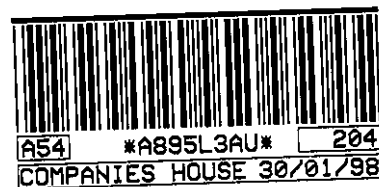


GRAYHART LIMITED
FINANCIAL STATEMENTS

31 MARCH 1997

Registered number: 2422607

DEY & CO
CHARTERED ACCOUNTANTS
Chesterfield



GRAYHART LIMITED
FINANCIAL STATEMENTS
for the year ended 31 March 1997

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The following page does not form part of the statutory accounts

Detailed trading and profit and loss account	Appendix 1
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GRAYHART LIMITED

COMPANY INFORMATION

31 March 1997

INCORPORATED	In England & Wales on 14 September 1989
NUMBER	2422607
DIRECTORS	K L Knight D Adlington
SECRETARY	K L Knight
REGISTERED OFFICE	Nether Farm Stubbing Court Wingerworth Chesterfield
BANKERS	Barclays Bank Rose Hill Chesterfield
AUDITORS	Dey & Co Chartered Accountants Brookdale 41 Clarence Road Chesterfield S40 1LH

GRAYHART LIMITED

DIRECTORS' REPORT

31 March 1997

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

Principal activity

The principal activity of the company continues to be that of the repair and sale of used motor vehicles.

Directors

The directors of the company during the year and their interests in the shares of the company as recorded in the register of directors' interests were as follows

	31 March 1997 Ordinary shares	1 April 1996 Ordinary shares
K L Knight	50	50
D Adlington	50	50

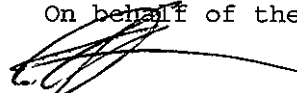
Auditors

Dey & Co have agreed to offer themselves for re-appointment as auditors of the company.

Small company exemptions

This report is prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the board



K L Knight
Secretary

Nether Farm
Stubbing Court
Wingerworth
Chesterfield

GRAYHART LIMITED

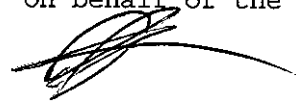
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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.

On behalf of the board



K L Knight
Director

GRAYHART LIMITED

AUDITORS' REPORT

Auditors' report to the members of

Grayhart Limited

We have audited the financial statements on pages 5 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

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, except that the scope of our work was limited as explained below.

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 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. However, the evidence available to us was limited because the company was not subject to an audit for the year ended 31 March 1996 and no audit opinion was formed on the opening balances for the current year or on the comparatives figures. Any adjustment to those figures would have been a consequential significant effect on the profit for the year to 31 March 1997.

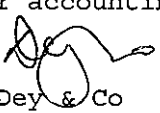
In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion arising from limitation in audit scope

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the opening balance sheet in our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to opening balances

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper accounting records had been maintained.


Dey & Co

Registered Auditors

Chesterfield

GRAYHART LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 1997

	Note	1997 £	1996 £
Turnover	2	389,331	307,206
Cost of sales		(303,999)	(238,392)
Gross profit		85,332	68,814
Net operating expenses			
Administrative expenses		(75,164)	(56,344)
Operating profit	3	10,168	12,470
Interest payable	5	(717)	(1,112)
Profit on ordinary activities before taxation		9,451	11,358
Taxation		(1,829)	29
Profit on ordinary activities after taxation		7,622	11,387
retained for the year	13		

Movements in reserves are shown in note 13.

None of the company's activities were acquired or discontinued during the above two financial years.

There are no recognised gains and losses in 1997 or 1996 other than the profit for the year.

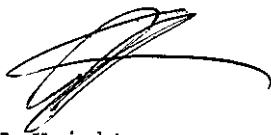
GRAYHART LIMITED

BALANCE SHEET

at 31 March 1997

	Note	1997		1996	
		£	£	£	£
Fixed assets					
Tangible assets	6		7,068		8,836
Current assets					
Stocks	7	67,536		62,974	
Debtors	8	9,195		2,172	
Cash at bank and in hand		16		34	
		<u>76,747</u>		<u>65,180</u>	
Creditors: amounts falling due within one year	9	<u>(76,691)</u>		<u>(74,483)</u>	
Net current assets/(liabilities)			56		(9,303)
Total assets less current liabilities			<u>7,124</u>		<u>(467)</u>
Provision for liabilities and charges			(516)		(547)
			<u>6,608</u>		<u>(1,014)</u>
Capital and reserves					
Called up share capital	12		100		100
Profit and loss account	13		6,508		(1,114)
Total shareholders' funds	11		<u>6,608</u>		<u>(1,014)</u>

These financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.



K L Knight
Director

GRAYHART LIMITED

NOTES ON FINANCIAL STATEMENTS

31 March 1997

1 Accounting policies**Basis of accounting**

The financial statements have been prepared under the historical cost accounting rules.

The company has taken advantage of the exemption from preparing a cash flow statement conferred by Financial Reporting Standard No. 1 on the grounds that it qualifies as a small company under the Companies Act 1985.

Turnover

Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of trade discounts and value added tax.

Depreciation

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

Plant and machinery	20% reducing balance
---------------------	----------------------

Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less the estimated cost of disposal.

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

2 Turnover

In the opinion of the directors, none of the turnover of the company is attributable to geographical markets outside the UK. (1996 nil)

GRAYHART LIMITED

NOTES ON FINANCIAL STATEMENTS

31 March 1997

3 Operating profit

	1997	1996
	£	£
Operating profit is stated after charging		
Auditors' remuneration	1,250	-
	<u> </u>	<u> </u>
Depreciation of tangible fixed assets		
(note 6)		
owned assets	1,768	2,209
	<u> </u>	<u> </u>

4 Directors

	1997	1996
	£	£
Directors' emoluments	9,520	7,977
	<u> </u>	<u> </u>

5 Interest payable

	1997	1996
	£	£
Finance lease and hire purchase contracts	624	624
Other interest payable	93	488
	<u> </u>	<u> </u>
	717	1,112
	<u> </u>	<u> </u>

6 Tangible fixed assets

	Plant and Machinery etc £
Cost	
1 April 1996	
and	
31 March 1997	24,366
Depreciation	
1 April 1996	15,530
Charge for year	1,768
	<u> </u>
31 March 1997	17,298
Net book amount	
31 March 1997	7,068
	<u> </u>
1 April 1996	8,836
	<u> </u>

GRAYHART LIMITED

NOTES ON FINANCIAL STATEMENTS

31 March 1997

7 Stocks

	1997 £	1996 £
Stocks	67,536	62,974

8 Debtors

	1997 £	1996 £
Amounts falling due within one year		
Trade debtors	9,195	2,172

9 Creditors: amounts falling due within one year

	1997 £	1996 £
Bank overdrafts	9,440	1,102
Trade creditors	32,189	38,713
Obligations under finance leases and hire purchase contracts - note 10	-	1,619
Corporation tax	1,860	-
Other taxation and social security	8,751	5,681
Other creditors	24,451	27,368
	76,691	74,483

10 Creditors: amounts falling due after more than one year

	1997 £	1996 £
Obligations under finance leases and hire purchase contracts		
Amounts included above are repayable over varying periods by monthly instalments as follows:		
In the next year	-	1,619

GRAYHART LIMITED

NOTES ON FINANCIAL STATEMENTS

31 March 1997

11 Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Profit for the financial year representing a Net addition to shareholders' funds	7,622	11,387
Opening shareholders' funds	(1,014)	(12,401)
Closing shareholders' funds	<u>6,608</u>	<u>(1,014)</u>

12 Called up share capital

	1997		1996	
	Number of shares	£	Number of shares	£
Authorised				
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Allotted called up and fully paid				
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

13 Profit and loss account

	1997 £
1 April 1996	(1,114)
Retained profit for the year	<u>7,622</u>
31 March 1997	<u>6,508</u>

GRAYHART LIMITED

NOTES ON FINANCIAL STATEMENTS

31 March 1997

14 Related parties

As detailed in the directors' report the company is controlled by K L Knight and D Adlington, directors of the company.

At 31 March, 1997 the following loans were due by the company to directors:

D Adlington	£12,369
K Knight	£8,654

The loans are interest free and repayable on demand.

During the year the company provided goods and services to A C Rewinds Limited, of which Mr D Adlington is a director, in the amount of £13,751.

The company purchased goods and services from A C Rewinds Limited in the amount of £690, the balance outstanding at 31 March 1997 was £194.

Mr K Knight's wife is employed and was paid a salary of £3,120 in the year.

Grayhart Limited trades from Nether Farm which is owned by Mr D Adlington, no rent is paid.

GRAYHART LIMITED

TRADING AND PROFIT AND LOSS ACCOUNT

for the year ended 31 March 1997

	1997		1996	
	£	£	£	£
Turnover		389,331		307,206
Cost of sales				
Opening stock	62,974		10,400	
Purchases	308,561		290,966	
Closing stock	(67,536)		(62,974)	
		<u>303,999</u>		<u>238,392</u>
Gross profit		85,332		68,814
Less overheads				
Wages	42,631		29,753	
Social security costs	2,317		1,345	
Motor and travelling expenses	2,698		1,578	
Telephone charges	1,346		1,670	
Repairs and renewals	1,504		1,555	
Printing postage and stationery	2,349		1,619	
Insurance	4,659		4,714	
Heating and lighting	748		541	
Sundry expenses	628		558	
Fines and penalties	293		250	
Directors' emoluments	9,520		7,977	
Bank charges	1,601		1,075	
Bank interest	93		488	
Hire purchase interest	624		624	
Accountancy	1,852		1,500	
Auditors' remuneration	1,250		-	
Depreciation	1,768		2,209	
		<u>75,881</u>		<u>57,456</u>
Net profit for the year		<u>9,451</u>		<u>11,358</u>