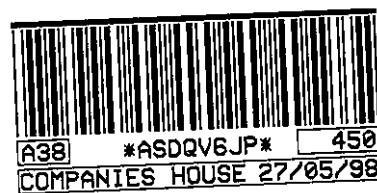


S JENNINGS LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 1997

Registered Number: 120996



S JENNINGS LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

A Bentley (Chairman)
GH Armstrong
IJ Brunning
TD Hodgson
RH Andrew
NA Khan
NW Dalkin

SECRETARY

GH Armstrong

REGISTERED OFFICE

26 Eslington Terrace
Newcastle upon Tyne
NE2 4RL

BANKERS

Midland Bank plc
1 Prospect Place
Darlington
Co Durham
DL3 7LQ

SOLICITORS

Eversheds
Sun Alliance House
Mosley Street
Newcastle upon Tyne
NE1 1XX

AUDITORS

Price Waterhouse
89 Sandyford Road
Newcastle upon Tyne
NE99 1PL

S JENNINGS LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1997

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

PRINCIPAL ACTIVITIES

The principal activity of the company at 31 December 1997 comprised the sale, service and repair of motor vehicles, and the supply of parts and accessories.

The company sold its agricultural land and petrol forecourt interests during the year and have acquired another motor dealership.

REVIEW OF THE BUSINESS

The company has increased its operating profits and it is expected to improve on this result in the year to 31 December 1998.

RESULTS AND DIVIDENDS

During the year the company made a profit after taxation of £387,993 (1996: £330,522). Dividends of £131,765 (1996: £88,942) have been paid, leaving a retained profit for the year of £256,228 (1996: £241,580) transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The directors of the company have the following interests, including family interests, in the shares of S Jennings Limited.

	<u>Ordinary shares of £1 each</u>	
	<u>31 December 1997</u>	<u>31 December 1996</u>
A Bentley	250	250
IJ Brunning	41,032	41,032
GH Armstrong	250	250
TD Hodgson	14,660	16,660
RH Andrew	250	250
NA Khan	250	250
NW Dalkin (Appointed 1 January 1996)	250	250

The interests of A Bentley, GH Armstrong, RH Andrew, NA Khan and NW Dalkin in the shares of the parent company, AB500 Limited, are disclosed in that company's directors' report.

YEAR 2000 COMPUTER COMPLIANCE

The Company has implemented a review to identify all of its systems which are not 2000 compliant, and it is intended that all systems will be compliant by mid 1999. The total cost of this review is currently unknown. In accordance with established accounting guidelines, it is intended that the costs will be written off to the profit and loss account in the years in which they are actually incurred.

EUROPEAN MONETARY UNION (EMU)

The Company currently only trades within the United Kingdom and as such is currently considering the impact that monetary union will have upon the business in future years.

S JENNINGS LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1997 (continued)

POLITICAL AND CHARITABLE CONTRIBUTIONS

Contributions during the year to United Kingdom charitable organisations amounted to £750 (1996 £475). There were no political contributions.

FIXED ASSETS

Movements in the company's tangible fixed assets are shown in note 9.

EMPLOYEES

The company gives consideration to applications for employment made by disabled persons, depending upon the nature of the vacancies arising. Company policy provides where practicable for the continued employment of persons disabled in the course of their employment. Training facilities are available to all employees.

The directors have a practice of formally publicising important developments and of promoting the common interests of the company and the staff by means of regular meetings and continuous individual contact.

AUDITORS

Price Waterhouse have expressed their willingness to continue in office. In accordance with Section 384 of the Companies Act 1985, a resolution proposing their re-appointment will be presented to the Annual General Meeting.

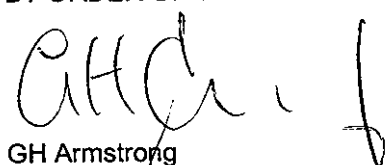
DIRECTORS' RESPONSIBILITIES

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 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 judgments 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BY ORDER OF THE BOARD



GH Armstrong
Secretary

8 April 1998

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF S JENNINGS LIMITED

We have audited the financial statements on pages 5 to 20 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 9 and 10.

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 as at 31 December 1997 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

8 April 1998

S JENNINGS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

	Continuing operations £	Acquisitions £	1997 £	1996 £
TURNOVER (Notes 1 and 2)	77,485,974	3,135,203	80,621,177	72,677,954
Cost of sales	<u>(68,301,650)</u>	<u>(2,773,699)</u>	<u>(71,075,349)</u>	<u>(63,982,260)</u>
GROSS PROFIT (Note 2)	9,184,324	361,504	9,545,828	8,695,694
Operating expenses (Note 3)	(8,892,645)	(441,400)	(9,334,045)	(8,794,075)
Rents receivable	146,067	-	146,067	142,000
Other operating income (Note 5)	<u>1,142,998</u>	<u>59,620</u>	<u>1,202,618</u>	<u>1,061,623</u>
OPERATING PROFIT	<u>1,580,744</u>	<u>(20,276)</u>	1,560,468	1,105,242
Profit on sale of tangible fixed assets			-	84,190
Interest payable (Note 6)			<u>(1,008,881)</u>	<u>(788,467)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			551,587	400,965
Taxation (Note 7)			<u>(163,594)</u>	<u>(70,443)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION (Note 16)			387,993	330,522
Equity dividends paid (Notes 8 and 16)			<u>(131,765)</u>	<u>(88,942)</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR			<u>256,228</u>	<u>241,580</u>

S JENNINGS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1997

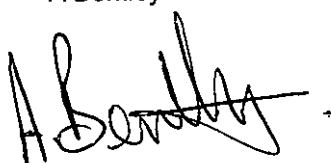
	1997 £	1996 £
FIXED ASSETS		
Tangible assets (Note 9)	8,208,414	9,299,983
Investments (Note 10)	<u>-</u>	<u>404,000</u>
	8,208,414	9,703,983
CURRENT ASSETS		
Stocks (Note 11)	9,600,567	6,124,036
Advance Corporation Tax	-	117,909
Debtors (Note 12)	2,630,384	2,841,856
Cash in hand and at bank	<u>1,053,073</u>	<u>1,052,105</u>
	13,284,024	10,135,906
CREDITORS: (amounts falling due within one year) (Note 13)	<u>(14,980,692)</u>	<u>(11,952,891)</u>
NET CURRENT LIABILITIES	<u>(1,696,668)</u>	<u>(1,816,985)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	6,511,746	7,886,998
CREDITORS: (amounts falling due after more than one year) (Note 14)	(314,175)	(1,950,655)
PROVISIONS FOR LIABILITIES AND CHARGES (Note 15)	(38,000)	(313,000)
	<u>6,159,571</u>	<u>5,623,343</u>
CAPITAL AND RESERVES		
Called up equity share capital (Notes 16 and 17)	658,827	658,827
Share premium account (Note 16)	26,425	26,425
Revaluation reserve (Note 16)	1,780,347	2,317,564
Profit and loss account (Note 16)	3,677,624	2,604,179
Capital reserve (Note 16)	<u>16,348</u>	<u>16,348</u>
EQUITY SHAREHOLDERS' FUNDS	<u>6,159,571</u>	<u>5,623,343</u>

The notes on pages 9 to 20 form part of these financial statements.

The financial statements were approved by the Board of Directors on 8 April 1998 and signed on their behalf by:

A Bentley

Chairman



S JENNINGS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1997

	<u>Note</u>	<u>1997</u> £	<u>1996</u> £
Net cash inflow from operating activities	19	1,750,829	1,805,947
Returns on investment and servicing of finance:			
Interest paid		(1,008,881)	(788,467)
Taxation:			
Corporation tax paid		(58,796)	(29,701)
Capital expenditure:			
Payments to acquire tangible fixed assets		(1,034,728)	(1,390,176)
Receipts from sales of tangible fixed assets		<u>1,877,363</u>	<u>11,474</u>
		1,525,787	(390,923)
Equity dividends paid		<u>(131,765)</u>	<u>(88,942)</u>
		1,394,022	(479,865)
Financing:			
Ford Credit PLC finance		847,791	(243,830)
Bank loans drawn down		-	60,042
Bank loans repaid		(2,552,969)	(350,000)
Other loans repaid		(188,068)	-
Hire purchase finance		<u>262,282</u>	<u>550,006</u>
Decrease in cash	20,21	<u>(236,942)</u>	<u>(463,647)</u>

S JENNINGS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<u>1997</u> £	<u>1996</u> £
Profit on ordinary activities after taxation	387,993	330,522
Unrealised surplus on revaluation of properties	<u>-</u>	<u>787,147</u>
Total recognised gains and losses relating to the year since the last annual report	<u>387,993</u>	<u>1,117,669</u>

HISTORICAL COST PROFITS AND LOSSES

	<u>1997</u> £	<u>1996</u> £
Reported profit on ordinary activities before taxation	551,587	400,965
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	8,580	6,720
Profit on disposal of fixed assets calculated by reference to cost	<u>-</u>	<u>-</u>
Historical cost profit on ordinary activities before taxation	<u>560,167</u>	<u>407,685</u>
Historical cost profit for the year retained after taxation and dividends	<u>264,808</u>	<u>248,300</u>

S JENNINGS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997

1 ACCOUNTING POLICIES

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

(a) Accounting convention

The financial statements are prepared under the historical cost convention except in respect of land and buildings which have been revalued, and have been accounted for in accordance with applicable accounting standards.

(b) Turnover

Turnover represents amounts invoiced by the company in respect of goods and services provided during the year, excluding value added tax.

(c) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation.

Depreciation on tangible fixed assets is calculated on the straight line method by equal annual instalments and aims to write down the cost of all tangible fixed assets over their expected useful lives.

The annual rates applicable are:

Freehold properties	1%
Motor vehicles	25%
Rental vehicles	25%
Plant, machinery and fixtures and fittings	20% and 10%

(d) Stocks

Stocks are stated at the lower of cost and net realisable value.

(e) Deferred taxation

The company makes provision on the liability basis only if the deferred taxation on accelerated capital allowances and other timing differences is likely to crystallise in the foreseeable future.

(f) Finance leases

Assets which are acquired under finance leases are recorded in the balance sheet as tangible fixed assets and the related obligations to pay future rentals (net of finance charges) are included within creditors.

(g) Operating leases

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

S JENNINGS LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (continued)

1 ACCOUNTING POLICIES (continued)

(h) Lubricant support grants

Lubricant support grants received are treated as deferred income which is credited to the profit and loss account over the period of the support contract.

(i) Rents

Rents receivable have been brought into these financial statements on an earnings basis.

(j) Pension contributions

The costs of providing pensions for staff are charged in the profit and loss account over the service lives of the employees in accordance with the recommendations of qualified independent actuaries. Any funding surpluses or deficits which may arise from time to time are amortised over the average remaining service lives of the employees.

2 SEGMENTAL INFORMATION

	<u>Turnover</u> <u>1997</u> £	<u>Gross profit</u> <u>1997</u> £	<u>Turnover</u> <u>1996</u> £	<u>Gross profit</u> <u>1996</u> £
Activity:				
Motor and Agricultural vehicles	64,661,590	4,351,401	59,678,773	3,426,737
Service, parts, petrol and sundry activities	15,959,587	5,194,427	12,999,181	5,268,957
	<hr/>	<hr/>	<hr/>	<hr/>
	80,621,177	9,545,828	72,677,954	8,695,694
	<hr/>	<hr/>	<hr/>	<hr/>

All trading activities are conducted within the United Kingdom.

3 OPERATING EXPENSES

	<u>1997</u> £	<u>1996</u> £
Staff costs (see note 4)	4,674,679	4,421,034
Other costs		
including - auditors' remuneration of £29,000 (1996: £29,000)	3,655,999	3,185,311
Depreciation and amounts written off tangible fixed assets	249,167	259,730
Management charges payable to parent company	<hr/> 754,200	<hr/> 928,000
	9,334,045	8,794,075
	<hr/>	<hr/>

Non audit fees in the year amounted to £6,450 (1996: £5,300).

The management charge is payable to AB500 Limited, the parent undertaking. A Bentley, GH Armstrong, RH Andrew, NA Khan and NW Dalkin are shareholders of AB500 Limited.

S JENNINGS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (continued)

4 DIRECTORS AND EMPLOYEES

The average number of persons employed (including directors) during the year was as follows:

	<u>1997</u> <u>Number</u>	<u>1996</u> <u>Number</u>
Non-executive directors	2	2
Management	27	25
Administration	58	56
Vehicle sales	72	67
Mechanics and others	<u>221</u>	<u>221</u>
	380	371
	<u>=====</u>	<u>=====</u>

The aggregate payroll costs of these persons were as follows:

	<u>1997</u> <u>£</u>	<u>1996</u> <u>£</u>
Salaries and wages	4,225,836	3,997,266
Employer's social security costs	358,909	332,589
Employer's pension contributions	<u>89,934</u>	<u>91,179</u>
	4,674,679	4,421,034
	<u>=====</u>	<u>=====</u>

Directors' emoluments

	<u>1997</u>	<u>1996</u>
Aggregate emoluments	1,500	2,500
Sums paid to third parties for directors services	<u>520,684</u>	<u>444,966</u>
	<u>=====</u>	<u>=====</u>

No retirement benefits are accruing to directors under either defined contribution (money purchase) schemes or defined benefit schemes during the year (1996: nil).

Highest paid director

	<u>1997</u> <u>£</u>	<u>1996</u> <u>£</u>
Total amount of emoluments	<u>1,500</u>	<u>1,250</u>
	<u>=====</u>	<u>=====</u>

A Bentley, GH Armstrong, RH Andrews, NA Khan and NW Dalkin are directors and shareholders of AB500 Limited, the parent undertaking. Their emoluments for the year are shown in the accounts of that company.

S JENNINGS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (continued)

4 DIRECTORS AND EMPLOYEES (continued)

Pensions

The company operated a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company and are invested in an insurance company managed fund, this scheme ceased to operate during the year.

Contributions were charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions to the final salary scheme were determined by a qualified actuary on the basis of triennial valuations using the attained age method. The most recent valuation was at 1 May 1995.

The assumptions which had the most significant effect on the results of the valuation were those relating to the rate of return on investments and to the rates of increase in pay and pensions. It was assumed that the investment returns would be 9% per annum, that pay increases would average 7.5% per annum and that pensions in payment would have increased at guaranteed rates.

The pension charge for the year based on the above assumptions was £12,343 (1996 : £30,244).

The most recent valuation used the attained age method and showed that the market value of the scheme's assets was £1,025,000 and that the actuarial value of those assets represented 100% of the benefits that had accrued to members, after allowing for expected future increases in pay. The regular cost of the scheme to the company was 8.8% of the pensionable salary and additionally the cost of both the death in service insurance premium and administration expenses.

The company also operates defined contribution pension schemes. The assets of the schemes are held separately from those of the group in independently administered schemes. The pension cost charge represents contributions payable by the company to the funds and amounted to £77,591 (1996: £69,811).

5 OTHER INCOME

	<u>1997</u>	<u>1996</u>
	£	£
Ford Credit plc finance commission	995,973	855,225
Interest received	-	413
Insurance commission	2,559	3,036
Lubricant support grant	144,086	127,812
Other Income	60,000	75,137
	<hr/>	<hr/>
	1,202,618	1,061,623
	<hr/>	<hr/>

S JENNINGS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (continued)

6 INTEREST PAYABLE

	<u>1997</u>	<u>1996</u>
	£	£
Bank loans and overdrafts	488,552	421,429
Ford Credit plc	382,387	263,936
Hire purchase contracts	137,942	103,102
	<hr/>	<hr/>
	1,008,881	788,467
	<hr/>	<hr/>

The bank overdrafts and loans figure includes £149,141 (1995: £233,126) payable for the medium term bank loan.

7 TAXATION

	<u>1997</u>	<u>1996</u>
	£	£
The tax charge on the profit on ordinary activities for the year comprises:		
Current Year		
Corporation tax at 31% (1996:33%)	158,221	67,000
Deferred tax at 31% (1996: 33%)	17,000	(18,000)
Prior Year		
Corporation tax at 31% (1996:33%)	(14,348)	-
Deferred tax at 33% (1996:33%)	(12,000)	(20,000)
ACT written off	14,721	41,443
	<hr/>	<hr/>
	163,594	70,443
	<hr/>	<hr/>

8 EQUITY DIVIDENDS

	<u>1997</u>	<u>1996</u>
	£	£
Interim dividend of 15p (1996: 6p) per ordinary share, paid 1 July 1997	98,824	39,530
Second interim dividend of 5p (1996: 7.5p) per ordinary share, paid 19 December 1997	<u>32,941</u>	<u>49,412</u>
	131,765	88,942
	<hr/>	<hr/>

S JENNINGS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (continued)

9 TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant machinery fixtures and company vehicles £	Assets in the course of construction £	Total £
<u>Cost or valuation</u>				
At 1 January 1997	8,927,956	1,877,015	75,054	10,880,025
Additions	751,242	283,486	-	1,034,728
Disposals	(1,860,000)	(183,082)	-	(2,043,082)
Transfers	75,054	-	(75,054)	-
	<u>7,894,252</u>	<u>1,977,419</u>	<u>-</u>	<u>9,871,671</u>
<u>Depreciation</u>				
At 1 January 1997	47,956	1,532,086	-	1,580,042
Charge for the year	80,239	168,928	-	249,167
Disposals	-	(165,952)	-	(165,952)
	<u>128,195</u>	<u>1,535,062</u>	<u>-</u>	<u>1,663,257</u>
<u>Net Book Amount</u>				
31 December 1997	<u>7,766,057</u>	<u>442,357</u>	<u>-</u>	<u>8,208,414</u>
31 December 1996	<u>8,880,000</u>	<u>344,929</u>	<u>75,054</u>	<u>9,299,983</u>

Certain of the land and buildings of the company were valued by Messrs Lamb & Edge in January 1997 on an open market basis of valuation in accordance with guidance issued by the Royal Institution of Chartered Surveyors, this valued properties whose cost/valuation was £8,449,778 at £8,927,956.

The previous valuation occurred during 1992, when properties which had cost £4,727,384 were valued at £7,293,500.

The amount of freehold land and buildings determined according to the historical cost convention would be as follows:

	<u>1997</u> £	<u>1996</u> £
Cost	6,586,213	6,275,780
Depreciation	<u>(321,776)</u>	<u>(280,037)</u>
	<u>6,264,437</u>	<u>5,995,743</u>

S JENNINGS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (continued)

10 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	<u>1997</u> £	<u>1996</u> £
At 1 January 1997	404,000	404,000
Additions	-	-
Provision for permanent diminution in value	(404,000)	-
	<hr/>	<hr/>
At 31 December 1997	-	404,000
	<hr/>	<hr/>

Subsidiaries held throughout the year, all of which were wholly owned, and are registered in England were:

	<u>Principal activity</u>
S Jennings (South Shields) Limited	Dormant

Consolidated accounts have not been prepared as the company is a subsidiary of AB 500 Limited whose consolidated accounts include those of S Jennings Limited and its subsidiaries.

11 STOCK

	<u>1997</u> £	<u>1996</u> £
Stocks for resale	7,133,410	6,124,036
Committed vehicle purchases (Note 24)	2,467,157	-
	<hr/>	<hr/>
	9,600,567	6,124,036
	<hr/>	<hr/>

12 DEBTORS

	<u>1997</u> £	<u>1996</u> £
Trade debtors	1,929,502	2,312,355
Amounts due from parent company	69,762	74,182
Prepayments and accrued income	631,120	455,319
	<hr/>	<hr/>
	2,630,384	2,841,856
	<hr/>	<hr/>

S JENNINGS LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (continued)

13 CREDITORS: (Amounts falling due within one year)

	<u>1997</u> £	<u>1996</u> £
Ford Credit plc (Secured)	3,968,000	3,120,209
Bank overdrafts (Secured)	3,112,370	2,874,460
Bank loan (see Note 14)	-	802,969
Other loans	26,347	26,347
Trade creditors	2,216,543	1,918,148
Amounts due to subsidiary undertakings	65,946	469,946
Amounts due to parent company	-	200,000
Hire purchase contracts (due within five years)	1,446,526	1,178,411
Corporation tax	53,007	67,000
Advance Corporation Tax	8,235	12,353
Social Security and other taxes	637,086	258,622
Accruals and deferred income	979,475	1,024,426
Committed vehicle purchases (Note 24)	<u>2,467,157</u>	<u>-</u>
	<u>14,980,692</u>	<u>11,952,891</u>

The amount due to Ford Credit plc is secured by a first charge on the vehicle stocks of the company.

The overdraft facility from Midland Bank plc, is secured by mortgages over the freehold properties of the company and by a fixed charge on the debts and a floating charge on the assets of the company dated 28 November 1988 and renewed on 6 January 1992.

14 CREDITORS: (Amounts falling due after more than one year)

	<u>1997</u> £	<u>1996</u> £
Bank loan	-	1,750,000
Other loans	6,754	194,822
Hire purchase contracts	-	5,833
Lubricant support grant	<u>307,421</u>	<u>-</u>
	<u>314,175</u>	<u>1,950,655</u>

The bank loan from Midland Bank plc bears interest at LIBOR of 7.47% and is secured by mortgages over the freehold properties of the company and by a fixed charge on the debts and a floating charge on the assets of the company dated 28 November 1988 and renewed on 6 January 1992.

The bank loan falls due for repayment:

	<u>1997</u> £	<u>1996</u> £
Between one and two years	-	350,000
Between two and five years	-	1,050,000
In five years or more	<u>-</u>	<u>350,000</u>
	<u>-</u>	<u>1,750,000</u>

S JENNINGS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (continued)

15 PROVISIONS FOR LIABILITIES AND CHARGES

The full potential liability for deferred taxation at 31% (1996 - 33%) not provided in the accounts is as follows:

	<u>1997</u> £	<u>1996</u> £
Capital allowances	43,000	33,000
Losses	(64,000)	(105,000)
Taxation on property revaluation surplus	787,563	857,000
Short term timing differences	<u>(5,000)</u>	<u>(4,000)</u>
	<u>761,563</u>	<u>781,000</u>

Provision has been made in 1997 for deferred taxation of £38,000 (1996: £313,000), arising due to accelerated capital allowances of £43,000 (1996 - £33,000), short term timing differences of £(5,000) (1996: £Nil) and a potential gain on revalued property of £Nil (1996 - £280,000)

16 MOVEMENT ON RESERVES AND RECONCILIATION OF EQUITY SHAREHOLDERS' FUNDS

	<u>Share Capital</u> £	<u>Share Premium</u> £	<u>Revaluation Reserve</u> £	<u>Profit and Loss Account</u> £	<u>Capital Reserve</u> £	<u>Equity Shareholders' Funds</u> £
At 31 December 1996	658,827	26,425	2,317,564	2,604,179	16,348	5,623,343
Revaluation surplus realised through disposals of tangible fixed assets	-	-	(808,637)	808,637	-	-
Historical cost depreciation charge transferred to reserves	-	-	(8,580)	8,580	-	-
Retained profit for the year attributable to ordinary shareholders	-	-	-	387,993	-	387,993
Ordinary dividends paid	-	-	-	(131,765)	-	(131,765)
Release of deferred tax provision	-	-	280,000	-	-	280,000
At 31 December 1997	<u>658,827</u>	<u>26,425</u>	<u>1,780,347</u>	<u>3,677,624</u>	<u>16,348</u>	<u>6,159,571</u>

S JENNINGS LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (continued)

17 CALLED UP EQUITY SHARE CAPITAL

	<u>1997</u> £	<u>1996</u> £
Authorised 750,000 ordinary shares of £1 each	750,000	750,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid 658,827 ordinary shares of £1 each	658,827	658,827
	<u> </u>	<u> </u>

18 CONTINGENT LIABILITY

A contingent liability exists under mortgages held by Midland Bank plc on the freehold properties of S Jennings Limited which are held as security against company borrowings.

**19 RECONCILIATION OF OPERATING PROFIT TO NET
CASH INFLOW FROM OPERATING ACTIVITIES**

	<u>1997</u> £	<u>1996</u> £
Operating profit	1,560,468	1,105,242
Depreciation charges	249,167	259,730
Profit on sale of tangible fixed assets	(233)	-
Increase in stocks	(3,476,531)	(1,553,578)
Decrease in stock deposit	-	602,879
Decrease in debtors	211,472	220,978
Increase in creditors	3,206,486	1,086,506
Income from Insurance Claim	-	84,190
	<u> </u>	<u> </u>
Net cash inflow from operating activities	1,750,829	1,805,947
	<u> </u>	<u> </u>

20 RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT

	<u>1997</u> £	<u>1996</u> £
Decrease in cash in the period	(236,942)	(463,647)
Decrease/(increase) in Ford Credit finance	(847,791)	243,830
Increase in Hire Purchase finance	(262,282)	(550,006)
Decrease in bank loans	2,552,969	289,958
Decrease in other loans	<u>188,068</u>	<u>22,066</u>
Change in net debt	1,394,022	(457,799)
Net debt at 1 January	<u>(8,900,946)</u>	<u>(8,443,147)</u>
Net funds at 31 December	<u>(7,506,924)</u>	<u>(8,900,946)</u>

S JENNINGS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (continued)

21 ANALYSIS OF CHANGES IN NET DEBT

	1 January 1997 £	Cashflows £	31 December 1997 £
Cash in hand and at bank	1,052,105	968	1,053,073
Overdrafts	(2,874,460)	(237,910)	(3,112,370)
		(236,942)	
Debt due within one year	(5,127,936)	(312,937)	(5,440,873)
Debt due after one year	(1,950,655)	1,943,901	(6,754)
Total	(8,900,946)	1,394,022	(7,506,924)

22 SALE OR RETURN STOCK

At 31 December 1997 the company held vehicles valued at £12,885,509 (excluding vehicles held on behalf of retail dealers) on a sale or return basis (1996: £11,687,022). These vehicles were supplied by Ford Motor Company Limited who retain control over their distribution until such time as they are formally adopted by a dealership. These vehicles together with the associated liability are therefore not included in the company's balance sheet.

23 ANALYSIS OF ACQUISITIONS IN THE YEAR

The profit and loss account contains a full years results in respect of S Jennings of South Shields, whose trade was transferred to S Jennings Ltd on 1 January 1996.

On 1 July 1997 S Jennings Limited acquired the trade and the following net assets of Ewart Parsons Limited:

	<u>As recorded in the acquiree's accounts and at fair value</u> £
Leasehold property	480,000
Fixed assets	145,000
Stocks	364,332
	<hr/>
	989,332
Goodwill	-
	<hr/>
Purchase price (including acquisition expenses) - cash	989,332
	<hr/>

The trading results of the business prior to the acquisition are not available.

S JENNINGS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (continued)

24 COMMITTED VEHICLE PURCHASES

At 31 December 1997 the company is committed to purchase used vehicles valued at £2,467,157. These vehicles have been supplied direct to a third party by Ford Motor Company Limited. The company is committed to purchase these vehicles after a period of no more than 6 months at a predetermined fixed price.

These vehicles together with the associated liability are therefore included in the company's balance sheet.

25 PARENT UNDERTAKING

The ultimate parent undertaking is AB500 Limited, a company registered in England.