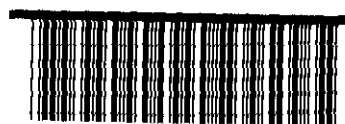


MSF Motor Group Limited

**Directors' report and consolidated
financial statements**

For the year ended 31 December 2002

Registered Number 2863609



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COMPANIES HOUSE 201000

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal activities

The principal activities of the group are the operation of motor vehicle dealerships.

Business review

The results for the group for the year are set out in the profit and loss account on page 5 of these financial statements.

Dividends and transfers to reserves

The directors do not recommend a dividend (2001: £nil). The retained loss for the year was transferred to reserves.

Directors and directors' interests

The directors who held office during the year had the following interests in the ordinary shares of the company according to the register of directors interests:

	Ordinary shares of £1 each	
	1 January 2002	31 December 2002
TJA McPhail	100	100
N Smillie	100	100
JR Fletcher OBE	100	100
RW Barlow FCA (resigned 6 December 2002)	-	-

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them during the financial year.

Directors' report *(continued)*

Supplier payment policy

The company policy is normally to pay suppliers according to agreed terms of business. These terms are agreed upon entering into binding contracts and the company seeks to adhere to the payment terms providing the relevant goods and services have been supplied in accordance with the contracts.

Employees

The group, having regard to particular aptitudes and abilities, does not discriminate in any way in its employee recruitment, training or career development because of colour, sex, creed or physical disability. In the event of any employee becoming disabled, retraining and continued employment is arranged whenever practicable. During the year, the group continued its policy of regular meetings with employees and their representatives, within the limitations of commercial confidentiality and security.

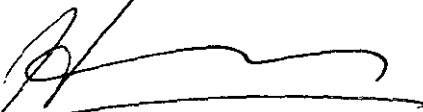
Charitable and political contributions

The contributions made by the group during the year for charitable purposes amounted to £Nil (2001: £1,000). No political donations were made.

Auditors

A resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



JR Fletcher OBE
Chairwoman

PO Box 11
Meadow Road
Leeds
LS11 9UY

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.



KPMG LLP

St James' Square
Manchester
M2 6DS
United Kingdom

Report of the independent auditors to the members of MSF Motor Group Limited

We have audited the financial statements on pages 5 to 23.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 group is not disclosed.

Basis of audit 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 group'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.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the uncertainty regarding the future availability and sufficiency of the group's bank facilities. In view of the significance of these uncertainties we consider that they should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2002 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
KPMG LLP
Chartered Accountants
Registered Auditor

23/10/03

Consolidated profit and loss account
for the year ended 31 December 2002

	<i>Note</i>	2002 £000	Before exceptional items 2001 £000	Exceptional Items 2001 £000 (note 2)	Total 2001 £000
Turnover from continuing operations		90,417	97,718	-	97,718
Cost of sales		(77,680)	(84,734)	-	(84,734)
Gross profit		12,737	12,984	-	12,984
Administrative expenses		(12,846)	(13,328)	(306)	(13,634)
Operating loss from continuing operations		(109)	(344)	(306)	(650)
Profit on the disposal of fixed assets		-			22
Interest payable	5	(396)			(631)
Loss on ordinary activities before taxation	2-5	(505)			(1,259)
Tax on loss on ordinary activities	6	-			-
Loss after taxation and retained for the financial year		(505)			(1,259)

The group has no recognised gains or losses in either the current or preceding year other than those reported above and therefore no separate statement of total recognised gains and losses has been presented.

Balance sheet
at 31 December 2002

		Group		Company	
	<i>Note</i>	2002	2001	2002	2001
		£000	£000	£000	£000
Fixed assets					
Tangible assets	8	3,927	4,181	2,081	2,192
Investments	9	-	-	603	603
		<hr/>	<hr/>	<hr/>	<hr/>
		3,927	4,181	2,684	2,795
Current assets					
Stocks	10	5,439	6,515	-	-
Debtors	11	7,582	7,026	2,178	2,715
Cash		-	-	-	6,229
		<hr/>	<hr/>	<hr/>	<hr/>
		13,021	13,541	2,178	8,944
Creditors: amounts falling due within one year	12	(16,532)	(16,801)	(9,843)	(16,029)
		<hr/>	<hr/>	<hr/>	<hr/>
Net current liabilities		(3,511)	(3,260)	(7,665)	(7,085)
		<hr/>	<hr/>	<hr/>	<hr/>
Net assets/(liabilities)		416	921	(4,981)	(4,290)
		<hr/>	<hr/>	<hr/>	<hr/>
Capital and reserves					
Called up share capital	15	-	-	-	-
Merger reserve	16	2,268	2,268	-	-
Capital redemption reserve	16	663	663	-	-
Revaluation reserve	16	258	345	-	-
Profit and loss account	16	(2,773)	(2,355)	(4,981)	(4,290)
		<hr/>	<hr/>	<hr/>	<hr/>
Equity shareholders' funds		416	921	(4,981)	(4,290)
		<hr/>	<hr/>	<hr/>	<hr/>

These financial statements were approved by the board of directors on
signed on its behalf by:

23/10/03

and were

J R Fletcher OBE
Chairman

N Smillie
Director

Consolidated cash flow statement
for the year ended 31 December 2002

	<i>Note</i>	2002 £000	2001 £000
Net cash inflow from operating activities	<i>17</i>	2,644	2,963
Returns on investments and servicing of finance	<i>18</i>	(396)	(631)
Taxation	<i>19</i>	140	144
Capital expenditure	<i>20</i>	(160)	(292)
		<hr/>	<hr/>
Cash inflow before financing		2,228	2,184
Financing	<i>21</i>	(4,099)	(3,264)
		<hr/>	<hr/>
Decrease in cash in the period		(1,871)	(1,080)
		<hr/>	<hr/>
Reconciliation of net cashflow to movement in net debt			
	<i>Note</i>	2002 £000	2001 £000
Decrease in cash in the period		(1,871)	(1,080)
Cash outflow from decrease in debt financing		4,099	3,264
		<hr/>	<hr/>
Changes in net debt resulting from cashflow		2,228	2,184
Net debt at start of period	<i>22</i>	(8,537)	(10,721)
		<hr/>	<hr/>
Net debt at end of period	<i>22</i>	(6,309)	(8,537)
		<hr/>	<hr/>

Note of consolidated historical cost profits and losses
for the year ended 31 December 2002

	2002 £000	2001 £000
Reported loss on ordinary activities before taxation	(505)	(1,259)
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	87	87
Historical cost loss on ordinary activities before taxation	(418)	(1,172)
Historical cost loss for the year retained after taxation and dividends	(418)	(1,172)

Reconciliation of movement in shareholders' funds
for the year ended 31 December 2002

	Group		Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Loss for the financial year	(505)	(1,259)	(691)	(475)
Net reduction in shareholders' funds	(505)	(1,259)	(691)	(475)
Opening shareholders' funds	921	2,180	(4,290)	(3,815)
Closing shareholders' funds	416	921	(4,981)	(4,290)

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 company's financial statements. The company has adopted FRS 18 'Accounting policies' and FRS 19 'Deferred tax' in these financial statements. This has not resulted in any restatements of comparative figures. The company has applied the transitional rules contained in FRS15 'Tangible fixed assets' to retain previous valuations as the basis on which these accounts are held. The company has followed the transitional arrangements of FRS 17 'Retirement benefits' in these financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and the historical cost convention modified by the revaluation of certain fixed assets.

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons:

- The group meets its day to day working capital requirements through an overdraft facility and a bank loan. Even though the facilities expired in July 2003 they are still being made available by the bank. The bank has confirmed that they will continue to make available the facilities to the group and do not foresee any issues which would prevent them re-issuing facility letters on existing terms in due course.
- The directors have prepared cash flow forecasts for the period ending 12 months after the date of approval of these financial statements. The margin over forecast requirements of the facilities currently available and expected to be renewed is not large at all stages throughout the period. However the directors will take appropriate action to manage their facilities and consider that the group will operate within the facilities which are expected to be provided by the bank.

The directors are not aware of any reason to believe either that the banking facilities will not continue to be made available. However, there can be no certainty in relation to these matters. The financial statements do not include any adjustments that would result from a withdrawal of these facilities by the group's bankers.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2002.

The acquisition method of accounting has been adopted. Under this method the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Investment properties

The investment property is carried at historical cost which the directors consider to be an appropriate valuation on an existing use basis for the property concerned. In accordance with SSAP 19, no depreciation is provided in respect of investment properties. This represents a departure from the Companies Act 1985 requirements to provide for the systematic annual depreciation of fixed assets. However these properties are held for investment and the directors consider that the adoption of the above policy is necessary in order to give a true and fair view. It is not possible to quantify the effect of the departure from the Companies Act because no useful economic life is deemed appropriate.

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets and depreciation

Depreciation is calculated so as to write off the cost or valuation of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold buildings	-	2% straight line
Short leasehold buildings	-	5% straight line
Plant and equipment	-	20% straight line
Fixtures and fittings	-	20% straight line
Motor vehicles	-	33 $\frac{1}{3}$ % straight line

No depreciation is provided on freehold land.

Stocks

Stocks are stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

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.

Deferred tax is recognised, without discounting, in respect of timing differences between certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Leases

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

Pension costs

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 amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The company also operates two pension schemes providing benefits based on final pensionable pay, one administered by Motor Industry Pensions Scheme Limited ('MIPS') and the other, MSF Motor Group Pension Scheme ('MSFPS'), which is currently in the process of being wound up. The assets of these schemes are held separately from those of the company. Contributions to these schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

Notes (continued)

1 Accounting policies (continued)

Cash

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market.

Turnover

Turnover, which excludes value added tax, sales between group companies and trade discounts, represents the invoiced value of goods and services supplied, together with incentives receivable from operating activities.

2 Loss on ordinary activities before taxation

	2002 £000	2001 £000
Loss on ordinary activities before taxation is stated after charging		
Depreciation charge for the year on tangible owned fixed assets	414	373
Operating lease rentals – land and buildings	830	804
Auditors' remuneration:		
Audit- Group (Company £10,000; 2001: £10,000)	77	55
Non-audit services	30	69
Exceptional items	-	306
	<hr/>	<hr/>

The exceptional items in 2001 are costs associated with the restructuring of the group.

3 Directors' emoluments

	2002 £000	2001 £000
Directors' emoluments	267	228
Company contributions to pension scheme	52	52
	<hr/>	<hr/>
	319	280
	<hr/>	<hr/>

Fees and other emoluments (excluding pension contributions) paid to the highest paid director totalled £105,000 (2001: £80,000) and contributions of £20,000 (2001: £20,000) were paid to a pension scheme on his behalf.

Notes (continued)

4 Employee information

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

	2002 Number	2001 Number
By activity:		
Administration	75	101
Other	380	288
	<hr/>	<hr/>
	455	389
	<hr/>	<hr/>
	2002	2001
	£000	£000
Staff costs (for the above persons):		
Wages and salaries	5,588	6,212
Social security costs	591	507
Other pension costs	110	132
	<hr/>	<hr/>
	6,289	6,851
	<hr/>	<hr/>

5 Interest payable

	2002 £000	2001 £000
On bank loans, overdrafts and other loans	396	631
	<hr/>	<hr/>

Notes (continued)

6 Tax on loss on ordinary activities

Analysis of charge in period

	2002 £	2001 £
Total current tax	-	-
Deferred tax (see note 13)	-	-
Tax on profit on ordinary activities	-	-

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2001: higher) than the standard rate of corporation tax in the UK (30%, 2001: 30 %). The differences are explained below.

	2002 £000	2001 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(505)	(1,259)
Current tax at 30% (2001: 30%)	(152)	(378)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	18	52
Depreciation for period in excess of capital allowances	90	106
Depreciation on ineligible expenditure	33	7
Non taxable provision movement	(36)	(20)
Tax losses	47	233
Total current tax charge (see above)	-	-

Notes (continued)

6 Tax on loss on ordinary activities (continued)

Factors that may affect future tax charges

The directors do not foresee a significant change in the tax charge in future years, due to the availability of losses.

7 Loss for the financial year

As permitted by Section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included separately in these financial statements. The parent company's loss for the financial year was £691,000 (2001: loss £475,000).

8 Tangible fixed assets

Group

	Investment properties £000	Freehold and short leasehold land and buildings £000	Plant and equipment and motor vehicles £000	Fixtures and fittings £000	Total £000
Cost or valuation					
At 31 December 2001	1,800	1,545	2,186	986	6,517
Additions	-	20	153	16	189
Disposals	-	(1)	(95)	-	(96)
	<u>1,800</u>	<u>1,564</u>	<u>2,244</u>	<u>1,002</u>	<u>6,610</u>
At 31 December 2002	1,800	1,564	2,244	1,002	6,610
Depreciation					
At 31 December 2001	-	424	1,584	328	2,336
Charge for year	-	112	257	45	414
Disposals	-	(1)	(66)	-	(67)
	<u>-</u>	<u>535</u>	<u>1,775</u>	<u>373</u>	<u>2,683</u>
At 31 December 2002	-	535	1,775	373	2,683
Net book value					
At 31 December 2002	<u>1,800</u>	<u>1,029</u>	<u>469</u>	<u>629</u>	<u>3,927</u>
Net book value					
At 31 December 2001	<u>1,800</u>	<u>1,121</u>	<u>602</u>	<u>658</u>	<u>4,181</u>

The investment property is carried at historical cost which the directors consider to be an appropriate valuation on an existing use basis for the property concerned.

Certain categories within Plant & Machinery and Fixtures & Fittings were revalued by J Foorde & Co, RICS as at 31 December 2000, on the basis of open market value for existing use. The surplus over the cost net book value of £432,000 was transferred to a revaluation reserve. This reserve has been released to the profit and loss account reserve as assets are depreciated.

Notes (continued)

8 Tangible fixed assets (continued)

The following historical cost net book values relate to the assets carried at revalued amount which have been retained under the transitional provisions set out in Financial Reporting Standard 15.

Group			Plant & Machinery £000	Fixtures & Fittings £000
At 31 December 2002			229	106
At 31 December 2001			286	132

Company	Investment property £000	Freehold and short leasehold and buildings £000	Motor vehicles £000	Plant & Equipment £000	Total £000
Cost					
At 31 December 2001	1,800	215	81	401	2,497
Additions	-	-	-	49	49
Disposals	-	(1)	-	-	(1)
At 31 December 2002	1,800	214	81	450	2,545
Depreciation					
At 31 December 2001	-	151	19	135	305
Charge for year	-	51	27	82	160
Disposals	-	(1)	-	-	(1)
At 31 December 2002	-	201	46	217	464
Net book value					
At 31 December 2002	1,800	13	35	233	2,081
Net book value					
At 31 December 2001	1,800	64	62	266	2,192

Notes (continued)

9 Fixed asset investment

Company

<i>Investment in subsidiary undertakings</i>	£000
Cost	
At beginning and end of year	1,180
	<hr/>
Amounts provided	
At beginning and end of year	577
	<hr/>
Net book value	
At beginning and end of year	603
	<hr/>

Interests in group undertakings

The following information relates to those subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the figures of the group:

Name of undertaking	Description of shares held	Proportion of nominal value of issued shares held by		Nature of business
		Group %	Company %	
MSF Motors Limited	Ordinary shares	100	100	Ford main dealerships
MSF Motors (Yorkshire) Limited	Ordinary shares	100	100	Peugeot main dealerships
MSF Accident Repair Centres Limited	Ordinary shares	100	100	Accident repairs centres
MSF Fleet Services Limited	Ordinary shares	100	100	Dormant
Fletcher Motors (Crossgates) Limited	Ordinary shares	100	100	Dormant
M&S Motors (Durham) Limited	Ordinary shares	100	100	Dormant
M&S Motors (Southport) Limited	Ordinary shares	100	100	Dormant
M&S Motors (Wigan) Limited	Ordinary shares	100	100	Dormant
Scarsdale Finance Limited	Ordinary shares	100	100	Dormant
Jansens Limited	Ordinary shares	100	100	Dormant
Fletcher Dealership Limited	Ordinary shares	100	100	Dormant
Peter Garven Limited	Ordinary shares	100	100	Dormant

All of the above companies are registered in England and Wales and operate in Great Britain.

10 Stocks

	Group	
	2002	2001
	£000	£000
Goods for re-sale	5,439	6,515
	<hr/>	<hr/>

The company holds no stocks.

Notes (continued)

11 Debtors

	Group		Company	
	2002	2001	2002	2001
	£000	£000	£000	£000
Amounts falling due within one year				
Trade debtors	4,314	3,495	81	4
Other debtors	2,417	2,586	1,611	2,167
Corporation tax	-	140	-	140
Prepayments and accrued income	851	805	486	404
	<u>7,582</u>	<u>7,026</u>	<u>2,178</u>	<u>2,715</u>

Included within other debtors are amounts totalling £1,570,000 (2001: £1,570,000) due from JFP Limited and Pinco (1327) Limited, companies owned and controlled by JR Fletcher, a director of MSF Motor Group Limited.

12 Creditors: amounts falling due within one year

	Group		Company	
	2002	2001	2002	2001
	£000	£000	£000	£000
Bank loans and overdrafts	6,309	8,537	-	-
Trade creditors	8,779	6,583	309	115
Amounts owed to subsidiary undertakings	-	-	9,220	15,122
Other creditors	278	775	110	510
Accruals	1,166	906	204	282
	<u>16,532</u>	<u>16,801</u>	<u>9,843</u>	<u>16,029</u>

The bank loans and overdrafts are secured by fixed charges over certain group properties together with floating charges over other group assets.

13 Provisions for liabilities and charges

A deferred tax asset for the group of £386,000 relating to tax losses and general provisions has not been recognised in the accounts due to their being insufficient evidence the asset will be recoverable.

14 Pensions

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme.

The company also operates two pension scheme providing benefits based on final pensionable pay, one administered by Motor Industry Pensions Limited ('MIPS') and the other, MSF Motor Group Pension Scheme ('MSFPS'), which is currently in the process of being wound up. The actuaries have confirmed that no further funding is required from the company in relation to this scheme and accordingly actuarial valuation information is not disclosed below. Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation of the MIPS scheme was at 5 April 2001.

The most recent actuarial valuation showed that the market value of the scheme's asset was £1,408,000 at 5 April 2001 and that the actuarial value of those assets represented 95% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the company and employees will remain at 14.4% and 4% of earnings respectively.

The total pension cost arising under the schemes was £109,621 (2001: £132,232).

Notes (continued)

14 Pensions (continued)

Contributions amounting to £32,500 (2001 :£Nil) were payable to the schemes and are included in creditors.

Whilst the company continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension costs', under FRS 17 'Retirement benefits' the following transitional disclosures are required:

The valuation was updated by the actuary on an FRS 17 basis as at 31 December 2001 and 31 December 2002.

The major assumptions used in this valuation were:

	2002	2001
Rate of increase in salaries	3.8%	4.0%
Rate of increase in pensions in payment and deferred pensions	2.4%	2.5%
Discount rate applied to scheme liabilities	5.5%	5.9%
Inflation assumption	2.3%	2.5%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long term rate of return 2002	Value at 2002 £000	Long term rate of return 2001	Value at 2001 £000
Equities	7.5%	577	8.0%	1,005
Bonds	4.5%	577	5.0%	251
		<hr/>		<hr/>
Total market value of assets		1,154		1,256
		<hr/>		<hr/>
Present value of scheme liabilities		(1,739)		(1,540)
		<hr/>		<hr/>
Deficit in the scheme – Pension liability		(585)		(284)
Related deferred tax asset		176		85
		<hr/>		<hr/>
Net pension liability		(409)		(199)
		<hr/>		<hr/>

The amount of this net pension liability would have a consequential effect on reserves.

Notes (continued)

14 Pensions (continued)

Movement in deficit during the year

	2002 £000
Deficit in scheme at beginning of year	(284)
Current service cost	(34)
Contributions paid	29
Past service cost	-
Other finance income	3
Actuarial gain/loss	(299)
	<hr/>
Deficit in the scheme at end of year	(585)
	<hr/>

If FRS 17 had been fully adopted in these financial statements the pension costs for defined benefit schemes would have been:

Analysis of other pension costs charged in arriving at operating loss

	2002 £000
Current service cost	34
	<hr/>

Analysis of amounts included in other finance income

	2002 £000
Expected return on pension scheme assets	93
Interest on pension scheme liabilities	(90)
	<hr/>
	3
	<hr/>

Analysis of amount recognised in statement of total recognised gains and losses

	2002	2002 £000
Actual return less expected return on scheme assets		(193)
Percentage of year end scheme assets	(17%)	
Experience gains and losses arising on scheme liabilities		(11)
Percentage of present value of year end scheme liabilities	(1%)	
Changes in assumptions underlying the present value of scheme liabilities		(95)
Percentage of present value of year end scheme liabilities	(17%)	
		<hr/>
Actuarial gain loss recognised in statement of total recognised gains and losses		(299)
		<hr/>

Notes (continued)

15 Called up share capital

	2002 £	2001 £
<i>Authorised:</i> Equity: 1,000 ordinary shares of £1 each	1,000	1,000
<i>Allotted, called up and fully paid:</i> Equity: 300 ordinary shares of £1 each	300	300

16 Reserves

Group	Capital redemption reserve £000	Revaluation reserve £000	Merger reserve £000	Profit and loss account £000
At 31 December 2001	663	345	2,268	(2,355)
Retained loss for the financial year	-	-	-	(505)
Transfers	-	(87)	-	87
At 31 December 2002	663	258	2,268	(2,773)

Company

	Profit and loss account £000
At 31 December 2001	(4,290)
Retained loss for the financial year	(691)
At 31 December 2002	(4,981)

Notes *(continued)*

17 Reconciliation of operating loss to net cash inflow from operating activities

	2002 £000	2001 £000
Operating loss	(109)	(650)
Depreciation	414	373
Decrease/(increase) in stock	1,076	(1,880)
(Increase)/decrease in debtors	(696)	1,748
Increase / (Decrease) in creditors	1,959	3,372
	<hr/>	<hr/>
Net cashflow from operating activities	2,644	2,963
	<hr/>	<hr/>

18 Return on investments and servicing of finance

	2002 £000	2001 £000
Interest paid	(396)	(631)
	<hr/>	<hr/>

19 Taxation

	2002 £000	2001 £000
UK corporation tax received	140	144
	<hr/>	<hr/>

Notes (continued)

20 Capital expenditure

	2002 £000	2001 £000
Purchase of fixed assets	(189)	(330)
Proceeds from sale of fixed assets	29	38
	<u>(160)</u>	<u>(292)</u>

21 Financing

	2002 £000	2001 £000
Repayment of bank loans	(4,099)	(2,734)
Repayment of other loans	-	(530)
	<u>(4,099)</u>	<u>(3,264)</u>

22 Analysis of changes in net debt

	At start of year £000	Cash flows £000	At end of year £000
Overdrafts	(1,080)	(1,871)	(2,951)
Debt due within one year	(7,457)	4,099	(3,358)
	<u></u>	<u></u>	<u></u>
Bank loans and overdrafts	(8,537)	2,228	(6,309)
	<u></u>	<u></u>	<u></u>

23 Contingent liabilities

Group

At 31 December 2002, the group had an obligation to buy back vehicles acquired by its customers under the Motability Scheme totalling £Nil (2001: £112,257).

Company

The company has given an Unlimited Multilateral Company Guarantee, dated 8 September 1999, in respect of the bank borrowings of MSF Motor Group Limited and its subsidiaries. At 31 December 2002 such borrowings amounted to £6,309,000 (2001: £8,537,000).

Notes (continued)

24 Consignment stock

The value of consignment stock held by the group on behalf of vehicle manufacturers was £7,983,028 (2001: £9,623,000). The stock remains the property of the manufacturers until such time as it is formally adopted by the group.

25 Capital commitments

At 31 December 2002, the group had the following annual commitments under non-cancellable operating leases:

	2002 Land and buildings £000	2001 Land and buildings £000
Expiring within one year	75	-
Expiring within two to five years inclusive	128	-
Expiring in over five years	570	708
	<hr/> 773 <hr/>	<hr/> 708 <hr/>

A number of the subsidiaries operate from premises leased from JFP Limited and TJA Consultants Limited. (see note 26).

26 Related party transactions

During the year, the group made payments of £467,000 (2001: £467,000) to JFP Limited, of which JR Fletcher is a director and controlling shareholder. The payments were for rents, which are calculated on an arms' length basis, on properties used by the group.

During the year the group also made payments of £125,000 (2001: £125,000) to TJA Consultants Limited, of which TJA McPhail and N Smillie are directors and controlling shareholders. The payment was for rent, which is calculated on an arms' length basis, on a property used by the group.