

**Ryauto Limited**  
**Accounts - 31st December 1998**

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**Ryauto Limited**  
**Directors' report**  
**for the year ended 31st December 1998**

The directors present their report together with the audited accounts for the year ended 31st December 1998.

**Principal activity**

The principal activity of the company is the distribution, repairing and servicing of motor vehicles.

**Review of business**

On 1st March 1998 the trading operations and assets of an unfranchised car dealership in Solihull were transferred to the company from Rybrook Cars Limited, a fellow wholly owned subsidiary undertaking of Ryland Group plc. On 1st July 1998 the company opened an Alfa Romeo business at the site.

On 14th July 1998 the company opened a Fiat/Alfa Romeo business in Oldbury, West Midlands.

The directors consider that the level of performance of the company is in accord with market conditions and that the company is well placed for further progression.

The company's state of affairs at the year end was satisfactory and there has been no material change since the balance sheet date.

**Results and dividend**

The loss for the year was £67,026. The directors do not recommend payment of a dividend.

**Directors and their interests**

The directors of the company during the year were:-

|             |                               |
|-------------|-------------------------------|
| P. W. Whale | Chairman                      |
| N. A. Whale | (Resigned 29th December 1998) |
| K. Hampson  |                               |

The directors do not have any interests required to be disclosed under the Companies Act 1985.

**Year 2000**

Ryland Group plc has undertaken a group wide review which is scheduled to leave all main operating systems Year 2000 compliant during the course of 1999. Assurances are being sought from Ryland Group's main suppliers and business partners that communication systems between the parties will also be adapted as necessary. The overall costs associated with this review are not considered significant and fall within each subsidiary company's normal expenditure budgets.

**Ryauto Limited**

**Directors' report**

**for the year ended 31st December 1998 (continued)**

**Auditors**

Following the merger of Coopers & Lybrand and Price Waterhouse from 1st July 1998, Coopers & Lybrand resigned as auditors in favour of the new firm, PricewaterhouseCoopers, and the directors appointed PricewaterhouseCoopers to fill the casual vacancy created by the resignation.

A resolution to re-appoint the auditors, PricewaterhouseCoopers, will be proposed at the annual general meeting.

**By order of the board**

*K. Hansen*

Secretary  
9th March 1999

**Ryauto Limited**

**Statement of directors' responsibilities**

The directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for that year. In preparing the accounts for the year ended 31st December 1998, appropriate accounting policies, supported by reasonable and prudent judgements and estimates, have been consistently used and applicable accounting standards have been followed.

The directors are responsible for ensuring that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the accounts comply with the Companies Act 1985. In addition, the directors are responsible for safeguarding the assets of the company and for taking reasonable steps to prevent and detect fraud and other irregularities.

**Ryauto Limited**

**Report of the auditors to the members of Ryauto Limited**

We have audited the accounts on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 to 8.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the annual report, including as described on page 3 the accounts. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

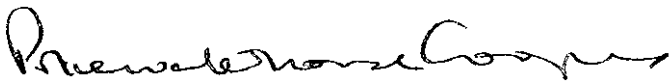
**Basis of opinion**

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 affairs of the company at 31st December 1998 and of the loss of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers**

Chartered Accountants and Registered Auditors  
Birmingham  
9th March 1999

**Ryauto Limited**

**Profit and loss account**

**for the year ended 31st December 1998**

|                                                             | <u>Notes</u> | <u>1998</u><br>£  | <u>1997</u><br>£ |
|-------------------------------------------------------------|--------------|-------------------|------------------|
| <b>Turnover</b>                                             |              |                   |                  |
| Continuing operations                                       |              | 10,579,395        | 7,810,592        |
| Acquisitions                                                |              | <u>6,774,213</u>  | <u>-</u>         |
|                                                             |              | 17,353,608        | 7,810,592        |
| <b>Cost of sales</b>                                        | 2            | <u>15,086,243</u> | <u>6,905,711</u> |
| <b>Gross profit</b>                                         |              | 2,267,365         | 904,881          |
| <b>Net operating expenses</b>                               | 2            | <u>2,248,725</u>  | <u>758,504</u>   |
| <b>Operating profit</b>                                     | 3            |                   |                  |
| Continuing operations                                       |              | 250,527           | 146,377          |
| Acquisitions                                                |              | <u>(231,887)</u>  | <u>-</u>         |
|                                                             |              | 18,640            | 146,377          |
| <b>Interest payable and similar charges</b>                 | 6            | <u>85,666</u>     | <u>48,286</u>    |
| <b>(Loss)/profit on ordinary activities before taxation</b> |              | (67,026)          | 98,091           |
| <b>Taxation</b>                                             | 7            | <u>-</u>          | <u>31,000</u>    |
| <b>Retained (loss)/profit for the year</b>                  | 14           | <u>(67,026)</u>   | <u>67,091</u>    |

There were no recognised gains or losses other than the retained (loss)/profit shown above. There were no discontinued operations during 1998 or 1997.

The notes set out on pages 7 to 13 form part of these accounts.

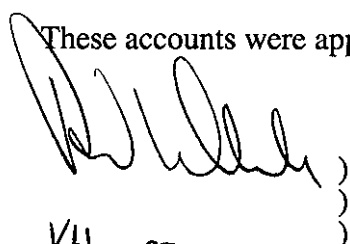
Auditors' report - page 4.

**Ryauto Limited**

**Balance sheet at 31st December 1998**

|                                                       | <u>Notes</u> | <u>£</u>         | <u>1998</u><br><u>£</u> | <u>1997</u><br><u>£</u> |
|-------------------------------------------------------|--------------|------------------|-------------------------|-------------------------|
| <b>Fixed assets</b>                                   |              |                  |                         |                         |
| Tangible assets                                       | 8            |                  | 283,142                 | <u>64,750</u>           |
| <b>Current assets</b>                                 |              |                  |                         |                         |
| Stocks                                                | 9            | 2,537,383        |                         | 998,432                 |
| Debtors                                               | 10           | 1,176,855        |                         | 533,119                 |
| Cash at bank and in hand                              |              | <u>1,823</u>     |                         | <u>618,699</u>          |
|                                                       |              | <u>3,716,061</u> |                         | <u>2,150,250</u>        |
| <b>Creditors:</b> Amounts falling due within one year |              |                  |                         |                         |
| Bank overdraft                                        | 11           | 381,563          |                         | -                       |
| Creditors                                             | 12           | <u>3,117,573</u> |                         | <u>1,647,907</u>        |
|                                                       |              | <u>3,499,136</u> |                         | <u>1,647,907</u>        |
| <b>Net current assets</b>                             |              |                  | <u>216,925</u>          | <u>502,343</u>          |
|                                                       |              |                  | <u>500,067</u>          | <u>567,093</u>          |
| <b>Capital and reserves</b>                           |              |                  |                         |                         |
| Called up share capital                               | 13           |                  | 500,002                 | 500,002                 |
| Profit and loss account                               | 14           |                  | <u>65</u>               | <u>67,091</u>           |
| <b>Shareholders' funds</b>                            | 15           |                  | <u>500,067</u>          | <u>567,093</u>          |

These accounts were approved by the board of directors on 9th March 1999.

 )  
K. Thompson ) Directors

The notes set out on pages 7 to 13 form part of these accounts.

Auditors' report - page 4.

## **Ryauto Limited**

### **Notes to the accounts - 31st December 1998**

#### **1. Accounting policies**

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

The principal accounting policies, which have been applied consistently, are set out below:-

a) Turnover

Turnover represents net sales, excluding value added tax.

b) Goodwill

Goodwill represents the excess of the cost of acquisition of businesses over the fair value of the separate net assets acquired.

Goodwill on acquisition is included in fixed assets and amortised through the profit and loss account, using the straight line basis, over a maximum period of 20 years. The amortisation period for each acquisition is determined by the directors, based on their best estimate of the useful economic life of the attributable goodwill.

If any of the individual businesses to which this goodwill relates are disposed of, the attributable unamortised goodwill is charged in the profit and loss account.

c) Fixed assets

Motor vehicles and plant and equipment are stated at cost. Depreciation is provided, using the straight line method, to write off the cost of the assets over their estimated useful lives, as follows:-

|                     |                   |
|---------------------|-------------------|
| Motor vehicles      | Over 3 years      |
| Plant and equipment | Over 5 to 7 years |

d) Stocks

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

e) Leases

Assets held under finance leases are included with owned tangible fixed assets and the obligations thereto, excluding interest charges, are included in creditors.

The amount of payments which the company is committed to make within one year under operating leases is disclosed by way of note to the accounts. Costs in respect of operating leases are charged in arriving at the operating profit.

f) Deferred taxation

Deferred taxation is taken into account to the extent that a liability or repayment will probably arise in the foreseeable future and is calculated at taxation rates expected to apply at that time.

## **Ryauto Limited**

### **Notes to the accounts (continued)**

#### **1. Accounting policies (continued)**

##### **g) Pension costs**

The company contributes to a defined benefit funded pension scheme and to a defined contribution money purchase scheme, both of which are operated on behalf of all Ryland Group subsidiaries, the contributions being based on pension costs across the group as a whole.

In respect of the defined benefit scheme the expected regular cost of pensions is charged to the profit and loss account so as to spread the cost of pensions over the average expected service period of employees in the scheme. Variations from regular cost are spread over the expected remaining service lives of employees currently in the scheme. The pension cost is estimated on the basis of independent actuarial advice.

Contributions payable under the defined contribution scheme are charged to the profit and loss account as they arise.

#### **2. Cost of sales and net operating expenses**

|                         | <u>Continuing</u> | <u>Acquisitions</u> | <u>1998</u>       | <u>1997</u>      |
|-------------------------|-------------------|---------------------|-------------------|------------------|
|                         | <u>£</u>          | <u>£</u>            | <u>Total</u>      | <u>Total</u>     |
|                         |                   |                     | <u>£</u>          | <u>£</u>         |
| Cost of sales           | <u>9,263,504</u>  | <u>5,822,739</u>    | <u>15,086,243</u> | <u>6,905,711</u> |
| Distribution costs      | 728,241           | 700,100             | 1,428,341         | 503,950          |
| Administrative expenses | <u>337,123</u>    | <u>483,261</u>      | <u>820,384</u>    | <u>254,554</u>   |
| Net operating expenses  | <u>1,065,364</u>  | <u>1,183,361</u>    | <u>2,248,725</u>  | <u>758,504</u>   |

#### **3. Operating profit**

Operating profit is stated after charging:-

|                                              | <u>1998</u>    | <u>1997</u>   |
|----------------------------------------------|----------------|---------------|
|                                              | <u>£</u>       | <u>£</u>      |
| Depreciation                                 | 42,333         | 8,032         |
| Auditors' remuneration                       | 6,000          | 4,000         |
| Operating lease rentals - land and buildings | <u>156,753</u> | <u>41,670</u> |

#### **4. Directors**

Mr P. W. Whale and Mr K. Hampson are also directors of the ultimate holding company, Ryland Group plc, as was Mr N. A. Whale for the period up to his resignation, and their emoluments and pension benefits are provided for in the accounts of that company.

**Ryauto Limited**

**Notes to the accounts (continued)**

**5. Employees**

The aggregate payroll costs of employees including directors are analysed as follows:-

|                       | <u>1998</u><br>£        | <u>1997</u><br>£      |
|-----------------------|-------------------------|-----------------------|
| Wages and salaries    | 1,074,744               | 389,841               |
| Social security costs | 89,266                  | 36,504                |
| Other pension costs   | <u>24,877</u>           | <u>3,348</u>          |
|                       | <u><u>1,188,887</u></u> | <u><u>429,693</u></u> |

The average monthly number of employees including directors during the year was 56 (1997 - 26).

**6. Interest payable and similar charges**

|                                                   | <u>1998</u><br>£     | <u>1997</u><br>£     |
|---------------------------------------------------|----------------------|----------------------|
| Bank overdraft                                    | 15,835               | 28,307               |
| Interest receivable on deposits with manufacturer | (9,804)              | (4,312)              |
| Stock finance charges                             | <u>79,635</u>        | <u>24,291</u>        |
|                                                   | <u><u>85,666</u></u> | <u><u>48,286</u></u> |

**7. Taxation**

|                                                                               | <u>1998</u><br>£ | <u>1997</u><br>£ |
|-------------------------------------------------------------------------------|------------------|------------------|
| Corporation tax charge on (loss)/profit<br>for the year at 31% (1997 - 31.5%) | <u>-</u>         | <u>31,000</u>    |

No corporation tax will be payable on the loss for the year due to current year tax losses.

**Ryauto Limited**

**Notes to the accounts (continued)**

**8. Tangible assets**

|                                 | <u>Plant and<br/>equipment</u><br>£ |
|---------------------------------|-------------------------------------|
| <b>Cost</b>                     |                                     |
| At 1st January 1998             | 90,148                              |
| Additions                       | 235,847                             |
| Inter company transfers in      | 28,743                              |
| Inter company transfers out     | <u>(2,434)</u>                      |
| At 31st December 1998           | <u>352,304</u>                      |
| <b>Accumulated depreciation</b> |                                     |
| At 1st January 1998             | 25,398                              |
| Charge for the year             | 42,333                              |
| Inter company transfers in      | 2,121                               |
| Inter company transfers out     | <u>(690)</u>                        |
| At 31st December 1998           | <u>69,162</u>                       |
| <b>Net book value</b>           |                                     |
| At 31st December 1998           | <u><u>283,142</u></u>               |
| At 1st January 1998             | <u><u>64,750</u></u>                |

**9. Stocks**

|                                     | <u>1998</u><br>£        | <u>1997</u><br>£      |
|-------------------------------------|-------------------------|-----------------------|
| Vehicle stocks                      | 2,066,542               | 885,595               |
| Parts, accessories and other stocks | 201,488                 | 72,558                |
| Vehicle consignment stocks          | <u>269,353</u>          | <u>40,279</u>         |
|                                     | <u><u>2,537,383</u></u> | <u><u>998,432</u></u> |

Vehicle consignment stocks have been recognised on the balance sheet where, in substance, they are deemed to be assets of the company. The principal criterion applied is whether the vehicles are interest-bearing. The corresponding liabilities have been included in creditors. The company also has vehicle consignment stocks of £432,894 (1997 - £103,152) which are not, in substance, assets of the company. These stocks, and their related liabilities, are not recognised on the balance sheet.

**Ryauto Limited**

**Notes to the accounts (continued)**

**10. Debtors**

| Amounts falling due within one year:- | <u>1998</u>      | <u>1997</u>    |
|---------------------------------------|------------------|----------------|
|                                       | £                | £              |
| Trade debtors                         | 557,726          | 188,920        |
| Amounts owed by group undertakings    | 6,856            | 788            |
| Deposits with manufacturer            | 273,000          | 206,000        |
| Other debtors                         | 64,648           | 4,537          |
| Prepayments                           | 274,625          | 132,874        |
|                                       | <u>1,176,855</u> | <u>533,119</u> |

**11. Bank overdraft**

The bank overdraft is secured by a guarantee given by a fellow subsidiary undertaking.

**12. Creditors**

| Amounts falling due within one year:- | <u>1998</u>      | <u>1997</u>      |
|---------------------------------------|------------------|------------------|
|                                       | £                | £                |
| Trade creditors                       | 1,398,539        | 573,105          |
| Amounts owed to group undertakings    | 1,300,230        | 963,808          |
| Other creditors                       | 23,762           | 17,069           |
| Taxation and social security          | 44,879           | 44,972           |
| Accruals                              | 80,810           | 8,674            |
| Consignment stock creditors           | 269,353          | 40,279           |
|                                       | <u>3,117,573</u> | <u>1,647,907</u> |

**13. Called up share capital**

|                            | <u>1998 and 1997</u> |                                                    |
|----------------------------|----------------------|----------------------------------------------------|
|                            | <u>Authorised</u>    | Allotted,<br>called up<br>and<br><u>fully paid</u> |
|                            | £                    | £                                                  |
| Ordinary shares of £1 each | <u>1,000,000</u>     | <u>500,002</u>                                     |

**Ryauto Limited**

**Notes to the accounts (continued)**

**14. Profit and loss account**

|                            |                  |
|----------------------------|------------------|
|                            | £                |
| At 1st January 1998        | 67,091           |
| Retained loss for the year | <u>(67,026)</u>  |
| At 31st December 1998      | <u><u>65</u></u> |

**15. Reconciliation of movements in shareholders' funds**

|                                      | <u>1998</u>           | <u>1997</u>           |
|--------------------------------------|-----------------------|-----------------------|
|                                      | £                     | £                     |
| (Loss)/profit for the financial year | (67,026)              | 67,091                |
| New share capital subscribed         | -                     | 500,002               |
| Opening shareholders' funds          | <u>567,093</u>        | <u>-</u>              |
| Closing shareholders' funds          | <u><u>500,067</u></u> | <u><u>567,093</u></u> |

**16. Operating lease commitments**

The total amounts payable in the next year under operating leases to which the company was committed were as shown below. All commitments relate to land and buildings:-

|                   | <u>1998</u>           | <u>1997</u>          |
|-------------------|-----------------------|----------------------|
|                   | £                     | £                    |
| Leases expiring:- |                       |                      |
| Within one year   | 128,208               | 52,500               |
| Over five years   | <u>149,000</u>        | <u>-</u>             |
|                   | <u><u>277,208</u></u> | <u><u>52,500</u></u> |

**17. Contingent liabilities**

The company is a member of a VAT group registration scheme. At 31st December 1998 the company's contingent liability in respect of group VAT was £82,550 (1997 - £199,972).

**Ryauto Limited**

**Notes to the accounts (continued)**

**18. Pension schemes**

As at 31st December 1998 the company contributed to two retirement benefit schemes:-

a) The Ryland Group Pension Scheme

This is a defined benefit funded pension scheme operated on behalf of all Ryland Group subsidiaries, the contributions being based on pension costs across the group as a whole. The assets of the scheme are held in a separate trustee administered fund. The contributions to the scheme are determined by an independent qualified actuary on the basis of triennial valuations. Details of the latest valuation are contained in the accounts of the ultimate holding company, Ryland Group plc. The pension charge for the company for the year was £4,200 (1997 - £nil).

b) The Ryland Group Pension Plan

This is a defined contribution scheme operated on behalf of all Ryland Group subsidiaries. The pension charge for the company for the year was £20,677 (1997 - £3,348).

**19. Ultimate holding company**

The ultimate holding company is Ryland Group plc, a company registered in England and Wales. Copies of the report and accounts of Ryland Group plc can be obtained from the Company Secretary, Ryland Group plc, School House, St Philip's Court, Church Hill, Coleshill, Birmingham, B46 3AD.

**20. Related party disclosures**

The company is a wholly owned subsidiary of Ryland Group plc. Transactions with the holding company and other subsidiary undertakings of Ryland Group plc are not disclosed. There are no other related party disclosures to be made concerning 1998 or 1997.