

**Deloitte &
Touche**

Deloitte Touche
Tohmatsu
International



Company Registration No. 2685390

SPECKTOR LIMITED

Report and Financial Statements

30 April 1998

**Deloitte & Touche
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CHAIRMAN'S STATEMENT - YEAR END 30 APRIL 1998

The Directors' report and financial statement have been prepared following our 5th full year of trading and provide a thorough insight into the business. I propose once again to deal with the key elements of the business taking into account past and future indicators facing our industry, as well as the company. The new Ford Dealership at Merry Hill, Dudley has contributed well to the developing Ford marketing area in the West Midlands. The Company has not, however, completed the planned West Midlands regionalisation. The two remaining territories were not completed as planned due to longer than anticipated negotiations and achievement of acceptable terms to the Company. The Company has now received assurances from the vendors through the Ford Motor Company that our marketing area is estimated to be completed by January 1999. This will enable the current period's budgeted cost dispersion benefit to materialise in the coming year.

The industry's strategy of reducing Dealership levels has gained momentum and the chosen partners are becoming more apparent, to which end we are also pleased to report that the coming year will not only see the completion of the Ford marketing region but also, following lengthy negotiations, we will enjoy further growth with Toyota who show continued momentum in Europe as seen in the Japanese and American markets. Government policies facing our industry due to environment and congestion issues will accelerate manufacturer and Dealer rationalisation.

Following our last five years of operation the Hamer brand is now well established and, with our operational objectives agreed upon, the Company will be well placed to take the benefit of this change in the market place.

I am also pleased to report that the Company has exchanged contracts with J S Sainsbury plc in consideration for £2.5 million to acquire the Tamworth freehold property on Bonehill Road following completion of the new facility, again to be sited on the Bonehill Road. Our continued higher market share performance and customer satisfaction growth has been maintained, thereby protecting the more vulnerable aftersales operations which are being faced with lengthier service intervals.

Turnover for the Group has increased to £53,217,958 compared to £33,560,282 for 1997, a 58.6% increase. I am pleased to report operating profit levels have increased from £589,787 to £866,154, a 46.9% increase.

Following a very extensive and successful recruitment exercise I am extremely pleased to report our new Group Financial Director, Mr John Thompson, joined the Board on 3 August 1998. The Company is now well placed with its new senior management structure and the centralised management systems which is now in place to complete its manufacturers regionalisation. The Board is very excited about the financial returns the coming trading period will bring. The pace of change will accelerate in the run up to the Millennium and beyond and there will be a more dynamic, partnership based retail structure, not too dissimilar to those between car manufacturers and component suppliers. Those that remain will be well placed to prosper.

Once again we thank the management and staff for their continued loyalty and hard work and the Company looks forward to delivering the returns that the changes in the industry and our hard work will bring about.

K HAMER
Managing Director

REVIEW OF THE BUSINESS

This year has seen our core business show growth over previous years. Used Vehicles have throughout the industry created concern. Our Group has reduced its exposure in this area in allowing us to go into the busy August period and the new financial year more effectively. The figures below show the individual department operating profits for the year before central administration and financial charges.

	Year ended 30 April 1998 £	Year ended 30 April 1997 £	Movement %
New Vehicles	726,487	326,886	122.2
Used Vehicles	103,296	316,059	(67.3)
Parts	414,707	343,370	20.8
Service	769,100	616,344	24.8
Fast Fit	117,789	120,102	(1.9)
Body Shop	231,579	94,987	143.8
Rent-a-Car	10,439	17,878	(41.6)
TOTAL	2,373,397	1,835,626	29.3

NEW VEHICLES

The contribution for the West Midlands marketing area and the first full year trading of all Dealerships has shown significant growth of 122%. This is encouraging, and with the completion of the West Midlands marketing area later this year, should strengthen our leadership in this sector. Burton has established itself well with Toyota and achieved an average market share of 12.74% compared to Toyota nationally of 3.73%. Tamworth continues to retain its position of No. 1 in the Ford league tables. It is pleasing to note that there has been a significant rise in retail sales of 40% over the previous year, especially as the Ford Motor Company retail volumes have declined to 173,746 units, an 8.4% reduction.

USED VEHICLES

During the year we have successfully controlled our used vehicle stock and reduced further risk to residual values. To do this, however, has had an effect on our margins for the period. We have successfully retained profit in this area, albeit lower than the previous period, against the trend of many others in our industry. The pressure on the manufacturers in the second half of our financial year has seen them reducing the prices of new vehicles due to the strength of sterling assisting imports. This has had an effect on residual values with a typical C/D segment vehicle reducing on average by 5% per month compared to the previous industry norm of 1.5%. Continued monitoring of the used vehicle market, prudent purchasing policies, along with direct contact and influence with the market valuers, has and is reducing the position during the current financial year.

PARTS DEPARTMENT

Good growth has been generated in these departments. Halesowen, being the current parts holding centre for the CMA, shows an increase of 69% over the previous year. This, with a similar value stockholding for a single Dealership feeding Dudley as a satellite is producing the economies of scale attributable to a CMA. Tamworth shows a slight improvement on last year's performance, while Burton has maintained a similar performance to the previous year. The Group is looking forward to achieving further growth from this area of the business when we establish one central parts distribution centre in West Bromwich, instead of the two Ford wholesaling operations currently being run at Tamworth and Halesowen. Again, the economies of scale will bring further benefits by way of stocking and distribution.

REVIEW OF THE BUSINESS

SERVICE DEPARTMENT

Halesowen, Burton and Dudley have shown significant growth over the previous year contributing 66% to the operating profit. For the first time in six years, Tamworth, however, has shown a 7% reduction over the previous year. This is in an established area and in part reflects Ford Motor Company's initiatives with Fleets to reduce the on-going cost of ownership. We are mindful of this and are developing prospecting initiatives to control this effect throughout the year. We predict all manufacturers will extend schedules service intervals even further, with many standardising at 20,000 miles, therefore it is imperative that our customer initiatives are maintained in order to protect our current levels of business.

FAST FITS

This area has shown a slight decrease on the previous year and continues to be a very competitive area. As the franchised dealers increase representation in this segment of the market the independent will become more competitive, affecting margins. The Burton Auto Centre has remained static and has not affected the growth the Company required. We are working with Toyota in establishing the new Auto Centre brand and we will be monitoring and making judgements as required in the new period.

BODY SHOP

This area of our business continues to improve and our three established Body Shops have shown good growth (Burton from £16,331 to £85,155 which, although including only six months of trading for last year, still represents significant growth, an increase of over 500%; Tamworth 47% increase over previous year; Halesowen 75% increase over previous year). As a preferred Ford CMA partner, our Company will have the benefit of being approved for the Ford Insurance Scheme starting later this year. Perseverance in this area is now beginning to show good returns and repay our patience.

RENT-A-CAR

Albeit this department is run as a customer service, we are pleased to report that it has shown a slight profit and at the same time assisted in average new car stocks being reduced, whilst benefiting the Used Car Department by the regular supply of quality cars.

MARKETING AND ADVERTISING

Our unique fixed pricing policies have maintained our market leadership. Our quarterly clear and concise retailing strategies with consistent messages has seen the Hamer brand portraying a more trusting, open policy approach to car retailing. Due to the planned further expansion of the business, a marketing agency, Twenty Twenty, of Birmingham have been appointed. This decision has been taken on two counts, firstly to ensure that our message is consistent across the Group; and, secondly to enhance further effective budget and cost control consistent with our CMA objective.

REVIEW OF THE BUSINESS

CUSTOMER SATISFACTION PERFORMANCE

Our policy of fair, fixed pricing has placed Hamer Group continually at the top of market share league tables. Particular attention has been paid to the new vehicle delivery experience as this is the most critical area of the sales promise that, when handled effectively, ensures aftersales loyalty, and I am pleased to report the movement generated in the following indices is as follows:

	April 1998	Nov 1997
Tamworth Overall	8.35%	8.34%
Tamworth New Vehicle Sales	8.58%	8.41%
West Midlands CMA Overall	8.13%	7.74%
West Midlands CMA New Vehicles Sales	8.84%	8.13%
	April 1998	Dec 1997
Burton Overall	75.62%	75.83%
Burton Sales	81.71%	80.44%

The Company will continue to set its customer and employee objectives that bring about customer care in a cost effective manner.

EMPLOYEES

Further objectives and strategies have been set in order to bring about consistency in the business and to ensure our Company's Best Practices are achieved. Both existing and new employees continue to be reviewed on a regular basis in order that required training is continued, and in conjunction with the manufacturers, we will be embarking on new initiatives that guarantee our future. Personnel and process initiatives are well under way under the guidance of our new Company Secretary and Operational Directors. In the coming period employees understanding of the Company's objectives will be enhanced to ensure that both the Company's and employees expectations are achieved.

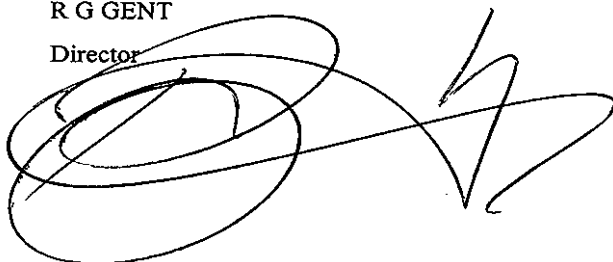
GROUP SUCCESSES

The Company has received much recognition throughout the 1997/98 period and I have taken the opportunity of listing a few examples below:

Ford District No. 1 Dealer for Market Share	- Tamworth
Ford District Parts Award 1997	- Halesowen
Motor Trader – Industry Award Winner 1997	- Toyota Burton
Midlands Sales Award Winner 1997	- Toyota Burton
A top volume Dealer in the UK April 1998	- Toyota Burton

R G GENT

Director



DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 April 1998.

ACTIVITIES

The principal activity of the group is the operation of Hamer Ford and Hamer Toyota motor dealerships.

REVIEW OF THE BUSINESS

Details of the review of the business are set out on pages 2, 3 and 4.

FUTURE PROSPECTS

Details of future developments of the group and company are given in the Chairman's statement, set out on page 1.

YEAR 2000

The directors have been given assurance that the new Kerridge Information Systems which has been implemented across the dealership network is 2000 Compliant. All other systems and procedures are being reviewed by management and no significant Year 2000 compliance issues have been identified or are anticipated.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £118,465 (1997 - £102,103). £28,739 (1997 - £50,403) of dividends for equity shares and £135,415 (1997 - £85,950) of dividends for non-equity shares have been paid and an amount of £40,015 (1997 - £12,446) has been credited against other reserves for finance charges in respect of non-equity shares. The remaining loss of £5,674 (1997 - loss £21,804) is set off against reserves.

DIRECTORS AND THEIR INTERESTS

The directors who held office at 30 April 1998 had the following beneficial interest in the shares of the company at the beginning and end of the financial year.

	Ordinary shares of £1 each	
	1998	1997
K Hamer	5,300	5,300
R G Gent	700	700
D V F Wimpres	-	-

No director had an interest in the 'A' ordinary shares or the Redeemable preference shares at any time during the year.

The directors hold a total of 60% of the voting rights of the combined ordinary and 'A' ordinary share capital. The remaining 40% of voting rights are held by 3i plc.

EMPLOYEE INVOLVEMENT

The group has established detailed procedures for consultation, communication and negotiations with its employees. The group places importance on this aspect of the business and all managers have a responsibility to this end.

DIRECTORS' REPORT

EMPLOYMENT OF DISABLED PERSONS

In considering applications for employment from disabled persons the group seeks to ensure that full and fair consideration is given to the abilities and aptitudes of the applicant against the requirements of the job specification. Employees who become disabled are given individual consideration and are always offered alternative employment within the group, appropriate to their abilities and skills, together with any necessary retraining.

Training, career development and promotion opportunities are available to all employees based on the aptitude and abilities of the individual and the group's business requirements.

AUDITORS

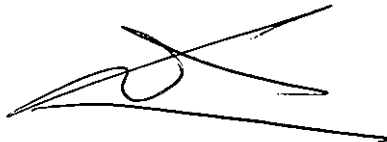
Deloitte & Touche have expressed their willingness to continue in office as auditors of the company. A resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

K HAMER

Director

16 September 1998



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 the group as at the end of the financial year and of the profit or loss of the group 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.



AUDITORS' REPORT TO THE MEMBERS OF SPECKTOR LIMITED

We have audited the financial statements on pages 9 to 28 which have been prepared under the accounting policies set out on pages 15 and 16.

Respective responsibilities of directors and auditors

As described on page 7 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 circumstances of the company and the group, 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 affairs of the company and the group as at 30 April 1998 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and Registered Auditors

16 September 1998

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 30 April 1998

	Note	£	1998 £	£	1997 £
TURNOVER	2				
Continuing operations			53,217,958		33,560,282
Cost of sales					
Continuing operations			(46,273,749)		(28,585,539)
Gross profit			6,944,209		4,974,743
Administrative expenses					
Continuing operations			(6,065,300)		(4,374,431)
PROFIT BEFORE AMORTISATION OF DEALERSHIP DEVELOPMENT EXPENDITURE AND GOODWILL			878,909		600,312
Amortisation of dealership development expenditure					
Continuing operations			(12,755)		(10,525)
OPERATING PROFIT	2, 4		866,154		589,787
Continuing operations					
Other interest receivable and similar income			-		729
Interest payable and similar charges	5		(713,904)		(459,413)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			152,250		131,103
Tax on profit on ordinary activities	6		(33,785)		(29,000)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			118,465		102,103
Dividends paid on equity shares	8	(28,739)		(50,403)	
Dividends paid on non-equity shares	8	(135,415)		(85,950)	
			(164,154)		(136,353)
Difference between non-equity finance costs and the related dividends	20		40,015		12,446
RETAINED PROFIT FOR THE FINANCIAL YEAR	20		(5,674)		(21,804)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 30 April 1998

	1998 £	1997 £
Profit for the year	118,465	102,103
Unrealised surplus on revaluation of freehold land and buildings	-	101,840
	<u>118,465</u>	<u>203,943</u>

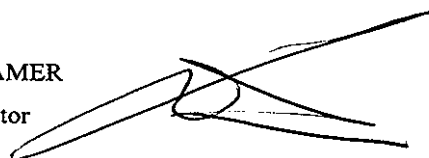
CONSOLIDATED BALANCE SHEET
30 April 1998

	Note	£	1998 £	1997 £
FIXED ASSETS				
Intangible assets	9	227,421		206,040
Tangible assets	10	6,322,362		5,964,611
			6,549,783	6,170,651
CURRENT ASSETS				
Stocks	12	7,417,453		6,959,825
Debtors	13	2,435,673		1,794,465
Cash at bank and in hand		281,323		1,630
		10,134,449		8,755,920
CREDITORS: amounts falling due within one year	14	(8,717,278)	(7,580,298)	
NET CURRENT ASSETS			1,417,171	1,175,622
TOTAL ASSETS LESS CURRENT LIABILITIES			7,966,954	7,346,273
CREDITORS: amounts falling due after more than one year	15	(5,215,027)		(4,562,657)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(52,000)		(38,000)
NET ASSETS			2,699,927	2,745,616
CAPITAL AND RESERVES				
Called up share capital	19	376,000		376,000
Share premium account	20	631,506		631,506
Revaluation reserve	20	1,344,095		1,344,095
Capital reserve	20	424,722		424,722
Other reserve	20	47,384		87,399
Profit and loss account	20	(123,780)		(118,106)
TOTAL SHAREHOLDERS' FUNDS	21	2,699,927		2,745,616
Attributable to equity shareholders' funds		1,692,543		1,698,217
Attributable to non-equity shareholders' funds	19(iii)	1,007,384		1,047,399
		2,699,927		2,745,616

These financial statements were approved by the Board of Directors on 16 September 1998.

Signed on behalf of the Board of Directors

K HAMER
 Director



BALANCE SHEET
30 April 1998

	Note	£	1998 £	£	1997 £
FIXED ASSETS					
Intangible assets	9	53,719		20,807	
Tangible assets	10	5,425,207		5,393,842	
Investments	11	2		2	
			5,478,928		5,414,651
CURRENT ASSETS					
Stocks	12	972,058		1,053,489	
Debtors	13	839,090		344,113	
Cash at bank and in hand		279,748		268,988	
		2,090,896		1,666,590	
CREDITORS: amounts falling due within one year	14	(1,715,199)		(1,538,166)	
NET CURRENT ASSETS			375,697		128,424
TOTAL ASSETS LESS CURRENT LIABILITIES			5,854,625		5,543,075
CREDITORS: amounts falling due after more than one year	15		(3,127,698)		(2,787,459)
PROVISIONS FOR LIABILITIES AND CHARGES	17		(27,000)		(10,000)
NET ASSETS			2,699,927		2,745,616
CAPITAL AND RESERVES					
Called up share capital	19		376,000		376,000
Share premium account	20		631,506		631,506
Revaluation reserve	20		1,344,095		1,344,095
Capital reserve	20		424,722		424,722
Other reserve	20		47,384		87,399
Profit and loss account	20		(123,780)		(118,106)
TOTAL SHAREHOLDERS' FUNDS	21		2,699,927		2,745,616
Attributable to equity shareholders' funds			1,692,543		1,698,217
Attributable to non-equity shareholders' funds	19(iii)		1,007,384		1,047,399
			2,699,927		2,745,616

These financial statements were approved by the Board of Directors on 16 September 1998.

Signed on behalf of the Board of Directors

K HAMER
 Director

CONSOLIDATED CASH FLOW STATEMENT
Year ended 30 April 1998

	Note	£	1998 £	£	1997 £
Net cash inflow from operating activities	(i)		2,022,626		4,837
Returns on investments and servicing of finance					
Interest received		-		729	
Interest paid		(690,250)		(435,133)	
Non-equity dividends paid		(135,415)		(85,950)	
Interest element of finance lease rental payments		(23,654)		(24,280)	
Net cash (outflow) from returns on investments and servicing of finance			(849,319)		(544,634)
Taxation					
Corporation tax paid		(3,000)		-	
Advanced corporation tax paid		(70,068)		(5,059)	
Tax paid			(73,068)		(5,059)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(366,225)		(436,966)	
Receipts from sales of tangible fixed assets		89,682		69,607	
Dealership development expenditure incurred		(22,136)			
Net cash (outflow) from capital expenditure and financial investment			(298,679)		(367,359)
Acquisitions and disposals					
Payments to acquire investments in subsidiaries		-		(1,324,781)	
Net cash overdraft with subsidiary		-		230	
Net cash (outflow) from acquisitions and disposals			-		(1,324,551)
Equity dividends paid			(28,739)		(50,403)
Net cash inflow/(outflow) before use of liquid resources and financing			772,821		(2,287,169)
Financing					
Issue of ordinary share capital		-		300,000	
Costs associated with issue of shares		-		(8,216)	
Debt due within one year					
Debenture loans		167,488		(20,000)	
Debt due beyond a year					
Debenture loans		386,484		850,000	
Capital element of finance lease rentals		(221,843)		(134,517)	
Net cash inflow from financing			332,129		987,267
Increase/(decrease) in cash			1,104,950		(1,299,902)

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
Year ended 30 April 1998

(i) RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	1998 £	1997 £
Operating profit	866,154	589,787
Amortisation of goodwill and dealership development costs	12,755	10,525
Depreciation	208,362	148,863
Increase in stocks	(457,628)	(3,492,287)
Increase in debtors	(684,718)	(658,163)
Increase in creditors	2,077,701	3,406,112
Net cash inflow from operating activities	<u>2,022,626</u>	<u>4,847</u>

(ii) ANALYSIS OF NET DEBT

	At 1 May 1997 £	Cash Flow £	Other non-cash changes £	At 30 April 1998 £
Cash in hand and at bank	1,630	279,693		281,323
Overdrafts	(1,738,981)	825,257		(913,724)
		1,104,950		
Debt due after one year	(2,703,750)	(386,484)	-	(3,090,234)
Debt due within one year	(30,000)	(167,488)	-	(197,488)
Finance leases	(272,099)	221,843	(272,650)	(322,906)
Total	<u>(4,743,200)</u>	<u>772,821</u>	<u>(272,650)</u>	<u>(4,243,029)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1998 £	1997 £
Increase.(decrease) in cash in the period	1,104,950	(1,299,902)
Cash inflow from increase debt and lease financing	<u>(332,129)</u>	<u>(695,483)</u>
Change in net debt resulting from cash flows	772,821	(1,995,385)
New finance leases	<u>(272,650)</u>	<u>(139,565)</u>
Movement in net debt in the period	505,416	(2,134,950)
Net debt at start of year	<u>(4,743,200)</u>	<u>(2,608,250)</u>
Net debt at end of year	<u>(4,243,029)</u>	<u>(4,743,200)</u>

NOTES TO THE ACCOUNTS
Year ended 30 April 1998

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings.

Basis of consolidation

The group financial statements consolidate, using the acquisition accounting method, the financial statements of the company and its subsidiary undertaking.

Turnover

Turnover represents amounts receivable for goods and services provided in the UK net of trade discounts and value added tax.

Dealer development expenditure

Dealership development expenditure is expenditure incurred prior to the motor dealership's opening and expenditure relating to long term sales campaigns. Dealer development expenditure is amortised over its estimated useful life of twenty years.

Goodwill

Goodwill is the excess of the fair value of the consideration given to acquire a business over the fair value of the separable net assets acquired. Goodwill is capitalised and amortised over the period during which the company is expected to benefit. The rate of amortisation charged is 5% per annum.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, less depreciation. Depreciation is provided on all tangible fixed assets other than land and buildings, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Leasehold improvements	Over the term of the lease
Plant and machinery	Over 5 to 20 years
Motor vehicles	Over 4 years
Fixtures, fittings, tools and equipment	Over 5 to 20 years

No depreciation is provided on freehold land and buildings as, in the opinion of the directors, the residual value would be sufficiently high to make any depreciation charge immaterial. The directors have based their estimate of residual value on current valuation. The company carries out full refurbishment to a high standard on an ongoing basis and costs are charged to the profit and loss account as they are incurred. Any permanent diminution in value is charged to the profit and loss account as it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents purchase cost on a first-in, first-out basis. Net realisable value is based on estimated selling price less further costs expected to be incurred prior to disposal.

Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that a liability to taxation is unlikely to crystallise.

NOTES TO THE ACCOUNTS
Year ended 30 April 1998

1. ACCOUNTING POLICIES (Continued)

Capital instruments

Capital instruments are accounted for and classified as debt, equity or non-equity share capital according to their form.

Leases and hire purchase commitments

Assets obtained under leases which result in the transfer to the company of substantially all the risks and rewards of ownership (finance leases) are capitalised as tangible fixed assets at the estimated present value of underlying lease payments and are depreciated in accordance with the above policy. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The finance element of the rental payments is charged to the profit and loss account over the period of the lease so as to produce a constant periodic rate of charge on the outstanding balance of the net obligation in each period.

Rentals paid under other leases (operating leases) are charged against income on a straight line basis over the lease term.

Pension costs

Pension contributions made to defined contribution schemes are charged to the profit and loss account in the year incurred.

2. SEGMENTAL INFORMATION

Class of business	Operating profit/		Operating profit/	
	Turnover	(loss)	Turnover	(loss)
	1998	1998	1997	1997
	£	£	£	£
New vehicle sales	25,548,275	726,487	15,232,988	326,886
Used vehicle sales	19,811,028	103,296	12,865,936	316,059
Parts	3,838,448	414,707	2,722,680	343,370
Service	2,320,195	769,100	1,565,923	616,344
Rapid fit	584,253	117,789	665,040	120,102
Body shop	976,914	231,579	449,381	94,987
Rent A Car	138,845	10,439	58,334	17,878
	<u>53,217,958</u>	<u>2,373,397</u>	<u>33,560,282</u>	<u>1,835,626</u>
Central administration expenses		(1,507,243)		(1,245,839)
Operating profit		<u>866,154</u>		<u>589,787</u>

NOTES TO THE ACCOUNTS
Year ended 30 April 1998

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1998 £	1997 £
Directors' emoluments		
Management remuneration (including pension contributions and benefits in kind)	194,229	134,080
	<u>194,229</u>	<u>134,080</u>
	No	No
Average number of persons employed	202	210
	<u>202</u>	<u>210</u>
	£	£
Staff costs during the year (including directors)		
Wages and salaries	2,046,620	1,912,898
Social security costs	200,531	192,475
Pension costs	39,889	20,656
	<u>2,287,040</u>	<u>2,126,029</u>

Two directors, for both years, are members of the pension scheme and the contribution paid on their behalf to the scheme was £4,747.

4. OPERATING PROFIT

	1998 £	1997 £
Operating profit is after charging:		
Amortisation of dealership development costs and goodwill	12,755	10,525
Depreciation		
Owned assets	102,101	75,747
Leased assets	106,261	73,116
Rentals under operating leases:		
Land and buildings	158,000	41,334
Auditors' remuneration:		
Audit services	17,000	13,000
Non audit services	6,000	6,700
	<u>17,000</u>	<u>13,000</u>
	<u>6,000</u>	<u>6,700</u>

NOTES TO THE ACCOUNTS
Year ended 30 April 1998

5. INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £	1997 £
On bank loans and overdrafts repayable:		
Within five years	422,842	251,439
Wholly or partly in more than five years	271,408	183,694
On finance leases terminating within five years	19,654	24,280
	<u>713,904</u>	<u>459,413</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £	1997 £
UK corporation tax at 21% (1997 - 33%)	31,000	18,000
Deferred taxation	10,000	8,000
Adjustment in respect of prior year	(7,215)	3,000
	<u>33,785</u>	<u>29,000</u>

7. PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's profit for the financial year amounted to £140,465 (1997 - £102,103).

8. DIVIDENDS

	1998 £	1997 £
Paid on ordinary shares - £2.874 per ordinary share (1997 - £6.389)	17,243	38,336
Final paid on 'A' ordinary equity shares - £2.874 per ordinary share (1997 - £3.017)	11,496	12,067
11.5% Redeemable preference dividend paid on non-equity shares	89,700	72,450
900% 'B' Redeemable preference dividend paid on non-equity shares	27,000	13,500
900% 'C' Redeemable preference dividend paid on non equity shares	18,715	-
	<u>164,154</u>	<u>136,353</u>
Difference between non-equity finance costs and the related dividends	(40,015)	(12,446)
	<u>124,139</u>	<u>123,907</u>

NOTES TO THE ACCOUNTS
Year ended 30 April 1998

9. INTANGIBLE FIXED ASSETS

The Group	Dealer Development Expenditure £	Goodwill £	Total £
Cost			
At 1 May 1997	127,688	127,421	255,109
Additions	34,136	-	34,136
At 30 April 1998	161,824	127,421	289,425
Accumulated depreciation			
At 1 May 1997	37,480	11,589	49,069
Charge for the year	6,384	6,371	12,755
At 30 April 1998	43,864	17,960	61,824
Net book value			
At 30 April 1998	117,960	109,461	227,421
At 30 April 1997	90,208	115,832	206,040
The Company			
Cost			
At 1 May 1997	-	24,479	24,479
Additions	34,136	-	34,136
At 30 April 1998	34,136	24,479	58,615
Accumulated depreciation			
At 1 May 1997	-	3,672	3,672
Charge for the year	-	1,224	1,224
At 30 April 1998	-	4,896	4,896
Net book value			
At 30 April 1998	34,136	19,583	53,719
At 30 April 1997	-	20,807	20,807

NOTES TO THE ACCOUNTS
Year ended 30 April 1998

10. TANGIBLE FIXED ASSETS

(i) Summary	Freehold land and buildings £	Leasehold improve- ments £	Plant and Equipment £	Motor vehicles £	Fixtures, fittings, tools and equipment £	Total £
The Group						
Cost or valuation						
At 1 May 1997	4,900,000	232,390	684,791	171,330	316,642	6,305,153
Additions	27,124	80,199	126,124	97,203	325,145	655,795
Disposals	-	-	(11,524)	(108,955)	-	(120,479)
At 30 April 1998	4,927,124	312,589	799,391	159,578	641,787	6,840,469
Accumulated depreciation						
At 1 May 1997	-	2,274	192,832	53,247	92,189	340,542
Charge for the year	-	11,142	107,135	34,855	55,230	208,362
Disposals	-	-	-	(30,797)	-	(30,797)
At 30 April 1998	-	13,416	299,967	57,305	147,419	518,107
Net book value						
At 30 April 1998	4,927,124	299,173	499,424	102,273	494,368	6,322,362
At 30 April 1997	4,900,000	230,116	491,959	118,083	224,453	5,964,611
The Company						
Cost or valuation						
At 1 May 1997	4,900,000	232,390	143,057	71,382	73,812	5,420,641
Additions	27,124	80,199	11,800	37,902	6,267	163,292
Disposals	-	-	(11,524)	(76,302)	-	(87,826)
At 30 April 1998	4,927,124	312,589	143,333	32,982	80,079	5,496,107
Accumulated depreciation						
At 1 May 1997	-	2,274	12,142	7,203	5,180	26,799
Charge for the year	-	11,142	20,537	4,733	11,634	48,046
Disposals	-	-	-	(3,945)	-	(3,945)
At 30 April 1998	-	13,416	32,679	7,991	16,814	70,900
Net book value						
At 30 April 1998	4,927,124	299,173	110,654	24,991	63,265	5,425,207
At 30 April 1997	4,900,000	230,116	130,915	64,179	68,632	5,393,842

The net book value of fixed assets for the group includes £576,924 (1997 - £483,559) in respect of assets held under finance leases and hire purchase contracts. The company has £182,700 (1997 - £170,451) assets held under finance leases and hire purchase contracts.

NOTES TO THE ACCOUNTS
Year ended 30 April 1998

10. TANGIBLE FIXED ASSETS (Continued)

(ii) Asset revaluation

Freehold land and buildings for the Tamworth dealership were last revalued at 30 April 1994 and 29 February 1996. Freehold land and buildings for Halesowen were revalued at 24 November 1994 and 25 September 1995. They were assessed on the basis of an open market valuation for existing use with the continuing benefit of a Ford franchise for Tamworth and a Toyota franchise for Burton-upon-Trent by Grimley JR Eve, Chartered Surveyors. Freehold land and buildings for Burton-upon-Trent were revalued at 14 August 1996 also by Grimley JR Eve, on the same basis of open market valuation for existing use.

If freehold land and building had not been revalued they would have been included at the following amounts:

	1998 £	1997 £
Cost and net book value	3,583,029	3,555,905
Land and buildings at cost or valuation are stated:		
At open market value for existing use		
24 November 1994	-	-
30 April 1994	-	-
25 September 1995	1,800,000	1,800,000
29 February 1996	1,850,000	1,850,000
14 August 1996	1,250,000	1,250,000
	<u>4,900,000</u>	<u>4,900,000</u>

11. FIXED ASSET INVESTMENTS

Company	Shares in group undertakings £
Cost	
At 1 May 1997 and 30 April 1998	<u>2</u>

Investments comprise 100% of the share capital of Hamer Tamworth Limited, a company registered and operating in England and Wales. The principal activity of Hamer Tamworth Limited is the operation of Ford Motor dealerships. The investment is unlisted.

NOTES TO THE ACCOUNTS
Year ended 30 April 1998

12. STOCKS

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
New vehicles	1,384	38,043	276	23,243
Used vehicles	2,591,224	2,734,501	464,529	717,795
Vehicle buy-back obligations	2,890,471	2,618,420	-	-
Demonstrators, rental and courtesy cars	1,470,892	1,169,327	363,563	197,035
Other stocks	463,482	399,534	143,690	115,416
	<u>7,417,453</u>	<u>6,959,825</u>	<u>972,058</u>	<u>1,053,489</u>

Motability buy-back vehicles are included within vehicle stocks. The related liabilities are included within vehicle buy-back obligations. Included within stocks as a result of the above is £1,975,096 (1997 - £1,735,230) in respect of vehicles on buy-back agreements which are not due to mature for more than one year.

13. DEBTORS - DUE WITHIN ONE YEAR

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Trade debtors	1,752,555	1,446,677	487,099	227,547
Amounts owed by subsidiary undertakings	-	-	96,991	-
Other debtors	281,169	153,260	153,825	55,347
Prepayments and accrued income	401,949	194,528	101,175	61,219
	<u>2,435,673</u>	<u>1,794,465</u>	<u>839,090</u>	<u>344,113</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Debenture loans (see note 16)	197,488	30,000	197,488	30,000
Bank loans and overdrafts	913,724	1,738,981	-	-
Obligations under finance leases and hire purchase contracts (see note 22)	173,209	148,422	54,061	86,742
Trade creditors	5,906,974	4,465,676	1,333,511	1,298,166
Amounts owed to subsidiary undertakings	-	-	-	20,992
Vehicle buy-back obligations (see note 12)	915,375	883,190	-	-
Corporation tax	23,195	21,000	15,484	-
Other taxes and social security	218,028	157,884	24,765	14,931
Accruals and deferred income	369,285	135,145	89,890	87,335
	<u>8,717,278</u>	<u>7,580,298</u>	<u>1,715,199</u>	<u>1,538,166</u>

Included in group trade creditors are used vehicle stock loans of £2,035,175 (1997 - £1,717,375), a working capital loan of £100,000 (1997 - £100,000), an oil company loan of £82,829 (1997 - £130,137) and rental, demonstrator and courtesy car loan of £1,333,166 (1997 - £1,273,728), all repayable on demand.


NOTES TO THE ACCOUNTS
Year ended 30 April 1998
15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Debenture loan (see note 16)	3,090,234	2,703,750	3,090,234	2,703,750
Obligations under finance leases and hire purchase contracts (see note 22)	149,697	123,677	37,464	83,709
Vehicle buy-back obligations (see note 12)	1,975,096	1,735,230	-	-
	<u>5,215,027</u>	<u>4,562,657</u>	<u>3,127,698</u>	<u>2,787,459</u>

16. DEBENTURE LOANS

	Group and Company	
	1998	1997
	£	£
10% fixed repayable in 24 equal biannual instalments commencing 31 December 1999	400,000	400,000
11.13% fixed repayable 30 June 1997	-	350,000
14.00% fixed repayable in 20 equal quarterly instalments commencing 30 June 1994	20,000	40,000
LIBOR plus 2½% fixed repayable in 10 equal annual instalments commencing 31 December 1999	350,000	-
LIBOR plus 2½% fixed repayable in 10 equal annual instalments commencing 31 December 1999	490,000	1,093,750
LIBOR plus 2% fixed repayable in 80 equal quarterly instalments commencing in May 1998	1,206,000	-
RBS base rate plus 2% fixed repayable in 168 monthly instalments commencing 30 August 1997	732,555	750,000
Interest free loan repayable to 10 equal annual instalments commencing 20 August 1997	89,167	100,000
	<u>3,287,722</u>	<u>2,733,750</u>

Analysis of repayments

Amounts repayable by instalments some of which fall due after five years

Within one year or on demand	197,488	30,000
Between one and two years	294,821	583,125
Between two and five years	884,463	602,173
After five years	1,910,950	1,518,452
	<u>3,287,722</u>	<u>2,733,750</u>

NOTES TO THE ACCOUNTS
Year ended 30 April 1998

17. PROVISIONS FOR LIABILITIES AND CHARGES

	1998 £	1997 £
The Group		
Deferred taxation - other timing differences	52,000	38,000
	<u>£</u>	<u>£</u>
Deferred taxation		
Balance at 1 May 1997	38,000	
Profit and loss charge	14,000	
	<u>52,000</u>	
Balance at 30 April 1998	<u>52,000</u>	

The amounts provided in the accounts and the amounts not provided are as follows:

	Provided 1998 £	Not provided 1998 £	Provided 1997 £	Not provided 1997 £
Capital allowances in excess of depreciation	27,000	75,000	19,000	51,000
Other timing differences	25,000	-	28,000	-
Taxation on valuation surplus	-	404,000	-	447,000
Tax losses available	-	-	(9,000)	-
	<u>52,000</u>	<u>479,000</u>	<u>38,000</u>	<u>498,000</u>

	1998 £	1997 £
The company		
Deferred taxation	27,000	10,000
	<u>£</u>	<u>£</u>
Deferred taxation		
Balance at 1 May 1997	10,000	
Profit and loss account	17,000	
	<u>27,000</u>	
Balance at 30 April 1998	<u>27,000</u>	

The amounts provided in the accounts and the amounts not provided are as follows:

	Provided 1998 £	Not Provided 1998 £	Provided 1997 £	Not Provided 1997 £
Capital allowances in excess of depreciation	27,000	70,000	19,000	29,000
Taxation on valuation surplus	-	404,000	-	447,000
Tax losses available	-	-	(9,000)	-
	<u>27,000</u>	<u>474,000</u>	<u>10,000</u>	<u>476,000</u>

NOTES TO THE ACCOUNTS
Year ended 30 April 1998

18. SECURITY

The Royal Bank of Scotland PLC provides overdraft facilities. Debenture loans are provided by 3i plc. Ford Motor Credit Limited provides used vehicle stocking loans and a working capital loan. The charges on assets securing these borrowings rank as follows:

- (a) On the property at Bonehill Road, Tamworth:-
 - first: 3i plc's charges limited to £1,240,000;
 - second: Ford Motor Credit Limited's charges limited to £100,000;
 - third: the Royal Bank of Scotland PLC's charges limited to £700,000;
 - fourth: 3i plc's charges and the Royal Bank of Scotland PLC's charges without limit.
- (b) On the property at Manor Lane, Halesowen:-
 - first: Ford Motor Credit Limited's unlimited charges;
 - second: 3i plc's charges limited to £810,000;
 - third: the Royal Bank of Scotland PLC's charges without limit;
 - fourth: 3i plc's charges without limit.
- (c) On bulk deposit, used car and demonstrators:-
 - first: Ford Motor Credit Limited's unlimited charges;
 - second: the Royal Bank of Scotland PLC's charges limited to £850,000;
 - third: 3i plc's charges without limit;
 - fourth: the Royal Bank of Scotland PLC's charges without limit.
- (d) On Toyota used vehicles stock:-
 - first: Toyota unlimited;
 - second: the Royal Bank of Scotland PLC's charges limited to £850,000;
 - third: 3i plc's charges without limit.
- (e) On all other owned assets:-
 - first: the Royal Bank of Scotland PLC's charges limited to £1,400,000;
 - second: 3i plc's charges without limit;
 - third: the Royal Bank of Scotland PLC's charges without limit;
 - fourth: Ford Motor Credit Limited's charges without limit.
- (f) On the property at Burton:-
 - first: The Royal Bank of Scotland PLC's charges limited to £900,000;
 - second: Lex Services plc Limited to £225,000
 - third: the Main Deed applies.

The total amount recoverable by the Royal Bank of Scotland PLC under the priorities afforded by (a) third, (b) second, (c) second and fourth, and (e) first and third shall not exceed a principal sum of £2,500,000 in aggregate.

NOTES TO THE ACCOUNTS
Year ended 30 April 1998

19. CALLED UP SHARE CAPITAL

Group and company		1998	1997
		£	£
(i)	Summary		
Authorised			
6,000	Ordinary shares of £1 each	6,000	6,000
4,000	'A' Ordinary shares of £1 each	4,000	4,000
360,000	11.5% Redeemable preference shares of £1 each	360,000	360,000
300,000	900% 'B' Redeemable preference shares of £0.01 each	3,000	3,000
300,000	900% 'C' Redeemable preference shares of £0.01 each	3,000	3,000
		<u>376,000</u>	<u>376,000</u>
Allotted, called up and fully paid			
6,000	Ordinary shares of £1 each	6,000	6,000
4,000	'A' Ordinary shares of £1 each	4,000	4,000
360,000	11.5% Redeemable preference shares of £1 each	360,000	360,000
300,000	900% 'B' Redeemable preference shares of £0.01 each	3,000	3,000
300,000	900% 'C' Redeemable preference shares of £0.01 each	3,000	3,000
		<u>376,000</u>	<u>376,000</u>

(ii) Summary of share rights

The 11.5% Redeemable preference shares and the 900% 'B' Redeemable preference shares rank equally in all respects. They rank above the 'A' ordinary shares and the ordinary shares for dividends and on winding up. The preference shares have cumulative rights to dividends and are redeemable at par plus accrued unpaid dividends. They have no voting rights. The 11.5% Redeemable preference shares are redeemable at par in half-yearly instalments commencing 31 October 1999. The 900% 'B' and 'C' Redeemable preference shares are redeemable at £1 per share in 12 half yearly equal instalments commencing 31 October 1999.

The 'A' ordinary shares are entitled to a cumulative participating dividend of 8½% of net profit. Any unpaid dividends are paid in preference to the ordinary shares on winding up. The 'A' ordinary shares and ordinary shares have equal voting rights.

The directors own 60% of the voting rights.

(iii) Non-equity shareholders' funds

	1998	1997
	£	£
Attributable to 11.5% Redeemable preference shares	407,384	447,399
Attributable to 900% 'B' Redeemable preference shares	300,000	300,000
Attributable to 900% 'C' Redeemable preference shares	300,000	300,000
	<u>1,007,384</u>	<u>1,047,399</u>

NOTES TO THE ACCOUNTS
Year ended 30 April 1998

20. RESERVES

Group	Capital reserve £	Share Premium Account £	Revaluation reserve £	Other reserve £	Profit and loss account £
At 1 May 1997	424,722	631,506	1,344,095	87,399	(118,106)
Retained profit for the year	-	-	-	-	(5,674)
Difference between non-equity finance costs and the related dividends	-	-	-	(40,015)	-
At 30 April 1998	<u>424,722</u>	<u>631,506</u>	<u>1,344,095</u>	<u>47,384</u>	<u>(123,780)</u>
Company					
At 1 May 1997	424,722	631,506	1,344,095	87,399	(118,106)
Retained profit for the year	-	-	-	-	(5,674)
Difference between non-equity finance costs and the related dividends	-	-	-	(40,015)	-
At 30 April 1998	<u>424,722</u>	<u>631,506</u>	<u>1,344,095</u>	<u>47,384</u>	<u>(123,780)</u>

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	1998 £	1997 £
Profit for the financial year	118,465	102,103
New share capital subscribed	-	300,000
Expenses of share issue	-	(8,216)
Surplus on revaluation of freehold land and buildings	-	101,840
Dividends paid in the year	(164,154)	(136,353)
Discount on acquisition of business assets	-	424,722
Net(decrease)/increase in shareholders' funds	<u>(45,689)</u>	<u>784,096</u>
Opening shareholders' funds	<u>2,745,616</u>	<u>1,961,520</u>
Closing shareholders' funds	<u>2,699,927</u>	<u>2,745,616</u>

NOTES TO THE ACCOUNTS
Year ended 30 April 1998

22. FINANCIAL COMMITMENTS

	Group 1998 £	Company 1998 £	Group 1997 £	Company 1997 £
(i) Capital commitments				
Contracted for but not provided	-	-	-	-
(ii) Obligations under finance leases and hire purchase contracts				
Minimum lease payments due net of interest:				
Within one year	173,209	54,061	148,422	86,742
Within one to two years	90,420	33,717	83,848	58,621
Within two to five years	59,277	3,747	39,829	25,088
	<u>322,906</u>	<u>91,525</u>	<u>272,099</u>	<u>170,451</u>

Obligations under finance leases and hire purchase contracts are secured against the assets to which they relate.

(iii) **Operating lease commitments**

At 30 April 1998, the group and company had annual commitments under non-cancellable operating leases as set out below:

	Group 1998 £	Group 1997 £	Company 1998 £	Company 1997 £
Leases which expire:				
After five years	158,000	158,000	-	-

23. CONTINGENT LIABILITIES

At 30 April 1998, the company had entered into unlimited bank guarantees in respect of overdrafts of group companies. The group had bank loans and overdrafts of £913,724 (1997 - £1,738,981).

24. RELATED PARTY TRANSACTIONS

The company has taken the advantage of the exemption allowable under Financial Reporting Standard 8 - Related Party Transactions not to disclose transactions with group companies.