



**DANE MOTOR COMPANY
(MALTON) LIMITED**

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 1998

Company No. 476202

DANE MOTOR COMPANY (MALTON) LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 March 1998.

Principal activity

The company's principal activity is the operation of motor retail franchises.

Results and dividends

The loss on ordinary activities before taxation for the year amounted to £549,000 (1997, loss £506,000). The directors do not recommend the payment of a dividend for the year (1997, £nil).

Directors and their interests

The directors who served during the year are set out below. Both served on the board throughout the year:

R T Palmer
A C Wilson

The interests of R T Palmer and A C Wilson in the share capital of European Motor Holdings plc are disclosed in that company's financial statements. Neither of the directors had a beneficial interest in the share capital of the company.

Directors' responsibilities for the financial statements

The following statement, which should be read in conjunction with the auditors' statement of auditors' responsibilities set out on page 3, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by law to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of each accounting year and of the profit or loss of the company for the year. They are responsible for keeping proper accounting records, for safeguarding assets, and for taking reasonable steps to prevent and detect fraud and other irregularities.

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

DANE MOTOR COMPANY (MALTON) LIMITED

REPORT OF THE DIRECTORS

Policy on the payment of creditors

It is the company's policy to settle the terms of payment with all its suppliers when agreeing the terms of transactions, to ensure that suppliers are aware of the terms of payment, and to abide by the terms of payment. At 31 March 1998 the company's outstanding trade creditor balances (excluding vehicles) represented 32 days' (1997, 34 days') purchases.

Auditors

Grant Thornton having offered themselves for reappointment as auditors shall be deemed to be reappointed for the next financial year in accordance with Section 386 of the Companies Act 1985.

BY ORDER OF THE BOARD



M D Beacham FCA
Secretary
9 June 1998

**REPORT OF THE AUDITORS TO THE MEMBERS OF
DANE MOTOR COMPANY (MALTON) LIMITED**

We have audited the financial statements on pages 4 to 13 which have been prepared under the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

**LONDON
9 JUNE 1998**

DANE MOTOR COMPANY (MALTON) LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 MARCH 1998

	Note	1998 £'000	1997 £'000
Turnover	2	36,323	18,275
Cost of sales		<u>(33,511)</u>	<u>(16,416)</u>
Gross profit		2,812	1,859
Distribution costs		(1,774)	(1,229)
Administrative expenses		<u>(1,241)</u>	<u>(1,002)</u>
Operating loss		(203)	(372)
Profit on disposal of properties		-	66
Interest payable	3	<u>(346)</u>	<u>(200)</u>
Loss on ordinary activities before and after taxation	4, 16	<u><u>(549)</u></u>	<u><u>(506)</u></u>

All transactions arise from continuing operations.

There are no recognised gains and losses other than the loss for the financial year as reported above.

The accompanying accounting policies and notes form part of these financial statements.

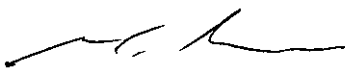
DANE MOTOR COMPANY (MALTON) LIMITED

BALANCE SHEET AT 31 MARCH 1997

	Note	£'000	1998 £'000	£'000	1997 £'000
Fixed assets					
Tangible assets	8		436		288
Current assets					
Stocks	9	4,566		3,277	
Debtors	10	1,078		1,057	
Cash at bank and in hand		-		1	
		5,644		4,335	
Creditors: amounts falling due within one year	11	(7,469)		(5,523)	
Net current liabilities			(1,825)		(1,188)
Total assets less current current liabilities			(1,389)		(900)
Creditors: amounts falling due after more than one year	12		(611)		(551)
			(2,000)		(1,451)
Capital and reserves					
Called up share capital	14		10		10
Share premium account	15		192		192
Other reserves	15		(241)		(241)
Profit and loss account	15		(1,961)		(1,412)
Equity shareholders' funds	16		(2,000)		(1,451)

These financial statements were approved by the Board of Directors on 9 June 1998

R T Palmer



)

A C Wilson



)

) Directors

)

The accompanying accounting policies and notes form part of these financial statements.

DANE MOTOR COMPANY (MALTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 1998

1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies of the company are set out below. They have been applied consistently throughout the year and have remained unchanged from the previous year.

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention, as modified to include the revaluation of freehold land and buildings, and in accordance with applicable accounting standards. The financial statements have been prepared on the going concern basis as the directors have been informed by the ultimate parent undertaking that sufficient funds will be made available to enable the company to meet future obligations as they arise.

GOODWILL

Purchased goodwill is eliminated from the financial statements by immediate write off against reserves.

TURNOVER

Turnover represents the invoiced value of goods sold and services provided to customers excluding Value Added Tax.

PENSION COSTS

The company contributes to individual pension arrangements for certain executives and staff on a defined contribution basis. All such contributions are charged to the profit and loss account in the accounting period in which they are incurred.

DEPRECIATION

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of tangible fixed assets other than freehold land, by equal annual instalments over their estimated useful lives. The periods generally applicable are:

Plant and machinery	- 3 to 10 years
Fixtures, fittings, and equipment	- 3 to 10 years
Motor vehicles	- 4 years

GRANTS

Grants in respect of capital expenditure are credited to the profit and loss account over the estimated useful life of the relevant fixed assets. Grants receivable of a revenue nature are matched with the expenditure to which they relate.

Grants shown in the balance sheet as deferred credits represent total grants receivable to date less the amounts so far credited to the profit and loss account.

DANE MOTOR COMPANY (MALTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 1998

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

LEASES AND HIRE PURCHASE CONTRACTS

Assets financed by leasing arrangements which substantially transfer all risks and rewards approximating to ownership ("finance leases") or by hire purchase contracts are stated at their fair value at the date of acquisition, with an equivalent liability being included in creditors as the net obligation due under finance leases and hire purchase contracts. Such assets are depreciated over their estimated economic lives. Finance charges are allocated to accounting periods over the primary period of the lease or hire purchase contract to produce a constant rate of interest on the outstanding liability to the finance companies.

All other leases are regarded as operating leases and the total payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

STOCKS AND WORK IN PROGRESS

Stocks and work in progress are valued at the lower of cost and net realisable value. In circumstances where the substance of a consignment stocking agreement is such that the stock is deemed to be an asset of the company, the stock is recognised as such on the balance sheet, and the corresponding liability to the manufacturer is included within creditors. In all other circumstances, consignment stock is disclosed as a contingent liability.

Vehicle stocking interest incurred under consignment stocking agreements is charged to cost of sales.

DEFERRED TAXATION

Deferred taxation is the taxation attributable to timing differences between profits or losses as computed for taxation purposes and results as stated in the financial statements.

Provision is made for deferred taxation using the liability method, to the extent that the directors consider that a liability is likely to arise in the foreseeable future. Unprovided deferred taxation is disclosed as a contingent liability.

DANE MOTOR COMPANY (MALTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 1998

2 TURNOVER

The turnover and loss before taxation are attributable to one continuing activity, the operation of motor retail franchises, and are wholly derived in the United Kingdom.

3 INTEREST PAYABLE

	1998 £'000	1997 £'000
Interest on bank overdrafts and loans	346	197
Other interest	-	3
	<u>346</u>	<u>200</u>

Vehicle stocking interest amounting to £32,000 (1997, £21,000) has been charged to cost of sales.

4 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging the following:

	1998 £'000	1997 £'000
Depreciation of tangible fixed assets:		
Owned assets	113	89
Operating lease charges:		
Land and buildings	251	251
Plant and machinery and equipment	6	-
Auditors' remuneration for audit services	<u>11</u>	<u>11</u>

5 DIRECTORS' REMUNERATION

Neither director received any remuneration from the company during the year (1997, £nil).

DANE MOTOR COMPANY (MALTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 1998

6 STAFF NUMBERS AND COSTS

The average number of persons employed by the company during the year was as follows:

	1998 Number	1997 Number
Production	19	17
Administration and selling	59	51
	<u>78</u>	<u>68</u>

Staff costs during the year were as follows:

	£'000	£'000
Wages and salaries	1,322	935
Social security costs	141	95
Other pension costs	8	10
	<u>1,471</u>	<u>1,040</u>

7 TAX ON LOSS ON ORDINARY ACTIVITIES

The taxation charge for the year was £nil (1997, £nil). Tax losses of £561,000 (1997, £199,000) arising in the year have been surrendered as group relief.

At 31 March 1998, the company had approximately £345,000 (1997, £345,000) of tax losses to be carried forward, which are available for relief against future profits.

DANE MOTOR COMPANY (MALTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 1998

8 TANGIBLE FIXED ASSETS

	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation:				
At 1 April 1997	247	129	24	400
Additions	149	90	-	239
Intra group transfers	45	-	-	45
Disposals	-	-	(12)	(12)
At 31 March 1998	441	219	12	672
Depreciation:				
At 1 April 1997	63	40	9	112
Charge for the year	68	40	5	113
Intra group transfers	18	-	-	18
Eliminated on disposals	-	-	(7)	(7)
At 31 March 1998	149	80	7	236
Net book amount:				
At 31 March 1998	292	139	5	436
At 31 March 1997	184	89	15	288

9 STOCKS

	1998 £'000	1997 £'000
Finished goods and goods for resale	3,162	2,110
Vehicle consignment stocks	1,198	1,167
Vehicle repurchase commitments	206	-
	4,566	3,277

Vehicle stock held under consignment stocking agreements which are deemed to be assets of the company under the provisions of FRS5 are included on the balance sheet from the point of consignment. The corresponding liability to the manufacturers is included within creditors. Stocks are held on consignment until adopted, subject to a maximum consignment period of 180 days. Interest is payable for part of the consignment period, at rates linked to Finance House Base Rate.

DANE MOTOR COMPANY (MALTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 1998

STOCKS (CONTINUED)

Vehicle repurchase commitments relate to undertakings to repurchase new vehicles sold by the company. The directors consider that adequate provision has been made for the expected losses arising from the disposal of the vehicles.

10 DEBTORS

	1998 £'000	1997 £'000
Trade debtors	384	575
Amounts owed by group undertakings	6	8
Prepayments and accrued income	688	474
	<u>1,078</u>	<u>1,057</u>

Included within the above total for prepayments and accrued income is an amount of £191,000 (1997, £202,000) which is due after more than one year.

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £'000	1997 £'000
Bank loans and overdrafts	4,253	3,093
Hire purchase and finance lease liabilities	127	142
Trade creditors	1,190	849
Vehicle repurchase commitments	206	-
Liabilities in respect of vehicle consignment stocks	1,198	1,167
Amounts owed to group undertakings	74	103
Other taxation and social security costs	200	64
Accruals and deferred income	221	105
	<u>7,469</u>	<u>5,523</u>

12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1998 £'000	1997 £'000
Amounts owed to group undertakings	<u>611</u>	<u>551</u>

DANE MOTOR COMPANY (MALTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 1998

13 DEFERRED TAXATION

There was no amount provided or unprovided in respect of deferred taxation at 31 March 1998 or 31 March 1997.

14 SHARE CAPITAL

	1998 £'000	1997 £'000
Authorised: 10,000 ordinary shares of £1 each	<u>10</u>	<u>10</u>
Allotted, called up and fully paid: 10,000 ordinary shares of £1 each	<u>10</u>	<u>10</u>

15 RESERVES

	Other reserves £'000	Share premium account £'000	Profit and loss account £'000
At 1 April 1997	(241)	192	(1,412)
Retained loss for the financial year	<u>-</u>	<u>-</u>	<u>(549)</u>
At 31 March 1998	<u>(241)</u>	<u>192</u>	<u>(1,961)</u>

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £'000	1997 £'000
Loss for the financial year	(549)	(506)
Opening shareholders' funds	<u>(1,451)</u>	<u>(945)</u>
Closing shareholders' funds	<u>(2,000)</u>	<u>(1,451)</u>

17 CAPITAL COMMITMENTS

There were no capital commitments at 31 March 1998 or at 31 March 1997.

DANE MOTOR COMPANY (MALTON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 MARCH 1998

18 CONTINGENT LIABILITIES

The company has entered into a cross guarantee and debenture to secure bank borrowings of the ultimate parent undertaking and certain fellow subsidiary undertakings. The total liability under this guarantee at the balance sheet date was £nil (1997: £nil).

19 ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking is European Motor Holdings plc ("EMH") which is registered in England and Wales.

The largest and smallest group in which the results of the company are consolidated is that headed by EMH. The consolidated accounts of EMH are available to the public and may be obtained from Abbey Road, Park Royal, London NW10 7RY.

As a wholly owned subsidiary of European Motor Holdings plc, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by European Motor Holdings plc.