at bank and in hand | | 2,299 | - |
| CREDITORS: amounts falling due within one year | 10 | 6,153 3,873 | 4,372 6,745 |
| NET CURRENT ASSETS/(LIABILITIES) | | 2,280 | (2,373) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 2,982 | 1,184 |
| CREDITORS: amounts falling due after more than one year | 11 | 901 | - |
| PROVISION FOR LIABILITIES AND CHARGES | 12 | 64 | 56 |
| | | 2,017 | 1,128 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 13 | 1,500 | 1,500 |
| Profit and loss account | | 517 | (372) |
| | | 2,017 | 1,128 |

ERNST & YOUNG

P. S. Chamber - Director

20 March 1995

19 - 06 - 95

Appleyard Limited

NOTES TO THE ACCOUNTS

at 31 December 1994

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Goodwill

Goodwill arising on acquisition, being the excess of consideration over the fair value of the separable net assets acquired, is written off immediately to reserves in the period in which it arises.

Depreciation

Interests in freehold property are stated at a periodic professional valuation using an open market value for existing use basis. Surpluses arising on revaluation are credited to the revaluation reserve. Additions to property since the last valuation and other tangible fixed assets are stated at cost. Where appropriate, interest on funds used to finance property developments is included in cost.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation less estimated residual value of each asset evenly over its expected useful life as follows:

| | | |
|---------------------|---|----------|
| Freehold properties | - | 80 years |
| Motor vehicles | - | 4 years |
| Plant and equipment | - | 7 years |

Stocks

Stocks are stated at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Vehicles on consignment

The company has adopted Financial Reporting Standard No. 5 and vehicles held on consignment from manufacturers are included in the balance sheet where it is considered that the company enjoys the benefits and carries the risk of ownership. The 1993 balance sheet has been amended accordingly.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is estimated that the timing differences will reverse.

Pensions

The company participates in group pension arrangements operated by Appleyard Group PLC. Contributions and pension costs are based on pension costs across the group as a whole. Pension costs are accounted for on the basis of charging the expected costs of providing pensions over the period during which the company benefits from the employees' services. The effects of variations from regular cost are spread over the expected remaining working lifetime of members of the scheme after making suitable allowances for future withdrawals. The company provides no other post retirement benefits to its employees.

Appleyard Limited

NOTES TO THE ACCOUNTS

at 31 December 1994

1. ACCOUNTING POLICIES (continued)

Cash flow statement

The company is a wholly owned subsidiary undertaking of Appleyard Group PLC and the cash flows of the company are included in the consolidated cash flow statement of Appleyard Group PLC. Consequently the company is exempt under the terms of Financial Reporting Standard No. 1 from publishing a cash flow statement.

Leasing commitments

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease. Assets held under finance leases and hire purchase contracts are capitalised and depreciated over their expected useful lives. The corresponding leasing commitments are shown as obligations to the lessor. The finance costs are charged to the profit and loss account using the sum of the digits method.

2. TURNOVER

Turnover, which is stated net of discounts and value added tax, comprises the total amounts receivable from the sale and service of motor vehicles.

All turnover was earned within the United Kingdom.

3. OPERATING PROFIT

This is stated after charging/(crediting):

| | 1994 £000 | 1993 £000 |
|---|--------------|--------------|
| Directors' remuneration | - | - |
| Auditors' remuneration - audit services | 7 | 8 |
| Depreciation of tangible fixed assets | 303 | 33 |
| Profit on disposal of fixed assets | - | (7) |
| Operating lease rentals - plant and machinery | 4 | 2 |
| - land and buildings | 332 | 180 |
| | <u>332</u> | <u>180</u> |

Auditors' remuneration for provision of non-audit services to the company was £3,000 (1993 - £35,000) of which £1,000 was paid to the company's former auditors.

4. STAFF COSTS

| | 1994 £000 | 1993 £000 |
|-----------------------|--------------|--------------|
| Wages and salaries | 1,116 | 680 |
| Social security costs | 196 | 82 |
| Other pension costs | 63 | 13 |
| | <u>1,375</u> | <u>775</u> |

The average weekly number of employees during the year was 87 (1993 - 54).

Appleyard Limited

NOTES TO THE ACCOUNTS

at 31 December 1994

5. INTEREST PAYABLE

| | 1994 £000 | 1993 £000 |
|----------------------------|--------------|--------------|
| Bank loans and overdrafts | 29 | 111 |
| Stock finance charges | 118 | 73 |
| | <u>197</u> | <u>184</u> |
| Less: interest capitalised | (69) | (105) |
| | <u>128</u> | <u>79</u> |

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is made up as follows:

| | 1994 £000 | 1993 £000 |
|--------------------------------------|--------------|--------------|
| Based on the profit for the year: | | |
| Corporation tax at 33% (1993 - 33%) | 93 | (37) |
| Deferred taxation | 14 | 56 |
| | <u>107</u> | <u>19</u> |
| Adjustments relating to prior years: | | |
| Corporation tax | (34) | (11) |
| Deferred taxation | (6) | - |
| | <u>67</u> | <u>8</u> |

7. TANGIBLE FIXED ASSETS

| | Freehold land and buildings £000 | Plant and machinery £000 | Total £000 |
|--------------------------|---|--------------------------------|---------------|
| Cost: | | | |
| At 1 January 1994 | 3,414 | 174 | 3,588 |
| Additions | 292 | 194 | 486 |
| Arising on acquisition | 2,011 | 183 | 2,194 |
| Interest capitalised | 96 | - | 96 |
| Disposals | (5,521) | - | (5,521) |
| At 31 December 1994 | <u>292</u> | <u>551</u> | <u>843</u> |
| Depreciation: | | | |
| At 1 January 1994 | - | 31 | 31 |
| Provided during the year | - | 110 | 110 |
| Disposals | - | - | - |
| At 31 December 1994 | <u>-</u> | <u>141</u> | <u>141</u> |
| Net book value: | | | |
| At 31 December 1994 | <u>292</u> | <u>410</u> | <u>702</u> |
| At 1 January 1994 | <u>3,414</u> | <u>143</u> | <u>3,557</u> |

19 - 06 - 95

Appleyard Limited

NOTES TO THE ACCOUNTS at 31 December 1994

8. STOCKS

| | 1994 £000 | 1993 £000 |
|-------------------------|--------------|--------------|
| Vehicles on consignment | 1,410 | 1,732 |
| New vehicles | 19 | 391 |
| Used and depot vehicles | 1,342 | 866 |
| Parts and other stocks | 213 | 168 |
| | <u>2,984</u> | <u>3,157</u> |

9. DEBTORS

| | 1994 £000 | 1993 £000 |
|--|--------------|--------------|
| Trade debtors | 448 | 256 |
| Amounts owed by group undertakings | 170 | 771 |
| Amounts owed by associated undertaking | 1 | - |
| Corporation tax recoverable | - | 37 |
| Other debtors | - | 43 |
| Prepayments and accrued income | 251 | 108 |
| | <u>870</u> | <u>1,215</u> |

Included in amounts owed by group undertakings is an amount of £Nil which falls due after more than one year (1993 - £736,000).

ERNST & YOUNG

10. CREDITORS: amounts falling due within one year

| | 1994 £000 | 1993 £000 |
|--|--------------|--------------|
| Bank overdrafts | - | 2,896 |
| Payments received on account | 390 | 241 |
| Trade creditors | 1,564 | 1,484 |
| Vehicles on consignment | 1,410 | 1,732 |
| Amounts owed to group undertakings | 33 | 2 |
| Amounts owed to associated undertaking | - | 25 |
| Current corporation tax | 93 | - |
| Other taxes and social security costs | 127 | 42 |
| Accruals and deferred income | 256 | 323 |
| | <u>3,873</u> | <u>6,745</u> |

Appleyard Limited

NOTES TO THE ACCOUNTS

at 31 December 1994

11. CREDITORS: amounts falling due after more than one year

| | 1993 £000 | 1993 £000 |
|------------------------------------|--------------|--------------|
| Amounts owed to group undertakings | 901 | - |

12. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation provided in the accounts is as follows:

| | 1994 £000 | 1993 £000 |
|---|--------------|--------------|
| Capital allowances in advance of depreciation | 67 | 59 |
| Other timing differences | (3) | (3) |
| | 64 | 56 |

There is no deferred taxation which has not been provided (1993 - £Nil).

13. SHARE CAPITAL

| | 1994 No. | Authorised 1993 No. | Allotted, called up and fully paid 1994 £000 | 1993 £000 |
|----------------------------|-------------|---------------------------|---|--------------|
| Ordinary shares of £1 each | 1,500,000 | 1,500,000 | 1,500 | 1,500 |

14. ACQUISITIONS

During the year the company acquired the trade and assets of a dealership from Whitworths Motor Holdings Limited. The fair values attributable to the net tangible assets acquired were:

| | Book value £000 | Fair value adjustments £000 | Provision for reorganisation £000 | Fair value to the company £000 |
|---------------------------|-----------------------|--------------------------------------|--|---|
| Tangible fixed assets | 1,883 | 311 | - | 2,194 |
| Stock | 940 | (5) | - | 935 |
| Debtors | 122 | - | - | 122 |
| Trade and other creditors | (508) | - | (39) | (547) |
| Net assets acquired | 2,437 | 306 | (39) | 2,704 |
| Premium on acquisition | | | | (267) |
| Cash consideration | | | | 2,437 |

Appleyard Limited

NOTES TO THE ACCOUNTS

at 31 December 1994

14. ACQUISITIONS (continued)

Operating costs may be analysed between continuing operations and acquisitions as follows:

| | <i>Continuing operations £000</i> | <i>Acquisitions £000</i> | <i>1994 Total £000</i> | <i>1993 Continuing operations £000</i> |
|-------------------------|---|------------------------------|--------------------------------|--|
| Cost of sales | 15,961 | 4,071 | 20,035 | 11,284 |
| Distribution costs | 886 | 189 | 1,075 | 641 |
| Administrative expenses | 864 | 336 | 1,200 | 811 |
| | <u>1,750</u> | <u>525</u> | <u>2,275</u> | <u>1,452</u> |

15. CAPITAL COMMITMENTS

| | <i>1994 £000</i> | <i>1993 £000</i> |
|---|----------------------|----------------------|
| Contracted but not provided in the financial statements | - | 999 |

16. PENSION COMMITMENTS

The company participates in a group pension scheme arrangement operated by Appleyard Group PLC. The pension scheme is a defined benefit final salary scheme which is funded at rates advised by an independent actuary on the assumption that investments returns will be 2% per annum higher than pay growth.

The pension cost is arrived at in accordance with SSAP 24 using the projected unit method and is determined by the scheme's actuary on the assumptions that annual investment returns will be 2.5% higher than pay growth, 4.5% higher than future dividend growth and 6.5% higher than increases to pensions in payment.

The latest actuarial valuation of the scheme was carried out as at 5 April 1992 and has been adjusted to take account of both the changes to advance corporation tax introduced in the March 1993 Budget. At this date, using the assumptions adopted for SSAP 24, the market value of the asset and the recent experience in the pattern of early retirements, allowing for the effect of the above adjustments, represented 108% of the value of the accrued benefits.

There is a charge to the profit and loss account for the year of £63,000 (1993 - £13,000). The pension prepayment has been included in the balance sheet of Appleyard Group PLC.

Appleyard Limited

NOTES TO THE ACCOUNTS at 31 December 1994

17. OTHER FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

| | <i>Land and buildings</i> | | <i>Plant and machinery</i> | |
|--------------------------------|-------------------------------|------------|--------------------------------|-----------|
| | 1994 | 1993 | 1994 | 1993 |
| | £ | £ | £ | £ |
| Operating leases which expire: | | | | |
| within one year | - | 24 | - | 3 |
| between two and five years | - | - | - | 10 |
| after more than five years | 470 | 140 | - | - |
| | <u>470</u> | <u>164</u> | <u>-</u> | <u>13</u> |

18. CONTINGENT LIABILITY

The company has given guarantees in respect of the bank borrowings of fellow subsidiary undertakings.

The amount outstanding at 31 December 1994 which was covered by these guarantees was £3,588,000 (1993 - £8,587,000).

19. PARENT UNDERTAKING AND ULTIMATE PARENT COMPANY

The parent undertaking of the group of undertakings for which group accounts are drawn up and of which the company is a member is Appleyard Group PLC, registered in England and Wales, which is also the company's ultimate parent company.

Copies of the financial statements of Appleyard Group PLC are available from The Secretary, Appleyard Group PLC, Windsor House, Cornwall Road, Harrogate, HG1 2PW.