

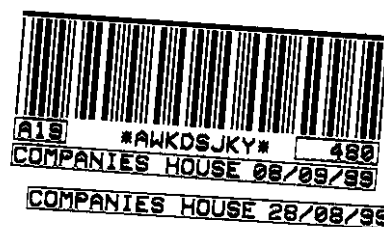
2576310

Canei International Limited

Abbreviated Financial Statements

Year Ended

31 October 1998



BDO Stoy Hayward
Chartered Accountants

CANEI INTERNATIONAL LIMITED

Abbreviated financial statements for the year ended 31 October 1998

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Directors

RL Bhardwaj
B Bhardwaj
KK Bhardwaj (resigned 30 April 1998)

Secretary and registered office

B Bhardwaj, BDO Stoy Hayward, Foxhall Lodge, Gregory Boulevard, Nottingham, NG7 6LH

Company number

02576310

Auditors

BDO Stoy Hayward, Foxhall Lodge, Gregory Boulevard, Nottingham, NG7 6LH

Bankers

National Westminster Bank PLC, 3 Thurland Street, Nottingham, NG1 3DT



BDO Stoy Hayward
Chartered Accountants
Corporate Advisory Services

Foxhall Lodge
Gregory Boulevard
Nottingham NG7 6LH
East Midlands

AUDITORS' REPORT TO CANEI INTERNATIONAL LIMITED UNDER SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated financial statements set out on pages 2 to 6, together with the financial statements of the company for the year ended 31 October 1998 prepared under Section 226 of the Companies Act 1985.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated financial statements in accordance with Section 246 of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated financial statements prepared in accordance with Sections 246(5) and (6) of the Act to the Registrar of Companies and whether the financial statements to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

Basis of opinion

We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated financial statements and that the abbreviated financial statements to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated financial statements prepared in accordance with Sections 246(5) and (6) of the Companies Act 1985, and the abbreviated financial statements on pages 2 to 6 are properly prepared in accordance with those provisions.

Other

Today we reported as auditors of the company on the financial statements prepared under S226 of the Companies Act 1985 and our audit report was as follows.

“To the shareholders of Canei International Limited

We have audited the financial statements on pages 5 to 15 which have been prepared under the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the 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.



BDO Stoy Hayward
Chartered Accountants
Corporate Advisory Services

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CANEI INTERNATIONAL LIMITED

Report of the auditors (*Continued*)

To the shareholders of Canei International Limited (*Continued*)

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an 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. However, the evidence available to us was limited £1,479,878 of the company's recorded turnover comprises of cash sales, over which there was no system of control on which we could rely for the purpose of our audit. There were no other satisfactory audit procedures that we could adopt to confirm that cash sales were properly recorded. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in note 16 of the financial statements concerning the possible outcome of the Inland Revenue enquiry in respect of the company's results for the year ended 31 October 1997 and prior years. Our opinion is not qualified in this respect.

The financial statements have been prepared on a going concern basis, the validity of which depends upon the company's ability to pay any corporation tax liabilities should they arise as a result of the investigation. The financial statement do not include any adjustments for the possible corporation tax liabilities as the inquiry has not yet concluded and the directors are unable to quantify the extent of any liability.

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 cash sales, in our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 October 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO Stoy Hayward
Chartered Accountants
Corporate Advisory Services

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CANEI INTERNATIONAL LIMITED

Report of the auditors (*Continued*)

To the shareholders of Canei International Limited (*Continued*)

In respect alone of the limitations on our work relating to cash sales:

- 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.”

BDO STOY HAYWARD
*Chartered Accountants
and Registered Auditor*
Nottingham
27 August 1999

CANEI INTERNATIONAL LIMITED

Balance sheet at 31 October 1998

	Note	1998	1997
		£	£
Fixed assets			
Tangible assets	2	1,184,797	798,842
Current assets			
Stocks		324,137	155,564
Debtors		85,742	46,135
Cash at bank and in hand		4,998	13,873
		414,877	215,572
Creditors: amounts falling due within one year	3	604,844	400,016
Net current liabilities		(189,967)	(184,444)
Total assets less current liabilities		994,830	614,398
Creditors: amounts falling due after more than one year	4	690,164	301,825
Provision for liabilities and charges			
Deferred taxation		13,752	-
		703,916	301,825
Net assets		290,914	312,573
Capital and reserves - equity			
Called up share capital	5	1,000	1,000
Profit and loss account		289,914	311,573
Shareholders' funds		290,914	312,573

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

The financial statements were approved by the Board on 20 August 1999.

RL Bhardwaj
Director

The notes on pages 3 to 6 form part of these financial statements.

CANEI INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 October 1998

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of freehold property, and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax.

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets, except freehold property, over their expected useful lives. It is calculated at the following rates:

Plant and machinery	- 15% on reducing balance
Fixtures and fittings	- 10% on reducing balance
Motor vehicles	- 25% on reducing balance
Computer equipment	- 25% on reducing balance

It is the company's practice to maintain certain freehold buildings, used for retail trading, in a continual state of sound repair. Accordingly, the directors consider that the lives of these assets and their residual values, based on prices prevailing at the time of their acquisition or subsequent revaluation, are such that their depreciation would not be material. Provision will be made should any permanent diminution in value of these properties occur.

Stocks

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

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that a liability or asset will crystallise.

CANEI INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 October 1998 (*Continued*)

1 Accounting policies (*Continued*)

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor. All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives received to enter into operating lease agreements are released to the profit and loss account over the period to the date on which the rent is first expected to be adjusted to the prevailing market rate.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

2 Tangible assets

	Total £
<i>Cost</i>	
At 1 November 1997	891,578
Additions	414,249
Disposals	(24,535)
At 31 October 1998	1,281,292
<i>Depreciation</i>	
At 1 November 1997	92,736
Provided for the year	17,316
Disposals	(13,557)
At 31 October 1998	96,495
<i>Net book value</i>	
At 31 October 1998	1,184,797
At 31 October 1997	798,842

CANEI INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 October 1998 (*Continued*)

3 Creditors - details of amounts secured

The company has given security for the following items which are included in creditors:

	1998 £	1997 £
Amounts falling due within the year:		
Lombard North Central plc loan	132,783	-
Bank loans and overdraft	206,696	234,158
	<u> </u>	<u> </u>
Amounts falling due after more than one year:		
Bank loans	391,677	-
	<u> </u>	<u> </u>

Details of security are as follows:

- a) The Lombard North Central PLC loan is secured on the stock and has been personally guaranteed by the directors.
- b) The bank loans and overdraft are secured by:
 - iii. A first legal mortgage dated 17.7.96 over freehold land and buildings at Derby Road, Heanor.
 - iv. A first legal mortgage dated 8.4.98 over freehold Sawley Garage, Tamworth Road, Sawley, Nottingham.
 - v. Mortgage debenture dated 17.7.96 incorporating a fixed and floating charge over all current and future assets of the company.

4 Creditors

Included in creditors are the following items which are due wholly in part after more than five years from the balance sheet date.

	1998 £	1997 £
Amount due after more than five years		
Bank loans	380,465	46,261
	<u> </u>	<u> </u>

CANEI INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 31 October 1998 (*Continued*)

5 Share capital

	Authorised		Allotted, called up and fully paid	
	1998	1997	1998	1997
	£	£	£	£
Ordinary shares of £1 each	1,000,000	1,000,000	1,000	1,000

6 Related party transactions

At 31 October the company owed £202,080 (1997: £226,698) in respect of a directors loss account. The loan account is interest free, unsecured and has no fixed repayment date.

At 31 October 1998 the company owed £65,459 (1997: £65,459) to Lion Motors Limited, a company in which the directors of the company serve as directors. The loan is interest free, unsecured and is due for repayment upon demand.

The directors have provided personal guarantees in respect of the Lombard North Gnornd plc stocking loan as £132,783 (1997: £Nil).