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72313**Reid & Adams Limited**

Report and Abbreviated Financial Statements

Year Ended

31 December 2001



Reid & Adams Limited

Annual report and financial statements for the year ended 31 December 2001

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Directors

W.A.Burgess
T Downie
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 2001

The directors present their report together with the audited financial statements for the year ended 31 December 2001.

Results and dividends

The profit and loss account is set out on page 5 and shows the loss for the year.

The directors do not recommend the payment of a dividend on equity shares.

Principal activities, review of business and future developments

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

The results for the year are disappointing and reflect the continuing difficulty experienced in the motor trade. The company ceased to trade on 30 April 2002.

Directors

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

	£1 6% Cumulative Redeemable Preference shares Class B		£1 Ordinary shares	
	2001	2000	2001	2000
W.A.Burgess	45,000	45,000	70	70
T Downie	-	-	-	-
E.Shaw (resigned 11/12/01)	-	-	-	-
I Robertson (resigned 26/10/01)	-	-	-	-
Mrs S.A.Burgess	-	-	30	30

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 year. 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; and
- 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.

Reid & Adams Limited

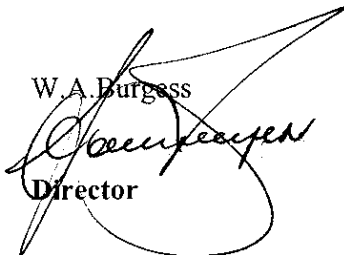
Report of the directors for the year ended 31 December 2001 (*Continued*)

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.

On behalf of the board

W. A. Burgess

A large, stylized handwritten signature in black ink, appearing to read 'W. A. Burgess', is written over the printed name and title.

Director

27 January 2003

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

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

We have examined the abbreviated financial statements on pages 5 to 20 together with the financial statements of the company for the year ended 31 December 2001 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.

This report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 5 to 20 are properly prepared in accordance with that provision.



BDO STOY HAYWARD
Chartered Accountants
and Registered Auditors
Glasgow

27 January 2003

Reid & Adams Limited**Profit and loss account for the year ended 31 December 2001**

	Note	2001 £	2000 £
Gross profit		867,357	928,386
Distribution costs		400,477	416,157
Administrative expenses		542,042	590,186
Operating loss	2	(75,162)	(77,957)
Other interest receivable and similar income	5	531	379
Interest payable and similar charges	6	(138,363)	(134,126)
Loss on ordinary activities before taxation		(212,994)	(211,704)
Taxation on loss on ordinary activities	7	(29,561)	(37,522)
Loss on ordinary activities after taxation for the year		(183,433)	(174,182)
Dividends (including non-equity)	8	-	2,700
Accumulated loss for the financial year	16	(183,433)	(176,882)

All amounts relate to continuing activities.

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

There are no movements in shareholders' funds in the current and prior year apart from the loss for the year.

The notes on pages 8 to 20 form part of these financial statements.

Reid & Adams Limited

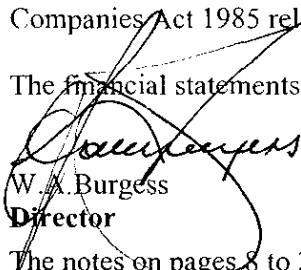
Balance sheet at 31 December 2001

	Note	2001 £	2001 £	2000 £	2000 £
Fixed assets					
Tangible assets	9		1,516,026		1,588,198
Current assets					
Stocks	10	982,639		1,433,277	
Debtors	11	364,173		263,668	
Cash at bank and in hand		495		1,623	
		1,347,307		1,698,568	
Creditors: amounts falling due within one year	12	2,073,112		2,184,790	
Net current liabilities			(725,805)		(486,222)
Total assets less current liabilities			790,221		1,101,976
Creditors: amounts falling due after more than one year	13	286,821		385,582	
Provision for liabilities and charges	14	-		29,561	
			286,821		415,143
			503,400		686,833
Capital and reserves					
Called up share capital	15		45,100		45,100
Revaluation reserve	16		477,812		477,812
Capital redemption reserve	16		150,820		150,820
Profit and loss account	16		(170,332)		13,101
Shareholders' funds			503,400		686,833

Included within shareholders' funds is an amount of £45,000 (2000 - £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 27 January 2003.


W. A. Burgess
Director

The notes on pages 8 to 20 form part of these financial statements.

Reid & Adams Limited
Cash flow statement for the year ended 31 December 2001

	Note	2001 £	2001 £	2000 £	2000 £
Net cash (outflow)/inflow from operating activities	20		(38,792)		323,678
Returns on investments and servicing of finance					
Interest received		531		379	
Interest paid: other		(136,194)		(127,858)	
Interest paid: hire purchase		(2,168)		(6,268)	
Dividend paid: non equity		(2,700)		(2,700)	
			(140,531)		(136,447)
Taxation					
Corporation tax recovered/(paid)		11,554		(2,058)	
			11,554		(2,058)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(25,344)		(239,011)	
Receipts from sale of tangible fixed assets		7,763		-	
			(17,581)		(239,011)
Equity dividend paid			-		(12,500)
Cash outflow before financing			(185,350)		(66,338)
Financing					
Loans repaid		(44,083)		(40,489)	
Capital element of finance leases repaid		(15,216)		(17,321)	
			(59,299)		(57,810)
Decrease in cash	21		(244,649)		(124,148)

The notes on pages 8 to 20 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of freehold land and buildings and are in accordance with applicable accounting standards. 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, evenly 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

Stocks are valued at the lower of cost and 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 risk 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 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.

Pensions

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

Motability repurchases arrangements

The company has certain obligations to repurchase vehicles at predetermined residual prices 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.

2 Operating loss

This is arrived at after charging:

	2001 £	2000 £
Depreciation of tangible fixed assets	78,432	80,889
Auditors' remuneration - audit services	7,850	7,650
	<u> </u>	<u> </u>

Depreciation includes £5,623 (2000 - £8,729) charged on assets held under finance leases and hire purchase contracts.

Reid & Adams Limited**Notes forming part of the financial statements for the year ended 31 December 2001 (Continued)****3 Employees**

Staff costs (including directors) consist of:

	2001 £	2000 £
Wages and salaries	721,426	752,070
Social security costs	55,053	55,294
Other pension costs	6,802	6,716
	<u>783,281</u>	<u>814,080</u>

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

	2001 Number	2000 Number
Service, selling and distribution	60	62
Administration	12	14
	<u>72</u>	<u>76</u>

4 Directors' remuneration

	2001 £	2000 £
Directors' emoluments	127,028	131,448
Company contributions to money purchase pension schemes	6,077	5,977
	<u>133,105</u>	<u>137,425</u>

There was 1 director in the company's defined contribution pension scheme during the year (2000 - 1).

5 Other interest receivable and similar income

	2001 £	2000 £
Bank interest receivable	531	379
	<u>531</u>	<u>379</u>

Reid & Adams Limited**Notes forming part of the financial statements for the year ended 31 December 2001 (Continued)****6 Interest payable and similar charges**

	2001 £	2000 £
On loans and overdrafts	89,283	71,110
Other interest	-	3,481
Stocking loan interest	46,912	53,267
Finance leases and hire purchase contracts	2,168	6,268
	<u>138,363</u>	<u>134,126</u>

7 Taxation on loss on ordinary activities

	2001 £	2000 £
<i>UK Corporation tax</i>		
<i>Current year</i>		
Current tax on income for the year	-	(12,272)
Transfer from deferred taxation account	(29,561)	(17,747)
	<u>(29,561)</u>	<u>(30,019)</u>
<i>Prior years</i>		
UK Corporation tax	-	(7,624)
Transfer to deferred taxation account	-	121
	<u>(29,561)</u>	<u>(37,522)</u>

8 Dividends

	2001 £	2000 £
<i>Non equity shares</i>		
Preference Shares (non equity)		
Proposed at nil % (2000 - 6%) per share	-	2,700
	<u>-</u>	<u>2,700</u>

The preference shareholder has waived his right to a dividend for the year ended 31 December 2001.

Reid & Adams Limited

Notes forming part of the financial statements for the year ended 31 December 2001 (*Continued*)

9 Tangible fixed assets

	Freehold land and buildings £	Leasehold improvements £	Plant and equipment £	Motor vehicles £	Total £
<i>Cost or valuation</i>					
At 1 January 2001	1,320,655	48,069	429,892	83,890	1,882,506
Additions	14,585	-	5,259	5,500	25,344
Disposals	-	(11,940)	(14,533)	-	(26,473)
Reallocations	7,569	(22,102)	14,533	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2001	1,342,809	14,027	435,151	89,390	1,881,377
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Depreciation</i>					
At 1 January 2001	34,668	10,315	216,834	32,491	294,308
Provided for the year	-	2,805	56,138	19,489	78,432
Disposals	-	(6,807)	(582)	-	(7,389)
Transfers	(582)	-	582	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2001	34,086	6,313	272,972	51,980	365,351
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Net book value</i>					
At 31 December 2001	1,308,723	7,714	162,179	37,410	1,516,026
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2000	1,285,987	37,754	213,058	51,399	1,588,198
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The gross value of freehold land and buildings is stated at:

	2001 £	2000 £
Open market value - 1995	810,000	810,000
Cost	532,809	510,655
	<u> </u>	<u> </u>
	1,342,809	1,320,655
	<u> </u>	<u> </u>

9 Tangible fixed assets (*continued*)

The historical cost of land and buildings is:

	2001 £	2000 £
Cost	852,619	830,465
Accumulated depreciation based on historical cost	12,530	12,530
Historical cost net book value	840,089	817,935

The net book value of tangible fixed assets includes assets held under finance leases and hire purchase contracts as follows:

	2001 £	2000 £
<i>Net book value</i>		
Plant and equipment	33,740	42,475
<i>Depreciation charged on these assets during the year was as follows:</i>		
Plant and equipment	5,623	8,729

10 Stocks

	2001 £	2000 £
Work in progress	2,225	2,593
Vehicle consignment stock	169,829	126,653
Vehicles and parts stock	781,623	1,055,317
Motability buy-back vehicles	28,962	248,714
	982,639	1,433,277

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

Reid & Adams Limited**Notes forming part of the financial statements for the year ended 31 December 2001 (Continued)****11 Debtors**

	2001 £	2000 £
Trade debtors	226,726	174,278
Directors' loan account	29,874	-
Other debtors	99,386	54,035
Prepayments and accrued income	-	23,083
Corporation tax recoverable	718	12,272
Section 419 tax recoverable	7,469	-
	<u>364,173</u>	<u>263,668</u>

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

As at 31 December 2001 £29,874 was due from W.A. Burgess to Reid & Adams Limited. This represents the maximum amount owed to the company during the year.

12 Creditors: amounts falling due within one year

	2001 £	2000 £
Bank term loan and overdrafts (secured)	937,706	681,587
Vehicle stocking loans	555,233	699,677
Trade creditors	168,435	105,088
Consignment vehicles	169,829	126,653
Motability buy-back commitments	28,962	219,752
Taxation and social security	29,518	51,755
Proposed dividend	-	2,700
Section 419 tax payable	7,469	-
Obligations under finance lease and hire purchase contracts	13,118	15,216
Other creditors	83,090	113,762
Accruals and deferred income	79,752	168,600
	<u>2,073,112</u>	<u>2,184,790</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.

Reid & Adams Limited

Notes forming part of the financial statements for the year ended 31 December 2001 (Continued)

13 Creditors: amounts falling due after more than one year

	2001 £	2000 £
Bank loans	286,821	343,502
Obligations under finance lease and hire purchase contracts	-	13,118
Other creditors	-	28,962
	<u>286,821</u>	<u>385,582</u>

Maturity of debt:

	Finance Leases		Bank loans		Total	
	2001 £	2000 £	2001 £	2000 £	2001 £	2000 £
In one year or less, or on demand	13,118	15,216	937,706	681,587	950,824	696,803
In more than one year but not more than two years	-	13,118	52,268	75,474	52,268	88,592
In more than two years but not more than five years	-	-	191,334	184,238	191,334	184,238
In more than five years	-	-	43,219	112,752	43,219	112,752
	<u>13,118</u>	<u>28,334</u>	<u>1,224,527</u>	<u>1,054,051</u>	<u>1,237,645</u>	<u>1,082,385</u>

Included in creditors due after more than one year are the following amounts repayable in more than five years:

	2001 £	2000 £
Loans	<u>43,219</u>	<u>112,752</u>

Hire purchase obligations are secured on the assets being purchased.

The bank term loan is secured over the 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 Provision for liabilities and charges

		Deferred taxation
		£
At 31 December 2000		29,561
Transfer to profit and loss account		(29,561)
At 31 December 2001		-
Deferred taxation		
	2001	Provided 2000
	£	£
The amount of deferred tax provided for is as follows:		
Accelerated capital allowances	48,600	51,216
Short term timing differences	(603)	(17,856)
	47,997	33,360
Unutilised tax losses	(47,997)	-
ACT available for offset	-	(3,799)
	-	29,561

There is no unprovided deferred tax.

15 Share capital

	2001 £	2000 £	2001 £	2000 £
<i>Equity share capital</i>				
Ordinary shares of £1 each	100	100	100	100
<i>Non-equity share capital</i>				
6% Cumulative Redeemable Preference Class A shares of £1 each	900	900	-	-
6% Cumulative Redeemable Preference Class B shares 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:

Cumulative Redeemable Preference Class B shares of £1 each

The Cumulative Redeemable 6% Preference Class B shares carry a 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

	Revaluation reserve £	Capital redemption reserve £	Profit and loss account £
At 1 January 2001	477,812	150,820	13,101
Loss for the year	-	-	(183,433)
	<u>477,812</u>	<u>150,820</u>	<u>(170,332)</u>

17 Reconciliation of movements in shareholders' funds

	2001 £	2000 £
Loss for the year	(183,433)	(174,182)
Dividends	-	(2,700)
	<u>(183,433)</u>	<u>(176,882)</u>
Opening shareholders' funds	686,833	863,715
	<u>503,400</u>	<u>686,833</u>
Closing shareholders' funds	<u>503,400</u>	<u>686,833</u>

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 Related party disclosures

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.

As at 31 December 2001 £29,874 was due from a director to Reid & Adams Limited. This represents the maximum amount owed to the company during the year.

20 Reconciliation of operating loss to net cash (outflow)/inflow from operating activities

	2001 £	2000 £
Operating loss	(75,162)	(77,957)
Depreciation of tangible fixed assets	78,432	80,889
Loss on sale of tangible fixed assets	11,321	-
Decrease in stocks	450,638	451,161
(Increase)/decrease in debtors	(104,590)	158,666
Decrease in creditors	(399,431)	(289,081)
	<u>(38,792)</u>	<u>323,678</u>
Net cash (outflow)/inflow from operating activities	<u>(38,792)</u>	<u>323,678</u>

21 Reconciliation of net cash flow to movement in net debt

	2001 £	2000 £
Decrease in cash	(244,649)	(124,148)
Cash outflow from changes in debt	59,299	57,810
Movement in net debt	(185,350)	(66,338)
Opening net debt	(1,051,800)	(985,462)
Closing net debt	(1,237,150)	(1,051,800)

22 Analysis of net debt

	At 31 December 2000 £	Cash flow £	Other non cash items £	At 31 December 2001 £
Cash at bank and in hand	1,623	(1,128)	-	495
Bank overdrafts	(647,673)	(243,521)	-	(891,194)
		(244,649)		
Debt due within one year	(33,914)	-	(12,598)	(46,512)
Debt due after one year	(343,502)	44,083	12,598	(286,821)
Finance leases	(28,334)	15,216	-	(13,118)
		59,299		
Total	(1,051,800)	(185,350)	-	(1,237,150)

Reid & Adams Limited

Notes forming part of the financial statements for the year ended 31 December 2001 *(Continued)*

23 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.