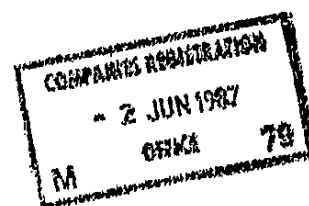


C P EVINSON LIMITED

DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS

31 DECEMBER 1986



DIRECTORS' REPORT

The directors have pleasure in submitting their report and financial statements for the year ended 31 December 1986.

Activities

The principal activities of the company are the distribution of motor vehicles and ancillary sales.

The directors do not envisage initiating any material departure from these activities in the foreseeable future.

Financial

The directors recommend that a final dividend of £129,000 be declared and that the retained profit for the year of £119,359 be appropriated to reserves.

Fixed assets

Information relating to changes in tangible fixed assets is given in note 7 to the financial statements.

Directors

The directors during the year are as follows:

Mr P F Green      - Chairman  
Mr A B Archer  
Mr A G Dale  
Mr D W Bailey  
Mr R J Reynolds  
Mr D H Preston

The directors who held office at the end of the financial year had the following interests in the Ordinary shares of the ultimate holding company:

	At end of year <u>(shares of 25p)</u>	At beginning of year <u>(shares of £1)</u>
Mr P F Green	323,740	20,000
Mr A B Archer	1,783,348	102,500
Mr A G Dale	1,783,348	102,500
Mr D W Bailey	619,352	32,500
Mr R J Reynolds	1,000	-
Mr D H Preston	500	-

Employees

It is the policy of the company to develop the potential of employees for advancement, and most senior vacancies are filled by internal promotion.

DIRECTORS' REPORT

Policy on the employment of disabled persons

Suitable procedures are in operation to support the Evans Halshaw Holdings plc policy that disabled persons (whether registered or not) shall be considered for employment, subsequent training, career development and promotion on the basis of their aptitudes and abilities.

Auditors

Our auditors, KMG Thomson McLintock, are merging with Peat Marwick Mitchell & Co and from 1 April 1987 will practise under the name of Peat Marwick McLintock. A resolution concerning the appointment of Peat Marwick McLintock as auditors and their remuneration will be submitted to the annual general meeting.

By order of the Board

D W BAILEY

Secretary

27 March 1987



AUDITORS' REPORT TO THE MEMBERS OF  
C P EVINSON LIMITED

We have audited the financial statements on pages 4 to 12 in accordance with approved auditing standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1986 and of its profit for the year then ended and comply with the Companies Act 1985.

The financial statements do not specify the manner in which the operations of the company have been financed or in which its financial resources have been used during the year as required by Statement of Standard Accounting Practice Number 10.

*King Thomson McLintock*

KMG THOMSON McLINTOCK

27 March 1987

ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain land and buildings, and in accordance with s228 of, and Schedule 4 to, the Companies Act 1985.

The effects of events relating to the year ended 31 December 1986 which occurred before 27 March 1987, the date of approval of the financial statements by the board of directors, have been included in the statements to the extent required to show a true and fair view of the state of affairs at 31 December 1986 and of the results for the year ended on that date.

Depreciation

Depreciation is provided by the company to write off the cost or valuation of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	2%
Plant and equipment	-	12.5%
Motor vehicles	-	12.5% to 33.3%

No depreciation is provided on freehold land.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Deferred taxation

Deferred taxation is provided under the liability method on short term timing differences and all other material timing differences which are not expected to continue in the future.

Pension Costs

The Evans Halshaw group operates a pension scheme covering the permanent employees of the company. The scheme's funds are administered by trustees and are independent of the group's finances. Contributions are based on periodic actuarial valuations and are charged against profits as they fall due.

Repairs and renewals

Repairs and renewals are charged to revenue in the year in which expenditure is incurred.

Turnover

Turnover comprises amounts invoiced to customers excluding value added tax and car tax.

PROFIT AND LOSS ACCOUNTFor the year ended 31 December 1986

	<u>Notes</u>	<u>1986</u>		<u>1985</u>	
		£	£	£	£
Turnover	1	10,495,196		8,550,398	
Cost of sales		<u>(9,138,673)</u>		<u>(7,387,310)</u>	
Gross profit		1,356,523		1,163,088	
Distribution costs		(589,863)		(562,180)	
Administrative expenses		<u>(388,913)</u>		<u>(311,082)</u>	
		<u>(978,776)</u>		<u>(873,262)</u>	
Trading profit	1 - 3	377,747		289,826	
Bank interest receivable		<u>17,363</u>		<u>6,203</u>	
		395,110		296,029	
Interest payable	4	<u>(375)</u>		<u>(7,904)</u>	
Profit on ordinary activities before taxation		394,735		288,125	
Tax on profit on ordinary activities	5	<u>(146,376)</u>		<u>(121,192)</u>	
Profit on ordinary activities after taxation		248,359		166,933	
Appropriations:					
Dividends proposed	6	<u>(129,000)</u>		<u>(100,000)</u>	
Transfer to reserves	13	<u>119,359</u>		<u>66,933</u>	

BALANCE SHEETAs at 31 December 1986

	<u>Notes</u>	<u>1986</u>		<u>1985</u>	
		£	£	£	£
FIXED ASSETS					
Tangible assets	7		341,421		291,131
CURRENT ASSETS					
Stocks	8		754,633		626,264
Debtors	9		1,040,558		851,663
Cash at bank and in hand			<u>215,827</u>		<u>86,540</u>
			2,011,018		1,564,467
CREDITORS: Amounts falling due within one year	10		<u>(966,050)</u>		<u>(701,436)</u>
NET CURRENT ASSETS			<u>1,044,968</u>		<u>863,031</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			1,386,389		1,154,162
CREDITORS: Amounts falling due after more than one year	10		(508,051)		(388,061)
PROVISIONS FOR LIABILITIES AND CHARGES	11		<u>(1,394)</u>		<u>(8,516)</u>
			<u>876,944</u>		<u>757,585</u>
CAPITAL AND RESERVES					
Called up share capital	12		1,917		1,917
Other reserves	13		230,565		230,565
Profit and loss account	13		<u>644,462</u>		<u>525,103</u>
			<u>876,944</u>		<u>757,585</u>

P F GREEN

Director

A G DALE

Director

NOTES(forming part of the financial statements)1      **TURNOVER AND TRADING PROFIT**

All sales were made in the United Kingdom.

Trading profit is stated after charging:	<u>1986</u>	<u>1985</u>
	£	£
Depreciation of tangible fixed assets	18,501	18,091
Hire of plant and machinery	2,533	4,366
Auditors' remuneration (including expenses)	6,167	5,450
	<hr/>	<hr/>

2      **STAFF COSTS (including directors)**

	<u>1986</u>	<u>1985</u>
	£	£

Employee costs:

Wages and salaries	648,692	572,783
Social security costs	48,773	44,391
Pension and life assurance costs	<u>23,949</u>	<u>33,171</u>
	721,414	650,345
	<hr/>	<hr/>

	<u>1986</u>	<u>1985</u>
	No.	No.

Average number of employees:	<u>84</u>	<u>84</u>
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3      **DIRECTORS' EMOLUMENTS**

	<u>1986</u>	<u>1985</u>
	£	£
Emoluments (including pension contributions)	27,258	26,578
	<hr/>	<hr/>

The emoluments, excluding pension contributions, of the chairman amounted to £NIL (1985 - £NIL) and of the highest paid director amounted to £23,892 (1985 - £23,305).

The number of other directors whose emoluments, excluding pension contributions, fell in each £5,000 bracket was as follows:

	<u>1986</u>	<u>1985</u>
	No.	No.
£      0 - £ 5,000	4	4
	<hr/>	<hr/>



NOTES (continued)

## 4 INTEREST PAYABLE

	<u>1986</u>	<u>1985</u>
	£	£
Interest on bank overdraft	<u>375</u>	<u>7,904</u>

## 5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1986</u>	<u>1985</u>
	£	£
UK corporation tax at 36.25% (1985:41.25%)	156,000	125,500
on the profits of the year	(8,143)	(3,804)
Transfer from deferred tax	<u>(1,481)</u>	<u>(504)</u>
Prior years' adjustments	<u>146,376</u>	<u>121,192</u>

The taxation charge includes full provision for deferred taxation.

The prior year deferred tax charge/(credit) has been included in the prior years' adjustments above.

## 6 DIVIDENDS

	<u>1986</u>	<u>1985</u>
	£	£
Ordinary shares - final proposed	<u>129,000</u>	<u>100,000</u>

## NOTES (continued)

## 7 TANGIBLE FIXED ASSETS

	Freehold land and buildings	Plant, equipment and motor vehicles	Total
	£	£	£
<u>Cost or valuation</u>			
At beginning of year	264,628	195,243	459,871
Additions	29,500	42,691	72,191
Disposals	<u>—</u>	<u>(61,011)</u>	<u>(61,011)</u>
At end of year	<u>294,128</u>	<u>176,923</u>	<u>471,051</u>
<u>Depreciation</u>			
At beginning of year	10,975	157,765	168,740
Charge for year	3,265	15,236	18,501
Disposals	<u>—</u>	<u>(57,611)</u>	<u>(57,611)</u>
At end of year	<u>14,240</u>	<u>115,390</u>	<u>129,630</u>
<u>Net book value</u>			
At 31 December 1986	<u>279,888</u>	<u>61,533</u>	<u>341,421</u>
At 31 December 1985	<u>253,653</u>	<u>37,478</u>	<u>291,131</u>

Details of revalued assets are given below:

	<u>1986</u>	<u>1985</u>
	£	£
<u>Freehold land and buildings</u>		
At 1971 open market value	200,000	200,000
Aggregate depreciation thereon	<u>(10,619)</u>	<u>(8,295)</u>
Net book value	<u>189,381</u>	<u>191,705</u>
Historical cost of revalued assets	135,185	135,185
Aggregate depreciation based on historical cost	<u>(7,178)</u>	<u>(5,607)</u>
Historical cost net book value	<u>128,007</u>	<u>129,578</u>
Potential tax liability if sold at book values	<u>17,500</u>	<u>17,000</u>

NOTES (continued)

## 8 STOCKS

	<u>1986</u>	<u>1985</u>
	£	£
Vehicles held for resale	483,116	395,763
Parts and other stocks	<u>271,517</u>	<u>230,501</u>
	<u>754,633</u>	<u>626,264</u>

The estimated replacement costs of stocks do not differ materially from the figures shown above.

## 9 DEBTORS

	<u>1986</u>			<u>1985</u>		
	Due within one year	Due after one year	Total	Due within one year	Due after one year	Total
	£	£	£	£	£	£
Trade debtors	293,131	-	293,131	264,861	-	264,861
Amounts owed by group companies	37,413	128,845	166,258	51,484	128,845	180,329
Amounts owed by related company	13,745	-	13,745	-	-	-
Other debtors	309	-	309	507	-	507
Prepayments and accrued income	80,351	-	80,351	49,366	-	49,366
Deposits with vehicle manufacturers	<u>486,764</u>	<u>-</u>	<u>486,764</u>	<u>356,600</u>	<u>-</u>	<u>356,600</u>
	<u>911,713</u>	<u>128,845</u>	<u>1,040,558</u>	<u>722,818</u>	<u>128,845</u>	<u>851,663</u>

Amounts due after one year owed by group companies represent permanent loans which would not in the ordinary course of business be repayable.

NOTES (continued)

## 10 CREDITORS

	<u>1986</u>		<u>1985</u>	
	Due within one year £	Due after one year £	Due within one year £	Due after one year £
Payments received on account	75,393	-	40,189	-
Trade creditors	404,527	-	303,761	-
Amounts owed to group companies	68,000	352,051	32,736	262,561
Corporation tax	33,508	156,000	2,121	125,500
Other tax and social security	30,344	-	34,770	-
Proposed dividend	129,000	-	100,000	-
Other creditors	112,943	-	72,292	-
Accruals and deferred income	<u>112,335</u>	<u>-</u>	<u>115,567</u>	<u>-</u>
	<u>966,050</u>	<u>508,051</u>	<u>701,436</u>	<u>388,061</u>
<u>Analysis</u>				
Repayable within five years		<u>156,000</u>		<u>125,500</u>

Amounts due after one year owed to group companies represent permanent loans which would not in the ordinary course of business be repayable.

## 11 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax at 35%

	<u>Accelerated capital allowances</u> £	<u>Other timing differences</u> £	<u>Total</u> £
At beginning of year	9,751	(1,235)	8,516
Transfer to profit and loss account	(266)	(6,856)	(7,122)
At end of year	<u>9,485</u>	<u>(8,091)</u>	<u>1,394</u>

NOTES (continued)

## 12 CALLED UP SHARE CAPITAL

	<u>Authorised</u>		<u>Allotted, called up and fully paid</u>			
	<u>1986</u>	<u>1985</u>	<u>1986</u>		<u>1985</u>	
	£	£	No.	£	No.	£
Ordinary shares of £1 each	2,000	2,000	1,917	1,917	1,917	1,917

## 13 RESERVES

	<u>Other reserves</u>	<u>Profit and loss account</u>
	£	£
At beginning of year	230,565	525,103
Transfer from profit and loss account	-	119,359
At end of year	230,565	644,462

The distributable profits of the company are £644,462 (1985 - £525,103).

## 14 GUARANTEE

The company has given an unlimited guarantee in respect of bank borrowings and stocking loans by all other members of the Evans Halshaw Holdings plc group of companies. At 31 December 1986, the net amount of such bank borrowings and stocking loans amounted to £2,582,000. Stocking loans are secured by charges over group vehicle stocks and deposits with Ford Motor Company Limited.

## 15 HOLDING COMPANY

The company's ultimate holding company is Evans Halshaw Holdings plc, a company incorporated in the United Kingdom and registered in England.