

EVANS HALSHAW (CHESHAM) LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1999

REGISTERED NUMBER: 1994408



EVANS HALSHAW (CHESHAM) LIMITED

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DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 1999

The directors have pleasure in submitting their report and the audited financial statements of the company for the year ended 31 December 1999.

RESULTS AND DIVIDENDS

The results for the year are shown in the profit and loss account on page 4.

The directors do not recommend the payment of a dividend (1998 : £nil).

REVIEW OF ACTIVITIES

The company's principal activity during the year was the sale and service of motor vehicles and the company expects to continue its operations in this market.

During the year Pendragon PLC acquired the whole of the issued share capital of Evans Halshaw Holdings plc.

DIRECTORS

The directors during the year were as follows:

CDE Cameron	(resigned 9 February 1999)
AF Smith	(resigned 9 February 1999)
MD Sumner	(resigned 9 February 1999)
T G Finn	(appointed 9 February 1999)
D R Forsyth	(appointed 9 February 1999)
S N Hopewell	(appointed 9 February 1999)
M S Casha	(appointed 9 February 1999)
H C Sykes	(appointed 27 April 1999)
Pendragon Management Services Limited	(appointed 9 February 1999)

DIRECTORS' INTERESTS

None of the directors had any interest in the share capital of the company. The interests of the directors in the share capital of the ultimate parent company are shown in the financial statements of that company.

During the year none of the directors had a material interest in any contract of significance in relation to the company's activities.

EMPLOYMENT OF DISABLED PERSONS

The company recognises its responsibilities in employing and training disabled persons. If any employee becomes disabled it is standard practice, in all but the most extreme circumstances, to offer an alternative job and provide retraining where necessary.

EMPLOYEE INVOLVEMENT

Regular contact and exchanges of information are maintained to keep employees informed of the progress of the business.

DONATIONS

Charitable donations amounted to £210 (1998: £nil). No political donations were made (1998: £nil).

DIRECTORS' REPORT (continued)

YEAR ENDED 31 DECEMBER 1999

PAYMENTS TO SUPPLIERS


The company's policy, in relation to all of its suppliers, is to settle the terms of payment when agreeing the terms of the transaction and to abide by those terms (provided that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions). The company does not follow any code or standard on payment practice.

The number of days' purchases outstanding for payment by the company at 31 December 1999 was 6 days (1998: 5 days).

AUDITORS

A resolution to re-appoint KPMG Audit plc as auditor will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'H C Sykes', is positioned above the printed name and title.

H C Sykes
Director

Loxley House
Little Oak Drive
Annesley
Nottinghamshire
22 February 2000

EVANS HALSHAW (CHESHAM) LIMITED
DIRECTORS' RESPONSIBILITIES STATEMENT

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Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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.

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF EVANS HALSHAW (CHESHAM) LIMITED

We have audited the financial statements on pages 4 to 11.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board, and by 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 or regarding directors' remuneration and transactions with the company is not disclosed.

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 the company's affairs as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Birmingham
Chartered Accountants
Registered Auditor

22 February 2000

PROFIT AND LOSS ACCOUNT**YEAR ENDED 31 DECEMBER 1999**

Note		1999 £000	1998 £000
2	Turnover		
	Continuing operations	23,826	25,016
3	Cost of sales	(20,696)	(21,900)
	Gross profit	3,130	3,116
3	Net operating expenses	(2,105)	(2,103)
4	Operating profit	1,025	1,013
6	Net interest payable	(53)	(100)
	Profit on ordinary activities before taxation	972	913
7	Taxation	(278)	(289)
15	Retained profit for the financial year	694	624

All amounts relate to continuing operations.

The notes on pages 7 to 11 form part of these financial statements

Movements on reserves are shown in note 15.

BALANCE SHEET**AT 31 DECEMBER 1999**

Note		1999 £000	1998 £000
	Fixed assets		
8	Tangible assets	463	369
	Current assets		
9	Stocks	2,415	6,735
10	Debtors	2,303	538
	Cash at bank and in hand	60	1
		4,778	7,274
11	Creditors: amounts falling due within one year	(2,378)	(2,155)
	Net current assets	2,400	5,119
	Total assets less current liabilities	2,863	5,488
12	Creditors: amounts falling due after more than one year	-	(3,341)
13	Provisions for liabilities and charges	(52)	(30)
	Net assets	2,811	2,117
	Capital and reserves		
14	Called up share capital	292	292
15	Profit and loss account	2,519	1,825
	Equity shareholder's funds	2,811	2,117

Approved by the Board of Directors on 22 February 2000 and signed on its behalf by :



D R Forsyth
Finance Director

The notes on pages 7 to 11 form part of these financial statements

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1999 £000	1998 £000
Profit for the financial year	694	624
Total recognised gains and losses relating to the year	694	624

The reported profit for the year is not materially different from the profit on an unmodified historical cost basis.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £000	1998 £000
Profit for the financial year	694	624
Net addition to shareholders' funds	694	624
Opening shareholders' funds	2,117	1,493
Closing shareholders' funds	2,811	2,117

The notes on pages 7 to 11 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED 31 DECEMBER 1999****1 Accounting Policies**

(a) Accounting convention. The financial statements have been prepared in accordance with applicable accounting standards using the historical cost convention.

(b) Turnover. Turnover represents sales invoiced to third parties exclusive of value added tax.

(c) Tangible fixed assets and depreciation. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold properties - 2% per annum or over the period of the lease if less than 50 years.

Plant and equipment - 10-33% per annum.

Motor vehicles - 20-25% per annum.

(d) Stocks.

(i) Consignment vehicles in respect of which finance charges are levied are regarded as being effectively under the control of the group and, in accordance with Financial Reporting Standard No. 5, are included within stocks on the balance sheet even though legal title has not yet passed to the group. The corresponding liability is included in creditors.

(ii) Motor vehicles (including consignment and demonstrator vehicles) and parts stocks are stated at the lower of cost and net realisable value.

(e) Repurchase commitments. As part of its normal trading activities the group has contracted to repurchase at predetermined values and dates, certain vehicles previously sold or let under operating leases or similar arrangements. The group's residual interest in these vehicles is included in current assets and the related liability is included as 'repurchase commitments' within creditors.

(f) Deferred taxation. Provision is made for deferred taxation on timing differences, under the liability method, except where the liability is not expected to arise in the foreseeable future.

(g) Pensions. The regular cost of the group's defined benefit pension scheme is expensed in order to allocate the cost of providing the pensions, recognising any actuarial surplus or deficiency (where appropriate), over the working lives of the relevant employees.

(h) Leases. Assets acquired under finance leases are treated as tangible fixed assets and depreciation is provided accordingly. The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the capital balance outstanding. Rentals under operating leases are charged to the profit and loss account in the year in which they are incurred.

(i) Cash flow statement. As a wholly owned subsidiary undertaking of Pendragon PLC, the company has relied upon the exemption in Financial Reporting Standard No.1 (revised) and has not included a cash flow statement as part of these financial statements.

(j) Related parties. Under Financial Reporting Standard No. 8 the company has relied upon the exemption not to disclose related party transactions with other group undertakings as they are all included in the Pendragon PLC consolidated financial statements.

2 Turnover

All turnover arises in the United Kingdom from the company's principal activities.

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 1999

3 Cost of sales and net operating expenses

	1999 £000	1998 £000
Turnover	23,826	25,016
Cost of sales	(20,696)	(21,900)
Gross profit	3,130	3,116
Net operating expenses :		
Distribution costs	(1,370)	(1,393)
Administrative expenses	(735)	(710)
	(2,105)	(2,103)
Operating profit	1,025	1,013

4 Operating profit

(i) Operating profit has been arrived at after charging :

	1999 £000	1998 £000
Depreciation of tangible fixed assets	64	73
Auditors' remuneration - audit services	8	8
Auditors' remuneration - other services	-	2
Property rental charges	178	177
Other leasing charges	65	29

5 Employees

The average number of persons employed by the company during the year was 69 (1998: 59).

Costs incurred in respect of these employees were :

	1999 £000	1998 £000
Wages and salaries	975	1,235
Social security costs	96	125
Other pension costs	17	8
	1,089	1,368

No director of the company received any emoluments during the year (1998 : none).

6 Net interest payable

	1999 £000	1998 £000
Interest payable on loans wholly repayable within five years :		
Bank loans and overdrafts (not repayable by instalments)	13	69
Bank interest receivable	-	(4)
Other loans - manufacturers stocking loans	40	35
	53	100

7 Taxation

	1999 £000	1998 £000
UK corporation tax at 30.25% (1998 - 31%)	210	294
Deferred taxation	(2)	(5)
Payment for group relief	70	-
	278	289

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 1999

8	Fixed assets - tangible assets	Short	Plant &	Motor	Total
		Leasehold Buildings £000	Equipment £000	Vehicles £000	
	Cost				
	At 31 December 1998	344	435	47	826
	Additions	-	27	676	703
	Disposals	-	-	(545)	(545)
	At 31 December 1999	344	462	178	984
	Depreciation				
	At 31 December 1998	86	345	26	457
	Disposals	-	-	-	-
	Charge for the year	14	44	6	64
	At 31 December 1999	100	389	32	521
	Net book value				
	At 31 December 1999	244	73	146	463
	At 31 December 1998	258	90	21	369
9	Stocks		1999	1998	
			£000	£000	
	New and used vehicles		793	2,117	
	Vehicles subject to repurchase agreements		-	3,292	
	Consignment vehicles		1,452	1,197	
	Vehicle parts and other stocks		170	129	
			2,415	6,735	
10	Debtors		1999	1998	
			£000	£000	
	Trade debtors		267	299	
	Amounts owed by group undertakings		1,854	80	
	Deferred tax		7	-	
	Other debtors and prepayments		175	159	
			2,303	538	
11	Creditors : amounts falling due within one year		1999	1998	
			£000	£000	
	Bank overdraft		-	71	
	Consignment vehicle liabilities		1,452	1,197	
	Payments received on account		94	165	
	Trade creditors		405	294	
	Amounts owed to group undertakings		18	-	
	Corporation tax		213	298	
	Other taxation and social security		56	26	
	Accruals and deferred income		140	104	
			2,378	2,155	

NOTES TO THE FINANCIAL STATEMENTS continued

YEAR ENDED 31 DECEMBER 1999

12	Creditors : amounts falling due after one year	1999 £000	1998 £000
	Vehicle repurchase obligations	-	3,292
	Loans from group undertakings	-	49
		-	3,341

13 Provisions for liabilities and charges

The amounts of provisions for deferred tax in the financial statements are as follows:

	Provided		Unprovided	
	1999 £000	1998 £000	1999 £000	1998 £000
Tax allowances in excess of depreciation	9	5	-	-
Other timing differences	(16)	(10)	-	-
	(7)	(5)	-	-

The deferred tax asset is included in debtors.

The movement in the provision for the year is as follows:

	Deferred taxation £000	Pension costs £000	Total £000
At 31 December 1998	(5)	35	30
Profit and loss account	(2)	17	15
Deferred tax asset transferred to debtors (see note 10)	7	-	7
At 31 December 1999	-	52	52

14 Called up share capital

	1999 £000	1998 £000
Authorised:		
350,000 (1998 - 350,000) ordinary shares of £1.00 each	350	350
Allotted, called up and fully paid :		
291,827 (1998 - 291,827) ordinary shares of £1.00 each	292	292

15 Reserves

	Profit and loss account £000
At 31 December 1998	1,825
Retained profit	694
At 31 December 1999	2,519

NOTES TO THE FINANCIAL STATEMENTS continued**YEAR ENDED 31 DECEMBER 1999****16 Operating lease commitments**

Annual lease payments due in 2000 under operating leases of the company according to the period in which the lease expires, are as follows :

	Property		Other leases	
	1999	1998	1999	1998
	£000	£000	£000	£000
Within 1 year		-		9
Between 1 and 5 years		-		2
Over 5 years	180	180		-
	<u>180</u>	<u>180</u>	<u>-</u>	<u>11</u>

17 Ultimate holding company

The company's ultimate parent company is Pendragon PLC which is incorporated in England and Wales. Financial statements of Pendragon PLC for the year ended 31 December 1999 are available from the Company Secretary, Pendragon PLC, Loxley House, Little Oak Drive, Annesley, Nottinghamshire, NG15 0DR.

18 Contingent liabilities

The company is a party to a group arrangement with its bankers whereby any in-hand balance may be applied against the overdraft of other group companies. As at 31 December 1999 the cash at bank and in hand was £60,000 (1998: £1,000).

19 Pensions

The company, as a member of the Pendragon PLC group, participates in that group's defined benefit contributory retirement and death benefits scheme for its eligible members. Particulars of the latest actuarial valuation and basis for continuing company contributions may be found in the financial statements of Pendragon PLC. The company's total pension costs for the year were £17,000 (1998 : £8,000).