



ROSSETTS (EASTBOURNE) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 1997

Company No. 2856048

ROSSETTS (EASTBOURNE) LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 1997

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ROSSETTS (EASTBOURNE) LIMITED

BOARD OF DIRECTORS AND PROFESSIONAL ADVISERS

Board of Directors	R G Maxwell E G Zoratti
Company Secretary	E G Zoratti
Registered office	Eastbourne Road Westham PEVENSEY East Sussex BN24 5NH
Company number	2856048 - Registered in England and Wales
Bankers	National Westminster Bank plc Brighton Business Centre 153 Preston Road BRIGHTON BN1 6BE
Registered Auditors	Grant Thornton Chartered Accountants Lees House 21 Dyke Road BRIGHTON East Sussex BN1 3GD
Solicitors	Aldrich, Crowther & Wood 199 Preston Road BRIGHTON East Sussex BN1 6AW

ROSSETTS (EASTBOURNE) LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 December 1997.

Principal activity

The company trades as 'Rossetts (Eastbourne) Limited' and 'Rossetts Commercials' and is principally engaged as a main dealership for the Mercedes-Benz franchise, together with associated parts and servicing operations for all makes of vehicles.

Results and dividends

There was a profit for the year after taxation amounting to £73,839. The directors recommended dividends of £49,866 and the balance of £23,973 has been transferred to reserves.

Review of the business and future developments

The company has had another successful year of trading with its development of both passenger cars and commercial vehicle businesses in Sussex.

The launch of further new products by Mercedes-Benz should ensure further growth in the coming year.

Directors

The directors in office throughout the year are shown below. Their interests in the ordinary £1 shares of the company at 1 January and 31 December 1997 were as follows:

	31 December 1997 Number	1 January 1997 Number
R G Maxwell	92,500	92,500
E G Zoratti	-	-

Neither director had any interest in the 'A' ordinary shares of £1 each or the preference shares of 1p each.

ROSSETTS (EASTBOURNE) LIMITED

REPORT OF THE DIRECTORS

Statement of directors' responsibilities for the financial statements

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 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;
- * state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Donations

The company made donations to charities during the year amounting to £1,360.

Auditors

Grant Thornton were appointed as auditors on 8 August 1997 to fill a casual vacancy in accordance with Section 388(1) of the Companies Act 1985. Special notice pursuant to Section 388(3) having been given, a resolution to reappoint Grant Thornton as auditors will be proposed at the Annual General Meeting to be held on 20 May 1998.

By Order of the Board


E G ZORATTI
Secretary

Registered office:

Eastbourne Road
Westham
PEVENSEY
East Sussex
BN24 5NH

27 April 1998

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
ROSSETTS (EASTBOURNE) LIMITED**

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

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

Opinion

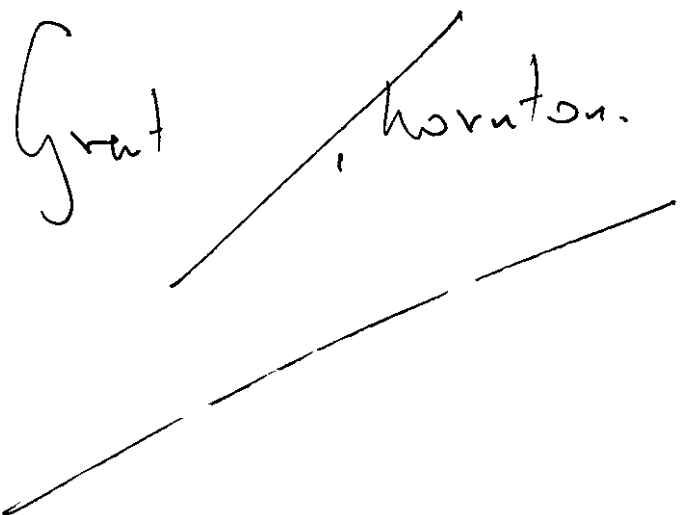
In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

Brighton

28 April 1998

Grant Thornton



ROSSETTS (EASTBOURNE) LIMITED

ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards under the historical cost convention.

The principal accounting policies of the company are set out below. The policies have remained unchanged from the previous year apart from the policy regarding goodwill which has been amended following the publication of Financial Reporting Standard 10; 'Goodwill and intangible assets' which the company have chosen to adopt early.

TURNOVER

Turnover is the total amount receivable by the company in the ordinary course of business for goods supplied as principal and for services provided, excluding VAT and trade discounts.

DEPRECIATION

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets over their expected useful economic lives as follows:

Short leasehold property	- Over the period of the lease
Plant and equipment	- between 15 and 25% per annum straight line

STOCKS

Stocks are stated at the lower of cost and net realisable value. Vehicles on consignment from manufacturers that are the subject of interest charges or where the company carries commercially significant risks relating to the vehicles are included at cost. The associated liability is included in creditors.

DEFERRED TAX

Deferred tax is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise.

LEASED ASSETS

Assets acquired under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

Operating lease payments are charged to the profit and loss account on a straight line basis over the duration of the lease.

CONTRIBUTIONS TO PENSION FUNDS

Defined contribution scheme

The pension costs charged against profits represent the amount of the contribution payable to the scheme in respect of the accounting period.

GOODWILL

Purchased goodwill is amortised on a straight line basis over its estimated useful economic life of 20 years. Previously it was written off directly against shareholders' funds. The comparative figures have been restated accordingly.

ROSSETTS (EASTBOURNE) LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 1997

	Note	1997 £	1996 £
Turnover	1	17,936,023	10,631,349
Cost of sales		<u>16,074,108</u>	<u>9,515,933</u>
Gross profit		1,861,915	1,115,416
Distribution costs		771,476	462,642
Administrative expenses		<u>834,960</u>	<u>536,960</u>
Operating profit		255,479	115,814
Interest payable and similar charges	2	<u>124,611</u>	<u>79,073</u>
Profit on ordinary activities before taxation	1	130,868	36,741
Tax on profit on ordinary activities	4	<u>57,029</u>	<u>1,530</u>
Profit on ordinary activities after taxation		73,839	35,211
Dividends	5	<u>49,866</u>	<u>3,674</u>
Profit retained for the financial year	14,15	<u>23,973</u>	<u>31,537</u>

There were no recognised gains or losses other than the profit for the year.

The accompanying accounting policies and notes form an integral part of these financial statements.

BALANCE SHEET AT 31 DECEMBER 1997

The financial statements were approved by the Board of Directors on 27 April 1998

Robert M. Farrell
J. [illegible]

E G ZORATTI

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ROSSETTS (EASTBOURNE) LIMITED

CASH FLOW STATEMENT

For the year ended 31 December 1997

	Note	£	1997 £	£	1996 £
Net cash inflow from operating activities	17		77,825		309,045
Returns on investments and servicing of finance					
Interest paid		(124,611)		(79,073)	
Non-equity dividends paid		<u>(35,879)</u>		<u>-</u>	
Net cash outflow from returns on investments and servicing of finance			(160,490)		(79,073)
Corporation tax paid			(7,973)		(40)
Capital expenditure					
Sale of tangible fixed assets		5,464		25,600	
Purchase of tangible fixed assets		(126,379)		(431,774)	
Purchase of intangible assets		<u>-</u>		<u>(180,000)</u>	
Net cash outflow from investing activities			(120,915)		(586,174)
Equity dividends paid			<u>(3,674)</u>		<u>(159)</u>
Net cash outflow before financing			(215,227)		(356,401)
Financing					
Issue of shares		-		300,000	
Other loan repayments		(11,103)		(10,529)	
New hire purchase agreements		49,367		135,482	
Capital element of finance lease and hire purchase repayments		<u>(44,566)</u>		<u>(13,707)</u>	
Net cash (outflow)/inflow from financing			<u>(6,302)</u>		<u>411,246</u>
(Decrease)/increase in cash			<u>(221,529)</u>		<u>54,845</u>
Reconciliation of net cash flow to movement in net debt					
(Decrease)/increase in cash in the period			(221,529)		54,845
New finance lease and hire purchase agreements			(49,367)		(135,482)
Cash outflow from debt financing			<u>55,669</u>		<u>24,236</u>
Change in net debt arising from cashflows			(215,227)		(56,401)
Net (debt)/cash at beginning of period			<u>(38,617)</u>		<u>17,784</u>
Net debt at end of period	18		<u>(253,844)</u>		<u>(38,617)</u>

ROSSETTS (EASTBOURNE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1997

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and profit on ordinary activities are attributable to the principal activity, the operation of motor vehicle dealerships and arose wholly within the United Kingdom.

Profit on ordinary activities is stated after:

	1997 £	1996 £
Auditors' remuneration	9,295	6,070
Depreciation	108,684	57,874
Amortisation of goodwill	9,000	-
Operating lease rentals		
- land and buildings	126,509	92,544
- plant and equipment	<u>4,594</u>	<u>4,400</u>

2 INTEREST PAYABLE AND SIMILAR CHARGES

	1997 £	1996 £
On stocking loans	92,491	66,671
On bank loans and overdrafts and other loans	16,835	9,111
Finance charges on finance leases and hire purchase contracts	<u>15,285</u>	<u>3,291</u>
	<u>124,611</u>	<u>79,073</u>

3 DIRECTORS AND EMPLOYEES

Staff costs during the year were:

	1997 £	1996 £
Wages and salaries	1,168,595	635,719
Social security costs	123,793	66,862
Other pension costs	<u>19,296</u>	-
	<u>1,311,684</u>	<u>702,581</u>

	1997 Number	1996 Number
Average number of employees	<u>57</u>	<u>37</u>

Remuneration in respect of directors was as follows:

	1997 £	1996 £
Management remuneration	<u>113,580</u>	<u>59,826</u>
Contributions in respect of money purchase schemes	<u>17,996</u>	-

ROSSETTS (EASTBOURNE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1997

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is based on the profit for the year and is made up as follows:

	1997 £	1996 £
UK Corporation tax at 31% (1996: 24%)	47,000	1,659
Adjustments in respect of prior period - corporation tax	29	-
- deferred tax (note 12)	<u>10,000</u>	<u>(129)</u>
	<u>57,029</u>	<u>1,530</u>

5 DIVIDENDS

	1997 £	1996 £
Equity dividends		
Proposed final dividend of 34.01p (1996: 7.35p) per 'A' ordinary share	13,987	3,674
Non-equity dividends		
Paid interim dividends of 11.96p (1996: Nil) per CRPS	<u>35,879</u>	<u>-</u>
	<u>49,866</u>	<u>3,674</u>

At 31 December 1997 there were dividends due, not accrued on the CRPS of £7,125 (1996: £14,601). In accordance with FRS4, these are included in non-equity shareholders funds in the balance sheet.

6 TANGIBLE FIXED ASSETS

	Total £	Short leasehold property £	Plant and equipment £
Cost			
At 1 January 1997	606,524	82,145	524,379
Additions	126,379	34,012	92,367
Disposals	<u>(8,470)</u>	<u>-</u>	<u>(8,470)</u>
At 31 December 1997	<u>724,433</u>	<u>116,157</u>	<u>608,276</u>
Depreciation			
At 1 January 1997	103,875	3,073	100,802
Charge for the year	108,684	4,381	104,303
Disposals	<u>(3,206)</u>	<u>-</u>	<u>(3,206)</u>
At 31 December 1997	<u>209,353</u>	<u>7,454</u>	<u>201,899</u>
Net book amounts			
At 31 December 1997	<u>515,080</u>	<u>108,703</u>	<u>406,377</u>
At 31 December 1996	<u>502,649</u>	<u>79,072</u>	<u>423,577</u>

ROSSETTS (EASTBOURNE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1997

6 TANGIBLE FIXED ASSETS (CONTINUED)

The net book amounts of assets held under finance leases and hire purchase contracts at 31 December 1997 which are included in the above are as follows:-

	Plant and equipment £
Cost	211,180
Accumulated depreciation	<u>68,932</u>
Net book amounts	<u>142,248</u>
Depreciation provided in the year	<u>40,614</u>

7 INTANGIBLE FIXED ASSETS

Cost	
At 1 January/31 December 1997	<u>180,000</u>
Amortisation	
At 1 January 1997	-
Provided in the year	<u>9,000</u>
At 31 December 1997	<u>9,000</u>
Net book amounts	
At 31 December 1997	<u>171,000</u>
At 31 December 1996	<u>180,000</u>

Purchased goodwill relates to the following:

	Date of acquisition	Period of amortisation	Cost £
Previous acquisitions of the trade and assets of I G Bacon (Commercial) Limited	1 July 1996	20 years from 1 January 1997	180,000

8 STOCKS

	1997 £	1996 £
Vehicles	967,288	1,057,753
Vehicles on consignment	1,472,185	956,471
Parts and other	<u>276,151</u>	<u>259,434</u>
	<u>2,715,624</u>	<u>2,273,658</u>

There were no significant differences between the replacement cost and the values disclosed for stocks.

ROSSETTS (EASTBOURNE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1997

9 DEBTORS

	1997 £	1996 £
Amounts falling due within one year:		
Trade debtors	1,002,786	598,847
Prepayments and accrued income	76,705	42,994
Other debtors	<u>1,500</u>	<u>32,104</u>
	1,080,991	673,945
Amounts falling due after one year:		
ACT recoverable	<u>3,497</u>	<u>1,160</u>
	<u>1,084,488</u>	<u>675,105</u>

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 £	1996 £
Bank loans and overdrafts	76,816	-
Other loans	11,750	11,750
Payments received on account	99,071	76,152
Trade creditors	1,735,148	1,740,648
Obligations relating to consignment stock	1,472,185	956,471
Corporation tax	44,172	2,779
Social security and other taxes	151,740	64,414
Finance leases and hire purchase contracts	76,930	38,871
Proposed dividends	13,987	3,674
Accruals and deferred income	92,579	99,506
Other creditors	<u>7,097</u>	<u>66,755</u>
	<u>3,781,475</u>	<u>3,061,020</u>

The finance leases and hire purchase contracts are secured on the assets concerned.

The bank loans and overdrafts are secured by a fixed and floating charge over all the company's assets.

ROSSETTS (EASTBOURNE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1997

11 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1997 £	1996 £
Other loans	4,500	15,603
Finance leases and hire purchase contracts	84,668	117,926
	<u>89,168</u>	<u>133,529</u>

The finance leases and hire purchase contracts are secured on the assets concerned.

12 DEFERRED TAX

	1997 £	1996 £
Provided on accelerated capital allowances		
At 1 January	-	-
Provided in year	10,000	-
At 31 December	<u>10,000</u>	<u>-</u>
Not provided on accelerated capital allowances	<u>21,000</u>	<u>20,428</u>

13 CALLED UP SHARE CAPITAL

	1997 £	1996 £
Authorised		
100,000 Ordinary shares of £1 each	100,000	100,000
74,000 'A' Ordinary shares of £1 each	74,000	74,000
300,000 9.5% Cumulative Redeemable Preference Shares (CRPS) of 1p each	<u>3,000</u>	<u>3,000</u>
	<u>177,000</u>	<u>177,000</u>
Allotted, called up and fully paid		
100,000 Ordinary shares of £1 each	100,000	100,000
50,000 'A' Ordinary shares of £1 each	50,000	50,000
300,000 CRPS of 1p each	<u>3,000</u>	<u>3,000</u>
	<u>153,000</u>	<u>153,000</u>

The 'A' ordinary shares and CRPS carry preferential rights to cumulative dividend and in the event of a winding up. The CRPS are redeemable at £1 per share between 31 March 1999 and 31 March 2004. Such redemption is mandatory.

The 9.5% dividend on the CRPS is payable on the full issue cost of the shares, including share premium, of £1 per share. They do not have any voting rights.

ROSSETTS (EASTBOURNE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1997

14 PROFIT AND LOSS ACCOUNT

	£
At 1 January 1997	32,396
Profit retained for the year	<u>23,973</u>
At 31 December 1997	<u>56,369</u>

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Profit for the year	73,839	35,211
Dividends	<u>49,866</u>	<u>3,674</u>
Profit retained for the year	<u>23,973</u>	<u>31,537</u>
Issue of shares	-	<u>300,000</u>
Increase in shareholders' funds	<u>23,973</u>	<u>331,537</u>
Shareholders' funds at beginning of year	<u>582,396</u>	<u>250,859</u>
Shareholders' funds at end of year	<u>606,369</u>	<u>582,396</u>

16 OPERATING LEASE COMMITMENTS

The company is committed to leasing payments of £157,152 (1996: £127,373) within the next year. The commitments to make these payments expire during the following years:-

	Land and buildings £'000	1997 Plant and equipment £'000	Land and buildings £'000	1996 Plant and equipment £'000
In less than 1 year	15,250	-	-	-
In 2 to 5 years	-	4,502	-	4,723
In more than 5 years	<u>137,400</u>	<u>-</u>	<u>122,650</u>	<u>-</u>
	<u>152,650</u>	<u>4,502</u>	<u>122,650</u>	<u>4,723</u>

17 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1997 £	1996 £
Operating profit	255,479	115,814
Depreciation and amortisation	117,684	57,874
Profit on sale of fixed assets	(200)	-
Increase in stocks	(441,966)	(1,217,011)
Increase in debtors	(407,046)	(621,550)
Increase in creditors	<u>553,874</u>	<u>1,973,918</u>
Net cash inflow from operating activities	<u>77,825</u>	<u>309,045</u>

ROSSETTS (EASTBOURNE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1997

18 ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 1997 £	Cashflows £	Non-cash changes £	At 31 December 1997 £
Cash at bank and in hand	145,533	(144,713)	-	820
Overdraft	-	(76,816)	-	(76,816)
	145,533	(221,529)	-	(75,996)
Debt due within one year	(11,750)	-	-	(11,750)
Debt due after one year	(15,603)	11,103	-	(4,500)
Finance leases and hire purchase agreements	(156,797)	44,566	(49,367)	(161,598)
	<u>(38,617)</u>	<u>(165,860)</u>	<u>(49,367)</u>	<u>(253,844)</u>

19 CAPITAL COMMITMENTS

At 31 December 1997, the company had authorised and contracted for capital expenditure amounting to **£38,842** (1996: £Nil).

20 CONTINGENT LIABILITIES

The company had no contingent liabilities at 31 December 1997 or 31 December 1996, except in respect of deferred taxation (see note 12).

21 RELATED PARTY TRANSACTIONS

The directors are also directors of and control Becks (Eastbourne) Limited and Eastbourne Coach Finishers Limited. During the year the company had transactions with these related parties as follows:

	Becks (Eastbourne) Limited £	Eastbourne Coach Finishers Limited £
Turnover	<u>246,654</u>	<u>13,557</u>
Cost of sales	<u>267,718</u>	<u>97,033</u>
Administrative expenses/(income)	<u>33,338</u>	<u>(7,020)</u>
Amounts due from/(to) at 31 December 1997	<u>27,577</u>	<u>(34,674)</u>