154/295321

CAPE DISTRIBUTION LIMITED AND SUBSIDIARY COMPANIES

DIRECTORS REPORT AND ACCOUNTS

31ST DECEMBER 1982

PEAT, MARWICK, MITCHELL & COMPANY
LONDON



CAPE DISTRIBUTION LIMITED AND SUBSIDIARY COMPANIES

REPORT OF THE DIRECTORS

The directors present their annual report together with the consolidated accounts for the year ended 31st December 1982.

ACTIVITIES

The principal activity of the Company and its subsidiaries is the distribution of automotive components.

RESULTS

Turnover for the year was £14.9 million. The loss after charging extraordinary items of £5.2 million was £7.1 million.

The directors do not recommend the payment of a dividend.

RATIONALISATION

During the year the decision was taken to rationalise the business of the principal subsidiary by the sale or closure of certain depots and concentrate in the more specialist area of friction and hydraulic hose distribution.

At the beginning of the year that company had 72 branches of which 8 were closed prior to 30th June, 1982. In February 1983, 17 branches were sold to Godfrey Holmes Limited, a subsidiary of Smiths Industries plc., and a further 7 branches were closed. Further sales and closures will bring the remaining number of branches to around 20.

Note 5 to the accounts refers to the extraordinary charges arising from the rationalisation programme which amount to £5,150,000.

DISPOSAL OF SUBSIDIARY COMPANY

During the year the Company sold the whole of its shareholding together with the assets of Minett Fluid Power Limited for a consideration of £97,500.

EMPLOYEES

The total number of employees of the Company and its subsidiaries throughout the year was 629 (1981 - 787). The aggregate remuneration paid to these employees was £3,251,000 (1981 - £4,186,000).

The Company's policy on employment of disabled persons is to ensure that applicants with a genuine physical or mental handicap who are capable of working are 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.

CAPE DISTRIBUTION LIMITED AND SUBSIDIARY COMPANIES

REPORT OF THE DIRECTORS

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Company has made no political or charitable contributions during the year.

DIRECTORS

Mr. W.R. Doughty	(resigned 8.4.82)
Mr. R.D. McIntyre-Brown	(resigned 31.5.82)
Mr. B.B. Stevenson	(resigned 31.10.82)
Mr. E. Harper	(resigned 12.3.82)
Mr. G. Brown	
Mr. J.C. Southern	(resigned 18.6.82)
Mr. G.H. France	
Mr. H.J. Purnell	
Mr. M.A. Wright	
Mr. D. Llewellyn	(appointed 5.11.82)
Mr. N. Vits	(appointed 5.1.83)
Mr. P. Wheeldon	

The interests of directors who are also directors of Cape Industries PLC are shown in the accounts of that company.

No other directors hold any shares in Cape Industries PLC.

AUDITORS

The Auditors, Peat, Marwick, Mitchell & Company have expressed their willingness to continue in office and a resolution for their reappointment will accordingly be proposed at the Annual General Meeting.

By Order of the Board

Secretary

March 1983

REPORT OF THE AUDITORS TO THE MEMBERS OF CAPE DISTRIBUTION LIMITED

We have audited the accounts on pages 4 to 13 in accordance with approved auditing standards.

We draw attention to the accounting policies set out on Page 7 which state that with the exception of certain assets relating to depots scheduled for disposal or closure which are stated at estimated realisable value, the accounts have been prepared on a going concern basis, as the Company's holding company has indicated that it will continue to support the company's operations for the foreseeable future.

In our opinion the accounts which have been properly prepared on the basis of the accounting policies set out on pages 7 and 8 give a true and fair view of the state of the Group's affairs at 31st December 1982 and of its loss and source and application of funds for the year to date and comply with the Companies Acts 1948 to 1981.

Peat Marwick Mitchell & Co.

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants.

London
March 1983

29 MAR 1983

CAPE DISTRIBUTION LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1982

	NOTE	1982 £000's	1981 £000's
TURNOVER		14,878	19,960
TRADING LOSS FOR THE YEAR BEFORE INTEREST & TAXATION	1	1,355	1,231
Net Interest Payable	2	618	653
LOSS BEFORE TAXATION		1,973	1,884
Taxation	3	-	-
LOSS AFTER TAXATION & BEFORE EXTRAORDINARY ITEMS		1,973	1,884
Extraordinary Items	5	5,150	850
DEFICIT FOR YEAR		7,123	2,734
Deficit on reserves brought forward		4,150	1,416
DEFICIT CARRIED FORWARD	6	11,273	4,150

The notes referred to above form part of these accounts.

CAPE DISTRIBUTION LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET 31ST DECEMBER 1982

	Note	CONSOLIDATED 1982 £000	CONSOLIDATED 1981 £000	COMPANY 1982 £000	COMPANY 1981 £000
ASSETS EMPLOYED					
Current Assets:					
Cash In Hand		21	26	-	-
Debtors		2729	4022	-	-
Stock		2885	6219	-	-
		5635	10267	-	-
Current Liabilities					
Amount due to Holding Company	8	(4413)	(6000)	-	-
Creditors		(4740)	(4688)	-	-
		(9153)	(10688)	-	-
Net Current Liabilities		(3518)	(421)	-	-
Interest in Subsidiary Companies	7	-	-	594	594
Amounts due to Group Companies		(600)	(603)	-	-
Fixed Assets	9	1422	2959	-	-
		(2696)	1935	594	594
FINANCED BY					
Share Capital	10	500	500	500	500
(Deficit)/Balance on Reserves	6	(11145)	(4022)	94	94
Shareholders Funds		(10645)	(3522)	594	594
Term Debt	11	7949	5457	-	-
		(2696)	1935	594	594

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DIRECTORS

The Directors approved the accounts on 23 March 1983.

The notes referred to above form part of these accounts.

CAPE DISTRIBUTION LIMITED AND SUBSIDIARY COMPANIES

STATEMENT OF COURSE AND APPLICATION OF FUNDS FOR YEAR ENDED 31ST DECEMBER 1982

	£000's	1982 £000's	£000's	1981 £000's
Loss before tax		(1,973)		(1,884)
Extraordinary Costs		(5,150)		(880)
		(7,123)		(2,734)
Adjustment for item not involving the movement of funds:				
Depreciation		903		402
Loss on disposal of fixed assets		30		-
Funds absorbed by operations		(6,190)		(2,332)
SOURCE OF FUNDS				
Disposal of fixed assets	797		428	
Increase in Term debt	2,492		3,479	
		3,289		3,907
		(2,901)		1,575
APPLICATION OF FUNDS				
Purchase of Fixed Assets		(193)		(263)
		(3,094)		1,312
MOVEMENTS IN WORKING CAPITAL				
Decrease in Stocks	3,334		269	
Decrease in Debtors	1,293		372	
Increase/(Decrease) in creditors	49		(4,782)	
		4,676		(4,141)
		1,582		(2,829)
CHANGES IN NET LIQUID FUNDS				
Decrease/(Increase) in Group Bank Account	1,587		(6,000)	
Decrease in Bank Account	-		3,173	
(Decrease) in Cash in Hand	(5)		(2)	
		1,582		(2,829)

CAPE DISTRIBUTION LIMITED AND SUBSIDIARY COMPANIES

ACCOUNTING POLICIES

(i) Basis of Preparation of Accounts

The accounts have been prepared on the historical cost basis, as modified by the revaluation of certain assets, and in compliance with Section 152A and Schedule 8A of the Companies Act 1948.

Due to the proposed disposal or closure of a number of the Group's operating depots certain assets, which relate to those depots to be disposed of, are included on an estimated realisation basis. In all other respects the accounts have been drawn up on a going concern basis as the company's holding company has indicated that it will continue to support the company's operations for the foreseeable future.

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.

Accelerated depreciation has been provided to reduce assets already earmarked for future disposal in 1983 to their estimated realisable value.

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 at ongoing depots have been valued on a basis consistent with that adopted in previous years, at the lower of cost or net realisable value.

Stocks held at depots which are due for disposal or closure have been included in the accounts at an amount estimated by the directors to be their realisable value.

CAPE DISTRIBUTION LIMITED AND SUBSIDIARY COMPANIES

ACCOUNTING POLICIES

(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 foreseeable future. The potential full deferred taxation liability is disclosed separately (Note 14).

(vi) Goodwill

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

CAPE DISTRIBUTION LIMITED AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

1. LOSS FOR THE YEAR

The trading loss for the year is arrived at after charging the following:-

	1982 £000's	1981 £000's
Depreciation	370	403
Auditors Remuneration	22	20
Directors Remuneration	90	148
Loss on Disposal of fixed assets	30	-
Exceptional Item re. disposal of stocks	-	180

Accelerated depreciation of £533,000 provided against buildings and plant and machinery has been included as an extraordinary charge for the year.

2. NET INTEREST PAYABLE

This represents interest payable on loans from other group companies and is net of sundry interest received of £nil (1981 £3,000).

3. TAXATION PAYABLE

There is no taxation payable due to trading losses incurred. (1981 nil)
The taxation loss available for carry forward has been increased by £303,442 due to accelerated capital allowances and stock relief.

4. DIRECTORS EMOLUMENTS

	1982 £	1981 £
Fees	-	-
Other emoluments	73594	110707
Compensation for loss of office	-	36702
Pension Contributions	16314	-

The emoluments of the chairman were nil (1981 £nil) and of the highest paid director £23,234 (1981 £24,630).

CAPE DISTRIBUTION LIMITED AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

4. DIRECTORS EMOLUMENTS contd

The following table shows the number of other directors whose emoluments fell within the bands stated:

	1982	1981
Up to £5,000	7	7
£5,001 to £10,000	-	4
£10,001 to £15,000	-	-
£15,001 to £20,000	1	2
£20,001 to £25,000	1	1

There were no employees who earned in excess of £30,000.

5. EXTRAORDINARY ITEMS

Extraordinary costs incurred or to be incurred amounting to £5,150,000 (attributable taxation Nil) have been charged to profit and loss account in connection with a major rationalisation programme which has identified a significant number of the branches for sale or closure.

6. RESERVES/(DEFICIT)	CONSOLIDATED 1982 £000	CONSOLIDATED 1981 £000	COMPANY 1982 £000	COMPANY 1981 £000
At beginning of year	(4150)	(1416)	94	94
Deficit for year	(7123)	(2734)	-	-
Revenue (Deficit)/Reserve	(11273)	(4150)	94	94
Capital Reserve	128	128	-	-
At end of year	(11145)	(4022)	94	94

7. INTEREST IN SUBSIDIARY COMPANIES				
Shares at Cost	-	-	138	138
Amounts due from Subsidiaries	-	-	456	456
	-	-	594	594

8. AMOUNTS DUE TO GROUP COMPANIES				
Balance on bank account maintained by Cape Industries PLC on Company's behalf	4413	6000	-	-

NOTES TO THE ACCOUNTS

9. FIXED ASSETS

Consolidated	Land and Buildings £000's	Plant and Equipment £000's	Total £000's
Cost or valuation:			
At 1st January 1982	1,906	2,407	4,313
Additions	-	175	175
Inter Company transfers	-	18	18
Disposals	(791)	(331)	(1,122)
	1,115	2,269	3,384
Depreciation:			
At 1st January 1982	137	1,217	1,354
Charges for year	13	357	370
Accelerated depreciation	62	471	533
Inter Company transfers	-	10	10
Excluded on disposals	(64)	(241)	(305)
	148	1,814	1,962
Net Book Value:			
At 31st December 1982	967	455	1,422
At 31st December 1981	1,769	1,190	2,959

The parent company has no fixed assets

Land and buildings at the year end Comprise:

	Freehold	Long Leasehold	Short Leasehold
At Cost	287	272	185
At valuation - 1975	198	173	-
	485	445	185

10. SHARE CAPITAL:

	1982 £000's	1981 £000's
Authorised and issued 1,000,000 ordinary shares of 50p	500	500

CAPE DISTRIBUTION LIMITED AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

11. TERM DEBT

The term debt £7,949,000 (1981 £5,457,000) is interest free and is due for repayment to Cape Industries PLC at short notice.

The directors do not believe that this debt will be significantly reduced within the next five years.

12. CHARGE

There is a floating charge over the undertaking property and assets of the Company as security for the £2,000,000 7¾% Debenture Stock 1986/89 and £6,000,000 6¾% Debenture Stock 1986/89 of Cape Industries PLC.

13. CAPITAL COMMITMENTS

Capital expenditure authorised, contracted for, but not provided in the accounts was nil (1981 £104,000).

14. DEFERRED TAXATION

The potential liability for deferred taxation arising because of timing differences between the treatment of items for accounts and taxation purposes has been negated by unrelieved trading losses as follows:-

	1982 £000	1981 £000
Consolidated:		
Taxation on excess of book values of assets over their tax written down values	16	494
Taxation on Capital gains on assets sold	16	46
Taxation on Capital gains on property revaluation	46	46
Taxation on expenditure not allowable for taxation purposes until later years	(1,068)	-
Unrelieved losses carried forward	(6,315)	(3,985)
	(7,305)	(3,399)

NOTES TO THE ACCOUNTS

15. BANK ACCOUNT

The bank account of the Company is operated as part of the Cape Industries PLC Group banking arrangements. Although the Company operates a bank account in its own name, the balance on the account is cleared daily to the account of Cape Industries PLC.

16. CONTINGENT LIABILITIES

Contingent liabilities relate to Counter Indemnities given with recourse and were £5000 (1981 £4,604).

17. SUBSIDARY COMPANIES

Wholly owned subsidiaries of the Company:

Cape Distribution (UK) Limited
Cape Automotive Services Limited

Cape Distribution (UK) Limited has the following wholly owned subsidiaries:

Roy Uden Cars Limited
Andrew Grimsley Limited
Cape Automotive Limited
Ceecol Motor Factors Limited
Cape Autofare Limited
Gripp Motor Factors Limited
Nordon Factoring Company Limited (Registered in Scotland)
North Central Automotive Limited
Power Parts Limited
Specialised Commercial Services Limited
Wessex Factors Limited
William Pratt and Company Limited (Registered in Scotland)
Trist Draper Limited

18. HOLDING COMPANY

The Company is a wholly owned subsidiary of Cape Industries PLC a Company incorporated in the United Kingdom.

The ultimate holding Company is Charter Consolidated PLC a Company incorporated in the United Kingdom which owns approximately 67% of the ordinary share capital and the whole of the preference share capital of Cape Industries PLC.