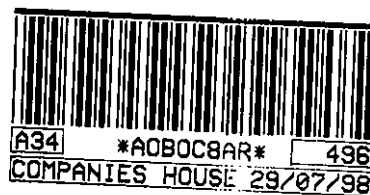


Registered number 00403854

SWALE MOTORS LIMITED

FINANCIAL STATEMENTS

30th September 1997



Swale Motors Limited

Directors' report and financial statements

Contents	Page
Directors' report	1
Statement of directors' responsibilities	2
Auditors' report	3
Consolidated profit and loss account	4
Consolidated balance sheet	5
Balance sheet	6
Notes	7 - 14

Swale Motors Limited

Directors' report

The directors present their annual report and the audited financial statements of the group for the year ended 30th September 1997.

Activities

The main activities of the group are the sale, export, hire and maintenance of motor vehicles and ancillary services.

Results

These are detailed in the profit and loss account on page 4. The directors do not recommend the payment of a dividend.

Significant changes in fixed assets

Movements in fixed assets are set out in note 8.

Directors

The directors who held office during the year were:

M J Warnes
L B Friedman
D S Olsen
T F Bradbury

M J Warnes, L B Friedman and D S Olsen are directors of the ultimate parent company, Bestodeck Limited, and their interests in the shares of the group companies are shown in that company's financial statements.

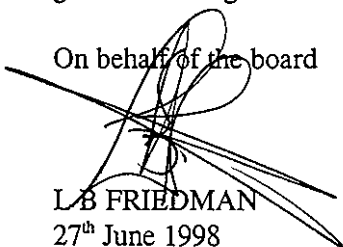
T F Bradbury holds no shares in group companies.

L B Friedman retires from the board and, being eligible, offers himself for re-election.

Auditors

Taylor's are willing to continue in office and a resolution for their re-appointment will be proposed at the annual general meeting.

On behalf of the board



L B FRIEDMAN
27th June 1998

Registered Office: 4 Canterbury Road, Sittingbourne, Kent ME10 4SB

Swale Motors Limited

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 group and of the profit or loss 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for maintaining 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Swale Motors Limited

Auditors' report to the shareholders of Swale Motors Limited

We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2 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 other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

As stated in note 1 on page 7 no depreciation is provided on freehold buildings. Accordingly the company has not complied with Statement of Standard Accounting Practice No. 12 and Schedule 4, Paragraph 32 (1) of the Companies Act 1985.

Except for the matter above, in our opinion the financial statements give a true and fair view of the state of the affairs of the company and the group at 30th September 1997 and of its profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



TAYLORS

Chartered Accountants and Registered Auditors

51 Queen Anne Street, London W1M 0HS.

27th June 1998

Swale Motors Limited

Consolidated Profit And Loss Account for the year ended 30th September 1997

	Note	1997 £	1996 £
Turnover	1	33,804,139	30,861,656
Cost of sales		<u>28,846,372</u>	<u>26,136,798</u>
Gross profit		4,957,767	4,724,858
Distribution and administrative expenses	2	<u>4,660,598</u>	<u>4,350,780</u>
		297,169	374,078
Other income	3	<u>1,996</u>	<u>4,103</u>
		299,165	378,181
Interest payable	4	<u>191,201</u>	<u>248,471</u>
Profit on ordinary activities before taxation	5	107,964	129,710
Taxation	6	<u>(4,219)</u>	<u>24,303</u>
Profit for the financial year	17	<u><u>103,745</u></u>	<u><u>154,013</u></u>

Recognised gains and losses

There are no recognised gains or losses other than the profit or losses attributable to shareholders of the group.

Swale Motors Limited

Consolidated Balance Sheet at 30th September 1997

	Note	£	1997 £	£	1996 £
Fixed assets					
Tangible assets	8		4,634,711		4,698,152
Current assets					
Stock	1	1,852,415		2,114,274	
Debtors	10	1,351,379		1,506,678	
Cash in hand at bank		270,115		1,600	
			<u>3,473,909</u>	<u>3,622,552</u>	
Creditors					
Amounts falling due within one year	11	4,187,757		4,332,158	
			<u>(713,848)</u>	<u>(709,606)</u>	
Net current liabilities					
Total assets less current liabilities			3,920,863		3,988,546
Creditors					
Amounts falling due after more than one year	12	1,328,572		1,500,000	
Loan from parent company	13	255,000		255,000	
			<u>1,583,572</u>	<u>(1,755,000)</u>	
			<u>2,337,291</u>	<u>2,233,546</u>	
Capital and reserves					
Called up share capital	15		1,200		1,200
Revaluation reserve	16		1,112,561		1,112,561
Profit and loss account			1,223,530		1,119,785
Equity shareholders funds			<u>2,337,291</u>	<u>2,233,546</u>	

These financial statements were approved by the board of directors on 27th June 1998 and were signed on its behalf by:


L B FRIEDMAN
Director

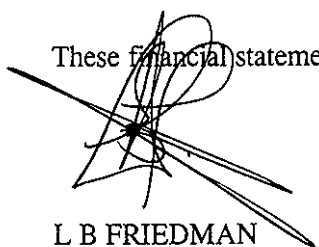
Swale Motors Limited

Balance Sheet

at 30th September 1997

	Note	£	1997 £	£	1996 £
Fixed assets					
Tangible assets	8		4,634,711		4,698,152
Investments	9		843		843
			<u>4,635,554</u>		<u>4,698,995</u>
Current assets					
Stock	1	1,852,415		2,114,274	
Debtors	10	1,351,379		1,506,678	
Cash in hand		270,115		1,600	
			<u>3,473,909</u>	<u>3,622,552</u>	
Creditors					
Amounts falling due within one year	11	4,193,276		4,337,677	
			<u>(719,367)</u>		<u>(715,125)</u>
Net current liabilities					
			<u>3,916,187</u>		<u>3,983,870</u>
Total assets less current liabilities					
Creditors					
Amounts falling due after more than one year	12	1,328,572		1,500,000	
Loan from parent company	13	255,000		255,000	
			<u>(1,583,572)</u>		<u>(1,755,000)</u>
			<u>2,332,615</u>		<u>2,228,870</u>
Capital and reserves					
Called up share capital	15		1,200		1,200
Revaluation reserve	16		1,112,561		1,112,561
Profit and loss account			1,218,854		1,115,109
Equity shareholders funds			<u>2,332,615</u>		<u>2,228,870</u>

These financial statements were approved by the board of directors on 27th June 1998 and were signed on its behalf by:


L B FRIEDMAN
Director

Swale Motors Limited

NOTES

(forming part of the financial statements)

1. *Accounting policies*

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules as modified by the revaluation of properties except that no depreciation has been provided on freehold buildings.

Basis of consolidation

The group financial statements comprise a consolidation of the financial statements of the company and its subsidiary companies for the year ended 30th September 1997.

Turnover

This represents the value of goods sold, services provided and commissions receivable by the company excluding value added tax.

Fixed assets and depreciation

Depreciation is provided to write off the cost of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures, fittings, plant and equipment	-	10% to 33 $\frac{1}{3}$ % per annum
Car hire vehicles	-	2% to 4% per month
Short leasehold property	-	over the unexpired period of the lease

No depreciation is provided on freehold buildings.

Stock

Stock is valued at the lower of cost and net realisable value. Stock held on consignment is accounted for in the balance sheet only when title has passed to the company or when the commercial risk of obsolescence rests with the company.

Leased assets

Rental payments are written off in the year in which they are incurred.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Swale Motors Limited

Notes (continued)

	1997 £	1996 £
2. Distribution and administrative expenses		
Distribution costs	3,232,788	3,034,936
Administrative expenses	1,427,810	1,315,844
	<u>4,660,598</u>	<u>4,350,780</u>
3. Other income		
Interest	-	167
Rent	1,260	1,335
Other operating income	736	2,601
	<u>1,996</u>	<u>4,103</u>
4. Interest payable		
Bank overdraft	9,253	22,724
Loans repayable within five years	51,713	82,801
Loans repayable wholly or partly in more than five years	130,235	142,946
	<u>191,201</u>	<u>248,471</u>
5. Profit on ordinary activities		
This is stated after charging:		
Auditors' remuneration	7,500	7,500
Operating lease charges:		
Equipment	3,547	4,798
Other	25,100	26,300
Depreciation and amounts written off tangible fixed assets	126,938	131,345
Surplus on sale of tangible fixed assets	4,000	-
	<u>166,085</u>	<u>272,744</u>

Swale Motors Limited

Notes (continued)

	1997 £	1996 £
6. Taxation		
Based on the profit for the year:		
Corporation tax at 22.5%	19,000	23,000
Adjustment in respect of prior year	(14,781)	(47,303)
	<u>4,219</u>	<u>(24,303)</u>

7. Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	No.	No.
Production	39	36
Distribution	103	99
Administrative	18	19
	<u>160</u>	<u>154</u>

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	2,526,321	2,313,545
Social security costs	227,280	196,513
Other pension costs	68,343	60,436
	<u>2,821,944</u>	<u>2,570,494</u>

Swale Motors Limited

Notes (continued)

8. Tangible assets

Group and company	Freehold properties £	Short leasehold property £	Fixtures, fittings, plant and equipment £	Car hire vehicles £	Total £
<i>Cost or valuation</i>					
At beginning of year	3,823,301	471,198	1,027,342	399,395	5,721,236
Additions	-	-	56,652	329,949	386,601
Disposals	-	-	(14,257)	(373,202)	(387,459)
At end of year	<u>3,823,301</u>	<u>471,198</u>	<u>1,069,737</u>	<u>356,142</u>	<u>5,720,378</u>
<i>Depreciation</i>					
At beginning of year		163,212	837,407	22,465	1,023,084
Provided this year		16,640	69,296	41,002	126,938
Disposals		-	(14,257)	(50,098)	(64,355)
At end of year		<u>179,852</u>	<u>892,446</u>	<u>13,369</u>	<u>1,085,667</u>
<i>Net book values</i>					
30 th September 1997	<u>3,823,301</u>	<u>291,346</u>	<u>177,291</u>	<u>342,773</u>	<u>4,634,711</u>
30 th September 1996	<u>3,823,301</u>	<u>307,986</u>	<u>189,935</u>	<u>376,930</u>	<u>4,698,152</u>

	1997 £	1996 £
<i>Freehold properties comprise:</i>		
Cost	2,305,701	2,305,701
<i>Valuations</i>		
1983	27,600	27,600
1988	1,490,000	1,490,000
	<u>3,823,301</u>	<u>3,823,301</u>
The historical cost of these properties was	<u>2,733,534</u>	<u>2,733,534</u>

The cost of freehold properties includes interest of £ 262,000 (1996 £262,000).

As stated in the Accounting Policies, no depreciation is provided on freehold buildings.
All other tangible assets are stated at historical cost.

Swale Motors Limited
Notes (continued)

	1997 £	1996 £
9. Investments		
Company		
Shares in subsidiary companies		
Cost at beginning and end of year	<u>843</u>	<u>843</u>

The subsidiary companies, all of which are registered in England, are as follows:

<i>Name</i>	<i>Shareholding %</i>	<i>Principal activity</i>
Swale Motors (Gravesend) Limited	100	Dormant
Swale Finance Limited	100	Dormant

	1997 Group £	1997 Company £	1996 Group £	1996 Company £
10. Debtors				
Trade debtors	770,666	770,666	721,070	721,070
Other debtors	2,339	2,339	661	661
Amounts owed by group undertakings	532,201	532,201	528,436	528,436
Prepayments and accrued income	46,173	46,173	256,511	256,511
	<u>1,351,379</u>	<u>1,351,379</u>	<u>1,506,678</u>	<u>1,506,678</u>

11. Creditors falling due within one year

Trade creditors	1,624,885	1,624,885	1,851,817	1,851,817
Other creditors	127,868	127,868	127,931	127,931
Hire purchase	-	-	108,519	108,519
Social security and other taxes	323,225	323,225	241,991	241,991
Amount owed to group undertakings	1,485,084	1,490,603	1,241,275	1,246,794
Accruals	438,222	438,222	368,290	368,290
Bank overdraft (secured - see note 14)	-	-	197,907	197,907
Long term loans (secured - see note 14)	171,428	171,428	171,428	171,428
Corporation tax payable	17,045	17,045	23,000	23,000
	<u>4,187,757</u>	<u>4,193,276</u>	<u>4,332,158</u>	<u>4,337,677</u>

12. Creditors falling due after more than one year

Long term loans (secured - see note 14)	<u>1,328,572</u>	<u>1,328,572</u>	<u>1,500,000</u>	<u>1,500,000</u>
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13. Related party transactions

The company's ultimate parent company is Bestodeck Limited, a company registered in England. The group has no ultimate controlling party.

The company has taken advantage of the exemptions provided by FRS 8 and has not reported transactions with other group companies.

The loan of £255,000 from Bestodeck Limited has been subordinated in favour of Ford Credit Europe plc in respect of any outstanding liability and is, at present, interest free.

	1997	1996
	£	£

14. Bank overdrafts and loans

Group and company

The aggregate amount of secured borrowings is as follows:

Falling due within five years		
Bank overdraft	-	197,907
Long term loans	857,144	857,144
	<u>857,144</u>	<u>1,055,051</u>
Falling due after more than five years		
Long term loan	642,856	814,284
	<u>642,856</u>	<u>814,284</u>

The bank overdraft and loans are secured by fixed and floating charges over the company's assets.

The long term loan is repayable by monthly instalments of £14,285.
Interest is variable with Bank base rate.

15. Share capital

Group and company

Authorised

Deferred non-voting shares of £1 each	600	600
Ordinary shares of £1 each	600	600
	<u>1,200</u>	<u>1,200</u>

Allotted, issued and fully paid

Deferred non-voting shares of £1 each	600	600
Ordinary shares of £1 each	600	600
	<u>1,200</u>	<u>1,200</u>

Swale Motors Limited

Notes (continued)

	1997 £	1996 £
16. Revaluation reserve		
Group and company		
At beginning and end of year	<u>1,112,561</u>	<u>1,112,561</u>
There is no present intention of disposing of the remaining revalued properties; accordingly no provision has been made in these financial statements for taxation of £370,000 which would arise in the event of such a disposal.		
17. Reconciliation of movements in shareholders' funds	1997 £	1996 £
Group		
Profit for the financial year (<i>see below</i>)	103,745	154,013
Opening shareholders' funds	<u>2,233,546</u>	<u>2,079,533</u>
Closing shareholders' funds	<u>2,337,291</u>	<u>2,233,546</u>
<i>Dealt with in the financial statements of:</i>		
Company	103,745	154,013
Subsidiaries	-	-
	<u>103,745</u>	<u>154,013</u>
As permitted by Section 230 of the Companies Act 1985 the Profit and Loss Account of the parent company is not presented as part of these financial statements.		
Company		
Profit for the financial year	103,745	154,013
Accumulated deficit on transfer of Swale Motors (Gravesend) Limited's assets and liabilities	-	(499,545)
Opening shareholders' funds	<u>2,228,870</u>	<u>2,574,402</u>
Closing shareholders' funds	<u>2,332,615</u>	<u>2,228,870</u>

18. Financial commitments

Pensions

The company operated a fully insured defined benefit scheme. During the year, the decision was made to discontinue this scheme which is now in the process of being wound-up. In its place, the parent company has introduced a group personal pension plan under which contributions are paid into individual policies. Contributions paid by the company are written off to the profit and loss account in the accounting period in which they are incurred.

Notes (continued)

18. Financial commitments (continued)

Operating leases

The company has annual commitments expiring as follows:

	1997		1996	
	Land and Buildings	Other	Land and Buildings	Other
	£	£	£	£
Within one year	11,350	-	14,250	-
In two to five years	-	3,547	-	3,547
After five years	13,750	-	12,050	-
	<u>25,100</u>	<u>3,547</u>	<u>26,300</u>	<u>3,547</u>

Other commitments

The company has commitments to repurchase Motability vehicles as follows:

	1997	1996
	£	£
Within one year	351,410	217,375
Thereafter	914,540	752,330
	<u>1,265,950</u>	<u>969,705</u>

19. Deferred taxation

The total potential liability, none of which has been provided in these financial statements, is as follows:

	1997		1996	
	Group £	Company £	Group £	Company £
Revaluation of properties	<u>370,000</u>	<u>370,000</u>	<u>370,000</u>	<u>370,000</u>

20. Contingent liabilities

The company is a member of a group registration for value added tax purposes and, accordingly, is jointly and severally liable for any such tax due by the representative member.