

Reid & Adams Limited

Report and Financial Statements

Year Ended

31 December 2000



Reid & Adams Limited

Annual report and financial statements for the year ended 31 December 2000

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Directors

W.A. Burgess
T. Downie
E. Shaw
I Robertson
Mrs. S.A. Burgess

Secretary and registered office

Mrs. E.M. Fitzsimmons, Commerce Road, Blackparks Industrial Estate, Stranraer DG9 7BZ

Company number

72313

Auditors

BDO Stoy Hayward, Ballantine House, 168 West George Street, Glasgow G2 2PT

Bankers

The Royal Bank of Scotland plc, 15 Bridge Street, Stranraer DG9 7JA

Solicitors

Hunter & Murray, 25 Lewis Street, Stranraer DG9 7LA

Reid & Adams Limited

Report of the directors for the year ended 31 December 2000

The directors present their report together with the audited financial statements for the year ended 31 December 2000.

Results and dividends

The profit and loss account is set out on page 4 and shows the result for the year.

The directors recommend the payment of a dividend of £2,700 on non equity shares.

Principal activities, trading review and future developments

The company's principal activity is that of motor engineering and retailing.

2000 has proved to be a very difficult year for the retail motor industry and Reid & Adams Ltd has suffered along with most.

Suppressed margins on new vehicles along with a severe decline in used stock values conspired to undermine any progress in what was a very volatile market due to exterior highly visible factors.

Despite these factors the company completed the acquisition of a site in Dumfries that will be developed into three stand alone franchise premises to house both the current manufacturers and a third, new to the group.

Directors

The directors of the company during the year and their interests in the share capital of the company were:

	£1 6% Redeemable Cumulative Preference shares Class B		£1 Ordinary shares	
	2000	1999	2000	1999
W.A. Burgess	45,000	45,000	70	70
T. Downie	-	-	-	-
E. Shaw	-	-	-	-
I Robertson	-	-	-	-
Mrs. S.A. Burgess (appointed 1 January 2000)	-	-	30	-

Reid & Adams Limited

Report of the directors for the year ended 31 December 2000 (*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:

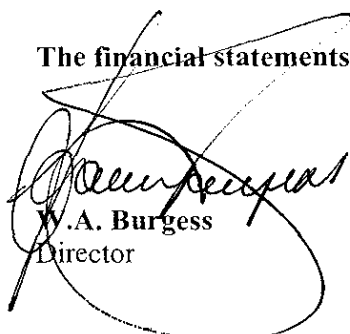
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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.

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

The financial statements were approved by the Board on 11 May 2001.



W.A. Burgess
Director

Reid & Adams Limited**Report of the auditors**

Auditors' report to Reid & Adams Limited under section 247B of the Companies Act 1985

We have examined the abbreviated financial statements on pages 4 to 21 together with the financial statements of the company for the year ended 31 December 2000 prepared under section 226 of the Companies Act 1985.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated financial statements in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated financial statements prepared in accordance with section 246A(3) of the Act to the registrar of companies and whether the financial statements to be delivered are properly prepared in accordance with that provision and to report our opinion to you.

Basis of opinion

We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated financial statements and that the abbreviated financial statements to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated financial statements prepared in accordance with section 246A(3) of the Companies Act 1985 and the abbreviated financial statements on pages 4 to 21 are properly prepared in accordance with that provision.


Chartered Accountants
and Registered Auditors

11 May 2001

Reid & Adams Limited**Profit and loss account for the year ended 31 December 2000**

	Note	2000 £	1999 £
Gross profit		928,386	1,108,701
Distribution costs		416,157	369,160
Administrative expenses		590,186	536,439
Operating (loss)/profit	4	(77,957)	203,102
Interest receivable	5	379	-
Interest payable and similar charges	6	(134,126)	(108,908)
(Loss)/profit on ordinary activities before taxation		(211,704)	94,194
Taxation on (loss)/profit on ordinary activities	7	(37,522)	19,479
(Loss)/profit for the year		(174,182)	74,715
Dividends (including non-equity)	8	2,700	15,200
Transfer for the year		(176,882)	59,515

All amounts relate to continuing activities.

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

The notes on pages 7 to 21 form part of these financial statements.

Reid & Adams Limited

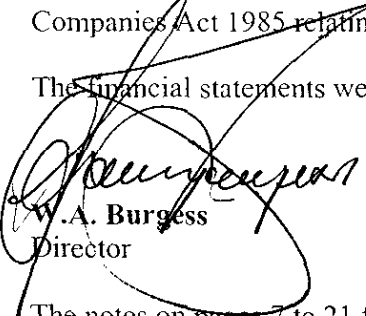
Balance sheet at 31 December 2000

	Note	2000	1999
		£	£
Fixed assets			
Tangible assets	9	1,588,198	1,430,076
Current assets			
Stocks	10	1,433,277	1,884,438
Debtors	11	263,668	419,500
Cash at bank and in hand		1,623	2,208
		<u>1,698,568</u>	<u>2,306,146</u>
Creditors: amounts falling due within one year	12	2,184,790	2,147,087
Net current (liabilities)/assets		<u>(486,222)</u>	<u>159,059</u>
Total assets less current liabilities		<u>1,101,976</u>	<u>1,589,135</u>
Creditors: amounts falling due after more than one year	13	385,582	674,489
Provisions for liabilities and charges	14	29,561	50,931
Net assets		<u>686,833</u>	<u>863,715</u>
Capital and reserves			
Called up share capital	15	45,100	45,100
Revaluation reserve	16	477,812	484,001
Capital redemption reserve	16	150,820	150,820
Profit and loss account	16	13,101	183,794
Shareholders' funds	17	<u>686,833</u>	<u>863,715</u>

Included within shareholders' funds is an amount of £45,000 (1999 - £45,000) in respect of non-equity interests.

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium sized companies.

The financial statements were approved by the Board on 11 May 2001.


W.A. Burgess
Director

The notes on pages 7 to 21 form part of these financial statements.

Reid & Adams Limited

Cash flow statement for the year ended 31 December 2000

	Note	2000	1999
		£	£
Net cash inflow from operating activities	19	323,678	315,088
Returns on investments and servicing of finance			
Interest received		379	-
Interest paid		(127,858)	(102,438)
Interest element of finance lease rentals		(6,268)	(6,470)
Dividends paid on non-equity shares		(2,700)	(2,700)
		<u>(136,447)</u>	<u>(111,608)</u>
Taxation			
Corporation tax paid		(2,058)	-
		<u>(2,058)</u>	<u>-</u>
Capital expenditure			
Payments to acquire tangible fixed assets		(239,011)	(125,137)
Receipts from sales of tangible fixed assets		-	4,367
		<u>(239,011)</u>	<u>(120,770)</u>
		<u>(53,838)</u>	<u>82,710</u>
Equity dividends paid		<u>(12,500)</u>	<u>(12,500)</u>
Cash (outflow)/inflow before use of liquid resources and financing		<u>(66,338)</u>	<u>70,210</u>
Financing			
Loans repaid		(40,489)	(36,853)
Capital element of hire purchase rentals		(17,321)	(19,016)
		<u>(57,810)</u>	<u>(55,869)</u>
(Decrease)/increase in cash		<u><u>(124,148)</u></u>	<u><u>14,341</u></u>

The notes on pages 7 to 21 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain assets. The following principal accounting policies have been applied:

Turnover

Turnover represents the invoiced value of goods and services supplied, stated net of value added tax and trade discounts.

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all tangible fixed assets, except land, over their expected useful lives. It is calculated at the following rates:

Buildings	-	2% straight line
Leasehold improvements	-	over the lease term
Plant and equipment	-	10% straight line
Vehicles	-	25% straight line

Stocks and work in progress

Stocks are stated at the lower of cost or net realisable value except in the case of parts stock where the company policy is to use replacement value with an allowance for obsolescence. Cost comprises of the invoiced price of goods for new vehicles and other stock. Second-hand vehicles are valued at net realisable value based on trade guides. Work in progress is valued at cost and an appropriate allowance for overheads.

Under supply agreements with manufacturers the company has access to "consignment stock" during the consignment period. Where the nature of this supply agreement transfers the risks and rewards to the company, which in substance gives the company control over the stock during the consignment period and liabilities in respect of holding costs, the company recognises this stock in the balance sheet together with an equivalent liability.

Where supply agreements do not provide risks and rewards to the company until such time as legal title actually passes at the end of the consignment period, this stock is not included in the balance sheet.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that a liability or asset will crystallise.

1 Accounting policies (*continued*)

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.

Motability repurchase arrangements

The company has certain obligations to repurchase vehicles at a predetermined residual price upon the expiry of contracts usually after three years under agreements with Motability Finance Limited. The assets and corresponding liabilities have been disclosed in the balance sheet at the repurchase price. Where there is no obligation to repurchase vehicles, no disclosure is made.

Pensions

Contributions to the company's defined contribution pension scheme and to personal pension plans are charged to the profit and loss account in the year in which they become payable.

Reid & Adams Limited

Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)

2 Employees

Staff costs (including directors) consist of:

	2000 £	1999 £
Wages and salaries	752,070	734,111
Social security costs	55,294	53,214
Other pension costs	6,716	6,227
	<u>814,080</u>	<u>793,552</u>

The average monthly number of employees (including directors) during the year was as follows:

	2000 Number	1999 Number
Service, selling and distribution	62	62
Administration	14	14
	<u>76</u>	<u>76</u>

3 Directors

	2000 £	1999 £
Directors' emoluments and pension contributions consist of:		
Emoluments	<u>131,448</u>	<u>93,226</u>
Pension contributions towards defined contribution schemes	<u>5,977</u>	<u>4,397</u>

One director was a member of the company's defined contribution pension scheme (1999 - One).

4 Operating (loss)/profit

This is arrived at after charging/(crediting):

	2000 £	1999 £
Depreciation of tangible fixed assets		
- owned by the company	72,160	59,782
- held under hire purchase contracts	8,729	10,253
Auditors' remuneration	7,650	7,500
Profit on sale of fixed assets	-	(367)
	<u> </u>	<u> </u>

5 Interest receivable

	2000 £	1999 £
Bank interest receivable	379	-
	<u> </u>	<u> </u>

6 Interest payable and similar charges

	2000 £	1999 £
On loans and overdrafts	71,110	70,778
On hire purchase contracts	6,268	6,470
Stocking loan interest	53,267	31,550
Other interest	3,481	110
	<u> </u>	<u> </u>
	<u>134,126</u>	<u>108,908</u>

Reid & Adams LimitedNotes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)**7 Taxation**

	2000 £	1999 £
<i>Current Year</i>		
UK corporation tax	(12,272)	15,377
Transfer (from)/to deferred taxation	(17,747)	4,083
	<u>(30,019)</u>	<u>19,460</u>
<i>Prior years</i>		
UK corporation tax	(7,624)	-
Deferred taxation	121	19
	<u>(37,522)</u>	<u>19,479</u>

8 Dividends

	2000 £	1999 £
<i>Equity shares</i>		
Ordinary shares		
Proposed at £nil (1999 - £125) per share	-	12,500
	<u>-</u>	<u>12,500</u>
<i>Non equity shares</i>		
Preference Shares (non equity)		
Proposed at 6% (1999 - 6%) per share	2,700	2,700
	<u>2,700</u>	<u>2,700</u>

9 Tangible assets

	Land and buildings £	Leasehold improvements £	Plant and equipment £	Motor vehicles £	Total £
<i>Cost or valuation</i>					
At 1 January 2000	1,116,717	43,056	415,979	67,743	1,643,495
Additions	203,938	5,013	13,913	16,147	239,011
At 31 December 2000	1,320,655	48,069	429,892	83,890	1,882,506
<i>Depreciation</i>					
At 1 January 2000	17,334	701	177,743	17,641	213,419
Provided for the year	17,334	9,614	39,091	14,850	80,889
At 31 December 2000	34,668	10,315	216,834	32,491	294,308
<i>Net Book Value</i>					
At 31 December 2000	1,285,987	37,754	213,058	51,399	1,588,198
At 31 December 1999	1,099,383	42,355	238,236	50,102	1,430,076

Included above are assets held under hire purchase contracts with net book values as follows:

	2000 £	1999 £
Plant and equipment	42,475	61,796

Reid & Adams Limited

Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)

The company's properties at Stranraer and Newton Stewart were revalued during 1995 by G.M. Thomson & Co, Chartered Surveyors and Douglas Inglis & Partners, Chartered Surveyors. The open market value of the properties on the revaluation date was £810,000 including £250,000 for land. Other properties are shown at cost.

The transitional provisions have been followed on adopting Financial Reporting Standard No. 15 and existing book values for properties have been retained. Properties are reflected at either cost or 1995 valuation less depreciation.

On the historical cost basis, land and buildings reflected at valuation would have been included as follows:

	2000 £	1999 £
Cost	371,261	371,261
Cumulative depreciation	10,296	5,134
Net book amount	360,965	366,127

10 Stocks

	2000 £	1999 £
Work in progress	2,593	2,034
Vehicles and parts stock	1,055,317	1,120,716
Vehicle consignment stock	126,653	398,274
Motability buy-back vehicles	248,714	363,414
	1,433,277	1,884,438

Interest bearing consignment vehicles and Motability buy-back vehicles are included in stocks. The related liabilities are included in creditors.

Reid & Adams LimitedNotes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)**11 Debtors**

	2000 £	1999 £
Trade debtors	174,278	367,687
Corporation tax recoverable	12,272	5,694
ACT recoverable	-	3,744
Other debtors	54,035	6,436
Prepayments and accrued income	23,083	35,939
	<u>263,668</u>	<u>419,500</u>

All amounts shown under debtors fall due for payment within one year.

12 Creditors: amounts falling due within one year

	2000 £	1999 £
Bank term loan and overdraft	681,587	558,024
Consignment vehicles	126,653	398,274
Vehicle stocking loans	699,677	677,321
Motability buy-back commitments	219,752	101,250
Trade creditors	105,088	219,626
Taxation and social security	51,755	25,663
Proposed dividend	2,700	15,200
Corporation tax	-	15,376
Net obligations under hire purchase contracts	15,216	17,321
Other creditors	113,762	22,381
Accruals and deferred income	168,600	96,651
	<u>2,184,790</u>	<u>2,147,087</u>

The bank term loan and overdraft are secured by a standard security over the company's premises at Stranraer, Newton Stewart and Dumfries. There is also a bond and floating charge over the company's assets in favour of Ford Motor Company Limited, PSA Wholesale Limited and The Royal Bank of Scotland plc.

Vehicle stocking loans are secured against the relevant vehicle stocks.

13 Creditors: amounts falling due after more than one year

	2000 £	1999 £
Bank term loan	343,502	383,991
Net obligations under hire purchase contracts	13,118	28,334
Motability buy-back commitments	28,962	262,164
	<u>385,582</u>	<u>674,489</u>
Included within the above are amounts falling due as follows:		
In 1 - 2 years:		
Loan instalments	33,914	33,914
Hire purchase obligations	13,118	15,215
Motability buy-back	28,962	233,202
In 2 - 5 years:		
Loan instalments	101,742	101,742
Hire purchase obligations	-	13,119
Motability buy-back	-	28,962
In more than 5 years:		
Loan instalments	207,846	248,335
	<u>385,582</u>	<u>674,489</u>

The hire purchase obligations are secured on the assets being purchased.

The bank term loan is secured over assets of the company and is repayable by 120 monthly instalments of £6,334. The final repayment is due in July 2007 and interest is currently charged at a fixed rate of 9.07% per annum.

14 Provisions for liabilities and charges

Deferred taxation

The amount of deferred taxation provided is as follows:

	2000 £	1999 £
Accelerated capital allowances	51,216	50,986
Short term timing differences	(17,856)	-
ACT available for offset	(3,799)	(55)
	<u>29,561</u>	<u>50,931</u>

There is no deferred taxation unprovided.

	£
Deferred taxation movements:	
Balance at 1 January 2000	50,931
Transfer from profit and loss account	(17,626)
Advance corporation tax	(3,744)
	<u>29,561</u>
Balance at 31 December 2000	

	2000 £	1999 £
Total provisions for liabilities and charges	<u>29,561</u>	<u>50,931</u>

No provision has been made for the potential tax liability which might arise in the event of premises being sold at their balance sheet value as it is the intention of the directors to retain the premises on a long term basis.

15 Called up share capital

	Authorised		Allotted, called up and fully paid	
	2000 £	1999 £	2000 £	1999 £
Equity share capital				
Ordinary shares of £1 each	100	100	100	100
Non-equity share capital				
6% Cumulative Redeemable Preference shares Class A of £1 each	900	900	-	-
6% Redeemable Cumulative Preference shares Class B of £1 each	3,000,000	3,000,000	45,000	45,000
	<u>3,001,000</u>	<u>3,001,000</u>	<u>45,100</u>	<u>45,100</u>

Rights of non-equity shareholders:

Redeemable Cumulative Preference shares Class B of £1 each

The 'B' Redeemable Cumulative 6% Preference shares carry a 6% cumulative preferential dividend of 6% per annum and on a winding up entitle the holders to repayment of any capital paid up together with any arrears of dividend, in priority to any ordinary shareholders. There are other terms attaching to the 'B' shares which are too lengthy for inclusion in these financial statements. Particulars of these terms can be obtained from the company's Articles of Association, a copy of which is held at the company's registered office.

16 Reserves

	£
<i>Profit and loss account</i>	
At 1 January 2000	183,794
Transfer for the year	(176,882)
Amortisation of Revaluation Reserve	6,189
	<u>13,101</u>
At 31 December 2000	13,101

		£
<i>Revaluation reserve</i>		
At 1 January 2000		484,001
Amortisation		(6,189)
At 31 December 2000		477,812
		£
<i>Capital redemption reserve</i>		
At 1 January 2000 and 31 December 2000		150,820
17 Reconciliation of movements in shareholders' funds		
	2000	1999
	£	£
(Loss)/profit for the year	(174,182)	74,715
Dividends	(2,700)	(15,200)
	(176,882)	59,515
Opening shareholders' funds	863,715	804,200
Closing shareholders' funds	686,833	863,715

18 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 and to personal pension plans.

19 Reconciliation of operating (loss)/profit to net cash inflow from operating activities

	2000 £	1999 £
Operating (loss)/profit	(77,957)	203,102
Depreciation of tangible fixed assets	80,889	70,035
Profit on sale of fixed assets	-	(367)
Decrease in stocks	451,161	41,556
Decrease/(increase) in debtors	158,666	(57,274)
(Decrease)/increase in creditors	(289,081)	58,036
Net cash inflow from operating activities	323,678	315,088

Reid & Adams Limited

Notes forming part of the financial statements for the year ended 31 December 2000 (Continued)

20 Reconciliation of net cashflow to movement in net debt

	2000		1999	
	£	£	£	£
(Decrease)/increase in cash in the year	(124,148)		14,341	
Cashflow from change in debt	57,810		55,869	
Hire purchase		(66,338)		70,210
		-		(6,222)
Change in net (debt)/funds		(66,338)		63,988
Opening net debt		(985,462)		(1,049,450)
Closing net debt		(1,051,800)		(985,462)

21 Analysis of changes in net debt

	At 01/01/00 £	Cash flows £	At 31/12/00 £
Cash at bank and in hand	2,208	(585)	1,623
Overdrafts	(524,110)	(123,563)	(647,673)
		(124,148)	
Debt due within one year	(33,914)	-	(33,914)
Debt due after one year	(383,991)	40,489	(343,502)
Finance leases	(45,655)	17,321	(28,334)
Total	(985,462)	(66,338)	(1,051,800)

22 Related party transactions

The company leases premises at West End Garage, Stranraer and at Castle Douglas from Reid and Adams Limited Retirement Benefit Scheme. The current annual rentals are £10,000 and £12,000, respectively and are at full market rate. The lease for Stranraer commenced on 1 August 1997 for a period of three years, which has been extended for another three years, and the lease for Castle Douglas commenced on 14 April 2000 for a period of three years.

23 Ultimate controlling party

The company is under the control of Mr. W.A. Burgess, who is a director and holds 70% of the issued ordinary share capital of the company.