

Company No: 2841660



MILES (CHESHAM) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 1997

MILES (CHESHAM) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1997

Company registration number:

2841660

Registered office:

6th Floor
Thavies Inn House
3-4 Holborn Circus
LONDON
EC1N 2HL

Directors:

P W Gladwin
Mrs M Wells

Secretary:

P W Gladwin

Bankers:

Royal Bank of Scotland
27 Park Row
LEEDS
LS1 5QB

Auditors:

Grant Thornton
Registered Auditors
Chartered Accountants
Grant Thornton House
Kettering Parkway
KETTERING
Northants
NN15 6XR

MILES (CHESHAM) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997

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MILES (CHESHAM) LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 December 1997.

Principal activities

The company is principally engaged in the purchasing, selling and repairing of motor vehicles and other ancillary services.

Business review

The directors are pleased to report a profit for the year on the back of increased car sales. The directors have set a cautious budget for 1998, showing a reasonable overall return on sales.

There was a profit for the year after taxation amounting to £20,328 (1996 - profit £22,641). The directors cannot recommend payment of a dividend and the profit has therefore been transferred to reserves.

Directors

The present membership of the Board is set out below. Both directors served throughout the year.

The interests of the directors and their families in the shares of the company as at 1 January 1997 and 31 December 1997, were as follows:

	Preference shares		Ordinary shares	
	31 December 1997	1 January 1997	31 December 1997	1 January 1997
P W Gladwin	300,000	300,000	75,000	75,000
Mrs M Wells	0	0	0	0

Directors' responsibilities for the financial statements

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 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

MILES (CHESHAM) LIMITED

REPORT OF THE DIRECTORS

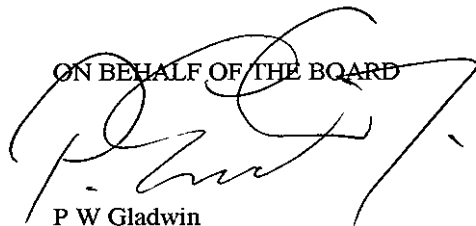
Directors' responsibilities for the financial statements (continued)

The directors are responsible for maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD

A large, stylized handwritten signature in black ink, appearing to read 'P. W. Gladwin', is written over the text 'ON BEHALF OF THE BOARD'.

P W Gladwin
Director
1 March 1998

REPORT OF THE AUDITORS TO THE MEMBERS OF

MILES (CHESHAM) LIMITED

We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 4 and 5.

Respective responsibilities of directors and auditors

As described on pages 1 and 2 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 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 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
KETTERING
11 MARCH 1998**

MILES (CHESHAM) LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

TURNOVER

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

DEPRECIATION

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The periods generally applicable are:

Leasehold property	21 years
Plant and equipment	10 years
Company vehicles	4 years
Furniture and fittings	5 - 10 years
Computer equipment	5 years

STOCKS

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

Under supply agreements with General Motors the company has access to 'consignment stock' during the consignment period. Where the nature of this supply agreement transfers risks and rewards to the company which in substance gives the company control over the stock during the consignment period and liabilities in respect of holding costs the company recognises this stock in the balance sheet together with an equivalent liability.

Where supply agreements do not provide risks and rewards to the company until such time as legal title actually passes at the end of the consignment period, this stock is not included in the balance sheet. Both the terms under which such stock is held and the financial commitment in respect of this stock are disclosed in the notes to the financial statements.

DEFERRED TAXATION

Deferred tax is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

MILES (CHESHAM) LIMITED

PRINCIPAL ACCOUNTING POLICIES

DEFERRED TAXATION (CONTINUED)

Debit balances arising in respect of advance corporation tax on dividends payable or proposed are carried forward to the extent that they are expected to be recoverable.

LEASED ASSETS

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

MOTABILITY REPURCHASE ARRANGEMENTS

The company has certain obligations to repurchase vehicles at a predetermined residual price upon the expiry of contracts, usually after three years under agreements with Motability Finance Limited. The assets and corresponding liabilities have been disclosed in the balance sheet at the repurchase price. Where there is no obligation to repurchase vehicles, no disclosure is made.

MILES (CHESHAM) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1997

	Note	1997 £	1996 £
Turnover	1	9,062,356	6,731,219
Cost of sales		<u>8,308,279</u>	<u>6,035,141</u>
Gross profit		754,077	696,078
Administrative expenses		807,764	790,915
Other operating income		<u>(119,433)</u>	<u>(157,403)</u>
Operating profit		65,746	62,566
Net interest	2	<u>45,418</u>	<u>39,925</u>
Profit on ordinary activities before taxation	1	20,328	22,641
Tax on profit on ordinary activities	4	<u>0</u>	<u>0</u>
Profit transferred to reserves	11	<u><u>20,328</u></u>	<u><u>22,641</u></u>

There were no recognised gains or losses other than the profit for the financial year.

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

MILES (CHESHAM) LIMITED

BALANCE SHEET AT 31 DECEMBER 1997

	Note	£	1997 £	£	1996 £
Fixed assets					
Tangible assets	5		376,600		404,583
Current assets					
Stocks	6	841,042		540,804	
Debtors	7	198,489		388,473	
Cash at bank and in hand		<u>255</u>		<u>16</u>	
		1,039,786		929,293	
Creditors: amounts falling due within one year	8	<u>902,339</u>		<u>937,665</u>	
Net current assets/(liabilities)			<u>137,447</u>		<u>(8,372)</u>
Total assets less current liabilities			514,047		396,211
Creditors: amounts falling due after more than one year	9		<u>389,236</u>		<u>291,728</u>
			<u>124,811</u>		<u>104,483</u>
Capital and reserves					
Called up share capital	10		375,000		375,000
Profit and loss account	11		<u>(250,189)</u>		<u>(270,517)</u>
Shareholders' funds	12		<u>124,811</u>		<u>104,483</u>
Equity shareholders' funds			(175,189)		(195,517)
Non-equity shareholders' funds			<u>300,000</u>		<u>300,000</u>
			<u>124,811</u>		<u>104,483</u>

The financial statements were approved by the Board of Directors on 1 March 1998.

P W Gladwin
Director

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

MILES (CHESHAM) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1997

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and profit before taxation are attributable to one activity; the purchasing, selling and repairing of motor vehicles, and other ancillary services.

The profit on ordinary activities is stated after:

	1997 £	1996 £
Auditors' remuneration		
Audit services	3,100	3,000
Hire of plant and machinery	38,131	32,492
Other operating lease rentals	90,000	90,000
Depreciation		
Tangible fixed assets	27,477	30,109
Other operating income includes:		
Manufacturers receivables	<u>77,299</u>	<u>88,089</u>

2 NET INTEREST

	1997 £	1996 £
On bank loans and overdrafts	11,546	12,119
Other interest payable and similar charges	<u>33,872</u>	<u>27,806</u>
	<u>45,418</u>	<u>39,925</u>

MILES (CHESHAM) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1997

3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	1997 £	1996 £
Wages and salaries	389,897	438,292
Social security costs	<u>35,520</u>	<u>41,424</u>
	<u>425,417</u>	<u>479,716</u>

The average number of employees of the company during the year was as follows:

	1997 Number	1996 Number
Mechanical	9	13
Sales and distribution	17	13
Administration	<u>3</u>	<u>4</u>
	<u>29</u>	<u>30</u>

Remuneration in respect of directors was as follows:

	1997 £	1996 £
Management remuneration	<u>60,880</u>	<u>31,690</u>

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

No tax charge arises on the profit for the year. Unrelieved tax losses of £390,000 (1996 - £360,000) remain available to offset against future taxable trading profits.

MILES (CHESHAM) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1997

5 TANGIBLE FIXED ASSETS

	Long leasehold land and buildings £	Plant and equipment £	Company vehicles £	Furniture and fittings £	Computer equipment £	Total £
Cost						
At 1 January 1997	390,991	60,168	7,868	9,053	2,184	470,264
Additions	0	1,617	0	500	0	2,117
	390,991	61,785	7,868	9,553	2,184	472,381
Disposals	0	0	(7,868)	0	0	(7,868)
At 31 December 1997	390,991	61,785	0	9,553	2,184	464,513
Depreciation						
At 1 January 1997	45,198	13,461	3,803	2,301	918	65,681
Provided in the year	18,611	6,171	1,442	1,167	86	27,477
	63,809	19,632	5,245	3,468	1,004	93,158
Eliminated on disposals	0	0	(5,245)	0	0	(5,245)
At 31 December 1997	63,809	19,632	0	3,468	1,004	87,913
Net book amount at 31 December 1997	327,182	42,153	0	6,085	1,180	376,600
Net book amount at 31 December 1996	345,793	46,707	4,065	6,752	1,266	404,583

6 STOCKS

	1997 £	1996 £
Short-term work in progress	1,017	1,326
Finished goods and goods for resale	340,521	265,318
Vehicle consignment stock	200,368	181,184
Motability repurchase commitment vehicles	299,136	92,976
	841,042	540,804

The company has an obligation to repurchase vehicles under agreements with Motability Finance Limited, such repurchase is usually required after three years. The assets and corresponding liabilities have been recorded at the repurchase price. The value of repurchase vehicles due after more than one year is £259,892 (1996 - £88,121).

MILES (CHESHAM) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 1997****STOCKS (CONTINUED)**

Consignment vehicles included in the balance sheet relate to categories of stock where allocation has in principal been made to customer order. All other consignment vehicles are available for allocation to other Vauxhall Retailers. Consignment vehicles excluded from the balance sheet at 31 December 1997 had a cost of £80,959 (1996 - £221,383).

7 DEBTORS

	1997 £	1996 £
Trade debtors	109,723	274,877
Other debtors	32,340	35,245
Prepayments and accrued income	56,426	78,351
	<u>198,489</u>	<u>388,473</u>

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 £	1996 £
Bank overdraft	162,459	204,526
Trade creditors	606,224	599,868
Motability repurchase commitments	39,244	4,855
Social security and other taxes	25,655	31,700
Other creditors	45,833	53,390
Other loan (note 9)	21,083	21,083
Accruals and deferred income	1,841	22,243
	<u>902,339</u>	<u>937,665</u>

The bank overdraft is secured by a debenture charge over all the assets of the company.

Trade creditors include amounts due under vehicle finance arrangements and consignment plans of £358,605 (1996 - £347,585) effectively secured against the relevant vehicle stocks, and of these amounts £272,251 (1996 - £251,959) are secured by way of a debenture charge.

MILES (CHESHAM) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 1997****9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	1997 £	1996 £
Loan from director	40,000	50,000
Other creditors	16,510	59,690
Other loan	72,834	93,917
Motability repurchase vehicles	<u>259,892</u>	<u>88,121</u>
	<u>389,236</u>	<u>291,728</u>

Motability repurchase commitments are spread monthly throughout financial periods. The other loan is secured by a debenture charge over all the assets of the company, and is repayable by monthly instalments, carrying interest at commercial rates.

Borrowings are repayable as follows:

	1997 £	1996 £
Within one year		
Bank and other borrowings	183,542	225,609
After one and within two years		
Other borrowings	23,000	23,000
After two and within five years		
Other borrowings	49,834	69,000
After five years		
Other borrowings	<u>40,000</u>	<u>51,917</u>
	<u>296,376</u>	<u>369,526</u>

10 SHARE CAPITAL

	1997 £	1996 £
Authorised, allotted, called up and fully paid		
300,000 £1 redeemable preference shares	300,000	300,000
75,000 ordinary shares of £1 each	<u>75,000</u>	<u>75,000</u>
	<u>375,000</u>	<u>375,000</u>

MILES (CHESHAM) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 1997**

SHARE CAPITAL (CONTINUED)**Preference shares**

The redeemable preference shares are non-equity shares. The basic entitlement to a dividend at the rate of 1% net per share is waived, and instead these shares are entitled to a balance of any post tax profits remaining after redemption of the preference shares in accordance with the formula included in the company's Articles of Association. The redemption is made quarterly. Holders of preference shares have one vote for every share held. The rights of preference shareholders on a winding up are dependent upon a calculation determining funds in excess of 85% of the original total share capital, and such rights are ranked before those of ordinary shareholders.

Ordinary shares

The ordinary shares carry no voting rights until all preference shares have been redeemed.

Redemptions

During the year the company made no redemptions (1996 - Nil).

11 RESERVES

	Profit and loss account £
At 1 January 1997	(270,517)
Retained profit for year	<u>20,328</u>
At 31 December 1997	<u>(250,189)</u>

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Profit for the financial year	<u>20,328</u>	<u>22,641</u>
Net increase in shareholders' funds	20,328	22,641
Shareholders' funds at 1 January 1997	<u>104,483</u>	<u>81,842</u>
Shareholders' funds at 31 December 1997	<u>124,811</u>	<u>104,483</u>

MILES (CHESHAM) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1997

13 CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 1997 or 31 December 1996.

14 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 1997 or 31 December 1996.

15 LEASING COMMITMENTS

Operating lease payments amounting to £159,575 (1996 - £178,037) are due within one year. The leases to which these amounts relate expire as follows:

	1997		1996	
	Land and buildings £	Other £	Land and buildings £	Other £
In one year or less	0	3,960	0	0
Between one and five years	0	32,115	0	34,537
In five years or more	<u>123,500</u>	<u>0</u>	<u>143,500</u>	<u>0</u>
	<u>123,500</u>	<u>36,075</u>	<u>143,500</u>	<u>34,537</u>

16 TRANSACTIONS WITH RELATED PARTIES

Included in creditors (see note 9) is a loan from Mr P W Gladwin, director, of £40,000 (1996 - £50,000). No interest was received on the loan in the years ended 31 December 1996 and 31 December 1997.

17 CONTROLLING RELATED PARTY

Mr P W Gladwin is the company's controlling related party by virtue of his ownership of the share capital and control of the company.