

REGISTRAR'S COPY



BECKS (EASTBOURNE) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 1997

Company No. 3012199

BECKS (EASTBOURNE) LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 1997

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BECKS (EASTBOURNE) LIMITED

BOARD OF DIRECTORS AND PROFESSIONAL ADVISERS

Board of Directors	R G Maxwell E G Zoratti
Company Secretary	E G Zoratti
Registered office	Willingdon Drove EASTBOURNE East Sussex BN23 6QN
Company number	3012199 - 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

BECKS (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 'Becks (Eastbourne) Limited' and is principally engaged as a main dealership for the Peugeot 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 £55,547. The directors recommended and paid dividends of £31,500 and the balance of £24,047 has been transferred to reserves.

Review of the business and future developments

The company has had a successful trading year with its development of the Peugeot franchise in East Sussex and looks forward to 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	-	-
E G Zoratti	25,000	25,000

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

BECKS (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.

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:

Willingdon Drove
EASTBOURNE
East Sussex
BN23 6QN

27 April 1998

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

We have audited the financial statements on pages 5 to 16 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.

BECKS (EASTBOURNE) LIMITED

ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards under the historical cost convention as modified by the revaluation of freehold properties.

The principal accounting policies have remained unchanged from the previous period, and are set out below:

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 other than freehold land over their expected useful economic lives as follows:

Freehold buildings	- 1.5% per annum straight line
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.

INVESTMENTS

Investments are stated at cost less amounts written off.

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. Unprovided deferred tax is disclosed as a contingent liability.

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.

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

For the year ended 31 December 1997

	Note	Year ended 31 December 1997 £	9 months ended 31 December 1996 £
Turnover	1	7,277,001	4,237,904
Cost of sales		<u>6,456,371</u>	<u>3,784,293</u>
Gross profit		820,630	453,611
Distribution costs		412,011	232,986
Administrative expenses		<u>243,977</u>	<u>154,981</u>
Operating profit		164,642	65,644
Interest payable and similar charges	2	<u>99,095</u>	<u>60,224</u>
Profit on ordinary activities before taxation	1	65,547	5,420
Tax on profit on ordinary activities	4	<u>10,000</u>	<u>-</u>
Profit on ordinary activities after taxation		55,547	5,420
Dividends	5	<u>31,500</u>	<u>-</u>
Profit retained for the financial year	14,15	<u>24,047</u>	<u>5,420</u>

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

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

E G ZORATTI

DIRECTORS

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

BECKS (EASTBOURNE) LIMITED**CASH FLOW STATEMENT**

For the year ended 31 December 1997

	Note	Year ended 31 December 1997 £	9 months ended 31 December 1996 £
Net cash inflow from operating activities	17	135,273	87,126
Returns on investments and servicing of finance			
Interest paid		(99,095)	(60,224)
Non-equity dividends paid		(31,500)	-
Net cash outflow from returns on investments and servicing of finance		(130,595)	(60,224)
Capital expenditure			
Purchase of tangible assets		(13,638)	(17,148)
Net cash outflow from investing activities		(13,638)	(17,148)
Net cash (outflow)/inflow before financing		(8,960)	9,754
Financing			
Bank and other loan repayments		(32,075)	(20,020)
New finance leases and hire purchase agreements		5,267	1,668
Finance leases and hire purchase agreement repayments		(9,958)	(5,552)
Net cash outflow from financing		(36,766)	(23,904)
Decrease in cash		(45,726)	(14,150)
Reconciliation of net cash flow to movement in net debt			
Decrease in cash in the period		(45,726)	(14,150)
Inception of new hire purchase agreements		(5,267)	(1,668)
Cash outflow from debt financing		42,033	25,572
Change in net debt arising from cashflows		(8,960)	9,754
Net debt at beginning of period		(592,981)	(602,735)
Net debt at end of period	18	(601,941)	(592,981)

BECKS (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 dealership and arose wholly within the United Kingdom.

Profit on ordinary activities is stated after:

	Year ended 31 December 1997	9 months ended 31 December 1996
	£	£
Auditors' remuneration	3,656	2,531
Depreciation	29,417	19,883
Operating lease rentals - plant and equipment	<u>21,510</u>	<u>8,780</u>

2 INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 1997	9 months ended 31 December 1996
	£	£
On stocking loans	41,340	16,758
On bank loans and overdrafts	55,445	41,589
Finance charges on finance leases and hire purchase contracts	<u>2,310</u>	<u>1,877</u>
	<u>99,095</u>	<u>60,224</u>

3 DIRECTORS AND EMPLOYEES

Staff costs during the period were:

	Year ended 31 December 1997	9 months ended 31 December 1996
	£	£
Wages and salaries	438,665	284,184
Social security costs	45,288	31,094
Other pension costs	-	-
	<u>483,953</u>	<u>315,278</u>

	Year ended 31 December 1997 Number	9 months ended 31 December 1996 Number
Average number of employees	<u>27</u>	<u>23</u>

	Year ended 31 December 1997	9 months ended 31 December 1996
	£	£

Remuneration in respect of directors was as follows:

Management remuneration	<u>13,307</u>	<u>41,004</u>
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The directors did not participate in the company pension scheme in either period.

BECKS (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 period and is made up as follows:

	Year ended 31 December 1997 £	9 months ended 31 December 1996 £
UK Corporation tax at 21%	<u>10,000</u>	<u>-</u>

5 DIVIDENDS

	Year ended 31 December 1997 £	9 months ended 31 December 1996 £
Non-equity Paid interim dividends of 13.5p (1996: Nil) per CRPS	<u>31,500</u>	<u>-</u>

At 31 December 1997 there were dividends due, not accrued on the CRPS of **£5,250** (1996: £15,750). In accordance with FRS4, these are included in non-equity shareholders funds in the balance sheet.

6 TANGIBLE FIXED ASSETS

	Total £	Freehold land and buildings £	Plant and equipment £
Cost or valuation			
At 1 January 1997	882,822	750,000	132,822
Additions	<u>13,638</u>	<u>-</u>	<u>13,638</u>
At 31 December 1997	<u>896,460</u>	<u>750,000</u>	<u>146,460</u>
Depreciation			
At 1 January 1997	37,447	4,500	32,947
Charge for the year	<u>29,417</u>	<u>6,000</u>	<u>23,417</u>
At 31 December 1997	<u>66,864</u>	<u>10,500</u>	<u>56,364</u>
Net book amounts			
At 31 December 1997	<u>829,596</u>	<u>739,500</u>	<u>90,096</u>
At 31 December 1996	<u>845,375</u>	<u>745,500</u>	<u>99,875</u>

BECKS (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	42,097
Accumulated depreciation	<u>(19,679)</u>
Net book amounts	<u>22,418</u>
Depreciation provided in the year	<u>7,875</u>

The freehold land and buildings were valued in 1995 on an existing use basis at £750,000. On the historical cost basis, these would have been included as follows:

	1997 £	1996 £
Cost	710,000	710,000
Depreciation	<u>(9,940)</u>	<u>(4,260)</u>
Net book value	<u>700,060</u>	<u>705,740</u>

The revaluations carried out in 1995 were made by Fleury Manico, Chartered Surveyors.

In 1996, no provision was made for tax which would accrue if the land and buildings were disposed of at their revalued amounts. The amounts unprovided are shown in note 12.

Depreciation has been provided in the year on the value of the freehold building of £400,000.

7 STOCKS

	1997 £	1996 £
Vehicles	739,922	601,900
Vehicles on consignment	180,993	151,914
Parts and other	<u>89,386</u>	<u>70,608</u>
	<u>1,010,301</u>	<u>824,422</u>

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

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

For the year ended 31 December 1997

8 DEBTORS

	1997 £	1996 £
Amounts falling due within one year:		
Trade debtors	203,255	153,512
Prepayments and accrued income	<u>17,130</u>	<u>16,502</u>
	<u>220,385</u>	<u>170,014</u>

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 £	1996 £
Bank overdraft	57,963	12,114
Bank loans	21,119	17,134
Other loan	12,500	12,500
Trade creditors	846,761	733,305
Payments received on account	26,295	7,728
Obligations relating to consignment stock	180,993	151,914
Corporation tax	10,000	-
Social security and other taxes	34,896	50,035
Finance leases and hire purchase contracts	9,666	8,422
Accruals and deferred income	25,831	13,247
Other creditors	<u>18,917</u>	-
	<u>1,244,941</u>	<u>1,006,399</u>

Included in trade creditors is an amount of £726,890 secured by a fixed charge over vehicle stock and a floating charge over plant and equipment.

The bank loans and overdrafts are secured by fixed and floating charges over all the assets of the company.

The rates payable on the loans vary between 2% above the bank base rate and a fixed rate of 10.75%. The loans are repayable in equal monthly instalments.

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

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1997 £	1996 £
Bank loans (see note 11)	470,536	494,096
Other loan (see note 11)	18,750	31,250
Finance leases and hire purchase contracts (see note 11)	<u>11,645</u>	<u>17,580</u>
	<u>500,931</u>	<u>542,926</u>

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

For the year ended 31 December 1997

11 BORROWINGS

	1997 £	1996 £
Borrowings are repayable as follows:-		
After one and within two years		
Bank borrowings	23,200	18,616
Finance leases and hire purchase contracts	9,666	7,032
Other loans	12,500	12,500
After two and within five years		
Bank borrowings	83,358	91,568
Finance leases and hire purchase contracts	1,979	10,548
Other loans	6,250	18,750
After five years		
Bank borrowings	<u>363,978</u>	<u>383,912</u>
	<u>500,931</u>	<u>542,926</u>

The bank loans and overdrafts are secured by fixed and floating charges over all the assets of the company.

The rates payable on the loans vary between 2% above the bank base rate and a fixed rate of 10.75%. The loans are repayable in equal monthly instalments.

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

12 DEFERRED TAX

	1997 £	1996 £
Not provided		
Accelerated capital allowances	3,500	3,554
Unrealised chargeable gains	-	8,165
Less: Trading losses	<u>-</u>	<u>(6,065)</u>
	<u>3,500</u>	<u>5,654</u>

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

For the year ended 31 December 1997

13 CALLED UP SHARE CAPITAL

	1997 £	1996 £
Authorised, allotted, called up and fully paid		
25,000 Ordinary shares of £1 each	25,000	25,000
16,667 'A' Ordinary shares of £1 each	16,667	16,667
233,333 9% Cumulative Redeemable Preference Shares (CRPS) of 1p each	<u>2,333</u>	<u>2,333</u>
	<u>44,000</u>	<u>44,000</u>

The 'A' ordinary shares and CRPS carry preferential rights to cumulative dividends and in the event of a winding up. The CRPS are redeemable at £1 each between 31 March 1998 and 31 March 2002.

The 9% 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.

14 RESERVES

	Profit and loss account £	Revaluation reserve £
At 1 January 1997	(24,399)	40,000
Profit retained for the year	24,047	-
Transfer	<u>560</u>	<u>(560)</u>
At 31 December 1997	<u>208</u>	<u>39,440</u>

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Year ended 31 December 1997 £	9 months ended 31 December 1996 £
Profit for the period	55,547	5,420
Dividends	<u>31,500</u>	-
Increase in shareholders' funds	24,047	5,420
Shareholders' funds at beginning of year	<u>290,601</u>	<u>285,181</u>
Shareholders' funds at end of year	<u>314,648</u>	<u>290,601</u>

16 OPERATING LEASE COMMITMENTS

The company is committed to leasing payments of £8,927 (1996: £15,997) within the next year. The commitments to make these payments in respect of plant and equipment expire during the following years:-

	1997 £	1996 £
In less than 1 year	7,487	13,837
In 2 to 5 years	<u>1,440</u>	<u>2,160</u>
	<u>8,927</u>	<u>15,997</u>

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

For the year ended 31 December 1997

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

	Year ended 31 December 1997 £	9 months ended 31 December 1996 £
Operating profit	164,642	65,644
Depreciation	29,417	19,883
(Increase)/decrease in stocks	(185,879)	54,261
Increase in debtors	(50,371)	(14,251)
Increase/(decrease) in creditors	<u>177,464</u>	<u>(38,411)</u>
Net cash inflow from operating activities	<u>135,273</u>	<u>87,126</u>

18 ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 1997 £	Cashflows £	Transfers £	Non-cash changes £	At 31 December 1997 £
Cash at bank and in hand	115	123	-	-	238
Overdraft	<u>(12,114)</u>	<u>(45,849)</u>	-	-	<u>(57,963)</u>
	(11,999)	(45,726)	-	-	(57,725)
Debt due within one year	(29,634)	32,075	(36,060)	-	(33,619)
Debt due after one year	(525,346)	-	36,060	-	(489,286)
Finance leases and hire purchase agreement	<u>(26,002)</u>	<u>9,958</u>	-	<u>(5,267)</u>	<u>(21,311)</u>
	<u>(592,981)</u>	<u>(3,693)</u>	-	<u>(5,267)</u>	<u>(601,941)</u>

19 CAPITAL COMMITMENTS

The company has no capital commitments at 31 December 1997 (1996: £6,281).

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).

BECKS (EASTBOURNE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 1997

21 RELATED PARTY TRANSACTIONS

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

	Rossetts (Eastbourne) Limited £	Eastbourne Coach Finishers Limited £
Turnover	<u>267,718</u>	<u>67,478</u>
Cost of sales	<u>246,654</u>	<u>44,375</u>
Administrative income	<u>(33,338)</u>	<u>(4,400)</u>
Amounts due (to)/from at 31 December 1997	<u>(27,577)</u>	<u>7,913</u>