# Henry Brothers (Glasgow) Limited

# Annual report

# for the year ended 31 December 2002

**Registered Number SC 034659**

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COMPANIES HOUSE 12/08/03

# Henry Brothers (Glasgow) Limited

## Annual report
## for the year ended 31 December 2002

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# Henry Brothers (Glasgow) Limited

## Directors and Advisors for the year ended 31 December 2002

**Directors**
N J Henry
C A Henry

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

**Auditors**
PricewaterhouseCoopers LLP
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 year ended 31 December 2002

The directors present their report and the audited financial statements of the company for the year ended 31 December 2002.

**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 year is set out on page 4. Both the level of business and the year end financial position were satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future.

**Dividends**
A dividend of £1.41 per share was declared during the year (2001: nil)

**Directors and their interests**
The directors of the company at 31 December 2002 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.

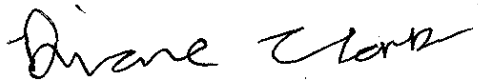
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 and that applicable accounting standards have 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**
Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 31 January 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

**By order of the Board**



**D Clark**
**Secretary**
**3 July 2003**

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

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cashflow statement and the related notes.

**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. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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.

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 financial statements. The other information comprises only the directors' report.

**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 2002 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

**PricewaterhouseCoopers LLP**
Chartered Accountants and Registered Auditors
Glasgow
3 July 2003

# Henry Brothers (Glasgow) Limited

## Profit and loss account for the year ended 31 December 2002

| | Note | Year ended 31 December 2002 | Nine months ended 31 December 2001 |
|---|---|---|---|
| | | £ | £ |
| **Turnover – continuing operations** | 2 | **29,106,036** | 17,818,690 |
| Cost of sales | | **(24,925,050)** | (15,338,292) |
| **Gross profit** | | **4,180,986** | 2,480,398 |
| Net operating expenses | 3 | **(3,546,854)** | (2,231,731) |
| **Operating profit – continuing operations** | | **634,132** | 248,667 |
| *Interest payable* | 6 | **(133,836)** | (94,612) |
| **Profit on ordinary activities before taxation** | 7 | **500,296** | 154,055 |
| Taxation | 8 | **(140,119)** | (46,976) |
| **Profit for the financial year** | | **360,177** | 107,079 |
| Dividends | 9 | **(137,475)** | - |
| **Retained profit for the year** | 18 | **222,702** | 107,079 |

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.

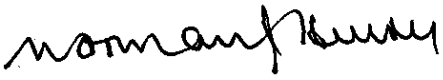
There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above and their historical cost equivalents.

# Henry Brothers (Glasgow) Limited

## Balance sheet as at 31 December 2002

| | Note | 2002 | 2001 |
|---|---|---|---|
| | | £ | £ |
| **Fixed assets** | | | |
| Tangible assets | 10 | **1,545,450** | 1,553,958 |
| **Current assets** | | | |
| Stock | 11 | **2,570,581** | 1,543,902 |
| Debtors | 12 | **1,372,238** | 1,659,285 |
| Cash at bank and in hand | | **1,016** | 1,340 |
| | | **3,943,835** | 3,204,527 |
| **Creditors: amounts falling due within one year** | 13 | **(2,876,255)** | (2,347,911) |
| **Net current assets** | | **1,067,580** | 856,616 |
| **Total assets less current liabilities** | | **2,613,030** | 2,410,574 |
| **Creditors: amounts falling due after more than one year** | 14 | **(11,070)** | (27,571) |
| **Provisions for liabilities and charges** | 15 | **(11,913)** | (15,658) |
| | | **(22,983)** | (43,229) |
| **Net assets** | | **2,590,047** | 2,367,345 |
| **Capital and reserves** | | | |
| Called up share capital | 16 | **97,500** | 97,500 |
| Profit and loss account | 18 | **2,492,547** | 2,269,845 |
| **Equity shareholders' funds** | 19 | **2,590,047** | 2,367,345 |

The financial statements on pages 4 to 15 were approved by the board of directors on 3 July 2003 and were signed on its behalf by:



**N J Henry**
Director

# Henry Brothers (Glasgow) Limited

## Cashflow statement for the year ended 31 December 2002

| | Note | Year ended 31 December 2002 | Nine months ended 31 December 2001 |
|---|---|---|---|
| | | £ | £ |
| **Net cash (outflow)/inflow from operating activities** | 17 | **(49,239)** | 685,822 |
| **Returns on investment and servicing of finance** | | | |
| Interest paid | | **(131,204)** | (97,844) |
| Net cash outflow from returns on investment and servicing of finance | | **(131,204)** | (97,844) |
| **Taxation** | | **(45,548)** | (1,622) |
| **Capital expenditure** | | | |
| Purchase of tangible fixed assets | | **(119,824)** | (112,156) |
| Sale of tangible fixed assets | | **5,958** | 1,755 |
| Net cash outflow for capital expenditure | | **(113,866)** | (110,401) |
| **Equity dividends paid to shareholders** | | **(137,475)** | - |
| Net cash (outflow)/inflow before financing | | **(477,332)** | 475,955 |
| **Financing** | | | |
| Increase in stocking loan | | **307,101** | 47,377 |
| Repayment of principal under finance leases | | **(23,061)** | (14,158) |
| Net cash inflow from financing | | **284,040** | 33,219 |
| **(Decrease)/increase in cash in period** | | **(193,292)** | 509,174 |
| **Reconciliation of net cash flow to movement in net debt** | | | |
| (Decrease)/increase in cash in the period | | **(193,292)** | 509,174 |
| Cash outflow from financing | | **(284,040)** | (33,219) |
| **Movement in net debt in the period** | | **(477,332)** | 475,955 |
| **Opening net debt** | | **(489,919)** | (965,874) |
| **Closing net debt** | 17 | **(967,251)** | (489,919) |

# Notes to the financial statements for the year ended 31 December 2002

## 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 defined contribution 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

| | Year ended 31 December 2002 | Nine months ended 31 December 2001 |
|---|---|---|
| | £ | £ |
| Administrative expenses | **3,737,203** | 2,358,604 |
| Less: other operating income | **(190,349)** | (126,873) |
| | **3,546,854** | 2,231,731 |

## 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:

| | Year ended 31 December 2002 | Nine months ended 31 December 2001 |
|---|---|---|
| | Number | Number |
| Office management | **8** | 9 |
| Sales | **21** | 18 |
| Parts, servicing & bodyshop | **55** | 49 |
| Administration | **4** | 3 |
| | **88** | 79 |

**Staff costs (for the persons overleaf)**

| | Year ended 31 December 2002 | Nine months ended 31 December 2001 |
|---|---|---|
| | £ | £ |
| Wages and salaries | **1,721,839** | 1,113,246 |
| Social security costs | **178,848** | 116,892 |
| Other pension costs | **17,355** | 12,295 |
| | **1,918,042** | 1,242,433 |

## 6 Interest payable

| | Year ended 31 December 2002 | Nine months ended 31 December 2001 |
|---|---|---|
| | £ | £ |
| Bank interest | **26,101** | 28,378 |
| Stock finance interest | **101,935** | 62,014 |
| HP interest | **5,800** | 4,220 |
| | **133,836** | 94,612 |

## 7 Profit on ordinary activities before taxation

| | Year ended 31 December 2002 | Nine months ended 31 December 2001 |
|---|---|---|
| | £ | £ |
| *Profit on ordinary activities before taxation is stated after charging:* | | |
| Depreciation on fixed assets | **114,533** | 83,745 |
| Auditors' remuneration - audit services | **8,000** | 7,500 |
| - non audit services | **4,500** | 6,700 |
| Finance charges in respect of finance leases | **5,800** | 4,220 |
| Loss on disposal of fixed assets | **7,842** | 756 |
| Management charge from Henry Brothers (Holdings) Limited | **748,722** | 376,941 |

# 8 Taxation

## (a) Analysis of charge in the period

| | Year ended 31 December 2002 | Nine months ended 31 December 2001 |
|---|---|---|
| | £ | £ |
| **Current tax:** | | |
| UK corporation tax on profits of the period | **151,707** | 53,391 |
| Adjustment in respect of previous periods | **(7,843)** | (356) |
| Total current tax | **143,864** | 53,035 |
| **Deferred tax:** | | |
| Origination and reversal of timing differences (ACA and other) | **(3,745)** | (6,059) |
| Total deferred tax | **(3,745)** | (6,059) |
| **Tax on profit on ordinary activities** | **140,119** | 46,976 |

## (b) Factors affecting tax charge for the period

The tax assessed for the year is lower than the average rate of corporation tax in the UK of 30% (2001: 30%). The differences are explained below:

| | Year ended 31 December 2002 | Nine months ended 31 December 2001 |
|---|---|---|
| | £ | £ |
| *Profit on ordinary activities before tax* | **500,296** | 154,055 |
| Profit on ordinary activities multiplied by average rate of corporation tax in the UK of 30 % (2001: 30%) | **150,089** | 46,217 |
| Effects of: | | |
| Expenses not deductible for tax purposes | **3,322** | **1,131** |
| Capital allowances for the year in excess of depreciation | **4617** | **6,372** |
| Tax at marginal rates | **(6,321)** | **(329)** |
| Adjustments to tax charge in respect of previous year | **(7,843)** | **(356)** |
| **Current tax charge for the year** | **143,864** | **53,035** |

## 9 Dividends

A dividend of £1.41 per share was declared during the year (2001: nil).

## 10 Tangible fixed assets

| | Land & buildings | Plant & machinery | Fixtures & fittings | Motor Vehicles | Total |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| **Cost** | | | | | |
| At 1 January 2002 | 1,195,774 | 747,978 | 408,780 | 46,216 | 2,398,748 |
| Additions | - | 99,688 | 19,979 | 157 | 119,824 |
| Disposals | - | (431,783) | (213,645) | (28,642) | (674,070) |
| **At 31 December 2002** | **1,195,774** | **415,883** | **215,114** | **17,731** | **1,844,502** |
| ***Depreciation*** | | | | | |
| At 1 January 2002 | - | 558,273 | 261,206 | 25,311 | 844,790 |
| Charge for the year | - | 73,053 | 41,480 | - | 114,533 |
| Disposals | - | (431,783) | (213,645) | (14,843) | (660,271) |
| **At 31 December 2002** | **-** | **199,543** | **89,041** | **10,468** | **299,052** |
| **Net book value** | | | | | |
| **At 31 December 2002** | **1,195,774** | **216,340** | **126,073** | **7,263** | **1,545,450** |
| At 31 December 2001 | 1,195,774 | 189,705 | 147,574 | 20,905 | 1,553,958 |

The net book value includes an amount of £44,258 (31 December 2001: £66,162) 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.

## 11 Stocks

| | 2002 | 2001 |
|---|---|---|
| | £ | £ |
| New car stock | **141,701** | 76,230 |
| Used car stock | **788,921** | 725,881 |
| Demonstrator car stock | **1,445,755** | 528,457 |
| Parts stock | **194,204** | 213,334 |
| | **2,570,581** | 1,543,902 |

At 31 December 2002 consignment stock valued at £1,136,329 (2001: £895,236) 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.

## 12 Debtors

| | 2002 | 2001 |
|---|---|---|
| | £ | £ |
| **Amounts falling due within one year:** | | |
| Trade debtors | **365,154** | 478,371 |
| Other debtors | **-** | (17,487) |
| Amount owed by group undertaking | **690,676** | 820,622 |
| Prepayments and accrued income | **316,408** | 377,779 |
| | **1,372,238** | 1,659,285 |

## 13 Creditors: amounts falling due within one year

| | 2002 | 2001 |
|---|---|---|
| | £ | £ |
| Bank overdraft | **328,306** | 135,338 |
| Stocking loan | **609,901** | 302,800 |
| Trade creditors | **1,293,813** | 1,002,446 |
| Other creditors | **15,976** | - |
| *Corporation tax* | ***151,707*** | 53,391 |
| Other taxation and social security | **193,641** | 329,704 |
| Accruals and deferred income | **263,921** | 498,682 |
| Hire purchase contracts | **18,990** | 25,550 |
| | **2,876,255** | 2,347,911 |

The bank borrowings are secured by a guarantee by Henry Brothers (Holdings) Limited securing Henry Brothers (Glasgow) Limited in the sum of £250,000 (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.

## 14 Creditors: amounts falling due after more than one year

| | 2002 | 2001 |
|---|---|---|
| | £ | £ |
| Obligations under finance leases – maturity of debt | | |
| Due in one to two years | **8,742** | 18,348 |
| Due in three to five years | **2,328** | 9,223 |
| | **11,070** | 27,571 |

## 15 Provision for liabilities and charges – deferred taxation

| | 2002 | 2001 |
|---|---|---|
| | £ | £ |
| **Deferred tax provided in the accounts is as follows:** | | |
| Accelerated capital allowances | 16,248 | 17,143 |
| Other timing differences | (4,335) | (1,485) |
| | **11,913** | 15,658 |

| | £ |
|---|---|
| At 1 January 2002 | 15,658 |
| Released to the profit and loss account | (3,745) |
| ***At 31 December 2002*** | ***11,913*** |

## 16 Called up share capital

| | 2002 | 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 |

## 17 Notes to the cash flow statement

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

| | **Year ended 31 December 2002** | Nine months ended 31 December 2001 |
|---|---|---|
| | **£** | £ |
| Operating profit | **634,132** | 248,667 |
| Depreciation charge | **114,533** | 83,745 |
| Loss on disposal of fixed assets | **7,842** | - |
| (Increase)/decrease in stocks | **(1,026,679)** | 108,077 |
| Decrease/(increase) in debtors | **287,047** | (22,051) |
| (Decrease)/increase in creditors | **(66,114)** | 267,384 |
| **Net cash (outflow)/inflow from operating activities** | **(49,239)** | 685,822 |

### ii) Analysis of net debt

| | 1 January 2002 | Cash Flows | **31 December 2002** |
|---|---|---|---|
| | £ | £ | **£** |
| **Net cash:** | | | |
| Cash at bank and in hand | 1,340 | (324) | **1,016** |
| Bank overdraft | (135,338) | (192,968) | **(328,306)** |
| | (133,998) | (193,292) | **(327,290)** |
| ***Debt:*** | | | |
| Finance leases | (53,121) | 23,061 | **(30,060)** |
| Stocking loan | (302,800) | (307,101) | **(609,901)** |
| | (355,921) | (284,040) | **(639,961)** |
| **Net debt** | (489,919) | (477,332) | **(967,251)** |

## 18 Profit and loss account

| | £ |
|---|---|
| At 1 January 2002 | 2,269,845 |
| Retained profit for the year | **222,702** |
| **At 31 December 2002** | **2,492,547** |

## 19 Reconciliation of movement in shareholders funds

| | **2002** | 2001 |
|---|---|---|
| | **£** | £ |
| Opening shareholders' funds | **2,367,345** | 2,260,266 |
| Profit for financial period | **222,702** | 107,079 |
| **Closing shareholders' funds** | **2,590,047** | 2,367,345 |

## 20 Pension obligations

The company administers two defined contribution 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 £17,355 (2001: £12,295).

## 21 Holding company

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