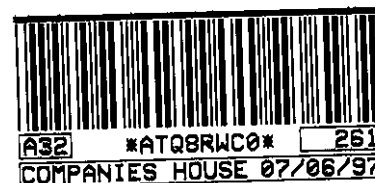


MSF Motor Group Limited
(formerly M&S Motor Holdings Limited)

2863609

Annual report
for the year ended 31 December 1995

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MSF Motor Group Limited
(formerly M&S Motor Holdings Limited)

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Directors and advisers

Executive directors

T J A McPhail
N Smillie
J R Fletcher (Chairwoman)

Secretary and registered office

G S Manton
Rossmore Road East
Ellesmere Port
SOUTH WIRRAL
L65 3BR

Registered Auditors

Coopers & Lybrand
Benson House
33 Wellington Street
LEEDS
LS1 4JP

Bankers

Midland Bank plc
2 Eccleston Street
PRESCOT
Merseyside
L34 5QF

Directors' report **for the year ended 31 December 1995**

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

Principal activities

The principal activities of the group are the operation of motor vehicle dealerships and short term vehicle hire specialists.

Change of name

On 6 December 1995, M&S Motor Holdings Limited changed its name to MSF Motor Group Limited.

Review of business

The consolidated profit and loss account for the year is set out on page 6.

On 7 December 1995 the company acquired the whole of the issued share capital of Fletcher Dealership Limited, the parent of a group of companies operating motor vehicle dealerships. The consideration for the acquisition was satisfied by the issue of 100 ordinary shares in MSF Motor Group Limited. Details of the acquisition are provided in note 19 to the financial statements.

The directors are encouraged by the performance of the group and the year end financial position given the economic climate prevailing during the year. Following the acquisition of Fletcher Dealership Limited, which provides the group with a broader portfolio of franchises, 1996 will be a period of consolidation.

Dividends and transfers to reserves

Interim dividends of £72,000 (1994: £300,000) were paid during the year. The directors do not recommend the payment of a final dividend (1994: £NIL).

After payment of the above dividends, £276,000 of the profit for the financial year will be transferred to the group's reserves.

Post balance sheet events

On 1 March 1996 and 7 June 1996 the group disposed of the business and certain assets of Peter Garven Limited and Jansens Limited, wholly owned subsidiary undertakings of Fletcher Dealership Limited. The disposals included tangible fixed assets, parts stock, work in progress, goodwill and the benefits of contracts.

MSF Motor Group Limited **(formerly M&S Motor Holdings Limited)**

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Adjustments have been made in the Financial Statements, where appropriate, to reflect the consideration received in respect of the above assets.

Since the year end, the group has also obtained the right to operate additional Ford franchises in Wigan, Leigh and Stanley, County Durham. In this respect the group purchased certain of the business assets of the former operators of these franchises.

In December 1996 the group acquired the freehold and long leasehold property interests for the Wigan franchise.

Directors

The directors of the company at 31 December 1995 are listed on page 1.

Mrs J R Fletcher was appointed to the board of directors on 7 December 1995.

T J A McPhail and N Smillie have been directors of the company for the whole of the year ended 31 December 1995.

Directors' interests

The interests of the directors in the shares of the company at 1 January and 31 December 1995 were:

	Ordinary shares of £1 each	
	1 January 1995	31 December 1995
T J A McPhail	100	100
N Smillie	100	100
J R Fletcher	*100	100

* on appointment

Changes in fixed assets

The movements in fixed assets during the year are set out in notes 10 and 11 to the financial statements. In the opinion of the directors there was no significant difference between market and book values of property at 31 December 1995.

Employees

The group, having regard to particular aptitudes and abilities, does not discriminate in any way in its employee recruitment, training or career development because of colour, sex, creed or physical disability. In the event of any employee becoming disabled, retraining and continued employment is arranged whenever practicable. During the period the group continued its policy of regular meetings with employees, within the limitations of commercial confidentiality and security.

MSF Motor Group Limited **(formerly M&S Motor Holdings Limited)**

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Charitable and political contributions

The contributions made by the group during the year for charitable purposes amounted to £1,000 (1994: £1,000). No political donations were made.

Statement of directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the group as at the end of the financial year and of the profit or loss of the group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1995. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Auditors

Coopers & Lybrand will not be seeking re-election as the company's auditors at the annual general meeting. A resolution to appoint KPMG in their stead will be proposed.

By order of the board



J R Fletcher
Chairwoman

8 May 1997

Report of the auditors to the members of MSF Motor Group Limited (formerly M&S Motor Holdings Limited)

We have audited the financial statements on pages 6 to 25.

Respective responsibilities of directors and auditors

As described on page 4 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.

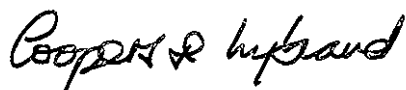
Basis of opinion

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 affairs of the company and the group at 31 December 1995 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
Leeds *20 May 1997*

MSF Motor Group Limited
(formerly M&S Motor Holdings Limited)

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**Consolidated profit and loss account
for the year ended 31 December 1995**

	Notes	1995 £'000	1994 £'000
Turnover			
Continuing operations		78,247	67,380
Acquisitions		3,411	-
		<hr/>	<hr/>
	2	81,658	67,380
Cost of sales		69,631	56,945
		<hr/>	<hr/>
Gross profit		12,027	10,435
Administrative expenses		10,864	7,996
		<hr/>	<hr/>
Operating profit			
Continuing operations		1,155	2,439
Acquisitions		8	-
		<hr/>	<hr/>
Profit on ordinary activities before interest		1,163	2,439
Interest receivable and similar income		81	20
Interest payable and similar charges	5	476	637
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2, 6	768	1,822
Tax on ordinary activities	7	420	642
		<hr/>	<hr/>
Profit for the financial year	8	348	1,180
Dividends	9	72	300
		<hr/>	<hr/>
Retained profit for the financial year	20	276	880
		<hr/>	<hr/>

The group has no recognised gains or losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

There is no significant difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

MSF Motor Group Limited (formerly M&S Motor Holdings Limited)

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Balance sheets at 31 December 1995

		Group		Company	
	Notes	1995 £'000	1994 £'000	1995 £'000	1994 £'000
Fixed assets					
Tangible assets	10	5,278	5,612	58	-
Investments	11	-	-	123	-
		<u>5,278</u>	<u>5,612</u>	<u>181</u>	<u>-</u>
Current assets					
Assets held pending sale	10	930	-	-	-
Stocks	12	6,138	3,797	-	-
Debtors	13	8,235	5,807	717	1,075
Cash at bank and in hand		1,141	1,408	-	482
		<u>16,444</u>	<u>11,012</u>	<u>717</u>	<u>1,557</u>
Creditors: amounts falling due within one year	14	<u>15,835</u>	<u>13,060</u>	<u>690</u>	<u>1,070</u>
Net current assets/(liabilities)		<u>609</u>	<u>(2,048)</u>	<u>27</u>	<u>487</u>
Total assets less current liabilities		<u>5,887</u>	<u>3,564</u>	<u>208</u>	<u>487</u>
Creditors: amounts falling due after more than one year	15	9	388	-	388
Provisions for liabilities and charges	16	<u>606</u>	<u>468</u>	<u>-</u>	<u>-</u>
		<u>615</u>	<u>856</u>	<u>-</u>	<u>388</u>
Net assets		<u>5,272</u>	<u>2,708</u>	<u>208</u>	<u>99</u>
Capital and reserves					
Called up share capital	18	-	-	-	-
Merger reserve	20	2,288	-	-	-
Capital redemption reserve	20	663	663	-	-
Profit and loss account	20	2,321	2,045	208	99
Equity shareholders' funds		<u>5,272</u>	<u>2,708</u>	<u>208</u>	<u>99</u>

The financial statements on pages 6 to 25 were approved by the board of directors on 8 May 1997 and were signed on its behalf by:


T J A McPhail
Director


N Smillie
Director

MSF Motor Group Limited
(formerly M&S Motor Holdings Limited)

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Consolidated cash flow statement
for the year ended 31 December 1995

	Notes	1995 £'000	1994 £'000
Net cash inflow from operating activities	22	<u>2,673</u>	<u>3,510</u>
Returns on investments and servicing of finance			
Interest received		81	20
Interest paid		(142)	(187)
Interest paid on finance leases		(334)	(450)
Dividends paid		<u>(72)</u>	<u>(300)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(467)</u>	<u>(917)</u>
Taxation			
United Kingdom corporation tax paid		<u>(544)</u>	<u>(56)</u>
Tax paid		<u>(544)</u>	<u>(56)</u>
Investing activities			
Purchase of tangible fixed assets (net of new finance leases entered into)		(728)	(450)
Sale of tangible fixed assets		6,149	6,230
Purchase of subsidiary (net of cash acquired)	19	<u>(557)</u>	<u>-</u>
Net cash inflow from investing activities		<u>4,864</u>	<u>5,780</u>
Net cash inflow before financing		<u>6,526</u>	<u>8,317</u>
Financing			
Repayment of loan		(455)	(69)
Repayment of principal under finance leases		<u>(6,970)</u>	<u>(6,543)</u>
Net cash outflow from financing		<u>(7,425)</u>	<u>(6,612)</u>
(Decrease)/increase in cash and cash equivalents	23	<u><u>(899)</u></u>	<u><u>1,705</u></u>

Notes to the financial statements for the year ended 31 December 1995

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important group accounting policies is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Turnover

Turnover, which excludes value added tax, sales between group companies and trade discounts, represents the invoiced value of goods and services supplied, together with incentives receivable from operating activities.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 December 1995. The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All subsequent changes to those assets and liabilities, and the resulting gains and losses, that arise after the group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill arising on the acquisition of subsidiaries and associates is written off immediately against reserves.

Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

MSF Motor Group Limited

(formerly M&S Motor Holdings Limited)

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Depreciation is calculated so as to write off the cost or valuation of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold buildings	2%
Short leasehold buildings	20%
Plant and equipment	20%
Fixtures and fittings	20%
Motor vehicles	33 1/3% to 48%

Stocks

Stocks are stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise. Full provision is made for deferred taxation on timing differences arising from the provision of employee pensions.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of the equivalent owned assets.

Pension costs

A number of group companies participate in a defined benefit scheme administered by Motor Industry Pensions Limited. The funds are valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the group benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme.

The group also operates a defined contribution pension scheme covering certain of its employees. The pension charge represents contributions payable by the group to the scheme during the year.

MSF Motor Group Limited (formerly M&S Motor Holdings Limited)

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2 Segmental analysis by class of business

Class of business

	1995		1994	
	Turnover	Profit before taxation	Turnover	Profit before taxation
	£'000	£'000	£'000	£'000
Motor vehicle dealerships	77,318	690	64,025	1,363
Short term vehicle hire	4,340	78	3,355	459
	<u>81,658</u>	<u>768</u>	<u>67,380</u>	<u>1,822</u>

3 Directors' emoluments

	1995 £'000	1994 £'000
Salary payments (including benefits in kind and pension contributions)	<u>2,200</u>	<u>118</u>

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	1995 £'000	1994 £'000
The Chairman to 6 December 1995	27	49
The Chairwoman from 7 December 1995	4	-
Highest paid director (also Chairman)	<u>998</u>	<u>49</u>

The number of directors (including the chairpersons and the highest paid director) who received fees and other emoluments (excluding pension contributions) within the following ranges was:

	1995 Number	1994 Number
£0 - £5,000	1	-
£45,001 to £50,000	-	2
£995,001 to £1,000,000	<u>2</u>	<u>-</u>

Directors' emoluments of £2,000,000 (excluding pension contributions) include fees of £1,605,000 paid to TJA Consultants Limited, a company controlled by T J A McPhail and N Smillie. Of these fees, £585,000 was paid by Regional Vehicle Rentals Limited, the short term vehicle hire business referred to in note 2.

MSF Motor Group Limited (formerly M&S Motor Holdings Limited)

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4 Employee information

The average weekly number of persons (including executive directors) employed by the group during the year was:-

	1995 Number	1994 Number
By activity		
Administration	127	116
Other	293	241
	<u>420</u>	<u>357</u>
	<u>1995</u>	<u>1994</u>
	<u>£'000</u>	<u>£'000</u>
Staff costs (for the above persons)		
Wages and salaries	6,300	3,589
Social security costs	411	323
Other pension costs	224	30
	<u>6,935</u>	<u>3,942</u>

5 Interest payable and similar charges

	1995 £'000	1994 £'000
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	111	110
Repayable within 5 years, by instalments	31	42
Repayable wholly or partly in more than five years	-	35
On finance leases	334	450
	<u>476</u>	<u>637</u>

6 Profit on ordinary activities before taxation

	1995 £'000	1994 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation charge for the year		
Tangible owned fixed assets	305	331
Tangible fixed assets held under finance leases	674	933
Auditors' remuneration		
Audit (Company £30,000; 1994: £5,000)	78	43
Non-audit services (see below)	90	-
Hire of plant and machinery - operating leases	985	321
Hire of other assets - operating leases	361	244
	<u>1,419</u>	<u>1,872</u>

Fees payable to the group's auditors for the provision of non-audit services include £77,000 (1994: £Nil) for advice in connection with the acquisition of Fletcher Dealership Limited. These fees have been treated as acquisition costs (note 19) and have not therefore been charged against current year profits.

MSF Motor Group Limited (formerly M&S Motor Holdings Limited)

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7 Tax on profit on ordinary activities

	1995 £'000	1994 £'000
United Kingdom corporation tax at 33% (1994: 33%):		
Current	278	635
Deferred	138	1
Under provision in respect of prior years:		
Current	4	6
	<u>420</u>	<u>642</u>

8 Profit for the financial year

As permitted by Section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's profit for the financial year was £181,000 (1994: £399,000).

9 Dividends

	1995 £'000	1994 £'000
Dividends on equity shares:		
Ordinary - interim paid of £360 per share (1994: £1,500 per share)	<u>72</u>	<u>300</u>

MSF Motor Group Limited (formerly M&S Motor Holdings Limited)

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10 Tangible fixed assets

Group	Freehold and long leasehold land and buildings £'000	Short leasehold land and buildings £'000	Plant and equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost or valuation						
At 1 January 1995	1,002	207	778	283	4,772	7,042
In respect of new subsidiaries	734	-	425	180	56	1,395
Additions	-	36	248	41	6,211	6,536
Transferred to current assets (see note below)	(734)	-	(339)	(64)	-	(1,137)
Disposals	-	-	(3)	-	(7,070)	(7,073)
At 31 December 1995	1,002	243	1,109	440	3,969	6,763
Depreciation						
At 1 January 1995	31	182	551	206	460	1,430
In respect of new subsidiaries	-	-	147	60	-	207
Charge for year	14	14	107	44	800	979
Transferred to current assets (see note below)	-	-	(147)	(60)	-	(207)
Disposals	-	-	(2)	-	(922)	(924)
At 31 December 1995	45	196	656	250	338	1,485
Net book value						
At 31 December 1995	957	47	453	190	3,631	5,278
Net book value						
At 31 December 1994	971	25	227	77	4,312	5,612

Prior to the year end, the directors of the company were negotiating to dispose of the assets of Peter Garven Limited. This disposal was completed after the year end. In view of their pending sale, the tangible fixed assets of Peter Garven Limited have therefore been shown as current assets within the consolidated balance sheet. The long leasehold land and buildings of Peter Garven Limited were the only fixed assets included at a valuation.

The net book value of tangible fixed assets includes an amount of £3,224,000 (1994: £4,006,000) in respect of assets held under finance leases.

The cost of freehold land, which is not depreciated is £287,000 (1994: £287,000).

MSF Motor Group Limited (formerly M&S Motor Holdings Limited)

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Tangible fixed assets (continued)

Company

The tangible fixed assets of MSF Motor Group Limited consist entirely of motor vehicles:

	£'000
Cost	
At 1 January 1995	-
Additions	72
Group transfers	21
Disposals	(21)
	<u>72</u>
At 31 December 1995	<u><u>72</u></u>
Depreciation	
At 1 January 1995	-
Charge for year	14
	<u>14</u>
At 31 December 1995	<u><u>14</u></u>
Net book value	
At 31 December 1995	58
	<u><u>58</u></u>
Net book value	
At 31 December 1994	-
	<u><u>-</u></u>

11 Fixed asset investments

Company

	Interests in group undertakings £'000
Cost	
At 1 January 1995	-
Additions	127
	<u>127</u>
At 31 December 1995	<u><u>127</u></u>
Amounts written off	
At 1 January 1995	-
During the year	4
	<u>4</u>
At 31 December 1995	<u><u>4</u></u>
Net book value	
At 31 December 1995	123
	<u><u>123</u></u>
Net book value	
At 31 December 1994	-
	<u><u>-</u></u>

MSF Motor Group Limited (formerly M&S Motor Holdings Limited)

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Interests in group undertakings

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. The following information relates to those subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the figures of the group:

Name of undertaking	Description of shares held	Proportion of nominal value of issued shares held by		Nature of business
		Group %	Company %	
*M&S Motors (Ellesmere Port) Limited	Ordinary shares	100	100	Ford main dealership
*M&S Motors (Durham) Limited	Ordinary shares	100	-	Ford main dealership
*M&S Motors (Southport) Limited	Ordinary shares	100	-	Ford main dealership
*Regional Vehicle Rentals Limited	Ordinary shares	100	-	Short term vehicle hire
*Fletcher Motors (Crossgates) Limited	Ordinary shares	100	-	Rover dealership
*Scarsdale Finance Limited	Ordinary shares	100	-	Vehicle financing
*Jansens Limited	Ordinary shares	100	-	Volvo and Saab dealership
*Fletcher Motors Limited	Ordinary shares	100	-	Peugeot and Citroen dealership
*Peter Garven Limited	Ordinary shares	100	-	Ford main dealership
*Fletcher Dealership Limited	Ordinary shares	100	100	Holding company

* Auditors other than Coopers & Lybrand.

All of the above companies are registered in England and Wales and operate in Great Britain.

On 30 December 1996 the company acquired each of the above investments previously held by subsidiary undertakings. All group undertakings are now wholly-owned by MSF Motor Group Limited.

12 Stocks

	Group	
	1995 £'000	1994 £'000
Goods for resale	5,527	1,648
Stock deposits with Ford Motor Company Limited	611	2,149
	<u>6,138</u>	<u>3,797</u>

The company had no stocks.

13 Debtors

	Group		Company	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade debtors	7,019	5,335	250	151
Amounts owed by subsidiary undertakings	-	-	421	903
Dividends receivable	-	-	4	-
Other debtors	147	61	30	15
Prepayments and accrued income	769	411	12	6
	<u>7,935</u>	<u>5,807</u>	<u>717</u>	<u>1,075</u>
Amounts falling due after more than one year				
Other debtors (see below)	300	-	-	-
	<u>8,235</u>	<u>5,807</u>	<u>717</u>	<u>1,075</u>

Other debtors due after more than one year comprise an interest-free loan to Fletcher Property Services Limited repayable in December 1997. Mrs J R Fletcher, a director of the company, is the controlling shareholder of Fletcher Property Services Limited.

14 Creditors: amounts falling due within one year

	Group		Company	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (see (a) below)	632	67	76	67
Obligations under finance leases	3,654	4,816	-	-
Trade creditors (see (b) below)	6,086	5,545	25	34
Retail dealer deposits	267	400	-	-
Amounts owed to subsidiary undertakings	-	-	187	557
Corporation tax	264	416	41	60
Other taxation and social security	1,138	898	11	30
Other creditors	661	258	250	250
Directors' loan account	3	13	3	13
Accruals	3,130	647	97	59
	<u>15,835</u>	<u>13,060</u>	<u>690</u>	<u>1,070</u>

(a) The bank loans and overdrafts are secured by fixed charges over certain group properties together with floating charges over other group assets.

14 Creditors: amounts falling due within one year (continued)

(b) Included under trade creditors are the following loans from Ford Credit Europe plc which are secured by first floating charges on the stock deposits with Ford Motor Company Limited and all new vehicle stocks:

Group		Company	
1995	1994	1995	1994
£'000	£'000	£'000	£'000
<u>611</u>	<u>2,149</u>	<u>-</u>	<u>-</u>

15 Creditors: amounts falling due after more than one year

	Group		Company	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	-	388	-	388
Other creditors	<u>9</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>9</u>	<u>388</u>	<u>-</u>	<u>388</u>
Bank loans and overdrafts: Repayable as follows:				
In one year or less	632	67	76	67
Between two and five years inclusive	-	326	-	326
In five years or more	<u>-</u>	<u>62</u>	<u>-</u>	<u>62</u>
	<u>632</u>	<u>455</u>	<u>76</u>	<u>455</u>

16 Provisions for liabilities and charges

Group	Deferred taxation £'000
At 1 January 1995	468
Profit and loss account	<u>138</u>
At 31 December 1995	<u>606</u>

Deferred taxation

Deferred taxation provided in the financial statements, and the amount unprovided of the total potential liability, are as follows:

Group

	Amount provided		Amount unprovided	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
Tax effect of timing differences:				
Excess of tax allowances over depreciation	463	471	-	-
Other timing differences	143	(3)	-	-
	<u>606</u>	<u>468</u>	<u>-</u>	<u>-</u>

The company has no potential liability or unprovided liability to deferred taxation.

17 Pensions and similar obligations

A number of group companies participate in a defined benefit scheme administered by Motor Industry Pensions Limited. The assets of the scheme are held in separate trustee administered funds.

The total pension cost arising under this scheme was £10,000 (1994: £Nil), which was assessed in accordance with the advice of an independent qualified actuary using the Attained Age method. The latest actuarial valuation of the scheme was as at 6 April 1995. The assumptions that have the most significant effect on the valuation were those relating to the rate of return on investments, rate of increase in dividends and the rates of increase in salaries and pensions. It was assumed that the investment return would be 9% per annum, dividend increases would be 4.5% per annum, that salary increases would average 7% per annum and that present and future pensions would not increase beyond the 3% per annum on the Guaranteed Minimum Pension.

At the date of the latest actuarial valuation, the market value of the assets of the scheme was £604,000 and the actuarial value of the assets was sufficient to cover 105% of the benefits which had accrued to members, after allowing for expected future increases in earnings.

There is no pension provision as the accumulated pension cost does not vary significantly from the payment of contributions to the pension scheme.

The group also operates a defined contribution pension scheme for certain of its employees. The pension cost for the year ended 31 December 1995 under this scheme was £14,000 (1994: £30,000). There were no accruals or prepaid contributions at the year end.

18 Called up share capital

	1995 £	1994 £
Authorised		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
300 (1994: 200) ordinary shares of £1 each	<u>300</u>	<u>200</u>

On 7 December 1995, 100 ordinary shares of £1 each were issued fully paid as consideration for the acquisition of the whole of the issued share capital of Fletcher Dealership Limited.

19 Acquisitions

On 7 December 1995 the company acquired the whole of the issued share capital of Fletcher Dealership Limited for a total consideration of £2,288,000. The consideration was satisfied by the issue of 100 ordinary shares of £1 each at par (see note 20). The acquisition expenses amounted to £123,000. The group has used acquisition accounting to account for the purchase.

The summarised profit and loss account for Fletcher Dealership Limited and its subsidiaries for the period from 1 January 1995, the beginning of their financial year, to the date of acquisition is as follows:

Profit and loss account	Period ended 6 December 1995 £'000
Turnover	<u>46,401</u>
Operating profit	<u>541</u>
Profit on ordinary activities before taxation	342
Tax on ordinary activities	<u>(112)</u>
Profit on ordinary activities after taxation	<u>230</u>

Prior to its acquisition by the company, Fletcher Dealership Limited acquired the motor and related business interests of Fletcher Group Holdings Limited. Consolidated accounts had not therefore previously been prepared for Fletcher Dealership Limited. The aggregated profit after tax for the year ended 31 December 1994 of the companies acquired by MSF Motor Group Limited was £221,000.

Fletcher Dealership Limited and its subsidiaries had no other recognised gains or losses other than the profits above.

The aggregate turnover of the enlarged group for the year ended 31 December 1995 was £128,059,000.

Acquisitions (continued)

The assets and liabilities of Fletcher Dealership Limited acquired are set out below:

	Book value	Fair value adjustment	Accounting policy alignment	Fair value
	£'000	£'000	£'000	£'000
Tangible fixed assets	1,532	(344)	-	1,188
Current assets				
Stocks	3,888	-	(135)	3,753
Debtors	1,756	-	-	1,756
Cash at bank and in hand	22	-	-	22
Total assets	7,198	(344)	(135)	6,719
Liabilities				
Creditors	3,744	-	-	3,744
Loans and overdrafts	456	-	-	456
Provision for re-organisation costs	108	-	-	108
Net assets	2,890	(344)	(135)	2,411
Goodwill				-
				2,411
Satisfied by:				
Shares allotted				2,288
Acquisition expenses				123
				2,411

The basis of valuing Fletcher Dealership Limited's used vehicle stocks was changed to accord with the basis adopted by the group.

The fair value adjustment relates to the writing down to realisable value of Peter Garven Limited's tangible fixed assets, which were sold after the year end.

Acquisitions (continued)

Impact on cash flows

Fletcher Dealership Limited absorbed £187,000 of the group's net operating cash flow, paid £14,000 in respect of net returns on investments and servicing of finance and generated £25,000 from investing activities.

Analysis of the net outflow of cash and cash equivalents in respect of the purchase of Fletcher Dealership Limited

	£'000
Cash consideration including acquisition expenses	(123)
Cash at bank and in hand acquired	22
Bank overdrafts acquired	(456)
	<hr/>
Net outflow of cash and cash equivalents in respect of the purchase	(557)
	<hr/>

Goodwill

The fair value of the consideration given equated to the fair value of the identifiable net assets acquired, hence no goodwill arose on the acquisition.

20 Reserves

Group	Capital redemption reserve £'000	Merger reserve £'000	Profit and loss account £'000
At 1 January 1995	663	-	2,045
Arising on acquisition in the year	-	2,288	-
Retained profit for the year	-	-	276
	<hr/>	<hr/>	<hr/>
At 31 December 1995	663	2,288	2,321
	<hr/>	<hr/>	<hr/>
Company			Profit and loss account £'000
At 1 January 1995			99
Retained profit for the year			109
			<hr/>
At 31 December 1995			208
			<hr/>

The merger reserve in the group was created on the issue of shares in MSF Motor Group Limited to acquire Fletcher Dealership Limited. The company has recorded the investment at the nominal value of the shares issued together with the expenses incurred on the acquisition and, accordingly, no merger reserve arises in the company.

21 Reconciliation of movements in shareholders' funds

	1995 £'000	1994 £'000
Profit for the financial year	348	1,180
Dividends	(72)	(300)
	<u>276</u>	<u>880</u>
Merger reserve arising on acquisition	2,288	-
	<u>2,564</u>	<u>880</u>
Net addition to shareholders' funds	2,708	1,828
Opening shareholders' funds	<u>5,272</u>	<u>2,708</u>
Closing shareholders' funds	<u>5,272</u>	<u>2,708</u>

22 Reconciliation of operating profit to net cash inflow from operating activities

	1995 £'000	1994 £'000
Continuing activities		
Operating profit	1,163	2,439
Depreciation on tangible fixed assets	979	1,266
(Increase)/decrease in stocks	(210)	127
Decrease/(increase) in stock deposit	1,622	(272)
Increase in debtors	(672)	(1,956)
(Decrease)/increase in creditors	(209)	1,906
	<u>2,673</u>	<u>3,510</u>
Net cash inflow from continuing operating activities	<u>2,673</u>	<u>3,510</u>

23 Cash and cash equivalents

	1995 £'000	1994 £'000
Changes during the year		
At 1 January 1995	1,408	(297)
Net cash (outflow)/inflow	(899)	1,705
	<u>509</u>	<u>1,408</u>
At 31 December 1995	<u>509</u>	<u>1,408</u>

Analysis of balances	1995		1994		1993
	1995 £'000	Change in year £'000	1994 £'000	Change in year £'000	1993 £'000
Cash at bank and in hand	1,141	(267)	1,408	1,401	7
Bank overdrafts	(632)	(632)	-	304	(304)
	<u>509</u>	<u>(899)</u>	<u>1,408</u>	<u>1,705</u>	<u>(297)</u>
At 31 December	<u>509</u>	<u>(899)</u>	<u>1,408</u>	<u>1,705</u>	<u>(297)</u>

24 Analysis of changes in financing during the year

	1995		1994	
	Share capital (including premium)	Loans and finance lease obligations	Share capital (including premium)	Loans and finance lease obligations
	£'000	£'000	£'000	£'000
At 1 January 1995	-	5,271	-	3,815
Net cash flows from financing	-	(7,425)	-	(6,612)
Shares issued for non-cash consideration	2,288	-	-	-
Transfer to merger reserve	(2,288)	-	-	-
Inception of finance lease contracts	-	5,808	-	8,068
At 31 December 1995	-	3,654	-	5,271

25 Major non-cash transactions

During the year the group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the leases of £5,808,000 (1994: £8,068,000).

The consideration for the purchase of Fletcher Dealership Limited comprised shares. Further details of the acquisition are set out in note 19.

26 Post balance sheet events

Details of post balance sheet events are given in the directors' report.

27 Contingent liabilities

Company

The company has given an Unlimited Multilateral Company Guarantee, dated 25 August 1994, in respect of the bank borrowings of M & S Motors (Ellesmere Port) Limited, M & S Motors (Durham) Limited, M & S Motors (Southport) Limited, Regional Vehicle Rentals Limited, M53 Vehicle Rentals Limited and Durham City Vehicle Rentals Limited, all of which are group undertakings. At 31 December 1995 such borrowings amounted to £Nil (1994: £8,000).

Group

At 31 December 1995 the group had an obligation to buy back vehicles acquired by its customers under the Motability Scheme totalling £4,729,000 (1994: £3,766,000). The obligation at 31 December 1995 relates to vehicle buy backs in the period from 1 January 1996 to 31 December 1998.

Contingent liabilities (continued)

At 31 December 1995 the group had further commitments to purchase motor vehicles within twelve months of the year end to the value of £619,000 (1994: £Nil).

The directors do not expect a loss to arise as a result of these arrangements.

28 Consignment stock

The value of consignment stock held by the group on behalf of vehicle manufacturers was £11,079,000 (1994: £6,217,000). The stock remains the property of the manufacturers until such time as it is formally adopted by the group. The stock deposit is calculated on the basis of a fixed percentage of qualifying vehicles purchased during the preceding twelve months.

29 Capital commitments

	Group 1995 £'000	1994 £'000
Future capital expenditure authorised but not contracted for	5	410
	<u>5</u>	<u>410</u>

The company had no capital commitments.

30 Related party transactions

During the year the group made payments of £31,000 (1994: £Nil) to Fletcher Property Services Limited, of which Mrs J R Fletcher is a director and controlling shareholder. The payments were for rents, which are calculated on an arms' length basis, on properties used by the group.

As disclosed in note 13 to the financial statements, the group has also provided Fletcher Property Services Limited with an interest free loan of £300,000.

31 Financial commitments

At 31 December 1995 the group had annual commitments under non-cancellable operating leases as follows:

	1995 Land and buildings £'000	Other £'000	1994 Land and buildings £'000	Other £'000
Expiring within one year	40	180	28	-
Expiring within two to five years inclusive	49	2	135	81
Expiring in over five years	687	-	128	-
	<u>776</u>	<u>182</u>	<u>291</u>	<u>81</u>
	<u>776</u>	<u>182</u>	<u>291</u>	<u>81</u>

A number of the subsidiaries operate from premises leased from Fletcher Property Services Limited (see note 30 above).