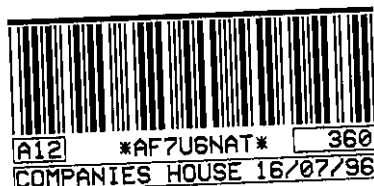


EBLEY TYRE SERVICES LIMITED

**DIRECTORS' REPORT
AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 DECEMBER 1995**

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EBLEY TYRE SERVICES LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the group for the year ended 31 December 1995.

PRINCIPAL ACTIVITIES

The principal activity continued to be the provision of tyres and auto products and services to vehicle users.

REVIEW OF THE BUSINESS

Following the decision in 1994 to close the operations which did not contribute to the core business of the group, 1995 was a year of re-organisation. A detailed examination of the group, its structure and direction was carried out, culminating in a focused business plan.

It has been clear that a changing marketplace has forced the group to reassess its market. Vehicle dealerships have been encouraged to open fast-fit bays by car manufacturers, both taking away business and providing more competition at the same time! Major accounts have moved their business either to national operators or direct with tyre manufacturers. Having determined the current climate, the way forward became clearer.

The concentration on people continued with the achievement of "Investor in People" accreditation in April, followed by the introduction of new and higher standards of customer care over the last six months of the year. This initiative is expensive to set up in terms of cost and in re-deployment of staff, but the benefits are clear to see. Two major centres had fully adopted this concept by the end of 1995, with the others following in 1996.

With the improvement in organisation and standards in the centres, the marketing effort is now directed towards the specific sectors of the market which the group is targeting and has the flexibility to change rapidly with the changing needs of the centres. The philosophy of the group is now centred on sales and marketing.

PROFIT AND DIVIDENDS

Preference dividends of £7,683 and "A" ordinary dividends of £8,000 were paid during the year. The directors recommend that no further dividend is proposed.

The retained loss attributable to the group for the year amounted to £47,811 and this has been taken from reserves.

FINANCIAL POSITION

The consolidated balance sheet as detailed on page 7 shows shareholders' funds amounting to £397,685.

REDEMPTION OF SHARE CAPITAL

On 30 June 1995, 12,500 preference shares of £1 each were redeemed at par. The maximum number of such shares in issue during the year was 70,278.

EBLEY TYRE SERVICES LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS AND DIRECTORS' SHARE HOLDINGS

The following were directors of the company during the year ended 31 December 1995.

| | |
|-----------|-------------|
| T R Allen | R J Abolins |
| M H Allen | H D M Wares |

Their interests in the share capital of the company were as follows:

| | 31 December 1995 | 1 January 1995 |
|----------------------------|-------------------------|-----------------------|
| Ordinary shares of £1 each | | |
| T R Allen | 149,999 | 149,999 |
| M H Allen | 1 | 1 |

FIXED ASSETS

The movement in fixed assets during the year are set out in note 13 to the financial statements.

CLOSE COMPANY PROVISIONS

The company is a close company within the meaning of the Income and Corporation Taxes Act 1988 as amended.

AUDITORS

In accordance with section 385 of the Companies Act 1985, a resolution for the re-appointment of Davies Mayers & Partners is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board



R J Abolins
Secretary

4 April 1996

Registered Office:
Northbrook Road
Gloucester
GL4 3DP

EBLEY TYRE SERVICES LIMITED

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 and 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

EBLEY TYRE SERVICES LIMITED
AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements set out on pages 5 to 25 which have been prepared under the historical cost convention and the accounting policies set out on pages 10 and 11.

Respective Responsibilities of Directors and Auditors.

As described on page 3, the company's directors are responsible for the preparation of the 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 affairs of the company and of the group at 31 December 1995 and of the loss and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Davies Mayers & Partners

Davies Mayers & Partners
Chartered Accountants
Registered Auditor

4 April 1996

Ivanhoe House
St James Square
Cheltenham
Gloucestershire
GL50 3QG

EBLEY TYRE SERVICES LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1995

| | | Note | 1995 £ | 1995 £ | 1994 £ |
|---|-------------------------|----------|-----------|-------------|-------------|
| TURNOVER | continuing operations | 2 & 3 | 7,919,536 | | 8,097,672 |
| | discontinued operations | 1, 2 & 3 | - | | 979,626 |
| | | | | 7,919,536 | 9,077,298 |
| Cost of sales | | 3 | | (4,468,447) | (5,349,406) |
| Gross Profit | | 3 | | 3,451,089 | 3,727,892 |
| Distribution costs | | 3 | | (2,793,570) | (2,875,038) |
| Administration costs | | 3 | | (584,329) | (717,157) |
| Other operating income | | 3 & 4 | | 457 | 5,425 |
| OPERATING PROFIT/(LOSS) | continuing operations | 3 | 73,647 | | 155,182 |
| | discontinued operations | 3 | - | | (14,060) |
| | | | | 73,647 | 141,122 |
| Interest payable and similar charges | | 5 | | (120,990) | (126,846) |
| Exceptional items | continuing operations | 6 | 14,000 | | (29,643) |
| | discontinued operations | 6 | - | | (149,715) |
| | | | | 14,000 | (179,358) |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | | 7 | | (33,343) | (165,082) |
| Taxation | | 10 | | 11,600 | 27,088 |
| LOSS ON ORDINARY ACTIVITIES AFTER TAXATION | | | | (21,743) | (137,994) |
| Non-equity minority interest | | | | (10,385) | (8,270) |
| LOSS FOR THE FINANCIAL YEAR | | 11 | | (32,128) | (146,264) |
| Dividends paid (including non-equity) | | 12 | | (15,683) | (17,183) |
| RETAINED LOSS FOR THE YEAR | | 21 | | £(47,811) | £(163,447) |

A statement of total recognised gains and losses is shown on page 6.

EBLEY TYRE SERVICES LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 1995**

| | <u>Note</u> | <u>1995</u> £ | <u>1994</u> £ |
|---|-------------|------------------|------------------|
| (LOSS) FOR THE FINANCIAL YEAR | | (32,128) | (146,264) |
| Unrealised surplus on revaluation of land and buildings | 21 | - | 122,514 |
| | | <u>£(32,128)</u> | <u>£(23,750)</u> |

EBLEY TYRE SERVICES LIMITED

CONSOLIDATED BALANCE SHEET - 31 DECEMBER 1995

| | <u>Note</u> | £ | <u>1995</u> £ | <u>1994</u> £ |
|--|-------------|--------------------|------------------------|------------------------|
| FIXED ASSETS | | | | |
| Tangible assets | 13 | | <u>1,917,781</u> | <u>1,914,913</u> |
| CURRENT ASSETS | | | | |
| Stocks | 15 | 688,627 | | 637,229 |
| Debtors | 16 | 694,522 | | 779,765 |
| Cash at bank and in hand | | <u>2,175</u> | | <u>2,266</u> |
| | | 1,385,324 | | 1,419,260 |
| CREDITORS | | | | |
| Amounts falling due within one year | 17 | <u>(2,183,560)</u> | | <u>(2,060,579)</u> |
| NET CURRENT LIABILITIES | | | <u>(798,236)</u> | <u>(641,319)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 1,119,545 | 1,273,594 |
| CREDITORS | | | | |
| Amounts falling due after more than one year | 18 | | <u>(701,755)</u> | <u>(805,878)</u> |
| NET ASSETS | | | <u>£417,790</u> | <u>£467,716</u> |
| CAPITAL AND RESERVES | | | | |
| Called-up share capital | 20 | | 280,000 | 292,500 |
| Revaluation reserve | 21 | | 122,514 | 122,514 |
| Other reserves | 21 | | 183,976 | 183,976 |
| Profit and loss account | 21 | | <u>(188,805)</u> | <u>(140,994)</u> |
| SHAREHOLDERS' FUNDS | | | 397,685 | 457,996 |
| Non-equity minority interest | | | <u>20,105</u> | <u>9,720</u> |
| TOTAL CAPITAL EMPLOYED | | | <u>£417,790</u> | <u>£467,716</u> |
| Attributable to equity shareholders | | | £339,907 | £387,718 |
| Attributable to non-equity shareholders | | | £77,883 | £79,998 |

The financial statements were approved by the Board of Directors on 4 April 1996 and signed on their behalf by



T R Allen



R J Abolins

EBLEY TYRE SERVICES LIMITED

BALANCE SHEET - 31 DECEMBER 1995

| | Note | £ | 1995 £ | 1994 £ |
|--|------|--------------------|------------------------|------------------------|
| FIXED ASSETS | | | | |
| Tangible assets | 13 | | 1,774,984 | 1,843,279 |
| Investments | 14 | | <u>40,000</u> | <u>40,000</u> |
| | | | 1,814,984 | 1,883,279 |
| CURRENT ASSETS | | | | |
| Stocks | 15 | 601,870 | | 571,554 |
| Debtors | 16 | 718,367 | | 791,286 |
| Cash at bank and in hand | | <u>1,765</u> | | <u>1,706</u> |
| | | 1,322,002 | | 1,364,546 |
| CREDITORS | | | | |
| Amounts falling due within one year | 17 | <u>(2,034,454)</u> | | <u>(1,961,520)</u> |
| NET CURRENT LIABILITIES | | | <u>(712,452)</u> | <u>(596,974)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 1,102,532 | 1,286,305 |
| CREDITORS | | | | |
| Amounts falling due after more than one year | 18 | | <u>(695,006)</u> | <u>(805,211)</u> |
| NET ASSETS | | | <u><u>£407,526</u></u> | <u><u>£481,094</u></u> |
| CAPITAL AND RESERVES | | | | |
| Called-up share capital | 20 | | 280,000 | 292,500 |
| Revaluation reserve | 21 | | 122,514 | 122,514 |
| Profit and loss account | 21 | | <u>5,012</u> | <u>66,080</u> |
| SHAREHOLDERS' FUNDS | | | <u><u>£407,526</u></u> | <u><u>£481,094</u></u> |
| Attributable to equity shareholders | | | £349,748 | £410,816 |
| Attributable to non-equity shareholders | | | £57,778 | £70,278 |

The financial statements were approved by the Board of Directors on 4 April 1996 and signed on their behalf by

T R Allen

R J Abolins

EBLEY TYRE SERVICES LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1995**

| | <u>Note</u> | <u>£</u> | <u>1995</u> <u>£</u> | <u>1994</u> <u>£</u> |
|---|-------------|-----------|-------------------------|-------------------------|
| NET CASH INFLOW FROM OPERATING ACTIVITIES | 22 | | 492,241 | 444,962 |
| Returns on investments and servicing of finance | | | | |
| Interest paid | | (110,899) | | (109,988) |
| Interest element of finance lease and hire purchase payments | | (10,091) | | (16,858) |
| Dividends paid | | (15,683) | | (17,183) |
| NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | (136,673) | (144,029) |
| UK CORPORATION TAX RECEIVED/(PAID) | | | 5,270 | (31,812) |
| Investing activities | | | | |
| Payments to acquire fixed assets | | (198,670) | | (197,944) |
| Receipts from sales of fixed assets | | 35,223 | | 105,936 |
| NET CASH OUTFLOW FROM INVESTING ACTIVITIES | | | (163,447) | (92,008) |
| NET CASH INFLOW BEFORE FINANCING | | | 197,391 | 177,113 |
| Financing | | | | |
| Redemption of preference share capital | | (12,500) | | (12,500) |
| Repayment of loans | | (79,025) | | (75,137) |
| Capital element of finance lease and hire purchase payments | | (63,023) | | (131,902) |
| NET CASH OUTFLOW FROM FINANCING | | | (154,548) | (219,539) |
| INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 22 | | £42,843 | £(42,426) |

EBLEY TYRE SERVICES LIMITED

ACCOUNTING POLICIES - 31 DECEMBER 1995

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

(a) Basis of accounting

Other than the freehold and long leasehold property included at valuation, the financial statements have been prepared under the historical cost convention.

(b) Accounting Standards

The financial statements have been prepared in accordance with applicable Accounting Standards.

(c) Basis of consolidation

The consolidated accounts incorporate the accounts of Ebley Tyre & Auto Centres (South East) Limited. The accounts of this company have been made up to 31 December 1995. A separate profit and loss account dealing with the results of the company only has not been presented, in accordance with the provisions of the Companies Act 1985.

(d) Goodwill

The excess of the cost of acquisitions over the fair value of the underlying net assets is written off against reserves in the year in which it arises.

(e) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation less accumulated depreciation.

Depreciation is not provided on freehold property and leaseholds with more than fifty years unexpired, as it is the company's policy to maintain its premises to a high standard, to maintain the residual value of the property and, in the opinion of the directors, any charge for depreciation would not materially affect the company's accounts.

As depreciation is not provided on freehold and long leasehold land and buildings, there is no difference between reported profits and profits on a historical cost basis.

Depreciation is provided to write off the cost of all other tangible fixed assets in equal annual instalments over their estimated useful lives on a monthly basis over the year. In general, the rates of depreciation are as follows:

| | |
|----------------------------|-----------------|
| Short leasehold property | period of lease |
| Plant and office equipment | 10% - 50% |
| Motor vehicles | 25% - 33.3% |

EBLEY TYRE SERVICES LIMITED

ACCOUNTING POLICIES - 31 DECEMBER 1995 (continued)

(f) Leasing and hire purchase transactions

Where an asset is acquired under a hire purchase contract or finance lease, the asset is capitalised and the corresponding liability to the leasing company is included in obligations under finance leases and hire purchase contracts. Depreciation on such assets is charged to the profit and loss account at rates calculated to write off the capitalised value of the asset over the shorter of its expected useful life and the term of the lease. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account on a sum of digits reducing basis over the primary period of the lease.

All other leases are operating leases and rentals payable are charged to the profit and loss account on a straight line basis.

(g) Stocks

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

(h) Deferred taxation

Deferred taxation is provided at current taxation rates under the liability method to take account of all timing differences between profits as stated in the financial statements and as computed for tax purposes to the extent that they are expected to crystallise. Where it is considered with reasonable probability that no such liability will become payable in the foreseeable future, no provision is made.

(i) Turnover

Turnover represents the invoiced value, excluding VAT, of all goods sold and services provided to customers less any settlement discount given.

(j) Cost of sales

Cost of sales is stated as all those costs directly incurred by the company in the acquisition of goods for resale and to provide services to customers.

(k) Pension

The group operates a defined contributory pension scheme which is externally funded and covers all eligible staff employees. The scheme funds are administered by trustees and are independent of the group's finances. Contributions are paid into the scheme on a regular percentage basis. The group's contributions are charged against profits in the year in which the contributions are made.

EBLEY TYRE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995

1 DISCONTINUED OPERATIONS

Despite some modest success in turning Lansdown Motors into a profitable operation, Alfa Romeo's decision to withdraw the franchise in favour of a multi-franchise dealership in 1994 had an almost immediate effect on trading. Given the general uncertainty in the motor trade and the fact that no reasonable return would be expected for a couple of years from entering into a new franchise agreement, the Board made the decision in October 1994 to cease all operations at Lansdown Motors.

Although loosely connected to the core business of the group, the nature of the operation was significantly different to warrant the disclosure of operating results separately in order to obtain meaningful comparison of continuing operations (notes 3 and 6).

2 TURNOVER

The geographical area of the turnover was entirely in the United Kingdom.

Turnover is divided into two business segments - the distribution of motor vehicle tyres and accessories (continuing operations) and the sale of new and used cars and associated servicing (discontinued operations). The division of total turnover between these segments is disclosed in note 3.

3 OPERATING PROFIT/(LOSS)

| | <u>1995</u> £ | <u>1995</u> £ | <u>1995</u> £ | <u>1994</u> £ | <u>1994</u> £ | <u>1994</u> £ |
|------------------------|--------------------------|----------------------------|---------------------|--------------------------|----------------------------|---------------------|
| | Continuing operations | Discontinued operations | Total operations | Continuing operations | Discontinued operations | Total operations |
| Turnover | 7,919,536 | - | 7,919,536 | 8,097,672 | 979,626 | 9,077,298 |
| Cost of sales | (4,468,447) | - | (4,468,447) | (4,559,355) | (790,051) | (5,349,406) |
| Gross profit | <u>3,451,089</u> | <u>-</u> | <u>3,451,089</u> | <u>3,538,317</u> | <u>189,575</u> | <u>3,727,892</u> |
| Distribution costs | (2,793,570) | - | (2,793,570) | (2,711,482) | (163,556) | (2,875,038) |
| Administration costs | (584,329) | - | (584,329) | (677,078) | (40,079) | (717,157) |
| Other operating income | 457 | - | 457 | 5,425 | - | 5,425 |
| OPERATING PROFIT | <u>£73,647</u> | <u>-</u> | <u>£73,647</u> | <u>£155,182</u> | <u>£(14,060)</u> | <u>£141,122</u> |

4 OTHER OPERATING INCOME

| | <u>1995</u> £ | <u>1994</u> £ |
|---------------|------------------|------------------|
| Rent received | <u>£457</u> | <u>£5,425</u> |

EBLEY TYRE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 (continued)

5 INTEREST PAYABLE AND SIMILAR CHARGES

| | <u>1995</u> £ | <u>1994</u> £ |
|--|------------------------|------------------------|
| On bank loans and overdrafts wholly repayable within 5 years | 34,906 | 27,952 |
| Other loans | 75,993 | 82,036 |
| Finance lease and hire purchase charges | <u>10,091</u> | <u>16,858</u> |
| | <u><u>£120,990</u></u> | <u><u>£126,846</u></u> |

6 EXCEPTIONAL ITEMS

| | <u>1995</u> £ Continuing operations | <u>1994</u> £ Continuing operations | <u>1994</u> £ Discontinued operations | <u>1994</u> £ Total |
|---------------------------------------|--|--|--|---------------------------|
| Revaluation/(devaluation) of property | 14,000 | | (80,703) | (80,703) |
| Redundancy payments | - | (16,319) | (51,101) | (67,420) |
| Losses on forced sale of stock | - | (13,324) | (9,225) | (22,549) |
| Losses on forced sale of fixed assets | - | | (5,446) | (5,446) |
| Unrecovered debtors | - | | (1,626) | (1,626) |
| Early termination of contracts | - | | (1,614) | (1,614) |
| | <u><u>£14,000</u></u> | <u><u>£(29,643)</u></u> | <u><u>£(149,715)</u></u> | <u><u>£(179,358)</u></u> |

Exceptional items in 1994 in respect of continuing operations relate to the rationalisation of the Gloucester stores and distribution centre and the Cambridge truck tyre sales operation.

The discontinued operations in 1994 related to Lansdown Motors (note 1) and included costs arising as a result of the decision to close rather than from normal operating expenses.

The property revaluation in 1995 arose from the decision to re-open the Lansdown property in December 1995 as a mechanical centre.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 (continued)

| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | | <u>1995</u> | <u>1994</u> |
|---|----------------|-------------|-------------|
| | | £ | £ |
| Loss on ordinary activities before taxation is stated after charging: | | | |
| Depreciation (including profit on disposal of assets £8,889) | | 201,716 | 241,442 |
| Auditors' remuneration in respect of audit work | | 12,157 | 14,350 |
| Directors' emoluments for management services | | 154,306 | 194,375 |
| Compensation for loss of office | | - | 37,158 |
| Operating lease rentals : | Motor vehicles | 160,330 | 142,325 |
| | Property | 284,937 | 286,802 |

| | <u>1995</u> | <u>1994</u> |
|---|---------------|---------------|
| | £ | £ |
| Emoluments, excluding pension contributions : | | |
| The Chairman and highest paid director | <u>82,886</u> | <u>74,471</u> |

| | | Number | Number |
|----------|-------------|--------|--------|
| £ 5,001 | to £ 10,000 | 1 | 1 |
| £ 20,001 | to £ 25,000 | 1 | 1 |
| £ 25,001 | to £ 30,000 | - | 1 |
| £ 30,001 | to £ 35,000 | 1 | 1 |
| £ 70,001 | to £ 75,000 | - | 1 |
| £ 80,001 | to £ 85,000 | 1 | - |

| | <u>1995</u> Number | <u>1994</u> Number |
|--|-----------------------|-----------------------|
| The average number of persons, including directors, employed by the group during the year was: | | |
| Management and administration | 14 | 14 |
| Sales and distribution | <u>121</u> | <u>136</u> |
| | <u>135</u> | <u>150</u> |
| The aggregate costs of employment were as follows : | | |
| | <u>1995</u> £ | <u>1994</u> £ |
| Wages and salaries | 1,578,943 | 1,729,808 |
| Social security | 136,149 | 154,948 |
| Other pension costs | <u>44,458</u> | <u>70,764</u> |
| | <u>£1,759,550</u> | <u>£1,955,520</u> |

EBLEY TYRE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 (continued)

10 TAXATION

| | <u>1995</u> £ | <u>1994</u> £ |
|--|------------------|------------------|
| United Kingdom corporation tax (credit)/charge at 25% (1994:25%) | | |
| Current | (11,600) | (17,500) |
| Over-provision in prior year | - | (9,588) |
| | <u>£(11,600)</u> | <u>£(27,088)</u> |

11 (LOSS)/PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE COMPANY

| | <u>1995</u> £ | <u>1994</u> £ |
|--|------------------|-------------------|
| Amount dealt with in the financial statements of the company | (47,705) | (158,670) |
| Amount dealt with in the financial statements of subsidiary undertakings | 15,577 | 12,406 |
| | <u>£(32,128)</u> | <u>£(146,264)</u> |

12 DIVIDENDS

| | <u>1995</u> £ | <u>1994</u> £ |
|--|------------------|------------------|
| Equity shares: | | |
| "A" ordinary - paid 12p per share (1994:12p) | 8,000 | 8,000 |
| Non-equity shares: | | |
| Preference - paid | 7,683 | 9,183 |
| | <u>£15,683</u> | <u>£17,183</u> |

EBLEY TYRE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 (continued)

13 TANGIBLE FIXED ASSETS

| | Freehold land and buildings £ | Long leaseholds £ | Short leaseholds £ | Plant and office equipment £ | Motor vehicles £ | Total £ |
|------------------------|--|-------------------------|--------------------------|---------------------------------------|------------------------|-------------------|
| GROUP | | | | | | |
| COST | | | | | | |
| 1 January 1995 | 1,204,501 | 165,000 | 167,896 | 753,741 | 152,240 | 2,443,378 |
| Additions | 1,394 | - | 18,826 | 171,503 | 34,085 | 225,808 |
| Disposals | - | - | (1,533) | (350) | (83,171) | (85,054) |
| Revaluation | 14,000 | - | - | - | - | 14,000 |
| 31 December 1995 | <u>1,219,895</u> | <u>165,000</u> | <u>185,189</u> | <u>924,894</u> | <u>103,154</u> | <u>2,598,132</u> |
| DEPRECIATION | | | | | | |
| 1 January 1995 | - | - | 78,480 | 382,504 | 67,481 | 528,465 |
| Charge for the year | - | - | 8,287 | 164,802 | 37,517 | 210,606 |
| Disposals | - | - | (1,533) | (194) | (56,993) | (58,720) |
| 31 December 1995 | <u>-</u> | <u>-</u> | <u>85,234</u> | <u>547,112</u> | <u>48,005</u> | <u>680,351</u> |
| NET BOOK AMOUNT | | | | | | |
| 31 December 1994 | <u>£1,204,501</u> | <u>£165,000</u> | <u>£89,416</u> | <u>£371,237</u> | <u>£84,759</u> | <u>£1,914,913</u> |
| 31 December 1995 | <u>£1,219,895</u> | <u>£165,000</u> | <u>£99,955</u> | <u>£377,782</u> | <u>£55,149</u> | <u>£1,917,781</u> |
| COMPANY | | | | | | |
| COST | | | | | | |
| 1 January 1995 | 1,204,501 | 165,000 | 151,264 | 663,660 | 146,315 | 2,330,740 |
| Additions | 1,394 | - | 9,722 | 111,219 | 33,385 | 155,720 |
| Disposals | - | - | (1,533) | (40,765) | (83,171) | (125,469) |
| Revaluation | 14,000 | - | - | - | - | 14,000 |
| 31 December 1995 | <u>1,219,895</u> | <u>165,000</u> | <u>159,453</u> | <u>734,114</u> | <u>96,529</u> | <u>2,374,991</u> |
| DEPRECIATION | | | | | | |
| 1 January 1995 | - | - | 76,924 | 344,702 | 65,835 | 487,461 |
| Charge for the year | - | - | 7,072 | 140,577 | 34,534 | 182,183 |
| Disposals | - | - | (1,533) | (11,111) | (56,993) | (69,637) |
| 31 December 1995 | <u>-</u> | <u>-</u> | <u>82,463</u> | <u>474,168</u> | <u>43,376</u> | <u>600,007</u> |
| NET BOOK AMOUNT | | | | | | |
| 31 December 1994 | <u>£1,204,501</u> | <u>£165,000</u> | <u>£74,340</u> | <u>£318,958</u> | <u>£80,480</u> | <u>£1,843,279</u> |
| 31 December 1995 | <u>£1,219,895</u> | <u>£165,000</u> | <u>£76,990</u> | <u>£259,946</u> | <u>£53,153</u> | <u>£1,774,984</u> |

EBLEY TYRE SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 (continued)****13 TANGIBLE FIXED ASSETS (continued)**

| | <u>1995</u> £ | <u>1994</u> £ |
|--|------------------|------------------|
| Included in tangible fixed assets are : | | |
| GROUP | | |
| Plant and office equipment acquired under finance leases and hire purchase contracts | | |
| Cost | 147,897 | 133,124 |
| Accumulated depreciation | (96,417) | (67,876) |
| | <u>£51,480</u> | <u>£65,248</u> |
| Motor vehicles acquired under finance leases and hire purchase contracts | | |
| Cost | 81,152 | 101,522 |
| Accumulated depreciation | (41,617) | (33,099) |
| | <u>£39,535</u> | <u>£68,423</u> |
| Depreciation allocated to these assets for the year amounts to : | | |
| Plant and office equipment | 28,541 | 41,752 |
| Motor vehicles | 23,071 | 19,285 |
| | <u>£51,612</u> | <u>£61,037</u> |
| COMPANY | | |
| Plant and office equipment acquired under finance leases and hire purchase contracts | | |
| Cost | 75,745 | 109,415 |
| Accumulated depreciation | (65,628) | (57,227) |
| | <u>£10,117</u> | <u>£52,188</u> |
| Motor vehicles acquired under finance leases and hire purchase contracts | | |
| Cost | 75,227 | 95,597 |
| Accumulated depreciation | (37,007) | (31,454) |
| | <u>£38,220</u> | <u>£64,143</u> |
| Depreciation allocated to these assets for the year amounts to : | | |
| Plant and office equipment | 16,625 | 37,630 |
| Motor vehicles | 20,107 | 17,639 |
| | <u>£36,732</u> | <u>£55,269</u> |

EBLEY TYRE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 (continued)

13 TANGIBLE FIXED ASSETS (continued)

Freehold and long leasehold land and buildings were revalued by Bayleys, Chartered Surveyors on 14 April 1994 at an open market value for existing use basis, except for Lansdown Road, Stroud which was revalued on a forced sale basis. During 1995, the use of Lansdown Road has changed and the appropriate valuation is the open market value.

The cost or valuation of freehold and long leasehold land and buildings may be analysed as follows:

| | <u>1995</u> £ | <u>1994</u> £ |
|-------------------------------|-------------------|-------------------|
| Historic cost | 1,329,084 | 1,327,690 |
| Revaluation surplus (note 21) | 55,811 | 41,811 |
| Net book value | <u>£1,384,895</u> | <u>£1,369,501</u> |

14 INVESTMENT IN SUBSIDIARIES

| | <u>1995</u> £ | <u>1994</u> £ |
|--|------------------|------------------|
| Shares in subsidiary undertakings at beginning and end of year | <u>£40,000</u> | <u>£40,000</u> |

The subsidiaries are listed below.

| Company | % owned | Capital and reserves at 31 December 1995 | Profit for year ended 31 December 1995 | Activity |
|---|-------------------------------|---|---|--|
| Ebley Tyre & Auto Centres (South East) Limited registered in England and Wales | 60% ordinary share capital | £50,264 | £25,962 | Distribution of motor vehicle tyres and accessories |

15 STOCKS

| | Group <u>1995</u> £ | <u>1994</u> £ | Company <u>1995</u> £ | <u>1994</u> £ |
|--------------------|---------------------------|------------------|-----------------------------|------------------|
| Tyres and exhausts | <u>£688,627</u> | <u>£637,229</u> | <u>£601,870</u> | <u>£571,554</u> |

EBLEY TYRE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 (continued)

16 DEBTORS

| | Group | | Company | |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | <u>1995</u> | <u>1994</u> | <u>1995</u> | <u>1994</u> |
| | £ | £ | £ | £ |
| Amounts falling due within one year : | | | | |
| Trade debtors | 452,029 | 542,036 | 435,757 | 519,130 |
| Amounts due from group undertakings | - | - | 78,578 | 51,409 |
| Other debtors | 68,810 | 97,259 | 68,086 | 96,358 |
| ACT recoverable | 8,217 | 4,296 | 8,217 | 4,296 |
| Prepayments | 165,466 | 136,174 | 127,729 | 120,093 |
| | <u>£694,522</u> | <u>£779,765</u> | <u>£718,367</u> | <u>£791,286</u> |

17 CREDITORS - Amounts falling due within one year

| | Group | | Company | |
|--|-------------------|-------------------|-------------------|-------------------|
| | <u>1995</u> | <u>1994</u> | <u>1995</u> | <u>1994</u> |
| | £ | £ | £ | £ |
| Bank overdraft (note i) | 522,656 | 565,590 | 483,023 | 530,504 |
| Commercial mortgages (notes i and ii) | 49,026 | 49,026 | 49,026 | 49,026 |
| Secured loan (notes i and ii) | 30,000 | 30,000 | 30,000 | 30,000 |
| Trade creditors | 1,332,071 | 1,115,335 | 1,238,185 | 1,061,848 |
| Amounts due to group undertakings | - | - | - | 2,320 |
| Other taxes and social security | 143,401 | 182,264 | 137,119 | 178,525 |
| Other creditors | 4,840 | 5,972 | 5,280 | 5,972 |
| Accruals | 60,464 | 60,503 | 54,127 | 59,493 |
| Obligations under finance leases and hire purchase contracts (note 23) | 41,102 | 51,889 | 37,694 | 43,832 |
| | <u>£2,183,560</u> | <u>£2,060,579</u> | <u>£2,034,454</u> | <u>£1,961,520</u> |

- (i) The bank overdraft and commercial mortgages are secured by fixed charges over certain of the group's properties and by fixed and floating charges over other group assets.

The secured loan is secured on freehold property at Lansdown Road, Stroud and a fixed and floating charge on all other assets of the group.

- (ii) The commercial mortgages are repayable in equal quarterly amounts, the final repayments being due in 2011. The interest rates have been fixed for the year at 9.03% on £21,250 and 9.9% on £27,776.

The secured loan is repayable in 10 annual instalments commencing 31 December 1993 and carries interest at 2.5% above the higher of 7% per annum and the relevant LIBOR rate.

EBLEY TYRE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 (continued)

18 CREDITORS - Amounts falling due after more than one year

| | Group | | Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 1995 | 1994 | 1995 | 1994 |
| | £ | £ | £ | £ |
| Commercial mortgages (notes i and ii) | 496,187 | 545,212 | 496,187 | 545,212 |
| Secured loan (notes i and ii) | 180,000 | 210,000 | 180,000 | 210,000 |
| | <u>676,187</u> | <u>755,212</u> | <u>676,187</u> | <u>755,212</u> |
| Obligations under finance leases and hire purchase contracts (note 23) | 25,568 | 50,666 | 18,819 | 49,999 |
| | <u>£701,755</u> | <u>£805,878</u> | <u>£695,006</u> | <u>£805,211</u> |

| | Group | | Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 1995 | 1994 | 1995 | 1994 |
| | £ | £ | £ | £ |
| Instalments payable within five years : | | | | |
| Commercial mortgages (notes i and ii) | 196,104 | 196,104 | 196,104 | 196,104 |
| Secured loan (notes i and ii) | 120,000 | 120,000 | 120,000 | 120,000 |
| | <u>316,104</u> | <u>316,104</u> | <u>316,104</u> | <u>316,104</u> |
| Obligations under finance leases and hire purchase contracts (note 23) | 25,568 | 50,666 | 18,819 | 49,999 |
| | <u>341,672</u> | <u>366,770</u> | <u>334,923</u> | <u>366,103</u> |
| Instalments payable after five years : | | | | |
| Commercial mortgages (notes i and ii) | 300,083 | 349,108 | 300,083 | 349,108 |
| Secured loan (notes i and ii) | 60,000 | 90,000 | 60,000 | 90,000 |
| | <u>360,083</u> | <u>439,108</u> | <u>360,083</u> | <u>439,108</u> |
| | <u>£701,755</u> | <u>£805,878</u> | <u>£695,006</u> | <u>£805,211</u> |

- (i) The bank overdraft and commercial mortgages are secured by fixed charges over certain of the group's properties and by fixed and floating charges over other group assets.

The secured loan is secured on freehold property at Lansdown Road, Stroud and a fixed and floating charge on all other assets of the group.

- (ii) The commercial mortgages are repayable in equal quarterly amounts, the final repayments being due in 2011. The interest rates have been fixed for the next five years at 9.03% on £315,628 and 9.9% on £180,560.

The secured loan is repayable in 10 annual instalments commencing 31 December 1993 and carries interest at 2.5% above the higher of 7% per annum and the relevant LIBOR rate.

EBLEY TYRE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 (continued)

19 PROVISION FOR LIABILITIES AND CHARGES

Group and company

Deferred taxation

| | Provided | | Unprovided | |
|--------------------------|------------|------------|----------------|----------------|
| | 1995 | 1994 | 1995 | 1994 |
| | £ | £ | £ | £ |
| Other timing differences | <u>£ -</u> | <u>£ -</u> | <u>£73,500</u> | <u>£73,500</u> |

The unprovided timing difference relates to tax which has not been provided on the chargeable gain arising on the disposal of properties due to a claim for roll over relief on replacement business assets.

If the revalued land and buildings were disposed of at their adjusted book values at 31 December 1995 no additional liability for taxation would arise.

20 SHARE CAPITAL

| | 1995 Authorised | 1995 Allotted, called up and fully paid | 1994 Authorised | 1994 Allotted, called up and fully paid |
|---------------------------------------|--------------------|--|--------------------|--|
| | £ | £ | £ | £ |
| 155,555 ordinary shares of £1 each | 155,555 | 155,555 | 155,555 | 155,555 |
| 66,667 'A' ordinary shares of £1 each | 66,667 | 66,667 | 66,667 | 66,667 |
| 57,778 preference shares of £1 each | 107,778 | 57,778 | 107,778 | 70,278 |
| | <u>£330,000</u> | <u>£280,000</u> | <u>£330,000</u> | <u>£292,500</u> |

Preference shares of £1 each:

The rights of the preference shareholders include entitlement to receive a cumulative dividend at a rate of 12% per annum on the paid up capital, payable half yearly on 30 June and 31 December. The shareholders are entitled on a winding-up or otherwise to a repayment of paid up capital in priority to all other classes of shares. There are no voting rights attached to these shares.

The preference shares are redeemable at par in eight annual instalments of 12,500 shares and one of 7,778. The first instalment was redeemed on 30 June 1992. The company may redeem shares early, in multiples of 12,500, with the consent of the holders of 75% of preference shares.

EBLEY TYRE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 (continued)

21 STATEMENT OF MOVEMENT IN RESERVES AND SHAREHOLDERS' FUNDS

Group

| | Called up share capital £ | Revaluation reserve £ | Other reserves £ | Profit and Loss Account £ | Shareholders' funds £ |
|----------------------------|------------------------------------|-----------------------------|------------------------|------------------------------------|-----------------------------|
| At beginning of the year | 292,500 | 122,514 | 183,976 | (140,994) | 457,996 |
| Preference shares redeemed | (12,500) | - | - | - | (12,500) |
| Loss for the year | - | - | - | (47,811) | (47,811) |
| At end of the year | <u>£280,000</u> | <u>£122,514</u> | <u>£183,976</u> | <u>£(188,805)</u> | <u>£397,685</u> |

The cumulative goodwill written off is £25,457.

Company

| | Called up share capital £ | Revaluation reserve £ | Profit and Loss Account £ | Shareholders' funds £ |
|----------------------------|------------------------------------|-----------------------------|------------------------------------|-----------------------------|
| At beginning of the year | 292,500 | 122,514 | 66,080 | 481,094 |
| Preference shares redeemed | (12,500) | - | - | (12,500) |
| Loss for the year | - | - | (61,068) | (61,068) |
| At end of the year | <u>£280,000</u> | <u>£122,514</u> | <u>£5,012</u> | <u>£407,526</u> |

As stated in note 13, freehold land and buildings were revalued during the year.

The usage of the Lansdown Road, Stroud property changed during the year and although expected to be permanent, the deficit charged to the profit and loss account within the exceptional item in 1994 (note 6) is reduced by the surplus in 1995. Accordingly, the surplus has been credited to exceptional items.

| | <u>1995</u> £ | <u>1994</u> £ |
|--|------------------|------------------|
| Overall revaluation surplus at beginning of year | 41,811 | - |
| Net surplus to revaluation reserve | - | 122,514 |
| Surplus/(deficit) charged to exceptional item | 14,000 | (80,703) |
| Overall revaluation surplus (note 13) | <u>£55,811</u> | <u>£41,811</u> |

EBLEY TYRE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 (continued)

22 CASH FLOW STATEMENT

Net cash inflow from operating activities

| | 1995 £ | 1994 £ |
|---|-----------------|-----------------|
| Operating profit | 73,647 | 141,122 |
| Exceptional items (see below) | - | (98,655) |
| Depreciation of tangible fixed assets | 210,606 | 234,754 |
| Profit on sale of tangible fixed assets | (8,889) | 6,688 |
| (Increase)/decrease in stocks | (51,398) | 259,628 |
| Decrease in debtors | 91,573 | 104,684 |
| Increase/(decrease) in creditors | 176,702 | (203,259) |
| | <u>£492,241</u> | <u>£444,962</u> |
| Total exceptional items (note 6) | 14,000 | 179,358 |
| less: Item not involving the movement of funds - devaluation of property | (14,000) | (80,703) |
| Cash flow adjustment (see above) | <u>£ -</u> | <u>£98,655</u> |

Analysis of changes in cash and cash equivalents during the year

| | 1995 £ | 1994 £ |
|---------------------------|-------------------|-------------------|
| At beginning of the year | (563,324) | (520,898) |
| Net cash inflow/(outflow) | 42,843 | (42,426) |
| At end of the year | <u>£(520,481)</u> | <u>£(563,324)</u> |

| Represented by | 1995 £ | 1994 £ | Change in year £ |
|--------------------------|-------------------|-------------------|---------------------|
| Cash at bank and in hand | 2,175 | 2,266 | (91) |
| Bank overdraft | (522,656) | (565,590) | 42,934 |
| | <u>£(520,481)</u> | <u>£(563,324)</u> | <u>£42,843</u> |

Analysis of changes in finance during the year

| | Share capital £ | Bank and other loans £ | Finance leases £ | Minority interest £ |
|---|-----------------------|------------------------------|------------------------|---------------------------|
| At beginning of the year | 292,500 | 834,238 | 102,555 | 9,720 |
| Profit and loss account | | | | (2,821) |
| Shares redeemed | (12,500) | | | |
| Assets acquired under finance leases and hire purchase contracts | | | 27,138 | |
| Amounts repaid | | (79,025) | (63,023) | |
| | <u>£280,000</u> | <u>£755,213</u> | <u>£66,670</u> | <u>£6,899</u> |

EBLEY TYRE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 (continued)

23 LEASING COMMITMENTS

- (a) Future commitments due under finance leases and hire purchase contracts at 31 December expire as follows :

| | Group | | Company | |
|--------------------------|----------------|-----------------|----------------|----------------|
| | <u>1995</u> | <u>1994</u> | <u>1995</u> | <u>1994</u> |
| | £ | £ | £ | £ |
| Less than one year | 41,102 | 51,890 | 37,694 | 43,832 |
| Within one to two years | 22,572 | 36,422 | 18,819 | 35,755 |
| Within two to five years | 2,996 | 14,244 | - | 14,244 |
| | <u>£66,670</u> | <u>£102,556</u> | <u>£56,513</u> | <u>£93,831</u> |

- (b) Commitments due under operating leases for the year to 31 December 1996 are :

Group

| | Land and buildings | | Others | |
|--------------------------|--------------------|-----------------|-----------------|----------------|
| | <u>1995</u> | <u>1994</u> | <u>1995</u> | <u>1994</u> |
| | £ | £ | £ | £ |
| Leases expiring in : | | | | |
| Less than one year | - | - | 34,088 | 12,781 |
| Within one to two years | - | - | 74,211 | 42,852 |
| Within two to five years | 29,000 | 9,000 | 27,813 | 34,273 |
| After five years | 258,685 | 236,149 | - | - |
| | <u>£287,685</u> | <u>£245,149</u> | <u>£136,112</u> | <u>£89,906</u> |

Company

| | Land and buildings | | Others | |
|--------------------------|--------------------|-----------------|-----------------|----------------|
| | <u>1995</u> | <u>1994</u> | <u>1995</u> | <u>1994</u> |
| | £ | £ | £ | £ |
| Leases expiring in : | | | | |
| Less than one year | - | - | 34,088 | 12,781 |
| Within one to two years | - | - | 67,041 | 42,852 |
| Within two to five years | 29,000 | 9,000 | 27,813 | 30,691 |
| After five years | 190,349 | 190,349 | - | - |
| | <u>£219,349</u> | <u>£199,349</u> | <u>£128,942</u> | <u>£86,324</u> |

EBLEY TYRE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1995 (continued)

24 CAPITAL COMMITMENTS

Group and company

| | <u>1995</u> £ | <u>1994</u> £ |
|---|------------------|------------------|
| Contracted but not provided in the financial statements | <u>£35,595</u> | <u>£ -</u> |
| Authorised but not yet contracted for | <u>£ -</u> | <u>£ -</u> |

25 CONTINGENT LIABILITIES

The company has guaranteed the bank overdraft of Ebley Tyre & Auto Centres (South East) Limited to a maximum of £100,000. At 31 December 1995, the amount guaranteed was £39,633. (1994 : £35,086)

26 TRANSACTIONS INVOLVING DIRECTORS

Group and company

Transactions between Ebley Tyre Services Limited and Computer Aided Marketing Limited, a company in which T R Allen has a material interest, were :-

| | <u>1995</u> £ | <u>1994</u> £ |
|----------------|------------------|------------------|
| Purchased from | <u>£3,459</u> | <u>£16,632</u> |
| Sold to | <u>£143</u> | <u>£310</u> |