

Company No: 2841660

Grant Thornton 

**MILES (CHESHAM) LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 1996



**MILES (CHESHAM) LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 1996**

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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 1996**

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**INDEX**

**PAGE**

Report of the directors	1 - 2
Report of the auditors	3 - 4
Accounting policies	5 - 6
Profit and loss account	7
Balance sheet	8
Statement of total recognised gains and losses	9
Notes to the financial statements	10 - 17

# MILES (CHESHAM) LIMITED

## REPORT OF THE DIRECTORS

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The directors present their report together with financial statements for the year ended 31 December 1996.

### Principal activities

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

### Business review

The directors were very pleased with the general progress and performance in 1996, which although behind forecast was very acceptable in a very difficult trading period for the industry.

However, the results were overshadowed by an anomaly that was discovered by the auditors in balances that had been brought forward from an earlier trading period. These figures have subsequently been investigated by the current directors who believe it prudent to establish a £50,000 provision against the cumulative reserves.

The directors remain cautiously optimistic for the future.

There was a profit for the year after taxation amounting to £22,641 (1995 - loss £46,681 - as restated). 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. P W Gladwin served throughout the year. Mrs M Wells was appointed to the Board on 31 December 1996. Motors Directors Limited resigned from the Board on 31 December 1996.

The interests of the directors and their families in the shares of the company as at 1 January 1996 and 31 December 1996, were as follows:

	Preference shares		Ordinary shares	
	31 December 1996	1 January 1996	31 December 1996	1 January 1996
P W Gladwin	300,000	1	75,000	0
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.

# MILES (CHESHAM) LIMITED

## REPORT OF THE DIRECTORS

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### Directors' responsibilities for the financial statements (continued)

In preparing those financial statements, the directors are required to:

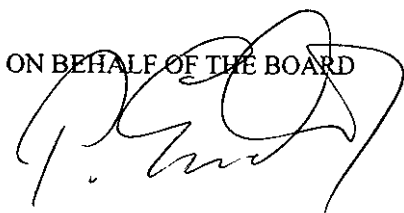
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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



P W Gladwin  
Director

15 September 1997

## **REPORT OF THE AUDITORS TO THE MEMBERS OF**

### **MILES (CHESHAM) LIMITED**

We have audited the financial statements on pages 5 to 17 which have been prepared under the historical cost convention and the accounting policies set out on pages 5 and 6.

#### **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, except that the scope of our work was limited as explained below.

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. However, the evidence available to us was limited because as detailed in Note 1, the supporting documentation was inconclusive to confirm or otherwise the classification of the write-off of £47,409 as a prior year adjustment (as opposed to a current year item).

In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Qualified opinion arising from limitation in audit scope**

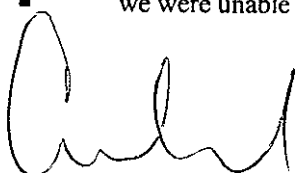
Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the allocation of a prior year adjustment, in our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**REPORT OF THE AUDITORS TO THE MEMBERS OF**

**MILES (CHESHAM) LIMITED (CONTINUED)**

In respect alone of the limitation on our work relating to the prior year adjustment:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper accounting records had been maintained.



**GRANT THORNTON  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS  
KETTERING**

19 September 1997

# **MILES (CHESHAM) LIMITED**

## **PRINCIPAL ACCOUNTING POLICIES**

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### **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 is 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**

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#### **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 1996**

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	Note	1996 £	1995 as restated £
<b>Turnover</b>	2	6,731,219	6,283,939
Cost of sales		<u>6,035,141</u>	<u>5,589,411</u>
Gross profit		696,078	694,528
Administrative expenses		790,915	938,474
Other operating income		<u>(157,403)</u>	<u>(233,821)</u>
<b>Operating profit/(loss)</b>		62,566	(10,125)
Net interest	3	<u>39,925</u>	<u>36,556</u>
<b>Profit/(loss) on ordinary activities before taxation</b>	2	22,641	(46,681)
Tax on profit/(loss) on ordinary activities	5	<u>0</u>	<u>0</u>
<b>Profit/(loss) transferred to reserves</b>	12	<u><u>22,641</u></u>	<u><u>(46,681)</u></u>

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

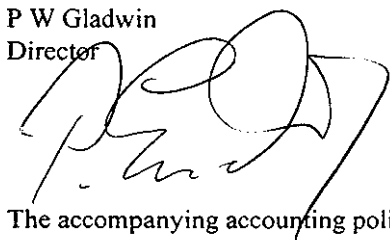
# MILES (CHESHAM) LIMITED

BALANCE SHEET AT 31 DECEMBER 1996

	Note	1996	1995 as restated
		£	£
<b>Fixed assets</b>			
Tangible assets	6	404,583	437,733
<b>Current assets</b>			
Stocks	7	540,804	368,152
Debtors	8	388,473	229,993
Cash at bank and in hand		<u>16</u>	<u>818</u>
		929,293	598,963
<b>Creditors: amounts falling due within one year</b>	9	<u>937,665</u>	<u>619,466</u>
<b>Net current liabilities</b>		<u>(8,372)</u>	<u>(20,503)</u>
<b>Total assets less current liabilities</b>		396,211	417,230
<b>Creditors: amounts falling due after more than one year</b>	10	<u>291,728</u>	<u>335,388</u>
		<u>104,483</u>	<u>81,842</u>
<b>Capital and reserves</b>			
Called up share capital	11	375,000	375,000
Profit and loss account	12	<u>(270,517)</u>	<u>(293,158)</u>
<b>Shareholders' funds</b>	13	<u>104,483</u>	<u>81,842</u>
Equity shareholders' funds		(195,517)	(218,158)
Non-equity shareholders' funds		<u>300,000</u>	<u>300,000</u>
		<u>104,483</u>	<u>81,842</u>

The financial statements were approved by the Board of Directors on 15 September 1997

P W Gladwin  
Director



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

**MILES (CHESHAM) LIMITED****STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES****FOR THE YEAR ENDED 31 DECEMBER 1996**

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	1996 £	1995 as restated £
<b>Profit/(loss) for the financial year</b>	<u>22,641</u>	<u>(46,681)</u>
<b>Total recognised gains and losses for the year</b>	22,641	<u>(46,681)</u>
Prior year adjustment (note 1)	<u>(47,409)</u>	
<b>Total gains and losses recognised since last financial statements</b>	<u>(24,768)</u>	

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 1996

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### 1 PRIOR YEAR ADJUSTMENT

During completion of the audit process, there came to light certain balances which could not be traced back to supporting evidence. Following resignation of the company's accountant, and an in-depth investigation by the directors, the conclusion was reached that via numerous adjusting journal entries, historic problems within the company's accounting system had been accumulated to certain accounts containing the unidentifiable balances.

In the opinion of the directors, these problems have arisen from earlier years, and consequently a prior year adjustment of £47,409 has been included in the financial statements.

### 2 TURNOVER AND PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and profit/(loss) before taxation are attributable to one activity: the purchasing, selling and repairing of motor vehicles, and other ancillary services.

The profit/(loss) on ordinary activities is stated after:

	1996	1995
	£	as restated £
Auditors' remuneration		
Audit services	3,000	3,500
Hire of plant and machinery	32,306	30,944
Operating lease rentals	90,000	85,000
Depreciation		
Tangible fixed assets	30,109	30,351
Other operating income includes:		
Manufacturers receivables	<u>88,089</u>	<u>51,455</u>

### 3 NET INTEREST

	1996	1995
	£	as restated £
On bank overdrafts and other loans	21,008	29,069
Interest payable to group undertakings	18,917	7,633
Other interest receivable and similar income	<u>0</u>	<u>(146)</u>
	<u>39,925</u>	<u>36,556</u>

# MILES (CHESHAM) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1996

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### 4 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	1996 £	1995 £
Wages and salaries	438,292	500,765
Social security costs	<u>41,424</u>	<u>48,722</u>
	<u>479,716</u>	<u>549,487</u>

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

	1996	1995
Mechanical	13	10
Sales and distribution	13	14
Administration	<u>4</u>	<u>5</u>
	<u>30</u>	<u>29</u>

Remuneration in respect of directors was as follows:

	1996 £	1995 £
Management remuneration	<u>31,690</u>	<u>19,166</u>

### 5 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

No tax charge arises on the profit/(loss) for the year. Unrelieved tax losses of £300,000 (1995 - £250,000) remain available to offset against future taxable trading profits.

# MILES (CHESHAM) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1996

### 6 TANGIBLE FIXED ASSETS

	Long leasehold land and buildings £	Plant and equipment £	Company vehicles £	Furniture and fittings £	Computer equipment £	Total £
Cost						
At 1 January 1996	390,991	58,863	21,135	6,810	1,644	479,443
Additions	<u>0</u>	<u>1,305</u>	<u>0</u>	<u>2,243</u>	<u>540</u>	<u>4,088</u>
	390,991	60,168	21,135	9,053	2,184	483,531
Disposals	<u>0</u>	<u>0</u>	<u>(13,267)</u>	<u>0</u>	<u>0</u>	<u>(13,267)</u>
At 31 December 1996	<u>390,991</u>	<u>60,168</u>	<u>7,868</u>	<u>9,053</u>	<u>2,184</u>	<u>470,264</u>
Depreciation						
At 1 January 1996	26,589	7,535	6,161	1,288	137	41,710
Provided in the year	<u>18,609</u>	<u>5,926</u>	<u>3,780</u>	<u>1,013</u>	<u>781</u>	<u>30,109</u>
	45,198	13,461	9,941	2,301	918	71,819
Eliminated on disposals	<u>0</u>	<u>0</u>	<u>(6,138)</u>	<u>0</u>	<u>0</u>	<u>(6,138)</u>
At 31 December 1996	<u>45,198</u>	<u>13,461</u>	<u>3,803</u>	<u>2,301</u>	<u>918</u>	<u>65,681</u>
Net book amount at 31 December 1996	<u>345,793</u>	<u>46,707</u>	<u>4,065</u>	<u>6,752</u>	<u>1,266</u>	<u>404,583</u>
Net book amount at 31 December 1995	<u>364,402</u>	<u>51,328</u>	<u>14,974</u>	<u>5,522</u>	<u>1,507</u>	<u>437,733</u>

### 7 STOCKS

	1996 £	1995 £
Short-term work in progress	1,326	4,529
Finished goods and goods for resale	265,318	263,627
Vehicle consignment stock	181,184	51,113
Motability repurchase commitment vehicles	<u>92,976</u>	<u>48,883</u>
	<u>540,804</u>	<u>368,152</u>

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 £88,121 (1995 - £48,883).

# MILES (CHESHAM) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1996

### 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 1996 had a cost of £221,383 (1995 - £261,527).

### 8 DEBTORS

	1996 £	1995 £
Trade debtors	274,877	134,762
Amounts owed by group undertakings	0	42,397
Other debtors	35,245	20,921
Prepayments and accrued income	78,351	31,913
	<u>388,473</u>	<u>229,993</u>

### 9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £	1995 as restated £
Bank overdraft	204,526	121,360
Trade creditors	599,868	190,571
Amounts owed to group undertakings	0	155,367
Motability repurchase commitments	4,855	0
Social security and other taxes	31,700	43,689
Other creditors	53,390	87,290
Other loan (note 10)	21,083	0
Accruals and deferred income	22,243	21,189
	<u>937,665</u>	<u>619,466</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 £347,585 (1995 - £170,454) effectively secured against the relevant vehicle stocks.



**MILES (CHESHAM) LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 1996**

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**10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	1996 £	1995 £
Loan from director	50,000	50,000
Other creditors	59,690	121,505
Other loan	93,917	115,000
Motability repurchase vehicles	<u>88,121</u>	<u>48,883</u>
	<u>291,728</u>	<u>335,388</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:

	1996 £	1995 £
Within one year		
Bank and other borrowings	225,609	121,360
After one and within two years		
Other borrowings	23,000	0
After two and within five years		
Other borrowings	69,000	0
After five years		
Other borrowings	<u>51,917</u>	<u>165,000</u>
	<u>369,526</u>	<u>286,360</u>

**11 SHARE CAPITAL**

	1996 £	1995 £
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 1996

### 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 (1995 - Nil).

### 12 RESERVES

	Profit and loss account £
At 1 January 1996, as previously stated	(245,749)
Prior year adjustment	<u>(47,409)</u>
At 1 January 1996, as restated	(293,158)
Retained profit for year	<u>22,641</u>
At 31 December 1996	<u><u>(270,517)</u></u>

### 13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £	1995 as restated £
Profit/(loss) for the financial year	<u>22,641</u>	<u>(46,681)</u>
Net increase/(decrease) in shareholders' funds	22,641	(46,681)
Shareholders' funds at 1 January	<u>81,842</u>	<u>128,523</u>
Shareholders' funds at 31 December	<u><u>104,483</u></u>	<u><u>81,842</u></u>

# MILES (CHESHAM) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1996

### 14 CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 1996 or 31 December 1995.

### 15 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 1996 or 31 December 1995.

### 16 LEASING COMMITMENTS

Operating lease payments amounting to £196,901 (1995 - £175,636) are due within one year. The leases to which these amounts relate expire as follows:

	1996		1995	
	Land and buildings £	Other £	Land and buildings £	Other £
In one year or less	0	0	0	4,775
Between one and five years	0	53,401	0	27,361
In five years or more	<u>143,500</u>	<u>0</u>	<u>143,500</u>	<u>0</u>
	<u>143,500</u>	<u>53,401</u>	<u>143,500</u>	<u>32,136</u>

### 17 TRANSACTIONS WITH RELATED PARTIES

Name of related party	Value of transactions 1996 £	Amounts written off or provided in the year £
Vauxhall Motors Limited. Subsidiary of General Motors Corporation - vehicle related transactions	225,375	0
General Motors Acceptance Corporation. Subsidiary of General Motors Corporation - vehicle financing transactions	1,504,162	0
General Motors Acceptance Corporation. Subsidiary of General Motors Corporation - vehicle related purchase transactions	2,901,759	0
Fellow-controlled retailers. Subsidiaries of General Motors Corporation - vehicle related sales transactions	742	0
Fellow-controlled retailers. Subsidiaries of General Motors Corporation - vehicle related purchase transactions	46,041	0

**MILES (CHESHAM) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 1996**

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**18 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.