Henry Brothers (Glasgow) Limited

Annual report

for the year ended 31 December 2003

Registered Number SC 034659



Henry Brothers (Glasgow) Limited

Annual report
for the year ended 31 December 2003

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Henry Brothers (Glasgow) Limited

Directors and advisers for the year ended 31 December 2003

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 2003

The directors present their report and the audited financial statements of the company for the year ended 31 December 2003.

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

Review of business
The company's profit for the year is £811,018 (2002: £360,177). 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.

The results for the year include one-off exceptional income of £726,197 relating to a refund of excess VAT and interest thereon paid in previous years.

Dividends
A dividend of £4.00 per share was declared during the year (2002: £1.41)

Directors and their interests
The directors of the company at 31 December 2003 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 2003 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
PricewaterhouseCoopers LLP have expressed their willingness to continue in office and a resolution that they be reappointed as auditors to the company will be proposed at the annual general meeting.

By order of the Board

Diane Clark

D Clark
Secretary
8 June 2004

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 2003 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
8 June 2004

Henry Brothers (Glasgow) Limited

Profit and loss account for the year ended 31 December 2003

	Note	2003	2002
		£	£
Turnover	2	**32,409,449**	29,106,036
Cost of sales		**(28,053,376)**	(24,925,050)
Gross profit		**4,356,073**	4,180,986
Net operating expenses	3	**(3,907,690)**	(3,546,854)
Exceptional income	4	**726,197**	-
Operating profit		**1,174,580**	634,132
Interest payable	7	**(182,452)**	(133,836)
Profit on ordinary activities before taxation	8	**992,128**	500,296
Taxation	9	**(181,110)**	(140,119)
Profit for the financial year		**811,018**	360,177
Dividends	10	**(390,000)**	(137,475)
Retained profit for the year	19	**421,018**	222,702

The above results relate to continuing operations.

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 2003

	Note	2003	2002
		£	£
Fixed assets			
Tangible assets	11	**1,592,123**	1,545,450
Current assets			
Stock	12	**2,933,592**	2,570,581
Debtors	13	**2,018,098**	1,372,238
Cash at bank and in hand		**629**	1,016
		4,952,319	3,943,835
Creditors: amounts falling due within one year	14	**(3,526,317)**	(2,876,255)
Net current assets		**1,426,002**	1,067,580
Total assets less current liabilities		**3,018,125**	2,613,030
Creditors: amounts falling due after more than one year	15	**(2,330)**	(11,070)
Provisions for liabilities and charges	16	**(4,730)**	(11,913)
		(7,060)	(22,983)
Net assets		**3,011,065**	2,590,047
Capital and reserves			
Called up share capital	17	**97,500**	97,500
Profit and loss account	19	**2,913,565**	2,492,547
Equity shareholders' funds	20	**3,011,065**	2,590,047

The financial statements on pages 4 to 16 were approved by the board of directors on 8 June 2004 and were signed on its behalf by:



N J Henry
Director

Henry Brothers (Glasgow) Limited

Cashflow statement for the year ended 31 December 2003

	Note	2003	2002
		£	£
Net cash inflow/(outflow) from operating activities	18	**1,131,471**	(49,239)
Returns on investment and servicing of finance			
Interest paid		**(181,987)**	(131,204)
Net cash outflow from returns on investment and servicing of finance		**(181,987)**	(131,204)
Taxation		**(152,015)**	(45,548)
Capital expenditure			
Purchase of tangible fixed assets		**(193,570)**	(119,824)
Sale of tangible fixed assets		**-**	5,958
Net cash outflow for capital expenditure		**(193,570)**	(113,866)
Equity dividends paid to shareholders		**(390,000)**	(137,475)
Net cash inflow/(outflow) before financing		**213,899**	(477,332)
Financing			
(Decrease)/increase in stocking loan		**(458,023)**	307,101
Repayment of principal under finance leases		**(18,990)**	(23,061)
Net cash (outflow)/inflow from financing		**(477,013)**	284,040
Decrease in cash in period		**(263,114)**	(193,292)
Reconciliation of net cash flow to movement in net debt			
Decrease in cash in the period		**(263,114)**	(193,292)
Cash outflow/(inflow) from financing		**477,013**	(284,040)
Movement in net debt in the period		**213,899**	(477,332)
Opening net debt		**(967,251)**	(489,919)
Closing net debt	18	**(753,352)**	(967,251)

Henry Brothers (Glasgow) Limited

Notes to the financial statements for the year ended 31 December 2003

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

	2003	2002
	£	£
Administrative expenses	**4,118,847**	3,737,203
Less: other operating income	**(211,157)**	(190,349)
	3,907,690	3,546,854

4 Exceptional income

	2003	2002
	£	£
Recognised in arriving at operating profit:		
VAT refund	**726,197**	-

Exceptional income of £726,197 was recognised during the year relating to a refund of excess VAT, and interest thereon, paid in previous years. Other debtors of £406,659, as disclosed in note 13, represents the accrued interest element of exceptional income, due to the company at the year end.

5 Directors' emoluments

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

6 Employee information

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

	2003 Number	2002 Number
Office management	**10**	8
Sales	**24**	21
Parts, servicing & bodyshop	**58**	55
Administration	**4**	4
	96	88

Staff costs	2003 £	2002 £
Wages and salaries	**1,920,756**	1,721,839
Social security costs	**205,328**	178,848
Other pension costs	**17,675**	17,355
	2,143,759	1,918,042

7 Interest payable

	2003 £	2002 £
Bank interest	**24,191**	26,101
Stock finance interest	**153,134**	101,935
HP interest	**5,127**	5,800
	182,452	133,836

8 Profit on ordinary activities before taxation

		2003	2002
		£	£
Profit on ordinary activities before taxation is stated after charging:			
Depreciation on fixed assets		**146,897**	114,533
Auditors' remuneration	- audit services	**8,350**	8,000
	- non audit services	**7,403**	4,500
Finance charges in respect of finance leases		**5,127**	5,800
Loss on disposal of fixed assets		**-**	7,842
Management charge from Henry Brothers (Holdings) Limited		**624,302**	748,722

9 Taxation

(a) Analysis of charge in the period

	2003	2002
	£	£
Current tax:		
UK corporation tax on profits of the period	**187,985**	151,707
Adjustment in respect of previous periods	**308**	(7,843)
Total current tax (note b)	**188,293**	143,864
Deferred tax:		
Origination and reversal of timing differences (ACA and other)	**(7,183)**	(3,745)
Total deferred tax	**(7,183)**	(3,745)
Tax on profit on ordinary activities	**181,110**	140,119

(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% (2002: 30%). The differences are explained below:

	2003	2002
	£	£
Profit on ordinary activities before tax	**992,128**	500,296
Profit on ordinary activities multiplied by average rate of corporation tax in the UK of 30 % (2002: 30%)	**297,639**	150,089
Effects of:		
Expenses not deductible for tax purposes	**(117,978)**	3,322
Capital allowances for the year in excess of depreciation	**8,324**	4,617
Tax at marginal rates	**-**	(6,321)
Adjustments to tax charge in respect of previous year	**308**	(7,843)
Current tax charge for the year (note a)	**188,293**	143,864

10 Dividends

A dividend of £4.00 per share was declared during the year (2002: £1.41).

11 Tangible fixed assets

	Land & buildings	Plant & machinery	Fixtures & fittings	Motor Vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2003	1,195,774	415,883	215,114	17,731	1,844,502
Additions	-	82,595	110,802	173	193,570
At 31 December 2003	**1,195,774**	**498,478**	**325,916**	**17,904**	**2,038,072**
Depreciation					
At 1 January 2003	-	199,543	89,041	10,468	299,052
Charge for the year	-	89,114	51,847	5,936	146,897
At 31 December 2003	**-**	**288,657**	**140,888**	**16,404**	**445,949**
Net book value					
At 31 December 2003	**1,195,774**	**209,821**	**185,028**	**1,500**	**1,592,123**
At 31 December 2002	1,195,774	216,340	126,073	7,263	1,545,450

The net book value includes an amount of £19,250 (31 December 2002: £44,258) 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.

12 Stocks

	2003	2002
	£	£
New car stock	**191,479**	141,701
Used car stock	**1,163,917**	788,921
Demonstrator car stock	**1,366,331**	1,445,755
Parts stock	**211,865**	194,204
	2,933,592	2,570,581

At 31 December 2003 consignment stock valued at £1,569,540 (2002: £1,136,329) 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.

13 Debtors

	2003	2002
	£	£
Amounts falling due within one year:		
Trade debtors	**728,489**	365,154
Other debtors	**406,659**	-
Amount owed by group undertaking	**548,066**	690,676
Prepayments and accrued income	**334,884**	316,408
	2,018,098	1,372,238

14 Creditors: amounts falling due within one year

	2003	2002
	£	£
Bank overdraft	**591,033**	328,306
Stocking loan	**151,878**	609,901
Trade creditors	**1,965,713**	1,293,813
Other creditors	**-**	15,976
Corporation tax	**187,985**	151,707
Other taxation and social security	**296,448**	193,641
Accruals and deferred income	**324,520**	263,921
Hire purchase contracts	**8,740**	18,990
	3,526,317	2,876,255

The bank borrowings are secured by a guarantee by Henry Brothers (Holdings) Limited securing Henry Brothers (Glasgow) Limited in the sum of £250,000 (2002: £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.

15 Creditors: amounts falling due after more than one year

	2003	2002
	£	£
Obligations under finance leases – maturity of debt		
Due in one to two years	**2,330**	8,742
Due in three to five years	**-**	2,328
	2,330	11,070

16 Provision for liabilities and charges – deferred taxation

	2003	2002
	£	£
Deferred tax provided in the accounts is as follows:		
Accelerated capital allowances	**13,690**	16,248
Other timing differences	**(8,960)**	(4,335)
	4,730	11,913

	£
At 1 January 2003	11,913
Released to the profit and loss account	(7,183)
At 31 December 2003	**4,730**

17 Called up share capital

	2003	2002
	£	£
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

18 Notes to the cash flow statement

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

	2003	2002
	£	£
Operating profit	**1,174,580**	634,132
Depreciation charge	**146,897**	114,533
Loss on disposal of fixed assets	**-**	7,842
Increase in stocks	**(363,011)**	(1,026,679)
(Increase)/decrease in debtors	**(645,860)**	287,047
Increase/(decrease) in creditors	**818,865**	(66,114)
Net cash inflow/(outflow) from operating activities	**1,131,471**	(49,239)

ii) Analysis of net debt

	1 January 2003	Cash Flows	**31 December 2003**
	£	£	£
Net cash:			
Cash at bank and in hand	1,016	(387)	**629**
Bank overdraft	(328,306)	(262,727)	**(591,033)**
	(327,290)	(263,114)	**(590,404)**
Debt:			
Finance leases	(30,060)	18,990	**(11,070)**
Stocking loan	(609,901)	458,023	**(151,878)**
	(639,961)	477,013	**(162,948)**
Net debt	(967,251)	213,899	**(753,352)**

19 Profit and loss account

	£
At 1 January 2003	2,492,547
Retained profit for the financial year	421,018
At 31 December 2003	**2,913,565**

20 Reconciliation of movement in shareholders' funds

	2003	2002
	£	£
Opening shareholders' funds	**2,590,047**	2,367,345
Returned profit for the financial year	**421,018**	222,702
Closing shareholders' funds	**3,011,065**	2,590,047

21 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 £17,675 (2002: £17,355).

22 Holding company

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