

Bristol Street First Investments Limited

**Directors' report and financial
statements**

Registered number 251237

For the year ended 31 December 2000



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

Principal activity

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

Review of business

The directors consider the trading results for the year and the state of affairs at 31 December 2000 to be satisfactory.

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

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend (1999: £Nil). The retained profit of £350,000 (1999: £1,106,000) will be transferred to reserves.

Employee participation

It is the company's policy to meet at regular intervals with representatives of various groups of employees to discuss relevant information and developments.

Disabled persons

The company gives equal consideration to all applicants for employment irrespective of any disability. If a person becomes disabled while employed by the company every endeavour is made to protect that person's position. Disabled persons have the same opportunities for training and career development as other employees with similar skills and abilities.

Charitable donations

During the year the company made charitable donations of £2,796 (1999: £2,508).

Directors and directors' interests

The directors who served during the year were as follows:

JB Tustain
PR Williams
PJ Smiley

None of the directors had a beneficial interest in the share capital of the company during the years ending 31 December 2000 and 1999.

Messrs JB Tustain, PR Williams and PJ Smiley are also directors of the ultimate parent undertaking, Bristol Street Group Limited (formerly Bristol Street Holdings Limited) and their interests in the share capital of group undertakings are disclosed in the financial statements of that company.

Directors' report *(continued)*

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors will be proposed at the forthcoming annual general meeting.

Approved by the Board and signed on its behalf by:



PJ Smiley
Secretary

Alpha House
Hampton Park
Hampton Lovett
Droitwich
Worcestershire
WR9 0NX

22 June 2001

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



2 Cornwall Street
Birmingham
B3 2DL
United Kingdom

Report of the auditors to the members of Bristol Street First Investments Limited

We have audited the financial statements on pages 5 to 15.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'KPMG'.

KPMG
Chartered Accountants
Registered Auditors

22 June 2001

Profit and loss account
for the year ended 31 December 2000

	<i>Notes</i>	2000 £000	1999 £000
Turnover	2	426,412	385,586
Cost of sales		(384,750)	(344,487)
Gross profit		41,662	41,099
Distribution costs		(29,931)	(29,011)
Administrative expenses		(7,791)	(6,550)
Operating profit	3	3,940	5,538
Loss on disposal of business activities		(39)	(858)
Loss on disposal of fixed assets		(39)	-
Profit on ordinary activities before interest		3,862	4,680
Interest payable	4	(3,402)	(3,273)
Profit on ordinary activities before taxation		460	1,407
Tax on profit on ordinary activities	7	(110)	(301)
Retained profit for the financial year	16, 17	350	1,106

A statement of movement on reserves is shown at note 16. All turnover and operating profit arises from continuing operations.

There are no recognised gains or losses other than those shown above.

There is no material difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis.

Balance sheet
at 31 December 2000

	<i>Note</i>	2000 £000	1999 £000
Fixed assets			
Intangible assets	8	144	90
Tangible assets	9	20,663	22,127
		20,807	22,217
Current assets			
Stocks	10	40,878	46,209
Debtors	11	21,015	20,696
Cash at bank and in hand		17	16
		61,910	66,921
Creditors: amounts falling due within one year	12	(46,324)	(53,728)
Net current assets		15,586	13,193
Total assets less current liabilities		36,393	35,410
Creditors: amounts falling due after more than one year	13	(14,986)	(14,321)
Provisions for liabilities and charges	14	(85)	(117)
Net assets		21,322	20,972
Capital and reserves			
Called up share capital	15	21,301	21,301
Revaluation reserve	16	(768)	(1,435)
Profit and loss account	16	789	1,106
Total equity shareholders' funds	17	21,322	20,972

These financial statements on pages 5 to 15 were approved by the board of directors on 22 June 2001 and were signed on its behalf by:

PR Williams
Director



Notes

(forming part of the financial statements)

1 Principal accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable Accounting Standards and under historic cost accounting rules, modified to include the revaluation of certain tangible fixed assets.

Related parties

The company is exempt from the requirement of Financial Reporting Standard No. 8 to disclose transactions between group companies as all subsidiaries have 90% or more of their voting rights controlled by Bristol Street Group Limited who have produced consolidated accounts.

Depreciation

Depreciation is calculated so as to write off the cost less the estimated residual value of tangible fixed assets on a straight line basis over their expected useful lives. The principal annual rates used are as follows:

Freehold buildings	2%
Leasehold property	Over the term of the lease
Plant and office equipment	10%
Vehicles	25%
Computer hardware and software	20% to 33 $\frac{1}{3}$ %

In accordance with Financial Reporting Standard 15, freehold properties have been depreciated for the first time this year. In previous years no depreciation was provided on freehold properties as the directors were of the opinion that, having regard to estimated residual values (based on prices prevailing at the dates of acquisition or subsequent revaluation) and the estimated useful economic lives, any depreciation involved would not be material. The charge for the current year is £105,000.

Goodwill

The financial statements have been prepared in accordance with Financial Reporting Standard No.10, Goodwill and Intangible Assets. Accordingly, in respect of acquisitions of subsidiary undertakings and unincorporated businesses post 1 January 1998, the goodwill arising, representing the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired, is capitalised and amortised on a straight line basis over its estimated useful economic life.

Goodwill arising in respect of acquisitions prior to 1 January 1998 was previously written off against reserves. In accordance with the transitional rules of Financial Reporting Standard No.10, this treatment has continued to be applied. On the subsequent disposal or termination of a previously acquired business, the profit or loss on disposal or termination is calculated after charging the amount of any related goodwill previously taken to reserves.

Stocks

The basis of valuation is the lower of cost and estimated realisable value. Stocks include vehicles on sale or return.

Notes (continued)

1 Accounting policies (continued)

Finance and operating leases

Assets held under finance leases are capitalised as tangible fixed assets and depreciated over the shorter of the term of the lease, including any secondary period, and the expected useful life. The obligation to pay future rentals is included in creditors net of finance charges allocated to future periods. The financial charge element of rentals is calculated on the reducing balance of capital outstanding and charged to the appropriate accounting period through the profit and loss account.

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Pensions

The company participates in the Bristol Street Group Limited funded pension scheme providing benefits for employees. Employees joining the scheme prior to 1 January 1998 have benefits based on final pensionable pay. Pension liabilities in respect of this section of the scheme are paid for by contributions into the pension scheme on a systematic basis over the period of employment of members, at rates in accordance with the advice of a professionally qualified actuary. Differences between the values of the assets and liabilities of the scheme, disclosed by actuarial valuations, are spread over the average remaining service lives of current scheme members entitled to those defined benefits.

Employees joining the scheme from 1 January 1998 have benefits based on contributions paid and the investment returns earned on those contributions. Contributions relating to the defined contribution section of the scheme are charged to the profit and loss account when due.

Cash flow statement

A cash flow statement has not been prepared as the company is a wholly owned subsidiary of Bristol Street Group Limited within whose consolidated cash flow statement the cash flows of the company are included.

2 Turnover

Turnover represents the value excluding value added tax of goods and services provided to customers and relates wholly to continuing operations in the United Kingdom.

3 Operating profit

	2000 £000	1999 £000
<i>Operating profit is stated after charging:</i>		
Depreciation of tangible fixed assets:		
Owned assets	774	652
Assets held under finance leases	6	2
Auditors' remuneration:		
Audit	61	50
Payments under operating leases:		
Plant and machinery	234	216
Other	460	3

Notes (continued)

4 Interest payable

	2000 £000	1999 £000
Bank overdraft	2,645	2,571
Other interest payable	757	702
	<u>3,402</u>	<u>3,273</u>

5 Employee information

The average number of persons (including executive directors) employed by the company during the year was:

	2000 Number	1999 Number
Workshop	294	279
Sales and distribution	522	489
Administration	212	230
	<u>1,028</u>	<u>998</u>

The aggregate payroll costs of these persons were as follows:

	2000 £000	1999 £000
Wages and salaries	18,235	16,381
Social security costs	1,619	1,506
Pension costs (see note 20)	405	374
	<u>20,259</u>	<u>18,261</u>

6 Directors' emoluments

No director received remuneration from the company in respect of the years ended 31 December 2000 and 1999.

7 Tax on profit on ordinary activities

	2000 £000	1999 £000
United Kingdom corporation tax at 30% (1999: 30.25%):		
Current tax charge	175	396
Prior year	(33)	(103)
Deferred tax transfer	(32)	8
	<u>110</u>	<u>301</u>

Notes (continued)

8 Intangible fixed assets

	Goodwill £000
Group	
<i>Cost</i>	
At 1 January 2000	103
Additions	68
At 31 December 2000	171
<i>Amortisation</i>	
At 1 January 2000	13
Charge in the year	14
At 31 December 2000	27
<i>Net book value</i>	
At 31 December 2000	144
At 31 December 1999	90

The goodwill arising on the acquisition of unincorporated businesses is being amortised over 10 years.

9 Tangible fixed assets

	Freehold property £000	Long leasehold property £000	Plant and vehicles £000	Total £000
<i>Cost or valuation</i>				
At 1 January 2000	18,729	1,270	5,817	25,816
Additions	1,234	-	799	2,033
Disposals	(2,512)	-	(516)	(3,028)
At 31 December 2000	17,451	1,270	6,100	24,821
<i>Depreciation</i>				
At 1 January 2000	-	51	3,638	3,689
Charge for the year	105	21	654	780
Disposals	-	-	(311)	(311)
At 31 December 2000	105	72	3,981	4,158
<i>Net book value</i>				
At 31 December 2000	17,346	1,198	2,119	20,663
At 31 December 1999	18,729	1,219	2,179	22,127

Notes (continued)

9 Tangible fixed assets (continued)

The net book value of plant and vehicles includes an amount of £11,179 (1999: £12,835) in respect of assets held under finance leases.

Of the freehold and leasehold property above:

	2000 £000	1999 £000
Amounts held at 1997 valuation	12,175	14,687
Amounts held at cost	6,546	5,312
	<u>18,721</u>	<u>19,999</u>

Valuations were made on an open market for existing use basis by independent professional valuers.

All other assets are held at cost.

Under the historical cost convention the net book value of fixed assets would be higher by £711,000 (1999: £1,490,000).

10 Stocks

	2000 £000	1999 £000
Vehicle stocks	17,420	18,819
Parts, accessories and other stocks	6,415	6,341
Vehicle consignment stocks	3,233	7,815
Vehicles subject to repurchase agreements	13,810	13,234
	<u>40,878</u>	<u>46,209</u>

Vehicle consignment stocks have been recognised on the balance sheet where, in substance, they are deemed to be assets of the company. The principal criterion applied is whether the vehicles are interest-bearing. The corresponding liabilities have been included in creditors. The company also has vehicle consignment stocks of £60,398,892 (1999: £53,998,000) which are not, in substance, assets of the company. These stocks, and their related liabilities, are not recognised on the balance sheet.

The principal terms of the consignment agreements, which can generally be terminated by either side, are such that the group can return any or all of the stock to the relevant suppliers without financial or commercial penalties and the supplier can vary prices.

As part of its normal trading activities, the company enters into vehicle sale and repurchase agreements. The residual interest in these vehicles, at values at which the company is contracted to repurchase, is included above where the group expects to repurchase the vehicles. The amount above includes £6,784,000 (1999: £8,220,000) relating to vehicles which are due to be repurchased after more than one year. The related liabilities are included in creditors and analysed into current and deferred as appropriate.

Notes (continued)

11 Debtors

	2000 £000	1999 £000
Amounts falling due within one year		
Trade debtors	18,737	18,314
Amounts owed by group undertakings	-	433
Other debtors	151	37
Prepayments and accrued income	2,127	1,912
	<u>21,015</u>	<u>20,696</u>

12 Creditors: amounts falling due within one year

	2000 £000	1999 £000
Bank overdraft	4,618	6,992
Trade creditors	7,777	11,454
Amounts owed to group undertakings	17,179	16,178
Corporation tax	124	428
Other taxation and social security	100	357
Other creditors	3,762	1,297
Accruals and deferred income	4,055	4,190
Finance leases obligations	3	3
Consignment stock creditors	3,233	7,815
Vehicle repurchase agreement creditors	5,473	5,014
	<u>46,324</u>	<u>53,728</u>

The bank overdraft is secured by a joint and several guarantee by all group companies and by a floating charge over book debts.

13 Creditors: amounts falling due after more than one year

	2000 £000	1999 £000
Finance lease obligations	2	5
Vehicle repurchase agreement creditors	8,337	8,220
Amounts owed to ultimate parent undertaking: Discounted convertible bond	6,647	6,096
	<u>14,986</u>	<u>14,321</u>

Notes (continued)

13 Creditors: amounts falling due after more than one year (continued)

The finance lease obligations are repayable as follows:

	2000 £000	1999 £000
In one year or less	3	3
Between one and two years	2	3
Between two and five years	-	2
	<u>5</u>	<u>8</u>

The repayment terms are as follows:

Type of agreement	Value and date of the loan at its inception	Repayment terms
Discounted convertible bond	£5,000,000 at September 1997	Redeemable in September 2002 at £7,700,000

Long and medium term loans carry interest at varying commercial rates.

14 Provisions for liabilities and charges

	Deferred taxation £000
At 1 January 2000	117
Movement in the year	(32)
At 31 December 2000	<u>85</u>

Deferred taxation provided in the financial statements and the total potential liability are as follows:

	2000		1999	
	Amount unprovided £000	Amount provided £000	Amount unprovided £000	Amount provided £000
Tax effect of timing differences because of:				
Accelerated capital allowances	283	195	245	179
Other	(309)	(110)	(487)	(62)
	<u>(26)</u>	<u>85</u>	<u>(242)</u>	<u>117</u>

Notes (continued)

15 Called up share capital

	2000 £000	1999 £000
<i>Authorised:</i>		
21,301,333 'A' ordinary shares of £1 each (equity)	21,301	21,301
10 non participating shares of £1 each (non equity)	-	-
	<u>21,301</u>	<u>21,301</u>
<i>Allotted, called up and fully paid:</i>		
21,301,333 'A' ordinary shares of £1 each (equity)	21,301	21,301
10 non participating shares of £1 each (non equity)	-	-
	<u>21,301</u>	<u>21,301</u>

The non participating shares carry no dividend rights, rank equally with the 'A' ordinary shares in the event of a winding up and carry voting rights to one vote per share. The non participating shareholders have no rights in the event of a winding up beyond the repayment of capital.

16 Reserves

	Revaluation reserve £000	Profit and loss account £000
At 1 January 2000	(1,435)	1,106
Retained profit for the financial year	-	350
Realisation of revaluation deficit on sale of property	667	(667)
	<u>(768)</u>	<u>789</u>
At 31 December 2000		

17 Reconciliation of movements in shareholders' funds

	2000 £000	1999 £000
Profit for the financial year	350	1,106
Opening shareholders' funds	20,972	19,866
	<u>21,322</u>	<u>20,972</u>
Closing shareholders' funds		

Notes (continued)

18 Commitments under operating leases

At 31 December 2000 the company had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings		Other	
	2000	1999	2000	1999
			£	£
Expiring within one year	39	-	88	95
Expiring between two and five years inclusive	-	-	86	152
Expiring after five years	445	-	-	-
	484	-	174	247

19 Contingent liabilities

The company has granted to the group's bankers cross - guarantees in favour of Bristol Street Group Limited and subsidiary undertakings. The potential liability at 31 December 2000 was £276,000 (1999: £476,000).

20 Pensions

As explained within note 1, the company participates in the Bristol Street Group Limited funded pension scheme. The assets of the scheme are held in a separate trustee administered fund.

The first actuarial valuation of the scheme was carried out by a professional qualified actuary as at 5 April 1998. It disclosed that the value of the assets of the scheme on the valuation basis equalled 99 per cent of the value of the scheme's liabilities. The recognised deficit amounted to £10,000.

The principal assumptions used in the valuation were: pensionable salary growth of 6.5% per annum; return on investments of 8.5% per annum; price inflation of 5% per annum; future pension increases of 4.5% per annum; and future dividend growth of 5.25% per annum. The future service cost was determined using the projected unit method as defined by the Faculty and Institute of Actuaries. The future cost includes an amount intended to make up the valuation deficiency over the average remaining working lifetime of members receiving final salary benefits.

At the valuation date, the scheme had been operation for only nine months, and the bulk transfers due in respect of former schemes before inception were still subject to final transfer. The market value of assets in the scheme as at the valuation date was £1,189,000, including members' voluntary contributions and the defined contribution section assets. The bulk transfers due have now been completed, increasing the assets and liabilities of the scheme. The results of the latest actuarial valuation of the scheme which took place as at 30 November 2000 are due to be published shortly. The valuation will include consideration of the bulk transfers into the scheme.

21 Ultimate holding company

The company's parent company and ultimate controlling party is Bristol Street Group Limited, a company incorporated in Great Britain.

Copies of the financial statements for Bristol Street Group Limited are available from the Secretary, Alpha House, Hampton Park, Hampton Lovett, Droitwich, Worcestershire, WR9 0NX.