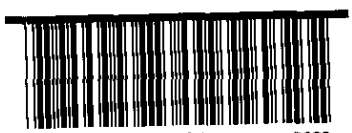
Henry Brothers (Glasgow) Limited

Annual report

for the nine months ended 31 December 2001

Registered Number SC 034659





Henry Brothers (Glasgow) Limited

Annual report
for the nine months ended 31 December 2001

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Henry Brothers (Glasgow) Limited

Directors and Advisors for the nine months ended 31 December 2001

Directors
N J Henry
C A Henry

Secretary
D Clark
3-33 Kyle Street
Glasgow
G4 0HP

Auditors
PricewaterhouseCoopers
Kintyre House
209 West George Street
Glasgow, G2 2LW

Solicitors
Burness
West George Street
Glasgow
G2 4QY

Bankers
Royal Bank of Scotland plc
Glasgow Charing Cross West Branch
9 Clifton Place
Glasgow
G3 7JU

Henry Brothers (Glasgow) Limited

Directors' report for the nine months ended 31 December 2001

The directors present their report and the audited financial statements of the company for the nine months ended 31 December 2001.

Principal activity
The principal activity of the company is the sale and servicing of motor vehicles.

Review of business
The profit and loss account for the period is set out on page 4. Both the level of business and the period end financial position were satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future.

Change of accounting reference date
The company has changed its accounting reference date from 31 March to 31 December, hence these accounts are prepared for the nine months ended 31 December 2001.

Dividends
The directors do not recommend payment of a dividend.

Directors and their interests
The directors of the company at 31 December 2001 are noted on page 1. Neither of the directors hold any interests in the shares of the company. Their interests in the shares of the holding company are disclosed within those financial statements.

Statement of directors' responsibilities
Company law requires the directors to prepare financial statements for each financial period that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the nine months ended 31 December 2001 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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.

Close company provisions
The company is a close company as defined by the Income and Corporation Taxes Act 1988. There has been no change in this respect since the end of the financial period.

Auditors
The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board

D Clark
Secretary
24 April 2002

Independent auditors' report to the members of Henry Brothers (Glasgow) Limited

We have audited the financial statements on pages 4 to 15.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board.

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 is not disclosed.

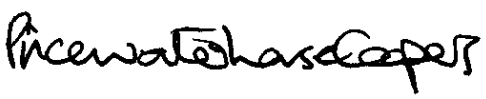
Basis of audit opinion

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 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 considered 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 at 31 December 2001 and of its profit and cash flows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Glasgow
24 April 2002

Henry Brothers (Glasgow) Limited

Profit and loss account for the nine months ended 31 December 2001

	Note	Nine months ended 31 December 2001	Year ended 31 March 2001
		£	£
Turnover – continuing operations	2	**17,818,690**	18,645,069
Cost of sales		**(15,338,292)**	(15,711,972)
Gross profit		**2,480,398**	2,933,097
Net operating expenses	3	**(2,231,731)**	(2,760,893)
Operating profit – continuing operations		**248,667**	172,204
Interest payable	6	**(94,612)**	(132,793)
Profit on ordinary activities before taxation	7	**154,055**	39,411
Taxation	8	**(46,976)**	13,719
Retained profit for the period	17	**107,079**	53,130

The company has no recognised gains and losses other than those included in the profit above, and therefore no separate statement of total recognised gains and losses has been presented.

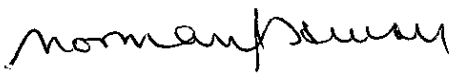
There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above and their historical cost equivalents.

Henry Brothers (Glasgow) Limited

Balance sheet as at 31 December 2001

	Note	31 December 2001	31 March 2001
		£	£
Fixed assets			
Tangible assets	9	**1,553,958**	1,527,302
Current assets			
Stock	10	**1,543,902**	1,651,979
Debtors	11	**1,659,285**	1,637,234
Cash at bank and in hand		**1,340**	1,535
		3,204,527	3,290,748
Creditors: amounts falling due within one year	12	**(2,347,911)**	(2,495,675)
Net current assets		**856,616**	795,073
Total assets less current liabilities		**2,410,574**	2,322,375
Creditors : amounts falling due after more than one year	13	**(27,571)**	(40,392)
Provisions for liabilities and charges	14	**(15,658)**	(21,717)
		(43,229)	(62,109)
Net assets		**2,367,345**	2,260,266
Capital and reserves			
Called up share capital	15	**97,500**	97,500
Profit and loss account	17	**2,269,845**	2,162,766
Equity shareholders' funds	18	**2,367,345**	2,260,266

The financial statements on pages 4 to 15 were approved by the board of directors on 24 April 2002 and were signed on its behalf by:



N J Henry
Director

Henry Brothers (Glasgow) Limited

Cashflow statement for the nine months ended 31 December 2001

	Note	Nine months ended 31 December 2001	Year ended 31 March 2001
		£	£
Net cash inflow from operating activities	16	**685,822**	159,685
Returns on investment and servicing of finance			
Interest paid		**(97,844)**	(132,913)
Net cash outflow from returns on investment and servicing of finance		**587,978**	26,772
Taxation		**(1,622)**	(23,598)
Capital expenditure			
Purchase of tangible fixed assets		**(112,156)**	(61,224)
Sale of tangible fixed assets		**1,755**	19,768
Net cash outflow before financing		**475,955**	(38,282)
Financing			
Increase in stocking loan		**47,377**	51,324
Repayment of principal under finance leases		**(14,158)**	(25,379)
Increase/(decrease) in cash in year		**509,174**	(12,337)
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the year		**509,174**	(12,337)
Cash outflow from financing		**(33,219)**	(25,945)
Change in net debt resulting from cash flows		**475,955**	(38,282)
New finance leases		**-**	(25,838)
Movement in net debt in the year		**475,955**	(64,120)
Opening net debt		**(965,874)**	(901,754)
Closing net debt	16	**(489,919)**	(965,874)

Notes to the financial statements for the nine months ended 31 December 2001

1 Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important policies, which have been applied consistently, is set out below:

Basis of accounting
The financial statements are prepared in accordance with the historical cost convention.

Tangible fixed assets
The cost of tangible fixed assets is their purchase price, together with any incidental expenses of acquisition.

Depreciation is calculated to write off the cost of the fixed assets evenly over their expected useful lives, as follows:

Land and building	-	Nil
Motor vehicles	-	15 – 25% straight line
Fixtures and fittings	-	15 – 33% straight line
Plant and machinery	-	15 – 33% straight line

Stocks
Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on the estimated selling price less further costs expected to be incurred on disposal.

Deferred taxation
Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Pension scheme arrangements
The company administers two pension schemes on behalf of the directors and employees, a directors executive benefits scheme and the employees personal pension scheme. The assets of the scheme are held separately from those of the company. The company makes contributions which are charged against the results in the period in which they are payable.

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

2 Turnover

Turnover represents the amount derived from the provision of goods and services which fall within the company's ordinary activities, entirely within the United Kingdom, stated net of value added tax.

3 Net operating expenses

	Nine months ended 31 December 2001	Year ended 31 March 2001
	£	£
Administrative expenses	**2,358,604**	2,836,979
Less: other operating income	**(126,873)**	(76,086)
	2,231,731	2,760,893

4 Directors' emoluments

The directors were remunerated by the holding company, Henry Brothers (Holdings) Limited.

5 Employee information

The average monthly number of persons (including executive directors) employed by the company during the period was:

	Nine months ended 31 December *2001*	Year ended 31 March *2001*
	Number	Number
Office management	**9**	7
Sales	**18**	15
Parts, servicing & bodyshop	**49**	46
Administration	**3**	2
	79	70

Staff costs (for the persons overleaf)	Nine months ended 31 December 2001	Year ended 31 March 2001
	£	£
Wages and salaries	**1,113,246**	1,282,873
Social security costs	**116,892**	146,814
Other pension costs	**12,295**	14,215
	1,242,433	1,443,902

6 Interest payable

	Nine months ended 31 December 2001	Year ended 31 March 2001
	£	£
Bank interest	**28,378**	32,729
Stock finance interest	**62,014**	94,527
HP interest	**4,220**	5,537
	94,612	132,793

7 Profit on ordinary activities before taxation

	Nine months ended 31 December 2001	Year ended 31 March 2001
	£	£
Profit on ordinary activities before taxation is stated after charging:		
Depreciation on fixed assets	**83,745**	119,637
Auditors' remuneration - audit services	**7,500**	7,500
- non audit services	**6,700**	6,700
Finance charges in respect of finance leases	**4,220**	5,537
Loss on disposal of fixed assets	**756**	17,755
Management charge from Henry Brothers (Holdings) Limited	**376,941**	486,825

8 Taxation

	Nine months ended 31 December 2001	Year ended 31 March 2001
	£	£
Corporation tax at 20% (Year ended 31 March 2001: 20%):		
Current	**53,391**	2,885
Deferred	**(6,372)**	(15,256)
Under/(over) provision in respect of prior years:		
Current	**(357)**	(2,708)
Deferred	**313**	1,360
Total	**46,976**	(13,719)

9 Tangible fixed assets

	Land & buildings	Plant & machinery	Fixtures & fittings	Motor Vehicles	Total
	£	£	£	£	£
Cost					
At 1 April 2001	1,195,774	713,189	332,322	56,281	2,297,566
Additions	-	34,789	76,458	909	112,156
Disposals	-	-	-	(10,974)	(10,974)
At 31 December 2001	**1,195,774**	**747,978**	**408,780**	**46,216**	**2,398,748**
Depreciation					
At 1 April 2001	-	503,045	232,689	34,530	770,264
Charge for the year	-	55,228	28,517	-	83,745
Disposals	-	-	-	(9,219)	(9,219)
At 31 December 2001	**-**	**558,273**	**261,206**	**25,311**	**844,790**
Net book value					
At 31 December 2001	**1,195,774**	**189,705**	**147,574**	**20,905**	**1,553,958**
At 31 March 2001	1,195,774	210,144	99,633	21,751	1,527,302

The net book value includes an amount of £66,162 (31 March 2001: £83,580) in respect of assets held under finance leases.

The property relates to the garage showroom at 3-33 Kyle Street, Glasgow. This property is secured against a loan from BMW Financial Services (GB) Limited to the holding company, Henry Brothers (Holdings) Limited.

10 Stocks

	31 December 2001	31 March 2001
	£	£
New car stock	**76,230**	171,669
Used car stock	**725,881**	567,791
Demonstrator car stock	**528,457**	709,393
Parts stock	**213,334**	203,126
	1,543,902	1,651,979

At 31 December 2001 consignment stock valued at £895,236 (31 March 2001: £575,037) was available to the company under a sale or return agreement. If not returned, the company will be obliged to purchase the consignment stock at the earlier of 180 days or date of vehicle sale.

11 Debtors

	31 December 2001	31 March 2001
	£	£
Amounts falling due within one year:		
Trade debtors	**478,371**	704,852
Other debtors	**(17,487)**	2,160
Amount owed by group undertaking	**820,622**	712,157
Prepayments and accrued income	**377,779**	218,065
	1,659,285	1,637,234

12 Creditors: amounts falling due within one year

	31 December 2001	31 March 2001
	£	£
Bank overdraft	**135,338**	644,707
Stocking loan	**302,800**	255,423
Trade creditors	**1,002,446**	1,305,055
Corporation tax	**53,391**	1,979
Other taxation and social security	**329,704**	185,297
Accruals and deferred income	**498,682**	76,327
Hire purchase contracts	**25,550**	26,887
	2,347,911	2,495,675

The bank borrowings are secured by a guarantee by Henry Brothers (Holdings) Limited securing Henry Brothers (Glasgow) Limited in the sum of £250,000 (31 March 2001: £250,000) supported by a bond and floating charge for all monies executed by Henry Brothers (Holdings) Limited and Henry Brothers (Glasgow) Limited respectively on 27 April 1998.

The stocking loan is secured over certain used car stocks and is repayable after 90 days on a car by car basis.

13 Creditors: amounts falling due after more than one year

	31 December 2001	31 March 2001
	£	£
Obligations under finance leases – maturity of debt		
Due in one to two years	**18,348**	24,184
Due in three to five years	**9,223**	16,208
	27,571	40,392

14 Provision for liabilities and charges – deferred taxation

	£
At 1 April 2001	21,717
Released to the profit and loss account	(6,059)
At 31 December 2001	**15,658**

15 Called up share capital

	31 December 2001 £	31 March 2001 £
Authorised		
100,000 ordinary shares of £1 each	**100,000**	100,000
Allotted, called up and fully paid		
97,500 ordinary shares of £1 each	**97,500**	97,500

16 Notes to the cash flow statement

i) Reconciliations of operating profit to net cash flow from operating activities

	31 December 2001 £	31 March 2001 £
Operating profit	**248,667**	172,204
Depreciation charge	**83,745**	119,637
Decrease in stocks	**108,077**	46,226
Increase in debtors	**(22,051)**	(157,331)
Increase/(decrease) in creditors	**267,384**	(21,051)
Net cash inflow from operating activities	**685,822**	159,685

ii) **Analysis of net debt**

	1 April 2001	Cash Flows	**31 December 2001**
	£	£	**£**
Net cash:			
Cash at bank and in hand	1,535	(195)	**1,340**
Bank overdraft	(644,707)	509,369	**(135,338)**
	(643,172)	509,174	**(133,998)**
Debt:			
Finance leases	(67,279)	14,158	**(53,121)**
Stocking loan	(255,423)	(47,377)	**(302,800)**
	(322,702)	(33,219)	**(355,921)**
Net debt	(965,874)	475,955	**(489,919)**

17 Profit and loss account

	31 December 2001	31 March 2001
	£	£
At 1 April 2001	**2,162,766**	2,109,636
Retained profit for the period	**107,079**	53,130
At 31 December 2001	**2,269,845**	2,162,766

18 Reconciliation of movement in shareholders funds

	31 December 2001	31 March 2001
	£	£
Profit for financial period	**107,078**	53,130
Opening shareholders' funds	**2,260,266**	2,207,136
Closing shareholders' funds	**2,367,344**	2,260,266

19 Pension obligations

The company administers two pension schemes on behalf of the directors and employees – a directors executive benefits scheme and the employees personal pension scheme.

The assets of the scheme are held separately from those at the company. The pension cost charge represents contributions payable by the company to the fund and amounted to £12,295 (31 March 2001: £14,215).

20 Holding company

The company is a wholly owned subsidiary of Henry Brothers (Holdings) Limited, a company registered in Scotland.