

WILLIAMS MOTOR CO. (HOLDINGS) LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31 December 1997

Registered number: 597708

REGISTRAR'S COPY

KIDSONS IMPEY

CHARTERED ACCOUNTANTS

MANCHESTER



1. The first part of the document is a letter from the President of the United States to the Congress, dated January 1, 1861. It is a very important document, as it sets out the President's policy for the new year. The President states that he is pleased to see the Congress assembled, and that he is confident that the country is in a good position to meet the challenges of the future. He also mentions the recent election of Abraham Lincoln as President, and expresses his confidence in Lincoln's ability to lead the country.

2. The second part of the document is a report from the Secretary of the Treasury, dated January 1, 1861. It provides a detailed account of the financial state of the country at the beginning of the year. The report states that the country is in a sound financial position, with a strong treasury and a low level of public debt. It also mentions the recent election of Abraham Lincoln as President, and expresses confidence in Lincoln's ability to lead the country.

3. The third part of the document is a report from the Secretary of the Interior, dated January 1, 1861. It provides a detailed account of the state of the interior of the country at the beginning of the year. The report states that the country is in a good position to meet the challenges of the future, with a strong interior and a low level of public debt. It also mentions the recent election of Abraham Lincoln as President, and expresses confidence in Lincoln's ability to lead the country.

Williams Motor Co. (Holdings) Limited

Company Information

31 December 1997

DIRECTORS

M D Heeley, FCIB
N J Cook, BSc, FCCA
Mrs M M Orton Williams, BA
N J Dunning

SECRETARY

J Roberts

REGISTERED OFFICE

6 Hadfield Street
Cornbrook
Manchester
M16 9FG

BANKERS

National Westminster Bank Plc
Liverpool City Office
PO Box 138
22 Castle Street
Liverpool
L69 2BE

AUDITORS

Kidsons Impey
Chartered Accountants
Devonshire House
36 George Street
Manchester
M1 4HA

Williams Motor Co. (Holdings) Limited

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Williams Motor Co. (Holdings) Ltd will be held at the Stanneylands Hotel, Wilmslow on Friday 26 June 1998 at 12 noon to carry out the following business:

Ordinary Business

Resolution 1

To receive and adopt the report of the directors and the audited accounts for the year ended 31 December 1997 .

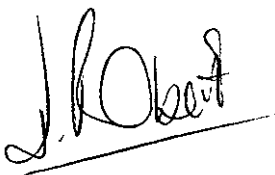
Resolution 2

To declare a final dividend of 38.5% net of tax on the ordinary shares of the company.

Resolution 3

To re-appoint Kidsons Impey as auditors to the company until the conclusion of the next Annual General Meeting and to authorise the directors to fix their remuneration.

By Order of the Board



J Roberts
Secretary

6 Hadfield Street
Cornbrook
Manchester
M16 9FG

20/5/ 1998

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on his/her behalf. A proxy need not be a member of the company.

Williams Motor Co. (Holdings) Limited

Directors' Report

31 December 1997

The directors have pleasure in presenting their report and audited accounts for the year ended 31 December 1997. The accounts were approved by the board on 20 April 1998.

Principal activities

The principal activities of the company are the sale and service of new and used motor vehicles, and the sale of parts and accessories.

Business review, results and dividends

Company turnover amounted to £48,605,920 (1996: £44,897,363) and the profit before taxation was £1,777,060 (1996: £1,173,709). After providing for dividends and taxation, the retained profit of £914,500 (1996: £693,302) has been added to reserves.

During the year, the company paid an interim dividend of £209,116 (1996: £58,814).

The directors recommend a final dividend for 1997 of £100,637 (1996: £71,884) for the year on the ordinary share capital. If approved by the shareholders, the final dividend is proposed to be paid on 1 July 1998.

Fixed assets

Movements in fixed assets during the year are set out in the notes to the financial statements.

In the opinion of the directors the market value of freehold and leasehold property exceeds the amount at which they are stated in the accounts but they are unable to quantify the excess.

Charitable and political donations

Donations for charitable purposes in 1997 were £13,520 (1996: £2,940). There were no donations for political purposes in the year.

Statement of Directors' Responsibilities

We are required under company law 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 these accounts we are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgments and estimates;
- state whether applicable accounting standards have been followed, and give details of any departures;
- prepare the accounts on a going concern basis unless in our view the company will be unable to continue in business;

We are also responsible for:

- keeping proper accounting records;
- safeguarding the company's assets;
- taking reasonable steps for the prevention and detection of fraud.

Williams Motor Co. (Holdings) Limited

Directors' Report

31 December 1997

Directors

The directors of the company at 31 December 1997 and their interests in the shares of the company as recorded in the register of directors' interests were as follows:

	Shareholdings at 31 December 1997		Shareholdings at 31 December 1996	
	Ordinary		Ordinary	
	B	C	B	C
M D Heeley	-	-	-	-
N J Cook	100	1,768	100	1,768
Mrs M M Orton Williams	2,480	62,560	2,480	62,560
N J Dunning	200	10,541	200	10,541
J S Cochrane) as	-	-	19	5,635
N J Cook) trustees	19	7,956	19	5,635
Mrs M M Orton Williams)	19	7,956	-	-

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing the re-appointment of Kidsons Impey as the Company's auditors will be placed before the Annual General Meeting.

On behalf of the Board



J Roberts
Secretary

20 May 1998

Williams Motor Co. (Holdings) Limited

Auditors' report to the members of Williams Motor Co. (Holdings) Limited

We have audited the accounts on pages 6 to 17 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

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

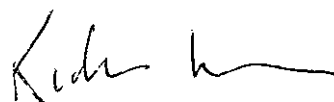
Basis of opinion

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 the company's affairs as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Registered Auditors
Chartered Accountants

Devonshire House
36 George Street
Manchester
M1 4HA

20 May 1998

Williams Motor Co. (Holdings) Limited

Profit and Loss Account

for the year ended 31 December 1997

	Note	1997 £	1996 £
Turnover	2	48,605,920	44,897,363
Cost of sales		(40,932,330)	(38,240,549)
Gross profit		<u>7,673,590</u>	<u>6,656,814</u>
Administrative expenses		(5,803,970)	(5,346,513)
Operating profit	3	<u>1,869,620</u>	<u>1,310,301</u>
Interest payable	5	(92,560)	(136,592)
Profit on ordinary activities before taxation		<u>1,777,060</u>	<u>1,173,709</u>
Taxation	6	(552,807)	(349,709)
Profit on ordinary activities after taxation		<u>1,224,253</u>	<u>824,000</u>
Dividends	7	(309,753)	(130,698)
Retained profit for the year	16	<u>914,500</u>	<u>693,302</u>

Statement of Total Recognised Gains and Losses

for the year ended 31 December 1997

The company has had no recognised gains and losses during this year and last year other than profit for the financial year.

Notes of Historical Cost Profits and Losses

for the year ended 31 December 1997

Profit on a historical cost basis does not differ from profit as shown in the profit and loss account.

The notes on pages 9 to 17 form part of these financial statements.

Williams Motor Co. (Holdings) Limited

Balance Sheet

at 31 December 1997

	Note	1997 £	1996 £
Fixed assets			
Tangible assets	8	4,854,520	4,889,831
Current assets			
Stocks	9	5,039,108	5,023,625
Debtors	10	1,379,281	1,448,097
Cash at bank and in hand		1,718,711	958,844
		<u>8,137,100</u>	<u>7,430,566</u>
Creditors: Amounts falling due within one year	11	<u>(5,666,958)</u>	<u>(5,653,002)</u>
Net current assets		2,470,142	1,777,564
Total assets less current liabilities		<u>7,324,662</u>	<u>6,667,395</u>
Creditors: Amounts falling due after more than one year	12	<u>(777,978)</u>	<u>(1,035,211)</u>
		<u>6,546,684</u>	<u>5,632,184</u>
Capital and reserves			
Called up share capital	15	261,395	261,395
Share premium account	16	123,736	123,736
Profit and loss account	16	6,161,553	5,247,053
Total shareholders' funds attributable to equity shareholders	14	<u>6,546,684</u>	<u>5,632,184</u>

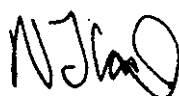
The accounts on pages 6 to 17 were approved by the board of directors on 20 April 1998 and are signed on its behalf by

M D Heeley



)
)
) Directors
)
)

N J Cook



The notes on pages 9 to 17 form part of these financial statements.

Williams Motor Co. (Holdings) Limited

Cash Flow Statement

for the year ended 31 December 1997

	1997		1996	
	£	£	£	£
Net cash inflow from operating activities		2,073,829		1,374,037
Returns on investment and servicing of finance				
Interest received	53,726		39,784	
Interest paid	(135,659)		(168,710)	
Interest element of finance lease rental payments	<u>(10,627)</u>		<u>(7,666)</u>	
		(92,560)		(136,592)
Taxation				
U.K. Corporation tax paid		(399,753)		(333,223)
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets	(792,879)		(966,418)	
Receipts from sales of tangible fixed assets	<u>524,229</u>		<u>717,909</u>	
		(268,650)		(248,509)
Equity dividends paid		(281,000)		(124,163)
Financing				
Redemption of shares				
Repayment of bank loan	(200,000)		(700,000)	
Capital element of finance lease	<u>(71,999)</u>		<u>(45,935)</u>	
		(271,999)		(745,935)
Increase/(Decrease) in cash		<u>759,867</u>		<u>(214,385)</u>

Further details are given in note 17.

The notes on pages 9 to 17 form part of these financial statements.

Williams Motor Co. (Holdings) Limited

Notes to the Accounts - for the year ended 31 December 1997

1 Principal accounting policies

Basis of accounting

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

Depreciation

Depreciation of fixed assets is charged by equal annual instalments commencing with the year of acquisition at rates estimated to write off their cost or valuation less any residual value over the expected useful lives which are as follows:

Plant and machinery:	Up to a maximum of twenty-five years
Motor vehicles:	Up to a maximum of four years

No provision is made for depreciation in respect of freehold and leasehold property. This policy is adopted because the value of these premises is maintained by the company and as a consequence any element of depreciation would in the directors' opinion be immaterial.

Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

Rentals paid under operating leases are charged to income as incurred.

Stocks

Stocks, including work in progress, are valued at the lower of cost and net realisable value.

Deferred taxation

The company does not provide for deferred tax unless there is a reasonable probability that the liability will arise in the foreseeable future.

Defined benefit scheme

Contributions are charged to the profit and loss account so as to spread the cost of pensions over the employees' working life with the company. The regular cost is attributed to the individual years using cash equivalent and market valuation methods.

Money purchase scheme

Contributions are charged to the profit and loss account as they fall due.

2 Turnover

Turnover is the value of goods and services, excluding value added tax. All activities are classed as continuing. There were no acquisitions or disposals of operations during the year or previous year.

The directors do not wish to disclose the turnover by business segment as they believe it would be seriously prejudicial to the business

Williams Motor Co. (Holdings) Limited

Notes to the Accounts - for the year ended 31 December 1997

3 Operating profit

	1997 £	1996 £
Operating profit is stated after charging:		
Auditors' remuneration - audit services	11,385	11,500
- other services	13,925	12,304
Depreciation of tangible fixed assets	366,481	329,759
Directors' remuneration (note 4)	162,703	145,285
	<u> </u>	<u> </u>

4 Directors and employees

	1997	1996
The average number of persons including executive directors employed by the company during the year was:		
Productive	57	53
Sales and distribution	97	84
Administrative	28	30
	<u> </u>	<u> </u>
	182	167
	<u> </u>	<u> </u>
	1997	1996
	£	£
Staff costs including directors' remuneration		
Wages and salaries	3,578,128	2,903,895
Social security costs	351,330	262,639
Pension costs	115,601	145,866
	<u> </u>	<u> </u>
	4,045,059	3,312,400
	<u> </u>	<u> </u>

Pension costs

The company operates a pension scheme providing benefits based on final pensionable pay or on contributions paid. The assets of the scheme are held separately from those of the company, being invested with insurance companies. Contributions funding the defined benefit part of the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using cash equivalent and market valuation methods. The most recent valuation was at 30 June 1997. The pension charge for the period was £115,601 (1996: £145,866).

The main assumptions by the actuary were:

- | | |
|--------------------|---|
| Investment return | - Long term rate of price inflation of 5% per annum. That the schemes investments will over the long term earn a rate of return of 4% per annum in excess of price inflation. |
| Earnings increases | - A real rate of increase in pensionable pay of 2% per annum which equates to a nominal rate of 7% per annum. |

Williams Motor Co. (Holdings) Limited

Notes to the Accounts - for the year ended 31 December 1997

Pension in payment increases - Such increases will average 4% per annum

Dividend growth - A nominal rate of dividend growth of 4.5% per annum.

Contribution rate

Under the money purchase section of the plan members contributions were 3% of pensionable pay and employers contributions were 8% of pensionable pay less 3% of earnings between the lower and upper earnings limit.

Under the final salary section of the plan members contributions were 6% of pensionable pay and employers contributions were 12.5% of pensionable pay.

Changes to the plan

As from 6 April 1997 the money purchase members contracted back into the state earnings related pension scheme.

The actuarial valuation showed that the market value of the scheme's assets at 30 June 1997 was £1,560,489 (1996: restated £1,198,398) and that the actuarial value of those assets fully cover the liabilities at that date.

	1997	1996
	£	£
Directors		
Fees	18,000	24,000
Executive remuneration and benefits	125,128	121,285
	<u>143,128</u>	<u>145,285</u>
	<u><u>2</u></u>	<u><u>2</u></u>
Number of directors to who retirement benefits are accruing under defined benefit schemes in respect of qualifying services		

During the year, £12,000 (1996: £14,332) was paid by way of consultancy and advisory fees to a company in which M D Heeley has an interest.

5 Interest payable

	1997	1996
	£	£
Bank loans and overdrafts		
Wholly repayable within five years	4,931	6,838
Other loans	28,707	85,165
Stock finance and lease charges	58,922	44,589
	<u>92,560</u>	<u>136,592</u>

6 Taxation

	1997	1996
	£	£
Corporation tax at 31.5 % (1996: 33%)	560,275	387,323
Corporation tax over provided in previous years	(7,468)	(37,614)
	<u>552,807</u>	<u>349,709</u>

Williams Motor Co. (Holdings) Limited

Notes to the Accounts - for the year ended 31 December 1997

7 Dividends

	1997 £	1996 £
Interim ordinary 80.0% (100.0% gross) paid 21 November 1997	209,116	58,814
Final ordinary 38.5% (48.13% gross) proposed	100,637	71,884
Dividends to equity shareholders	<u>309,753</u>	<u>130,698</u>

8 Tangible fixed assets

Cost or valuation	Freehold land and buildings £	Leasehold land and buildings £	Plant and machinery £	Motor vehicles £	Total £
At 1 January 1997	1,943,493	1,442,648	2,241,894	505,426	6,133,461
Additions	-	-	186,227	620,842	807,069
Disposals	-	-	(1,233)	(593,592)	(594,825)
Transfer	61,000	(61,000)	-	-	-
At 31 December 1997	<u>2,004,493</u>	<u>1,381,648</u>	<u>2,426,888</u>	<u>532,676</u>	<u>6,345,705</u>
Depreciation					
At 1 January 1997	-	-	1,111,810	131,820	1,243,630
Charge for year	-	-	257,512	108,969	366,481
Disposals	-	-	(1,233)	(117,693)	(118,926)
At 31 December 1997	<u>-</u>	<u>-</u>	<u>1,368,089</u>	<u>123,096</u>	<u>1,491,185</u>
Net book value					
At 31 December 1997	<u>2,004,493</u>	<u>1,381,648</u>	<u>1,058,799</u>	<u>409,580</u>	<u>4,854,520</u>
At 31 December 1996	<u>1,943,493</u>	<u>1,442,648</u>	<u>1,130,084</u>	<u>373,606</u>	<u>4,889,831</u>

The net book value of fixtures, motor vehicles and equipment includes £134,217 (1996: £204,220) in respect of assets held under finance leases and hire purchase contracts.

	1997 £	1996 £
Land and Buildings		
Freehold	2,004,493	1,943,493
Long leasehold	1,297,919	1,358,919
Short leasehold	83,729	83,729
Net book value	<u>3,386,141</u>	<u>3,386,141</u>

Long leaseholds are those leaseholds with more than 50 years unexpired.

Williams Motor Co. (Holdings) Limited

Notes to the Accounts - for the year ended 31 December 1997

9 Stocks

	1997 £	1996 £
Vehicles	4,540,533	4,553,066
Parts and other stocks	498,575	470,559
	<u>5,039,108</u>	<u>5,023,625</u>

Included within stock is consignment stock valued at £2,330,864 (1996 : £2,196,101).

10 Debtors

	1997 £	1996 £
Due within one year:		
Trade debtors	995,480	1,199,863
Prepayments and accrued income	358,642	230,263
	<u>1,354,122</u>	<u>1,430,126</u>
Due after more than one year:		
Advanced corporation tax recoverable	25,159	17,971
	<u>1,379,281</u>	<u>1,448,097</u>

11 Creditors: amounts falling due within one year

	1997 £	1996 £
Fixed rate loan	200,000	200,000
Payments on account	338,237	266,340
Trade creditors	2,667,484	3,028,421
Other creditors	803,517	665,207
Advanced corporation tax	77,438	32,675
Corporation tax payable	490,026	374,547
Other taxation and social security	270,816	210,977
Accruals and deferred income	651,322	734,894
Proposed dividend	100,637	71,884
Finance leases and hire purchase contracts	67,481	68,057
	<u>5,666,958</u>	<u>5,653,002</u>

Williams Motor Co. (Holdings) Limited

Notes to the Accounts - for the year ended 31 December 1997

12 Creditors: amounts falling due after more than one year

	1997 £	1996 £
Fixed rate loan	700,000	900,000
Finance leases and hire purchase contracts	77,978	135,211
	<u>777,978</u>	<u>1,035,211</u>
	<u>1997</u> <u>£</u>	<u>1996</u> <u>£</u>
Fixed rate loan		
Amounts fall due on the fixed rate loan as follows:		
In one year or less (see note 11)	200,000	200,000
Between one and two years	700,000	200,000
Between two and five years	-	700,000
	<u>900,000</u>	<u>1,100,000</u>

The fixed rate loan is repayable by one annual instalment of £200,000 and a final repayment of £700,000 and is secured by a fixed and floating charge over the company's assets.

The overdraft facility is secured by a fixed and floating charge over the company's assets.

Finance lease and hire purchase liabilities are secured upon the underlying assets.

Other creditors which represent new vehicle stocking finance is secured by a charge on the vehicles concerned, which are included in vehicle stocks.

A commercial rate of interest is charged on all loans and overdrafts.

Finance leases and hire purchase contracts

Obligations under finance leases and hire purchase contracts are repayable over varying periods by monthly instalments as follows:

	1997 £	1996 £
In one year or less (see note 11)	67,481	68,057
Between one and two years	48,268	62,751
Between two and five years	29,711	72,460
	<u>145,460</u>	<u>203,268</u>

Williams Motor Co. (Holdings) Limited

Notes to the Accounts - for the year ended 31 December 1997

13 Deferred Taxation

	Potential liability 1997 £	Potential liability 1996 £	Provision made 1997 £	Provision made 1996 £
Corporation tax deferred by capital allowances	176,097	214,902	-	-

14 Reconciliation of shareholders' funds

	1997 £	1996 £
Profit for the financial year	1,224,253	824,000
Dividends	(309,753)	(130,698)
Net addition to shareholders' funds	914,500	693,302
Opening shareholders' funds	5,632,184	4,938,882
Closing shareholders' funds	6,546,684	5,632,184

All shareholders funds are classed as equity.

15 Called up share capital

	Authorised		Allotted, called up and fully paid up	
	1997 Number	1996 Number	1997 Number	1996 Number
'B' Ordinary shares of £1 each	5,000	5,000	5,000	5,000
'C' Ordinary shares of £1 each	295,000	295,000	256,395	256,395
	300,000	300,000	261,395	261,395

'C' Ordinary shares rank pari passu in all respects to 'B' Ordinary shares save that they have no voting rights except on the winding up of the company.

Williams Motor Co. (Holdings) Limited

Notes to the Accounts - for the year ended 31 December 1997

16 Reserves

	Share premium account £	Profit and loss account £
At 1 January 1997	123,736	5,247,053
Retained profit for the year	-	914,500
At 31 December 1997	<u>123,736</u>	<u>6,161,553</u>

17 Cash flow statement

a) Reconciliation of operating profit to net cash inflow from operating activities

	1997 £	1996 £
Operating profit	1,869,620	1,310,301
Depreciation and amortisation charges	366,481	329,759
Profit on sale of fixed assets	(48,330)	(28,671)
(Increase) in stocks	(15,483)	(668,063)
Decrease/(Increase) in debtors	76,004	(426,973)
(Decrease)/Increase in creditors	(174,463)	857,684
Net cash inflow from operating activities	<u>2,073,829</u>	<u>1,374,037</u>

b) Reconciliation of net cash flow to movement in net debt

Increase/(Decrease) in cash in the period	759,867	(214,385)
Cash outflow from decrease in debt and leasing finance	271,999	745,935
Change in net debt resulting from cash flows	<u>1,031,866</u>	<u>531,550</u>
Net finance leases	(14,190)	(150,189)
Movement in net debt in the period	<u>1,017,676</u>	<u>381,361</u>
Net debt at 31.12.96	(344,424)	(725,785)
Net debt at 31.12.97	<u>673,252</u>	<u>(344,424)</u>

Williams Motor Co. (Holdings) Limited

Notes to the Accounts - for the year ended 31 December 1997

c) Analysis of changes in net debt

	At 1st day of year	Cash flows	Other non cash charges	At last day of year
Cash in hand, at bank	958,844	759,867	-	1,718,711
Overdrafts	-	-	-	-
	-	<u>759,867</u>		
Debt due within 1 year	(200,000)	200,000	(200,000)	(200,000)
Debt due after 1 year	(900,000)		200,000	(700,000)
Finance leases	(203,268)	<u>71,999</u>	(14,190)	(145,459)
		<u>271,999</u>		
Total	<u>(344,424)</u>	<u>1,031,866</u>	<u>(14,190)</u>	<u>673,252</u>

18 Subsidiary companies

	1997 £	1996 £
Shares at valuation 1 January 1997	7,000	7,000
Less: current accounts	(7,000)	(7,000)
	<u>-</u>	<u>-</u>

The undermentioned are subsidiary companies. The companies were incorporated in Great Britain and are registered in England, and the parent company owns 100% of the share capital of both companies.

Williams Motor Co. Limited
Williams Motor Co. (Manchester) Limited

Both companies have been dormant throughout this year and the previous year and therefore, in the opinion of the directors, no useful purpose would be served by the presentation of group accounts.

19 Ultimate Controlling Party

The ultimate controlling party is Mrs M M Orton Williams.