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CAPE DISTRIBUTION LIMITED AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT AND ACCOUNTS

AT 31ST DECEMBER 1981

Peat, Marwick, Mitchell & Co.
London



CAPE DISTRIBUTION LIMITED AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT

The directors present their report and the accounts of the company for the year ended 31st December 1981.

Principal Activities and Turnover

The principal activity of the company is the distribution of automotive components.

Turnover in the year is detailed on page 5. There were no dividends paid or declared for the year under review.

Retained Loss

The loss for the year is detailed on page 5.

Directors

Mr. R.D. McIntyre-Brown	
Mr. W.R. Doughty	
Mr. A.W. Fay	(resigned 13.5.81)
Mr. J.R. Sim	(resigned 31.10.81)
Mr. B.B. Stevenson	
Mr. B. Harper	
Mr. B.G. Hollister	(resigned 5.3.81)
Mr. G. Brown	
Mr. D.E. Mills	(resigned 8.7.81)
Mr. J.C. Southern	(appointed 8.7.81)
Mr. R.E. Jones	(appointed 1.4.81 - resigned 8.7.81)
Mr. F.P. Parkes	(resigned 31.10.81)
Mr. G.H. France	(appointed 1.4.81)
Mr. H.J. Purnell	(appointed 8.7.81)

The interest of the directors, apart from those who are also directors of Cape Industries PLC, in shares or debentures as recorded in the register kept by the company in accordance with the Companies Act 1967 was as follows:-

	Cape Industries PLC Ordinary Shares of 25p each	
	1.1.81	31.12.81
Mr. R.D. McIntyre-Brown	100	100

DIRECTORS' REPORT

Disposals

On 4th December 1981 the company disposed of the whole of the issued share capital of Digbeth Motor Factors for a consideration of £100.

Fixed Assets

During the period under review assets surplus to the needs of the company subsequent to re-organisation have been disposed of.

The directors are of the opinion that the present market values of the Groups's land and buildings do not differ substantially from the net book values shown in the accounts.

Employees

During the year the weekly average number of persons employed by the company and its subsidiaries in the United Kingdom was 773 and the aggregrate remuneration paid to them was £3557000.

Policy on the Employment of Disabled Persons

The company's policy during the year on the employment of disabled persons was to ensure that applicants with a genuine physical or mental handicap who were capable of working were given the same full and fair consideration as able-bodied applicants for employment.

The company has ensured that, where employees have become disabled during their period of employment with the company, appropriate training has been given to allow the same or suitable alternative tasks to be performed. The company does not consider disablement a bar to career development and promotion within the company.

Political and Charitable Contributions

There have been no political or charitable contributions paid during the year.

Exports

There were direct exports of £3150, from the United Kingdom in 1981 (1980 £Nil).

Holding Company

The company is a wholly owned subsidiary of Cape Distribution Limited, a company incorporated in England. Cape Distribution Limited is a wholly owned subsidiary of Cape Industries PLC, a company incorporated in England.

The ultimate holding company, Charter Consolidated PLC, a company incorporated in England, owns approximately 67.03 of the ordinary share capital and the whole of the preference share capital of Cape Industries PLC at 31st December 1981.

CAPE DISTRIBUTION LIMITED AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT

Income and Corporation Taxes Act 1970

The close company provisions of the Income and Corporation Taxes Act 1970 (as amended) do not apply to the company.

Auditors

Messrs. Peat, Marwick, Mitchell and Company, Chartered Accountants are willing to continue as auditors and the resolution for their re-appointment will accordingly be proposed at the Annual General Meeting.

By Order of the Board

Secretary

Registered Office: Cape House, Balliol Chambers, Hollow Lane, Hitchin, Hertfordshire.

Date: 3 MAR 1982

REPORT OF THE AUDITORS TO THE MEMBERS OF

CAPE DISTRIBUTION LIMITED

We have audited the accounts on pages 5 to 13 in accordance with approved Auditing Standards.

In our opinion the accounts, which have been prepared on the basis of the accounting policies set out on page 8 give a true and fair view of the state of the company's affairs at 31.12.81 and of its loss and source and application of funds for the year to that date and comply with the Companies Acts 1948 to 1981.

Peat, Marwick, Mitchell & Co.

PEAT, MARWICK, MITCHELL & CO.
Chartered Accounts
LONDON

Date: 3rd March 1982

CAPE DISTRIBUTION LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1981

	Note	1981 £	1980 £
Turnover		19960403	20295378
Trading Profit/(Loss) for the year		(1884438)	(1410425)
After Charging			
Depreciation		402127	435825
Auditors Remuneration		20077	30290
Directors Remuneration	1	147409	53896
Head Office Charges		219254	771667
Exceptional Items	5	180237	-
Net Profit/(Loss) before Taxation		(1884438)	(1410425)
Taxation	2		146632
Net Profit/(Loss) after Taxation		(1884438)	(1263793)
Extraordinary Items	4	850087	2588529
Retained Profit/(Loss) for the year of which £Nil (1980 Nil) is dealt with in the accounts of the company		(2734525)	(3852322)
Revenue Reserves balance brought forward		(1415171)	2437151
Revenue Reserves balance carried forward		(4149696)	(1415171)
Revenue Reserves of the Parent Company included in the above at the year end are		93827	93827

Notes: Notes on pages 8 to 13 form part of these accounts.

CAPE DISTRIBUTION LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET AS AT 31ST DECEMBER 1981

	Note	Consolidated 1981 £	Consolidated 1980 £	Parent Company 1981 £	Parent Company 1980 £
Employment of Capital					
Current Assets					
Cash in Hand		25762	27795	–	–
Debtors		4022284	4394118	–	–
Stocks		6219146	6488561	–	–
		10267192	10910474	–	–
Current Liabilities					
Creditors		4688126	4764043	–	–
Bank Overdraft		–	3173467	–	–
		4688126	7937510	–	–
Net Current Assets		5579066	2972964	–	–
Subsidiary Companies	12				
Shares at Cost		–	–	138041	138041
Amounts due from		–	–	455786	455786
		–	–	593827	593827
Holding and Fellow Subsidiary Companies					
Amounts due from		1060	3156	–	–
Amounts due to		(603527)	(5311567)	–	–
Amounts due to Cape Industries PLC Group Bank Account		(6000347)	–	–	–
		(6602814)	(5308411)	–	–
Fixed Assets	6	2959255	3525974	–	–
		1935507	1190527	593827	593827
Capital Employed					
Share Capital	11	500000	500000	500000	500000
Term Debt	7	5457241	1977736	–	–
Capital Reserves		127962	127962	–	–
Revenue Reserves		(4149696)	(1415171)	93827	93827
		1935507	1190527	593827	593827

Director .....

Director .....

3rd March 1982

The notes on pages 8 to 13 form part of these accounts.

CAPE DISTRIBUTION LIMITED AND SUBSIDIARY COMPANIES

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31ST DECEMBER 1981

	1981		1980	
	£	£	£	£
Source of Funds				
Profit/(Loss) before Tax		(1884438)		(1410425)
Depreciation		402127		435825
Total generated from operations		(1482311)		(974600)
Funds from Other Sources				
Fixed Asset Disposals	427606		155019	
Corporation Tax Group Relief	-		[illegible]632	301651
Term Debt Increase	3479505	3907111		
		2424800		(672949)
Application of Funds				
Extraordinary Items:				
Goodwill paid on acquisition			(38962)	
Restructure Costs	(850087)		(1148829)	
Purchase of Fixed Assets	(263014)		(1804409)	
Term debt decrease	-	(1113101)	(127248)	(3119448)
		1311699		(3792397)
Increase/(Decrease) in Working Capital				
Increase/(Decrease) in Stocks		(269415)		1595397
Increase/(Decrease) in Debtors		(371834)		1264427
(Increase)/Decrease in Creditors		4781861		(6466361)
Movement in net liquid funds:				
Increase in Amount due to Group Bank Account	(6000347)			
(Decrease)/Increase in Bank Account	3173467		(203489)	
Increase/(Decrease) in Cash in Hand	(2033)	(2828913)	17629	(185860)
		1311699		(3792397)

CAPE DISTRIBUTION LIMITED AND SUBSIDIARY COMPANIES

ACCOUNTING POLICIES

(i) Basis of Consolidation

The consolidated accounts comprise the accounts of the company and its subsidiaries, the financial years of all of which end on 31st December.

(ii) Turnover

Turnover is the invoiced value of sales and excludes transactions between group companies.

(iii) Depreciation

No depreciation has been provided on freehold land. Depreciation and amortisation is provided in respect of other fixed assets on the basis of original cost, or revalued amount, at rates calculated to write off the assets by equal annual instalments during their expected useful lives.

The following rates are normally applied:-

Freehold buildings	- 2%
Leasehold land and buildings	- the period of lease
Plant, machinery, fixtures & fittings	- 10%
Motor Vehicles	- 25%

(iv) Stock and Work in Progress

Stocks and work in progress have been valued on a basis consistent with those adopted in previous years, at the lower of cost and net realisable value.

(v) Deferred Taxation

No provision has been made in the accounts for deferred taxation arising from timing differences between taxation allowances and the related accounting treatment. It is not anticipated that any liability so deferred will be payable in the foreseable future. The potential full deferred taxation liability is disclosed separately (Note 3).

(vi) Goodwill

Goodwill arising on the acquisition of companies or businesses is written off against reserves.

(vii) Basis of Preparation of Accounts

The accounts have been prepared on the historical costs basis, as modified by the revaluation of certain assets, and on the basis of a going concern, which assumes that the loan mentioned in note 7 will not be significantly reduced or withdrawn.

NOTES TO THE ACCOUNTS

1. Directors' and Executives' Emoluments

	Directors		Executives	
	1981	1980	1981	1980
Chairman	-	-	-	-
Highest paid director	24630	24214	-	-

Number of other directors and executives whose emoluments, excluding pension contributions, were within the following bands:

	1981	1980
Up to £5,000	7	6
£5,001 - £10,000	4	2
£10,001 - £15,000		
£15,001 - £20,000	2	
£20,001 - £25,000	1	

Directors remuneration of £147409 includes compensation for loss of office of £36702 (1980 £Nil).

2. Taxation

No taxation provision is required for the year (1980 - Group Relief received £146632 on surrender of prior year losses.)

3. Deferred Taxation

The potential deferred taxation liability arising on timing differences, between the treatment of items for accounts and taxation purposes has been negated by unrelieved trading losses accumulated at 31st December 1981 comprising:-

	Consolidated		Company	
	1981 £	1980 £	1981 £	1980 £
Taxation on excess of the book Value of assets qualifying for taxation allowances over their written down values for taxation purposes	494476	617178	-	-
Taxation on Capital gains on assets sold	45884	36450	-	-
Taxation on Capital gains on property valuation	45647	45647	-	-
Stock Appreciation Relief	-	1725098	-	-
Unrelieved Losses carried forward	(3984564)	(2554205)	-	-
	(3398557)	(129832)	-	-

CAPE DISTRIBUTION LIMITED & SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

Note

The potential liability in respect of stock refief is no longer shown, as under current legislation, it is not anticipated that a clawback will arise.

4. Extraordinary Items

During the year there have been extraordinary items charged to loss made up of the following costs:

	1981	1980
Restructure Costs	850087	1148829
Goodwill Written Off	-	1439700
	850087	2588529

5. Exceptional Items

During the year there has been an exceptional item charged to profit re - disposel of stocks of £180237. (1980 - Nil).

6. Fixed Assets

	Freehold Properties	Long Leasehold Properties	Short Leasehold Properties	Plant and Machinery
Consolidated				
Cost or Valuation:				
At 1st January 1981	1270516	492478	240296	2839777
New Subsidiaries	-	-	-	-
Additions at Cost	1640	-	890	260484
Disposals	(86584)	-	(12702)	(641298)
Inter Group Transfer	-	-	-	(52310)
Balance at 31.12.81	1185572	492478	228484	2406653
Depreciation				
At 1st January 1981	72706	23882	27528	1192977
New Subsidiaries	-	-	-	-
Charge for Year	4739	4502	9330	383556
Disposals	(4450)	-	(1358)	(343968)
Inter Group Transfers				(15512)
Balance 31.12.81	72995	28384	35500	1217053
Net Book Value				
At 31st December 1981	1112577	464094	192984	1189600
At 1.1.81	1197810	468598	212768	1646800

CAPE DISTRIBUTION LIMITED AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

The Parent Company has no fixed assets.
Freehold and long leasehold land and buildings are stated on the following basis:-

	Consolidated	
	Freehold £	Long Leasehold £
At Cost	214465	244326
At Valuation in 1975	898112	219768
	1112577	464094
The amounts included in the above not subject to depreciation provision are:-	875627	238994

7. Term Debt

The Term Debt £5457241 (1980 £1977736) is interest free and is due for repayment at short notice to Cape Industries PLC. However, the directors have no reason to believe that the term debt will be significantly reduced within the next five years.

8. Charge

Part of the security for the £2000000 7¼% debenture stock 1986/89 and for the £6,000,000 6¼% debenture stock 1986/89 of Cape Industries PLC in in the form of a floating charge on the undertaking property and assets of the company.

9. Amount due to Cape Industries PLC Group Bank Account

The company is jointly and severally liable with Cape Industries PLC and certain other United Kingdom subsidiaries of Cape Industries PLC under a guarantee given to National Westminster Bank PLC in respect of any overdraft on the Cape Industries PLC Group Bank Account. At the 31st December 1981 the overdraft amounted to £8,470,000.

10. Capital Commitments

Capital Expenditure authorised, but not provided for, in these accounts is:-

	1981 £	1980 £
Against which orders have been placed	104,000	197,299
Against which orders have not been placed	-	16,699
	104,000	213,998

CAPE DISTRIBUTION LIMITED AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

11. Share Capital

	1981 £	1980 £
Authorised		
1,000,000 Ordinary Shares of 50p each	500,000	500,000
Issued and Fully Paid		
1,000,000 Ordianry Shares of 50p each	500,000	500,000

12. Subsidiary Companies

a) Wholly owned subsidiaries of Cape Distribution Limited:-

Name	Nominal value of Shares held at 31.12.81 £
Cape Distribution (UK) Limited	19,500
Cape Automotive Services Limited	47

b) Wholly owned subsidiaries of Cape Distribution (UK) Limited

	Nominal value of Shares held at 31.12.81 £
Andrew Grimsley Limited	850
Cape Automotive Limited	9,843
Ccecol Motor Factors Limited	42,000
Cape Autofare Limited	25,000
Gripp Motor Factors Limited	25,000
Norden Factoring Company Limited	100
North Central Automotive Limited	7,500
Powerparts Limited	1,000
Specialised Commercial Services Limited	15,810
Wessex Factors Limited	100
William Pratt and Company Limited	3,000
Roy Uden Cars Limited	100
Trist Draper Limited	150,000
Minett Fluid Power Limited	1,980

CAPE DISTRIBUTION LIMITED AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

Notes

1. Nominal values of shareholdings represent the issued and fully paid share capital of the subsidiary company and, in all cases, relate to ordinary shares of £1 each.

2. All the companies listed overleaf were registered in England with the exception of William Pratt and Company Limited and Norden Factoring Company Limited which were registered in Scotland.

13. Contingent Liabilities

There were contingent liabilities at the year end of £4,604 (1980 £67,824) relating to terminable indemnities with recourse.