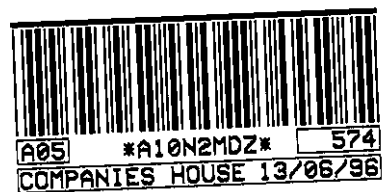


**Evans Halshaw (Chesham)
Limited**

Directors' report and financial statements

31 December 1995

Registered number 1994408



Evans Halshaw (Chesham) Limited

Directors' report and financial statements

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Evans Halshaw (Chesham) Limited

Directors' report

The directors have pleasure in submitting their report and financial statements for the year ended 31 December 1995.

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 directors recommend the payment of a dividend for the year of £150,000 (1994: £Nil).

The retained profit for the year of £134,396 (1994: £185,307) is to be transferred to reserves.

Fixed assets

A summary of the changes in tangible fixed assets is given in note 5 to the financial statements.

Directors and directors' interests

The directors who served during the year were:

AG Dale (resigned 31 December 1995)
AB Archer
CDE Cameron

Mr AF Smith was appointed a director of the company on 1 January 1996.

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' insurance

The company maintains an insurance policy providing an indemnity for directors of the ultimate parent undertaking, to the extent permitted by law, against liabilities arising from negligence, default or breach of trust in relation to the company.

Evans Halshaw (Chesham) Limited

Directors' report *(continued)*

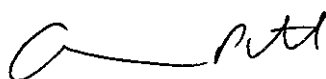
Statement of directors' responsibilities

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.

By order of the board



AJ Pitt
Secretary

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

21 May 1996



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 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

21 May 1996



Evans Halshaw (Chesham) Limited

Profit and loss account for the year ended 31 December 1995

	Note	1995 £	1994 £
Turnover - continuing operations		15,562,592	13,227,526
Cost of sales		(13,509,456)	(11,532,304)
Gross profit		2,053,136	1,695,222
Distribution costs		(975,069)	(802,179)
Administrative expenses		(592,399)	(574,419)
Operating profit - continuing operations	1	485,668	318,624
Interest payable and similar charges	3	(53,828)	(40,202)
Profit on ordinary activities before taxation		431,840	278,422
Tax on profit on ordinary activities	4	(147,444)	(93,115)
Profit on ordinary activities after taxation		284,396	185,307
Dividends proposed		(150,000)	-
Retained profit for the financial year	12	134,396	185,307

The company has no recognised gains or losses (1994: £Nil) other than those reflected in its profit and loss account.

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

Movements in shareholders' funds are shown in note 16.

Evans Halshaw (Chesham) Limited

Balance sheet

at 31 December 1995

	Note	1995	1994
		£	£
Fixed assets			
Tangible assets	5	448,016	409,193
Current assets			
Stocks	6	2,080,702	1,131,622
Debtors	7	301,114	225,055
Cash at bank and in hand		42,182	69,329
		<u>2,423,998</u>	<u>1,426,006</u>
Creditors: Amounts falling due within one year	8	<u>(1,727,525)</u>	<u>(832,100)</u>
Net current assets		<u>696,473</u>	<u>593,906</u>
Total assets less current liabilities		<u>1,144,489</u>	<u>1,003,099</u>
Creditors: Amounts falling due after more than one year	9	(699,628)	(699,628)
Provisions for liabilities and charges	10	<u>(20,945)</u>	<u>(13,951)</u>
Net assets		<u>423,916</u>	<u>289,520</u>
Capital and reserves			
Called up share capital	11	291,827	291,827
Profit and loss account	12	132,089	(2,307)
Shareholders' funds		<u>423,916</u>	<u>289,520</u>

These financial statements were approved by the board of directors on 21 May 1996 and were signed on its behalf by:

AB Archer
Director

Evans Halshaw (Chesham) Limited

Accounting policies

Basis of accounting

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

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

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

Stocks

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

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.

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 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.

Turnover

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

Evans Halshaw (Chesham) Limited

Notes

(forming part of the financial statements)

1 Operating profit

Operating profit is stated after charging:

	1995 £	1994 £
Directors' emoluments	-	-
Depreciation of tangible fixed assets	50,748	51,942
Operating leases:		
Hire of plant and machinery	2,004	4,749
Property rental charges	100,000	100,000
Auditors' remuneration:		
Audit	6,500	6,500
Other services	1,750	1,850
	<u> </u>	<u> </u>

2 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was 48 (1994: 41).

The aggregate payroll costs of these persons were as follows:

	1995 £	1994 £
Wages and salaries	864,904	747,621
Social security costs	87,915	76,158
	<u> </u>	<u> </u>
	952,819	823,779
	<u> </u>	<u> </u>

3 Interest payable and similar charges

	1995 £	1994 £
Interest on bank overdraft	41,090	33,158
Stock finance charges	12,738	7,044
	<u> </u>	<u> </u>
	53,828	40,202
	<u> </u>	<u> </u>

Evans Halshaw (Chesham) Limited

Notes (continued)

4 Tax on profit on ordinary activities

	1995	1994
	£	£
Corporation tax at 33% (1994: 33%)	140,368	92,968
Adjustment in respect of prior years	82	(967)
Deferred taxation	6,994	1,114
	<u>147,444</u>	<u>93,115</u>

5 Tangible fixed assets

	Short leasehold buildings	Plant and equipment	Total
	£	£	£
Cost			
At beginning of year	332,530	350,625	683,155
Additions	-	100,796	100,796
Disposals	-	(32,899)	(32,899)
	<u>332,530</u>	<u>418,522</u>	<u>751,052</u>
At end of year	<u>332,530</u>	<u>418,522</u>	<u>751,052</u>
Depreciation			
At beginning of year	30,815	243,147	273,962
Charge for the year	13,409	37,339	50,748
Disposals	-	(21,674)	(21,674)
	<u>44,224</u>	<u>258,812</u>	<u>303,036</u>
At end of year	<u>44,224</u>	<u>258,812</u>	<u>303,036</u>
Net book value			
At 31 December 1995	<u>288,306</u>	<u>159,710</u>	<u>448,016</u>
At 31 December 1994	<u>301,715</u>	<u>107,478</u>	<u>409,193</u>

Evans Halshaw (Chesham) Limited

Notes (continued)

6 Stocks

	1995 £	1994 £
Residual interest in vehicles	510,450	-
Vehicle consignment stocks	444,361	126,549
Other vehicles held for resale	989,126	842,661
Parts and other stocks	136,765	162,412
	<u>2,080,702</u>	<u>1,131,622</u>

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.

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.

At 31 December 1995, the value of vehicles on consignment in respect of which interest is not charged, and therefore not included in stocks shown above, amounted to £239,136 (1994: £251,802).

7 Debtors

	1995 £	1994 £
Trade debtors	209,067	127,097
Amounts owed by parent and fellow subsidiary undertakings	10,298	2,665
Other debtors	13,798	14,281
Prepayments and accrued income	67,951	81,012
	<u>301,114</u>	<u>225,055</u>

Evans Halshaw (Chesham) Limited

Notes (continued)

8 Creditors: Amounts falling due within one year

	1995 £	1994 £
Payments received on account	137,313	96,015
Trade creditors	635,695	461,331
Vehicle repurchase obligations	510,450	-
Amounts due to parent and fellow subsidiary undertakings	3,214	4,060
Corporation tax	140,368	92,886
Other creditors including other taxation and social security	56,139	114,793
Accruals and deferred income	94,346	63,015
Dividend payable	150,000	-
	<u>1,727,525</u>	<u>832,100</u>

9 Creditors: Amounts falling due after more than one year

	1995 £	1994 £
Loans from parent and fellow subsidiary undertakings	<u>699,628</u>	<u>699,628</u>

The loans are interest free and would not in the ordinary course of business be repayable.

10 Provisions for liabilities and charges

	Deferred taxation £	Pension costs £	Total £
At beginning of year	1,951	12,000	13,951
Charge to profit and loss account	6,994	-	6,994
	<u>8,945</u>	<u>12,000</u>	<u>20,945</u>
At end of year	8,945	12,000	20,945

Evans Halshaw (Chesham) Limited

Notes (continued)

10 Provisions for liabilities and charges (continued)

Deferred taxation, which is provided and unprovided at 33% (1994: 33%), comprises:

	Amount provided		Amount unprovided	
	1995	1994	1995	1994
	£	£	£	£
Accelerated capital allowances	12,905	5,912	4,500	4,182
Short term timing differences	(3,960)	(3,961)	-	-
	<u>8,945</u>	<u>1,951</u>	<u>4,500</u>	<u>4,182</u>

11 Share capital

	1995	1994
	£	£
<i>Authorised:</i>		
Ordinary shares of £1 each	<u>350,000</u>	<u>350,000</u>
<i>Allotted, called up and fully paid:</i>		
Ordinary shares of £1 each	<u>291,827</u>	<u>291,827</u>

12 Profit and loss account

	£
At beginning of year	(2,307)
Retained profit for year	<u>134,396</u>
At end of year	<u>132,089</u>

13 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.

Evans Halshaw (Chesham) Limited

Notes (continued)

14 Commitments

(a) Capital commitments

	1995 £	1994 £
Authorised but not yet contracted for	-	16,035

(b) Operating leases

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:

	Land and buildings		Other	
	1995 £	1994 £	1995 £	1994 £
Within one year	-	-	-	2,064
Over five years	100,000	100,000	-	-
	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>2,064</u>

15 Pension costs

The company is a member of a group operated pension scheme. The scheme comprises a defined benefit section and also a defined contribution section which was established on 1 October 1995. The assets are managed independently and invested in funds administered by a merchant bank and various insurance companies.

Contributions to the pension scheme, which is fully funded, are based on pension costs across the group as a whole and are determined with the advice of a qualified actuary.

The latest formal actuarial valuation was at 31 March 1995. Particulars of the actuarial valuation of the group scheme are contained in the financial statements of Evans Halshaw Holdings plc.

16 Reconciliation of movements in shareholders' funds

	1995 £	1994 £
Shareholders' funds at beginning of year	289,520	104,213
Profit for the year	284,396	185,307
Dividend	(150,000)	-
Shareholders' funds at end of year	<u>423,916</u>	<u>289,520</u>

Evans Halshaw (Chesham) Limited

Notes *(continued)*

17 Ultimate parent undertaking

The company's ultimate parent undertaking is Evans Halshaw Holdings plc, a company registered in England and Wales.

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.