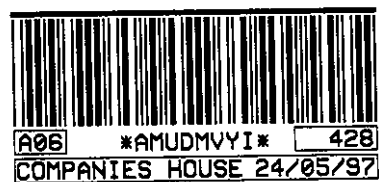


S JENNINGS LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 1996

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
Prospect Place
Darlington
Co Durham

SOLICITORS

Wilkinson Maughan
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 1996

The directors present their report and audited financial statements for the year ended 31 December 1996.

PRINCIPAL ACTIVITIES

The principal activities of the company at 31 December 1996 comprised the sale, service and repair of motor vehicles, supply of parts and accessories, and forecourts.

The company sold its agricultural business interests on 1 February 1996, and acquired another motor dealership on 1 March 1996.

REVIEW OF THE BUSINESS

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

RESULTS AND DIVIDENDS

During the year the company made a profit after taxation of £330,522 (1995: £1,623,472). Dividends of £88,942 (1995: £85,648) have been paid, leaving a retained profit for the year of £241,580 (1995: £1,537,824) 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>31 December 1996</u>	<u>31 December 1995</u>
A Bentley	250	250
IJ Brunning	41,032	41,032
GH Armstrong	250	250
TD Hodgson	16,660	12,250
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 AB500 Limited are disclosed in that company's directors' report.

S JENNINGS LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1996 (continued)

POLITICAL AND CHARITABLE CONTRIBUTIONS

Contributions during the year to United Kingdom charitable organisations amounted to £475 (1995 £715). 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



24 March 1997

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 1996 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

Newcastle upon Tyne

24 March 1997

S JENNINGS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1996

	Continuing operations	Acquisitons	1996 £	1995 £
TURNOVER (Notes 1 and 2)	53,874,038	18,803,916	72,677,954	55,249,255
Cost of sales	<u>(47,789,433)</u>	<u>(16,192,827)</u>	<u>(63,982,260)</u>	<u>(48,829,407)</u>
GROSS PROFIT (Note 2)	6,084,605	2,611,089	8,695,694	6,419,848
Operating expenses (Note 3)	(6,110,152)	(2,683,923)	(8,794,075)	(6,527,577)
Rents receivable	142,000	-	142,000	120,000
Other operating income (Note 5)	<u>802,843</u>	<u>258,780</u>	<u>1,061,623</u>	<u>764,151</u>
OPERATING PROFIT	<u>919,296</u>	<u>185,946</u>	1,105,242	776,422
Income from shares in group undertakings			-	1,679,569
Investment written off			-	(336,420)
Profit on sale of fixed assets			84,190	341,499
Interest payable (Note 6)			<u>(788,467)</u>	<u>(821,866)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			400,965	1,639,204
Taxation (Note 7)			<u>(70,443)</u>	<u>(15,732)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION (Note 16)			330,522	1,623,472
Equity dividends (Notes 8 and 16)			<u>(88,942)</u>	<u>(85,648)</u>
RETAINED PROFIT FOR THE YEAR			<u>241,580</u>	<u>1,537,824</u>

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

There are no other recognised gains or losses in the year (1995 - Nil).

S JENNINGS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1996

	<u>1996</u> £	<u>1995</u> £
FIXED ASSETS		
Tangible assets (Note 9)	9,299,983	7,393,870
Investments (Note 10)	<u>404,000</u>	<u>404,000</u>
	9,703,983	7,797,870
CURRENT ASSETS		
Deferred assets (Note 11)	117,909	128,821
Stocks for resale	6,124,036	4,570,458
Stock deposit	-	602,879
Debtors (Note 12)	2,841,856	3,062,834
Cash in hand and at bank	<u>1,052,105</u>	<u>1,052,549</u>
	10,135,906	9,417,541
CREDITORS: (amounts falling due within one year) (Note 13)	<u>(11,952,891)</u>	<u>(9,855,135)</u>
NET CURRENT LIABILITIES	<u>(1,816,985)</u>	<u>(437,594)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	7,886,998	7,360,276
CREDITORS: (amounts falling due after more than one year) (Note 14)	(1,950,655)	(2,414,660)
Deferred taxation (Note 15)	(313,000)	(71,000)
	<u>5,623,343</u>	<u>4,874,616</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)	2,317,564	1,817,137
Profit and loss account (Note 16)	2,604,179	2,355,879
Capital reserve (Note 16)	<u>16,348</u>	<u>16,348</u>
EQUITY SHAREHOLDERS' FUNDS	<u>5,623,343</u>	<u>4,874,616</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 24 March 1997 and signed on their behalf by:

A Bentley  Chairman

S JENNINGS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1996

	<u>Note</u>	£	<u>1996</u> £	£	<u>1995</u> £
Net cash inflow/(outflow) from operating activities	19		2,355,953		(517,427)
Returns on investment and servicing of finance:					
Interest paid		(788,467)		(821,866)	
Dividends paid		<u>(88,942)</u>		<u>(85,648)</u>	
Net cash outflow from returns on investment and servicing of finance			(877,409)		(907,514)
Taxation:					
Corporation tax paid		<u>(29,701)</u>		<u>(52,304)</u>	
Tax paid			(29,701)		(52,304)
Investment activities:					
Purchase of tangible fixed assets		(1,390,176)		(2,515,763)	
Sale of tangible fixed assets		<u>11,474</u>		<u>2,547,188</u>	
Net cash (outflow)/inflow from investing activities			(1,378,702)		31,425
Net cash inflow/(outflow) before financing			70,141		(1,445,820)
Financing:					
Ford Credit PLC		(243,830)		721,944	
Bank loans drawn down		60,042		289,666	
Bank loans repayment		<u>(350,000)</u>		<u>-</u>	
Net cash (outflow)/inflow from financing			(533,788)		1,011,610
(Decrease) in cash and cash equivalents	19		<u>(463,647)</u>		<u>(434,210)</u>

S JENNINGS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<u>1996</u>	<u>1995</u>
Profit for the financial year	330,522	1,623,472
Unrealised surplus on revaluation of properties	<u>787,147</u>	<u>-</u>
Total recognised gains and losses relating to the year since the last annual report	<u>1,117,669</u>	<u>1,623,472</u>

HISTORICAL COST PROFITS AND LOSSES

	<u>1996</u> £	<u>1995</u> £
Reported profit on ordinary activities before taxation	400,965	1,639,204
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	6,720	5,145
Profit on disposal of fixed assets calculated by reference to cost	-	533,439
Historical cost profit on ordinary activities before taxation	<u>407,685</u>	<u>2,177,788</u>
Historical cost profit for the year retained after taxation and dividends	<u>248,300</u>	<u>2,076,408</u>

S JENNINGS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996

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 prepared 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 is calculated on the straight line method by equal annual instalments and aims to write down the cost of all 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 in creditors.

(g) Operating Leases

Operating leases are charged on a straight line basis over the period of the lease.

S JENNINGS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (continued)

1 ACCOUNTING POLICIES (continued)

(h) Rents

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

(i) 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 SEGMENT INFORMATION

	<u>Turnover</u> <u>1996</u> £	<u>Gross profit</u> <u>1996</u> £	<u>Turnover</u> <u>1995</u> £	<u>Gross profit</u> <u>1995</u> £
Activity:				
Motor and Agricultural vehicles	59,678,773	3,426,737	41,446,730	2,822,954
Service, parts, petrol and sundry activities	12,999,181	5,268,957	13,725,569	3,519,938
Rental income	-	-	76,956	76,596
	<u>72,677,954</u>	<u>8,695,694</u>	<u>55,249,255</u>	<u>6,419,848</u>

All trading activities are conducted within the United Kingdom.

3 OPERATING EXPENSES

	<u>1996</u> £	<u>1995</u> £
Staff costs (see note 4)	4,421,034	3,021,472
Other costs		
including - auditors' remuneration of £29,000 (1995: £29,000)	3,185,311	2,153,226
Depreciation and amounts written off tangible fixed assets	259,730	218,879
Management charge	<u>928,000</u>	<u>1,134,000</u>
	<u>8,794,075</u>	<u>6,527,577</u>

Non audit fees in the year amounted to £5,300 (1995: £21,500).

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

S JENNINGS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (continued)

4 DIRECTORS AND EMPLOYEES

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

	<u>1996</u> <u>Number</u>	<u>1995</u> <u>Number</u>
Non-executive directors	2	2
Management	25	19
Administration	56	42
Vehicle sales	67	55
Mechanics and others	<u>221</u>	<u>140</u>
	<u>371</u>	<u>258</u>

The aggregate payroll costs of these persons were as follows:

	<u>1996</u> <u>£</u>	<u>1995</u> <u>£</u>
Salaries and wages	3,997,266	2,752,600
Employer's social security costs	332,589	217,443
Employer's pension contributions	<u>91,179</u>	<u>51,429</u>
	<u>4,421,034</u>	<u>3,021,472</u>

Employment costs included above relating to the directors amounted to £2,500 (1995: £2,300). Emoluments of the Chairman amounted to £Nil (1995: £Nil). Emoluments of the highest paid director in 1996 amounted to £1,250 (1995: £1,150). The emoluments of the directors were within the following ranges:

	<u>1996</u> <u>Number</u>	<u>1995</u> <u>Number</u>
Less than £5,000	<u>7</u>	<u>6</u>

A Bentley, GH Armstrong, RH Andrew, 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.

The company operates 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.

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 to the final salary scheme are 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.

S JENNINGS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (continued)

4 DIRECTORS AND EMPLOYEES (continued)

The assumptions which have the most significant effect on the results of the valuation are 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 increase at the guaranteed rates.

The pension charge for the year based on the above assumptions was £30,244 (1995 : £51,429). A payment of £62,619 (1995 : £62,619) is included in debtors, this being the excess of the amount funded over the accumulated pension cost.

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 is 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 £69,811 (1995: £29,850).

5 OTHER INCOME

	<u>1996</u>	<u>1995</u>
	£	£
Ford Credit plc finance commission	855,225	624,931
Interest received	413	2,325
Insurance commission	3,036	2,495
Forecourt grant	127,812	134,400
Other Income	75,137	-
	<hr/>	<hr/>
	1,061,623	764,151
	<hr/>	<hr/>

6 INTEREST PAYABLE

	<u>1996</u>	<u>1995</u>
	£	£
Bank overdrafts and loans	421,429	400,715
Ford Credit plc	263,936	361,653
Hire purchase contracts	103,102	59,498
	<hr/>	<hr/>
	788,467	821,866
	<hr/>	<hr/>

The bank overdrafts and loans figure includes £233,126 (1995: £245,939) payable for the medium term bank loan.

S JENNINGS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (continued)

7 TAXATION

	<u>1996</u> £	<u>1995</u> £
The tax charge on the profit on ordinary activities for the year comprises:		
Current Year		
Corporation tax at 33% (1995:33%)	67,000	-
Deferred tax at 33% (1995: 33%)	(18,000)	21,000
Prior Year		
Corporation tax at 33% (1995:33%)	-	(5,268)
Deferred tax at 33% (1995:33%)	(20,000)	-
ACT written off	41,443	-
	<u>70,443</u>	<u>15,732</u>

8 EQUITY DIVIDENDS

	<u>1996</u> £	<u>1995</u> £
Interim dividend of 6p (1995: 6p) per share paid 26 June 1996	39,530	39,530
Second interim dividend of 7.5p (1995: 7p) per share paid 19 December 1996	<u>49,412</u>	<u>46,118</u>
	<u>88,942</u>	<u>85,648</u>

S JENNINGS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (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 1996	7,300,663	1,706,629	-	9,007,292
Transfer from subsidiaries	197,956	374,651	-	572,607
Additions	951,259	120,024	75,054	1,146,337
Disposals	-	(324,289)	-	(324,289)
Revaluation	478,078	-	-	478,078
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1996	8,927,956	1,877,015	75,054	10,880,025
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Depreciation</u>				
At 1 January 1996	242,809	1,370,613	-	1,613,422
Transfer from subsidiaries	37,956	290,812	-	328,768
Charge for the year	76,254	183,476	-	259,730
Disposals	-	(312,815)	-	(312,815)
Revaluation	(309,063)	-	-	(309,063)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1996	47,956	1,532,086	-	1,580,042
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Net Book Amount</u>				
31 December 1996	8,880,000	344,929	75,054	9,299,983
	<hr/>	<hr/>	<hr/>	<hr/>
31 December 1995	7,057,854	336,016	-	7,393,870
	<hr/>	<hr/>	<hr/>	<hr/>

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.

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

	1996 £	1995 £
Cost	6,275,780	5,282,018
Depreciation	(280,037)	(216,497)
	<hr/>	<hr/>
	5,995,743	5,065,521
	<hr/>	<hr/>

S JENNINGS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (continued)

10 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	<u>1996</u> £	<u>1995</u> £
At 1 January 1996	404,000	715,000
Additions	-	25,420
Provision for permanent diminution in value	-	(336,420)
	<hr/>	<hr/>
At 31 December 1996	<u>404,000</u>	<u>404,000</u>

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

	<u>Principal activity</u>
Jenleasing Limited	Dormant
Jennings of Stockton Limited	Dormant
Jennings of Washington Limited	Dormant
Jennings of Morpeth Limited	Dormant
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 DEFERRED ASSETS

	<u>1996</u> £	<u>1995</u> £
Advance Corporation Tax	<u>117,909</u>	<u>128,821</u>

S JENNINGS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (continued)

12 DEBTORS

	<u>1996</u> £	<u>1995</u> £
Trade debtors	2,312,355	1,610,308
Amounts due from parent company	74,182	15,740
Amounts due from subsidiary undertakings	-	911,028
Prepayments and accrued income	455,319	525,758
	<hr/>	<hr/>
	2,841,856	3,062,834
	<hr/>	<hr/>

13 CREDITORS: (Amounts falling due within one year)

	<u>1996</u> £	<u>1995</u> £
Amounts due to retail dealers	-	289,362
Ford Credit plc (Secured)	3,120,209	3,364,039
Bank overdrafts (Secured)	2,874,460	2,411,257
Bank loan (see Note 14)	802,969	742,927
Trade creditors	1,918,148	905,828
Hire purchase contracts	1,178,411	625,839
Corporation tax	67,000	-
Advance Corporation Tax	12,353	11,529
Social Security and other taxes	258,622	108,308
Accruals and deferred income	1,024,426	900,039
Amounts due to subsidiary undertakings	469,946	436,148
Amounts due to parent company	200,000	33,512
Other loans	<u>26,347</u>	<u>26,347</u>
	11,952,891	9,855,135
	<hr/>	<hr/>

The amount due to Ford Credit plc is secured by a first charge on the stock deposit with the Ford Motor Company Limited and 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.

S JENNINGS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (continued)

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

	<u>1996</u> £	<u>1995</u> £
Bank loan	1,750,000	2,100,000
Esso support grant	-	89,373
Hire purchase contracts	5,833	8,399
Other loans	194,822	216,888
	<u>1,950,655</u>	<u>2,414,660</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>1996</u>	<u>1995</u>
Between one and two years	350,000	350,000
Between two and five years	1,050,000	1,050,000
In five years or more	<u>350,000</u>	<u>700,000</u>
	<u>1,750,000</u>	<u>2,100,000</u>

15 PROVISIONS FOR LIABILITIES AND CHARGES

The full potential liability for deferred taxation at 33% (1995 - 33%) not provided in the accounts is as follows:

	<u>1996</u> £	<u>1995</u> £
Losses	(105,000)	-
Taxation on property revaluation surplus	857,000	600,000
Short term timing differences	<u>(4,000)</u>	<u>-</u>
	<u>748,000</u>	<u>600,000</u>

Provision has been made in 1996 for deferred taxation of £313,000, arising due to accelerated capital allowances of £33,000 (1995 - £71,000), and a potential gain on revalued property of £280,000 (1995 - nil).

S JENNINGS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (continued)

16 MOVEMENT ON RESERVES AND RECONCILIATION OF EQUITY SHAREHOLDERS' FUNDS

	Share Capital £	Share Premium £	Revaluation Reserve £	Profit and Loss Account £	Capital Reserve £	Equity Shareholders' Funds £
At 31 December 1994	658,827	26,425	2,355,721	279,471	16,348	3,336,792
Revaluation surplus	-	-	(533,439)	533,439	-	-
Revaluation surplus realised through depreciation	-	-	-	-	-	-
transferred to reserves	-	-	(5,145)	5,145	-	-
Result for the year attributable to ordinary shareholders	-	-	-	1,623,472	-	1,623,472
Ordinary dividends	-	-	-	(85,648)	-	(85,648)
At 31 December 1995	658,827	26,425	1,817,137	2,355,879	16,348	4,874,616
Revaluation surplus	-	-	787,147	-	-	787,147
Revaluation surplus realised through depreciation	-	-	-	-	-	-
transferred to reserves	-	-	(6,720)	6,720	-	-
Result for the year attributable to ordinary shareholders	-	-	-	330,522	-	330,522
Ordinary dividends	-	-	-	(88,942)	-	(88,942)
Provision for deferred taxation on revalued properties	-	-	(280,000)	-	-	(280,000)
At 31 December 1996	658,827	26,425	2,317,564	2,604,179	16,348	5,623,343

17 CALLED UP EQUITY SHARE CAPITAL

	1996 £	1995 £
Authorised 750,000 ordinary shares of £1 each	750,000	750,000
Allotted, called up and fully paid Ordinary shares of £1 each	658,827	658,827

S JENNINGS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (continued)

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 CASH FLOW STATEMENT

Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	<u>1996</u> £	<u>1995</u> £
Operating profit	1,105,242	776,422
Income from shares in group undertakings	-	1,679,569
Depreciation charges	259,730	218,879
Profit/loss on sale of tangible fixed assets	-	(30,184)
Investments written off	-	(25,420)
Increase in stocks	(1,553,578)	(4,150,582)
Decrease/(increase) in stock deposit	602,879	(602,879)
Decrease/(Increase) in debtors	220,978	(1,783,419)
Increase in creditors	1,764,324	3,087,414
Forecourt grant	(127,812)	(134,400)
Forecourt grant	-	358,173
Taxation	-	89,000
Income from Insurance Claim	84,190	-
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	2,355,953	(517,427)

Analysis of changes in cash and cash equivalents during the year

	<u>1996</u> £	<u>1995</u> £
Balance at 1 January 1996	(1,358,708)	(924,498)
Net cash (outflow)	<u>(463,647)</u>	<u>(434,210)</u>
Balance at 31 December 1996	<u>(1,822,355)</u>	<u>(1,358,708)</u>

Analysis of balances of cash and cash equivalents as shown in the balance sheet

	<u>1996</u> £	<u>1995</u> £	Change in 1996 £	<u>1994</u> £	Change in 1995 £
Cash in hand	1,052,105	1,052,549	(444)	1,050,000	2,549
Bank overdraft	<u>(2,874,460)</u>	<u>(2,411,257)</u>	<u>(463,203)</u>	<u>(1,974,498)</u>	<u>(436,759)</u>
	<u>(1,822,355)</u>	<u>(1,358,708)</u>	<u>(463,647)</u>	<u>(924,498)</u>	<u>(434,210)</u>

S JENNINGS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (continued)

20 SALE OR RETURN STOCK

At 31 December 1996 the company held vehicles valued at £11,687,022 (excluding vehicles held on behalf of retail dealers) on a sale or return basis (1995: £4,478,340). 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.

21 GROUP REORGANISATION

As part of the S Jennings Limited group reorganisation the trade and net assets of S Jennings (South Shields) Ltd were transferred to the company on 1 January 1996.

22 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 March 1996 S Jennings Limited acquired the trade and the following net assets of Peter Garven Limited:

	<u>As recorded in the acquiree's accounts and at fair value</u>
	£
Leasehold property	900,000
Fixed assets	47,813
Stocks	<u>106,594</u>
	1,054,407
Goodwill	<u>1</u>
Purchase price (including acquisition expenses) - cash	<u><u>1,054,408</u></u>

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

23 PARENT UNDERTAKING

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