Evans Halshaw (Chesham) Limited

Directors' report and financial statements

31 December 1997
Registered number 1994408

Directors' report and financial statements

Contents

Directors' report

The directors have pleasure in submitting their report and financial statements for the year ended 31 December 1997.

Principal activities

The principal activities of the company are the distribution of motor vehicles together with related activities.

Business review

The state of the company's affairs and its trading result for the year are as shown in the accompanying financial statements.

Results and dividends

The results for the year are set out on page 4.

The directors do not recommend the payment of a dividend for the year.

Creditor payment policy

The company agrees appropriate terms and conditions for its business transactions with suppliers. Payment is then made on these terms, subject to the terms and conditions being met by suppliers. At 31 December 1997, creditor days for the company were 14 days.

Directors and directors' interests

The directors who served during the year were:

AB Archer (resigned 7 May 1998)
CDE Cameron
AF Smith
MD Sumner

No director had any beneficial interest in the shares of the company at any time during the year.

All of the directors are directors of the ultimate parent undertaking, Evans Halshaw Holdings plc, and their interests in the shares of group undertakings are disclosed in the financial statements of that company.

Directors' report *(continued)*

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The "Elective Regime"

At the Annual General Meeting held on 19 May 1992, the company adopted a resolution under the terms of Section 379(a), Companies Act 1985 (as amended) to take advantage of the full range of procedural relaxations permitted by that provision. Accordingly, no Annual General Meeting is to be held, the accounts will not be laid before the members and the auditors, KPMG Audit Plc, will continue to hold office without the necessity to seek re-election.

By order of the board

AJ Pitt
Secretary

4 Highlands Court
Cranmore Avenue
Shirley
Solihull
West Midlands
B90 4LE

12 June 1998

KPMG

KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL

Auditors' report to the members of Evans Halshaw (Chesham) Limited

We have audited the financial statements on pages 4 to 13.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report 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 company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

12 June 1998

Profit and loss account
for the year ended 31 December 1997

	Note	1997	1996
		£	£
Turnover - continuing operations		**26,028,277**	20,316,514
Cost of sales		**(22,837,904)**	(17,860,632)
Gross profit		**3,190,373**	2,455,882
Distribution costs		**(1,344,070)**	(1,134,067)
Administrative expenses		**(720,770)**	(654,349)
Operating profit - continuing operations	*1*	**1,125,533**	667,466
Interest receivable and similar income	*4*	**-**	721
Interest payable and similar charges	*5*	**(134,219)**	(62,139)
Profit on ordinary activities before taxation		**991,314**	606,048
Taxation on profit on ordinary activities	*6*	**(320,344)**	(208,392)
Profit on ordinary activities after taxation being retained profit for the financial year	14	**670,970**	397,656

The company has no recognised gains or losses (1996: £Nil) other than those reflected in its profit and loss account.

The profit and loss account is prepared on an unmodified historical cost basis.

A reconciliation of the movements in shareholder's funds is shown in note 18.

Balance sheet
at 31 December 1997

	Note	1997		1996	
		£	£	£	£
Fixed assets					
Tangible assets	*7*		**392,033**		427,252
Current assets					
Stocks	*8*	**5,320,887**		3,862,389	
Debtors	*9*	**405,708**		390,980	
Cash at bank and in hand		**201,074**		465	
		5,927,669		4,253,834	
Creditors: Amounts falling due within one year	*10*	**(3,555,466)**		(3,385,925)	
Net current assets			**2,372,203**		867,909
Total assets less current liabilities			**2,764,236**		1,295,161
Creditors: Amounts falling due after more than one year	*11*		**(1,244,694)**		(449,628)
Provisions for liabilities and charges	*12*		**(27,000)**		(23,961)
Net assets			**1,492,542**		821,572
Capital and reserves					
Called up share capital	*13*		**291,827**		291,827
Profit and loss account	*14*		**1,200,715**		529,745
Equity shareholders' funds			**1,492,542**		821,572

These financial statements were approved by the board of directors on 12 June 1998 and were signed on its behalf by:

CDE Cameron
Director

Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Under FRS1 (Revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of a company which publishes consolidated accounts into which the cashflows of this company are incorporated.

Deferred taxation

Deferred taxation, arising on differences between the treatment of certain items for accounting and taxation purposes, is accounted for to the extent that a liability or an asset is expected to crystallise within the foreseeable future.

Depreciation

Depreciation is provided on the cost less estimated residual value of tangible fixed assets in equal annual instalments over their expected useful lives as follows:

Short leasehold buildings	- term of the lease
Plant and equipment	- 12½% to 33⅓% per annum
Motor vehicles	- 25% per annum

Leased assets

The cost of operating leases is charged to profit on a straight line basis.

Pension costs

The costs of providing pensions are charged against profits on a systematic basis. The group pension surplus that has arisen in respect of the defined benefit section of the pension scheme is allocated over the expected remaining service lives of current group employees. Differences between the amount charged in the profit and loss account and the payments made to the pension scheme are treated as prepayments or provisions.

Stocks

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

Turnover

Turnover comprises amounts invoiced to customers excluding value added tax and relates wholly to the United Kingdom.

Notes
(forming part of the financial statements)

Operating profit

Operating profit is stated after charging:

	1997 £	1996 £
Directors' emoluments	**-**	-
Depreciation of tangible fixed assets	**72,261**	72,356
Operating leases:		
Hire of plant and machinery	**24,507**	2,101
Property rental charges	**140,308**	100,000
Remuneration of the auditors and their associates:		
Audit	**8,000**	7,700
Other services	**1,500**	1,750

Pension contributions

No pension contributions were paid by the company in respect of directors during the year (1996: £Nil).

Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was 55 (1996: 48).

The aggregate payroll costs of these persons were as follows:

	1997 £	1996 £
Wages and salaries	**1,191,289**	961,812
Social security costs	**120,784**	98,997
Pension costs	**9,000**	6,000
	1,321,083	1,066,809

Interest receivable and similar income

	1997 £	1996 £
Other interest	-	721

Notes *(continued)*

5 Interest payable and similar charges

	1997	1996
	£	£
Interest on bank overdraft	**109,194**	49,461
All other interest	**25,025**	12,678
	134,219	62,139

6 Tax on profit on ordinary activities

	1997	1996
	£	£
Corporation tax at 31.5% *(1995: 33%)*	**326,305**	211,376
Deferred taxation	**(5,419)**	(3,476)
Adjustment in respect of prior years	**(542)**	492
	320,344	208,392

7 Tangible fixed assets

	Short leasehold buildings	Plant and equipment and motor vehicles	Total
	£	£	£
Cost			
At beginning of year	341,691	456,274	797,965
Additions	2,226	34,816	37,042
Disposals	-	(55,473)	(55,473)
At end of year	343,917	435,617	779,534
Depreciation			
At beginning of year	57,957	312,756	370,713
Charge for the year	13,886	58,375	72,261
Disposals	-	(55,473)	(55,473)
At end of year	71,843	315,658	387,501
Net book value			
At 31 December 1997	**272,074**	**119,959**	**392,033**
At 31 December 1996	283,734	143,518	427,252

Notes *(continued)*

Stocks

	1997	1996
	£	£
Residual interest in vehicles	**1,981,286**	1,839,746
Vehicle consignment stocks	**807,866**	477,178
Other vehicles held for resale	**2,400,288**	1,425,011
Parts and other stocks	**131,447**	120,454
	5,320,887	3,862,389

Consignment vehicles in respect of which interest is paid are regarded as being effectively under the control of the company and, in accordance with FRS5, are included within stocks on the balance sheet even though legal title has not passed to the company. The corresponding liability is included within trade creditors. At 31 December 1997, the value of vehicles on consignment in respect of which interest is not charged, and therefore not included in stocks shown above, amounted to £Nil (1996: £148,249).

As part of its normal trading activities the company has contracted to repurchase certain vehicles previously sold. The company's residual interest in these vehicles is shown above. The corresponding liability is shown as vehicle repurchase obligations within creditors.

Debtors

	1997	1996
	£	£
Trade debtors	**261,660**	236,425
Amounts owed by group undertakings	**35,404**	5,356
Other debtors	**20,828**	19,849
Prepayments and accrued income	**87,816**	129,350
	405,708	390,980

Notes *(continued)*

Creditors: Amounts falling due within one year

	1997 £	1996 £
Bank overdraft	-	53,497
Payments received on account	136,685	157,894
Trade creditors	1,710,147	973,615
Vehicle repurchase obligations	1,205,223	1,839,746
Corporation tax	329,695	214,339
Other taxation and social security	43,941	67,793
Accruals and deferred income	129,775	79,041
	3,555,466	3,385,925

Creditors: Amounts falling due after more than one year

	1997 £	1996 £
Vehicle repurchase obligations	1,195,065	-
Amounts owed to group undertakings	49,629	449,628
	1,244,694	449,628

Provisions for liabilities and charges

	Deferred taxation £	Pension costs £	Total £
At beginning of year	5,961	18,000	23,961
(Credit)/charge to profit and loss account	(5,961)	9,000	3,039
At end of year	-	27,000	27,000

Deferred taxation, which is provided and unprovided at 30% (1996: 33%), comprises:

	Amount provided 1997 £	Amount provided 1996 £	Amount unprovided 1997 £	Amount unprovided 1996
Accelerated capital allowances	8,100	11,901	(9,000)	6,000
Short term timing differences	(8,100)	(5,940)	-	-
	-	5,961	(9,000)	6,000

Notes *(continued)*

Share capital

	1997	1996
	£	£
Authorised:		
Ordinary shares of £1 each	**350,000**	350,000
Allotted, called up and fully paid:		
Ordinary shares of £1 each	**291,827**	291,827

Profit and loss account

	£
At beginning of year	529,745
Retained profit for year	670,970
At end of year	1,200,715

Contingent liabilities

The company, together with its parent and certain fellow subsidiary undertakings, have given cross-guarantees in favour of their bankers to secure all monies owing to the bank by these undertakings from time to time.

Operating lease commitments

The payments under operating leases which are due to be made in the next year, analysed over the periods when the leases expire, are as follows:

	Plant and machinery		**Land and buildings**	
	1997	1996	**1997**	1996
	£	£	**£**	£
Within one year	**2,945**	-	**-**	-
Over five years	**20,147**	-	**197,000**	100,000
	23,092	-	**197,000**	100,000

Notes *(continued)*

Pension costs

During this, and the previous year, the company was a member of a group pension scheme operated for eligible employees. The scheme includes a defined benefit section and also a defined contribution section. The scheme's assets are managed independently of the finances of the group and are invested in funds administered by a merchant bank and various insurance companies.

Both the pension cost charged in the profit and loss account and contributions to the pension scheme are made on the advice of the group's independent, qualified actuary using the projected unit method and taking account of the contributions required under the rules of the defined contribution section. The latest actuarial valuation was at 31 March 1995. The main assumptions used for both the valuation and the pension charge were that the return on investments would exceed the growth in salaries by 2% per annum and that both dividend growth and pension increases would be 4.5% per annum.

At 31 March 1995, the market value of the scheme's assets was £23.6 million, the actuarial value of which (calculated on a discounted income approach) represented 137% of the liability for benefits that had accrued to that date making full allowance for future salary and pension increases. This represented an actuarial surplus of £6.2 million which, following actuarial recommendation, has permitted the group to suspend contributions at least until the next actuarial valuation at 31 March 1998.

Reconciliation of movements in shareholder's funds

	1997 £	1996 £
Shareholder's funds at beginning of year	**821,572**	423,916
Profit on ordinary activities after taxation	**670,970**	397,656
Shareholder's funds at end of year	**1,492,542**	821,572

Ultimate parent undertaking

The company's ultimate parent undertaking, which is also the ultimate controlling party, is Evans Halshaw Holdings plc, a company registered in England and Wales. The company is controlled by Evans Halshaw Motor Holdings Limited.

The company has taken advantage of the exemption given in Financial Reporting Standard No 8 Related Party Disclosures with respect to inter group disclosures as the group controls at least 90% of the company's voting share capital and the group accounts are publicly available.

Notes *(continued)*

9 Ultimate parent undertaking *(continued)*

The largest group in which the results of the company are consolidated is that headed by Evans Halshaw Holdings plc. The consolidated financial statements of Evans Halshaw Holdings plc are available to the public and may be obtained from:

4 Highlands Court
Cranmore Avenue
Shirley
Solihull
West Midlands
B90 4LE

No other group financial statements include the results of the company.