ASQUITH MOTOR CARRIAGE GROUP PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH. APRIL 1998

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	Centurion House 37 Jewry Street London EC3N 2ER	
Auditors	Saffery Champness Chartered Accountants & Registered Auditors Fairfax House Fulwood Place Gray's Inn London WC1V 6UB	
Solicitors	Hardwick Stallards Centurion House 37 Jewry Street London EC3N 2ER	
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

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITY

The Group's principal activities of developing and marketing a new taxi and developing a bus distribution business were disposed of on 28 November 1997; the Company also disposed of its subsidiaries during the year.

RESULTS AND STATE OF AFFAIRS

The financial statements on pages 5 to 12 set out the results of the group for the year ended 30 April 1998 and reflect the state of the company's and the group's affairs at that date.

The Group recorded a loss of £ 3,676 for the year (1997: £ 540,020).

The Company has net assets of £ 664 only. The directors are seeking a suitable acquisition to be acquired for consideration of an issue of shares in the company. Recent progress with a number of ongoing discussions has been encouraging and the directors are hopeful of a satisfactory conclusion.

DIVIDENDS

The directors do not propose to declare any dividend in respect of the year. The net loss of £ 3,676 has been transferred to reserves.

DIRECTORS' INTERESTS

The members of the Board during the year 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	1,585,714	5,550,000
J. C. Coad	120,000	120,000
C. J. Humberstone (resigned 26 November 1997)	-	-
S. J. Fargnoli (resigned 26 November 1997)	1,585,714	5,550,000
I. A. Haddon (resigned 26 November 1997)	900,000	900,000

YEAR 2000

The directors have assessed the impact that the year 2000 date change will have on the business and owing to the nature of the group's business do not believe that it will have a significant impact.

SUBSTANTIAL SHARE INTERESTS

The directors have been notified of the following substantial interests in the ordinary share capital of the company as at 26 November 1998.

	No. of ordinary shares	%
T. C. M. Reed	1,585,714	17.6
S. J. Fargnoli	1,585,714	17.6
I. A. Haddon	900,000	10.0

CREDITOR PAYMENT POLICY

The group policy for the year ended 30 April 1998 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. Average no. of days credit – 90 days (1997: 90).

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
30 November 1998

ASQUITH MOTOR CARRIAGE GROUP PLC

REPORT OF THE AUDITORS TO THE SHAREHOLDERS

We have audited the financial statements on pages 5 to 12.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Directors' Report 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 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. 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 30 April 1998 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Saffery Champness

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

30 November 1998

ASQUITH MOTOR CARRIAGE GROUP PLC

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 APRIL 1998

	Note	1998	13 months ended 30 April 1997	
			£	£
Commissions Receivable		9,150		0
Operating costs		8,807		59,095
Write off of investment in former subsidiary	6	0	120,000	
Provision against debt from former subsidiary	8	0	167,712	
Provision against development costs of new taxi and bus	7	0	194,463	482,175
Operating Profit/(Loss)		343		(541,270)
Costs associated with disposal of business		(3,000)		0
Interest payable		(1,019)		(199)
Interest receivable		0		1,449
Loss on ordinary activities before taxation		(3,676)		(540,020)
Taxation	3	0		0
Net loss for the period		£ (3,676)		£ (540,020)
Loss per ordinary share	5	0.02p.		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 9 to 12 form part of these financial statements.

ASQUITH MOTOR CARRIAGE GROUP PLC

CONSOLIDATED BALANCE SHEET AS AT 30 APRIL 1998

	Note	1998 £	1997 £
FIXED ASSETS			
Investments	6	0	0
Intangible assets	7	0	45,000
		0	45,000
CURRENT ASSETS			
Debtors	8	1,525	5,000
Cash at Bank and in hand		162	10,463
		1,687	15,463
CREDITORS: Amounts falling due within one year	9	(1,023)	(56,123)
NET CURRENT ASSETS/(LIABILITIES)		664	(40,660)
TOTAL ASSETS LESS CURRENT LIABILITIES		£ 664	£ 4,340
REPRESENTED BY:			
Share Capital	10	314,735	169,210
Share Premium account	11	229,625	375,150
		544,360	544,360
Profit and Loss Account	12	(543,696)	(540,020)
SHAREHOLDERS' FUNDS		£ 644	£ 4,340

The financial statements on pages 5 to 12 were approved by the Board of Directors on 30 November 1998 and were signed on it's behalf by:

Director T. C. M. REED

Director J. C. COAD

The notes on pages 9 to 12 form part of these financial statements.

ASQUITH MOTOR CARRIAGE GROUP PLC

COMPANY BALANCE SHEET AS AT 30 APRIL 1998

	Note	1998	1997
		£	£
FIXED ASSETS			
Investments	6	0	4
Intangible assets	7	0	45,000
		0	45,004
CURRENT ASSETS			
Debtors	8	1,525	5,000
Cash at Bank and in hand		162	147
		1,687	5,147
CREDITORS: Amounts falling due within one year	9	(1,023)	(45,811)
NET CURRENT ASSETS/(LIABILITIES)		664	(40,664)
TOTAL ASSETS LESS CURRENT LIABILITIES		£ 664	£ 4,340
REPRESENTED BY:			
Share Capital	10	314,735	169,210
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ASQUITH MOTOR CARRIAGE GROUP PLC

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 APRIL 1998

Reconciliation of Operating Profit to Net Cash Flow from Operating Activities	1998	1997
	£	£
Operating profit/(loss)	343	(540,020)
Decrease/(Increase) in debtors	3,475	(5,000)
(Decrease)/Increase in creditors	(44,788)	56,123
Write-off of investment in former subsidiary	4	120,000
Provision against development expenditure	0	194,463
Net cash outflow from operating activities	(40,966)	(174,434)

CASHFLOW STATEMENT

	1998	1998	1997	1997
Net Cash Outflow from operating activities		(40,966)		(174,434)
Returns on Investment and Servicing of Finance				
Interest payable	(1,019)		(199)	
Interest receivable	0		1,449	
		(1,019)		1,250
Capital Expenditure				
Payments to acquire intangible fixed assets	0		(239,463)	
Receipts from sale of intangible fixed assets	42,000		0	
		42,000		(239,463)
Financing				
Net proceeds from issue of shares		0		424,360
Increase/(Decrease) in Cash		15		10,463

Analysis of Movement in Net Debt

	B/Fwd	Cash Flow	C/Fwd
Cash at Bank/In Hand	147	15	162

The notes on pages 9 to 12 form part of these financial statements.

ASQUITH MOTOR CARRIAGE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS AT 30 APRIL 1998

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 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. to the date of their disposal.

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 from that date.

c) Going Concern

The financial statements have been drawn up on the going concern basis. This basis may not be appropriate because at 30 April 1998 the company had net assets of £664 and had incurred losses of £3,676. However, the directors are in discussions with a number of companies and are confident that the company will find a in which to invest. Therefore, they have continued to adopt the going concern basis.

d) Fixed Asset Investments

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

e) 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 ans sell these activities, they have been written down to the value of the initial payments due on these transactions.

f) Deferred Taxation

Provision is made, using the liability method, for taxation in respect of items where there is 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 1998

2. OPERATING COSTS

The operating costs are stated after charging:	1998	1997
	£	£
Directors emoluments	0	47,918
Audit fee	100	2,600

3. TAXATION

	1998	1997
Based on the loss for the period	£ 0	£ 0

Subject to the agreement of the Inland Revenue, the group has trading losses of approximately £300,000 to set against future profits of the same trade.

4. DIRECTORS REMUNERATION AND STAFF COSTS

The directors were the only employees of the company in the year; their remuneration was as follows:-

	1998	1997
	£	£
Salary and fees	0	44,335
Other emoluments (including pension contributions)	0	3,583
	0	47,918

5. EARNINGS PER SHARE

The loss per share of 0.02p. has been calculated on the post tax losses attributable to ordinary shareholders, based on the average number of shares (of 18,396,181) in issue during the year to 30 April 1998.

6. INVESTMENTS

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

	1998	1997
Asquith Coach Limited (dormant)	2	2
Asquith Great Yeldham Limited (non-trading)	2	2
Asquith Motor Carriage Co. Limited	0	120,000
	0	£ 120,004
Less Disposal of investments	(4)	(120,000)
Net book value	0	£ 4

ASQUITH MOTOR CARRIAGE GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS AT 30 APRIL 1998

7. INTANGIBLE FIXED ASSETS

	New Taxi	Bus distribution business
At 1 May 1997	£	£
Cost	169,306	70,157
Provision	134,306	60,157
	35,000	10,000
Disposals	(35,000)	(10,000)
At 30 April 1998	£ 0	£ 0

On the disposal of the above intangible assets the company negotiated a future royalty stream once the products were commercialised.

8. DEBTORS

	1998	1997
	£	£
Commissions Receivable	1,525	0
Amount due by former subsidiary	0	172,712
Provision for doubtful debt	0	(167,712)
	1,525	5,000

9. CREDITORS: Amounts falling due within one year

	1998	1997
	£	£
Trade creditors	523	39,777
Accrued expenses and other creditors	500	6,034
Total Company	1,023	45,811
Accrued expenses and other creditors	0	10,312
Total Group	1,023	56,123