ASQUITH MOTOR CARRIAGE GROUP PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30TH. APRIL 1997

Company No. 3184978 (England and Wales)

ASQUITH MOTOR CARRIAGE GROUP PLC

BOARD OF DIRECTORS AND ADVISERS

Directors	T. C. M. Reed J. C. Coad F.C.A.	Chairman Finance Director
Company Secretary	J. C. Coad F.C.A.	
Registered Office	25 Harley Street London W1N 1DA	
Auditors	Saffery Champness Fairfax House Fulwood House Gray's Inn London WC1V 6UB	
Solicitors	Hardwick & Company Porters Place 33 St. John Street London EC1M 4AA	
Bankers	Barclays Bank plc Atlas House 1/7 King Street London EC2V 8AU	
Registrars	Neville Registrars Ltd. Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA	

ASQUITH MOTOR CARRIAGE GROUP PLC

CHAIRMAN'S STATEMENT

The Group's results for the period from incorporation on 12 April 1996 to 30 April 1997 show a loss of £540,020.

The Company raised £492,100 from its Prospectus issued on 9 May 1996. These funds were raised to develop a new taxi and establish a bus distribution business, both based on the manufacture of taxis and bus bodies by Dimo International in Sri Lanka. In addition, the Company intended to develop further the vintage taxi and replica van and coach businesses of its subsidiary Asquith Motor Carriage Co. Ltd. (Asquith Carriage). The vintage taxis were also to be produced by Dimo International where production economies could be realised, as compared to the Group's production facility in Great Yeldham, Essex.

REPLICA VAN AND COACH ACTIVITIES

The activities of Asquith Carriage failed to develop as envisaged. Delays were encountered by Dimo International in developing their production facility for the vintage taxi, which were aggravated by the lack of sufficient orders in the U.K. for replica vehicles and vintage taxis. Despite considerable interest being shown by prospective customers for the Group's replica vans and coaches, this interest failed to translate into sufficient firm orders to enable profitable trading to be achieved. The directors therefore arranged a Creditors Voluntary Arrangement (CVA) for Asquith Carriage, which was approved at meetings held on 4 April 1997. Subsequently, the business of the replica vans and coaches was sold later in April 1997. Asquith Carriage retains the rights to the vintage taxi.

The Company had lent £172,642 to Asquith Carriage but, although the terms of the sale include the payment of royalties and amounts for assets transferred to the purchaser, it is uncertain whether any significant sums will be available for payments to unsecured creditors of Asquith Carriage, including the Company.

As a result of the CVA, the accounts of Asquith Carriage have not been consolidated. The investment in the Subsidiary of £120,000 has been written off in the Company's Financial Statements.

NEW TAXI DEVELOPMENT

The Company developed a concept vehicle for the new taxi which was shown at the Motor Show in October 1996 with considerable interest being aroused.

It became apparent that the cost of developing the new taxi was going to be greater than anticipated, and the Directors became uncertain as to Dimo International's ability to undertake the manufacture of the new taxi when it had been developed.

The Directors therefore came to the conclusion that it was unlikely to be feasible for the Company to continue to develop and sell the new taxi. A significant amount of new capital would have been required, which was unlikely to be available to the Company. In addition, there was the question of where it would be manufactured.

The Directors have, as a result, been seeking a partner or other party to finance the development of the new taxi and on 28 November 1997 assigned the rights to the new taxi to a British automotive Company for an undisclosed sum.

The Directors acknowledge that this agreement is unlikely to be what shareholders invested in the Company for, but believe that the new taxi concept is a good one and expect the purchaser to be able to develop and sell the new taxi, which should provide a relatively significant amount of royalties in the future.

BUS OPERATIONS

Because of the uncertainty surrounding Dimo International and the Company's own lack of resources, the proposed bus distribution business has been discontinued. The MAN bus chassis which is in Sri Lanka has been sold.

* * *

Following the above transactions, the development expenditure incurred on the new taxi and bus activities of £239,463 has been written down to £45,000 in the attached Financial Statements.

CAPITAL REORGANISATION

A notice convening an AGM to be held on 13 March 1998 is attached to the Financial Statements. A reorganisation of share capital is proposed which will have the effect of increasing the percentage interest of those shareholders who subscribed under the Prospectus.

We are proposing a capitalisation issue of five new ordinary shares for every two existing ordinary shares held on 28 January 1997. Crispin Reed and Steven Fargnoli have agreed to waive their rights under the capitalisation issue.

We are proposing to consolidate the shares in issue following the capitalisation issue, on the basis of two ordinary shares of 3.5p. for every 7 ordinary shares of 1p. The effect of this reorganisation will be that each shareholder who currently holds one ordinary share of 1p. will hold one ordinary share of 3.5p. Shareholders who subscribed under the Prospectus currently hold 29.1% of the issued share capital; this will increase to 54.7%. Crispin Reed and Steven Fargnoli each have a 32.1% interest, which would become 17.6% in each case.

As a result of the reorganisation on the basis described above there would be 8,992,428 ordinary shares of 3.5p. each in issue.

DIRECTORS

Following the assignment of the rights to the new taxi and the Board's approval of the proposed capital reorganisation referred to above, C. J. Humberstone, S. J. Fargnoli and I. A. Haddon have resigned from the Board with effect from 26 November 1997.

THE FUTURE

The Company now has a very small amount of net assets, the potential for a significant level of future royalties and a possible repayment of amounts from Asquith Carriage.

The Company, with its advisers, are looking for a suitable acquisition to enable the Group to move forward and provide the possibility of a medium term return to shareholders.

CRISPIN REED
Chairman

3 February 1998

ASQUITH MOTOR CARRIAGE GROUP PLC

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the period from Incorporation on 12 April 1996 to 30 April 1997.

PRINCIPAL ACTIVITY

The Group's principal activity is that of developing and marketing a new taxi and developing a bus distribution business. Subsequent to 30 April 1997 both of these activities have been disposed of.

RESULTS AND STATE OF AFFAIRS

The financial statements on pages 9 to 17 set out the results of the group for the period ended 30 April 1997 and reflect the state of the company's and the group's affairs at that date.

A review of the group's results and on the current intentions for the future of the group is set out in the Chairman's Statement.

The Group recorded losses of £540,020 for the period from 12 April 1996 to 30 April 1997.

The principal reasons for the losses at the level sustained were the failure of the company's former subsidiary to generate sufficient sales and the subsequent inadequacy of the group's cash resources to develop the new taxi and bus distribution business.

The company has now assigned the rights to the new taxi in return for an initial payment of £35,000 and future royalties based on the number of new taxis sold opver the next five years. Although this agreement was concluded after 30 April 1997, it is a subsequent event of such materiality that its effect has been accounted for as at 30 April 1997.

The Company now has net assets of £4,340, which funds will be used in achieving a suitable acquision. Recent progress with a number of discussions ongoing has been encouraging and the directors are hopeful that a satisfactory outcome can be achieved.

The directors have waived all remuneration in the period subsequent to 30 September 1996.

FIXED ASSETS

The group has no tangible fixed assets; details of the development expenditure included as intangible fixed assets are included in note 7 to the financial statements.

DIVIDENDS

The directors do not propose to declare any dividend in respect of the period. The net loss of £540,020 has been transferred to reserves.

DIRECTORS' INTERESTS

The members of the Board during the period and their interests, including family interests, in the company's shares were as follows:-

	Interest at end of period number of shares	Interest at beginning of period number of shares
T.C.M. Reed	5,550,000	5,550,000
C. J. Humberstone (appointed 18 September 1996, resigned 26 November 1997)	-	-
J.C.Coad	120,000	120,000
S.J.Fargnoli (resigned 26 November 1997)	5,550,000	5,550,000
I.A.Haddon (resigned 26 November 1997)	900,000	900,000

A.M.Hamilton resigned as Chairman and a director on 10 September 1996 and had no interest in the company's shares during his time as a director.

The company has not been notified of any changes in the shareholdings shown above between 30 April 1997 and 12 February 1998.

Details of options awarded to one director, J. C. Coad, have not been given since these were cancelled after the Balance Sheet date.

SUBSTANTIAL SHARE INTERESTS

The directors have been notified of the following substantial interests in the ordinary share capital of the company as at 28 January 1998.

	No. of ordinary shares	%
T.C.M.Reed	5,550,000	32.8
S.J.Fargnoli	5,550,000	32.8
I.A.Haddon	900,000	5.3

CREDITOR PAYMENT POLICY

The group policy for the period ended 30 April 1997 for all suppliers is to fix terms of payment when ageeing the terms of business transactions, to ensure the supplier is aware of those terms and to abide by the agreed terms of payment insofaras the group has the cash resources to do so.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The directors are required by United Kingdom company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and the results for that year.

The directors confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates have been used in the preparation of the financial statements and that applicable accounting standards have been followed. The financial statements have been prepared on the going concern basis.

The directors are also responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and 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 preventing and detecting fraud and other irregularities.

AUDITORS

A resolution will be proposed at the forthcoming annual general meeting for the reappointment of Saffery Champness, who have expressed their willingness to continue in office as auditors for the ensuing year.

BY ORDER OF THE BOARD

J. C. COAD
Company Secretary
3 February 1998

ASQUITH MOTOR CARRIAGE GROUP PLC

REPORT OF THE AUDITORS TO THE SHAREHOLDERS

We have audited the financial statements on pages 9 to 17.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Directors' Report 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 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 Group'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 we have not been able to satisfy ourselves as to the quantification of the group's development costs because the company's former subsidiary Asquith Motor Carriage Co. Ltd. has not been audited.

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

OPINION

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 development costs written off, in our opinion the financial statements give a true and fair view of the state of the company's and group's affairs as at 30 April 1997 and the loss of the group for the period 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 development costs:

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.

SAFFERY CHAMPNESS
Chartered Accountants and Registered Auditors
Fairfax House, Fulwood Place, Gray's Inn
London, WC1V 6UB.
13 February 1998

ASQUITH MOTOR CARRIAGE GROUP PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 30 APRIL 1997

	Note	13 months ended 30 April 1997 £	£
Operating costs	2		59,095
Write off of investment in former subsidiary	6	120,000	
Provision against debt from former subsidiary	8	167,712	
Provision against development costs of new taxi and bus	7	194,463	
			482,175
Operating Loss			(541,270)
Interest payable			(199)
Interest receivable			1,449
Loss on ordinary activities before taxation			(540,020)
Taxation	3		0
Net loss for the period			£ (540,020)
Loss per ordinary share	5		3.36p.

All of the Group's activities are classed as discontinued.
The Group had no recognised gains and losses other than the loss recorded above.

The notes on pages 13 to 17 form part of these financial statements.

ASQUITH MOTOR CARRIAGE GROUP PLC

CONSOLIDATED BALANCE SHEET AS AT 30 APRIL 1997

	Note	30 April 1997	
		£	£
FIXED ASSETS			
Investments	6		0
Intangible assets	7		45,000
			45,000
CURRENT ASSETS			
Debtors	8	5,000	
Cash at Bank and in hand		10,463	
		15,463	
CREDITORS: Amounts falling due within one year	9	(56,123)	
NET CURRENT LIABILITIES			(40,660)
TOTAL ASSETS LESS CURRENT LIABILITIES			£ 4,340
REPRESENTED BY:			
Share Capital	10		169,210
Share Premium account	11		375,150
			544,360
Profit and Loss Account	12		(540,020)
SHAREHOLDERS' FUNDS			£ 4,340

The financial statements on pages 9 to 17 were approved by the Board of Directors on 3 February 1998 and were signed on it's behalf by:

Director T. C. M. REED

Director J. C. COAD

The notes on pages 13 to 17 form part of these financial statements.

ASQUITH MOTOR CARRIAGE GROUP PLC

COMPANY BALANCE SHEET AS AT 30 APRIL 1997

	Note	30 April 1997 £	£
FIXED ASSETS			
Investments	6		4
Intangible assets	7		45,000
			45,004
CURRENT ASSETS			
Debtors	8	5,000	
Cash at Bank and in hand		147	
		5,147	
CREDITORS: Amounts falling due within one year	9	(45,811)	
NET CURRENT LIABILITIES			(40,664)
TOTAL ASSETS LESS CURRENT LIABILITIES			£ 4,340
REPRESENTED BY:			
Share Capital	10		169,210
Share premium account	11		375,150
			544,390
Profit and Loss Account	12		(540,020)
SHAREHOLDERS' FUNDS			£ 4,340

The financial statements on pages 9 to 17 were approved by the Board of Directors on 3 February 1998 and were signed on it's behalf by:

Director T. C. M. REED

Director J. C. COAD

The notes on pages 13 to 17 form part of these financial statements.

ASQUITH MOTOR CARRIAGE GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT AS AT 30 APRIL 1997

Reconciliation of operating loss to net cash flow from operating activities

	£
Operating loss	(540,020)
Write-off of investment in former subsidiary	120,000
Provision against development expenditure	194,463
Increase in debtors	(5,000)
Increase in creditors	56,123
Net cash outflow from operating activities	(174,434)

Cashflow Statement

	£
Net Cash Outflow from operating activities	(174,434)
Development expenditure	(239,463)
Financing - net proceeds from issue of shares	424,360
Increase in cash	10,463

The notes on pages 13 to 17 form part of these financial statements.

ASQUITH MOTOR CARRIAGE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS AT 30 APRIL 1997

1. ACCOUNTING POLICIES

The principal accounting policies adopted, which have been applied consistently, are as follows:-

a) Accounting Convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

b) Basis of consolidation

The group accounts consolidate the accounts of the company and its subsidiaries, Asquith Great Yeldham Ltd. and Asquith Coach Ltd., from their date of incorporation. The latter company has not traded in the period. Both these subsidiaries were formed by the company.

The accounts of Asquith Motor Carriage Co. Ltd. have not been consolidated as that company went into a Creditors Voluntary Arrangement on 4 April 1997 and therefore ceased to be a subsidiary of the company.

c) Fixed Asset Investments

Investments are stated in the Balance Sheet at the lower of cost and net realisable value.

d) Intangible Fixed Assets

Expenditure on the development of the new taxi and the bus distribution business is included as intangible fixed assets. Further to the agreements to assign and sell these activities, they have been written down to the value of the initial payments due on these transactions.

e) Deferred Taxation

Provision is made, using the liability method, for taxation in respect of items where there us a timing difference between their treatment for accounts and taxation purposes if, in the opinion of the directors, it is probable that a material tax liability will crystallise in the forseeable future.

ASQUITH MOTOR CARRIAGE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS AT 30 APRIL 1997

2. OPERATING COSTS

The operating costs are stated after charging:

Directors emoluments	£47,918
Audit fee	2,600

3. TAXATION

Based on the loss for the period	£ 0

Subject to the agreement of the Inland Revenue, the group has trading losses of approximately £500,000 which may become available for relief when the group commences to generate profits.

4. DIRECTORS REMUNERATION AND STAFF COSTS

The directors were the only staff of the company in the period; their remuneration, which was paid by Asquith Motor Carriage Co. Ltd. was as follows:-

Salary and fees	£44,335
Other emoluments (including pension contributions)	3,583
	£47,918

The emoluments of the former chairman were £3,850. The emoluments of the current chairman and the highest paid director were £24,208.

Directors emoluments include all amounts paid to directors in the period. Subsequent to 30 September 1996, all the directors agreed to waive their emoluments.

Directors' interests in contracts are given in Note 14.

5. EARNINGS PER SHARE

The loss per share of 3.36p. has been calculated on the post tax losses attributable to ordinary shareholders, based on the average number of shares (of 16,026,272) in issue during the 11 months from the date of commencement of trading to 30 April 1997. Fully diluted figures are not presented as all options were cancelled after the Balance Sheet date.

ASQUITH MOTOR CARRIAGE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS AT 30 APRIL 1997

6. INVESTMENTS
Company

The company has investments in wholly-owned subsidiaries, registered in Great Britain, as follows:-

Asquith Coach Limited (dormant)	£ 2
Asquith Great Yeldham Limited (non-trading)	2
Asquith Motor Carriage Co. Limited	120,000
	£ 120,004
Less write-off of investment	
- Asquith Motor Carriage Co. Limited	(120,000)
Net book value	£ 4

Asquith Motor Carriage Co. Ltd. is the subject of a Creditors Voluntary Arrangement, which was approved by their creditors on 4 April 1997.

As Asquith Motor Carriage Co. Ltd. is now managed by a Supervisor on behalf of its creditors and has ceased to be controlled and effectively owned by the company as from 4 April 1997, its accounts have not been consolidated with the group.

7. INTANGIBLE FIXED ASSETS
Company and Group

	New Taxi	Bus distribution business
	£	£
Development cost	169,306	70,157
Less Provision	134,306	60,157
Net book value	£ 35,000	£ 10,000

The total provision of £194,463 has been charged to the profit and loss account in the period.

8. DEBTORS
Company and Group

	£
Amount due by former subsidiary	172,712
Provision for doubtful debt	167,712
	£ 5,000

ASQUITH MOTOR CARRIAGE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS AT 30 APRIL 1997

9. CREDITORS: Amounts falling due within one year

	Group £	Company £
Trade creditors	39,777	39,777
Accrued expenses and other creditors	16,346	6,034
	56,123	45,811

10. SHARE CAPITAL

Ordinary shares of 1p. each	No.	£
Authorised	35,000,000	350,000
Issued and fully paid	16,921,000	169,210

On 12 April 1996 two subscriber shares were issued and paid up.

On 8 May 1996 11,999,998 ordinary shares were allotted in consideration for the purchase of 100% of the issued share capital of Asquith Motor Carriage Co. Limited. for £120,000.

On 10 June 1996 4,921,000 ordinary shares were allotted following the flotation of the company on the OFEX trading facility.

11. SHARE PREMIUM ACCOUNT

The ordinary shares allotted and issued further to the flotation on the OFEX trading facility on 10 June were issued at a price of 10p. per share, a premium of 9p. Issue costs of £67,740 were offset against the share premium account.

Share premium on issue of 4,921,000 shares	£ 442,890
Issue costs	67,740
Share premium account at 30 April 1997	£ 375,150

12. PROFIT AND LOSS ACCOUNT

The loss for the period of £540,020 has been transferred to reserves.

13. CONTINGENT LIABILITY AND OTHER COMMITMENTS

Barclays Bank plc took a fixed and floating charge on the assets of the company and Asquith Motor Carriage Co. Ltd. with cross guarantees plus a chattel mortgage on the bus chassis of £38,000 on 17 April 1997.

These charges and cross guarantees were released on 2 December 1997.

The group had no capital commitments or lease commitments at 30 April 1997.

14. DIRECTORS' INTERESTS IN CONTRACTS

Ian Haddon & Associates Limited, a company in which I. A. Haddon has an interest, invoiced Asquith Motor Carriage Co. Ltd. £23,599.11 (plus VAT) for consultancy services and reimbursed expenses in relation to the bus development project. These invoices remained unpaid at the time Asquith Motor Carriage Co. Ltd. went into a Creditors Voluntary Arrangement on 4 April 1997.

Quinstone Developments Ltd., a company in which C. J. Humberstone has an interest, received £54,252.27 for the supply of specialist labour and consultancy fees in relation to the new taxi development project.

15. RELATED PARTY TRANSACTIONS

The directors are of the opinion that there is no ultimate controlling party.

Included in "Amounts due by former subsidiary" (Note 8) is £5,000 due from the Supervisor of the Creditors Voluntary Arrangement of Asquith Motor Carriage Co. Ltd.

During the period all expenses were paid by Asquith Motor Carriage Co. Ltd. and recharged to the company.

16. SUBSEQUENT EVENTS

On 28 November 1997 the company signed an agreement which assigned the rights to the new taxi to a British automotive company for an undisclosed sum. The agreement gives the company royalties on taxis manufactured and sold for a period of 5 years from the date of the first taxi sold.