

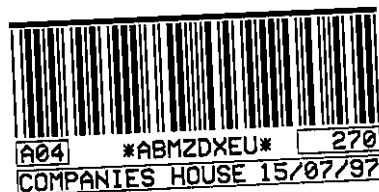


BDO Stoy Hayward
Chartered Accountants

**GEORGE THURLOW & SONS
(HOLDINGS) LIMITED**

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

**for the year ended
31 December 1996**



Company Number 77180

BDO Stoy Hayward firms also in the South East, Ayr, Bacup, Belfast, Beverley, Birmingham, Bristol, Bury St. Edmunds, Cardiff, Edinburgh, Glasgow, Leeds, Manchester, Motherwell, Newcastle-upon-Tyne, Newmarket, Norwich, Nottingham, Peterborough, Poole, Rochdale, Saltcoats, Sheffield, Southampton, Stranraer, Sunderland and Wolverhampton.

BDO Stoy Hayward – South East Firm
Offices in London, Bromley, Chelmsford, Epsom, Reading, Richmond, Ware and Wembley

DIRECTORS

JG Thurlow (Chairman)
SF Steward CBE
MA Thurlow
SA Tew
NJ Thurlow
JR Thurlow

SECRETARY

SA Tew

REGISTERED OFFICE

Blackbourne Works
Elmswell
Bury St Edmunds
Suffolk
IP30 9HQ

AUDITORS

BDO Stoy Hayward
87 Guildhall Street
Bury St Edmunds
Suffolk
IP33 1PU

BANKERS

National Westminster Bank plc
7 Market Place
Stowmarket
Suffolk
IP14 1DZ

SOLICITORS

Birketts
20-32 Museum Street
Ipswich
Suffolk
IP1 1HZ

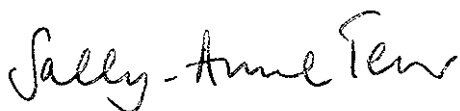
NOTICE OF MEETING
for the year ended 31 December 1996

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the members of the company will be held at 12.00 pm on 18 June 1997 at Blackbourne Works, Elmswell, for the following purposes:

- 1 To receive and consider the accounts and reports of the directors and auditors for the year ended 31 December 1996.
- 2 To confirm the remuneration of the directors as charged in the accounts.
- 3 To receive and consider the directors' recommendation for the final dividend.
- 4 To reappoint the auditors and to resolve that their remuneration be fixed by the directors.
- 5 To transact any other ordinary business of the company.

A member entitled to attend and vote may appoint a proxy to attend and vote on his behalf. Such proxy need not be a member of the company.

By order of the Board



SA Tew
Secretary

12 May 1997

Blackbourne Works
Elmswell
Bury St Edmunds
Suffolk

CHAIRMAN'S STATEMENT
for the year ended 31 December 1996

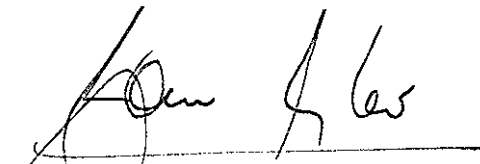
Once again, as Chairman I am pleased to report a good solid performance from our Group with an increase in turnover and overall profitability.

Both the agricultural and motor vehicle divisions have proved profitable and we have now established a competent and enthusiastic team of staff in all key areas which will provide a sound base from which to develop. During the last few years we have taken the opportunity to invest in the latest computer technology which will provide considerable benefits from enhanced financial management.

There is no doubt that the last few years have been good for agriculture and associated businesses like ours have benefited, but the prospects for the immediate short term do not appear so encouraging. Our financial strength and management expertise give us confidence for the future.

Balsham (Buildings) Limited have had a good year with turnover exceeding the previous year and growth has been achieved from both agricultural and industrial clients. It is necessary to report that current legislation, especially Health & Safety, is becoming an increased burden and will inevitably have some effect on gross profit. Our need will be to 'grow' the business and steps have been taken to achieve this aim which in the short term will have some effect on costs, but should prove to be financially beneficial in the longer term.

I should like to acknowledge the enormous contribution by all our staff to the success of the Group.


JG Thurlow
Chairman

FINANCIAL STATEMENTS

The directors present their report and financial statements for the year ended 31 December 1996.

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 group 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 company and group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company's principal activity is that of a holding company providing management services to the group. The principal activities of the subsidiary companies are agricultural machinery and car distribution (including sales, service and parts supply) and the fabrication and erection of agricultural and industrial buildings. The group operates from several branches in East Anglia.

A detailed review of the group's activities, the development of its business and an indication of likely future developments are dealt with in the chairman's statement on page 3.

RESULTS AND DIVIDENDS

The profit for the year after taxation and minority interests amounted to £290,865. The directors recommend the payment of a final dividend amounting to £55,223.

MARKET VALUE OF LAND AND BUILDINGS

In the opinion of the directors, the market value of the group's freehold land and buildings is likely to exceed their book value of £2,157,353 as shown in these financial statements. No recent valuations have been obtained and so the amount of any excess cannot be quantified.

CHARITABLE CONTRIBUTIONS

During the year the group made charitable contributions of £1,204.

DIRECTORS

The directors during the year were as follows:

JG Thurlow (Chairman)
SF Steward CBE
MA Thurlow
SA Tew
NJ Thurlow
JR Thurlow

DIRECTORS' INTERESTS IN SHARES

The directors who held office at 31 December 1996 had the following interests in the shares of the company at the beginning and end of the financial year:

	£1 Ordinary shares	
	1996	fully paid 1995
JG Thurlow (Chairman)	21,427	21,427
MA Thurlow	11,500	11,500
SA Tew	3,241	3,241
NJ Thurlow	3,241	3,241
JR Thurlow	6,701	5,241

TRUSTEE INTEREST

MD Fulcher, a partner of BDO Stoy Hayward, the company's auditors, is a trustee of three settlements which on 31 December 1996 held 27,520 (1995: 27,520) ordinary £1 shares.

EMPLOYEES

The group maintains and develops the involvement of all employees through both formal and informal systems of communication.

The group regularly monitors all aspects of its business with regard to requirements and legislation relating to Health and Safety at Work.

The group supports the employment of disabled people wherever possible, by recruitment, by giving special consideration to retaining those who become disabled during their employment and generally through training, career developments and promotion.

AUDITORS

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that BDO Stoy Hayward be re-appointed as auditors of the company will be put to the Annual General Meeting.

This report was approved by the Board on 12 May 1997

Sally Anne Tew

SA Tew
Secretary

AUDITORS' REPORT**to the members of George Thurlow & Sons (Holdings) Limited**

We have audited the financial statements on pages 8 to 23 which have been prepared on the basis of the accounting policies set out on pages 12 and 13.

Respective responsibilities

As described on page 4 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.

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 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 group as at 31 December 1996 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**
Registered Auditors**19 May 1997**

GEORGE THURLOW & SONS (HOLDINGS) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1996

	Notes	1996 £	1995 £
Turnover	2	39,699,042	39,117,374
Cost of sales		<u>(33,921,180)</u>	<u>(33,584,599)</u>
Gross profit		5,777,862	5,532,775
Distribution costs		(1,578,634)	(1,534,288)
Administrative expenses		(3,521,861)	(3,311,066)
Other operating income		<u>22,734</u>	<u>33,937</u>
Operating profit	3	700,101	721,358
Interest receivable		19,553	12,271
Amounts written off investments		(1,363)	-
Interest payable and similar charges	4	<u>(224,036)</u>	<u>(253,096)</u>
Profit on ordinary activities before taxation		494,255	480,533
Tax on profit on ordinary activities	5	<u>(146,723)</u>	<u>(117,494)</u>
Profit on ordinary activities after taxation		347,532	363,039
Minority interests		<u>(56,667)</u>	<u>(52,410)</u>
Profit for the year		290,865	310,629
Dividend	6	<u>(55,223)</u>	<u>(51,541)</u>
Retained profit for the year	17	<u><u>235,642</u></u>	<u><u>259,088</u></u>

The group had no recognised gains or losses other than those shown above, all of which derive from continuing activities. There was no material difference between the historical cost profit before taxation and the profit on ordinary activities before taxation in either 1996 or 1995.

GEORGE THURLOW & SONS (HOLDINGS) LIMITED

CONSOLIDATED BALANCE SHEET
as at 31 December 1996

	Notes	£	1996 £	£	1995 £
FIXED ASSETS					
Tangible assets	7		3,172,380		3,157,222
Investment	8		2,000		3,363
			<u>3,174,380</u>		<u>3,160,585</u>
CURRENT ASSETS					
Stocks	9	4,827,672		4,626,239	
Debtors	10	2,795,259		2,619,301	
Cash at bank and in hand		27,840		122,628	
		<u>7,650,771</u>		<u>7,368,168</u>	
CREDITORS: amounts falling due within one year	11	<u>(5,449,543)</u>		<u>(5,350,013)</u>	
Net Current Assets			<u>2,201,228</u>		<u>2,018,155</u>
Total Assets less Current Liabilities			<u>5,375,608</u>		<u>5,178,740</u>
CREDITORS: amounts falling due after more than one year	12		(472,559)		(558,809)
PROVISIONS FOR LIABILITIES AND CHARGES	14		<u>(23,213)</u>		<u>(23,426)</u>
Net Assets			<u><u>4,879,836</u></u>		<u><u>4,596,505</u></u>
CAPITAL AND RESERVES					
Called up share capital	16		73,630		73,630
Capital reserve			1,028,493		1,028,493
Profit and loss account	17		2,710,438		2,474,796
Shareholders' Funds	21		<u>3,812,561</u>		<u>3,576,919</u>
Equity minority interests			<u>1,067,275</u>		<u>1,019,586</u>
			<u><u>4,879,836</u></u>		<u><u>4,596,505</u></u>

All shareholders' funds are attributable to equity interests.

GEORGE THURLOW & SONS (HOLDINGS) LIMITED

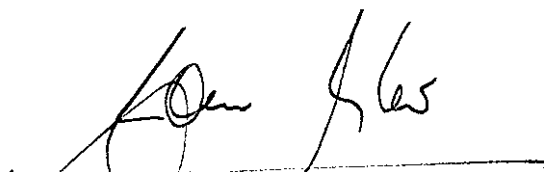
BALANCE SHEET
as at 31 December 1996

	Notes	£	1996 £	£	1995 £
FIXED ASSETS					
Tangible assets	7		760,938		750,038
Investments	8		341,408		342,771
			<u>1,102,346</u>		<u>1,092,809</u>
CURRENT ASSETS					
Amounts owed by group companies		14,366		13,013	
Corporation tax		13,806		18,965	
Other debtor		3,600		3,600	
		<u>31,772</u>		<u>35,578</u>	
Corporation tax includes £13,806 falling due after more than one year (1995: £12,885)					
CREDITORS: amounts falling due within one year					
Bank overdraft (secured)		182,433		207,759	
Amounts owed to group companies		154,440		165,357	
Corporation tax		20,838		14,890	
Other taxation and social security		9,297		13,502	
Accruals and deferred income		45,417		59,140	
Proposed dividend	6	55,223		51,541	
		<u>467,648</u>		<u>512,189</u>	
Net Current Liabilities			<u>(435,876)</u>		<u>(476,611)</u>
Net Assets			<u>666,470</u>		<u>616,198</u>
CAPITAL AND RESERVES					
Called up share capital	16		73,630		73,630
Capital reserve			221,392		221,392
Profit and loss account	17		371,448		321,176
Shareholders' Funds	21		<u>666,470</u>		<u>616,198</u>

All shareholders' funds are attributable to equity interests.

The financial statements on pages 8 to 23 were approved by the Board on

12 May 1997


JG Thurlow
Director

GEORGE THURLOW & SONS (HOLDINGS) LIMITED

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 1996

	Notes	£	1996 £	£	1995 £
Net cash inflow from operating activities	18		913,605		594,342
Returns on investments and servicing of finance					
Interest received		19,553		12,271	
Interest paid		(182,244)		(235,593)	
Dividends paid		(60,070)		(52,260)	
Interest element of finance lease and hire purchase payments		(41,539)		(17,503)	
Net cash outflow from returns on investments and servicing of finance			(264,300)		(293,085)
Taxation					
Corporation tax paid (including advance corporation tax)			(120,829)		(40,639)
Investing activities					
Payments to acquire tangible fixed assets		(322,667)		(298,423)	
Receipts from sales of tangible fixed assets		110,968		364,959	
Net cash (outflow)/inflow from investing activities			(211,699)		66,536
Net cash inflow before financing			316,777		327,154
Financing					
Repayment of amounts borrowed		(59,724)		(63,986)	
Capital element of finance lease and hire purchase payments		(176,234)		(113,834)	
Net cash outflow from financing	19		(235,958)		(177,820)
Increase in cash and cash equivalents	20		80,819		149,334

1 ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The group financial statements consolidate the financial statements of George Thurlow & Sons (Holdings) Limited and all its subsidiary undertakings, all of which have accounting year ends co-terminus with that of the holding company.

A separate profit and loss account dealing with the results of the company has not been presented as permitted under Section 230 of the Companies Act 1985.

Turnover

Turnover represents amounts receivable for goods and services provided in the United Kingdom net of trade discounts and VAT.

Investment properties

In accordance with SSAP19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to revaluation reserve. No depreciation is provided in respect of investment properties.

The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP19. The directors consider that, as these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP19 in order to give a true and fair view.

If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified. In the opinion of the directors, any depreciation so charged would not be material to these financial statements.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold 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:

Plant, equipment, fixtures and fittings	- 3 to 8½ years
Motor vehicles	- 3 to 5 years

The group follows a programme of regular maintenance to its properties. This programme includes the reinstatement of the fabric of those buildings, where necessary, to maintain them to such a high standard that, in the opinion of the directors, the residual value of those properties would be sufficiently high to make any depreciation charge immaterial. All repairs are charged to the profit and loss account.

1 ACCOUNTING POLICIES *continued*

Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and leases which result in the transfer to the group 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 or hire purchase contract 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.

Investments

Fixed asset investments are stated at cost less provision for permanent diminution in value.

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value less payments on account. Cost is arrived at as follows:

Goods for resale	- purchase cost on a first-in, first-out basis
Work in progress and finished goods	- cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Pension costs

The regular cost of providing retirement pensions and related benefits through the defined benefit scheme is charged to the profit and loss account over the employees' service lives on the basis of a constant percentage of earnings. Variations from regular cost, arising from periodic actuarial valuations, are allocated over the expected remaining service lives of current employees on the basis of a constant percentage of current and estimated future earnings. The difference between the charge to the profit and loss account and the contributions paid to the schemes is shown as an asset or a liability in the balance sheet.

The pension cost for the defined contribution scheme represents the contributions payable for the year.

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.

Compliance with accounting standards

The financial statements have been prepared in accordance with applicable accounting standards.

GEORGE THURLOW & SONS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1996

2 TURNOVER

Analysis by class of business

	1996 £	1995 £
Agricultural machinery and motor vehicle distribution	35,982,870	35,823,902
Agricultural and industrial building fabrication	<u>3,716,172</u>	<u>3,293,472</u>
	<u><u>39,699,042</u></u>	<u><u>39,117,374</u></u>

As the group is engaged substantially in the United Kingdom no geographical analysis of turnover has been provided.

3 OPERATING PROFIT is stated after charging or (crediting):

	1996 £	1995 £
Depreciation: owned fixed assets	228,335	223,075
Depreciation: assets under finance leases and hire purchase contracts	120,925	76,033
Profit on disposal of tangible fixed assets	(22,399)	(52,366)
Operating lease rentals	6,581	9,494
Hire of plant and machinery	109,903	87,100
Auditors' remuneration		
- audit services	26,365	26,000
- non audit services	<u>4,936</u>	<u>3,750</u>

4 INTEREST PAYABLE

On loans and overdrafts	182,490	235,593
On finance leases and hire purchase contracts	41,539	17,503
Other interest	<u>7</u>	<u>-</u>
	<u><u>224,036</u></u>	<u><u>253,096</u></u>

GEORGE THURLOW & SONS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1996

5	TAXATION			1996	1995
				£	£
	UK current year taxation				
	UK Corporation Tax			141,500	119,970
	Deferred taxation			237	17,989
				<u>141,737</u>	<u>137,959</u>
	Prior years				
	UK Corporation Tax			4,986	(20,465)
				<u>146,723</u>	<u>117,494</u>
6	DIVIDEND				
	Final dividend proposed at 75p per share (1995: 70p per share)			<u>55,223</u>	<u>51,541</u>
7	TANGIBLE FIXED ASSETS				
				Plant, equipment, fixtures & fittings	
		Investment property	Freehold land and buildings	£	Motor vehicles
(1)	Group summary	£	£	£	£
	Cost				
	1 January 1996	112,000	2,146,004	1,122,849	1,094,879
	Additions	-	20,450	213,648	218,889
	Disposals	-	(38,060)	(73,735)	(229,664)
	Reclassification	-	-	8,500	(8,500)
		<u>112,000</u>	<u>2,128,394</u>	<u>1,271,262</u>	<u>1,075,604</u>
	31 December 1996	<u>112,000</u>	<u>2,128,394</u>	<u>1,271,262</u>	<u>1,075,604</u>
	Depreciation				
	1 January 1996	-	87,097	733,478	497,935
	Charge for the year	-	-	131,520	217,740
	Disposals	-	(4,056)	(73,348)	(175,486)
	Reclassification	-	-	340	(340)
		<u>-</u>	<u>83,041</u>	<u>791,990</u>	<u>539,849</u>
	31 December 1996	<u>-</u>	<u>83,041</u>	<u>791,990</u>	<u>539,849</u>
	Net book value				
	Owned assets	112,000	2,045,353	412,623	245,560
	Hire purchase and leased assets	-	-	66,649	290,195
		<u>112,000</u>	<u>2,045,353</u>	<u>479,272</u>	<u>535,755</u>
	31 December 1996	<u>112,000</u>	<u>2,045,353</u>	<u>479,272</u>	<u>535,755</u>
	Owned assets	112,000	2,058,907	337,767	244,899
	Hire purchase and leased assets	-	-	51,604	352,045
		<u>112,000</u>	<u>2,058,907</u>	<u>389,371</u>	<u>596,944</u>
	31 December 1995	<u>112,000</u>	<u>2,058,907</u>	<u>389,371</u>	<u>596,944</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1996

7 TANGIBLE FIXED ASSETS *continued*

(2) Capital commitments

At 31 December 1996, the group had the following commitments to acquire fixed assets:

	1996 £	1995 £
Authorised but not contracted	-	15,082
Authorised and contracted for	110,903	-
	<u>110,903</u>	<u>15,082</u>

(3) Company summary

	Investment property £	Freehold land and buildings £	Motor vehicles £	Total £
Cost				
1 January 1996	112,000	631,498	19,472	762,970
Additions	-	-	11,440	11,440
31 December 1996	<u>112,000</u>	<u>631,498</u>	<u>30,912</u>	<u>774,410</u>
Depreciation				
1 January 1996	-	-	12,932	12,932
Charge for the year	-	-	540	540
31 December 1996	<u>-</u>	<u>-</u>	<u>13,472</u>	<u>13,472</u>
Net book value				
31 December 1996 - all owned	<u>112,000</u>	<u>631,498</u>	<u>17,440</u>	<u>760,938</u>
31 December 1995 - all owned	<u>112,000</u>	<u>631,498</u>	<u>6,540</u>	<u>750,038</u>

8 FIXED ASSET INVESTMENTS

	1996 £	Group 1995 £	1996 £	Company 1995 £
Shares in subsidiary undertakings				
Cost				
At 1 January	-	-	339,408	414,783
Disposal	-	-	-	(75,375)
At 31 December	<u>-</u>	<u>-</u>	<u>339,408</u>	<u>339,408</u>
Provision				
At 1 January	-	-	-	75,275
Disposal	-	-	-	(75,275)
At 31 December	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net book value				
Shares in subsidiary undertakings	-	-	339,408	339,408
Share in vintage car at cost	2,000	3,363	2,000	3,363
	<u>2,000</u>	<u>3,363</u>	<u>341,408</u>	<u>342,771</u>

GEORGE THURLOW & SONS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1996

8 FIXED ASSET INVESTMENTS *continued*

Subsidiary	Activity	Proportion of voting rights and ordinary share capital held
Thurlow Nunn Standen Limited	Agricultural machinery and motor vehicle distribution	75.06%
Balsham (Buildings) Limited	Industrial and agricultural building fabrication and erection	100%
Thurlow Nunn Motor Vehicles Limited	Dormant	75.06%
George Thurlow & Sons Limited	Dormant	75.06%

With the exception of Thurlow Nunn Motor Vehicles Limited and George Thurlow and Sons Limited, all shareholdings are in the name of George Thurlow and Sons (Holdings) Limited.

9 STOCKS

	1996 £	1995 £
Work in progress	623,718	519,897
Payments on account	(293,633)	(137,394)
	<u>330,085</u>	<u>382,503</u>
Finished goods and goods for resale	3,769,655	3,621,358
Goods held under stocking plans (note 11)	727,932	622,378
	<u><u>4,827,672</u></u>	<u><u>4,626,239</u></u>

In accordance with normal terms of business in the motor trade, the group has benefited from consignment stocking arrangements operated by the motor manufacturers with which it deals.

In the opinion of the directors these agreements are such that the related motor trade stock is not an asset of the group and therefore stock and the corresponding creditor of £492,249 (1995: £366,847) at the year end have not been included in the group's assets and liabilities.

GEORGE THURLOW & SONS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1996

10	DEBTORS	1996 £	1995 £
	Trade debtors	2,555,972	2,392,693
	Corporation tax	13,806	24,105
	Other debtors	3,265	4,858
	Prepayments and accrued income	222,216	197,645
		<u>2,795,259</u>	<u>2,619,301</u>

Amounts falling due after more than one year and included in debtors above are:

Corporation tax	<u>13,806</u>	<u>12,885</u>
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11 CREDITORS: amounts falling due within one year

Loan (note 13)	66,320	59,725
Bank overdrafts	792,743	968,350
Payments on account	271,279	441,227
Obligations under finance leases and hire purchase contracts	159,326	185,309
Trade creditors	2,482,006	2,036,215
Stocking plan creditors	727,932	622,378
Corporation tax	149,288	128,340
Other taxes and social security costs	380,152	448,922
Other creditors	30,831	15,779
Accruals and deferred income	325,465	383,698
Proposed dividend	64,201	60,070
	<u>5,449,543</u>	<u>5,350,013</u>

The bank overdrafts are secured by a fixed charge on two properties and a fixed and floating charge under a debenture over all assets of the trading subsidiaries.

Obligations under finance leases and hire purchase contracts are secured on the underlying assets.

Stocking plan creditors represent amounts owed to suppliers for goods held under agreements whereby settlement is not due until the goods are sold.

12	CREDITORS: amounts falling due after more than one year	1996 £	1995 £
	Loan (note 13)	295,318	361,637
	Obligations under finance leases and hire purchase contracts	177,241	197,172
		<u>472,559</u>	<u>558,809</u>

Amounts repayable in more than five years are shown in note 13.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1996

13 LOAN

(1) Analysis	1996 £	1995 £
Secured loan repayable by instalments over 7 years bearing interest at 11% per annum	<u>361,638</u>	<u>421,362</u>

(2) Maturity

The loan is repayable by instalments as follows:

Due within one year	66,320	59,725
Due between two to five years	295,318	312,542
Due in more than five years	-	49,095
	<u>361,638</u>	<u>421,362</u>

(3) Security

The loan is secured on the group's freehold premises at Melton, Suffolk and St Ives, Cambridgeshire.

14 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax provided in the financial statements and the total potential tax liability are as follows:

(1) Group

	Provided		Potential	
	1996 £	1995 £	1996 £	1995 £
Accelerated industrial buildings and capital allowances	33,323	32,658	81,016	76,815
Capital gains rolled over	-	-	6,345	6,345
Short term timing differences	<u>(1,110)</u>	<u>(682)</u>	<u>(1,110)</u>	<u>(682)</u>
	32,213	31,976	86,251	82,478
Advance corporation tax	<u>(9,000)</u>	<u>(8,550)</u>	<u>(9,000)</u>	<u>(8,550)</u>
	<u>23,213</u>	<u>23,426</u>	<u>77,251</u>	<u>73,928</u>

(2) Company

Accelerated industrial buildings and capital allowances	-	-	33,546	30,698
Capital gains rolled over	-	-	6,345	6,345
	<u>-</u>	<u>-</u>	<u>39,891</u>	<u>37,043</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1996

15 PENSION COSTS

The group operates both a defined contribution and defined benefit pension scheme. The assets of the schemes are held in separate trustee administered funds. The pension cost of the defined contribution scheme represents the contributions payable for the year. The pension cost of the defined benefit scheme is assessed in accordance with the advice of a professionally qualified actuary and the most recent actuarial valuation was carried out as at 6 April 1996. Details of the valuation are as follows:

Method used:	Attained age
Main assumptions:	
Return on investments	8% per annum
Increase in earnings	7% per annum
Market value of scheme assets at last valuation date:	£4,009,726
Level of funding:	95%

As a result of the actuarial valuation, group funding of the scheme has been maintained at the same contribution rate.

16 CALLED UP SHARE CAPITAL

	1996 Number	Authorised 1995 Number	1996 £	Allotted and fully paid 1995 £
£1 Ordinary	<u>75,000</u>	<u>75,000</u>	<u>73,630</u>	<u>73,630</u>

17 PROFIT AND LOSS ACCOUNT

	£
(1) Group	
1 January 1996	2,474,796
Retained profit for the year	<u>235,642</u>
31 December 1996	<u>2,710,438</u>
(2) Company	
1 January 1996	321,176
Retained profit for the year	<u>50,272</u>
31 December 1996	<u>371,448</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1996

18 RECONCILIATION OF OPERATING PROFIT TO NET
CASH INFLOW FROM OPERATING ACTIVITIES

	1996	1995
	£	£
Operating profit	700,101	721,358
Depreciation	349,260	299,108
Profit on disposal of tangible fixed assets	(22,399)	(52,366)
Increase in stocks	(201,433)	(478,589)
(Increase)/decrease in debtors	(181,117)	174,310
Increase/(decrease) in creditors	269,193	(69,479)
Net cash inflow from operating activities	<u>913,605</u>	<u>594,342</u>

19 ANALYSIS OF CHANGES IN FINANCING
DURING THE YEAR

	Loans	Finance lease and hire purchase obligations
	£	£
Balance at 1 January 1995	485,348	96,743
Cash outflow from financing	(63,986)	(113,834)
Capital advanced from finance leases and hire purchase contracts	-	399,572
Balance at 1 January 1996	421,362	382,481
Cash outflow from financing	(59,724)	(176,234)
Capital advanced from finance leases and hire purchase contracts	-	130,320
Balance at 31 December 1996	<u>361,638</u>	<u>336,567</u>

20 CASH AND CASH EQUIVALENTS

	1996	1995	Change in year
	£	£	£
Cash at bank and in hand	27,840	122,628	(94,788)
Bank overdrafts	(792,743)	(968,350)	175,607
	<u>(764,903)</u>	<u>(845,722)</u>	<u>80,819</u>

21 RECONCILIATION OF MOVEMENTS IN
SHAREHOLDERS' FUNDS

	1996	1995
	£	£
(1) Group		
Profit for the financial year	290,865	310,629
Dividends	(55,223)	(51,541)
Net addition to shareholders' funds	235,642	259,088
Opening shareholders' funds	3,576,919	3,317,831
Closing shareholders' funds	<u>3,812,561</u>	<u>3,576,919</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1996

21 RECONCILIATION OF MOVEMENTS IN
SHAREHOLDERS' FUNDS *continued*

	1996 £	1995 £
(2) Company		
Profit for the financial year	105,495	101,968
Dividends	(55,223)	(51,541)
Net addition to shareholders' funds	50,272	50,427
Opening shareholders' funds	616,198	565,771
Closing shareholders' funds	666,470	616,198

22 DIRECTORS

(1) Emoluments

The emoluments of directors of the company (including pension contributions and benefits-in-kind) were:

198,692	205,380
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(2) Bandings

Fees and remuneration disclosed above (excluding pension contributions) include amounts paid to:

The chairman and highest paid director

136,675	128,632
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Other directors' emoluments (excluding pension contributions) were in the following ranges

	Number	Number
£0 - £ 5,000	1	2
£ 5,001 - £10,000	2	2
£15,001 - £20,000	1	1
£25,001 - £30,000	1	1

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1996

23 EMPLOYEES

(1) Number of employees

The average monthly number of persons (including directors) employed by the group during the year was:

	1996 Number	1995 Number
Office and management	82	85
Sales and service	194	182
	<u>276</u>	<u>267</u>

(2) Employment costs

	£	£
Wages and salaries	3,732,994	3,645,719
Social security costs	322,571	317,871
Other pension costs	230,555	233,996
	<u>4,286,120</u>	<u>4,197,586</u>

24 RELATED PARTY TRANSACTIONS

The group is exempt from disclosing related party transactions and balances with group undertakings as they are eliminated on consolidation. The company is also exempt from such disclosures as its own financial statements are presented together with the consolidated financial statements.

The company was under the control of Mr JG Thurlow, a director, and members of his close family throughout the year. As disclosed in the directors' report Mr JG Thurlow is personally interested in 29.1% of the company's issued share capital. In addition his wife and adult children control, in aggregate, a further 33.5% of the company's issued share capital. Mr JG Thurlow and his close family also have an interest in three trusts which own the remaining 37.4% of the company's issued share capital. There were no transactions during the year between the company and Mr JG Thurlow or his close family other than as disclosed under directors' emoluments in note 22 to the financial statements.