

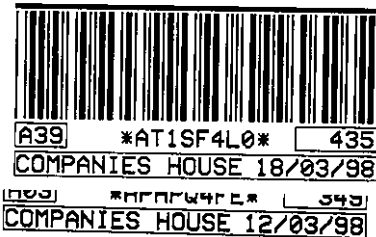
Registered No. 01522824

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SHEPPHALL WAY SERVICE STATION LIMITED

TRADING AS
'KEN BROWN MOTORS (STEVENAGE)'



FINANCIAL STATEMENTS
YEAR ENDED 30TH JUNE 1997

CARTWRIGHT & COMPANY
Chartered Accountants and
Registered Auditors

SHEPHALL WAY SERVICE STATION LIMITED

TRADING AS
'KEN BROWN MOTORS (STEVENAGE)'

FINANCIAL STATEMENTS
year ended 30th June 1997

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The following pages do not form part of the statutory accounts

Detailed trading and profit and loss account	16
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SHEPHALL WAY SERVICE STATION LIMITED

TRADING AS
'KEN BROWN MOTORS (STEVENAGE)'

COMPANY INFORMATION
year ended 30th June 1997

INCORPORATED	England
NUMBER	01522824
CHAIRMAN	K F Brown
OTHER DIRECTORS	P K Brown Mrs D P Brown
SECRETARY	P K Brown
REGISTERED OFFICE	Shephall Way Service Station Shephall Way Stevenage Herts
BANKERS	Lloyds Bank Plc Town Square Stevenage Herts
AUDITORS	Cartwright & Company Chartered Accountants and Registered Auditors 106 High Street Stevenage Herts SG1 3DW

SHEPHALL WAY SERVICE STATION LIMITED

TRADING AS
'KEN BROWN MOTORS (STEVENAGE)'

DIRECTORS' REPORT
year ended 30th June 1997

The directors present their report and the audited financial statements for the year ended 30th June 1997.

Principal activity

The principal activity of the company is motor vehicle resales, service and maintenance, petrol and accessory resales.

Business review

The company's balance sheet as detailed on page 6 shows a satisfactory position, shareholders' funds amounting to £176,592.

Results and dividends

The results for the year are shown in the profit and loss account on page 5. An ordinary dividend amounting to £3,922 is proposed.

Fixed assets

In the opinion of the directors there is no significant difference between the present market value of the company's properties and the amounts at which they are stated in the accounts. Details are set out in note 8.

Directors

The directors of the company during the year and their interests in the shares of the company as recorded in the register of directors' interests were as follows

	30th June 1997 Ordinary shares	1st July 1996 Ordinary shares
K F Brown	51,009	51,009
P K Brown	38,991	38,991
Mrs D P Brown	10,000	10,000

Subsidiaries

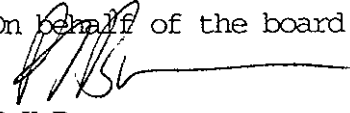
Shephall Way Service Station Limited holds 3,999 shares in Garden City Garages Limited, 9,999 shares in Safeway Cars Limited and 100 shares in Ken Brown Motors (Hitchin) Limited, all of which are companies incorporated in the United Kingdom.

The group is exempt from filing group accounts under Section 247 to 249 of the Companies Act 1985.

Auditors

The Company has elected to dispense with the annual appointment of auditors. In the absence of a specific resolution to the contrary Cartwright & Company will continue in office.

On behalf of the board


P K Brown
Secretary

Shephall Way Service Station
Shephall Way
Stevenage
Herts

SHEPHALL WAY SERVICE STATION LIMITED

TRADING AS
'KEN BROWN MOTORS (STEVENAGE)'

STATEMENT OF 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 apply them consistently;
- make judgements 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.

On behalf of the board

A handwritten signature in black ink, appearing to be 'K F Brown', written over a horizontal line.

K F Brown
Chairman

SHEPHALL WAY SERVICE STATION LIMITED

TRADING AS
'KEN BROWN MOTORS (STEVENAGE)'

AUDITORS' REPORT

Auditors' report to the members of
Shephall Way Service Station Limited

We have audited the financial statements on pages 5 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

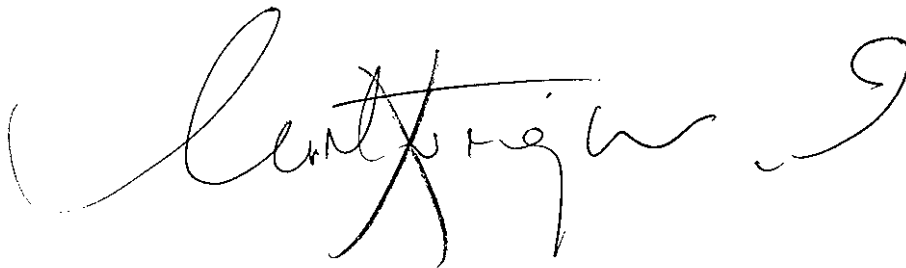
Basis of opinion

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.

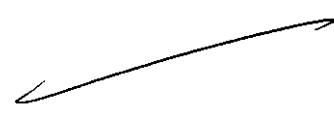
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error or other irregularity. 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 as at 30th June 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Cartwright & Company
Chartered Accountants and
Registered Auditors



SHEPHALL WAY SERVICE STATION LIMITED

TRADING AS
'KEN BROWN MOTORS (STEVENAGE)'

PROFIT AND LOSS ACCOUNT
year ended 30th June 1997

	Note	1997 £	1996 £
Turnover	2	3,708,947	3,801,142
Cost of sales		(3,530,368)	(3,620,238)
Gross profit		178,579	180,904
Net operating expenses			
Administrative expenses		(247,527)	(327,944)
Other operating income		75,889	91,210
Operating profit/(loss)	3	6,941	(55,830)
Interest payable	5	(41)	-
Profit/(loss) on ordinary activities before taxation		6,900	(55,830)
Taxation	6	(253)	6,256
Profit/(loss) on ordinary activities after taxation		6,647	(49,574)
Dividends	7	(3,922)	(16,800)
Retained profit/(loss) for the year	18	2,725	(66,374)

Movements in reserves are shown in note 18.

None of the company's activities were acquired or discontinued during the above two financial years.

There are no recognised gains and losses in 1997 or 1996 other than the profit/(loss) for the year.

SHEPHALL WAY SERVICE STATION LIMITED

TRADING AS
'KEN BROWN MOTORS (STEVENAGE)'

BALANCE SHEET
at 30th June 1997

	Note	1997 £	1996 £
Fixed assets			
Tangible assets	8	60,963	67,434
Investments	10	252,867	252,867
		<u>313,830</u>	<u>320,301</u>
Current assets			
Stocks	11	226,367	391,874
Debtors	12	97,737	150,960
Cash at bank and in hand		57	72
		<u>324,161</u>	<u>542,906</u>
Creditors: amounts falling due within one year	13	(457,214)	(684,367)
Net current liabilities		<u>(133,053)</u>	<u>(141,461)</u>
Total assets less current liabilities		<u>180,777</u>	<u>178,840</u>
Provision for liabilities and charges	14	(4,185)	(4,973)
		<u>176,592</u>	<u>173,867</u>
Capital and reserves			
Called up share capital	17	100,000	100,000
Profit and loss account	18	76,592	73,867
Total shareholders' funds	16	<u>176,592</u>	<u>173,867</u>

The financial statements on pages 6 to 15 were approved by the board of directors on _____ and signed on its behalf by:

K F Brown
Chairman

Certified true copy.

SHEPHALL WAY SERVICE STATION LIMITED

TRADING AS
'KEN BROWN MOTORS (STEVENAGE)'

CASH FLOW STATEMENT
year ended 30th June 1997

	Note	1997 £	1996 £
Net cash (outflow)/inflow from operating activities	19	(27,847)	43,666
Returns on investments and servicing of finance			
Interest paid		(41)	-
Taxation			
Corporation tax received/(paid)		15,183	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(4,963)	(11,610)
		(17,668)	32,056
Equity dividends paid		(3,922)	(16,800)
		(21,590)	15,256
Financing			
Debt due within a year:			
Bank loan repayments		-	(1,953)
		-	(1,953)
(Decrease)/increase in cash		(21,590)	13,303

SHEPHALL WAY SERVICE STATION LIMITED

TRADING AS
'KEN BROWN MOTORS (STEVENAGE)'

NOTES ON FINANCIAL STATEMENTS
year ended 30th June 1997

1 Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Turnover

Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of trade discounts and value added tax.

Depreciation

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

Leasehold land and buildings	The term of the lease
Plant and machinery	15% on reducing balance method
Fixtures and fittings	20% on reducing balance method

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less the estimated cost of disposal.

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

2 Turnover

The turnover for the year was derived from the company's principal activity. The whole of the turnover is attributable to the UK market.

3 Operating profit/(loss)

	1997 £	1996 £
Operating profit/(loss) is stated after charging		
Staff costs (note 4)	106,509	146,477
Auditors' remuneration	2,250	1,650
	<hr/>	<hr/>
Depreciation of tangible fixed assets (note 8)		
owned assets	11,434	12,537
	<hr/>	<hr/>

SHEPHALL WAY SERVICE STATION LIMITED

TRADING AS
'KEN BROWN MOTORS (STEVENAGE)'

NOTES ON FINANCIAL STATEMENTS
year ended 30th June 1997

4 Directors and employees

	1997 £	1996 £
Staff costs including directors' emoluments		
Wages and salaries	102,353	127,161
Pension costs	4,156	19,316
	<u>106,509</u>	<u>146,477</u>
Average monthly number employed including executive directors:	Number	Number
Administration staff	26	24
Directors	£	£
Emoluments	<u>79,289</u>	<u>71,222</u>

5 Interest payable

	1997 £	1996 £
Other interest	41	-
	<u>41</u>	<u>-</u>

6 Taxation

	1997 £	1996 £
Corporation tax on profit on ordinary activities at 21% and 24% (1996 24% and 25%)	1,043	(6,440)
Deferred taxation	(788)	184
	<u>255</u>	<u>(6,256)</u>
Over provision in earlier years	(2)	-
	<u>253</u>	<u>(6,256)</u>

7 Dividends

	1997 £	1996 £
Equity - ordinary/interim	<u>3,922</u>	<u>16,800</u>

SHEPHALL WAY SERVICE STATION LIMITED

TRADING AS
'KEN BROWN MOTORS (STEVENAGE)'

NOTES ON FINANCIAL STATEMENTS
year ended 30th June 1997

8 Tangible fixed assets

	Plant and Machinery £	Fixtures and Fittings £	Land and Buildings £	Total £
Cost				
1st July 1996	99,316	42,343	33,608	175,267
Additions	4,253	710	-	4,963
30th June 1997	103,569	43,053	33,608	180,230
Depreciation				
1st July 1996	61,912	26,127	19,794	107,833
Charge for year	6,249	3,385	1,800	11,434
30th June 1997	68,161	29,512	21,594	119,267
Net book amount				
30th June 1997	35,408	13,541	12,014	60,963
1st July 1996	37,404	16,216	13,814	67,434

9 Land and buildings

	1997 £	1996 £
Short leasehold	12,014	13,814

SHEPHALL WAY SERVICE STATION LIMITED

TRADING AS
'KEN BROWN MOTORS (STEVENAGE)'

NOTES ON FINANCIAL STATEMENTS
year ended 30th June 1997

10 Fixed asset investments

	Investments other than loans £
Cost	
1st July 1996	252,867
and at	
30th June 1997	_____
Net book amount	
30th June 1997	252,867
	=====
1st July 1996	252,867
	=====

Shephall Way Service Station Limited have made investments in the following companies, and are valued at cost:

	1997 £	1996 £
Safeway Cars Limited	226,153	226,153
Garden City Garages Limited	26,614	26,614
Ken Brown Motors (Hitchin) Limited	100	100
	_____	_____
	252,867	252,867
	=====	=====

11 Stocks

	1997 £	1996 £
Stock: cars	174,046	321,675
Stock: forecourt	26,071	37,824
Stock: workshop	26,250	32,375
	_____	_____
	226,367	391,874
	=====	=====

Vehicle stock held on consignment from Proton Finance Limited have not been included in stock as title of vehicles remain with Proton Finance Limited until the vehicle is sold. Proton Finance Limited also have an endorsement on Shephall Way Service Station Limited's Insurance policy.

SHEPHALL WAY SERVICE STATION LIMITED

TRADING AS
'KEN BROWN MOTORS (STEVENAGE)'

NOTES ON FINANCIAL STATEMENTS
year ended 30th June 1997

12 Debtors

	1997 £	1996 £
Amounts falling due within one year		
Trade debtors	73,527	86,256
Corporation taxation	-	15,183
Other taxation and social security	981	4,200
Prepayments and accrued income	23,229	45,321
	<u>97,737</u>	<u>150,960</u>

13 Creditors: amounts falling due within one year

	1997 £	1996 £
Bank overdrafts	115,776	94,201
Trade creditors	80,088	242,494
Amounts owed to subsidiary company	128,719	107,548
Amounts owed to subsidiary company	91,941	210,971
Corporation tax	1,043	-
Other taxation and social security	26,179	15,207
Directors current account	1,925	3
Petrol account deposits	392	392
Accruals and deferred income	11,151	13,551
	<u>457,214</u>	<u>684,367</u>

The bank overdraft is secured by a debenture, containing a fixed and floating charge over the assets of the company together with cross guarantees between the group companies.

14 Provision for liabilities and charges

	1996 £	Profit and loss account £	Other movements £	1997 £
Deferred taxation (notes 5 and 15)	(4,973)	788	-	(4,185)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

SHEPHALL WAY SERVICE STATION LIMITED

TRADING AS
'KEN BROWN MOTORS (STEVENAGE)'

NOTES ON FINANCIAL STATEMENTS
year ended 30th June 1997

15 Deferred taxation

	1997		1996	
	Potential liability	Provision made	Potential liability	Provision made
	£	£	£	£
Corporation tax deferred by				
Capital allowances in excess	4,185	4,185	4,973	4,973
	<u>4,185</u>	<u>4,185</u>	<u>4,973</u>	<u>4,973</u>

The potential liability and provision are based on a corporation tax rate of 21% (1996 24%).

16 Reconciliation of movements in shareholders' funds

	1997	1996
	£	£
Profit/(loss) for the financial year	6,647	(49,574)
Dividends	(3,922)	(16,800)
Net addition to/(subtraction from) shareholders' funds	2,725	(66,374)
Opening shareholders' funds	173,867	240,241
Closing shareholders' funds	<u>176,592</u>	<u>173,867</u>

17 Called up share capital

	1997		1996	
	Number of shares	£	Number of shares	£
Authorised				
Authorised share capital	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Allotted called up and fully paid				
Issued share capital	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

SHEPHALL WAY SERVICE STATION LIMITED

TRADING AS
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NOTES ON FINANCIAL STATEMENTS
year ended 30th June 1997

18 Profit and loss account

	1997 £
1st July 1996	73,867
Retained profit for the year	2,725
	<hr/>
30th June 1997	76,592
	<hr/> <hr/>

19 Notes to the cash flow statement

Reconciliation of operating profit/(loss)
to operating cash flows

	1997 £	1996 £
Operating profit/(loss)	6,941	(55,830)
Depreciation charges	11,434	12,537
Decrease in stocks	165,507	12,945
Decrease/(increase) in debtors	34,823	(61,712)
(Decrease)/increase in creditors	(246,552)	135,726
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(27,847)	43,666
	<hr/> <hr/>	<hr/> <hr/>

SHEPHALL WAY SERVICE STATION LIMITED

TRADING AS
'KEN BROWN MOTORS (STEVENAGE)'

NOTES ON FINANCIAL STATEMENTS
year ended 30th June 1997

20 Notes to the cash flow statement (continued)

Analysis of changes in net debt

	At start of year £	Cash flows £	At end of year £
Cash in hand, at bank	72	(15)	57
Overdrafts	(94,201)	(21,575)	(115,776)
		(21,590)	
Debt due within 1 year	-	-	-
		-	
Total	(94,129)	(21,590)	(115,719)

Reconciliation of net cash flow to movement in net debt

	1997 £	1996 £
(Decrease)/increase in cash in the year	(21,590)	13,303
Cash outflow from decrease in debt and lease financing	-	1,953
Change in net debt resulting from cash flows	(21,590)	15,256
Net debt at 1st July 1996	(94,129)	(109,385)
Net debt at 30th June 1997	(115,719)	(94,129)

21 Related parties

During the year the company had the following transactions with the following related parties:

Safeway Cars Limited (Subsidiary)

Sale of new and used vehicles and parts of approximately £240,000.

Purchase of new and used vehicles and parts of approximately £380,000.

Management fees received of £70,000.

The shareholders funds on the balance sheet date were £504,078 and the profit for the year was £47,646.

Garden City Garages (Subsidiary)

Sale of new and used vehicles and parts of approximately £356,000.

Purchase of new and used vehicles and parts of approximately £190,000.

The shareholders funds on the balance sheet date were £303,150 and the loss for the year was £3,233.

The amounts due to the above companies are shown in note 12 to the accounts.

The above transactions were carried out at cost to transfer goods from one site to another for resale.