

Inchcape Automotive Limited
(Formerly Trushelfco (No 2377) Limited)
(Company No 3580629)

Report & financial statements

For the period ended 30 June 1999



33 Cavendish Square
London
W1G 0PW

Inchcape Automotive Limited

(Formerly Trushelfco (No 2377) Limited)

Report of the Directors

The directors present their report and the audited financial statements for the period ended 30 June 1999.

Principal activity and review of business and future developments

The Company was incorporated on 12 June 1998 as Trushelfco (No 2377) Limited. On 15 July 1998 the Company changed its name to Inchcape Automotive Limited. On 28 September 1998 the Company acquired all of the share capital of Inchcape Investment & Asset Management Limited, making it the holding company of an international group of companies ("the group") involved in automotive importation and retailing; vehicle rental, management and leasing; property and leisure activities; and financial services.

Results and dividends

The loss for the year, after taxation, amounted to £309,549,000. The directors do not propose the payment of a final dividend. An interim dividend of £15,000,000 was paid on 5 May 1999.

Directors

The directors who held office during the period or were subsequently appointed were as follows:

D Butcher	(appointed 24 July 1998)
A Catterall	(appointed 30 June 1999)
C Duckworth	(appointed 24 July 1998, resigned 10 March 1999)
A Ferguson	(appointed 14 July 1998)
K Fielding	(appointed 11 August 2000, resigned 9 October 2000)
A Kobrine	(appointed and resigned 14 July 1998)
P Mainwaring	(appointed 24 July 1998, resigned 23 October 1998)
A Marsh	(appointed 24 July 1998, resigned 30 June 1999)
C Parker	(appointed 18 October 1999)
D Rowe	(appointed 12 June 1998, resigned 14 July 1998)
A Ryde	(appointed and resigned 14 July 1998)
P Wallwork	(appointed 30 June 1999)
J West	(appointed 11 August 2000, resigned 9 October 2000)
R Williams	(appointed 14 July 1998)
E Zuercher	(appointed 12 June 1998, resigned 14 July 1998)

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Report of the Directors (Continued)

Directors' interests

No director had any interests in the shares of the company (or its subsidiaries) at either the date of appointment or 30 June 1999.

The table below shows the interests in the ordinary share of Inchcape plc, the ultimate parent undertaking, of the persons who were directors at 30 June 1999:

	30 June 1999	Date of Appointment
D Butcher	4,000	-
A Ferguson	11,279	6,157
R Williams	20,150	20,335

Executive options (a)	30 June 1999	Granted	Waived	Date of Appointment
D Butcher	68,200	-	-	68,200
A Catterall	8,561	-	-	8,561
A Ferguson	84,334	-	-	84,334
R Williams	73,312	-	-	73,312

SAYE options (b)	30 June 1999	Granted	Lapsed	Date of Appointment
D Butcher	1,725	-	-	1,725
A Ferguson	1,380	-	-	1,380
R Williams	-	-	5,249	5,249

- (a) Under the Inchcape Executive Share Option Scheme, Inchcape International Executive Share Option Scheme (formerly known as the Inchcape Overseas Executive Share Option Scheme).

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Report of the Directors (Continued)

Directors' interests (Continued)

(b) Under the Inchcape SAYE Share Option Scheme.

Long term incentive awards	30 June 1999	Dividend	Waived	Date of Appointment
R Williams	72,659	5,893	-	66,766

Awards under the Long Term Incentive Plan refer to Inchcape plc ordinary shares which have been contingently awarded during the period under the Inchcape plc Long Term Incentive Plan. The total as at 30 June 1999 is the maximum number of shares which will transfer to the director at the end of the five years provided that Inchcape plc performance criteria are fully met.

Notes on share options

At the Annual General Meeting of Inchcape plc held on 14 May 1999 it was agreed to establish the Inchcape 1999 Share Option Plan and the Inchcape Deferred Bonus Plan. As a precondition of receiving options and awards under the new schemes all awards under the Inchcape Executive Share Option Schemes, the Inchcape International Executive Share Option Schemes and Inchcape plc Long Term Incentive Plan will be cancelled.

Year 2000

Business critical systems continued to operate effectively and no significant disruption to the Company occurred as a result of the Year 2000. No expenditure has been incurred during the period.

Euro

There were no significant costs incurred during the period related to the introduction of the EMU on 1 January 1999. The introduction has not had a material effect on the operation of the business.

Creditor payment policy

The Company is responsible for agreeing the terms and conditions including terms of payment under which business transactions with the Company's suppliers are conducted. While the Company does not follow any single external code or standard, in line with Inchcape group policy, payments to suppliers are made in accordance with the agreed terms, provided that the supplier is also complying with all the relevant terms and conditions.

Inchcape Automotive Limited
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Report of the Directors (Continued)

Auditors

Messrs PricewaterhouseCoopers were appointed as auditors on 24 July 1999. PricewaterhouseCoopers have indicated their willingness to continue in office, and a resolution concerning their appointment will be proposed at the Annual General Meeting.

By order of the board

M. Luck

P.S.V. Inchcape Corporate Services Limited

Secretary

Date: *20/12/2000*

Inchcape Automotive Limited
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Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial period 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; and
- 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.

Auditors' Report to the Members of Inchcape Automotive Limited (Formerly Trushelfco (No 2377) Limited)

We have audited the financial statements on pages 7 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 5, the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 at 30 June 1999 and of its loss for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors
London

21 December 2000

Date

Inchcape Automotive Limited
(Formerly Trushelfco (No 2377) Limited)

Profit and Loss Account for the Period Ended 30 June 1999

	<i>Note</i>	1999 £'000
Net operating expenses	3	(313,389)
Other investment income		6
Net operating loss	3	(313,383)
Interest payable	4	(38)
Loss on ordinary activities before taxation		(313,421)
Taxation	5	3,872
Loss on ordinary activities after taxation		(309,549)
Dividends	6	(15,000)
Retained loss for the financial period		(324,549)

The Company has no recognised gains and losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

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

All activities of the Company are continuing.

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Balance Sheet as at 30 June 1999

	Note	1999 £'000
Fixed assets		
Investments	7	745,005
Current assets		
Debtors – amounts falling due within one year	8	4,264
Current liabilities		
Creditors – amounts falling due within one year	9	(28,818)
Net current liabilities		(24,554)
Net assets		720,451
Financed by:		
Capital and reserves		
Called up share capital	10	52,250
Profit and loss account	11	668,201
Equity shareholders' funds	12	720,451

The financial statements on pages 7 to 14 were approved by the Board of Directors and were signed on its behalf by:



Director

Date: 20/12/2000

Inchcape Automotive Limited

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Notes to the Financial Statements

1 Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important policies, which are applied consistently, is given below.

(a) Accounting convention

The financial statements have been prepared on the historical cost basis.

(b) Group accounts

In accordance with the exemption permitted by Section 228 of the Companies Act 1985 no group financial statements have been prepared.

(c) Fixed asset investments

Investments held as fixed assets are stated at cost less provision for impairment in value.

2 Directors' emoluments, auditors' remuneration and employee information

The directors are the sole employees of the Company and none of them received or waived any emoluments in respect of their services for the period ended 30 June 1999.

Auditors' remuneration has been borne by a fellow subsidiary undertaking on behalf of the Company.

3 Operating loss

Operating loss is stated after charging:

	1999 £'000
Provision against investments	300,000

4 Interest payable and similar charges

	1999 £'000
Interest paid on bank loans and overdrafts	38

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Notes to the Financial Statements

5 Taxation

The taxation credit for group relief receivable based on the results for the period is made up as follows:

	1999 £'000
United Kingdom corporation tax at 31.%	3,872

6 Dividends

	1999 £'000
Equity - ordinary	
Interim paid per £0.05 share	15,000

7 Fixed asset investments

	Investments in subsidiary undertakings £000	Other investment £000	Total £000
Additions since incorporation	1,045,000	5	1,045,005
At 30 June 1999	1,045,000	5	1,045,005
Amounts provided for impairment			
Provided in period	(300,000)	-	(300,000)
At 30 June 1999	(300,000)	-	(300,000)
Net book amount			
At 30 June 1999	745,000	5	745,005

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Notes to the Financial Statements

7 Fixed asset investments (Continued)

On 28 September 1998 Inchcape Automotive Limited purchased a company, Inchcape Investment and Asset Management from another Group company at a cost of £1,045 million. Subsequent to that purchase the investment was written down, as it became clear that the assumptions regarding the value of the undertakings had been optimistic. The carrying value of the investment has been reviewed in accordance with FRS 11 – impairment of fixed assets and goodwill, and written down by £300m. This valuation was reached on the basis of two different valuation methods. For certain businesses value in use was assessed as the discounted value of future cash flows based on an internal 5 Year Plan, using a pre-tax discount rate of approximately 18%. Realisable values for other businesses reflected best estimates of their net realisable values to the group on their prospective sale. The aggregate value was compared with the average of December 1998 brokers' values for the whole of Inchcape's motor business adjusted for those businesses not within the Inchcape Automotive Limited sub-group, to confirm the reasonableness of the value.

The only directly held subsidiary is Inchcape Investment and Asset Management Ltd, a wholly owned company, which is incorporated, and operates, in the UK.

Principal subsidiaries

<i>Company</i>	<i>Country/Region</i>	<i>Shareholding</i>	<i>Description</i>
Inchcape Investment and Asset Management Ltd	United Kingdom	100%	Holding company

8 Debtors

	1999 £'000
Amounts owed by Group undertakings	392
Corporation tax recoverable	3,872
	<hr/> 4,264

9 Creditors - amounts falling due within one year

	1999 £'000
Bank loans and overdrafts	25
Amounts owed to Group undertakings	28,793
	<hr/> 28,818

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Notes to the Financial Statements

10 Called up share capital

	1999 £'000
Authorised	
1,045,000,000 ordinary shares of £0.05 each	52,250
100 ordinary shares of £1 each	-
Allotted and fully paid	
1,045,000,000 ordinary shares of £0.05 each	52,250
2 ordinary shares of £1 each	-

During the period the ordinary shares of 5p were issued for cash, in order to finance the purchase of the investment in Inchcape Investment and Asset Management Limited. The nominal value of these shares was £52,250,000 and the consideration received was £1,045,000,000, creating a share premium account of £992,750,000.

11 Reserves

	Share premium account £'000	Profit and loss account £000
At 12 June 1998	-	-
Premium on shares issued	992,750	-
Cancellation of share premium account	(992,750)	992,750
Retained loss for the period	-	(324,549)
	-	668,201

In March 1999 the share premium of £992,750,000 was cancelled by Court Order under petition of the Company by special resolution, creating distributable reserves of the same amount.

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Notes to the Financial Statements

12 Reconciliation of movements in shareholders' funds

	1999 £'000
Loss for the financial period	(309,549)
Dividends paid	(15,000)
Share capital issued	52,250
Share premium account (converted into distributable reserves – see note 11)	992,750
Net increase in shareholders' funds	720,451
Opening shareholders' funds	-
Closing shareholders' funds	720,451

13 Contingent liabilities

The Company is party to composite cross guarantees between banks, its ultimate parent company and fellow subsidiaries. The Company's contingent liability under these guarantees at 30 June 1999 was £nil.

14 Post balance sheet event

On 9 July 1999 Inchcape plc group paid out a dividend of £529 million. This involved the outflow of funds from the group of that amount. Accordingly the directors did not consider it appropriate to carry the investment in the subsidiary undertaking at £745 million. An additional provision of £394 million was accounted for after the balance sheet date. This additional provision is recognised in the financial statements of the Company for the period ended 31 December 1999.

15 Cash flow statement

A cash flow statement is not required as Inchcape plc, the Company's ultimate holding company, has complied with Financial Reporting Standard 1 Revised by including a consolidated cash flow statement in its Report and Accounts for the year ended 31 December 1998.

16 Related party transactions

The Company is a wholly owned subsidiary in the Inchcape plc group and has applied the exemption in paragraph 3(c) of FRS8 "Related Party Disclosures". This exemption permits the non-disclosure of transactions and balances with related parties that are included in the financial statements of Inchcape plc. The directors consider that there are no other relationships, transactions or balances which are required to be disclosed by FRS8.

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Notes to the Financial Statements

17 Ultimate parent undertaking

The Company's immediate and ultimate parent undertaking is Inchcape plc, a public company incorporated in England and Wales. Copies of Inchcape's plc's consolidated financial statements may be obtained from the Secretary at the company's registered office, 33 Cavendish Square, London W1G 0PW.

The parent undertaking, which heads the smallest and largest groups for which consolidated financial statements are prepared is Inchcape plc.