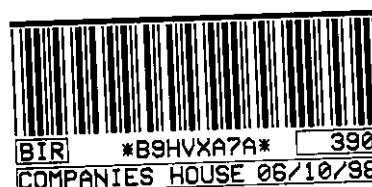


Bristol Street First Investments Limited

Directors' report and financial statements

For the year ended 31 December 1997

Registered number 251237



Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1997.

Principal activity

The principal activity of the company has been that of a motor vehicle dealer.

Change of ownership

On 4 April 1997 the entire share capital of the company was acquired from Britax International plc by Bristol Street Holdings Limited.

Review of business

The directors consider the trading results for the year and the state of affairs at 31 December 1997 to be satisfactory.

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

Dividends and transfers to reserves

The directors have paid a dividend of £280,000 (1996: £9,725,957). The retained profit for the year of £472,826 will be transferred to reserves.

Employee participation

It is the company's policy to meet at regular intervals with representatives of various groups of employees to discuss relevant information and developments.

Disabled persons

The company gives equal consideration to all applicants for employment irrespective of any disability. If a person becomes disabled while employed by the company every endeavour is made to protect that person's position. Disabled persons have the same opportunities for training and career development as other employees with similar skills and abilities.

Directors and directors' interests

The directors who served during the year were as follows:

REC Marton	(resigned 4 April 1997)
P Turnbull	(resigned 4 April 1997)
JB Tustain	
R Thorne	(resigned 4 April 1997)
SD McCaslin	(resigned 4 April 1997)
PR Williams	
PJ Smiley	(appointed 4 April 1997)

None of the directors had a beneficial interest in the share capital of the company during the years ending 31 December 1997 and 1996.

Messrs JB Tustain, PR Williams and PJ Smiley are also directors of the ultimate parent undertaking, Bristol Street Holdings Limited and their interests in the share capital of group undertakings are disclosed in the financial statements of that company.

Directors' report *(continued)*

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 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 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 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.

Auditors

Coopers & Lybrand resigned from office during the year. The company has appointed KPMG as auditors and elected to dispense with annual re-appointment of auditors. In the absence of a specific resolution KPMG will continue in office.

Approved by the Board and signed on its behalf by:



PJ Smiley
Secretary

Alpha House
Hampton Park
Hampton Lovett
Droitwich
Worcestershire
WR9 0NX

22 May 1998



2 Cornwall Street
Birmingham
B3 2DL
United Kingdom

Report of the auditors to the members of Bristol Street First Investments Limited

We have audited the financial statements on pages 4 to 15.

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

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

22 May 1998

Profit and loss account

for the year ended 31 December 1997

	Note	1997 £	1996 £
Turnover			
Cost of sales	2	313,598,439 (277,309,522)	125,773,557 (111,034,260)
Gross profit		36,288,917	14,739,297
Distribution costs		(26,167,321)	(10,356,337)
Administrative expenses		(6,352,097)	(4,306,644)
Operating profit		3,769,499	76,316
Profit on sale of investment in subsidiaries	3	-	9,550,689
Profit on ordinary activities before interest		3,769,499	9,627,005
Interest payable	4	(2,580,783)	(298,166)
Profit on ordinary activities before taxation		1,188,716	9,328,839
Tax on profit on ordinary activities	7	(435,890)	33,180
Profit for the financial year		752,826	9,362,019
Dividends paid	17 8	(280,000)	(9,725,957)
Retained profit/(loss) for the year	16	472,826	(363,938)

A statement of movement on reserves is shown at note 16. All turnover and operating profit arises from continuing operations.

There is no material difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis.

Statement of total recognised gains and losses

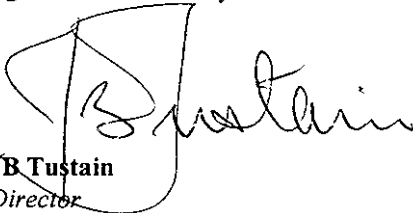
for the year ended 31 December 1997

	1997 £	1996 £
Profit for the financial year	472,826	9,362,019
Unrealised deficit on revaluation of freehold and leasehold property	(1,435,469)	-
Total gains and losses recognised since last annual report	(962,643)	9,362,019

Balance sheet
at 31 December 1997

	Note	1997 £	1996 £
Fixed assets			
Tangible assets	9	21,533,537	24,160,587
Current assets			
Stocks	10	40,067,925	33,289,746
Debtors	11	14,858,641	11,672,474
Cash at bank and in hand		15,720	15,223
		54,942,286	44,977,443
Creditors: amounts falling due within one year	12	(42,055,324)	(38,866,591)
Net current assets/liabilities		12,886,962	6,110,852
Total assets less current liabilities		34,420,499	30,271,439
Creditors: amounts falling due after more than one year	13	(14,423,371)	(9,181,468)
Provisions for liabilities and charges	14	(131,000)	(53,000)
Net assets		19,866,128	21,036,971
Capital and reserves			
Called up share capital	15	21,301,343	21,301,343
Revaluation reserve	16	(1,435,469)	-
Profit and loss account	16	254	(264,372)
<i>Attributable to:</i>			
<i>Equity shareholders</i>		19,866,118	21,036,961
<i>Non equity shareholders</i>	15	10	10
Total equity and non-equity shareholder's funds	17	19,866,128	21,036,971

These financial statements on pages 4 to 15 were approved by the board of directors on 22 May 1998 and were signed on its behalf by:


JB Tustain
Director

Notes

(forming part of the financial statements)

Principal accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable Accounting Standards and under historic cost accounting rules, modified to include the revaluation of certain tangible fixed assets.

Related parties

The company is exempt from the requirement of Financial Reporting Standard No. 8 to disclose transactions between group companies as all subsidiaries have 90% or more of their voting rights controlled by Bristol Street Holdings Limited who have produced consolidated accounts.

Depreciation

Depreciation is calculated on cost on a straight line basis to write off the cost or valuation of relevant assets over their expected useful lives. The principal annual rates used are as follows:

Plant and office equipment	10%
Vehicles	25%
Computer hardware and software	20% to 33.33%

No depreciation is provided on freehold properties. It is group's practice to maintain its freehold properties in good condition, costs of repair and maintenance being charged against revenue in the year in which they are incurred. The directors are of the opinion that, having regard to estimated residual values (based on prices prevailing at the dates of acquisition or subsequent revaluation) and the estimated useful economic lives, any depreciation involved would not be material. Any permanent diminution in value of such properties is charged to the profit and loss account. Leasehold properties are amortised over the shorter of 100 years and the unexpired portion of the lease.

Goodwill

Goodwill arising on acquisitions (representing the excess of the fair value of the consideration given over the fair value of identifiable net assets acquired) is written off to reserves. Any excess of fair value of the identifiable net assets acquired over the fair value of the consideration given (negative goodwill) is credited direct to a capital reserve.

Stocks

The basis of valuation is the lower of cost and estimated realisable value. Stocks include vehicles on sale or return.

Finance and operating leases

Assets held under finance leases are capitalised as tangible fixed assets and depreciated over the shorter of the term of the lease, including any secondary period, and the expected useful life. The obligation to pay future rentals is included in creditors net of finance charges allocated to future periods. The financial charge element of rentals is calculated on the reducing balance of capital outstanding and charged to the appropriate accounting period through the profit and loss account.

Notes (continued)

Accounting policies (continued)

Finance and operating leases (continued)

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

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.

Pension costs

The company contributes to a group pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

Cash flow statement

A cash flow statement has not been prepared because the company is a wholly owned subsidiary of Bristol Street Holdings Limited within whose consolidated cash flow statement the cash flows of the company are included.

Turnover

Turnover represents the value excluding value added tax of goods and services provided to customers and relates wholly to the continuing operations in the United Kingdom.

Operating profit

	1997 £	1996 £
<i>Operating profit is stated after charging:</i>		
Loss on disposal of tangible fixed assets	1,816	34,280
Depreciation of tangible fixed assets:		
Owned assets	820,758	324,628
Assets held under finance leases	444	-
Auditors' remuneration:		
Audit	63,000	146,052
Other services	-	92,971
Payments under operating leases:		
Plant and machinery	333,007	183,545
Other	59,249	14,897
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

Interest payable

	1997 £	1996 £
Bank overdraft	1,595,456	232,948
Other interest payable	985,327	65,218
	<u>2,580,783</u>	<u>298,166</u>

Employee information

The average number of persons (including executive directors) employed by the company during the year was:

	1997 Number	1996 Number
Workshop	310	301
Sales and distribution	581	540
Administration	146	148
	<u>1,037</u>	<u>989</u>

The aggregate payroll costs of these persons were as follows:

	1997 £	1996 £
Wages and salaries	12,477,579	6,278,323
Social security costs	1,113,513	574,259
Pension costs (see note 20)	378,039	134,225
	<u>13,969,131</u>	<u>6,986,807</u>

Directors' emoluments

No director received remuneration from the company in respect of the years ended 31 December 1997 and 1996.

Notes (continued)

Tax on profit on ordinary activities

	1997 £	1996 £
United Kingdom corporation tax at 31½% (1996: 33%):		
Current tax charge/(credit)	441,544	(33,180)
Prior year	(83,654)	-
Deferred tax transfer	78,000	-
	<u>435,890</u>	<u>(33,180)</u>

Dividends paid

	1997 £	1996 £
On equity shares:		
'A' ordinary shares	280,000	9,725,957

Tangible fixed assets

	Freehold property £	Long leasehold property £	Plant and vehicles £	Total £
Cost or valuation				
At 1 January 1997	19,110,811	2,302,985	7,078,253	28,492,049
Additions	2,023,715	35,329	721,536	2,780,580
Disposals	(1,861,799)	(1,395,822)	(1,973,568)	(5,231,189)
Intra-group transfers	-	619,061	-	619,061
Revaluations in year	(1,254,297)	(216,224)	-	(1,470,521)
	<u>18,018,430</u>	<u>1,345,329</u>	<u>5,826,221</u>	<u>25,189,980</u>
At 31 December 1997	18,018,430	1,345,329	5,826,221	25,189,980
Depreciation				
At 1 January 1997	-	63,786	4,267,676	4,331,462
Charge for the year	-	40,609	781,087	821,696
Disposals	-	(68,209)	(1,405,125)	(1,473,334)
Intra-group transfers	-	11,671	-	11,671
Revaluations in year	-	(35,052)	-	(35,052)
	<u>-</u>	<u>12,805</u>	<u>3,643,638</u>	<u>3,656,443</u>
At 31 December 1997	-	12,805	3,643,638	3,656,443
Net book value				
At 31 December 1997	<u>18,018,430</u>	<u>1,332,524</u>	<u>2,182,583</u>	<u>21,533,537</u>
At 31 December 1996	<u>19,110,811</u>	<u>2,239,199</u>	<u>2,810,577</u>	<u>24,160,587</u>

Notes (continued)

Tangible fixed assets (continued)

The net book value of tangible fixed assets includes an amount of £16,157 (1996: £1) in respect of assets held under finance leases.

During the year the company had its freehold and long leasehold properties revalued by Lambert Smith Hampton, Chartered Surveyors, who are independent to Bristol Street First Investments Limited and conducted their valuation in accordance with the Royal Institution of Chartered Surveyors Practice Statements, Appraisal and Valuation Manual. The valuation was made on an open market for existing use basis. The effect of the revaluation is that the cost of freehold property has been reduced by £1,254,297 and long leasehold property has been reduced by £216,224.

Of freehold and leasehold property above:

	£
Amounts held at 1997 valuation	19,252,000
Amounts held at cost	111,759
	<hr/> 19,363,759 <hr/>

All other assets are held at cost.

Under the historical cost convention the net book value of fixed assets would be £1,435,469 higher.

Stocks

	1997 £	1996 £
Vehicle stocks	17,950,681	14,313,173
Parts, accessories and other stocks	4,353,612	3,418,588
Vehicle consignment stocks	4,770,231	1,786,754
Vehicles subject to repurchase agreements	12,993,401	13,771,231
	<hr/> 40,067,925 <hr/>	<hr/> 33,289,746 <hr/>

Vehicle consignment stocks have been recognised on the balance sheet where, in substance, they are deemed to be assets of the company. The principal criterion applied is whether the vehicles are interest-bearing. The corresponding liabilities have been included in creditors. The company also has vehicle consignment stocks of £40,135,268 (1996: £46,705,726) which are not, in substance, assets of the company. These stocks, and their related liabilities, are not recognised on the balance sheet.

The principal terms of the consignment agreements, which can generally be terminated by either side, are such that the group can return any or all of the stock to the relevant suppliers without financial or commercial penalties and the supplier can vary prices.

As part of its normal trading activities, the company enters into vehicle sale and repurchase agreements. The residual interest in these vehicles, at values at which the company is contracted to repurchase, is included above where the group expects to repurchase the vehicles. The amount above includes £9,193,406 (1996: £9,035,641) relating to vehicles which are due to be repurchased after more than one year. The related liabilities are included in creditors and analysed into current and deferred as appropriate.

Notes (continued)

1 Debtors

	1997 £	1996 £
Amounts falling due within one year		
Trade debtors	12,884,704	10,279,932
Amounts owed by fellow subsidiary undertakings	208,354	144,691
Group relief receivable	-	33,180
Other debtors	491,536	207,534
Prepayments and accrued income	1,274,047	1,007,137
	<hr/> 14,858,641 <hr/>	<hr/> 11,672,474 <hr/>

2 Creditors: amounts falling due within one year

	1997 £	1996 £
Loan and hire purchase agreements (see note 13)	56,662	56,662
Bank overdraft	7,833,217	4,237,897
Trade creditors	8,441,794	7,948,230
Amounts owed to ultimate parent undertaking	12,854,713	781,349
Amounts owed to fellow subsidiary undertakings	358,078	15,055,378
Corporation tax	504,544	-
Other taxation and social security	555,604	740,202
Accruals and deferred income	2,877,324	3,462,546
Finance leases obligations	3,162	61,983
Consignment stock creditors	4,770,231	1,786,754
Vehicle repurchase agreement creditors	3,799,995	4,735,590
	<hr/> 42,055,324 <hr/>	<hr/> 38,866,591 <hr/>

The bank overdraft is secured by a joint and several guarantee with the ultimate holding company.

Notes (continued)

3 Creditors: amounts falling due after more than one year

	1997 £	1996 £
Loan and hire purchase agreements	89,165	145,827
Finance lease obligations	11,067	-
Vehicle repurchase agreement creditors	9,193,406	9,035,641
Amounts owed to ultimate parent undertakings:		
Discounted convertible bond	5,129,733	-
	<u>14,423,371</u>	<u>9,181,468</u>

The loan and hire purchase agreements are repayable as follows:

	1997 £	1996 £
In one year or less	56,662	56,662
Between one and two years	56,662	56,662
Between two and five years	32,503	89,165
	<u>145,827</u>	<u>202,489</u>

The finance lease obligations are repayable as follows:

	1997 £	1996 £
Between one and two years	3,162	-
Between two and five years	7,905	-
	<u>11,067</u>	<u>-</u>

The repayment terms are as follows:

Type of agreement	Value and date of the loan at its inception	Repayment terms
Loan agreement	£300,000 at July 1994	Repayable in quarterly instalments of £12,500 over a 6 year period
Hire purchase agreement	£46,630 at March 1992	Repayable in monthly instalments of £555 over a 7 year period
Discounted convertible bond	£5,000,000 at September 1993	Redeemable in September 2002 at £7,700,000

Long and medium term loans carry interest at varying commercial rates.

Notes (continued)

Provisions for liabilities and charges

	£
At 1 January 1997	53,000
Movement in the year	78,000
At 31 December 1997	131,000

Deferred taxation provided in the financial statements and the total potential liability are as follows:

	1997	Amount provided £	1996	Amount provided £
Tax effect of timing differences because of:				
Accelerated capital allowances	246,000	170,000	536,412	102,500
Other	(627,000)	(39,000)	(98,874)	(49,500)
	<u>(381,000)</u>	<u>131,000</u>	<u>437,538</u>	<u>53,000</u>

Called up share capital

	1997 £	1996 £
Authorised:		
21,301,333 'A' ordinary shares of £1 each (equity)	21,301,333	21,301,333
10 non participating shares of £1 each (non equity)	10	10
	<u>21,301,343</u>	<u>21,301,343</u>
Allotted, called up and fully paid:		
21,301,333 'A' ordinary shares of £1 each	21,301,333	21,301,333
10 non participating shares of £1 each (non equity)	10	10
	<u>21,301,343</u>	<u>21,301,343</u>

The non participating shares carry no dividend rights, rank equally with the 'A' ordinary shares in the event of a winding up and carry voting rights to one vote per share. The non participating shareholders have no rights in the event of a winding up beyond the repayment of capital.

Notes (continued)

Reserves

	Revaluation reserve £	Profit and loss account £	Total £
At 1 January 1997	-	(264,372)	(264,372)
Goodwill written off	-	(208,200)	(208,200)
Retained profit for the year	-	472,826	472,826
Deficit on property revaluations	(1,435,469)	-	(1,435,469)
	<hr/>	<hr/>	<hr/>
At 31 December 1997	(1,435,469)	254	(1,435,215)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Profit for the financial year	752,826	9,362,019
Dividends	(280,000)	(9,725,957)
	<hr/>	<hr/>
	472,826	(363,938)
Other recognised gains and losses relating to the year (net)	(1,435,469)	-
New share capital subscribed	-	21,288,783
Goodwill written off	(208,200)	(75,702)
	<hr/>	<hr/>
Net (deduction from)/addition to shareholders' funds	(1,170,843)	20,849,143
Opening shareholders' funds	21,036,971	187,828
	<hr/>	<hr/>
Closing shareholders' funds	19,866,128	21,036,971
	<hr/> <hr/>	<hr/> <hr/>

Leasing commitments

At 31 December 1997 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 1997 £	1996 £	Other 1997 £	1996 £
Expiring within one year	-	3,000	133,130	30,731
Expiring between two and five years inclusive	18,200	15,200	102,649	112,580
Expiring in more than five years	-	-	-	98,236
	<hr/>	<hr/>	<hr/>	<hr/>
	18,200	18,200	235,779	241,547
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

Contingent liabilities

The company has given a joint and several guarantee in respect of the ultimate holding company's indebtedness to Barclays Bank plc.

Pension costs

As explained in the accounting policies set out in note 1, the company contributes to a group pension scheme which provides benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employee's working lives with the company. The contributions are determined by a qualified actuary with the first triennial valuation due to be carried out prior to 1 July 1998.

Capital commitments

Contracts placed for capital expenditure so far as not provided in these financial statements amounted to £270,000.

Ultimate holding company

The company's parent company and ultimate controlling party is Bristol Street Holdings Limited, a company incorporated in England and Wales.

Copies of the financial statements for Bristol Street Holdings Limited are available from the Secretary, Alpha House, Hampton Park, Hampton Lovett, Droitwich, Worcestershire, WR9 0NX.

Acquisition

During the year the company acquired the net assets of an unincorporated business as set out below:-

	Book Value £	Revaluations £	Fair Value £
Tangible fixed assets	2,316,000	(345,000)	1,971,000
Stock	1,229,000	-	1,229,000
Net assets	<u>3,545,000</u>	<u>(345,000)</u>	<u>3,200,000</u>
Goodwill			<u>208,200</u>
			<u>3,408,200</u>
Satisfied by:			<u></u>
Cash			<u>3,408,200</u>