

EUROPEAN MOTOR HOLDINGS plc

Company number 122207



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Report and Financial Statements 2004

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GROUP OPERATIONS

The European Motor Holdings group comprises a head office based in Henley-on-Thames and the three operating divisions as set out below.

Motor Retail Division

The Division comprises 40 motor vehicle franchises operating from 36 sites in the United Kingdom as listed below.

Audi	Chester, Sunderland, Tetbury
Bentley	Newcastle
BMW	Malton, Stockton, Sunderland, York
BMW Motorcycles	Sunderland
DAF	Taunton
Jaguar	Doncaster, Harrogate, Leeds, Preston, York
Land Rover	Chester, Preston
LDV	Taunton
MGRover	Chester, Sunderland
MINI	Malton, Stockton, Sunderland, York
Volkswagen	Bebington, Chester, Cirencester, Chiswick, Darlington, Heathrow, Sunderland, Twickenham, Walton-on-Thames, Wrexham
Volvo	Durham, Harrogate, Hexham, Newcastle, Stockton, Sunderland

This Division also holds the United Kingdom import and distribution franchise for the Perodua range of cars manufactured in Malaysia and operates motor auctions in Telford and Queensferry.

Motor Services Division

The Division is engaged in the sale, servicing and operation of vehicle washing equipment in the United Kingdom. The principal trading company is Wilcomatic, which is based in Croydon and has a service control centre in Warrington.

Other Businesses

Other businesses comprise J & S Component Engineering based in Rainham and Glasgow, and Packaging Industries in Newton Aycliffe.

FINANCIAL HIGHLIGHTS

	2004	2003
Turnover	£489.5m	£430.0m
Profit after interest but before exceptional items	£13.7m	£11.2m
Profit before taxation	£16.8m	£13.2m
	<hr/>	<hr/>
Earnings per share	23.2p	18.2p
Dividends per share	8.5p	7.5p
	<hr/>	<hr/>
Net assets	£65.2m	£56.8m
Net funds	£13.0m	£5.6m
	<hr/>	<hr/>
Divisional analysis	£m	£m
Motor Retail Division	14.1	11.5
Motor Services Division	1.4	1.2
Other Businesses	–	0.1
Head Office	(1.7)	(1.6)
Exceptional items	3.0	2.0
	<hr/>	<hr/>
Profit before taxation	16.8	13.2
	<hr/>	<hr/>

Financial calendar

18 June 2004
Annual General Meeting

4 August 2004
Ex dividend date for final
dividend

6 August 2004
Record date for final
dividend

6 September 2004
Payment date of final
dividend

October 2004
Announcement of half year
results

December 2004
Payment of interim
dividend

CHAIRMAN'S STATEMENT

It is with great delight that I am able to report record profits for the Group for the third successive year, strong cash generation and a further strengthening of the Group's franchise portfolio.

The Group's profit before tax for the year ended 29 February 2004 was £16.8 million on turnover of £490 million. This compares with profit before tax of £13.2 million and turnover of £430 million in the previous year. Earnings per share were 23.2 pence compared to 18.2 pence. When goodwill amortisation and the exceptional profits on the disposal of businesses and properties are excluded, the Group's underlying trading profit was £13.9 million, compared to £11.2 million in the previous year and earnings per share were 17.7 pence compared to 14.3 pence. Net funds increased by £7.4 million to £13.0 million at 29 February 2004.

The favourable trading conditions enjoyed by the motor retail industry in 2002 continued throughout 2003 with new car sales marginally ahead of the previous year's record volume and UK interest rates at low levels. The Group continued to capitalise on these factors and the strong consumer demand which they created, enabling us to produce another record set of results.

The Group's excellent trading results for the financial year are examined in more detail in the Chief Executive's operating review and the Finance Director's report on pages 5 to 9.

During the year, we purchased Land Rover and Jaguar dealerships in Preston, expanding our presence in the North West. We also disposed of our remaining Vauxhall dealership in Heathrow and our Volvo dealership in Leeds, both of which had been unprofitable. Since the year end, we have opened our Bentley dealership in Newcastle. This continued increase of the franchises of our selected core manufacturer partners and the disposal of non core franchises has further strengthened our franchise portfolio. As a result, 36 of the Group's 40 franchises now represent our core manufacturers. We anticipate that the new Block Exemption regulations now in force will provide a positive environment for future growth within the Group. We are also pleased to have strengthened our relationship with Audi, with our selection as its preferred candidate for a market area.

We continue to benefit from the market area approach that we are developing with our core manufacturers, through co-ordinated marketing and the operating and financial efficiencies that this structure affords.

The Group's results have continued the trend of successive increased profits and strong cash generation which we have enjoyed over the last five years, further strengthening the Group's balance sheet and ensuring that it is well placed to fund future growth.

In line with the trend of profits referred to above, we have increased our dividends each year. We are recommending a final dividend of 5.1 pence per share, making a total for the year of 8.5 pence per share, compared with 7.5 pence per share last year, an increase of 13.3%. The final dividend is expected to be paid on 6 September 2004 to shareholders on the register at 6 August 2004.

On behalf of the Board, I would like to thank all of our staff for their continued commitment and hard work during the past year.

Roger Smith
Chairman

28 April 2004

CHIEF EXECUTIVE'S OPERATING REVIEW

European Motor Holdings plc performed extremely well in the year ended 29 February 2004.

In the period, turnover was up by 14% to £490 million. The profit before tax for the Group rose 27% from £13.2 million to £16.8 million and earnings per share increased from 18.2 pence per share to 23.2 pence per share.

Our reported profit before taxation included exceptional profits on the disposal of surplus properties and businesses of £3.0 million this year and £2.0 million last year. Excluding these exceptional items and goodwill amortisation, our profits rose from £11.2 million to £13.9 million, an increase of 24%, with earnings per share on this basis rising from 14.3 pence per share to 17.7 pence per share.

At the year end, net cash stood at £13.0 million and net assets per share had risen to 121.7 pence per share.

We remain the most profitable quoted UK motor group based on return on sales and have further improved our performance again this year.

Trading

Within our motor retail division, operating profit before goodwill amortisation increased by 27% from £11.9 million to £15.1 million. Our return on sales based on operating profit increased from 2.9% to 3.2%.

In the calendar year 2003, car sales in the UK increased to a new record level of 2.58 million units. This level of sales continued to be fuelled by interest rates and new vehicle prices which have both remained at relatively low levels throughout the year.

The growth in national registrations in our financial year for our key franchises of 3% has again outstripped growth for all makes of 2%. On a like for like basis, we achieved a growth level in our key franchises of 10%, which was significantly better than the national picture.

Our businesses continue to offer high levels of customer service in both their sales and after sales departments. Outstanding customer service levels were achieved within our Audi, BMW, Jaguar and Volvo businesses. We believe firmly that good customer service leads to higher levels of profitability and remain committed to continuing to focus on this area.

The profitability achieved within each of our key franchises improved on the previous year as a result of both operational efficiencies and the acquisitions that we made in this and the previous year. We have also benefited from the introduction of several new models from our manufacturer partners: most notably the Audi A8 and A3, the BMW '5' series, the Jaguar 'XJ' range and 'X' type diesel, the Volkswagen Touareg and Mark 5 Golf and the new Volvo S40.

Our continuing BMW and Mini operations generated very strong performances for the year, with second half BMW margins improving over the first half due to new product introductions and a more orderly market. Our registrations for these franchises on a like for like basis were 13% up on the previous financial year compared with 9% nationally and, overall, including new businesses, registrations were up by 54% for BMW and 57% for Mini. Our BMW performance was aided by the introduction of the new '5' series saloon which has proven to be very successful. The BMW and Mini operation in Stockton acquired in February 2003 made a significant contribution in the period.

Our Premier Automotive Group operations had a very good year with our continuing Jaguar dealerships in particular achieving a significant improvement in profitability. This was mainly due to the increasing maturity of these businesses where our after sales operations continue to grow. Our existing Land Rover business moved forward with an excellent used vehicle performance. In October 2003 we acquired major Jaguar and Land Rover businesses in Preston for £2.7 million and £2.4 million respectively. We are very encouraged by the performance of these businesses, which have made a positive contribution since acquisition.

Our Volvo operations suffered some mild disruption in the second half of the year with the sale of one business and the relocation of our Newcastle operations to a new facility in the centre of the city. This

CHIEF EXECUTIVE'S OPERATING REVIEW

(Continued)

had an effect on the performance for the year, but we now have excellent representation in our market area in the North East of England and expect to make further progress this year.

Our Audi centres performed extremely well during the whole period with their profitability improving year on year.

For Volkswagen, the first half proved difficult due to margin erosion on the run out of the Mark 4 Golf and a weak economic environment in London where some of our operations are based. However, we achieved a significant improvement in the second half due to the increasing maturity of the businesses we opened and acquired last year and as a result of the availability from Volkswagen of a number of vehicles at advantageous prices. The new Mark 5 Golf was available in certain derivatives towards the end of the financial year and we look forward in the current year to further expansion of the model line up for this vehicle.

During the period we made a number of disposals, including our Park Royal property which had previously housed our Mercedes-Benz franchise. We sold this property for £8.3 million, generating an exceptional profit of £ 2.8 million. We also disposed of our loss making Vauxhall business in Heathrow; this resulted in an exceptional profit of £0.1 million. In December we withdrew from the Leeds market for Volvo and generated a small exceptional profit on this disposal.

Our Motor Services Division had another good year, with operating profits increasing by 17%. An excellent performance in sales, where we achieved 16% growth in equipment sales, was offset by the impact of a less favourable Euro exchange rate on our machine purchases. The service department also performed well and we increased by 12% the number of machines under contract with our major customers, which include oil companies, supermarkets and motor dealers. Our retail washing operations have shown a large improvement in the period and operating losses are now minimal. Actions we have taken will, we believe, result in a further improvement in this area next year.

Overall, Wilcomatic has made a very good contribution to the results of the Group during this period.

Business development

In January we acquired land in Durham where we will construct a facility to house a new BMW and Mini operation which will open early next year. This business will complement our existing contiguous territory which stretches from York and Malton in North Yorkshire through Stockton to Sunderland. We are obviously delighted to have been given this new opportunity by BMW and Mini and believe that we will continue to make a major contribution to the growth of these brands in the North East of England. During the year we also successfully transferred our Mini operation in York into a stand alone dealership and, in line with BMW group policy and as a result of the rapid growth of the franchises, will be relocating our other Mini businesses into separate facilities in due course.

As detailed above, we have acquired certain Premier Automotive Group businesses during the year. We remain keen to continue to expand with these franchises and hope to do so in the coming period.

I am delighted to confirm that we have agreed our future position with Audi. We have recently been confirmed as Audi's preferred candidate for a market area in the West of England in which we already represent the franchise at one location. Audi's proposal is that we should expand within this territory by acquiring other existing businesses and establishing new sites. We hope to make progress on this during the current financial year. In the coming months we expect to divest two of our existing three Audi operations which form part of market areas for other Audi partners. We are very happy with the outcome of the discussions that have taken place with Audi over the last eighteen months and can now look forward to our future with this franchise with more certainty.

I stated previously that our Volkswagen businesses have had a difficult year. During the coming months we will probably sell two of our existing businesses as part of Volkswagen's restructuring of the dealer network into market areas. However, we remain totally committed to the brand and to bringing the level of return which is seen in our other franchises to the Group's Volkswagen operations. We are in regular discussions with our manufacturer partner in order to identify areas which will assist us to achieve this goal and, as indicated above, progress has already been made.

CHIEF EXECUTIVE'S OPERATING REVIEW

(Continued)

As a result of our relationship with the Volkswagen group, we were introduced to Bentley last year which was seeking sales representation in the North East of England. We were subsequently granted this prestigious franchise and our operation, based at Silverlink, Newcastle, opened on 1 March 2004. The performance of this business to date has been extremely good and the launch of the Continental GT has meant that we have started trading with a long order book. That, together with further new models expected in 2005 and beyond, will ensure an exciting future for this new operation.

Our partners' products are key to our success and during our current financial year we will benefit from the launches of the following models: the new Audi A6 and A3 Sportback, the BMW '1' Series, X3 and '6' Series, the Jaguar 'S' type diesel, the new Land Rover Discovery, the Mini convertible and the Volvo V50. We are sure that these new products will continue to stimulate consumer demand for the brands we represent.

In the next few months we expect to acquire land and develop another auction business which will complement our existing auction operations in Telford and Queensferry.

In October 2003, the new Block Exemption regime became law within the European Union. We are very happy to embrace the new regime and believe that it benefits the larger groups such as ourselves, giving us more franchise stability and greater opportunities with our partners. We have always viewed our strong relationships with our manufacturer partners as fundamental to the Group's success and we are keen to work with our partners to capitalise on the changes that the new Block Exemption rules have brought about.

Conclusion and outlook

We have had an outstanding year with the Group moving forward once again and have continued to refine and enhance our franchise portfolio.

The new year has started particularly well with the March trading month being another record motor retail performance. We have much to look forward to in the coming months and, whilst there are some residual disposals to be made following the Block Exemption review, we expect to make complementary acquisitions and continue to improve our existing businesses.

We look forward to another successful year.

Richard Palmer
Chief Executive

28 April 2004

FINANCE DIRECTOR'S REPORT

Financial review

As stated in the Chief Executive's operating review, the Group's profit on ordinary activities before tax for the year ended 29 February 2004 was £16.8 million compared to £13.2 million in the previous year. This year's results include exceptional profits of £2.9 million (£1.7 million last year) arising on the disposal of two surplus properties and exceptional profits of £0.1 million (£0.3 million last year) relating to the disposal of two businesses.

Excluding these exceptional items and goodwill amortisation, the Group's underlying trading profit was £13.9 million, compared to £11.2 million last year, an increase of 24%.

The Group's effective tax rate in the year ended 29 February 2004 was 26.5%. However, this is distorted by the tax treatment of the exceptional property and business disposal profits, for which rollover relief is available. When these items are excluded, the effective tax rate for the year is 32.4%, similar to last year's rate of 33.0%.

Earnings per share for the year were 23.2p compared to 18.2p last year. Excluding goodwill amortisation and exceptional items, the figure for this year is 17.7p, an increase of 24%. The Board is recommending a final dividend of 5.1p per share, bringing the full year's dividend to 8.5p. This represents a 13% increase on last year's total dividend of 7.5p per share. Dividend cover, excluding exceptional items, for the year is 2.0 times, compared to 1.9 times last year.

The net effect on turnover of branches opened and closed is an increase of £22 million. In addition, our continuing Motor Retail businesses have achieved increases in both vehicle sales volumes and the average prices of cars sold. There has also been higher turnover at Wilcomatic, due to increases in both equipment sales and service work. The net result of all of these factors is an increase in Group turnover of £60 million.

Operating profit has increased to 2.8% of turnover, compared to 2.5% last year and the Group continues to be one of the most profitable in the industry at this level, an achievement which is even more pronounced at the profit before taxation level.

Increased profits, offset by lower average net cash balances and lower interest rates, have resulted in net interest receivable (excluding new vehicle stocking interest) for the year of £0.2 million, compared to £0.3 million last year.

As evidenced by the balance sheet, the Group continues to be in a very strong financial position. Shareholders' funds have increased by £8.4 million to £65.2 million at 29 February 2004. During the year, we have invested £6.1 million in capital expenditure, principally represented by a new site for our Newcastle Volvo business, the freehold of our Bebington Volkswagen site and the purchase of a site in Durham for a new BMW and Mini business which we will open early next year. The proceeds of the disposal of fixed assets amounted to £8.5 million, relating primarily to the property disposals referred to above. The net proceeds of the businesses disposed of during the year amounted to £0.8 million and we have invested £5.6 million in the acquisition of new businesses in the same period.

During the year, the Company issued 690,000 shares in respect of the exercise of options, giving a cash inflow of £0.6 million.

Notwithstanding the acquisitions made in the year, we have managed our working capital efficiently and achieved a reduction of £0.5 million. Payments in respect of taxation and dividends in the year amounted to £8.0 million and there has been a net inflow of £1.4 million in respect of finance leases and letters of credit during the year. The net effect of these cash flows and of the £16.7 million operating profit (after adding back depreciation and amortisation) in the year is a net cash inflow of £9.0 million. This gives the Group a healthy net funds balance of £13.0 million at 29 February 2004, compared with £5.6 million at the previous year end, an increase of £7.4 million.

The Group's net funds position at the year end is not representative of the year as a whole because, immediately prior to a month with a registration plate change, used vehicle stocks and vehicle debtors are lower than at other times of the year and we are in receipt of deposits on cars being prepared for sale in March. This year's peak net funds level of £13.0 million occurred at the end of the financial year, but the Group also experienced net borrowings of £12.4 million in October following the high sales month of September. Nevertheless, the Group remains extremely well placed to expand whilst retaining low borrowing levels.

The principal elements of our borrowings are a loan from a finance house and leasing obligations in respect of demonstrator vehicles and certain dealership refurbishments. Most utilised borrowings are repayable either on demand or within the current calendar year, although some leases in respect of

FINANCE DIRECTOR'S REPORT

(Continued)

fixed assets have five or ten year terms. In addition, the Group has substantial banking facilities which were unutilised at the balance sheet date.

The triennial actuarial valuation of the Group's defined benefit scheme, which was closed to new members many years ago, as at 5 April 2003 has recently been completed. At that date, the actuarial valuation of the scheme's assets represented 86% of the value of accrued liabilities. The previous valuation showed a surplus with an equivalent funding ratio of 127%. This change in funding position has arisen largely due to the fall in equity values in the three year period, although the position has improved significantly since the effective valuation date. The current accounting standard on pension accounting, SSAP 24, requires that the deficit now shown by the valuation is spread over the average remaining service lives of the scheme members. The net result of the valuation is that the Group's pension costs have increased by £196,000 in the financial year. The Group has not contributed to the scheme for a number of years as previous valuations have reported surpluses but will recommence contributions with effect from 5 April 2004 in line with the actuary's contributions report when this has been finalised. Whilst we will not know the exact amount of the contributions until the report has been finalised, it is expected that these will amount to £156,000 per annum, including scheme costs to be paid by the Group.

In line with other similar groups in the motor retail industry, we announced last year that we had been negotiating with HM Customs & Excise in respect of issues arising from changes in VAT case law. These discussions have continued and we hope to be able to announce the conclusion of our negotiations shortly.

All listed companies in the European Union will have to report their consolidated results under International Financial Reporting Standards for accounting periods commencing on or after 1 January 2005. This means that the new standards will first affect the Group's reporting for the year ending 28 February 2006, commencing with the interim results for the six months ending 31 August 2005. The standards to be applied in that period have only recently been finalised by the authorities and we are currently assessing their impact on the Group's financial reporting.

In addition, we are dealing with new regulations issued by the Financial Services Authority in response to an EU directive which will affect the sale and administration of insurance based products within our businesses and which take effect in January 2005.

Financial instruments

Where considered appropriate, the Group uses financial instruments, including derivatives (forward foreign exchange currency contracts) to raise finance for the Group's operations. The purpose of these transactions is to manage the currency risks arising from the Group's operations and its sources of finance. It is the Group's policy that no trading in financial instruments is undertaken.

The main financial risks faced by the Group relate to interest and exchange rates and liquidity. The Board reviews and agrees policies for managing these risks and they are summarised below. These policies have remained in place throughout the period under review.

The Group finances its operations through a mixture of retained profits and borrowings from banks and finance houses. The Group borrows at floating rates of interest, which are negotiated at advantageous rates. There are no fixed rate borrowings other than finance leases and no derivatives in place in respect of interest rates. Given the relatively benign outlook for UK interest rates and the Group's ability to generate interest on its cash balances, the Board considers that the Group's exposure to adverse movements in base rates is a low risk position.

The Motor Services Division purchases car wash machinery and associated supplies from Germany and the United States of America, which are invoiced and paid for in Euros and US dollars respectively. The Group's policy is to manage currency exposures and purchases through forward currency contracts when market conditions permit. All purchases of motor vehicles and spare parts, including those from Malaysia, are denominated in sterling.

As regards liquidity, the Group's policy is to maintain a balance between committed and uncommitted facilities and between term loans and overdrafts.

Ann Wilson
Finance Director

28 April 2004

DIRECTORS AND ADVISERS

Directors	Non executive Chairman Chief Executive Finance Director Non executive Director	Roger Smith Richard Palmer Ann Wilson ACA Roger Abrahams
Secretary	Mark Beacham FCA	
Registered office	Craigmore House Remenham Hill Henley-on-Thames Oxon RG9 3EP	
Registered number	122207	
Auditors	Grant Thornton Grant Thornton House Melton Street Euston Square London NW1 2EP	
Solicitors	Norton Rose Kempson House Camomile Street London EC3A 7AN	
Stockbrokers	Investec 2 Gresham Street London EC2V 7QP Brewin Dolphin Securities Limited PO Box 512 National House 36 St Ann Street Manchester M60 2EP	
Principal bankers	Svenska Handelsbanken AB (publ) Trinity Tower 9 Thomas More Street London E1W 1GE Bank of Scotland West End Business Centre St James's Gate 14-16 Cockspur Street London SW1Y 5BL	
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	

REPORT OF THE DIRECTORS

The Directors present their report together with the audited financial statements for the year ended 29 February 2004.

Activities

The Group's principal activities are the operation of motor retail franchises and the sale, servicing and operation of vehicle washing equipment.

The Group's business, its position at the balance sheet date and future developments are reviewed in the Chairman's statement, the Chief Executive's operating review and the Finance Director's report on pages 4 to 9.

Results and dividends

The profit on ordinary activities before taxation for the period amounted to £16,777,000 (2003, £13,231,000).

The Directors recommend a final dividend in respect of the year ended 29 February 2004 of 5.1 pence per share (2003, 4.3 pence). An interim dividend of 3.4 pence per share (2003, 3.2 pence) was paid during the year, making a total of 8.5 pence per share (£4,563,000) for the year (2003, 7.5 pence per share, £3,965,000).

Directors

- (a) The Directors in office at the date of this report are set out on page 10. All served on the Board throughout the year.

Mr R J Smith retires by rotation and, being eligible, offers himself for re-election.

Mr Smith is a member of the Audit Committee and the Remuneration Committee. He does not have a service contract with the Company. Mr Smith, 65, joined the Board in July 1993 and was appointed Chairman in March 1994. He has extensive motor and petroleum industry and public company experience.

- (b) The interests of the Directors in the ordinary shares of the Company are shown below:

	Beneficial			
	29 February 2004		1 March 2003	
	Shares	Options	Shares	Options
R J Smith	400,000	—	400,000	—
R T Palmer	532,000	715,000	500,000	865,000
A C Wilson	393,356	905,000	356,606	865,000
R G Abrahams	—	—	—	—

At the date of this report, the Directors' interests were as follows:

	Shares	Options
R J Smith	400,000	—
R T Palmer	532,000	715,000
A C Wilson	393,356	905,000
R G Abrahams	—	—

Details relating to Directors' share options are set out in the Directors' remuneration report on pages 14 to 16.

REPORT OF THE DIRECTORS

(Continued)

Directors' responsibilities for the financial statements

Company law in the United Kingdom 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 the 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; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the report of the Directors and other information included in the annual report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Services Authority.

Personnel

The Group endeavours to keep its employees as fully informed as practicable about the Group's affairs. Employees are made aware of the Group's financial performance and are encouraged to contribute to the development of the business.

The Group gives full consideration to the employment of disabled persons, having regard to the respective abilities and skills of the applicant concerned, and whenever possible the Group continues to retain employees who become disabled whilst employed by the Group. The Group's policy is that the training, career development and promotion of disabled persons should, as far as possible, be the same as for all other employees.

Policy on the payment of creditors

It is the Group's policy to settle the terms of payment with all its suppliers when agreeing the terms of transactions, to ensure that suppliers are aware of the terms of payment, and to abide by the agreed terms of payment. At 29 February 2004 the Group's outstanding purchase ledger balances represented 36 days' purchases (2003, 38 days).

Donations

The Group made no charitable or political donations during the year.

Substantial shareholdings

At the date of this report, the Directors had been notified of the following disclosable interests of 3% or more in the issued share capital of the Company:

	Number of shares held	%
UBS Global Asset Management Holding (No 2) Limited and UBS Global Asset Management Life Limited	3,464,172	6.5
Artemis Smaller Companies Fund	3,375,000	6.3
Standard Life Investments Limited	3,060,192	5.7
Trefick Limited	2,775,118	5.2
Scottish Widows Investment Partnership Limited	2,613,813	4.9
Legal & General Group Plc	1,603,917	3.0

REPORT OF THE DIRECTORS

(Continued)

Annual General Meeting

At 29 February 2004 the Company had an unexpired authority to purchase its own shares up to a maximum of 7,403,019 ordinary shares. A resolution will be put to the Annual General Meeting to renew the authority for the Company to purchase up to a maximum of 14% of the issued share capital of its ordinary shares. The price offered for the shares will not be more than 105% of the average of the market values for the ordinary shares (as derived from the Daily Official List of the London Stock Exchange) for the five business days before the day on which the purchase is made, nor less than 40p (the nominal value of the shares). The authority will expire at the conclusion of the Annual General Meeting of the Company to be held in 2005. The authority will only be exercised if to do so would be in the best interests of shareholders generally. Any shares purchased by the Company will either be cancelled or held in treasury in accordance with the provisions of the Companies Act 1985. The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 came into force on 1 December 2003 and the Companies (Acquisition of Own Shares) (Treasury Shares) No.2 Regulations 2003 on 18 December 2003. These Regulations made certain amendments to the Companies Act 1985 in relation to treasury shares. Listed public companies are now permitted, subject to certain restrictions, to hold their own shares which they purchase in treasury for resale or transfer at a later date, rather than being obliged to cancel them. Although the Company is not permitted to exercise any rights, such as voting rights, in respect of such treasury shares, statutory pre-emption rights do still apply to shares held in treasury and so the authority sought in Resolution 8 in the Notice of Meeting also enables the Board to sell any treasury shares held by the Company for cash free of these statutory pre-emption rights. If the Company were to purchase any of its own shares pursuant to the authority conferred by Resolution 7, it would consider holding them as treasury stock provided that the number does not at any one time exceed 10% of the Company's issued share capital. This would give the Company the ability to transfer treasury shares quickly and cost effectively and would provide the Company with additional flexibility in the management of its capital base.

At the date of this report, there are outstanding 485,000 share options under the Company's 1990 Share Option Scheme and 1,880,000 share options under the Company's 2001 Unapproved Share Option Scheme, which together represent 4.4% of the Company's existing issued share capital and would represent 5.1% of the Company's issued share capital if the full proposed authority to purchase the Company's own shares were used.

Resolutions will also be put to the Annual General Meeting to renew the Directors' authority to allot 17,677,674 ordinary shares, representing 33% of the issued share capital as at the date of this report, and to allot the ordinary shares covered by such authority pursuant to rights issues (or similar issues) or otherwise for cash, other than to existing shareholders by way of rights issues, up to a maximum of 2,678,435 ordinary shares, being 5% of the issued share capital as at the date of this report. These authorities will expire at the conclusion of the Annual General Meeting of the Company in 2005 and in any event no later than 15 months after the passing of the resolutions. These resolutions will continue to give the Directors flexibility to make use of the Company's unissued share capital in connection with future funding requirements. However, the Directors have no present intention of exercising these authorities, except pursuant to any exercise of share options, and no issue of shares will be made which will effectively alter control of the Company without the approval of shareholders in General Meeting. It is intended to renew such powers at successive Annual General Meetings.

As at 29 February 2004 the Company held no equity securities in treasury.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution to re-appoint Grant Thornton will be put to the members at the Annual General Meeting.

By order of the Board



Mark Beacham FCA
Secretary

28 April 2004

DIRECTORS' REMUNERATION REPORT

UNAUDITED INFORMATION

Consideration of matters relating to Directors' remuneration

The Remuneration Committee determines, on behalf of the Board, the Company's policy in respect of executive Directors' service contracts, remuneration and the detailed individual remuneration packages for each executive Director within the framework of that policy. The Committee also deals with all matters in respect of the Company's share option schemes in place for senior members of the Group's management. The Committee comprises the Company's two non executive Directors (Mr Smith and Mr Abrahams). The Remuneration Committee has access to independent advice where it considers it appropriate. No such advice was sought during the year.

Remuneration policy

In framing its policy, the Committee gives full consideration to the Combined Code (1998) annexed to the Listing Rules. The policy adopted is designed to ensure that the executive Directors are fairly rewarded for their individual performances relative to the Group's overall performance. The executive Directors' remuneration packages are designed to attract and retain executive Directors of high calibre and to motivate them to achieve the Group's objectives and to ensure that the Group is managed successfully in the interests of shareholders. There are four main elements to the executive Directors' remuneration packages:

(a) *Basic annual salary and benefits in kind*

Executive Directors' basic salaries are reviewed annually by the Committee in the light of their performance and after consideration of the estimated trading results for the current financial year and the adopted budget for the next financial year. In deciding upon appropriate levels of remuneration, the Committee has regard to rates of pay for similar jobs in comparable companies in the sector.

(b) *Annual bonus payments*

The Committee sets a performance element of remuneration and requires achievement of the adopted budget for the year or better as a condition for payment of this bonus. This performance element is reviewed annually and agreed as part of the Group's budget sign off procedure. Payment is made annually once the results for the year are known. The budget is designed to be demanding and in line with the Group achieving progress amongst the best in its sector. The effect of this policy is that incentive payments trigger on budget achievement and reward better than budget performance generously. On achievement of budget, the bonus payments to executive Directors will always represent a significant portion of their total remuneration.

(c) *Pension arrangements*

Executive Directors have individual pension arrangements to which the Company contributes a fixed percentage of basic salary on a defined contribution basis.

(d) *Share option incentives*

The Company considers that share ownership by executive Directors strengthens the link between their personal interests and those of the shareholders. The Committee grants options at market value in increments to executive Directors and senior management according to their position in the Group. The value of options granted in any year is limited to 100% of the individual's emoluments. Options granted under the Company's 1990 scheme are not subject to performance criteria in line with then current practice. However, options granted under the Company's 2001 scheme are subject to the criterion that, over the period of three consecutive financial years commencing with the financial year in which the options were granted, the Group's earnings per share increase by at least 9% more than the increase in the Retail Prices Index for that same period. This criterion is considered to be in line with current best practice.

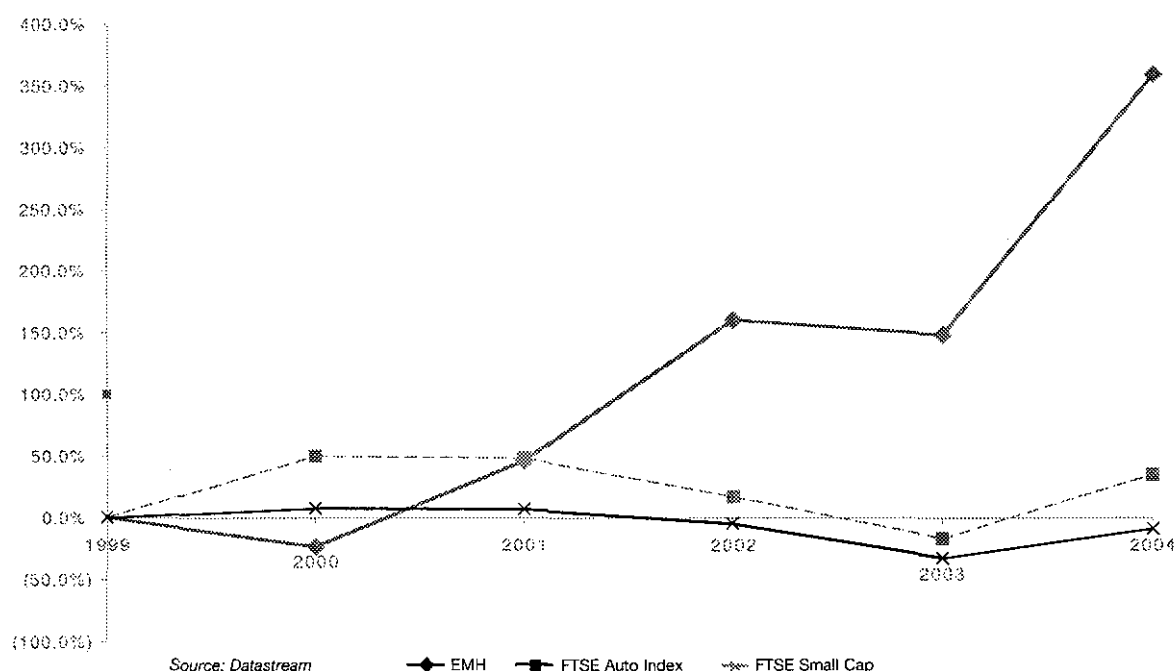
The remuneration of the non executive Directors is determined by the Board as a whole within the limits set out in the Articles of Association. Non executive Directors cannot participate in the Company's share option schemes, do not have contracts of service and are not eligible for pension arrangements.

DIRECTORS' REMUNERATION REPORT*(Continued)***Service contracts**

Each of the executive Directors has a service contract which has a rolling notice period of two years. The Remuneration Committee has considered whether this policy is appropriate and notes the availability of such notice periods to directors in similar positions in comparator companies. Having regard to these market conditions, the Committee considers it both appropriate and reasonable to have a two year notice period in the cases of Mr Palmer and Miss Wilson and that it is in neither the Company's nor shareholders' interests to reduce this. Compensation for early termination is based on liquidated damages equivalent to the emoluments for the unexpired period of notice.

Performance graph

The following graph shows the Company's performance, measured by Total Shareholder Return ("TSR"), in comparison to the FTSE Small Cap Index and also the FTSE Auto Index for the past five years. TSR represents share value growth, assuming that dividends paid are reinvested. The two indices have been selected to represent a fair benchmark in terms of both the nature of the Group's business and the Group's size.

**AUDITED INFORMATION****Individual aspects of Directors' remuneration**

	Basic salary £'000	Benefits in kind £'000	Annual bonus £'000	Fees £'000	Total 2004 £'000	Total Pensions 2003 £'000	Pensions 2004 £'000	Pensions 2003 £'000
<i>Executive Directors</i>								
A C Wilson (highest paid Director)	344	32	250	-	626	546	29	29
R T Palmer	344	29	250	-	623	544	29	29
<i>Non executive Directors</i>								
R J Smith (Chairman)	-	-	-	35	35	35	-	-
R G Abrahams	-	-	-	25	25	25	-	-
Total	688	61	500	60	1,309	1,150	58	58

Pension contributions are paid to personal pension arrangements on a defined contribution basis.

DIRECTORS' REMUNERATION REPORT*(Continued)***Share options**

Details of share options of the executive Directors are as follows:

Director	At 1.3.03	Number of options		At 29.2.04	Exercise price	Date from which exercisable	Expiry date
		Granted	Exercised				
R T Palmer	150,000	–	(150,000)	–	100p	22.6.99	21.6.03
	100,000	–	(100,000)	–	89.5p	31.7.00	30.7.04
	75,000	–	–	75,000	94.5p	18.7.01	17.7.05
	140,000	–	(100,000)	40,000	70p	10.11.03	9.11.07
	250,000	–	–	250,000*	93.5p	3.8.04	2.8.11
	150,000	–	–	150,000*	138p	31.5.05	30.5.12
	–	200,000	–	200,000*	126.2p	2.5.06	1.5.13
A C Wilson	100,000	–	(100,000)	–	89.5p	31.7.00	30.7.04
	75,000	–	(50,000)	25,000	94.5p	18.7.01	17.7.05
	150,000	–	(10,000)	140,000	55p	19.10.02	18.10.06
	140,000	–	–	140,000	70p	10.11.03	9.11.07
	250,000	–	–	250,000*	93.5p	3.8.04	2.8.11
	150,000	–	–	150,000*	138p	31.5.05	30.5.12
	–	200,000	–	200,000*	126.2p	2.5.06	1.5.13

* These options are subject to the performance criterion that, over a period of three consecutive financial years commencing with the financial year in which the options were granted, the Group's earnings per share increase by at least 9% more than the increase in the Retail Prices Index for that same period.

No options lapsed during the year.

The market price of the Company's ordinary shares at 29 February 2004 was 203p and the range during the year was 102.5p to 206.5p.

Options granted during the year were granted at market value at the date of grant.

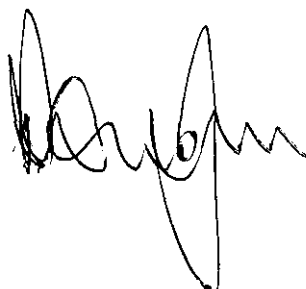
The following share options were exercised by Directors during the year:

Director	Date	Number exercised	Exercise price	Market price	Gain
R T Palmer	9.6.03	150,000	100p	144.5p	£66,750
	30.10.03	100,000	89.5p	173p	£83,500
	4.2.04	100,000	70p	199p	£129,000
A C Wilson	30.4.03	10,000	55p	128.5p	£7,350
	9.6.03	50,000	89.5p	144.5p	£27,500
	30.10.03	50,000	89.5p	173p	£41,750
	4.2.04	50,000	94.5p	199p	£52,250

On behalf of the Board

Roger Smith
Chairman of Remuneration Committee

28 April 2004



CORPORATE GOVERNANCE

Statement of compliance

The Listing Rules require the Board to report on compliance with the code provisions as set out in Section 1 of the Combined Code (1998) appended to the Listing Rules as the Code applies to the financial year which is the subject of this report. The Board considers that the Company has complied throughout the year with the code provisions, except for provisions A2.1, A5.1, B1.7 and D3.1 as noted below. The Company's arrangements with regard to provisions B1.7 and D3.1 are, however, in line with the Quoted Companies Alliance's guidance for smaller quoted companies.

A revised Combined Code was issued in July 2003 and applies for the year ending 28 February 2005 and subsequent years. The Board is reviewing the Group's corporate governance procedures in the light of the revised Combined Code and will make such changes as are considered appropriate to the circumstances of the Company.

The Board of Directors

The Board meets regularly and a formal schedule of matters reserved for decision by the Board has been adopted. All Directors have access to the advice and services of the Company Secretary and there is an agreed procedure whereby they can seek independent professional advice at the Company's expense. The Board is supplied with information on a regular basis, both at Board meetings and otherwise.

The roles of Chairman and Chief Executive are separate. The Board comprises two executive and two non executive Directors. Although Mr Abrahams is a partner in Salans, a firm which supplies certain legal services to the Group, given the size of both Salans and the Group and the fact that the Group uses a number of firms of solicitors for its legal work and all work is charged on an arm's length basis, the value of the legal services involved is not considered material to either Salans or the Group. As a result, Mr Abrahams is considered to be independent. However, the Board recognises that Mr Smith does not satisfy the test of independence set out in the revised Combined Code because of the length of time he has served on the Board. During the current financial year, the Board will embark on an exercise to identify and appoint another independent non executive Director in order to enable the Company to comply with the revised Combined Code regarding its requirement for companies of this size to have two independent non executive Directors. Given its size and composition, the Board considers that it is not currently necessary to appoint a senior non executive Director as required by the Code. Similarly, there is no Nomination Committee; appointments to the Board are dealt with by the Board as a whole.

The Company's Articles of Association require Directors to retire and stand for re-election by shareholders at the first General Meeting after their appointment. The Articles also require that Directors retire by rotation at least every three years.

Directors' remuneration

The Board has a formally constituted Remuneration Committee. The Committee comprises the Company's two non executive Directors (Mr Smith and Mr Abrahams). The Committee is chaired by Mr Smith.

The Remuneration Committee determines, on behalf of the Board, the Company's policy in respect of executive Directors' service contracts, remuneration and the detailed individual packages for each executive Director, giving due regard to the Company's position relative to other companies. Annual bonuses to executive Directors are based on achievement of targets set by the Committee.

The Company's report to shareholders on Directors' remuneration is set out on pages 14 to 16.

Relations with shareholders

The Board values its dialogue with both institutional and private shareholders. Formal presentations are made to institutional investors, fund managers and analysts after the release of the interim and final results, and individual meetings by request are held during the year.

The principal methods of communication with private investors are the Interim Statement, the Report and Financial Statements and the Annual General Meeting.

Additional information about the Group's history and operations and significant announcements are available on the Company's website www.emhplc.com.

CORPORATE GOVERNANCE

(Continued)

Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Accountability and audit

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

There is an ongoing process for identifying, evaluating and managing the Group's significant risks, which has been in place for the year ended 29 February 2004 and up to the date of approval of the annual report and financial statements, and which accords with the internal control guidance for directors on the Combined Code.

The Group has a risk management process which identifies the key risks facing each business unit. These processes are designed to support the Group's strategic direction and business objectives. Implementation of this approach is based on the premise that responsibility for risk management rests with line management and the Board endeavours to ensure that the appropriate infrastructure, controls systems, staff, training and processes are in place. Financial control is exercised through an organisation structure which has clear management responsibilities with segregation of duties, authorisation procedures and information systems appropriate to the diverse activities of the Group. The system of annual budgeting with monthly reporting and comparisons to budget and forecasts is a key control over the business. There is an ongoing programme of internal audit visits to monitor financial and operational controls, and an Audit Committee which reports directly to the Board. The Audit Committee is formally constituted with written terms of reference. It comprises the Company's two non executive Directors and is chaired by Mr Smith. The Code recommends that the Audit Committee should comprise at least three non executive Directors. The Board considers that its current composition is suitable for the size of the Company and is in line with the guidance of the Quoted Companies Alliance for companies of similar size.

The executive Directors receive reports setting out key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms which are embedded within the business units. The executive Directors also receive regular reports from the internal audit and health and safety monitoring functions which include recommendations for improvement. The Board's agenda includes a regular item for consideration of risk and control and the Board receives reports thereon from senior management. This deals with obtaining the relevant degree of assurance and not merely reporting by exception. At its April 2004 meeting, the Board carried out the annual assessment for the year ended 29 February 2004 by considering documentation from senior management and taking account of events since 29 February 2004.

REPORT OF THE INDEPENDENT AUDITORS

Report of the Independent Auditors to the members of European Motor Holdings plc

We have audited the financial statements of European Motor Holdings plc for the year ended 29 February 2004 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the accounting policies and notes 1 to 33. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report, the Directors' remuneration report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the report of the Directors is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the financial highlights, the report of the Directors, the Chairman's statement, the Chief Executive's operating review, the Finance Director's report, the unaudited part of the Directors' remuneration report, the corporate governance statement and the five year summary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

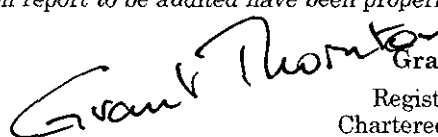
Basis of opinion

We conducted our audit in accordance with United Kingdom 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 and the part of the Directors' remuneration report to be audited. 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 and the part of the Directors' remuneration report to be audited 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 and the part of the Directors' remuneration report to be audited.

Opinion

In our opinion: the financial statements give a true and fair view of the state of affairs of the Company and the Group at 29 February 2004 and of the profit of the Group for the year then ended; and the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.


Grant Thornton
Registered Auditors
Chartered Accountants
London
28 April 2004

ACCOUNTING POLICIES

The Group's principal accounting policies are set out below. They have been applied consistently throughout the year and remain unchanged from the previous year.

Basis of accounting

The financial statements are prepared under the historical cost convention and in compliance with all applicable UK accounting standards.

Consolidation and goodwill

The Group financial statements consolidate the financial statements of the Company and all its subsidiary undertakings made up to 29 February 2004.

Acquisitions are consolidated from the effective date of acquisition. The purchase consideration is allocated to each class of asset on the basis of fair value at the date of acquisition. Goodwill on consolidation, representing the excess of the fair value of consideration over the fair value of the net assets of subsidiary undertakings at the date of acquisition, and purchased goodwill have been written off against reserves where the acquisition or purchase occurred prior to the adoption of FRS 10 (Goodwill and Intangible Assets). On the disposal of such subsidiary undertakings or businesses, goodwill previously written off is included in the calculation of the profit or loss on disposal. Goodwill arising on acquisitions occurring after the adoption of FRS 10 is capitalised and amortised over its estimated useful life, subject to a maximum of 20 years.

The results of subsidiary undertakings and businesses disposed of during the year are included up to the date of disposal.

Where appropriate, advantage is taken of the merger relief provisions of Section 131 of the Companies Act 1985 in respect of shares issued to acquire subsidiary undertakings.

Sales, profits and balances arising between Group companies are eliminated in the consolidated financial statements.

Turnover

Turnover represents amounts receivable in respect of goods sold and services provided to customers outside the Group, excluding Value Added Tax.

Foreign currency

Transactions denominated in foreign currencies are recorded in sterling at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates is dealt with in the profit and loss account.

Pension costs

The financial statements have, as last year, been prepared in accordance with SSAP 24. However, following the introduction of FRS 17 (Retirement Benefits), additional disclosures are provided in respect of defined benefit schemes under the transitional arrangements established by FRS 17. The full accounting treatment required under FRS 17 will be mandatory for financial statements for the year ending 28 February 2006. However, the Group will be preparing consolidated financial statements under International Financial Reporting Standards for the year ending 28 February 2006 and will therefore be applying IAS 19.

The expected cost to the Group of pensions in respect of defined benefit schemes is charged to the profit and loss account so as to spread the cost as a level percentage of payroll over the service lives of the employees in the scheme.

Contributions to individual pension arrangements on a defined contribution basis are charged to the profit and loss account as they are incurred.

Financial instruments

The Group uses financial instruments to manage exposure to fluctuations in foreign currency rates.

Forward exchange contracts used to manage currency fluctuations on purchases denominated in foreign currency are not accounted for until they mature.

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate.

ACCOUNTING POLICIES

(Continued)

Depreciation

Depreciation is provided to write off the cost or valuation, less any residual value, of tangible fixed assets other than freehold land, by equal annual instalments over their estimated useful economic lives. The periods generally applicable are:

Freehold buildings	–	50 years
Leasehold properties	–	the lease term
Plant and machinery	–	3 to 10 years
Motor vehicles	–	4 years

Grants and deferred income

Grants in respect of capital expenditure are credited to the profit and loss account over the estimated useful economic life of the relevant fixed assets. Grants receivable of a revenue nature are matched with the expenditure to which they relate.

Deferred income shown in the balance sheet represents total grants and advances under long term supply agreements receivable to date less the amounts so far credited to the profit and loss account.

Leases and hire purchase contracts

Assets financed by leasing arrangements which substantially transfer all risks and rewards approximating to ownership ("finance leases") or by hire purchase contracts are stated at their fair value at the date of acquisition, with an equivalent liability being included in creditors as the net obligation due under finance leases and hire purchase contracts. Such assets are depreciated over their estimated useful economic lives. Finance charges are allocated to accounting periods over the primary period of the lease or hire purchase contract to produce a constant rate of interest on the outstanding liability to the finance companies.

All other leases are regarded as operating leases and the total payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Investments

Investments are stated at cost, less any provision where, in the opinion of the Directors, there has been a diminution in value.

Stocks and work in progress

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

In circumstances where the substance of a consignment stocking agreement is such that the stock is deemed to be an asset of the Group, the stock is recognised as such on the balance sheet, and the corresponding liability to the manufacturer is included within creditors. In all other circumstances, consignment stocking arrangements are disclosed as a contingent liability.

Vehicle stocking interest incurred under consignment stocking agreements is charged to cost of sales.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Warranty provisions

Certain of the Group's products carry formal warranties following purchase by customers. Provision is made for the estimated cost of fulfilling unexpired warranties on products sold before the balance sheet date.

CONSOLIDATED PROFIT AND LOSS ACCOUNT*for the year ended 29 February 2004*

		Year ended 29 February 2004 £'000	Year ended 28 February 2003 £'000
	Notes		
Turnover	1, 2	489,525	430,005
Cost of sales		<u>(417,592)</u>	<u>(365,934)</u>
Gross profit		71,933	64,071
Distribution costs		<u>(33,932)</u>	<u>(29,315)</u>
Administrative expenses		<u>(24,426)</u>	<u>(23,857)</u>
Operating profit	1	13,575	10,899
Profit on disposal of businesses	3	117	298
Profit on disposal of properties	4	2,929	1,746
Interest receivable	5	377	516
Interest payable	6	<u>(221)</u>	<u>(228)</u>
Profit on ordinary activities before taxation	1, 7	16,777	13,231
Tax on profit on ordinary activities	9	<u>(4,444)</u>	<u>(3,689)</u>
Profit for the financial year	23	12,333	9,542
Dividends	10	<u>(4,563)</u>	<u>(3,965)</u>
Retained profit for the financial year	22	<u>7,770</u>	<u>5,577</u>
Earnings per share (basic)	12	<u>23.2p</u>	<u>18.2p</u>
Earnings per share (diluted)	12	<u>22.7p</u>	<u>17.9p</u>

All transactions arise from continuing activities.

There are no recognised gains or losses other than the profit for the financial year as reported above.

The accompanying accounting policies and notes form part of these financial statements.

BALANCE SHEETS*as at 29 February 2004*

	Notes	Group		Company	
		29 February 2004 £'000	28 February 2003 £'000	29 February 2004 £'000	28 February 2003 £'000
Fixed assets					
Intangible assets	13	2,854	2,332	—	—
Tangible assets	14	36,317	35,178	1,646	1,699
Investments	15	—	—	58,856	56,970
		<u>39,171</u>	<u>37,510</u>	<u>60,502</u>	<u>58,669</u>
Current assets					
Stocks	16	88,096	78,379	—	—
Debtors	17	18,381	17,657	5,156	3,052
Cash at bank and in hand		22,553	13,543	14,684	14,481
		<u>129,030</u>	<u>109,579</u>	<u>19,840</u>	<u>17,533</u>
Creditors: amounts falling due within one year	18	(101,727)	(89,029)	(8,775)	(7,837)
Net current assets		<u>27,303</u>	<u>20,550</u>	<u>11,065</u>	<u>9,696</u>
Total assets less current liabilities		66,474	58,060	71,567	68,365
Creditors: amounts falling due after more than one year	18	(260)	(273)	(9,908)	(8,310)
Provisions for liabilities and charges	19	(1,042)	(969)	—	(2)
		<u>65,172</u>	<u>56,818</u>	<u>61,659</u>	<u>60,053</u>
Capital and reserves					
Called up share capital	21	21,427	21,151	21,427	21,151
Share premium account	22	27,309	27,001	27,309	27,001
Capital redemption reserve	22	746	746	746	746
Other reserves	22	—	—	1,834	1,834
Profit and loss account	22	15,690	7,920	10,343	9,321
Equity shareholders' funds	23	<u>65,172</u>	<u>56,818</u>	<u>61,659</u>	<u>60,053</u>

The financial statements were approved by the Board of Directors on 28 April 2004 and signed on its behalf by:

R T Palmer
Chief Executive

A C Wilson
Finance Director

The accompanying accounting policies and notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT*for the year ended 29 February 2004*

		Year ended 29 February 2004		Year ended 28 February 2003	
	Notes	£'000	£'000	£'000	£'000
Net cash inflow from operating activities	28		18,967		9,967
Returns on investments and servicing of finance					
Interest received		377		516	
Interest paid		(98)		(106)	
Finance lease interest paid		(123)		(122)	
			156		288
Taxation					
UK corporation tax paid			(3,868)		(3,717)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(6,134)		(6,794)	
Sale of tangible fixed assets		8,493		2,786	
			2,359		(4,008)
Acquisitions and disposals					
Acquisition of businesses	32	(5,597)		(7,788)	
Disposal of businesses	32	779		6,785	
			(4,818)		(1,003)
Equity dividends paid			(4,105)		(3,767)
Net cash inflow/(outflow) before financing			8,691		(2,240)
Financing					
Issue of shares		584		909	
Purchase of own shares		—		(1,986)	
Repayment of borrowing		(77)		(275)	
Capital element of finance lease rentals		(188)		(126)	
Net cash inflow/(outflow) from financing			319		(1,478)
Increase/(decrease) in cash in the year	30		9,010		(3,718)

NOTES TO THE FINANCIAL STATEMENTS

1. Segmental analyses

	Turnover		Operating profit and profit before taxation		Net assets	
	2004	2003	2004	2003	2004	2003
	£'000	£'000	£'000	£'000	£'000	£'000
Motor Retail Division	468,390	410,566	14,855	11,879	53,375	49,795
Motor Services Division	17,248	15,494	1,209	1,034	3,535	4,923
Other Businesses	3,887	3,945	(37)	90	1,562	1,697
Central costs/net liabilities	—	—	(2,452)	(2,104)	(393)	(308)
	<u>489,525</u>	<u>430,005</u>			<u>58,079</u>	<u>56,107</u>
Operating profit			13,575	10,899		
Profit on disposal of businesses			117	298		
Profit on disposal of properties			2,929	1,746		
Net interest receivable			156	288		
Profit before taxation			<u>16,777</u>	<u>13,231</u>		
Interest bearing operating net assets					12,978	5,562
Tax and dividends					(5,885)	(4,851)
					<u>65,172</u>	<u>56,818</u>

2. Turnover

All Group sales originated in the United Kingdom. There were no exports in the year (2003, nil).

3. Profit on disposal of businesses

	2004	2003
	£'000	£'000
Disposal of businesses (see note 32)	117	4,019
Attributable goodwill originally written off to reserves	—	(3,721)
	<u>117</u>	<u>298</u>

During the year the Group disposed of its Vauxhall dealership in Heathrow and its Volvo dealership in Leeds.

4. Profit on disposal of properties

Profit on disposal of properties relates to the sale of a freehold site in Park Royal, London and the surrender of a leasehold site in Nantwich (2003, the surrender of a leasehold site in Newcastle-upon-Tyne and the sale of a freehold site in Gateshead).

5. Interest receivable

	2004	2003
	£'000	£'000
Bank interest	361	441
Other interest	16	75
	<u>377</u>	<u>516</u>

NOTES TO THE FINANCIAL STATEMENTS*(Continued)***6. Interest payable**

	2004 £'000	2003 £'000
Interest on bank overdrafts and loans	—	—
Interest on other loans	96	106
Finance lease and hire purchase interest	123	122
Other interest	2	—
	<u>221</u>	<u>228</u>

Vehicles stocking interest amounting to £780,000 (2003, £871,000) has been charged to cost of sales.

7. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging the following:

	2004 £'000	2003 £'000
Depreciation – owned assets	2,854	2,634
– assets held under finance leases and hire purchase arrangements	145	140
Amortisation of goodwill	208	28
Operating lease charges – plant and machinery	394	419
– land and buildings	3,577	3,494
Auditors' remuneration – audit	140	140
– non audit (tax advice)	2	6
	<u>2</u>	<u>6</u>

8. Employee information

Total employment costs (including Directors' remuneration) were as follows:

	2004 £'000	2003 £'000
Wages and salaries	34,916	31,350
Social security costs	3,728	3,148
Pension costs (see note 27)	581	341
Other redundancy costs and termination payments	156	76
	<u>39,381</u>	<u>34,915</u>

The number of employees of the Group, including Directors, was as follows:

	Monthly average		Year end	
	2004 Number	2003 Number	2004 Number	2003 Number
Motor Retail Division	1,471	1,381	1,481	1,410
Motor Services Division	119	119	118	123
Other Businesses	77	78	76	77
Head Office	10	9	10	10
	<u>1,677</u>	<u>1,587</u>	<u>1,685</u>	<u>1,620</u>

9. Tax on profit on ordinary activities

	2004 £'000	2003 £'000
(a) Analysis of charge for year		
Current tax:		
UK Corporation tax at 30% (2003, 30%)	4,409	3,613
Adjustments in respect of previous years	31	(18)
	<u>4,440</u>	<u>3,595</u>
Deferred tax:		
Origination and reversal of timing differences	(134)	88
Adjustments in respect of previous years	138	6
Tax on profit on ordinary activities	<u>4,444</u>	<u>3,689</u>

NOTES TO THE FINANCIAL STATEMENTS*(Continued)***9. Tax on profit on ordinary activities (continued)**

	2004 £'000	2003 £'000
(b) Reconciliation of charge for year		
Profit on ordinary activities before taxation	16,777	13,231
Tax thereon at standard rate of 30% (2003, 30%)	5,033	3,969
<i>Effects of:</i>		
Expenses not deductible for tax purposes	300	384
Tax relief in respect of exercise of employee share options	(164)	—
Depreciation in excess of capital allowances in year	134	(77)
Rollover relief on capital asset disposals	(889)	(1,781)
Goodwill realised on disposal	—	1,116
Profits taxed at small companies rate	(5)	(5)
Other tax rate differences	—	7
Adjustments in respect of previous years	31	(18)
Current tax charge for year (see (a) above)	4,440	3,595

(c) Factors that may affect future tax charges

As is common in the motor retail industry, the Group incurs a significant level of expenses which are not deductible for tax purposes (mainly depreciation on showrooms and other non qualifying capital expenditure). As a result, it is expected that the effective rate of tax on the Group's trading profits will continue to be higher than the standard rate of corporation tax.

Full provision has not been made for deferred tax on gains recognised on property revalued in the books of certain subsidiary undertakings on acquisition or on the sale of properties and goodwill where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided is £3,393,000 (2003, £3,099,000). At present, it is not envisaged that any of this tax will become payable in the foreseeable future.

On the disposal of its Mercedes-Benz businesses last year, the Group made a capital gain of £4,018,000 in respect of the Territory Release Payment received as part of the disposal. On the basis of advice received both at the time and subsequently, this has been treated in the corporation tax computations as a payment for goodwill which is therefore eligible for rollover relief. The Inland Revenue is now challenging this treatment for all those dealers affected by the Mercedes-Benz franchise network reorganisation. Whilst we still consider that the payment constitutes goodwill, in the event that this is finally held not to be so, it will be largely offset by capital losses brought forward. However, this year's deferred tax charge includes an amount of £164,000 to cover the potential shortfall should this be the case.

10. Dividends

	2004 £'000	2003 £'000
Interim dividend of 3.4p per share (2003, 3.2p) paid in the year	1,810	1,675
Proposed final dividend of 5.1p per share (2003, 4.3p)	2,732	2,274
Adjustment in respect of options exercised in the year	21	16
	4,563	3,965

11. Profit for the financial year

The Company has taken advantage of Section 230(2) of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The profit of the Company was £5,585,000 (2003, £10,635,000).

NOTES TO THE FINANCIAL STATEMENTS*(Continued)***12. Earnings per share**

The calculation of the earnings per ordinary share is based on the profit for the financial year of £12,333,000 (2003, £9,542,000) and on 53,208,778 (2003, 52,533,688) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

The number of dilutive potential ordinary shares arising from existing share options, as calculated in accordance with FRS 14 (Earnings per Share), is 1,021,912 (2003, 875,340). Therefore, diluted earnings per ordinary share are based on the profit for the financial year of £12,333,000 (2003, £9,542,000) and on 54,230,690 (2003, 53,409,028) ordinary shares.

Earnings per share before goodwill amortisation and exceptional items have been calculated on profits for the year of £9,434,000 (2003, £7,519,000) as detailed below.

	2004 £'000	2003 £'000
Profit after taxation	12,333	9,542
Goodwill amortisation (net of tax relief)	147	21
(Profit) on disposal of businesses	(117)	(298)
(Profit) on disposal of properties	(2,929)	(1,746)
	<u>9,434</u>	<u>7,519</u>

13. Intangible fixed assets**Group: Goodwill**

	£'000
Cost	
At 1 March 2003	2,373
Additions	730
At 29 February 2004	<u>3,103</u>
Accumulated amortisation	
At 1 March 2003	41
Charge for the year	208
At 29 February 2004	<u>249</u>
Net book amount	
At 29 February 2004	<u>2,854</u>
At 28 February 2003	<u>2,332</u>

Goodwill purchased in the year relates to the acquisitions of a Jaguar dealership and a Land Rover dealership in Preston. Further details of these transactions are set out in note 32. The estimated useful economic life of the goodwill purchased in the year is twenty years.

NOTES TO THE FINANCIAL STATEMENTS*(Continued)***14. Tangible fixed assets****(a) Group**

	Freehold property £'000	Long leasehold property and improvements £'000	Short leasehold property and improvements £'000	Plant, machinery & vehicles £'000	Total £'000
Cost					
At 1 March 2003	28,536	-	5,775	15,240	49,551
Acquisition of businesses	1,561	1,924	-	179	3,664
Disposal of businesses	-	-	(452)	(387)	(839)
Additions	3,216	697	430	1,955	6,298
Disposals	(6,094)	-	(135)	(1,333)	(7,562)
At 29 February 2004	<u>27,219</u>	<u>2,621</u>	<u>5,618</u>	<u>15,654</u>	<u>51,112</u>
Accumulated depreciation					
At 1 March 2003	2,407	-	1,860	10,106	14,373
Disposal of businesses	-	-	(263)	(291)	(554)
Charge for the year	462	12	567	1,958	2,999
Eliminated on disposals	(625)	-	(135)	(1,263)	(2,023)
At 29 February 2004	<u>2,244</u>	<u>12</u>	<u>2,029</u>	<u>10,510</u>	<u>14,795</u>
Net book amount					
At 29 February 2004	<u>24,975</u>	<u>2,609</u>	<u>3,589</u>	<u>5,144</u>	<u>36,317</u>
At 28 February 2003	<u>26,129</u>	<u>-</u>	<u>3,915</u>	<u>5,134</u>	<u>35,178</u>

Included above are non depreciable assets comprising freehold land of £7,484,000 (2003, £10,024,000) and long leasehold land of £1,100,000 (2003, £nil).

(b) Company

	Freehold property £'000	Short leasehold property and improvements £'000	Plant, machinery & vehicles £'000	Total £'000
Cost				
At 1 March 2003	1,601	61	192	1,854
Additions	26	-	6	32
Disposals	-	-	(8)	(8)
Intra group transfers	-	-	(2)	(2)
At 29 February 2004	<u>1,627</u>	<u>61</u>	<u>188</u>	<u>1,876</u>
Accumulated depreciation				
At 1 March 2003	24	29	102	155
Charge for the year	50	3	32	85
Eliminated on disposals	-	-	(8)	(8)
Intra group transfers	-	-	(2)	(2)
At 29 February 2004	<u>74</u>	<u>32</u>	<u>124</u>	<u>230</u>
Net book amount				
At 29 February 2004	<u>1,553</u>	<u>29</u>	<u>64</u>	<u>1,646</u>
At 28 February 2003	<u>1,577</u>	<u>32</u>	<u>90</u>	<u>1,699</u>

Included above are non depreciable assets comprising freehold land of £400,000 (2003, £400,000).

NOTES TO THE FINANCIAL STATEMENTS*(Continued)***14. Tangible fixed assets (continued)**

(c) Included in the net book amount of tangible fixed assets are the following assets held under finance leases and hire purchase arrangements:

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Leasehold property and improvements	128	121	10	11
Plant, machinery & vehicles	<u>266</u>	<u>254</u>	<u>-</u>	<u>-</u>

The total depreciation charge for the Company for the period includes £1,000 (2003, £nil) in respect of these assets.

15. Investments**Company: Investments in subsidiary undertakings**

	Loans	Shares	Total
	£'000	£'000	£'000
Cost			
At 1 March 2003	16,060	48,805	64,865
Additions	1,951	-	1,951
Repayments	(65)	-	(65)
At 29 February 2004	<u>17,946</u>	<u>48,805</u>	<u>66,751</u>
Provisions			
At 1 March 2003	4,094	3,801	7,895
Charge for the year	-	-	-
At 29 February 2004	<u>4,094</u>	<u>3,801</u>	<u>7,895</u>
Net book amount			
At 29 February 2004	<u>13,852</u>	<u>45,004</u>	<u>58,856</u>
At 28 February 2003	<u>11,966</u>	<u>45,004</u>	<u>56,970</u>

Details of principal subsidiary undertakings are set out on page 42.

16. Stocks

	Group	
	2004	2003
	£'000	£'000
Raw materials and consumables	297	275
Work in progress	254	248
Finished goods and goods for resale	62,485	52,410
Vehicle consignment stocks	<u>25,060</u>	<u>25,446</u>
	<u>88,096</u>	<u>78,379</u>

All vehicle stocks held under consignment stocking agreements are deemed to be assets of the Group under the provisions of FRS 5 and are included on the balance sheet from the point of consignment. The corresponding liabilities to the manufacturers are included within creditors. Stocks are held on consignment until adopted, subject to a maximum consignment period of 365 days. Interest is payable in certain cases for part of the consignment period, at various rates linked to Finance House Base Rate. Certain manufacturers sell vehicles to the Group not on consignment terms, but via conditional sale agreements under which the Group has no right to return vehicles to the manufacturer. These vehicles are included within finished goods and goods for resale, and the corresponding liability is included within trade creditors.

NOTES TO THE FINANCIAL STATEMENTS*(Continued)***17. Debtors**

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Trade debtors	13,911	13,681	-	-
Amounts owed by subsidiary undertakings	-	-	4,409	2,791
Other debtors	462	487	383	91
Prepayments and accrued income	4,008	3,489	364	170
	<u>18,381</u>	<u>17,657</u>	<u>5,156</u>	<u>3,052</u>

Included within the Group's totals for other debtors and prepayments and accrued income are amounts of £nil and £224,000 (2003, £20,000 and £238,000) respectively which are due after more than one year. Included within the Company's totals for other debtors and prepayments and accrued income are amounts of £nil and £40,000 (2003, £20,000 and £43,000) respectively which are due after more than one year.

18. Creditors

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
(a) Amounts falling due within one year:				
Bank loans and overdrafts	-	-	-	-
Other loans	3,000	3,000	3,000	3,000
Letters of credit	128	205	-	-
Trade creditors	43,672	34,452	111	133
Liabilities in respect of vehicle consignment stocks	25,060	25,446	-	-
Amounts owed to subsidiary undertakings	-	-	307	436
Corporation tax payable	2,344	1,772	251	261
Other taxation and social security	819	1,351	7	24
Hire purchase and finance lease liabilities	6,197	4,514	-	-
Other creditors	1,133	1,099	666	559
Accruals and deferred income	16,642	14,916	1,701	1,150
Dividends payable	2,732	2,274	2,732	2,274
	<u>101,727</u>	<u>89,029</u>	<u>8,775</u>	<u>7,837</u>

Hire purchase and finance lease liabilities are secured on the assets to which they relate.

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
(b) Amounts falling due after more than one year:				
Hire purchase and finance lease liabilities	250	262	-	-
Amounts owed to subsidiary undertakings	-	-	9,908	8,310
Other creditors	10	11	-	-
	<u>260</u>	<u>273</u>	<u>9,908</u>	<u>8,310</u>

- (c) Companies within the Group have granted fixed and floating charges and have given cross guarantees to secure bank borrowings of £nil (2003, £nil) and other loans of £3,000,000 (2003, £3,000,000).

NOTES TO THE FINANCIAL STATEMENTS*(Continued)***19. Provisions for liabilities and charges**

(a) The movements on provisions for liabilities and charges were as follows:

	Deferred taxation £'000	Warranty costs £'000	Group Total £'000	Company Deferred taxation £'000
At 1 March 2003	805	164	969	2
Provided during the year	4	263	267	-
Utilised during the year	-	(194)	(194)	(2)
At 29 February 2004	<u>809</u>	<u>233</u>	<u>1,042</u>	<u>-</u>

(b) Deferred taxation comprises:

	Group Amount provided		Group Amount unprovided	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Accelerated capital allowances	540	559	-	-
Other short term timing differences	(142)	(1)	-	-
Revaluation of property	-	-	628	901
Rollover of chargeable gains	<u>411</u>	<u>247</u>	<u>2,765</u>	<u>2,198</u>
	<u>809</u>	<u>805</u>	<u>3,393</u>	<u>3,099</u>

Deferred taxation provided in the Company relates to accelerated capital allowances.
There was no amount unprovided in respect of deferred taxation in the Company.

20. Deferred income

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
At beginning of year	-	294	-	294
Amounts released in the year	<u>-</u>	<u>(294)</u>	<u>-</u>	<u>(294)</u>
At end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS*(Continued)***21. Called up share capital**

	Group & Company	
	2004	2003
	£'000	£'000
Authorised:		
72,400,000 (2003, 72,400,000) ordinary shares of 40p each	<u>28,960</u>	<u>28,960</u>
Allotted, called up and fully paid:		
53,568,710 (2003, 52,878,710) ordinary shares of 40p each	<u>21,427</u>	<u>21,151</u>

During the year, a total of 690,000 ordinary shares were allotted on the exercise of share options as detailed below. The difference between the total consideration for the allotment of shares of £584,000 and the total nominal value of £276,000 has been credited to the share premium account.

Total options outstanding under the Company's share option schemes are as follows:

At 1.3.03	Number of options			Exercise price	Date from which exercisable	Expiry date
	Granted	Exercised	Lapsed At 29.2.04			
185,000	—	(180,000)	(5,000)	—	100p	22.6.99
230,000	—	(205,000)	(25,000)	—	89.5p	31.7.00
195,000	—	(85,000)	—	110,000	94.5p	18.7.01
290,000	—	(90,000)	(20,000)	180,000	55p	19.10.02
325,000	—	(130,000)	—	195,000	70p	10.11.03
820,000	—	—	(60,000)	760,000*	93.5p	3.8.04
540,000	—	—	(50,000)	490,000*	138p	31.5.05
—	630,000	—	—	630,000*	126.2p	2.5.06
<u>2,585,000</u>	<u>630,000</u>	<u>(690,000)</u>	<u>(160,000)</u>	<u>2,365,000</u>		

*These options are subject to the performance criterion that, over the period of three consecutive financial years commencing with the financial year in which the options were granted, the Group's earnings per share increase by at least 9% more than the increase in the Retail Prices Index for that same period.

The market price of the Company's ordinary shares at 29 February 2004 was 203p and the range during the year was 102.5p to 206.5p.

Options granted during the year were granted at market value at the date of grant.

NOTES TO THE FINANCIAL STATEMENTS*(Continued)***22. Reserves****(a) Group**

	Share premium account £'000	Capital redemption reserve £'000	
At 1 March 2003	27,001	746	
Issue of shares	308	-	
At 29 February 2004	<u>27,309</u>	<u>746</u>	
	Accumulated profits £'000	Goodwill written off £'000	Profit & loss account total £'000
At 1 March 2003	29,432	(21,512)	7,920
Retained profit for the financial year	7,770	-	7,770
At 29 February 2004	<u>37,202</u>	<u>(21,512)</u>	<u>15,690</u>

The cumulative amount of goodwill arising from acquisitions which has been written off directly to reserves, net of goodwill since realised on disposal, is £25,991,000 (2003, £25,991,000).

(b) Company

	Share premium account £'000	Capital redemption reserve £'000	Other reserves £'000	Profit & loss account £'000
At 1 March 2003	27,001	746	1,834	9,321
Retained profit for the financial year	-	-	-	1,022
Issue of shares	308	-	-	-
At 29 February 2004	<u>27,309</u>	<u>746</u>	<u>1,834</u>	<u>10,343</u>

The Company's other reserves comprise a special reserve created in March 1992 following a capital reorganisation approved by the High Court. The special reserve is not distributable, but is available, and has been used, for the partial elimination of goodwill arising on consolidation in the Group balance sheet.

23. Reconciliation of movements in shareholders' funds

	Group	
	2004 £'000	2003 £'000
Profit for the financial year	12,333	9,542
Dividends	(4,563)	(3,965)
Purchase of own shares	-	(1,931)
Issue of shares	584	909
Goodwill realised on disposal	-	3,721
Net addition to shareholders' funds	<u>8,354</u>	<u>8,276</u>
At beginning of year	56,818	48,542
At end of year	<u>65,172</u>	<u>56,818</u>

NOTES TO THE FINANCIAL STATEMENTS*(Continued)***24. Financial instruments***(a) Short term debtors and creditors*

Short term debtors and creditors (other than loans and overdrafts) have been excluded from all the following disclosures, other than currency risk disclosure.

(b) Narrative disclosures

Narrative disclosures in respect of financial instruments are given within the Finance Director's report on page 9.

(c) Currency and interest rate risk profile

The currency and interest rate profile of the Group's financial assets at the balance sheet date was:

At 29 February 2004			
	Floating rate financial assets £'000	Financial assets on which no interest is received £'000	Total £'000
Sterling	22,536	241	22,777

At 28 February 2003			
	Floating rate financial assets £'000	Financial assets on which no interest is received £'000	Total £'000
Sterling	13,483	256	13,739
US dollars	42	—	42
Total	13,525	256	13,781

The floating rate financial assets comprised bank balances which attract interest at rates linked to Bank Base Rate. The financial assets on which no interest is received represented cash in hand and prepayments and accrued income. The weighted average period until maturity of the financial assets on which no interest is received was 14.5 years (2003, 15.4 years).

The currency and interest rate profile of the Group's financial liabilities at the balance sheet date was:

Sterling		
	2004 £'000	2003 £'000
Fixed rate financial liabilities	250	262
Floating rate financial liabilities	3,000	3,000
Financial liabilities on which no interest is paid	10	11
Total	3,260	3,273

The weighted average interest rate of the fixed rate financial liabilities was 4.3% (2003, 4.3%) and the weighted average period for which the rate is fixed was 5.6 years (2003, 5.5 years). The floating rate financial liabilities comprised loans which bear interest at rates linked to Finance House Base Rate. The weighted average period until maturity of the financial liabilities on which no interest is paid was 11.0 years (2003, 12.0 years).

NOTES TO THE FINANCIAL STATEMENTS*(Continued)***24. Financial instruments (continued)****(d) Currency exposure**

The operational (or "functional") currency of all Group businesses is sterling. The Group's currency exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in its functional currency. At the balance sheet date the exposures were represented by net assets and liabilities denominated as follows:

	2004 £'000	2003 £'000
Euros	(39)	(61)
US dollars	(3)	93
Total	<u>(42)</u>	<u>32</u>

(e) Maturity of financial liabilities

The maturity profile of the Group's financial liabilities was as follows:

	2004 £'000	2003 £'000
In one year or less, or on demand		
Bank and other borrowings	3,128	3,205
Hire purchase and finance lease liabilities	6,197	4,514
In more than one year but not more than two years		
Hire purchase and finance lease liabilities	99	79
Other liabilities	1	1
In more than two years but not more than five years		
Hire purchase and finance lease liabilities	119	133
Other liabilities	3	3
After five years		
Hire purchase and finance lease liabilities	32	50
Other liabilities	6	7
	<u>9,585</u>	<u>7,992</u>

(f) Borrowing facilities

At 29 February 2004 and 28 February 2003 the Group had undrawn committed borrowing facilities of £4 million, due for renewal in December 2005.

(g) Fair values of financial assets and liabilities

There were no forward currency contracts at 29 February 2004 or 28 February 2003. The fair value of financial assets and financial liabilities equates to their current book values.

(h) Gains and losses on hedges

From time to time the Group enters into forward foreign currency contracts to reduce the currency exposures that arise on purchases denominated in foreign currencies. Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedge matures. There were no unrecognised gains and losses arising in the year or the previous year.

NOTES TO THE FINANCIAL STATEMENTS*(Continued)***25. Financial commitments***(a) Capital commitments*

Capital commitments contracted for but not provided at the balance sheet date amounted to £1,189,000 (2003, £462,000) for the Group and £nil (2003, £nil) for the Company.

(b) Other financial commitments

Annual commitments under operating leases, analysed by expiry of lease:

	Land and buildings	Group Other	Total	Company Land and buildings
	2004	2004	2004	2004
	£'000	£'000	£'000	£'000
Within one year	–	22	22	–
Between one and five years	821	406	1,227	–
After five years	2,579	52	2,631	542
	<u>3,400</u>	<u>480</u>	<u>3,880</u>	<u>542</u>
	2003	2003	2003	2003
	£'000	£'000	£'000	£'000
Within one year	3	28	31	–
Between one and five years	791	398	1,189	–
After five years	2,490	–	2,490	468
	<u>3,284</u>	<u>426</u>	<u>3,710</u>	<u>468</u>

26. Contingent liabilities

Deferred taxation not provided at the balance sheet date amounted to £3,393,000 (2003, £3,099,000) for the Group and £nil (2003, £nil) for the Company (see note 19(b)).

The Company has given cross guarantees in respect of the bank borrowings of its subsidiary undertakings. The total liability under these guarantees at the balance sheet date was £128,000 (2003, £205,000).

27. Pension commitments

The pension charge for the year was:

	2004	2003
	£'000	£'000
Defined benefit scheme	196	–
Individual pension arrangements	385	341
	<u>581</u>	<u>341</u>

Defined Benefit Scheme

The Group operates a funded defined benefit scheme which is set up under trust and the assets of which are therefore held separately from the Group's resources. The Group's contributions to this scheme are made in accordance with the advice of qualified actuaries.

The defined benefit scheme is The Normand Motor Group Limited Pension Scheme, which has three sections representing the employees of Normand Motor Group Limited and its subsidiaries, of Mill Garages Limited and of Wilcomatic Limited. An actuarial valuation of the scheme was carried out as at 5 April 2003 using the Attained Age Method.

The principal long term economic assumptions underlying the valuation were as follows:

Price inflation	2.5% per annum
Investment return	7.5% per annum before retirement
	5.5% per annum after retirement
Earnings increases	3.0% per annum
LPI pension increases	2.5% per annum

NOTES TO THE FINANCIAL STATEMENTS*(Continued)***27. Pension commitments (continued)**

The funding ratio of the scheme was 86%. The market value of the scheme's assets (excluding AVCs) at the valuation date was £21,664,000. SSAP 24 requires that the deficit shown by the valuation is spread over the average remaining service lives of scheme members. The actuary confirmed that the regular future company cost until the next valuation at 5 April 2006 is 7.4% of pensionable earnings with a pension cost charge of £196,000 (2003, £nil). The Group has not contributed to the scheme for a number of years as previous valuations have reported surpluses but, as anticipated, will recommence contributions with effect from 5 April 2004 in line with the actuary's contributions report when this has been finalised.

SSAP 24 and FRS 17

The financial statements have, as last year, been prepared in accordance with SSAP 24. However, following the introduction of FRS 17, this note now also includes the additional disclosures required in respect of defined benefit schemes under the transitional arrangements established by FRS 17. The full accounting treatment required under FRS 17 will be mandatory for financial statements for the year ending 28 February 2006. However, the Group will be preparing consolidated financial statements in accordance with International Financial Reporting Standards for the year ending 28 February 2006 and will therefore be applying IAS 19.

Whereas the asset valuation under SSAP 24 is at actuarial values based upon estimated future returns, the FRS 17 asset values reflect market value at the balance sheet date. In valuing liabilities, SSAP 24 discounts the estimated liabilities to present value using a long term actuarial estimate of scheme investment returns, whereas FRS 17 uses the yield on AA rated corporate bonds.

The Normand Motor Group Limited Pension Scheme is closed to new members as a consequence of which, under the projected unit method of measuring scheme liabilities, the current service cost will increase as the scheme members approach retirement.

FRS 17 disclosures

The information required in connection with FRS 17 and the defined benefit scheme is as follows:

(a) The financial assumptions used to calculate scheme liabilities include:

	29 February 2004	28 February 2003	28 February 2002
Rate of increase in salaries	3.0% per annum	3.0% per annum	3.5% per annum
Rate of LPI increases for pensions in payment	3.0% per annum	3.0% per annum	3.0% per annum
Discount rate	5.75% per annum	5.75% per annum	5.75% per annum
Inflation	2.3% per annum	2.3% per annum	2.5% per annum

The assets in the scheme and the expected rates of return at 29 February 2004, 28 February 2003 and 28 February 2002 were:

	2004 Expected	2003 Expected	2002 Expected
	£'000	£'000	£'000
Equities	22,141	17,126	20,039
Bonds	2,859	3,603	5,561
Cash	899	400	921
Total market value of assets	25,899	21,129	26,521
Present value of scheme liabilities	(28,445)	(26,450)	(25,300)
(Deficit)/surplus in the scheme	(2,546)	(5,321)	1,221
Related deferred tax asset/(liability)	764	1,596	(366)
	(1,782)	(3,725)	855

NOTES TO THE FINANCIAL STATEMENTS*(Continued)***27. Pension commitments (continued)**

- (b) The effect on the Group net assets at 29 February 2004 and 28 February 2003 is shown below:

	2004	2003
	£'000	£'000
Consolidated net assets before pension liability	65,172	56,818
Net pension (deficit) as above	(1,782)	(3,725)
Consolidated net assets after pension liability	<u>63,390</u>	<u>53,093</u>

- (c) On full compliance with FRS 17, on the basis of the above assumptions, the amounts that would have been charged to the consolidated profit and loss account and consolidated statement of total recognised gains and losses ("STRGL") for the year ended 29 February 2004 are set out below.

Analysis of the amount charged to operating profit:

	2004	2003
	£'000	£'000
Current service cost	185	302
Past service cost	—	—
Total operating charge	<u>185</u>	<u>302</u>

Analysis of the amount credited to other finance income:

	2004	2003
	£'000	£'000
Expected return on assets	1,390	1,689
Interest on scheme liabilities	(1,530)	(1,465)
Net return	<u>(140)</u>	<u>224</u>

Analysis of amount recognised in STRGL:

	2004	2003
	£'000	£'000
Actual return less expected return on pension scheme assets	3,900	(6,518)
Experience gains and losses arising on the scheme liabilities	22	(516)
Changes in assumptions underlying the present value of the scheme liabilities	(822)	570
Actuarial gain/(loss) recognised in STRGL	<u>3,100</u>	<u>(6,464)</u>

Movement in (deficit)/surplus during year:

	2004	2003
	£'000	£'000
(Deficit)/surplus in scheme at beginning of year	(5,321)	1,221
Current service cost	(185)	(302)
Employer contributions	—	—
Past service costs	—	—
Other finance income	(140)	224
Actuarial gain/(loss)	<u>3,100</u>	<u>(6,464)</u>
(Deficit) in scheme at end of year	<u>(2,546)</u>	<u>(5,321)</u>

Experience gains and losses:

	2004	2003
Difference between expected and actual return on scheme assets:		
Amount (£'000)	3,900	(6,518)
As a percentage of scheme assets	15%	31%

Experience gains and losses arising on the scheme liabilities:

	2004	2003
Amount (£'000)	22	(516)
As a percentage of the present value of the scheme liabilities	0%	2%

NOTES TO THE FINANCIAL STATEMENTS*(Continued)***27. Pension commitments (continued)**

Total amount recognised in the STRGL:

Amount (£'000)	3,100	(6,464)
As a percentage of the present value of the scheme liabilities	11%	24%

Other pension arrangements

The Group also contributes to individual pension arrangements for certain executives and staff on a defined contribution basis. Such contributions are charged against profits as they are incurred.

28. Reconciliation of operating profit to net cash flow from operating activities

	2004 £'000	2003 £'000
Operating profit	13,575	10,899
Depreciation	2,999	2,774
Amortisation of goodwill	208	28
(Profit) on sale of tangible fixed assets	(25)	(63)
(Increase) in stocks	(8,211)	(9,698)
(Increase) in debtors	(735)	(1,908)
Increase in creditors	9,461	8,675
Net movement in demonstrator funding	1,695	(740)
Net cash inflow from operating activities	<u>18,967</u>	<u>9,967</u>

29. Analysis of changes in net funds

	At 1 March 2003 £'000	Cash flow £'000	Other non cash changes £'000	At 29 February 2004 £'000
Cash at bank and in hand	13,543	9,010	-	22,553
Debt due within one year	(3,205)	77	-	(3,128)
Finance leases (demonstrators)	(4,354)	19,284	(20,979)	(6,049)
Finance leases (other)	(422)	188	(164)	(398)
		<u>19,549</u>		
Total	<u>5,562</u>	<u>28,559</u>	<u>(21,143)</u>	<u>12,978</u>

30. Reconciliation of net cash flow to movement in net funds

	2004 £'000	2003 £'000
Increase/(decrease) in cash in the year	9,010	(3,718)
Cash (inflow)/outflow from financing	(319)	1,478
Cash outflow from finance leases (demonstrators)	19,284	14,974
Issue of shares	584	909
Purchase of own shares	-	(1,986)
Change in net funds resulting from cash flows	<u>28,559</u>	<u>11,657</u>
New finance leases in respect of demonstrators	(20,979)	(14,234)
New finance leases in respect of tangible fixed assets	(164)	(80)
Movement in net funds in the year	<u>7,416</u>	<u>(2,657)</u>
Net funds at beginning of year	5,562	8,219
Net funds at end of year	<u>12,978</u>	<u>5,562</u>

NOTES TO THE FINANCIAL STATEMENTS*(Continued)***31. Major non cash transactions**

During the year, the Group entered into finance lease arrangements with a total capital value at the inception of the leases of £20,979,000 (2003, £14,234,000) in respect of demonstrator vehicle stocks on short term leasing arrangements and £164,000 (2003, £80,000) in respect of tangible fixed assets. Total capital repayments under all finance leases amounted to £19,472,000 (2003, £15,100,000). The net movement in finance lease obligations in respect of demonstrator vehicles is included within the figure for net cash flow from operating activities in the cash flow statement.

Movements in finance leases relating to demonstrator vehicle stocks and cash paid in respect of these short term leases are included within the reconciliation of operating profit to operating cash flow as they are considered to be a source of operating funds rather than a longer term financing arrangement.

32. Acquisitions and disposals

On 7 March 2003, the Group acquired the assets and business of the Walton-on-Thames Volkswagen dealership of Intercontinental Cars Limited. On 1 October 2003, the Group acquired the assets and business of the Preston Jaguar and Land Rover dealerships of The Dutton-Forshaw Motor Company Limited. The acquisitions have been accounted for using the acquisition method of accounting. No adjustments were necessary to the book values of the assets acquired.

On 30 November 2003, the Group disposed of the assets and business of its Vauxhall dealership in Heathrow. On 18 December 2003, the Group disposed of the assets and business of its Volvo dealership in Leeds.

The assets acquired/disposed of were:

	Acquisitions		Disposals	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Tangible fixed assets	3,664	3,298	285	944
Stocks	1,988	2,388	482	2,115
Debtors	6	11	17	36
Creditors	(791)	(129)	(122)	(329)
	<u>4,867</u>	<u>5,568</u>	<u>662</u>	<u>2,766</u>
Goodwill	730	2,220	-	-
Profit on disposal before goodwill previously written off	-	-	117	4,019
	<u>5,597</u>	<u>7,788</u>	<u>779</u>	<u>6,785</u>
Satisfied by cash	<u>5,597</u>	<u>7,788</u>	<u>779</u>	<u>6,785</u>

The businesses acquired and disposed of during the year made the following contributions to and utilisations of Group cash flow:

	Acquisitions £'000	Disposals £'000
Net cash flow from operating activities	309	(245)
Returns on investments and servicing of finance	(60)	(15)
Taxation	(15)	-
Capital expenditure and financial investment	(232)	(8)
Financing	-	-
Increase/(decrease) in cash	<u>2</u>	<u>(268)</u>

33. Related party transactions

Mr R G Abrahams is a partner in Salans. During the year, Salans charged the Group for legal services on normal commercial terms to the value of £120,000 (2003, £101,000). At the balance sheet date, amounts due by the Group to Salans totalled £35,000 (2003, £23,000).

There were no other material related party transactions during the year that have not been eliminated on consolidation.

PRINCIPAL SUBSIDIARY UNDERTAKINGS

Name of company	Proportion held	Class of shareholding	Nature of business
<i>Motor Retail Division</i>			
Dane Motor Company (Chester) Limited	100%	Ordinary	Motor retail
Dane Motor Company (Malton) Limited	100%	Ordinary	Motor retail
*† James Edwards (Chester) Limited	100%	Ordinary	Motor retail
Malton Motors Limited	100%	Ordinary	Motor retail
Mill Garages Limited	100%	Ordinary	Motor retail
Normand Motor Group Limited	100%	Ordinary	Motor retail
Northfield Garage (Tetbury) Limited	100%	Ordinary	Motor retail
* Perodua UK Limited	100%	Ordinary	Import of motor vehicles
*† Taunton Trucks Limited	100%	Ordinary	Motor retail
Telford Motor Auctions Limited	100%	Ordinary	Motor auctions
<i>Motor Services Division</i>			
Casemount Holdings Limited	100%	Ordinary	Sale and leasing of vehicle washing equipment
European Motor Services Limited	100%	Ordinary	Sale of vehicle washing equipment and consumables
* Wilcomatic Conveyor Wash Systems Limited	100%	Ordinary	Operation of vehicle washing equipment
* Wilcomatic Limited	100%	Ordinary	Sale and servicing of vehicle washing equipment
<i>Other Businesses</i>			
J & S Component Engineering Limited	100%	Ordinary	Refurbishment and distribution of components for public service vehicles
Packaging Industries Limited	100%	Ordinary	Manufacture of wooden cargo containers

With the exception of those holdings marked with an asterisk, all shareholdings are held directly by the Company.

All of the above subsidiary undertakings are incorporated in Great Britain and registered in England and Wales. Their principal country of operation is England. Non trading subsidiary undertakings are not included in the above list. Companies marked † do not trade on their own account, but operate as disclosed agents of Normand Motor Group Limited.

The results of all the above subsidiary undertakings are consolidated in the Group financial statements.

NOTICE OF MEETING

Notice is hereby given that the ninety first Annual General Meeting of the members of European Motor Holdings plc will be held at the Company's registered office on 18 June 2004 at 12.00 noon to transact the following business, of which resolutions 1 to 6 will be proposed as ordinary resolutions and resolutions 7 and 8 will be proposed as special resolutions.

Ordinary business

1. That the Report of the Directors, the Report of the Independent Auditors and the audited financial statements for the year ended 29 February 2004 be received and adopted.
2. That the Directors' Remuneration Report for the year ended 29 February 2004 be received and adopted.
3. That a final dividend of 5.1 pence per share be declared in respect of the year ended 29 February 2004, payable on 6 September 2004 to members on the register on 6 August 2004.
4. That Grant Thornton be re-appointed as auditors and that the Directors be authorised to agree their remuneration.
5. That Mr R J Smith, having retired in accordance with the Company's Articles of Association and having consented to offer himself for re-election to the Board, be re-elected as a Director of the Company.*†

Special business

6. That the Directors be and they are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 and in substitution for any existing power to allot relevant securities to exercise all the powers of the Company to allot relevant securities (within the meaning of the said section 80) up to an aggregate nominal amount of £7,071,069 provided that this authority shall expire on 18 September 2005 or, if earlier, at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such offers or agreements.
7. That authority be given for the market purchase by the Company on the London Stock Exchange of not more than 14 per cent of the issued share capital of Ordinary Shares of 40p each of the Company (being a purchase of shares which is subject to a marketing arrangement as defined in section 163(2) of the Companies Act 1985) at not more than 105 per cent of the average of the market values for the Ordinary Shares (as derived from the Daily Official List of the London Stock Exchange) for the five business days before the day on which the purchase is made, nor less than 40p. The authority conferred hereby shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2005 save that the Company may before such expiry enter into a contract to purchase the Ordinary Shares under which such purchase may be completed or executed wholly or partly after the expiration of this authority.
8. That the Directors be and they are hereby empowered pursuant to section 95 of the Companies Act 1985: (i) to allot equity securities (within the meaning of section 94 of the Companies Act 1985) pursuant to the authority conferred on them by Resolution 6 set out in the Notice of this Meeting; and (ii) to transfer equity securities (within the meaning of section 94 of the Companies Act 1985) which are held by the Company in treasury, as if section 89(1) of the Companies Act 1985 did not apply to such allotment, provided that this power shall be limited to:
 - 8.1 the allotment of equity securities in connection with or the subject of an offer or invitation, open for acceptance for a period fixed by the Directors, to holders of Ordinary Shares and such other equity securities of the Company as the Directors may determine on the register on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights attached thereto (including equity securities which, in connection with such offer or invitation, are the subject of such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory or otherwise howsoever);
 - 8.2 the allotment of equity securities pursuant to the terms of any share scheme for employees approved by the members of the Company in general meeting and/or the transfer of any shares acquired or held by the Company in treasury; and

NOTICE OF MEETING

(Continued)

8.3 the allotment (otherwise than pursuant to paragraphs 8.1 and 8.2 above) of equity securities of a nominal amount not exceeding in aggregate £1,071,374, and shall expire on the earlier of the revocation of such authority and 18 September 2005 or, if earlier, at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted in pursuance of such offers or agreements as if the power conferred hereby had not expired.

By order of the Board



M D Beacham FCA
Secretary

Dated 28 April 2004

Registered Office: Craigmore House, Remenham Hill, Henley-on-Thames, Oxon RG9 3EP

Notes:

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his place. A proxy need not be a member of the Company. A form of proxy is enclosed which shareholders are invited to complete and return to the Company's Registrars not later than 48 hours before the time fixed for the meeting.

The Company, pursuant to regulation 41 of the Uncertified Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 12.00 noon on 16 June 2004 shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register after that time will be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.

Copies of the Register of Directors' interests in the shares of the Company and the Directors' service contracts are available for inspection during normal business hours on any weekday (Saturdays and public holidays excluded) at the registered office of the Company. Copies of such Register and service contracts and the register of Directors' interests will also be available for inspection at the Annual General Meeting from 11.45 am until the conclusion of the meeting.

*Member of Remuneration Committee.

†Member of Audit Committee.

FORM OF PROXY

I/We

of.....

a member/members of the above named Company, hereby appoint the Chairman of the meeting or

as my/our proxy to vote on my/our behalf at the Annual General Meeting of the Company to be held at the Company's registered office, Craigmere House, Remenham Hill, Henley-on-Thames, Oxon RG9 3EP, at 12.00 noon on 18 June 2004 and at any adjournment thereof.

Signature: Date:

Name(s) of other joint holder(s): (2)

(3) (4)

Please indicate with an X in the boxes below how you wish your votes to be cast in respect of each Resolution:

	FOR	AGAINST
1. To receive and adopt the Report of the Directors, the Report of the Independent Auditors and the audited financial statements for the year ended 29 February 2004		
2. To receive and adopt the Directors' Remuneration Report for the year ended 29 February 2004		
3. To declare a final dividend of 5.1p per share		
4. To re-appoint Grant Thornton as auditors and to authorise the Directors to agree their remuneration		
5. To re-elect Mr R J Smith as a Director††		
6. To authorise the Directors to allot ordinary shares		
*7. To authorise the Company to purchase its own shares		
*8. To authorise the Directors to allot equity securities within the meaning of Section 95 of the Companies Act 1985		

† Member of Remuneration Committee.

†† Member of Audit Committee.

* Special Resolution

NOTES:

- To be valid, this Form of Proxy must be deposited at the Company's Registrars (Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU) not less than 48 hours before the time fixed for the meeting, or any adjournment thereof together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority.
- A member may appoint a proxy of his or her choice. If such an appointment is made, please delete the words "the Chairman of the meeting or" and insert the proxy's name in the space provided. A proxy need not be a member of the Company.
- The completion and return of a form of proxy will not prevent a member from attending and voting at the meeting if so desired.
- If the member is a corporation, the form must be under its common seal or be signed by a duly authorised officer or attorney.
- In the case of joint holders, any holder may sign but the name(s) of the other joint holder(s) must be stated to enable the holding to be identified.
- If this form is returned without any indication as to how the member wishes to vote, the proxy will exercise his discretion as to how he votes or whether he abstains from voting.
- On a show of hands every member present in person shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.

FOLD 2

BUSINESS REPLY SERVICE
Licence No: MB 122



Capita Registrars (Proxies)
PO Box 25
Beckenham
Kent
BR3 4BR

FOLD 1

FOLD 3 AND TUCK IN

BUSINESS DIRECTORY

European Motor Holdings plc

Group Head Office

Craigmore House, Remenham Hill,
Henley-on-Thames, Oxon RG9 3EP
Tel: 01491 413399
Fax: 01491 413455

Bentley Newcastle

Bentley

Elliot House, The Silverlink,
Wallsend NE28 9ND
Tel: 0191 259 8155
Fax: 0191 259 8166

Castle Motors

BMW, Mini

Clifton Moorgate, Clifton Moor, York
North Yorkshire YO30 4WR
Tel: 01904 693313
Fax: 01904 693724

Car Clinic

Bodyshop

Unit C, Brooklands Way, Boldon Business Park
West Boldon, Tyne & Wear NE35 9LU
Tel: 0191 519 2145
Fax: 0191 519 4270

Chiswick Volkswagen

Volkswagen (Sales)

405 King Street, Hammersmith,
London W6 9NQ
Tel: 020 8996 6600
Fax: 020 8996 6606

Chiswick Volkswagen

Volkswagen (Service & Parts)

110 Power Road, Chiswick, London W4 5PY
Tel: 020 8996 6600
Fax: 020 8996 6606

Dane Audi

Audi

Sealand Road, Chester, Cheshire CH1 4LS
Tel: 01244 391800
Fax: 01244 391801

Dane Motor Company Chester

Volkswagen

Sealand Road, Chester, Cheshire CH1 4LD
Tel: 01244 390033
Fax: 01244 390781

Dane Wirral

Volkswagen

129 Mount Road, Higher Bebington,
Wirral CH63 8PU
Tel: 0151 608 6466
Fax: 0151 608 1239

Dane Wrexham

Volkswagen

Rhosddu Industrial Estate, Main Road
Rhosrobin, Wrexham LL11 4YL
Tel: 01978 291177
Fax: 01978 290392

Heathrow Volkswagen

Volkswagen

554 London Road, Ashford, Middlesex TW15 3AE
Tel: 01784 250051
Fax: 01784 253471

James Edwards Chester Land Rover

Land Rover

Sealand Road, Chester, Cheshire CH1 4LD
Tel: 01244 373333
Fax: 01244 375555

James Edwards Chester Rover

MG, Rover

Stadium Way, Chester, Cheshire CH1 4PZ
Tel: 01244 651000
Fax: 01244 379124

James Edwards Land Rover Brock

Land Rover

Garstang Road, Bilsborrow, Preston
Lancs PR3 0RB
Tel: 01995 640888
Fax: 01995 640850

Malton Motors

BMW, Mini

York Road, Malton, North Yorkshire YO17 6TB
Tel: 01653 600700
Fax: 01653 693010

Mill Audi

Audi

Stadium Way, Sunderland,
Tyne & Wear SR5 1AT
Tel: 0191 564 5600
Fax: 0191 564 5601

Mill BMW

BMW, BMW Motorcycles, Mini

Boldon Business Park, West Boldon,
Tyne & Wear NE36 0BQ
Tel: 0191 519 4455
Fax: 0191 519 1021

Mill Garages Durham

Volvo

Alma Place, Sunderland Road, Gilesgate,
Durham DH1 2HN
Tel: 0191 375 3900
Fax: 0191 386 2888

BUSINESS DIRECTORY

(Continued)

Mill Garages Faverdale

Volkswagen

West Auckland Road, Faverdale, Darlington,
Co Durham DL3 0UX
Tel: 01325 353737
Fax: 01325 384030

Mill Garages Harrogate

Volvo

Grimbald Crag Road, St James Retail Park,
Knaresborough, North Yorkshire HG5 8PY
Tel: 01423 798600
Fax: 01423 862595

Mill Garages Hexham

Volvo

Anick Grange Road, Hexham
Northumberland NE46 4JH
Tel: 01434 605303
Fax: 01434 605139

Mill Garages MG Rover

MG, Rover

Ryhope Road, Toll Bar, Sunderland SR2 0SL
Tel: 0191 523 9094
Fax: 0191 523 9098

Mill Garages Newcastle

Volvo

Scotswood Road, Newcastle upon Tyne NE15 6BZ
Tel: 0191 284 8200
Fax: 0191 228 8040

Mill Garages Northeast

Volkswagen

Newcastle Road, Sunderland SR5 1QE
Tel: 0191 548 0235
Fax: 0191 548 2617

Mill Garages Silverlink

Volvo

Elliot House, The Silverlink,
Wallsend NE28 9ND
Tel: 0191 284 8200
Fax: 0191 263 2501

Mill Garages Stockton

Volvo

Avro Close, Preston Farm Business Park
Stockton-on-Tees TS18 3SG
Tel: 01642 673251
Fax: 01642 614284

Mill Garages Sunderland Volvo

Volvo

Hylton Grange, Wessington Way, Sunderland
SR5 3HR
Tel: 0191 516 8778
Fax: 0191 516 8456

Minster Jaguar Doncaster

Jaguar

Wheatley Hall Road, Doncaster
South Yorkshire DN2 4NU
Tel: 01302 554050
Fax: 01302 554080

Minster Jaguar Harrogate

Jaguar

Grimbald Crag Road, St James Retail Park
Knaresborough, North Yorkshire HG5 8PY
Tel: 01423 799300
Fax: 01423 869666

Minster Jaguar Leeds

Jaguar

39-41 Barrack Road, Leeds
West Yorkshire LS7 4AB
Tel: 0113 237 9800
Fax: 0113 239 2050

Minster Jaguar Preston

Jaguar

Port Way, Ashton on Ribble, Preston
Lancs PR2 2DF
Tel: 01772 723456
Fax: 01772 726577

Minster Jaguar York

Jaguar

Clifton Moorgate, Clifton Moor, York
North Yorkshire YO30 4WR
Tel: 01904 691144
Fax: 01904 693222

Northfield Audi

Audi

London Road, Tetbury, Gloucestershire
GL8 8HN
Tel: 01666 505155
Fax: 01666 504441

Northfield Volkswagen

Volkswagen

Kingsmeadow, Cricklade Road, Cirencester
Gloucestershire GL7 1NP
Tel: 01285 650222
Fax: 01285 885100

Preston Hall

BMW, Mini

Concorde Way, Preston Farm Business Park,
Stockton-on-Tees TS18 3RB
Tel: 01642 618618
Fax: 01642 608613

BUSINESS DIRECTORY

(Continued)

Taunton Trucks

DAF, LDV

148 Priorswood Road, Taunton,
Somerset TA2 8DW
Tel: 01823 331275
Fax: 01823 334493

Twickenham Volkswagen

Volkswagen

40 South Road, Fulwell, Twickenham
Middlesex TW2 5NT
Tel: 020 8977 0071
Fax: 020 8977 0031

Walton Volkswagen

Volkswagen (Sales)

New Zealand Avenue, Walton-on-Thames,
Surrey KT12 1AT
Tel: 01932 231021
Fax: 01932 242844

Walton Volkswagen

Volkswagen (Service & Parts)

Unit 21, Lyon Road, Hersham,
Surrey KT12 3PU
Tel: 01932 224266
Fax: 01932 242373

Queensferry Motor Auctions

Motor vehicle auctions

Station Road, Queensferry, Clywd CH5 2TD
Tel: 01244 812811
Fax: 01244 812578

Telford Motor Auctions

Motor vehicle auctions

Trench Lock 2, Telford, Shropshire TF1 5YL
Tel: 01952 257751
Fax: 01952 257755

Perodua UK

Motor vehicle imports

Craigmore House, Remenham Hill,
Henley-on-Thames, Oxon RG9 3EP
Tel: 01491 415230
Fax: 01491 415233

European Motor Services

Vehicle washing consumables

123 Beddington Lane, Croydon,
Surrey CR9 4NX
Tel: 020 8684 9900
Fax: 020 8683 2070

Wilcomatic Conveyor Wash Systems

Operation of vehicle washing equipment

123 Beddington Lane, Croydon,
Surrey CR9 4NX
Tel: 020 8684 9900
Fax: 020 8683 2070

Wilcomatic

Vehicle washing equipment

123 Beddington Lane, Croydon,
Surrey CR9 4NX
Tel: 020 8684 9900
Fax: 020 8683 2070

Wilcomatic

Vehicle washing equipment

(Service control centre)

21 Rufford Court, Hardwick Grange, Warrington
Cheshire WA1 4RF
Tel: 01925 826800
Fax: 01925 828115

J & S Component Engineering

Automotive components

179 New Road, Rainham, Essex RM13 8SH
Tel: 01708 550359
Fax: 01708 552710

Packaging Industries

Wooden packing containers

Unit G655, Beaumont Way
Aycliffe Industrial Estate, Newton Aycliffe
Co Durham DL5 6SN
Tel: 01325 313444
Fax: 01325 300246

European Motor Holdings plc

FIVE YEAR SUMMARY

	2004	2003	2002	2001	2000
Turnover	£489.5m	£430.0m	£441.1m	£399.7m	£421.8m
Profit after interest but before exceptional items and goodwill amortisation	£13.9m	£11.2m	£10.4m	£8.5m	£7.7m
Profit before taxation	<u>£16.8m</u>	<u>£13.2m</u>	<u>£10.4m</u>	<u>£8.5m</u>	<u>£7.7m</u>
Earnings per share	23.2p	18.2p	13.1p	10.5p	9.6p
Dividends per share	<u>8.5p</u>	<u>7.5p</u>	<u>7.0p</u>	<u>6.5p</u>	<u>6.1p</u>
Net assets	£65.2m	£56.8m	£48.5m	£45.7m	£43.6m
Net funds/(debt)	£13.0m	£5.6m	£8.2m	£2.5m	£(7.1)m
Net gearing	<u>nil</u>	<u>nil</u>	<u>nil</u>	<u>nil</u>	<u>16%</u>
Net assets per share	<u>121.7p</u>	<u>107.4p</u>	<u>91.1p</u>	<u>85.0p</u>	<u>81.0p</u>
Divisional analysis	£m	£m	£m	£m	£m
Motor Retail Division	14.1	11.5	10.5	8.6	8.0
Motor Services Division	1.4	1.2	1.0	0.8	0.6
Other Businesses	-	0.1	0.1	0.1	0.1
Head Office	(1.7)	(1.6)	(1.2)	(1.0)	(1.0)
Exceptional items	<u>3.0</u>	<u>2.0</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit before taxation	<u>16.8</u>	<u>13.2</u>	<u>10.4</u>	<u>8.5</u>	<u>7.7</u>