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Canei International Limited
Report and Financial Statements
Year Ended
31 October 2002



CANEI INTERNATIONAL LIMITED

Annual report and financial statements for the year ended 31 October 2002

Contents

Page:

1	Report of the directors
3	Report of the independent auditor
4	Profit and loss account
5	Balance sheet
6	Cash flow statement
7	Notes forming part of the financial statements

Directors

RL Bhardwaj
B Bhardwaj

Secretary and registered office

B Bhardwaj, Charnwood House, Gregory Boulevard, Nottingham, NG7 6NX

Company number

02576310

Auditor

Blueprint Audit Limited, Charnwood House, Gregory Boulevard, Nottingham, NG7 6NX

Accountants and Business Advisers

Tenon Limited, Charnwood House, Gregory Boulevard, Nottingham, NG7 6NX

Bankers

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

CANEI INTERNATIONAL LIMITED

Report of the directors for the year ended 31 October 2002

The directors present their report together with the audited financial statements for the year ended 31 October 2002.

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 car sales sites.

At the beginning of the year the garage operations were transferred out of the business. Turnover in 2001 was £257,245 relating to the garage operations.

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 2002 in the issued share capital of the company were as follows:

	£1 ordinary shares	
	2002	2001
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 2002 (*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.

Auditor

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

21 May 2003

Independent auditor's report to the shareholders of Canei International Limited

We have audited the financial statements of Canei International Limited for the year ended 31 October 2002 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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 2002 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

30 June 2003

CANEI INTERNATIONAL LIMITED**Profit and loss account for the year ended 31 October 2002**

	Note	2002 £	2001 £
Turnover	2	3,209,902	3,733,636
Cost of sales		(2,866,368)	(3,225,511)
Gross profit		343,534	508,125
Administrative expenses		(329,279)	(411,871)
		14,255	96,254
Other operating income		175,220	152,962
Operating profit	5	189,475	249,216
Interest payable	6	(50,412)	(66,608)
Profit on ordinary activities before taxation		139,063	182,608
Taxation	7	(45,536)	(51,934)
Profit on ordinary activities after taxation	15	93,527	130,674

All amounts relate to continuing activities.

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

The notes on pages 7 to 15 form part of these financial statements.

CANEI INTERNATIONAL LIMITED

Balance sheet at 31 October 2002

	Note	2002		2001	
		£	£	£	£
Fixed assets					
Tangible assets	8		1,058,452		1,106,907
Current assets					
Stocks	9	535,182		588,767	
Debtors	10	112,493		12,998	
Cash at bank and in hand		2		610	
			647,677		602,375
Creditors: amounts falling due within one year	11	(551,935)		(553,382)	
Net current assets			95,742		48,993
Total assets less current liabilities			1,154,194		1,155,900
Creditors: amounts falling due after more than one year	12	(314,728)		(413,961)	
Provision for liabilities and charges					
Deferred taxation	13	(16,500)		(12,500)	
			(331,228)		(426,461)
Net assets			822,966		729,439
Capital and reserves - equity					
Called up share capital	14		1,000		1,000
Profit and loss account	15		821,966		728,439
Shareholders' funds	16		822,966		729,439

The financial statements were approved by the Board on 21 May 2003.

R.L. Bhardwaj

RL Bhardwaj
Director

The notes on pages 7 to 15 form part of these financial statements.

CANEI INTERNATIONAL LIMITED

Cash flow statement for the year ended 31 October 2002

	Note	2002		2001	
		£	£	£	£
Net cash inflow from operating activities	20		128,666		259,466
Returns on investments and servicing of finance					
Interest paid		(50,412)		(66,608)	
		<u> </u>		<u> </u>	
Net cash outflow from returns on investments and servicing of finance			(50,412)		(66,608)
Taxation					
UK corporation tax paid			(52,536)		(43,616)
Capital expenditure					
Purchase of tangible fixed assets		(11,523)		(54,059)	
Sale proceeds		32,578		-	
		<u> </u>		<u> </u>	
Net cash inflow/(outflow) from capital expenditure			21,055		(54,059)
			<u> </u>		<u> </u>
Net cash inflow before use of liquid resources and financing			46,773		95,183
Financing					
Bank financing repayments		(28,060)		(18,523)	
Capital element of finance lease rental payments		(8,565)		(6,673)	
		<u> </u>		<u> </u>	
			(36,625)		(25,196)
			<u> </u>		<u> </u>
Increase in cash and cash equivalents	21		10,148		69,987
			<u> </u>		<u> </u>

The notes on pages 7 to 15 form part of these financial statements.

CANEI INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 October 2002

1 Accounting policies

There have been no changes in accounting policies during the year other than the adoption of FRS 19 "Deferred Taxation".

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. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS 19.

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 2002

2 Turnover

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

At the beginning of the year the garage operations were transferred out of the business. Turnover in 2001 was £257,245 relating to the garage operations.

The directors do not consider that this constituted a discontinued activity. Therefore, no further disclosures are required in accordance with FRS 3 Reporting Financial Performance.

3 Employees

	2002 £	2001 £
Staff costs consist of:		
Wages and salaries	147,929	201,408
Social security costs	10,623	10,600
Other pension costs	993	2,660
	<u>159,545</u>	<u>214,668</u>

The average monthly number of employees, including directors, during the year was 12 (2001 - 17).

4 Directors

	2002 £	2001 £
Directors' emoluments consist of:		
Remuneration for management services	42,900	42,020
Payments to defined contribution pension scheme	993	2,660
	<u>43,893</u>	<u>44,680</u>

Both directors were members of the defined contribution pension scheme in 2002 and 2001.

5 Operating profit

	2002 £	2001 £
This has been arrived at after charging:		
Other operating leases	-	1,413
Depreciation - owned assets	27,400	28,683
- assets held under hire purchase contracts	-	3,388
Auditors remuneration	3,500	4,000
	<u>31,900</u>	<u>37,484</u>

CANEI INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 October 2002 (*Continued*)

6 Interest payable

	2002 £	2001 £
Bank interest	3,752	8,509
Bank overdraft loan interest	21,905	31,442
Finance lease interest	-	2,016
Stocking loan interest (First National Motor Finance)	24,755	24,641
	<u>50,412</u>	<u>66,608</u>

7 Taxation on profit from ordinary activities

	2002 £	2001 £
(a) Analysis of charge in year		
<i>Current tax:</i>		
UK corporation tax on profits of the period	42,487	42,000
Adjustment in respect of previous year	(952)	9,646
Total current tax (note 7(b))	<u>41,535</u>	<u>51,646</u>
<i>Deferred tax:</i>		
Origination of timing differences (note 13)	4,000	288
Adjustment in respect of previous year	1	-
Tax on profit on ordinary activities	<u>45,536</u>	<u>51,934</u>
(b) Factors affecting tax charge for year		
Profit on ordinary activities before taxation	139,063	182,608
Profit on ordinary activities multiplied by expected rate of corporation tax of 30% (2001: 20%)	<u>41,719</u>	<u>36,522</u>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	1,200	206
Capital allowances in excess of depreciation	8,790	4,320
Marginal relief	(9,222)	952
Prior year (over)/under provision	(952)	9,646
	<u>41,535</u>	<u>51,646</u>
(c) Factors that may affect future tax charges		

Based upon current capital investments plans the company expects to continue to claim allowances which are similar to the depreciation charge in future years.

CANEI INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 October 2002 (*Continued*)

8 Tangible assets

	Freehold properties £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Total £
<i>Cost</i>						
At 1 November 2001	1,090,498	59,737	116,709	11,470	9,371	1,287,785
Additions	-	-	10,000	-	1,523	11,523
Disposals	-	(59,737)	-	-	-	(59,737)
At 31 October 2002	<u>1,090,498</u>	<u>-</u>	<u>126,709</u>	<u>11,470</u>	<u>10,894</u>	<u>1,239,571</u>
<i>Depreciation</i>						
At 1 November 2001	64,162	27,159	71,621	11,470	6,466	180,878
Provided for the year	21,810	-	4,512	-	1,078	27,400
Disposals	-	(27,159)	-	-	-	(27,159)
At 31 October 2002	<u>85,972</u>	<u>-</u>	<u>76,133</u>	<u>11,470</u>	<u>7,544</u>	<u>181,119</u>
<i>Net book value</i>						
At 31 October 2002	<u>1,004,526</u>	<u>-</u>	<u>50,576</u>	<u>-</u>	<u>3,350</u>	<u>1,058,452</u>
At 31 October 2001	<u>1,026,336</u>	<u>32,578</u>	<u>45,088</u>	<u>-</u>	<u>2,905</u>	<u>1,106,907</u>

The net book value of tangible fixed assets includes an amount of £nil (2001 - £22,586) in respect of assets held under hire purchase contracts. The related depreciation charge for the year was £Nil (2001 - £3,388).

At 31 October 2002, included in freehold properties are investment properties at a cost of £552,498 (2001: £552,498) with a net book value of £510,225 (2001: £524,958).

9 Stocks

	2002 £	2001 £
Consumables and goods held for resale	<u>535,182</u>	<u>588,767</u>

There is no material difference between the replacement cost of stocks and the amount shown above.

10 Debtors

	2002 £	2001 £
Trade debtors	6,410	4,299
Other debtors	106,083	8,699
	<u>112,493</u>	<u>12,998</u>

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 2002 (*Continued*)

11 Creditors: amounts falling due within one year

	2002 £	2001 £
Bank loan (secured)	28,061	18,523
Bank overdrafts (secured)	13,177	23,933
First National Motor Finance (stocking loan - secured)	281,082	305,229
Trade creditors	39,165	102,741
Taxation and social security	26,537	20,993
Corporation tax	42,487	42,000
Obligations under hire purchase contracts (secured)	-	6,744
Other creditors	110,023	3,166
Accruals	11,403	10,053
	<u>551,935</u>	<u>553,382</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.

c) The net obligations under hire purchase contracts are secured against the assets to which they relate.

CANEI INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 October 2002 (*Continued*)

12 Creditors: amounts falling due after more than one year

	2002 £	2001 £
Bank loans (secured)	311,882	349,480
Obligations under hire purchase contracts (secured)	-	1,821
Directors loan account	2,846	62,660
	<u>314,728</u>	<u>413,961</u>

a) Bank loans

The repayment of the bank loans fall due as follows:

Within one year	28,061	18,523
Between one and two years	28,061	18,523
Between two and five years	84,183	55,569
After five years	199,638	275,388
	<u>339,943</u>	<u>368,003</u>

b) Included in bank loans

- i) A fixed term loan of £41,398 (2001: £45,413) 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 £235,760 (2001: £251,191) 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 £10,351 (2001: £13,831) which bears an interest rate of 2% above the bank's prevailing base rate and is repayable in equal monthly instalments by September 2005.
- iv) A fixed term loan of £52,434 (2001: £57,568) 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' loan account does not bear interest and has no specific repayment date.

	2002 £	2001 £
d) Obligations under hire purchase contracts are due as follows:		
Within one year	-	6,744
Within one to two years	-	1,821
	<u>-</u>	<u>8,565</u>

CANEI INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 October 2002 (*Continued*)

13 Provision for liabilities and charges

	2002 £	2001 £
Accelerated capital allowances	16,500	12,500
Deferred taxation movements are:		
		£
At 1 November 2001		12,500
Transfer from profit and loss account (note 7)		4,000
At 31 October 2002		16,500

14 Share capital

	Authorised		Allotted, called up and fully paid	
	2002 £	2001 £	2002 £	2001 £
Ordinary shares of £1 each	1,000,000	1,000,000	1,000	1,000

15 Reserves

	Profit and loss account £
At 1 November 2001	728,439
Retained profit for the year	93,527
At 31 October 2002	821,966

16 Shareholders' funds

	2002 £	2001 £
Retained profit for the year	93,527	130,674
Opening shareholders' funds	729,439	598,765
Closing shareholders' funds	822,966	729,439

CANEI INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 October 2002 (*Continued*)

17 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, contributions payable during the year amounted to £993 (2001: £2,660).

18 Commitments under operating leases

As at 31 October 2002, the company had annual commitments under non-cancellable operating leases as set out below:

	Other 2002 £	Other 2001 £
Operating leases which expire:		
Within one year	-	1,499
	<u>-</u>	<u>1,499</u>
	-	1,499
	<u>-</u>	<u>1,499</u>

19 Related party transactions

At 31 October 2002 the company owed £2,846 (2001: £62,660) in respect of a directors' loan account. The loan account 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 £281,082 (2001: £305,229).

Included within other debtors figure are amounts due from related companies as follows:-

	2002 £	2001 £
KAM autospare	40,479	-
Brothers property	27,833	-
NS Kambr Limited	29,932	-
	<u>98,244</u>	<u>-</u>

These companies are all related as they are owned by the Bhardwaj family of the directors' of Canei International Limited.

During the year fixed assets with a net book value of £32,578 were sold to Kam autospare and assets purchased from the same company with a value of £10,000. The company is related by virtue of the director's being close family.

CANEI INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 October 2002 (Continued)

20 Reconciliation of operating profit to net cash inflow from operating activities

	2002 £	2001 £
Operating profit	189,475	249,216
Depreciation	27,400	32,071
Decrease/(increase) in stocks	53,585	(41,950)
(Increase)/decrease in debtors	(99,495)	9,393
(Decrease)/increase in creditors	(42,299)	10,766
Net cash inflow from operating activities	<u>128,666</u>	<u>259,466</u>

21 Reconciliation of net cash inflow to movement in net debt

	2002 £	2001 £
Increase in cash in the year	10,148	69,987
Cash outflow from decrease in hire purchase financing	36,625	25,196
Movement in net funds in the year	<u>46,773</u>	<u>95,183</u>
Opening net debts	(399,891)	(495,074)
Closing net debts	<u>(353,118)</u>	<u>(399,891)</u>

22 Analysis of changes in net debt

	At 1 November 2001 £	Cash flows £	At 31 October 2002 £
Cash in hand and at bank	610	(608)	2
Bank overdraft	(23,933)	10,756	(13,177)
	<u>(23,323)</u>	<u>10,148</u>	<u>(13,175)</u>
Bank loan	(368,003)	28,060	(339,943)
Hire purchase contracts	(8,565)	8,565	-
	<u>(399,891)</u>	<u>46,773</u>	<u>(353,118)</u>
Debt within one year	(48,590)	7,354	(41,236)
Debt due after one year	(351,301)	39,419	(311,882)
Total	<u>(399,891)</u>	<u>46,773</u>	<u>(353,118)</u>