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Canei International Limited

Report and Financial Statements

Year Ended

31 October 2001



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Blueprint Audit Limited
Chartered Accountants and
Registered Auditor

CANEI INTERNATIONAL LIMITED

Annual report and financial statements for the year ended 31 October 2001

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Directors

RL Bhardwaj
B Bhardwaj

Secretary and registered office

B Bhardwaj, Tenon Limited, Foxhall Lodge, Gregory Boulevard, Nottingham, NG7 6LH

Company number

02576310

Auditors

Blueprint Audit Limited, Foxhall Lodge, Gregory Boulevard, Nottingham, NG7 6LH

Accountants and Business Advisers

Tenon Limited, Foxhall Lodge, Gregory Boulevard, Nottingham, NG7 6LH

Bankers

National Westminster Bank PLC, 3 Thurland Street, Nottingham, NG1 3DT

CANEI INTERNATIONAL LIMITED

Report of the directors for the year ended 31 October 2001

The directors present their report together with the audited financial statements for the year ended 31 October 2001.

Results and dividends

The profit and loss account is set out on page 4 and shows the profit for the year.

The directors do not recommend the payment of a dividend.

Principal activity, trading review and future developments

The principal activity of the company in the year under review was that of operating garages and car sales sites.

The directors are pleased with the year under review and are confident of future prospects.

Directors

The beneficial interests of directors holding office on 31 October 2001 in the issued share capital of the company were as follows:

	2001	2000
Ordinary shares of £1 each		
RL Bhardwaj	500	500
B Bhardwaj	500	500

EMU Impact

Having reviewed its commercial and accounting transactions, the company is managing the impact of the single currency.

CANEI INTERNATIONAL LIMITED

Report of the directors for the year ended 31 October 2001 (*Continued*)

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 of the company for that period. In preparing those financial statements, the directors are required to:

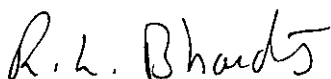
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with *reasonable accuracy at any time the financial position of the company and enable them to ensure* that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Blueprint Audit Limited have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the Board



RL Bhardwaj
Director

6 May 2002

Independent auditors' report to the shareholders of Canei International Limited

We have audited the financial statements of Canei International Limited for the year ended 31 October 2001 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 1985. 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.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 consider 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 October 2001 of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Blueprint Audit Limited
Chartered Accountants and Registered Auditor
Nottingham

28 May 2002

CANEI INTERNATIONAL LIMITED**Profit and loss account for the year ended 31 October 2001**

	Note	2001 £	2000 £
Turnover	2	3,733,636	3,192,804
Cost of sales		(3,225,511)	(2,707,404)
Gross profit		<u>508,125</u>	<u>485,400</u>
Administrative expenses		(411,871)	(420,405)
		<u>96,254</u>	<u>64,995</u>
Other operating income		152,962	147,628
Operating profit	5	<u>249,216</u>	<u>212,623</u>
Discontinued operations: Exceptional profit on disposal	6	-	83,287
Interest payable	7	(66,608)	(74,983)
Profit on ordinary activities before taxation		<u>182,608</u>	<u>220,927</u>
Taxation	8	(51,934)	15,631
Retained profit for the year	16	<u>130,674</u>	<u>236,558</u>

All amounts relate to continuing activities except for the exceptional profit shown above.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 7 to 13 form part of these financial statements.

CANEI INTERNATIONAL LIMITED

Balance sheet at 31 October 2001

	Note	2001		2000	
		£	£	£	£
Fixed assets					
Tangible assets	9		1,106,907		1,084,919
Current assets					
Stocks	10	588,767		546,817	
Debtors	11	12,998		22,391	
Cash at bank and in hand		610		553	
		<u>602,375</u>		<u>569,761</u>	
Creditors: amounts falling due within one year	12	(553,382)		(626,812)	
Net current assets/(liabilities)			48,993		(57,051)
Total assets less current liabilities			<u>1,155,900</u>		<u>1,027,868</u>
Creditors: amounts falling due after more than one year	13	(413,961)		(416,891)	
Provision for liabilities and charges					
Deferred taxation	14	(12,500)		(12,212)	
		<u>(426,461)</u>		<u>(429,103)</u>	
Net assets			<u>729,439</u>		<u>598,765</u>
Capital and reserves - equity					
Called up share capital	15		1,000		1,000
Profit and loss account	16		728,439		597,765
Shareholders' funds	17		<u>729,439</u>		<u>598,765</u>

The financial statements were approved by the Board on 6 May 2002.

R. L. Bhardwaj

RL Bhardwaj
Director

The notes on pages 7 to 13 form part of these financial statements.

CANEI INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 October 2001

1 Accounting policies

The financial statements have been prepared under the historical cost convention, and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax.

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets, except freehold land, over their expected useful lives. It is calculated at the following rates:

Freehold buildings	- 2% - 4% straight-line
Plant and machinery	- 15% on reducing balance
Fixtures and fittings	- 10% on reducing balance
Motor vehicles	- 25% on reducing balance
Computer equipment	- 25% on reducing balance

Stocks

Stocks are valued at the lower of cost and net realisable value.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that a liability or asset will crystallise.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor. All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

CANEI INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 October 2001

2 Turnover

Turnover is wholly attributable to the principal activities of the company and arises solely within the United Kingdom.

3 Employees

	2001 £	2000 £
Staff costs consist of:		
Wages and salaries	201,408	190,252
Social security costs	10,600	12,603
Other pension costs	2,660	3,683
	<u>214,668</u>	<u>206,538</u>

The average monthly number of employees, including directors, during the year was 17 (2000 - 17).

4 Directors

	2001 £	2000 £
Directors' emoluments consist of:		
Remuneration for management services	46,124	46,096
Pension contributions	2,660	1,312
	<u>48,784</u>	<u>47,408</u>

Both directors were members of the defined contribution pension scheme in 2001 and 2000.

5 Operating profit

	2001 £	2000 £
This has been arrived at after charging:		
Other operating leases	1,413	4,396
Depreciation - owned assets	28,683	31,728
- assets held under hire purchase contract	3,388	3,987
Auditors remuneration	4,000	4,000
	<u></u>	<u></u>

CANEI INTERNATIONAL LIMITED**Notes forming part of the financial statements for the year ended 31 October 2001 (Continued)**

6	Exceptional profit on disposal	2001 £	2000 £
	Profit on disposal of business	-	83,287
		<u> </u>	<u> </u>
	The profit arose as a result of an amount received for a non-competition agreement in respect of the mini-market shops.		
7	Interest payable	2001 £	2000 £
	Bank interest	8,509	7,701
	Bank overdraft loan interest	31,442	30,939
	Finance lease interest	2,016	2,457
	Stocking loan interest (First National Motor Finance)	24,641	33,886
		<u>66,608</u>	<u>74,983</u>
8	Taxation on profit from ordinary activities		
	UK corporation tax	42,000	34,000
	Transfer to/(from) deferred taxation	288	(2,025)
	Adjustment in respect of prior years	9,646	(47,606)
		<u>51,934</u>	<u>(15,631)</u>

CANEI INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 October 2001 (*Continued*)

9 Tangible assets

	Freehold properties £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Total £
<i>Cost</i>						
At 1 November 2000	1,045,498	59,737	109,355	11,470	7,666	1,233,726
Additions	45,000	-	7,354	-	1,705	54,059
At 31 October 2001	1,090,498	59,737	116,709	11,470	9,371	1,287,785
<i>Depreciation</i>						
At 1 November 2000	43,819	21,410	66,611	11,470	5,497	148,807
Provided for the year	20,343	5,749	5,010	-	969	32,071
At 31 October 2001	64,162	27,159	71,621	11,470	6,466	180,878
<i>Net book value</i>						
At 31 October 2001	1,026,336	32,578	45,088	-	2,905	1,106,907
At 31 October 2000	1,001,679	38,327	42,744	-	2,169	1,084,919

The net book value of tangible fixed assets includes an amount of £22,586 (2000 - £37,778) in respect of assets held under finance leases. The related depreciation charge for the period was £3,987 (2000 - £6,668).

At 31 October 2001, included in freehold properties are investment properties at a cost of £552,498 (2000: £552,498) with a net book value of £524,958 (2000: £538,728).

10 Stocks

	2001 £	2000 £
Consumables and goods held for resale	588,767	546,817

11 Debtors

Trade debtors	4,299	21,941
Other debtors	8,699	-
Prepayments	-	450
	12,998	22,391

All amounts shown under debtors fall due for payment within one year.

CANEI INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 October 2001 (*Continued*)

12 Creditors: amounts falling due within one year

	2001 £	2000 £
Bank loan	18,523	21,046
Bank overdrafts	23,933	93,863
Trade creditors	102,741	87,134
Taxation and social security	20,993	31,935
Corporation tax	42,000	34,000
Obligations under hire purchase contracts	6,744	6,707
Other creditors	23,166	27,113
Accruals	10,053	8,867
First National Motor Finance (stocking loan)	305,229	316,147
	<u>553,382</u>	<u>626,812</u>

a) The First National Motor Finance loan is secured on the stock of the company and has been personally guaranteed by the directors.

b) The bank loans and overdraft are secured by:

- i) A first legal mortgage dated 17.7.96 over freehold land and buildings at Derby Road, Heanor.
- ii) A first legal mortgage dated 8.4.98 over freehold land and buildings at Sawley Garage, Tamworth Road, Sawley, Nottingham.
- iii) Mortgage debenture dated 17.7.96 incorporating a fixed and floating charge over all current and future assets of the company.

13 Creditors: amounts falling due after more than one year

	2001 £	2000 £
Bank loans	349,480	365,480
Obligations under hire purchase contracts	1,821	8,531
Directors loan account	62,660	12,880
Lion Motors Limited	-	30,000
	<u>413,961</u>	<u>416,891</u>

CANEI INTERNATIONAL LIMITED**Notes forming part of the financial statements for the year ended 31 October 2001 (Continued)****13 Creditors: amounts falling due after more than one year (Continued)**

	2001 £	2000 £
a) Bank loans		
The repayment of the bank loans fall due as follows:		
Within one year	18,523	21,046
Between one and two years	18,523	22,727
Between two and five years	55,569	78,786
After five years	275,388	263,967
	<u>368,003</u>	<u>386,526</u>
b) Included in bank loans		
i) A fixed term loan of £45,413 (2000: £48,184) which bears an interest rate of 2% above the bank's prevailing base rate and is repayable in monthly instalments by November 2012.		
ii) A fixed term loan of £251,191 (2000: £260,183) which bears an interest rate of 2% above the bank's prevailing base rate and is repayable in equal monthly instalments by November 2017.		
iii) A fixed term loan of £13,831 (2000: £17,026) which bears an interest rate of 2% above the bank's prevailing base rate and is repayable in equal monthly instalments by 2005.		
iv) A fixed term loan of £57,568 (2000: £61,133) which bears an interest rate of 2% above the bank's prevailing base rate and is repayable in equal monthly instalments by November 2012.		
c) The directors current account does not bear interest and has no specific repayment date.		
	2001 £	2000 £
d) Obligations under hire purchase contracts are due as follows:		
Within one year	6,744	6,707
Within one to two years	1,821	6,707
Within two to five years	-	1,824
	<u>8,565</u>	<u>15,238</u>

CANEI INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 October 2001 (*Continued*)

14 Deferred taxation

	Unprovided £	2001 Provided in accounts £	Unprovided £	2000 Provided in accounts £
Accelerated capital allowances	14,237	12,500	14,237	12,212
				£
Provision at 1 November 2000				12,212
Transfer to profit and loss account				288
Provision at 31 October 2001				12,500

15 Share capital

	2001 £	2000 £	Allotted, called up and fully paid 2001 £	2000 £
Ordinary shares of £1 each	1,000,000	1,000,000	1,000	1,000

16 Profit and loss account

	Profit and loss account £
At 1 November 2000	597,765
Retained profit for the year	130,674
At 31 October 2001	728,439

17 Reconciliation of movements in shareholders' funds

	2001 £	2000 £
Retained profit for the year	130,674	236,558
Opening shareholders' funds	598,765	362,207
Closing shareholders' funds	729,439	598,765

CANEI INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 October 2001 (*Continued*)

18 Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

19 Commitments under operating leases

As at 31 October 2001, the company had annual commitments under non-cancellable operating leases as set out below:

	Other 2001 £	Other 2000 £
Operating leases which expire:		
Within one year	1,499	1,413
In two to five years	-	1,499
	<u>1,499</u>	<u>2,912</u>

20 Related party transactions

At 31 October 2001 the company owed £62,660 (2000: £12,880) in respect of a directors loan account. The loan account is interest free, unsecured and has no fixed repayment date.

At 31 October 2001 the company owed £Nil (2000: £30,000) to Lion Motors Limited, a company in which the directors of the company serve as directors. The loan is interest free, unsecured and has no fixed repayment date.

The directors have provided personal guarantees in respect of the First National Motor Finance stocking loan of £305,229 (2000: £316,147).