

JRFB Limited

Report and Financial Statements

Period Ended

30 June 2003



JRFB Limited

Report and financial statements for the period ended 30 June 2003

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Directors

W.A. Burgess
T. Downie
Mrs S.A. Burgess

Secretary and registered office

Mrs E M. Fitzsimmons, Cranstoun Lodge, Ladies Walk, Stranraer, Dumfries & Galloway
DG9 8BN

Company number

72313

Auditors

BDO Stoy Hayward LLP, 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

JRFB Limited

Report of the directors for the period ended 30 June 2003

The directors present their report together with the audited financial statements for the 18 month period ended 30 June 2003.

The name of the company was changed from Reid and Adams Limited to JRFB Limited by way of a special resolution dated 1 April 2003.

Results and dividends

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

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 company sold its main trade and certain assets on 1 May 2002.

Directors

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

	£1 6% Cumulative Redeemable Preference shares Class B		£1 Ordinary shares	
	30 June 2003	31 December 2001	30 June 2003	31 December 2001
W.A. Burgess	45,000	45,000	70	70
T. Downie	-	-	-	-
Mrs S.A. Burgess	-	-	30	30

Report of the directors for the period ended 30 June 2003 (Continued)

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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 judgements 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.

Auditors

On 31 December 2003, BDO Stoy Hayward, the company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to re-appoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

On behalf of the Board

W.A. Burgess

Director

20 April 2004

JRFB Limited

Report of the independent auditors

To the shareholders of JRFB Limited

We have audited the financial statements of JRFB Limited for the period ended 30 June 2003 on pages 5 to 22 which have been prepared under the accounting policies set out on pages 8 to 9.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our 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 audit opinion

We conducted our audit in accordance with United Kingdom 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.

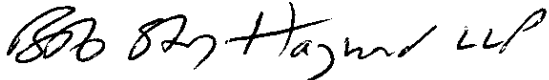
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

JRFB Limited

Report of the independent auditors (*Continued*)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2003 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


BDO STOY HAYWARD LLP
*Chartered Accountants
and Registered Auditors*
Glasgow

20 April 2004

JRFB Limited

Profit and loss account for the 18 months ended 30 June 2003

	Note	18 months ended 30 June 2003 £	Year ended 31 December 2001 £
Turnover	2	1,957,666	10,878,453
Cost of sales		1,658,614	10,011,096
Gross profit		299,052	867,357
Distribution costs		107,459	400,477
Administrative expenses		156,895	542,042
		34,698	(75,162)
Other operating income		57,869	-
Operating profit/(loss)	3	92,567	(75,162)
Other interest receivable and similar income	6	-	531
Interest payable and similar charges	7	(30,184)	(138,363)
Profit/(loss) on ordinary activities before taxation		62,383	(212,994)
Taxation on profit/(loss) on ordinary activities	8	(718)	29,561
Profit/(loss) on ordinary activities after taxation		61,665	(183,433)

All amounts relate to continuing activities.

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

The notes on pages 8 to 22 form part of these financial statements.

JRFB Limited

Balance sheet at 30 June 2003

	Note	30 June 2003 £	30 June 2003 £	31 December 2001 £	31 December 2001 £
Fixed assets					
Tangible assets	9		9,000		1,516,026
Current assets					
Stocks	10	-		982,639	
Debtors	11	261,481		364,173	
Cash at bank and in hand		416,829		495	
		<u>678,310</u>		<u>1,347,307</u>	
Creditors: amounts falling due within one year	12	<u>122,245</u>		<u>2,073,112</u>	
Net current assets/(liabilities)			<u>556,065</u>		<u>(725,805)</u>
Total assets less current liabilities			<u>565,065</u>		<u>790,221</u>
Creditors: amounts falling due after more than one year	13		-		286,821
			<u>565,065</u>		<u>503,400</u>
Capital and reserves					
Called up share capital	15		45,100		45,100
Revaluation reserve	16		-		477,812
Capital redemption reserve	16		150,820		150,820
Profit and loss account	16		369,145		(170,332)
Shareholders' funds	17		<u>565,065</u>		<u>503,400</u>

Included within shareholders' funds is an amount of £45,000 (2001 - £45,000) in respect of non-equity interests.

The financial statements were approved by the Board on 20 April 2004.

W.A. Burgess
Director

The notes on pages 8 to 22 form part of these financial statements.

JRFB Limited
Cash flow statement for the period ended 30 June 2003

	Note	18 months ended 30 June 2003 £	18 months ended 30 June 2003 £	Year ended 31 December 2001 £	Year ended 31 December 2001 £
Net cash inflow/(outflow) from operating activities	20		173,680		(38,792)
Returns on investments and servicing of finance					
Interest received		-		531	
Interest paid: other		(27,499)		(136,194)	
Interest paid: hire purchase		(2,685)		(2,168)	
Dividend paid: non equity		-		(2,700)	
Net cash outflow from returns on investments and servicing of finance			(30,184)		(140,531)
Taxation					
Corporation tax recovered/(paid)			-		11,554
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		-		(25,344)	
Receipts from sale of tangible fixed assets		1,510,483		7,763	
Net cash inflow/(outflow) from capital expenditure and financial investment			1,510,483		(17,581)
Cash inflow/(outflow) before financing			1,653,979		(185,350)
Financing					
Loans repaid		(333,333)		(44,083)	
Capital element of finance leases repaid		(13,118)		(15,216)	
Net cash outflow from financing			(346,451)		(59,299)
Increase/(decrease) in cash	21		1,307,528		(244,649)

The notes on pages 8 to 22 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.

1 Accounting policies (*continued*)

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

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. The interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it 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.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the period 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 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

3 Operating profit/(loss)

	18 months ended 30 June 2003 £	Year ended 31 December 2001 £
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	24,717	78,432
(Profit)/loss on disposal of tangible fixed assets	(28,172)	6,928
Audit services	3,750	7,850
	<u> </u>	<u> </u>

Depreciation includes £NIL (2001 - £5,623) charged on assets held under finance leases and hire purchase contracts.

4 Employees

Staff costs (including directors) consist of:

	18 months ended 30 June 2003 £	Year ended 31 December 2001 £
Wages and salaries	181,137	721,426
Social security costs	11,974	55,053
Other pension costs	2,707	6,802
	<u> </u>	<u> </u>
	195,818	783,281
	<u> </u>	<u> </u>

4 Employees (continued)

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

	18 months ended 30 June 2003 Number	Year ended 31 December 2001 Number
Service, selling and distribution	13	60
Administration	3	12
	<u>16</u>	<u>72</u>

5 Directors' remuneration

	18 months ended 30 June 2003 £	Year ended 31 December 2001 £
Directors' emoluments	34,241	127,028
Company contributions to money purchase pension schemes	2,400	6,077
	<u>36,641</u>	<u>133,105</u>

There was 1 director in the company's defined contribution pension scheme during the period (2001 - 1).

6 Other interest receivable and similar income

	18 months ended 30 June 2003 £	Year ended 31 December 2001 £
Bank interest receivable	-	531
	<u>-</u>	<u>531</u>

7 Interest payable and similar charges

	18 months ended 30 June 2003 £	Year ended 31 December 2001 £
On loans and overdrafts	21,007	89,283
Stocking loan interest	6,492	46,912
Finance leases and hire purchase contracts	2,685	2,168
	<u>30,184</u>	<u>138,363</u>

8 Taxation on profit/(loss) on ordinary activities

	18 months ended 30 June 2003 £	Year ended 31 December 2001 £
<i>UK Corporation tax</i>		
Adjustment in respect of previous periods	718	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	(29,561)
	<u>718</u>	<u>(29,561)</u>

8 Taxation on profit/(loss) on ordinary activities (*continued*)

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	18 months ended 30 June 2003 £	Year ended 31 December 2001 £
Profit/(loss) on ordinary activities before tax	62,383	(212,994)
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 19%/20% (2001 - 30%)	12,321	(63,898)
Effect of:		
Expenses not deductible for tax purposes	734	1,384
Depreciation for period in excess of capital allowances	41,055	11,666
Utilisation of tax losses	(50,549)	53,202
Utilisation of surplus ACT	(2,807)	-
Adjustment to tax charge in respect of previous periods	718	-
Other short term timing differences	(695)	(2,354)
Marginal tax relief	(59)	-
Current tax charge for period	718	-

9 Tangible fixed assets

	Freehold land and buildings £	Leasehold improve- ments £	Plant and equipment £	Motor vehicles £	Total £
<i>Cost or valuation</i>					
At 1 January 2002	1,342,809	14,027	435,151	89,390	1,881,377
Disposals	(1,333,809)	(14,027)	(435,151)	(89,390)	(1,872,377)
At 30 June 2003	9,000	-	-	-	9,000
<i>Depreciation</i>					
At 1 January 2002	34,086	6,313	272,972	51,980	365,351
Provided for the period	-	2,805	14,463	7,449	24,717
Disposals	(34,086)	(9,118)	(287,435)	(59,429)	(390,068)
At 30 June 2003	-	-	-	-	-
<i>Net book value</i>					
At 30 June 2003	9,000	-	-	-	9,000
At 31 December 2001	1,308,723	7,714	162,179	37,410	1,516,026

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

	30 June 2003 £	31 December 2001 £
Open market value - 1995	-	810,000
Cost	9,000	532,809
	9,000	1,342,809

9 Tangible fixed assets (*continued*)

The historical cost of land and buildings is:

	30 June 2003 £	31 December 2001 £
Cost	9,000	852,619
Accumulated depreciation based on historical cost	-	12,530
Historical cost net book value	9,000	840,089

The net book value of, and depreciation charge for the period on, tangible fixed assets includes assets held under finance leases and hire purchase contracts as follows:

	30 June 2003 £	31 December 2001 £
<i>Net book value</i>		
Plant and equipment	-	33,740
<i>Depreciation charged</i>		
Plant and equipment	-	5,623

10 Stocks

	30 June 2003 £	31 December 2001 £
Work in progress	-	2,225
Vehicle consignment stock	-	169,829
Vehicle and parts stock	-	781,623
Motability buy-back vehicles	-	28,962
	-	982,639

There is no material difference between the replacement cost of stocks and the amounts stated above.

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

11 Debtors

	30 June 2003 £	31 December 2001 £
Trade debtors	19,738	226,726
Directors' loan accounts	31,479	29,874
Other debtors	202,394	99,386
Corporation tax recoverable	-	718
Section 419 tax recoverable	7,870	7,469
	<u>261,481</u>	<u>364,173</u>

As at 30 June 2003 £31,479 was due from W.A. Burgess to JRFB Limited. This represents the maximum amount owed to the company during the year.

The company has entered into a loan agreement with Reid and Adams Limited Pension Scheme for the sum of £142,500. The loan, which is included in other debtors above, is repayable on demand with a maximum term of three years ending 31 July 2005. Interest is payable at 3% per annum over base rate.

12 Creditors: amounts falling due within one year

	30 June 2003 £	31 December 2001 £
Bank term loan and overdrafts (secured)	-	937,706
Payments received on account	-	555,233
Trade creditors	-	168,435
Amounts owed to group undertakings	-	169,829
Amounts owed to associated undertakings	-	28,962
Corporation tax	7,870	7,469
Other taxation and social security	-	29,518
Obligations under finance lease and hire purchase contracts	-	13,118
Other creditors	85,585	83,090
Accruals and deferred income	28,790	79,752
	<u>122,245</u>	<u>2,073,112</u>

13 Creditors: amounts falling due after more than one year

			30 June 2003 £	31 December 2001 £
Bank loans			-	286,821
			<u> </u>	<u> </u>
Maturity of debt:				
	Loans and overdrafts	Loans and overdrafts	Finance leases	Finance leases
	30 June	31 December	30 June	31 December
	2003	2001	2003	2001
	£	£	£	£
In one year or less, or on demand	-	937,706	-	13,118
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
In more than one year but not more than two years	-	52,268	-	13,118
In more than two years but not more than five years	-	191,334	-	-
In more than five years	-	43,219	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	-	286,821	-	13,118
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

	30 June 2003 £	31 December 2001 £
Loans	-	43,219
	<u> </u>	<u> </u>

JRFB Limited

Notes forming part of the financial statements for the 18 months ended 30 June 2003 (*Continued*)

14 Provision for liabilities and charges

	30 June 2003 £	31 December 2001 £
Accelerated capital allowances	-	48,600
Sundry timing differences	-	(603)
Unutilised tax losses	-	47,997
	-	(47,997)
	-	-

There is no unprovided deferred tax.

15 Share capital

	30 June 2003 £	Authorised 31 December 2001 £	Allotted, called up and fully paid 30 June 2003 £	31 December 2001 £
<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 2002	477,812	150,820	(170,332)
Profit for the period	-	-	61,665
Amortisation of revaluation reserve	(477,812)	-	477,812
	<u>-</u>	<u>150,820</u>	<u>369,145</u>
At 30 June 2003	-	150,820	369,145

17 Reconciliation of movements in shareholder's funds

	18 months ended 30 June 2003 £	Year ended 31 December 2001 £
Profit/(loss) for the period	61,665	(183,433)
Opening shareholder's funds	503,400	686,833
Closing shareholder's funds	565,065	503,400

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 30 June 2003 £31,479 was due from a director to JRFB Limited. This represents the maximum amount owed to the company during the period.

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

	18 months ended 30 June 2003 £	Year ended 31 December 2001 £
Operating profit/(loss)	92,567	(75,162)
Depreciation of tangible fixed assets	24,717	78,432
(Profit)/loss on sale of tangible fixed assets	(28,173)	11,321
Decrease in stocks	982,639	450,638
Decrease/(increase) in debtors	102,375	(104,590)
Decrease in creditors	(1,000,445)	(399,431)
Net cash inflow/(outflow) from operating activities	173,680	(38,792)

21 Reconciliation of net cash flow to movement in net debt

	18 months ended 30 June 2003 £	Year ended 31 December 2001 £
Increase/(decrease) in cash	1,307,528	(244,649)
Cash outflow from changes in debt	346,451	59,299
Movement in net debt	1,653,979	(185,350)
Opening net debt	(1,237,150)	(1,051,800)
Closing net funds/(debt)	416,829	(1,237,150)

22 Analysis of net debt

	At 1 January 2002 £	Cash flow £	Other non- cash items £	At 30 June 2003 £
Cash at bank and in hand	495	416,334	-	416,829
Bank overdrafts	(891,194)	891,194	-	-
		<u>1,307,528</u>		
Debt due within one year	(46,512)	-	46,512	-
Debt due after one year	(286,821)	333,333	(46,512)	-
Finance leases	(13,118)	13,118	-	-
		<u>346,451</u>		
Total	<u>(1,237,150)</u>	<u>1,653,979</u>	<u>-</u>	<u>416,829</u>

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.