

WILLIAMS MOTOR CO. (HOLDINGS) LIMITED

REPORT AND ACCOUNTS

31 December 1998

Registered number: 597708

HLB KIDSONS

CHARTERED ACCOUNTANTS

MANCHESTER



Williams Motor Co. (Holdings) Limited

Company Information

31 December 1998

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

HLB Kidsons
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) Limited will be held at the Stanneylands Hotel, Wilmslow on Friday 25 June 1999 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 1998.

Resolution 2

To declare a final dividend of 80.0% net of tax on the ordinary shares of the company.

Resolution 3

To re-appoint HLB Kidsons (formerly 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.

Resolution 4

To approve an increase in directors' fees to £10,000 per annum.

By Order of the Board



J Roberts
Secretary

6 Hadfield Street
Cornbrook
Manchester
M16 9FG

24 MAY

1999

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 1998

The directors have pleasure in presenting their report and audited accounts for the year ended 31 December 1998. The accounts were approved by the board on 30 April 1999.

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 £53,522,640 (1997: £48,605,920) and the profit before taxation was £2,456,858 (1997: £1,777,060). After providing for dividends and taxation, the retained profit of £1,366,027 (1997: £914,500) has been added to reserves.

During the year, the company paid an interim dividend of £100,637 (1997: £209,116). The directors recommend a final dividend for 1998 of £209,116 (1997: £100,637) for the year on the ordinary share capital. If approved by the shareholders, the final dividend is proposed to be paid on 28 June 1999.

Fixed assets

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

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 1998 were £3,425 (1997: £13,520). 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 1998

Directors and their interests

The directors of the company at 31 December 1998 and their interests in the shares of the company as recorded in the register of directors' interests were as follows:

	Shareholdings at 31 December 1998		Shareholdings at 31 December 1997	
	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
N J Cook) as	19	7,956	19	7,956
Mrs M M Orton Williams) trustees	19	7,956	19	7,956

Year 2000

As is well known, many computer and digital systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own year 2000 issues.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain, because at least some level of failure may occur. However, the Board believes that the company has achieved an acceptable state of readiness and has also provided resources to deal promptly with significant subsequent failures or issues that might arise.

The majority of the costs of ensuring readiness have been subsumed into the recurring activities of the department's involved. Incremental costs of modifying existing assets (hardware and software) incurred in the year are not material, and are not expected to be so in the future.

Auditors

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

On behalf of the Board



J Roberts
Secretary

24. MAY 1999

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 historical cost convention and on the basis of the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 3, 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

HLB Kidman

Registered Auditors
Chartered Accountants

Devonshire House
36 George Street
Manchester
M1 4HA

26 May 1999

Williams Motor Co. (Holdings) Limited

Profit and Loss Account

for the year ended 31 December 1998

	Note	1998 £	1997 £
Turnover	2	53,522,640	48,605,920
Cost of sales		(44,860,130)	(40,932,330)
Gross profit		<u>8,662,510</u>	<u>7,673,590</u>
Administrative expenses		(6,200,455)	(5,803,970)
Operating profit	3	<u>2,462,055</u>	<u>1,869,620</u>
Interest payable (net)	5	(5,197)	(92,560)
Profit on ordinary activities before taxation		<u>2,456,858</u>	<u>1,777,060</u>
Taxation	6	(781,078)	(552,807)
Profit for the financial year		<u>1,675,780</u>	<u>1,224,253</u>
Dividends	7	(309,753)	(309,753)
Retained profit for the year	16	<u>1,366,027</u>	<u>914,500</u>

Statement of Total Recognised Gains and Losses

for the year ended 31 December 1998

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

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

Williams Motor Co. (Holdings) Limited

Balance Sheet

at 31 December 1998

	Note	1998 £	1997 £
Fixed assets			
Tangible assets	8	4,814,044	4,854,520
Current assets			
Stocks	9	5,849,802	5,039,108
Debtors	10	1,442,746	1,379,281
Cash at bank and in hand		2,884,774	1,718,711
		<u>10,177,322</u>	<u>8,137,100</u>
Creditors: amounts falling due within one year	11	<u>(7,042,832)</u>	<u>(5,666,958)</u>
Net current assets		3,134,490	2,470,142
Total assets less current liabilities		<u>7,948,534</u>	<u>7,324,662</u>
Creditors: amounts falling due after more than one year	12	(35,823)	(777,978)
		<u>7,912,711</u>	<u>6,546,684</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	7,527,580	6,161,553
Total shareholders' funds attributable to equity shareholders	14	<u>7,912,711</u>	<u>6,546,684</u>

The accounts on pages 6 to 17 were approved by the board of directors on 30 April 1999 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 accounts.

Williams Motor Co. (Holdings) Limited

Cash Flow Statement

for the year ended 31 December 1998

	1998		1997	
	£	£	£	£
Net cash inflow from operating activities		2,447,102		2,073,829
Returns on investments and servicing of finance				
Interest received	125,778		53,726	
Interest paid	(122,736)		(135,659)	
Interest element of finance lease rental payments	(8,239)		(10,627)	
		(5,197)		(92,560)
Taxation				
UK corporation tax paid		(579,433)		(399,753)
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets	(795,971)		(792,879)	
Receipts from sales of tangible fixed assets	568,875		524,229	
		(227,096)		(268,650)
Equity dividends paid		(201,274)		(281,000)
Financing				
Repayment of bank loan	(200,000)		(200,000)	
Capital element of finance lease rental payments	(68,039)		(71,999)	
		(268,039)		(271,999)
Increase in cash		<u>1,166,063</u>		<u>759,867</u>

Further details are given in note 17.

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

Williams Motor Co. (Holdings) Limited

Notes to the Accounts - for the year ended 31 December 1998

1 Principal accounting policies

Basis of accounting

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost 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 their 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 pension scheme

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

Money purchase pension scheme

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

2 Turnover

Turnover represents the value of goods and services, excluding value added tax, invoiced to third parties. Turnover is attributable to one continuing activity in the United Kingdom. There were no acquisitions or disposals of operations during the current 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 1998

3 Operating profit

	1998 £	1997 £
Operating profit is stated after charging:		
Auditors' remuneration - audit services	12,000	11,385
- non audit services	6,370	13,925
Depreciation of owned fixed assets	300,229	240,228
Depreciation of assets held under finance leases and hire purchase contracts	66,275	126,253
Directors' remuneration (note 4)	169,838	143,128

4 Directors and employees

	1998 £	1997 £
Staff costs including directors' remuneration		
Wages and salaries	3,931,673	3,578,128
Social security costs	404,964	351,330
Pension costs	119,952	115,601
	4,456,589	4,045,059

	1998 Number	1997 Number
The monthly average number of persons, including executive directors, employed by the company during the year was:		
Productive	66	57
Sales and distribution	88	97
Administrative	37	28
	191	182

	1998 £	1997 £
Directors' remuneration		
Fees	12,000	12,000
Executive remuneration and benefits	157,838	131,128
	169,838	143,128
Number of directors to whom retirement benefits are accruing under defined benefit pension schemes in respect of qualifying services		
	2	2

In addition to the fees shown above, during the year, £12,000 (1997: £12,000) was paid by way of consultancy and advisory fees to a company in which M D Heeley has an interest.

Williams Motor Co. (Holdings) Limited

Notes to the Accounts - for the year ended 31 December 1998

4 Directors and employees (continued)

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 triennial valuation was at 1 April 1997. The pension charge for the period was £119,952 (1997: £115,601).

The main assumptions used by the actuary were:

- | | |
|------------------------------|--|
| Investment return | - Long term rate of price inflation of 5% per annum and the scheme 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. |
| Pension in payment increases | - Such increases will average 4% per annum. |
| Dividend growth | - A nominal rate of dividend growth of 4.5% per annum. |

Pension contribution rates

Under the money purchase section of the plan members' contributions were 3% of pensionable pay and employer's 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 employer's contributions were 12.5% of pensionable pay.

Market value of scheme assets

The latest pension scheme accounts at 30 June 1998 showed that the market value of the scheme's assets was £1,738,817 (1997: £1,560,489) and that the actuarial value of those assets fully cover the liabilities at that date.

5 Interest payable (net)

	1998 £	1997 £
Bank interest receivable	125,778	53,726
Interest payable:		
Bank loans and overdrafts	67,689	87,364
New vehicle stock finance, finance leases and hire purchase agreements	63,286	58,922
Interest payable	130,975	146,286
Interest payable (net)	5,197	92,560

Williams Motor Co. (Holdings) Limited

Notes to the Accounts - for the year ended 31 December 1998

6 Taxation

	1998 £	1997 £
UK corporation tax	769,111	560,275
Corporation tax under/(over) provided in prior years	11,967	(7,468)
	<u>781,078</u>	<u>552,807</u>

7 Dividends

	1998 £	1997 £
Interim ordinary: 38.5% paid 7 December 1998	100,637	209,116
Final ordinary: 80.0% proposed	209,116	100,637
Dividends to equity shareholders	<u>309,753</u>	<u>309,753</u>

8 Tangible fixed assets

	Freehold land and buildings £	Leasehold land and buildings £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation					
At 1 January 1998	2,004,493	1,381,648	2,426,888	532,676	6,345,705
Additions	55,245	-	157,665	592,627	805,537
Disposals	-	-	(6,003)	(611,760)	(617,763)
At 31 December 1998	<u>2,059,738</u>	<u>1,381,648</u>	<u>2,578,550</u>	<u>513,543</u>	<u>6,533,479</u>
Depreciation					
At 1 January 1998	-	-	1,368,089	123,096	1,491,185
Charge for year	-	-	263,142	103,362	366,504
Disposals	-	-	(3,600)	(134,654)	(138,254)
At 31 December 1998	<u>-</u>	<u>-</u>	<u>1,627,631</u>	<u>91,804</u>	<u>1,719,435</u>
Net book value					
At 31 December 1998	<u>2,059,738</u>	<u>1,381,648</u>	<u>950,919</u>	<u>421,739</u>	<u>4,814,044</u>
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>

The net book value of motor vehicles and plant and machinery above includes £77,509 and £134,217 respectively in respect of assets held under finance leases and hire purchase agreements.

Williams Motor Co. (Holdings) Limited

Notes to the Accounts - for the year ended 31 December 1998

8 Tangible fixed assets (continued)

	1998 £	1997 £
Land and Buildings		
Freehold	2,059,738	2,004,493
Long leasehold	1,297,919	1,297,919
Short leasehold	83,729	83,729
Net book value	<u>3,441,386</u>	<u>3,386,141</u>

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

9 Stocks

	1998 £	1997 £
Vehicles	5,365,615	4,540,533
Parts and other stocks	484,187	498,575
	<u>5,849,802</u>	<u>5,039,108</u>

Included within stock is consignment stock valued at £2,832,879 (1997: £2,330,864).

10 Debtors

	1998 £	1997 £
Due within one year:		
Trade debtors	1,067,607	995,480
Prepayments and accrued income	375,139	358,642
	<u>1,442,746</u>	<u>1,354,122</u>
Due after more than one year:		
Advance corporation tax	-	25,159
	<u>1,442,746</u>	<u>1,379,281</u>

11 Creditors: amounts falling due within one year

	1998 £	1997 £
Fixed rate loan	700,000	200,000
Payments on account	355,015	338,237
Trade creditors	3,215,093	2,667,484
Other creditors	833,119	803,517
Advance corporation tax	25,159	77,438
Corporation tax	718,791	490,026
Other taxation and social security costs	281,257	270,816
Accruals and deferred income	654,119	651,322
Proposed dividend	209,116	100,637
Finance leases and hire purchase contracts	51,163	67,481
	<u>7,042,832</u>	<u>5,666,958</u>

Williams Motor Co. (Holdings) Limited

Notes to the Accounts - for the year ended 31 December 1998

12 Creditors: amounts falling due after more than one year

	1998 £	1997 £
Fixed rate loan	-	700,000
Finance leases and hire purchase contracts	35,823	77,978
	<u>35,823</u>	<u>777,978</u>
	1998 £	1997 £
Fixed rate loan		
Amounts repayable:		
In one year or less (see note 11)	700,000	200,000
Between one and two years	-	700,000
	<u>700,000</u>	<u>900,000</u>

The fixed rate loan is repayable by 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 secured 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

The maturity of these amounts is as follows:

	1998 £	1997 £
In one year or less (see note 11)	51,163	67,481
Between one and two years	19,753	48,268
Between two and five years	16,070	29,710
	<u>86,986</u>	<u>145,459</u>

Williams Motor Co. (Holdings) Limited

Notes to the Accounts - for the year ended 31 December 1998

13 Deferred taxation

	Potential liability 1998 £	Potential liability 1997 £	Provision made 1998 £	Provision made 1997 £
Capital allowances in advance of depreciation	159,818	176,097	-	-

14 Reconciliation of shareholders' funds

	1998 £	1997 £
Profit for the financial year	1,675,780	1,224,253
Dividends paid and proposed	(309,753)	(309,753)
Net addition to shareholders' funds	1,366,027	914,500
Opening shareholders' funds	6,546,684	5,632,184
Closing shareholders' funds	7,912,711	6,546,684

All shareholders funds are classed as equity.

15 Called up share capital

	Authorised		Allotted, called up and fully paid up	
	1998 Number	1997 Number	1998 Number	1997 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 1998

16 Reserves

	Share premium account £	Profit and loss account £
At 1 January 1998	123,736	6,161,553
Retained profit for the year	-	1,366,027
At 31 December 1998	<u>123,736</u>	<u>7,527,580</u>

17 Cash flow statement

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

	1998 £	1997 £
Operating profit	2,462,055	1,869,620
Depreciation	366,504	366,481
Profit on sale of fixed assets	(89,366)	(48,330)
(Increase) in stocks	(810,694)	(15,483)
(Increase)/decrease in debtors	(88,624)	76,004
Increase/(decrease) in creditors	607,227	(174,463)
Net cash inflow from operating activities	<u>2,447,102</u>	<u>2,073,829</u>

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

	1998 £	1997 £
Increase in cash	1,166,063	759,867
Cash used to repay capital element of finance lease and hire purchase rentals	68,039	71,999
Cash outflow from repayment of bank loan	200,000	200,000
Change in net funds resulting from cash flows	<u>1,434,102</u>	<u>1,031,866</u>
New finance leases and hire purchase agreements	(9,566)	(14,190)
Movement in net funds	<u>1,424,536</u>	<u>1,017,676</u>
Net funds/(debt) at 1 January	673,252	(344,424)
Net funds at 31 December	<u>2,097,788</u>	<u>673,252</u>

Williams Motor Co. (Holdings) Limited

Notes to the Accounts - for the year ended 31 December 1998

17 Cash flow statement (continued)

c) Analysis of changes in net funds

	At 1 Jan. 1998 £	Cash flow £	Other changes £	At 31 Dec. 1998 £
Cash at bank and in hand	1,718,711	1,166,063	-	2,884,774
Debt due within 1 year	(200,000)	200,000	(700,000)	(700,000)
Debt due after 1 year	(700,000)	-	700,000	-
Finance leases and hire purchase agreements	(145,459)	68,039	(9,566)	(86,986)
Total	<u>673,252</u>	<u>1,434,102</u>	<u>(9,566)</u>	<u>2,097,788</u>

18 Subsidiary companies

	1998 £	1997 £
Shares at valuation 1 January and 31 December	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. 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 Capital commitments

Amounts contracted for but not provided in the accounts amount to £515,000 (1997: £Nil)

20 Ultimate controlling party

The ultimate controlling party is Mrs M M Orton Williams.