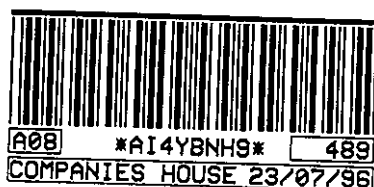


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European Motor Holdings plc

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European Motor Holdings plc

DIRECTORS AND ADVISERS

Directors	Non-executive Chairman	Roger Smith
	Chief Executive	Richard Palmer
	Finance Director	Ann Wilson ACA
	Non-executive Director	Sir Tom Cowie OBE
Secretary	Mark Beacham FCA	
Registered office	Abbey Road Park Royal London NW10 7RY	
Registered number	122207	
Auditors	Grant Thornton Grant Thornton House Melton Street Euston Square London NW1 2EP	
Financial advisers	HSBC Samuel Montagu 10 Lower Thames Street London EC3R 6AE	
Stockbrokers	Panmure Gordon & Co Limited New Broad Street House 35 New Broad Street London EC2M 1NH	
Principal bankers	Svenska Handelsbanken Svenska House 3-5 Newgate Street London EC1A 7QA Bank of Scotland 38 Threadneedle Street London EC2P 2EH	
Registrars	Independent Registrars Group Limited Bourne House 34 Beckenham Road Beckenham Kent BR3 4TU	

FINANCIAL HIGHLIGHTS

	1996	1995	1994	1993	1992
Turnover	£344.8m	£283.9m	£157.5m	£117.1m	£23.9m
Profit/(loss) after interest but before exceptional items	£6.7m	£7.6m	£5.1m	£3.7m	£(1.4)m
Profit/(loss) before taxation	£6.7m	£7.9m	£5.1m	£3.4m	£(1.5)m
Earnings/(loss) per share	8.9p	12.0p	9.6p	7.3p	(17.6)p
Dividends per share	5.20p	5.00p	4.25p	3.50p	—
Net assets	£35.7m	£34.0m	£18.4m	£16.5m	£7.6m
Gearing	32%	21%	25%	34%	68%
Divisional analysis	£m	£m	£m	£m	£m
Motor Retail Division	4.3	5.6	3.1	2.4	0.2
Motor Services Division	2.8	2.8	3.1	2.6	—
Other Businesses	0.4	0.1	—	(0.1)	(0.2)
Head Office	(0.8)	(0.9)	(1.1)	(1.1)	(0.9)
Discontinued activities	—	—	—	—	(0.5)
Profit/(loss) after interest but before exceptional items	6.7	7.6	5.1	3.8	(1.4)

Financial calendar**1 July 1996**

Ex dividend date for final dividend

19 July 1996

Annual General Meeting

November 1996

Announcement of half year results

9 July 1996

Record date for final dividend

1 October 1996

Payment date of final dividend

January 1997

Payment date of interim dividend

CHAIRMAN'S STATEMENT

The Group's profit before tax for the year ended 31 March 1996 was £6.7 million on turnover of £345 million. This compares to profit before tax of £7.6 million (before exceptional items) and turnover of £284 million in the previous year. Earnings per share were 8.9p compared to 12.0p and gearing has increased to 32% from 21%.

Your Directors are recommending a final dividend of 3 pence per share making a total for the year of 5.2 pence per share. This represents a 4% increase over last year and reflects your Board's continued confidence in the future outlook for the Group despite the fall in reported profit. This dividend will be paid on 1 October to shareholders on the register at 9 July.

The reasons for the decrease in profit this year relate to our motor retailing operations and are examined in the Chief Executive's Operating and Financial Review on page 5. However, substantial progress has been made in dealing with those factors and in strengthening the management structure of the Group. As a result, your Board is confident that the Group will resume the successful trend which it commenced in 1992.

The Group has continued to expand, with the opening of three new dealerships in the year and additional investment in existing sites. Seven new franchises have been gained in the financial year. Your Board also decided to withdraw from five small loss making franchises during the year, involving the closure and disposal of one site.

This year's annual report contains a separate statement on corporate governance and a report by the Remuneration Committee. I am pleased to report that your Company complies with all material aspects of the Cadbury Code.

Our praise and sincerest thanks must go to all our staff, who have given the Group their utmost support during the year and have risen to the challenges we have faced. I should also like to thank our shareholders, advisers, bankers and suppliers for their continued support.

Roger Smith
Chairman

19 June 1996

CHIEF EXECUTIVE'S OPERATING AND FINANCIAL REVIEW

The financial year which ended on 31 March 1996 has been a disappointing one for your Company. The first half went largely to plan and, with the exception of management changes at Wilcomatic, it was a relatively predictable period. The second half year was entirely different. Our Motor Retail Division experienced a much more difficult trading environment than we expected and the financial results suffered significantly. However, our Motor Services Division performed well in this period, as did the non core Group businesses.

Motor Retail Division

Our Motor Retail Division's operating profit declined from £6.5 million in the previous year to £5.8 million this year. The vast majority of this decline in profitability occurred in the period from November 1995 to the beginning of March 1996. The reasons behind the fall were, I believe, as follows: a lack of retail consumer confidence which affected the traditional retail bias of our customer base and forced us to move into business with significantly reduced margins; the unavailability of new models from key manufacturers coupled with our customers' unwillingness to substitute; and terrible weather conditions, particularly in the North, which meant that we lost a great deal of service work during the period and saw a reduction in the volume of sales customers.

In addition, European Motor Holdings is a relatively young company in its present form and we have acquired motor retail businesses which have not, in the past, specialised in used vehicles. In order to establish our trading names as used vehicle retailers in the areas in which we operate, we have had to be very competitive in pricing, resulting in low used car margins.

In the light of last year's experience we have taken the opportunity to review our used vehicle trading practices and have changed our method of operation and objectives. Broadly, we are aiming to sell fewer used cars going forward, but at much higher margins. We will also endeavour to specialise in the marques for which we hold franchises and seek to influence any manufacturers with whom we deal away from the practice of manufacturing some new cars only for used vehicle sale. The retailing of "nearly new" vehicles at a dramatic discount to the new vehicle price is in no-one's interest since it devalues the new product and affects the residual value of the used vehicle. The customer, whether he buys the vehicle new or used, is penalised and the oversupply in the British market which is prejudicial to the future of the retail motor industry, continues.

I have presented the problems that we encountered in the last year within motor retail. However, we have a great deal to look forward to in the coming year. In the last year we have opened new operations for Fiat and Alfa Romeo in Boldon, Sunderland; a new dealership in Gateshead with franchises for Renault and Rover; and new dealerships for Jaguar and Nissan in York. We have also added Citroen to our existing operation in Warminster. The progress of these new operations has initially been slower than we would have hoped for as a result of the weak retail market. However, these operations represent an important investment for the future.

Volvo has decided on a radical approach in franchising its products within much larger "market areas". We have been extremely fortunate in being selected to carry the Volvo franchise forward in the North East of England. In addition to our existing Volvo operations in Newcastle West, Stockton and Darlington, we shall be opening new operations for Volvo in Newcastle East and Hexham. This will not have a dramatic effect in the current financial year, but will enable us to provide enhanced customer service and greater returns in the future. This market area approach and the new range of Volvo S40/V40 cars bode very well for the success of Volvo in the future.

In reviewing the major franchises within our portfolio, it is pleasing to see the continued success of the Volkswagen Polo and Golf. The introduction of the new Passat later in the year will complement an already impressive vehicle line up. Audi continues to increase its market share with the A4, which will be joined before the end of the year by the smaller A3.

BMW has just launched the stunning new 5 series range which joins the extremely successful 3 series and 7 series and that, together with the Z3 sports car which is due to be released in January 1997, will ensure another highly successful year for our BMW dealerships.

Jaguar, whilst a new franchise for the Group, is viewed by your Board as a franchise with which we would like to expand. The already impressive XJ6 range of cars will be joined by the XK8 roadster and coupé in October.

CHIEF EXECUTIVE'S OPERATING AND FINANCIAL REVIEW

(Continued)

Mercedes-Benz successfully launched the new E class in the fourth quarter of 1995. This new vehicle complemented the C, S and SL ranges, and our sales experience to date has been extremely encouraging. Mercedes-Benz has launched a new light commercial vehicle, the Sprinter, and the Vito, a smaller van, will follow later this year. Also later this year the SLK sportster, together with the new estate variants of the C class and E class, will complement the established Mercedes-Benz range and ensure more marketing opportunities for Mercedes-Benz products.

During the period we have terminated franchises with Hyundai in Chester and Warminster and with Suzuki in London and Tetbury. We also disposed of our Volkswagen dealership in Driffild.

The Group sold 10,251 new cars compared to 9,221 in the previous year and 11,109 used cars compared to 8,973. These increases are not on a like for like basis as we owned Normand for only eight months of the previous year.

Motor Retail Division turnover grew from £263 million last year to £325 million this year. This increase in turnover reflects a full year's turnover from Normand compared to only eight months in the previous year.

Whilst our motor retail performance has not been at the level we believe it should have been because of the factors mentioned above, our management team has been strengthened and is better equipped to face the challenge of the future.

The Group's bias towards premium and specialist cars, as against volume cars, is greater than the market average. We believe fundamentally that this weighting represents an opportunity for enhanced profitability as the margins for premium and specialist cars have historically always been greater than for volume cars.

Motor Services Division

Our Motor Services Division comprises principally of Wilcomatic, the United Kingdom's leading automatic car washing equipment company.

Wilcomatic's performance for the year was more than satisfactory, particularly when viewed against the difficult market place in which it operated. Its operating profits for the period remained constant at £2.6 million. During the first half of the year we were forced to make considerable management changes which resulted in some short term upheaval at the company. Many of our customers became involved in the petrol price war which naturally meant that orders for machines were deferred and our margins were under attack as they looked to their suppliers to help them cut costs. The fact that Wilcomatic, through the new management's initiatives and vigorous cost cutting, managed to finish the year with its profits similar to the previous year confirms the robust nature of the business' profitability. Wilcomatic will remain at the forefront of vehicle washing. Whilst we must guard against complacency, we view the current aggressive market place as one where our opportunities are greater than ever before.

Other Businesses

Our Other Businesses accounted for only 1.6% of Group turnover but their operating profitability, rising from £190,000 last year to £426,000 this year, illustrates the turnaround in fortunes that we have achieved in the last five years, particularly at Packaging Industries.

Financial review

Profit on ordinary activities before tax for the year ended 31 March 1996 was £6.7 million compared to £7.9 million in the previous year, although this latter figure excluded exceptional net profits of £0.3 million.

The Group's effective tax rate in the year ended 31 March 1996 was 29%, the same as in the previous year, as the Group continues to benefit from tax losses in some of its businesses and the rollover of chargeable gains made in previous years.

The Group generated £9.3 million from its operating activities (excluding working capital) in the year. £7.1 million was invested in new businesses whilst net capital expenditure in existing businesses amounted to £1.2 million. Payments in respect of taxation and dividends totalled £4.6 million. The net cash outflow for the year amounted to £4.9 million, funded by a reduction in cash balances.

CHIEF EXECUTIVE'S OPERATING AND FINANCIAL REVIEW

(Continued)

At 31 March 1996 the Group's net borrowings amounted to £11.4 million (1995, £7.1 million), the principal elements of which were loans from finance houses and leasing obligations in respect of demonstrator vehicles. All borrowings are repayable either on demand or within the current calendar year. In addition, the Group has substantial banking facilities which were unutilised at the year end. The resulting gearing level at 31 March 1996 was 32%, compared to 21% at the previous year end. Interest cover (excluding new vehicle stocking interest) fell from 16.6 times to 7.8 times as a result of lower operating profit and higher borrowings during the year.

Currency fluctuations relating to the purchase of vehicle washing equipment are managed by the forward buying of currency. The Group has no foreign currency borrowings.

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.

Prospects

In reviewing last year's performance I stated that there remained a great deal of scope for further organic growth within the Group. We have had a disappointing second half to the year, but the statement I made last year still holds good. Your Group has the ability to progress and the intention to do so.

On the retail side of our business we will enjoy the benefits of Volvo's market area approach in the North East of England. In our view, many manufacturers will reorganise their franchise networks in this way. It is your Board's belief that European Motor Holdings will be in an excellent position to take advantage of this reorganisation. The new models which I referred to earlier will, I am sure, help to improve the sales of our principal manufacturers even if the economic environment remains static. Within the Motor Services Division, Wilcomatic has proved itself to be most resilient in the face of the new challenges and once again has shown its worth to the Group. Your Board continues to have every confidence in the Group's future.

Richard Palmer
Chief Executive

19 June 1996

European Motor Holdings plc

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 March 1996.

Activities

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

A review of the Group's business, its position at the year end and future developments is dealt with in the Chairman's statement and the Chief Executive's operating and financial review on pages 4 to 7.

Results and dividends

The profit on ordinary activities before taxation for the year amounted to £6,674,000 (1995, £7,922,000).

The Directors recommend a final dividend in respect of the year ended 31 March 1996 of 3 pence per share (1995, 3 pence). An interim dividend of 2.2 pence per share (1995, 2.0 pence) was paid during the year, making a total for the year of 5.2 pence per share (1995, 5.0 pence).

Directors

- (a) The Directors in office at the date of this report are set out on page 2. All served on the Board throughout the year. Mr H K Paton resigned as a Director on 4 September 1995. Miss A C Wilson retires by rotation and, being eligible, offers herself for re-election. Miss Wilson does not have a service contract.
- (b) Mr R J Smith (non-executive Chairman) was appointed to the Board in July 1993 and became Chairman in March 1994. He has extensive motor and petroleum industry and public company experience. Sir Tom Cowie (non-executive Director) was appointed to the Board in March 1994. He was chairman of T Cowie PLC from 1948 to 1993.
- (c) The interests of the Directors in the ordinary shares of the Company are shown below:

	31 March 1996		1 April 1995	
	Shares	Options	Shares	Options
R J Smith	100,000	—	100,000	—
R T Palmer	305,682	536,221	266,555	436,221
A C Wilson	80,000	536,221	61,000	436,221
Sir Tom Cowie	90,000	—	90,000	—

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

	Shares	Options
R J Smith	100,000	—
R T Palmer	305,682	536,221
A C Wilson	80,000	536,221
Sir Tom Cowie	100,000	—

Details relating to Directors' share options are set out in note 21 to the financial statements.

- (d) No Director had a material interest in any contract which was of significance to the business of the Company or any of its subsidiary undertakings during the financial year.

REPORT OF THE DIRECTORS

(Continued)

Directors' responsibilities for the financial statements

The following statement, which should be read in conjunction with the Auditors' statement of Auditors' responsibilities set out on page 13, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the Auditors in relation to the financial statements.

The Directors are required by law to prepare financial statements which give a true and fair view of the state of affairs of the Company and the Group at the end of each accounting year and of the profit of the Group for the year. They are responsible for keeping proper accounting records, for safeguarding assets, and for taking reasonable steps to prevent and detect fraud and other irregularities.

The Directors consider that suitable accounting policies have been consistently applied and that reasonable and prudent judgements and estimates have been used in the preparation of the financial statements. The Directors also confirm that applicable accounting standards have been followed.

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.

Donations

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

Annual General Meeting

Resolutions will be put to the Annual General Meeting to renew the Directors' authority to allot 18,799,271 ordinary shares, representing 35% 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 otherwise for cash, other than to existing shareholders by way of rights, up to a maximum of 2,680,036 ordinary shares, being 5% of the issued share capital as at 31 March 1996. These authorities will expire at the conclusion of the Annual General Meeting of the Company in 1997 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 Group'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.

Admission of shares to CREST

On 17 June 1996 the Directors passed a resolution to enable the Company's shares to join CREST. It is anticipated that the holding and transfer of shares by means of the CREST system will become available in March 1997. The notice to shareholders concerning the introduction of the CREST system is set out on page 37.

European Motor Holdings plc

REPORT OF THE DIRECTORS

(Continued)

Substantial shareholdings

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

	Number of shares held	%
PDFM Limited	9,424,372	17.6
Henderson Financial Management Limited	2,999,000	5.6
Jupiter Asset Management	2,644,475	4.9
TR Smaller Companies Investment Trust PLC	2,250,000*	4.4
The Wellcome Trust	2,332,000*	4.4

* This holding is also included within that of Henderson Financial Management Limited.

* This holding is also included within that of PDFM Limited.

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

M D Beacham FCA
Secretary



19 June 1996

CORPORATE GOVERNANCE

Code of Best Practice

The Company has complied throughout the year with the Code of Best Practice ("the Code") contained in the Report of the Committee on the Financial Aspects of Corporate Governance except for the provisions relating to the composition of the Audit Committee (see below).

The Board of Directors

The Board meets regularly and includes two non-executive Directors who have specified terms of office. 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.

There are two permanent committees of the Board, details of which are given below. Selection and appointment of Directors are the responsibility of the whole Board.

Audit Committee

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 R J Smith. This does not comply with paragraph 4.3 of the Code which 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 recommendations of the City Group for Smaller Companies for companies of similar size.

Remuneration Committee

The Remuneration Committee is formally constituted and its report is set out on page 12.

Internal financial control

The Directors are responsible for the system of internal financial control within the Group. The Directors recognise that the system can provide only reasonable and not absolute assurance against material misstatement or loss.

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 comparison to budgets and forecasts is a key control over the business. There is an ongoing programme of internal audit visits to monitor operational controls with an Audit Committee which reports directly to the Board.

The Directors have reviewed the operation and effectiveness of the Group's system of internal financial control for the financial year and the period up to the date of approval of these financial statements.

Going concern

The Directors' statement on going concern is included in the Chief Executive's operating and financial review on page 7.

Reporting

The Auditors have confirmed that, in their opinion, with respect to the Directors' statements on internal financial control above and going concern on page 7, the Directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which they are aware from their audit work on the financial statements and that the Directors' other statements above appropriately reflect the Company's compliance with the other paragraphs of the Code specified for their review. They were not required to perform the additional work necessary to, and did not, express any opinion on the effectiveness of either the Group's system of internal financial control or its corporate governance procedures nor on the ability of the Group to continue in operational existence.

REPORT OF THE REMUNERATION COMMITTEE

Composition of the Remuneration Committee

The Committee consists of the Company's two non-executive Directors and the Chief Executive and is chaired by Mr R J Smith. When the Chief Executive's own remuneration is being discussed, his place on the Committee is taken by the Finance Director.

Policy on executive Directors' remuneration

Executive Directors' remuneration packages are designed to attract, motivate and retain directors of the calibre necessary to achieve the Group's objectives and to reward them for enhancing shareholder value. There are four main elements of their remuneration package:

- (a) *Basic annual salary and benefits in kind*
Each executive Director's basic salary is reviewed with effect from the beginning of each financial year by the Committee. In deciding upon appropriate levels of remuneration the Committee has regard to rates of pay for similar jobs in comparable companies as well as internal factors such as performance.
- (b) *Annual bonus payments*
The Committee awards discretionary annual bonuses to executive Directors based on their performance and that of the Group in the financial year.
- (c) *Pension arrangements*
Executive Directors have individual pension arrangements to which the Company contributes a fixed percentage of basic salary.
- (d) *Share option incentive*
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 in increments to executive Directors and senior management according to their position in the Group.

Service contracts

Executive Directors do not currently have service contracts.

Non-executive Directors

The remuneration of the non-executive Directors is determined by the Board 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.

Details of Directors' remuneration and share options

This report should be read in conjunction with notes 8 and 21 to the financial statements which also form part of this report. Full details of the remuneration package of each Director are given in note 8 and details of Directors' share options are given in note 21. Details of Directors' share interests and of Directors proposed for re-election are set out in the Report of the Directors on page 8.

On behalf of the Remuneration Committee

R J Smith
Chairman

19 June 1996

REPORT OF THE AUDITORS

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

We have audited the financial statements on pages 14 to 33 which have been prepared under the accounting policies set out on pages 14 and 15.

Respective responsibilities of Directors and Auditors

As described on page 9 the Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 March 1996 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Grant Thornton
Registered Auditors
Chartered Accountants
London

19 June 1996

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 except that, in line with emerging best practice, vehicle repurchase commitments are now included in the balance sheet in accordance with FRS 5. Comparative figures have been restated accordingly.

Basis of accounting

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

Consolidation and goodwill

The Group financial statements consolidate the financial statements of the Company and all its subsidiary undertakings as made up to 31 March 1996.

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, is written off against reserves on acquisition.

The results of subsidiary undertakings and businesses disposed of during the year are included up to the date of disposal. Profits or losses on disposal, which are calculated to include related goodwill, are excluded from the results of operations.

Purchased goodwill is eliminated from the financial statements by immediate write off against reserves.

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 the invoiced value 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 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 schemes.

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

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 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

ACCOUNTING POLICIES

(Continued)

Grants and deferred income

Grants in respect of capital expenditure are credited to the profit and loss account over the estimated useful 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 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 permanent 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 stock is disclosed as a contingent liability.

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

Vehicle repurchase commitments relate to undertakings to repurchase new vehicles sold by the Group, at values determined at the outset of each agreement, and at predetermined dates in the future, and are included at repurchase value. This represents a change in policy; see note 16.

Deferred taxation

Deferred taxation is the taxation attributable to timing differences between profits or losses as computed for taxation purposes and results as stated in the financial statements.

Provision is made for deferred taxation using the liability method, to the extent that the Directors consider that a liability is likely to arise in the foreseeable future. Unprovided deferred taxation is disclosed as a contingent liability.

European Motor Holdings plc

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 March 1996

	Notes	1996 £'000	1995 £'000
Turnover	1, 2	344,750	283,878
Cost of sales		(299,303)	(244,760)
Gross profit		45,447	39,118
Distribution costs		(19,876)	(17,004)
Administrative expenses		(17,909)	(14,031)
Operating profit	1	7,662	8,083
Net profit on disposals	3	—	655
Reorganisation costs	4	—	(307)
Profit on ordinary activities before interest		7,662	8,431
Interest receivable	5	96	149
Interest payable	6	(1,084)	(658)
Profit on ordinary activities before taxation	7	6,674	7,922
Tax on profit on ordinary activities	10	(1,923)	(2,205)
Profit on ordinary activities after taxation		4,751	5,717
Dividends	11	(2,787)	(2,680)
Retained profit for the financial year	22	1,964	3,037
Earnings per share	13	8.9p	12.0p

There are no recognised gains or losses other than the profit for the year as reported above.
The accompanying accounting policies and notes form part of these financial statements.

European Motor Holdings plc

BALANCE SHEETS*at 31 March 1996*

	Notes	Group 1996 £'000	1995 Restated £'000	Company 1996 £'000	1995 £'000
Fixed assets					
Tangible assets	14	22,698	20,433	169	191
Investments	15	—	—	53,149	54,090
		<u>22,698</u>	<u>20,433</u>	<u>53,318</u>	<u>54,281</u>
Current assets					
Stocks	16	49,405	45,176	—	—
Debtors	17	21,245	19,592	3,886	3,056
Cash at bank and in hand		2,062	6,917	2,962	2,725
		<u>72,712</u>	<u>71,685</u>	<u>6,848</u>	<u>5,781</u>
Creditors: amounts falling due within one year	18	(55,321)	(53,682)	(4,925)	(4,514)
Net current assets		<u>17,391</u>	<u>18,003</u>	<u>1,923</u>	<u>1,267</u>
Total assets less current liabilities		<u>40,089</u>	<u>38,436</u>	<u>55,241</u>	<u>55,548</u>
Creditors: amounts falling due after more than one year	18	(3,071)	(2,807)	(2,679)	(2,675)
Provisions for liabilities and charges	19	(850)	(961)	—	—
Deferred income	20	(518)	(702)	(372)	(498)
		<u>35,650</u>	<u>33,966</u>	<u>52,190</u>	<u>52,375</u>
Capital and reserves					
Called up share capital	21	21,440	21,440	21,440	21,440
Share premium account	22	26,394	26,394	26,394	26,394
Special reserve	22	(23,413)	(23,133)	1,834	1,834
Profit and loss account	22	11,229	9,265	2,522	2,707
Equity shareholders' funds	23	<u>35,650</u>	<u>33,966</u>	<u>52,190</u>	<u>52,375</u>

The financial statements were approved by the Board of Directors on 19 June 1996 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.

European Motor Holdings plc

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 1996

	Notes	1996 £'000	1995 £'000
Net cash inflow from operating activities	27	5,537	4,397
Returns on investments and servicing of finance			
Interest received		96	149
Interest paid		(808)	(426)
Finance lease interest paid		(276)	(232)
Dividends paid		(2,787)	(2,020)
Net cash outflow from returns on investments and servicing of finance		(3,775)	(2,529)
Taxation			
UK corporation tax paid		(1,188)	(1,063)
ACT paid		(670)	(426)
Tax paid		(1,858)	(1,489)
Investing activities			
Purchase of tangible fixed assets		(4,646)	(2,165)
Sale of tangible fixed assets		774	435
Purchase of subsidiary undertaking (net of cash and cash equivalents acquired)	31	(290)	(12,303)
Sale of subsidiary undertaking and business (net of cash and cash equivalents disposed of)	31	—	4,008
Net cash outflow from investing activities		(4,162)	(10,025)
Net cash (outflow) before financing		(4,258)	(9,646)
Financing			
Issue of shares		—	16,515
Receipts from borrowing		—	6,500
Repayment of borrowing		(42)	(7,541)
Capital element of finance lease rentals		(555)	(27)
Expenses paid in connection with share issues		—	(338)
Net cash (outflow)/inflow from financing	28	(597)	15,109
(Decrease)/increase in cash and cash equivalents	29	(4,855)	5,463

NOTES TO THE FINANCIAL STATEMENTS

1. Segmental analyses

	Turnover		Operating profit		Net assets	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Motor Retail Division	324,832	263,419	5,827	6,478	45,617	41,555
Motor Services Division	14,461	15,095	2,606	2,598	2,034	915
Other Businesses	5,457	5,364	426	190	1,836	1,830
Central costs/net liabilities	—	—	(1,197)	(1,183)	(2,790)	(3,592)
	<u>344,750</u>	<u>283,878</u>	<u>7,662</u>	<u>8,083</u>	<u>46,697</u>	<u>40,708</u>
Less interest bearing operating net liabilities					(11,047)	(6,742)
					<u>35,650</u>	<u>33,966</u>

Net assets shown above have been adjusted for cash, borrowings and finance lease and hire purchase balances, so as to comprise non-interest bearing operating net assets.

2. Turnover

	1996 £'000	1995 £'000
Analysis of turnover by destination:		
United Kingdom	344,668	283,115
Rest of Europe	70	675
Rest of the World	12	88
	<u>344,750</u>	<u>283,878</u>

All Group sales originated in the United Kingdom in the year ended 31 March 1996. In the previous year, all sales originated in the United Kingdom except for £552,000 which originated in Cyprus but related to the Group's joint venture arrangement in Moscow which ceased trading during that year. The Group's share of profit before taxation on this joint venture arrangement in the year ended 31 March 1995 amounted to £53,000.

3. Net profit on disposals

	1996 £'000	1995 £'000
Disposal of Bristol dealership	—	1,194
Less attributable goodwill originally written off to reserves	—	(416)
	—	778
Disposal of Classic Parts & Panels Limited	—	(123)
	—	655

The Bristol dealership of Normand Motor Group Limited was disposed of on 1 August 1994 and Classic Parts & Panels Limited was sold on 14 December 1994.

4. Reorganisation costs

The reorganisation costs in the year ended 31 March 1995 relate principally to senior management redundancies following a fundamental reorganisation of Normand Motor Group Limited which was acquired on 1 August 1994. The costs were all incurred during that year and no provisions in respect thereof are carried forward at 31 March 1995 or 31 March 1996.

European Motor Holdings plc

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

5. Interest receivable

	1996 £'000	1995 £'000
Bank interest	21	114
Lease interest	9	17
Other interest	66	18
	<u>96</u>	<u>149</u>

6. Interest payable

	1996 £'000	1995 £'000
Interest on bank overdrafts and loans	185	146
Interest on other loans	623	280
Finance lease and hire purchase interest	276	232
	<u>1,084</u>	<u>658</u>

Vehicle stocking interest amounting to £501,000 (1995, £292,000) 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/(crediting) the following:

	1996 £'000	1995 £'000
Depreciation – owned assets	1,566	1,361
– assets held under finance leases and hire purchase arrangements – plant and machinery	79	129
– other leases	1	1
Operating lease charges – plant and machinery	390	501
– land and buildings	2,172	1,765
Auditors' remuneration – audit	130	130
– non-audit	18	11
Final settlement received in connection with a fraud at Normand Motor Group Limited which took place in a previous year	—	(210)

In addition to the above figures, capitalised acquisition costs in the year ended 31 March 1995 include fees paid to the company's auditors of £117,000 resulting in total non-audit fees in that year of £128,000.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

8. Directors' remuneration

	1996 £'000	1995 £'000
Salary payments (including benefits in kind)	490	486
Bonuses	—	40
Pension contributions	63	42
	<u>553</u>	<u>568</u>
Non-executive Directors' fees	48	40
	<u>601</u>	<u>608</u>
Compensation for loss of office	50	—
	<u>651</u>	<u>608</u>

The remuneration of the executive Directors, details of which are set out on page 12, is decided by the Remuneration Committee.

	Basic salary £'000	Benefits in kind £'000	Annual bonus £'000	Fees £'000	Total 1996 £'000	Total Pensions 1995 £'000	Pensions 1996 £'000	Pensions 1995 £'000
<i>Executive Directors</i>								
R T Palmer (highest paid director)	190	30	—	—	220	201	29	15
A C Wilson	190	25	—	—	215	198	29	15
H K Paton *	50	5	—	—	55	127	5	12
<i>Non-executive Directors</i>								
R J Smith (Chairman)	—	—	—	28	28	20	—	—
Sir Tom Cowie	—	—	—	20	20	20	—	—
Total	<u>430</u>	<u>60</u>	<u>—</u>	<u>48</u>	<u>538</u>	<u>566</u>	<u>63</u>	<u>42</u>

* Mr H K Paton resigned from the Board on 4 September 1995 and received compensation for loss of office totalling £50,000 in addition to the above figures.

The Directors, including the Chairman and highest paid Director, received emoluments (excluding pension contributions) in the following ranges:

	1996 Number	1995 Number
£ 15,001 — £ 20,000	1	2
£ 25,001 — £ 30,000	1	—
£ 50,001 — £ 55,000	1	—
£ 125,001 — £ 130,000	—	1
£ 195,001 — £ 200,000	—	1
£ 200,001 — £ 205,000	—	1
£ 210,001 — £ 215,000	1	—
£ 215,001 — £ 220,000	1	—

NOTES TO THE FINANCIAL STATEMENTS*(Continued)***9. Employee information**

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

	1996 £'000	1995 £'000
Wages and salaries	23,510	19,625
Social security costs	2,187	1,890
Pension costs	265	533
Termination payments disclosed as exceptional items	—	302
Other redundancy costs and termination payments	106	213
	<u>26,068</u>	<u>22,563</u>

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

	Monthly average		Year end	
	1996	1995	1996	1995
	Number	Number	Number	Number
Motor Retail Division	1,400	1,106	1,395	1,341
Motor Services Division	122	132	119	129
Other Businesses	101	116	107	108
Head Office	9	8	8	8
	<u>1,632</u>	<u>1,362</u>	<u>1,629</u>	<u>1,586</u>

10. Tax on profit on ordinary activities

	1996 £'000	1995 £'000
UK Corporation tax at 33% (1995, 33%)	2,113	1,936
Deferred taxation	(39)	476
Adjustments in respect of previous years	(151)	(207)
	<u>1,923</u>	<u>2,205</u>

Group companies have available approximately £1,378,000 of tax losses and surplus management expenses to be carried forward for relief against future profits. The tax charge for the year includes £nil (1995, £498,000) in respect of the disposals disclosed separately in the profit and loss account.

11. Dividends

	1996 £'000	1995 £'000
Interim dividend of 2.2p per share (1995, 2.0p) paid in the year	1,179	1,072
Proposed final dividend of 3p per share (1995, 3p)	1,608	1,608
	<u>2,787</u>	<u>2,680</u>

12. 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 Group profit for the financial year includes a profit of £2,602,000 (1995, £3,055,000) which is dealt with in the financial statements of the Company.

13. Earnings per share

The calculation of the earnings per ordinary share is based on the profit for the financial year of £4,751,000 (1995, £5,717,000) and on 53,600,729 (1995, 47,702,236) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

A fully diluted earnings per share figure based on the share options in issue is not provided as the difference is not material.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

14. Tangible fixed assets

(a) Group

	Freehold property £'000	Leasehold property and improvements £'000	Plant, machinery & vehicles £'000	Total £'000
Cost				
At 1 April 1995	15,905	1,084	10,906	27,895
Additions	2,401	113	2,137	4,651
Disposals	(156)	(2)	(1,864)	(2,022)
At 31 March 1996	18,150	1,195	11,179	30,524
Accumulated depreciation				
At 1 April 1995	513	252	6,697	7,462
Charge for the year	206	44	1,396	1,646
Eliminated on disposals	(6)	—	(1,276)	(1,282)
At 31 March 1996	713	296	6,817	7,826
Net book amount				
At 31 March 1996	17,437	899	4,362	22,698
At 31 March 1995	15,392	832	4,209	20,433

Included above are non-depreciable assets comprising freehold land of £8,272,000 (1995, £7,440,000).

Leasehold property and improvements relate to properties held under short leases.

(b) Company

	Freehold property £'000	Leasehold property and improvements £'000	Plant, machinery & vehicles £'000	Total £'000
Cost				
At 1 April 1995	84	45	133	262
Intra Group transfers	—	—	(8)	(8)
Additions	—	—	20	20
Disposals	—	—	(39)	(39)
At 31 March 1996	84	45	106	235
Accumulated depreciation				
At 1 April 1995	4	10	57	71
Charge for the year	9	1	16	26
Intra Group transfers	—	—	(2)	(2)
Eliminated on disposals	—	—	(29)	(29)
At 31 March 1996	13	11	42	66
Net book amount				
At 31 March 1996	71	34	64	169
At 31 March 1995	80	35	76	191

Leasehold property and improvements relate to properties held under short leases.

- (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	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Leasehold property and improvements	17	18	17	18
Plant, machinery & vehicles	175	463	9	11

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

15. Investments

Company: Investments in subsidiary undertakings	Loans £'000	Shares £'000	Total £'000
Cost			
At 1 April 1995	12,414	46,931	59,345
Additions	—	3	3
Disposals and repayments	(511)	—	(511)
At 31 March 1996	11,903	46,934	58,837
Provisions			
At 1 April 1995	3,090	2,165	5,255
Movement	123	310	433
At 31 March 1996	3,213	2,475	5,688
Net book amount			
At 31 March 1996	8,690	44,459	53,149
At 31 March 1995	9,324	44,766	54,090

Details of principal subsidiary undertakings are set out on page 33.

16. Stocks

	Group	
	1996	1995
	£'000	Restated £'000
Raw materials and consumables	256	310
Work in progress	75	76
Finished goods and goods for resale	31,200	28,764
Vehicle consignment stocks	13,664	12,532
	45,195	41,682
Vehicle repurchase commitments	4,210	3,494
	49,405	45,176

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 180 days. Interest is payable in certain cases for part of the consignment period, at various rates linked to Finance House Base Rate.

Vehicle repurchase commitments relate to undertakings to repurchase new vehicles sold by the Group, principally to Motability Finance Limited. The Directors do not consider that losses arising from disposal of the vehicles will occur, and accordingly no provision for such losses is made in the financial statements.

In previous years, vehicle repurchase commitments were treated as contingent liabilities. The comparative figures have been restated in line with the change in accounting policy by including commitments of £3,494,000 in stocks, of which £969,000 is included within creditors due within one year and the remaining £2,525,000 is included within creditors due after more than one year. There is no effect on the profit and loss account for the year.

NOTES TO THE FINANCIAL STATEMENTS*(Continued)***18. Creditors (continued)**

- (c) The Group has granted fixed and floating charges, and has given cross guarantees between most Group undertakings, to secure bank borrowings of £nil (1995, £nil) and other borrowings of £9,077,000 (1995, £9,119,000).

Other loans repayable after more than one year relate to a loan of £220,000 repayable over ten years in quarterly instalments from December 1992, interest free, and a loan of £100,000 repayable over five years in quarterly instalments from December 1992, attracting interest at a rate of 1% over LIBOR. Both loans are secured by charges over the freehold property of the subsidiary undertaking concerned.

- (d) Total bank and other loans are repayable as follows:

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Within one year	8,944	8,941	—	—
Between one and two years inclusive	34	41	—	—
Between two and five years inclusive	66	82	—	—
After five years	33	55	—	—
	<u>9,077</u>	<u>9,119</u>	<u>—</u>	<u>—</u>

- (e) Hire purchase and finance lease liabilities are payable as follows:

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Within one year	4,315	4,786	—	—
Between one and two years inclusive	22	84	—	—
Between two and five years inclusive	3	20	—	—
	<u>4,340</u>	<u>4,890</u>	<u>—</u>	<u>—</u>

19. Provisions for liabilities and charges

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

	Deferred taxation	Group Warranty costs	Total
	£'000	£'000	£'000
At 1 April 1995	762	199	961
Provided during the year	—	307	307
Utilised during the year	(64)	(354)	(418)
At 31 March 1996	<u>698</u>	<u>152</u>	<u>850</u>

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

17. Debtors

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Trade debtors	16,112	15,737	—	—
Amounts owed by subsidiary undertakings	—	—	3,315	2,525
Other debtors	1,016	915	96	79
Prepayments and accrued income	3,715	2,533	73	50
Recoverable ACT	402	407	402	402
	<u>21,245</u>	<u>19,592</u>	<u>3,886</u>	<u>3,056</u>

Included within the Group's totals for trade debtors and prepayments and accrued income are amounts of £194,000 and £346,000 (1995, £230,000 and £199,000) respectively which are due after more than one year.

18. Creditors

(a) Amounts falling due within one year:

	Group		Company	
	1996	1995	1996	1995
	£'000	Restated £'000	£'000	£'000
Other loans	8,944	8,941	—	—
Hire purchase and finance lease liabilities	4,315	4,786	—	—
Trade creditors	15,499	14,522	1,267	212
Liabilities in respect of vehicle consignment stocks	13,664	12,532	—	—
Vehicle repurchase commitments	1,297	969	—	—
Bills of exchange payable	77	70	—	—
Amounts owed to subsidiary undertakings	—	—	17	359
Corporation tax payable	1,485	1,388	—	—
ACT on dividends	697	670	697	670
Other taxation and social security	2,283	2,634	67	43
Other creditors	804	1,170	488	700
Accruals and deferred income	4,648	4,392	781	922
Dividends payable	1,608	1,608	1,608	1,608
	<u>55,321</u>	<u>53,682</u>	<u>4,925</u>	<u>4,514</u>

(b) Amounts falling due after more than one year:

	Group		Company	
	1996	1995	1996	1995
	£'000	Restated £'000	£'000	£'000
Other loans	133	178	—	—
Hire purchase and finance lease liabilities	25	104	—	—
Vehicle repurchase commitments	2,913	2,525	—	—
Amounts owed to subsidiary undertakings	—	—	2,679	2,675
	<u>3,071</u>	<u>2,807</u>	<u>2,679</u>	<u>2,675</u>

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

19. Provisions for liabilities and charges (continued)

(b) Deferred taxation comprises:

	Group Amount provided		Group Amount unprovided	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Accelerated capital allowances	322	281	—	—
Revaluation of property	—	—	1,295	1,432
Rollover of chargeable gains	399	498	99	—
Trading losses	(23)	(17)	—	—
	<u>698</u>	<u>762</u>	<u>1,394</u>	<u>1,432</u>

There was no amount provided nor unprovided in respect of deferred taxation in the Company.

No provision has been made in respect of the potential deferred taxation payable on the disposal of freehold properties which have been revalued in the accounts of subsidiary undertakings as there is no intention to dispose of those properties in the foreseeable future.

20. Deferred income

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
At 1 April	702	698	498	644
Amounts received	—	201	—	—
Credited to profit and loss account	(184)	(197)	(126)	(146)
At 31 March	<u>518</u>	<u>702</u>	<u>372</u>	<u>498</u>

21. Called up share capital

	Group & Company	
	1996 £'000	1995 £'000
Authorised:		
72,400,000 (1995, 72,400,000) ordinary shares of 40p each	<u>28,960</u>	<u>28,960</u>
Allotted, called up and fully paid:		
53,600,729 (1995, 53,600,729) ordinary shares of 40p each	<u>21,440</u>	<u>21,440</u>

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

Total options outstanding under the Company's 1990 Share Option Scheme are as follows:

At 1.4.95	Number of options		At 31.3.96	Exercise price	Date from which exercisable	Expiry date
Granted	Lapsed					
72,442	—	—	72,442	121p	1.3.94	28.2.98
350,000	—	—	350,000	93p	21.8.95	20.8.99
400,000	—	—	400,000	122p	7.7.96	6.7.00
75,000	—	(75,000)	—	129p	5.8.96	4.8.00
500,000	—	(100,000)	400,000	128p	5.8.97	4.8.01
—	350,000	—	350,000	112p	13.7.98	12.7.02
<u>1,397,442</u>	<u>350,000</u>	<u>(175,000)</u>	<u>1,572,442</u>			

Included in the above figures are the following options granted to Directors:

Director	At 1.4.95	Number of options		At 31.3.96	Exercise price	Date from which exercisable	Expiry date
	Granted	Exercised					
R T Palmer	36,221	—	—	36,221	121p	1.3.94	28.2.98
	125,000	—	—	125,000	93p	21.8.95	20.8.99
	125,000	—	—	125,000	122p	7.7.96	6.7.00
	150,000	—	—	150,000	128p	5.8.97	4.8.01
	—	100,000	—	100,000	112p	13.7.98	12.7.02
A C Wilson	36,221	—	—	36,221	121p	1.3.94	28.2.98
	125,000	—	—	125,000	93p	21.8.95	20.8.99
	125,000	—	—	125,000	122p	7.7.96	6.7.00
	150,000	—	—	150,000	128p	5.8.97	4.8.01
	—	100,000	—	100,000	112p	13.7.98	12.7.02

Options over 175,000 shares previously granted to Mr H K Paton lapsed unexercised during the year.

The market price of the Company's ordinary shares at 31 March 1996 was 83.5p and the range during the year was 78p to 120p.

22. Reserves**(a) Group**

	Share premium account £'000	Special reserve £'000	Profit & loss account £'000
At 1 April 1995	26,394	(23,133)	9,265
Retained profit for the financial year	—	—	1,964
Goodwill purchased in the year	—	(241)	—
Goodwill on consolidation in respect of acquisitions in previous years	—	(49)	—
Goodwill realised on closure	—	10	—
At 31 March 1996	<u>26,394</u>	<u>(23,413)</u>	<u>11,229</u>

The special reserve is stated net of £27,892,000 (1995, £27,612,000) in respect of cumulative goodwill written off. Movements in goodwill during the year are detailed in note 31.

NOTES TO THE FINANCIAL STATEMENTS*(Continued)***22. Reserves (continued)****(b) Company**

	Share premium account £'000	Special reserve £'000	Profit & loss account £'000
At 1 April 1995	26,394	1,834	2,707
Retained (loss) for the year	—	—	(185)
At 31 March 1996	<u>26,394</u>	<u>1,834</u>	<u>2,522</u>

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

23. Reconciliation of movements in shareholders' funds

	1996 £'000	1995 £'000
Profit for the financial year	4,751	5,717
Dividends	(2,787)	(2,680)
	<u>1,964</u>	<u>3,037</u>
New share capital subscribed	—	17,703
Share allotment expenses	—	(338)
Goodwill written off	(290)	(5,247)
Goodwill realised on disposal	10	416
	<u>1,684</u>	<u>15,571</u>
Net addition to shareholders' funds	33,966	18,395
At 1 April	<u>33,966</u>	<u>18,395</u>
At 31 March	<u>35,650</u>	<u>33,966</u>

24. Financial commitments**(a) Capital commitments**

Capital commitments contracted for but not provided at the balance sheet date amounted to £165,000 (1995, £58,000) for the Group and £nil (1995, £nil) for the Company.

(b) Other financial commitments

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

	Group			Company
	Land and buildings £'000	Other £'000	Total £'000	Land and buildings £'000
Within one year	73	25	98	—
Between one and five years	7	68	75	—
After five years	2,195	—	2,195	468
	<u>2,275</u>	<u>93</u>	<u>2,368</u>	<u>468</u>

NOTES TO THE FINANCIAL STATEMENTS*(Continued)***25. Contingent liabilities**

Deferred taxation not provided at the balance sheet date amounted to £nil (1995, £nil) for the Company and £1,394,000 (1995, £1,432,000) for the Group (see note 19(b)).

At 31 March 1996 the Group was committed to purchasing foreign currency to a total value of £500,000 (1995, £2,500,000) at future dates.

The Company has given guarantees totalling £2,600,000 (1995, £2,600,000) in respect of loans to certain of its subsidiary undertakings.

26. Pension commitments

The Group 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.

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

The pension cost charge for the year was:

	1996 £'000	1995 £'000
Defined benefit schemes	92	402
Defined contribution schemes	2	2
	<hr/> 94	<hr/> 404
Individual pension arrangements	171	129
	<hr/> 265	<hr/> 533

The principal defined benefit scheme is The Normand Motor Group Limited Pension Scheme. An actuarial valuation of the scheme was carried out as at 5 April 1995 using the Attained Age Method of valuation. The previous valuation at 5 April 1992 was carried out using the Projected Unit Method.

The principal economic assumptions underlying the calculation were as follows:

Growth of equity dividends	4.5% per annum
Interest rate	9.0% per annum
Earnings increases	7.0% per annum
Pension increases	4.5% per annum

The degree of funding was 149 per cent. The market value of the Scheme's assets at the valuation date was £16,281,000. The actuary confirmed that the regular company costs would equate to 10.6 per cent of pensionable earnings. Spreading the accrued surplus over the future expected working lifetimes of the current membership reduces the pension cost to £nil (1995, £285,000).

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

	1996 £'000	1995 Restated £'000
Operating profit	7,662	8,083
Reorganisation costs	—	(307)
Depreciation	1,646	1,491
Loans waived and disposal costs	10	(517)
(Profit) on sale of tangible fixed assets	(34)	(8)
(Increase)/decrease in stock	(4,229)	5,196
(Increase) in debtors	(1,658)	(1,850)
Increase/(decrease) in creditors	2,140	(7,691)
Net cash inflow from operating activities	<hr/> 5,537	<hr/> 4,397

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

31. Effects of acquisitions and disposals

	Acquisitions		Disposals	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Net assets acquired/disposed of:				
Tangible fixed assets	—	9,611	—	1,751
Stocks	—	31,666	—	2,452
Debtors	—	6,419	—	186
Cash at bank and in hand	—	10	—	10
Bank overdrafts	—	(1,006)	—	(328)
Creditors	—	(30,717)	—	(1,969)
Loans and finance leases	—	(8,735)	—	—
	—	7,248	—	2,102
Goodwill	—	5,247	—	—
Profit on disposal before goodwill	—	—	—	1,071
	—	12,495	—	3,173
Satisfied by:				
Shares allotted	—	1,188	—	—
Cash	—	11,307	—	3,690
Intra Group loans waived and disposal costs	—	—	—	(517)
	—	12,495	—	3,173

In the year ended 31 March 1996, goodwill of £241,000 was purchased and additional costs of £49,000 were incurred in respect of acquisitions made in previous years. Goodwill of £10,000 previously written off to reserves on the acquisition of Dane Motor Company (Drifffield) Limited was expensed through the profit and loss account during the year following the closure of that business.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

28. Analysis of changes in financing during the year

	Share capital (including premium) £'000	1996 Loans and finance lease obligations £'000	Share capital (including premium) £'000	1995 Loans and finance lease obligations £'000
Balance at 1 April	47,834	14,009	30,469	6,125
Net cash (outflow)/inflow from financing	—	(597)	16,177	(1,068)
Shares issued for non-cash consideration	—	—	1,188	—
Loans and finance lease obligations of subsidiary undertakings and businesses acquired/disposed of	—	—	—	8,735
Inception of finance leases in respect of tangible fixed assets	—	5	—	217
Balance at 31 March	<u>47,834</u>	<u>13,417</u>	<u>47,834</u>	<u>14,009</u>

Amounts due under finance lease obligations relate to both tangible fixed assets and demonstrator vehicle stocks.

29. Analysis of changes in cash and cash equivalents during the year

	1996 £'000	1995 £'000
Balance at 1 April	6,917	1,454
Net cash (outflow)/inflow	(4,855)	5,463
Balance at 31 March	<u>2,062</u>	<u>6,917</u>
Cash and cash equivalents comprise:		
	1996 £'000	1995 £'000
Cash at bank and in hand	2,062	6,917
Revolving loan	—	(1,000)
	<u>2,062</u>	<u>6,917</u>

Change in year

	1996 £'000	1995 £'000
Cash at bank and in hand	(4,855)	4,463
Revolving loan	—	1,000
	<u>(4,855)</u>	<u>5,463</u>

30. 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 £5,000 (1995, £217,000) in respect of tangible fixed assets and £13,083,000 (1995, £17,801,000) in respect of demonstrator vehicle stocks on short term leasing arrangements. Total capital repayments under all finance leases amounted to £13,638,000 (1995, £15,832,000). The net movement in finance lease obligations in respect of demonstrator vehicles is included within the figure for net cash flow from financing in the cash flow statement and note 28.

NOTICE OF MEETING

Notice is hereby given that the eighty third Annual General Meeting of the members of European Motor Holdings plc will be held at the Company's registered office on 19 July 1996 at 12.00 noon to transact the following business, of which resolutions 1 to 5 will be proposed as ordinary resolutions and resolution 6 will be proposed as a special resolution.

Ordinary business

1. That the Report of the Directors and the audited financial statements for the year ended 31 March 1996 be received and adopted.
2. That a final dividend of 3 pence per share be declared in respect of the year ended 31 March 1996, payable on 1 October 1996 to members on the register on 9 July 1996.
3. That Grant Thornton be re-appointed as auditors and that the Directors be authorised to agree their remuneration.
4. That Miss A C Wilson, having retired by rotation in accordance with the Company's Articles of Association and having consented to offer herself for re-election to the Board, be elected as a Director of the Company.

Special business

5. 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 £7,519,708.40 provided that this authority shall expire on 19 October 1997 or, if earlier, the date 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.
6. That the Directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the Companies Act 1985) pursuant to the authority conferred on them by Resolution 5 set out in the Notice of this Meeting as if Section 89(1) of the Companies Act 1985 did not apply to such allotment, provided that this power shall be limited to:
 - 6.1 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); and
 - 6.2 the allotment (otherwise than pursuant to paragraph 6.1 above) of equity securities of a nominal amount not exceeding in aggregate £1,072,014.40;and shall expire on the earlier of the revocation of such authority and 19 October 1997 or, if earlier, the date 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 19 June 1996

Registered Office: Abbey Road, Park Royal, London NW10 7RY

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.

There are no contracts of service between Directors and the Company or any of its subsidiary undertakings.

PRINCIPAL SUBSIDIARY UNDERTAKINGS

Name of company	Proportion held	Class of shareholding	Nature of business
<i>Motor Retail Division</i>			
Castle Motors (York) Limited	100%	Ordinary	Motor retail
Dane Motor Company (Chester) Limited	100%	Ordinary	Motor retail
Dane Motor Company (Malton) Limited	100%	Ordinary	Motor retail
Dane Motor Company (Wrexham) Limited	100%	Ordinary	Motor retail
† James Edwards (Chester) Limited	100%	Ordinary	Motor retail
* † London West One Limited	100%	Ordinary	Motor retail
Malton Motors Limited	100%	Ordinary	Motor retail
Mill Garages Limited	100%	Ordinary	Motor retail
* † Normand City of London Limited	100%	Ordinary	Motor retail
* † Normand Continental Limited	100%	Ordinary	Motor retail
* † Normand – Eurotrucks (Heathrow) Limited	100%	Ordinary	Motor retail
* † Normand Heathrow Limited	100%	Ordinary	Motor retail
* Normand Limited	100%	Ordinary	Motor retail
* † Normand Mayfair Limited	100%	Ordinary	Motor retail
Normand Motor Group Limited	100%	Ordinary	Motor retail
Northfield Garage (Tetbury) Limited	100%	Ordinary	Motor retail
Northfield Garage (Warminster) Limited	100%	Ordinary	Motor retail
* † Taunton Trucks Limited	100%	Ordinary	Motor retail
* † Westerns (Dartford) Limited	100%	Ordinary	Motor retail
Wyvern (Wrexham) Limited	100%	Ordinary	Motor retail
<i>Motor Services Division</i>			
Casemount Holdings Limited	100%	Ordinary	Sale 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 or Normand Limited.

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