

Report of the Directors and
Financial Statements for the Year Ended 31 December 2006
for
Pilling Motor Group Limited

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Pilling Motor Group Limited

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for the Year Ended 31 December 2006

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Pilling Motor Group Limited
Company Information
for the Year Ended 31 December 2006

DIRECTORS	K J Pilling C G Pilling
SECRETARY:	C G Pilling
REGISTERED OFFICE:	London Road Two Waters Hemel Hempstead Hertfordshire HP3 9AA
REGISTERED NUMBER:	00993353 (England and Wales)
AUDITORS:	Trevor Jones Registered Auditor & Chartered Accountants Sutton House Acorn Business Park Heaton Lane Stockport Cheshire SK4 1AS
BANKERS.	National Westminster Bank Plc 501 Silbury Boulevard Saxon Gate East Central Milton Keynes Milton Keynes MK9 3ER
SOLICITORS:	S A Law Keystone 60 London Road St Albans Hertfordshire AL1 1NG

Pilling Motor Group Limited
Report of the Directors
for the Year Ended 31 December 2006

The directors present their report with the financial statements of the company for the year ended 31 December 2006

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of motor retailers

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements

Headline turnover has, as expected, decreased this year - a direct result of the decision to reduce activity in the increasingly competitive fleet sales market

Retail vehicle sales, both volumes and turnover have increased year on year by 5.8%, albeit under increase pressure on margins

Aftersales departments have performed well during the year, showing an increase in turnover of 7.7% and departmental profit of 16.0%

Where costs were controllable by the management, a saving over the previous year was achieved. Business rates and energy costs increased by 9.2% and 40.0% respectively

Whilst the company made improvements to its operations from 2005, in particular with regard to fleet sales operations, the continuing market pressures on new vehicle sales has contributed to the loss this year. Further cost savings have been implemented during the later part of 2006, in order to return the company to profit

Overall, the Directors are satisfied that progress is being made in this direction. Early indications for 2007 performance have been in line with expectations

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2006

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2006 to the date of this report

K J Pilling
C G Pilling

FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The company uses a number of financial instruments which include loans, cash, equity investments and other various items such as trade debtors and trade creditors which arise directly from its operations

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below

The significant risks arising from the company's financial instruments are interest rate risk, liquidity risk and credit risk. The directors review and agree policies for the management of each of these risks which are noted below. These policies are consistent with those from the previous year.

Interest rate risk

The company's liquidity position does not place reliance on short term borrowings, and hence such perceived risk is considered to be minimal

Liquidity risk

The company makes efforts to manage the financial risk by the monitoring of cashflow to ensure that the company is able to meet its foreseeable debts as they fall due and to invest any cash assets profitably

Credit Risk

The company's principal financial assets are cash and trade debtors. The credit risk associated with cash is limited and therefore the principal credit risk arises from its trade debtors

In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. These credit limits are reviewed regularly by the directors together with the aged debtors and collection history

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the company made charitable donations of £50

Pilling Motor Group Limited

Report of the Directors
for the Year Ended 31 December 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these 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,
- 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.

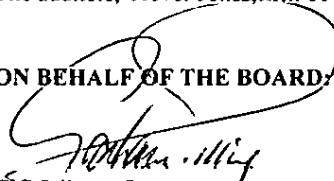
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Trevor Jones, will be proposed for re-appointment in accordance with Section 385A of the Companies Act 1985.

ON BEHALF OF THE BOARD:


C.G. Pilling - Secretary

Date 29-10-2007

Report of the Independent Auditors to the Shareholders of
Pilling Motor Group Limited

We have audited the financial statements of Pilling Motor Group Limited for the year ended 31 December 2006 on pages five to eighteen. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on page three.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion


We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the Directors is consistent with the financial statements.



Trevor Jones
Registered Auditor & Chartered Accountants
Sutton House
Acorn Business Park
Heaton Lane
Stockport
Cheshire
SK4 1AS

Date 29 10 07

Pilling Motor Group Limited

Profit and Loss Account
for the Year Ended 31 December 2006

	Notes	31 12 06 £	31 12 05 £
TURNOVER		66,221,208	72,465,092
Cost of sales		57,628,675	62,977,909
GROSS PROFIT		8,592,533	9,487,183
Administrative expenses		8,292,020	8,946,967
		300,513	540,216
Other operating income		51,060	-
OPERATING PROFIT	3	351,573	540,216
Interest receivable and similar income		224	-
		351,797	540,216
Interest payable and similar charges	4	682,879	823,251
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(331,082)	(283,035)
Tax on loss on ordinary activities	5	(116,426)	(84,725)
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION		(214,656)	(198,310)

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the losses for the current year or previous year

NOTE OF HISTORICAL COST PROFITS AND LOSSES

The difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis is not material

Pilling Motor Group Limited

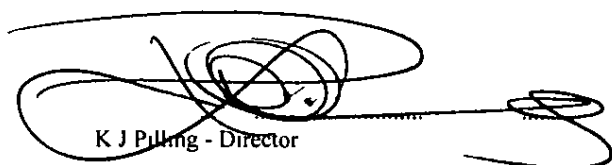
Balance Sheet
31 December 2006

	Notes	31 12 06	31 12 05
		£	£
FIXED ASSETS			
Intangible assets	6	217,354	354,621
Tangible assets	7	7,472,089	7,740,599
Investments	8	1	1
		<hr/>	<hr/>
		7,689,444	8,095,221
 CURRENT ASSETS			
Stocks	9	10,397,129	12,176,513
Debtors	10	1,971,770	3,274,114
Cash in hand		1,387	1,036
		<hr/>	<hr/>
		12,370,286	15,451,663
 CREDITORS			
Amounts falling due within one year	11	14,657,050	17,932,984
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(2,286,764)	(2,481,321)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,402,680	5,613,900
 CREDITORS			
Amounts falling due after more than one year	12	(3,188,174)	(3,068,312)
 PROVISIONS FOR LIABILITIES	16	(50,574)	(167,000)
		<hr/>	<hr/>
NET ASSETS		2,163,932	2,378,588
		<hr/>	<hr/>
 CAPITAL AND RESERVES			
Called up share capital	17	250,000	250,000
Revaluation reserve	18	627,422	627,422
Profit and loss account	18	1,286,510	1,501,166
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS	23	2,163,932	2,378,588
		<hr/>	<hr/>

The financial statements were approved by the Board of Directors on

29/10/07

and were signed on its behalf by


K J Pilling - Director

Pilling Motor Group Limited

Cash Flow Statement
for the Year Ended 31 December 2006

	Notes	31 12 06		31 12 05	
		£	£	£	£
Net cash inflow from operating activities	1		1,564,347		107,275
Returns on investments and servicing of finance	2		(682,655)		(823,251)
Taxation			23,660		(106,500)
Capital expenditure	2		(75,945)		528,090
			829,407		(294,386)
Financing	2		(134,524)		244,161
Increase/(Decrease) in cash in the period			<u>694,883</u>		<u>(50,225)</u>

Reconciliation of net cash flow to movement in net debt

	3				
Increase/(Decrease) in cash in the period		694,883		(50,225)	
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing		<u>40,070</u>		<u>(317,160)</u>	
Change in net debt resulting from cash flows			<u>734,953</u>		<u>(367,385)</u>
Movement in net debt in the period			734,953		(367,385)
Net debt at 1 January			<u>(5,906,238)</u>		<u>(5,538,853)</u>
Net debt at 31 December			<u><u>(5,171,285)</u></u>		<u><u>(5,906,238)</u></u>

The notes form part of these financial statements

Pilling Motor Group Limited

Notes to the Cash Flow Statement
for the Year Ended 31 December 2006

1 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	31 12 06	31 12 05
	£	£
Operating profit	351,573	540,216
Depreciation charges	473,986	519,618
Loss/(Profit) on disposal of fixed assets	7,736	(4,459)
Decrease/(Increase) in stocks	1,779,384	(78,941)
Decrease/(Increase) in debtors	1,303,915	(1,595,149)
(Decrease)/Increase in creditors	(2,352,247)	725,990
Net cash inflow from operating activities	1,564,347	107,275

2 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	31 12 06	31 12 05
	£	£
Returns on investments and servicing of finance		
Interest received	224	-
Interest paid	(680,597)	(820,704)
Interest element of hire purchase payments	(2,282)	(2,547)
Net cash outflow for returns on investments and servicing of finance	(682,655)	(823,251)
 Capital expenditure		
Purchase of tangible fixed assets	(168,051)	(458,996)
Sale of tangible fixed assets	92,106	987,086
Net cash (outflow)/inflow for capital expenditure	(75,945)	528,090
 Financing		
New loans in year	3,369,629	760,000
Loan repayments in year	(3,275,996)	(395,156)
Capital repayments in year	(19,703)	(14,212)
Amount withdrawn by directors	(94,454)	(12,471)
Net cash (outflow)/inflow from financing	(20,524)	338,161

Pilling Motor Group Limited

Notes to the Cash Flow Statement
for the Year Ended 31 December 2006

3 ANALYSIS OF CHANGES IN NET DEBT

	At 1 1 06 £	Cash flow £	At 31 12 06 £
Net cash			
Cash at bank and in hand	1,036	351	1,387
Bank overdraft	(2,308,962)	694,532	(1,614,430)
	<u>(2,307,926)</u>	<u>694,883</u>	<u>(1,613,043)</u>
Debt			
Hire purchase	(46,315)	19,703	(26,612)
Debts falling due within one year	(509,156)	160,066	(349,090)
Debts falling due after one year	(3,042,841)	(139,699)	(3,182,540)
	<u>(3,598,312)</u>	<u>40,070</u>	<u>(3,558,242)</u>
Total	<u>(5,906,238)</u>	<u>734,953</u>	<u>(5,171,285)</u>

Pilling Motor Group Limited

Notes to the Financial Statements
for the Year Ended 31 December 2006

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets and are in accordance with applicable accounting standards

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax

Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 2003, is being amortised evenly over its estimated useful life of five years

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter

Freehold property	- 2.5% on cost
Plant and machinery	- Between 20% - 33% on cost
Fixtures and fittings	- Between 10% - 20% on cost
Motor vehicles	- Between 20% - 33% on cost

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

2 STAFF COSTS

	31 12 06	31 12 05
	£	£
Wages and salaries	3,533,475	3,914,168
Social security costs	435,570	531,541
Other pension costs	23,473	54,854
	<u>3,992,518</u>	<u>4,500,563</u>

The average monthly number of employees during the year was as follows

	31 12 06	31 12 05
Production	66	40
Selling and distribution	86	108
Management and administration	52	65
	<u>204</u>	<u>213</u>

Pilling Motor Group Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2006

3 OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	31 12 06	31 12 05
	£	£
Depreciation - owned assets	317,689	374,421
Depreciation - assets on hire purchase contracts	19,030	7,930
Loss/(Profit) on disposal of fixed assets	7,736	(4,459)
Goodwill amortisation	137,267	137,267
Auditors' remuneration	25,210	30,000
	<u> </u>	<u> </u>
Directors' emoluments	144,000	288,000
	<u> </u>	<u> </u>

The number of directors to whom retirement benefits were accruing was as follows

Money purchase schemes	<u>2</u>	<u>2</u>
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4 INTEREST PAYABLE AND SIMILAR CHARGES

	31 12 06	31 12 05
	£	£
Bank interest	200,287	314,728
Other interest payable and similar charges	480,310	505,976
Hire purchase	2,282	2,547
	<u> </u>	<u> </u>
	682,879	823,251
	<u> </u>	<u> </u>

5 TAXATION

Analysis of the tax credit

The tax credit on the loss on ordinary activities for the year was as follows

	31 12 06	31 12 05
	£	£
Current tax		
Corporation tax refund due	-	(82,840)
Overprovision in prior year	-	(23,885)
	<u> </u>	<u> </u>
Total current tax	-	(106,725)
Deferred tax	(116,426)	22,000
	<u> </u>	<u> </u>
Tax on loss on ordinary activities	(116,426)	(84,725)
	<u> </u>	<u> </u>

Factors affecting the tax credit

The tax assessed for the year is the same as the standard rate of corporation tax in the UK

	31 12 06	31 12 05
	£	£
Loss on ordinary activities before tax	(331,082)	(283,035)
	<u> </u>	<u> </u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 0% (2005 - 0%)	-	-
Effects of		
Adjustments to tax charge in respect of previous periods	-	(23,885)
Carry back of tax losses	-	(82,840)
	<u> </u>	<u> </u>
Current tax credit	-	(106,725)
	<u> </u>	<u> </u>

Pilling Motor Group Limited

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2006**

6 INTANGIBLE FIXED ASSETS

	Goodwill £
COST	
At 1 January 2006	
and 31 December 2006	686,351
AMORTISATION	
At 1 January 2006	331,730
Amortisation for year	137,267
At 31 December 2006	468,997
NET BOOK VALUE	
At 31 December 2006	217,354
At 31 December 2005	354,621

7 TANGIBLE FIXED ASSETS

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
COST OR VALUATION					
At 1 January 2006	7,254,865	1,140,892	543,814	449,917	9,389,488
Additions	37,416	29,779	21,518	79,338	168,051
Disposals	-	-	-	(137,284)	(137,284)
At 31 December 2006	7,292,281	1,170,671	565,332	391,971	9,420,255
DEPRECIATION					
At 1 January 2006	352,740	864,077	232,387	199,685	1,648,889
Charge for year	80,113	136,316	51,381	68,909	336,719
Eliminated on disposal	-	-	-	(37,442)	(37,442)
At 31 December 2006	432,853	1,000,393	283,768	231,152	1,948,166
NET BOOK VALUE					
At 31 December 2006	6,859,428	170,278	281,564	160,819	7,472,089
At 31 December 2005	6,902,125	276,815	311,427	250,232	7,740,599

Cost or valuation at 31 December 2006 is represented by

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
Valuation in 1997	1,750,000	-	-	-	1,750,000
Cost	5,542,281	1,170,671	565,332	391,971	7,670,255
	7,292,281	1,170,671	565,332	391,971	9,420,255

If certain land and buildings had not been revalued they would have been included at the following historical cost

	31 12 06 £	31 12 05 £
Cost	1,122,578	1,122,578
Aggregate depreciation	252,577	224,512

Pilling Motor Group Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2006

7 TANGIBLE FIXED ASSETS - continued

During 1997, the freehold property at Hemel Hempstead was revalued on an existing use basis, assuming vacant possession by Messrs Aitchinsons

The company has adopted the transitional provisions allowed under FRS 15 not to update the above revaluation

Fixed assets, included in the above, which are held under hire purchase contracts are as follows

	Motor vehicles £
COST OR VALUATION	
At 1 January 2006	
and 31 December 2006	76,125
DEPRECIATION	
At 1 January 2006	7,930
Charge for year	19,030
	<hr/>
At 31 December 2006	26,960
NET BOOK VALUE	
At 31 December 2006	49,165
	<hr/>
At 31 December 2005	68,195
	<hr/>

8 FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST	
At 1 January 2006	
and 31 December 2006	1
	<hr/>
NET BOOK VALUE	
At 31 December 2006	1
	<hr/>
At 31 December 2005	1
	<hr/>

The company's investments at the balance sheet date in the share capital of companies include the following

Pilling (Luton) Limited
Nature of business Dormant

	%		
Class of shares	holding		
Ordinary	100 00		
		31 12 06	31 12 05
		£	£
Aggregate capital and reserves		(57,800)	(57,800)
		<hr/>	<hr/>

The subsidiary company is dormant and therefore group accounts have not been prepared

These financial statements therefore present information about the company as an individual undertaking and not about its group

Pilling Motor Group Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2006

9	STOCKS	31 12 06	31 12 05
		£	£
	Stocks	9,661,962	11,599,983
	Parts and WIP	380,093	386,836
	Consignment stock	355,074	189,694
		<u>10,397,129</u>	<u>12,176,513</u>
10	DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	31 12 06	31 12 05
		£	£
	Trade debtors	525,194	1,154,834
	Other debtors	195,654	1,216,979
	Related party loan	821,413	444,868
	Directors' current accounts	25,231	-
	Tax	82,565	106,225
	Prepayments and accrued income	321,713	351,208
		<u>1,971,770</u>	<u>3,274,114</u>
11	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	31 12 06	31 12 05
		£	£
	Bank loans and overdrafts (see note 13)	1,909,520	2,704,118
	Other loans (see note 13)	54,000	114,000
	Hire purchase contracts (see note 14)	20,978	20,844
	Trade creditors	11,280,241	13,508,256
	Social security and other taxes	259,090	475,331
	New vehicle funding	355,074	189,694
	Other creditors	389,360	303,106
	Directors' current accounts	-	69,223
	Accruals and deferred income	388,787	548,412
		<u>14,657,050</u>	<u>17,932,984</u>

Consignment Vehicles

Consignment vehicles which bear interest are regarded effectively as being under the control of the company and, in accordance with FRS 5, are included within stocks on the balance sheet, although legal title has not passed to the company. The corresponding liability is included as new vehicle funding and is secured directly on these vehicles.

12	CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	31 12 06	31 12 05
		£	£
	Bank loans (see note 13)	3,074,540	2,880,841
	Other loans (see note 13)	108,000	162,000
	Hire purchase contracts (see note 14)	5,634	25,471
		<u>3,188,174</u>	<u>3,068,312</u>

Pilling Motor Group Limited

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2006**

13 LOANS

An analysis of the maturity of loans is given below

	31 12 06 £	31 12 05 £
Amounts falling due within one year or on demand		
Bank overdrafts	1,614,430	2,308,962
Bank loans	295,090	395,156
Other loans	54,000	114,000
	<u>1,963,520</u>	<u>2,818,118</u>
Amounts falling due between one and two years		
Bank loans	442,635	395,156
Other loans	108,000	162,000
	<u>550,635</u>	<u>557,156</u>
Amounts falling due between two and five years		
Bank loans	<u>1,327,904</u>	<u>1,101,135</u>
Amounts falling due in more than five years		
Repayable by instalments		
Bank loans	<u>1,304,001</u>	<u>1,384,550</u>

The bank loans are repayable in equal monthly instalments ending in November 2013 and November 2021 2013 respectively Interest is charged on the loans at the rate of 1 5% and 1 875% respectively above the National Westminster Bank Plc base rate

14 OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

	31 12 06 £	Hire purchase contracts 31 12 05 £
Gross obligations repayable		
Within one year	21,986	21,985
Between one and five years	5,686	27,672
	<u>27,672</u>	<u>49,657</u>
Finance charges repayable		
Within one year	1,008	1,141
Between one and five years	52	2,201
	<u>1,060</u>	<u>3,342</u>
Net obligations repayable		
Within one year	20,978	20,844
Between one and five years	5,634	25,471
	<u>26,612</u>	<u>46,315</u>

Pilling Motor Group Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2006

14 OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES - continued

The following operating lease payments are committed to be paid within one year

	Land and buildings		Other operating leases	
	31 12 06	31 12 05	31 12 06	31 12 05
	£	£	£	£
Expiring				
Within one year	53,000	53,000	38,745	-
Between one and five years	-	-	-	64,212
In more than five years	257,000	236,500	-	-
	<u>310,000</u>	<u>289,500</u>	<u>38,745</u>	<u>64,212</u>

15 SECURED DEBTS

The following secured debts are included within creditors

	31 12 06	31 12 05
	£	£
Bank overdrafts	1,614,430	2,308,962
Bank loans	3,369,630	3,275,997
	<u>4,984,060</u>	<u>5,584,959</u>

Stocking finance is secured by a floating charge over all vehicle stocks and by a fixed and floating charge over all property and assets of the company

Bank loans and overdrafts are secured by a fixed and floating charge over all of the assets of the company, by guarantees given by Pilling (Coachbuilders) Limited, and against directors' life insurance policies

The company has a £200,000 guarantee bond in favour of Volkswagen Financial Services Limited in relation to vehicle stocking finance for Skoda vehicles

Volvo car finance has a secondary legal charge over all the assets of the company

16 PROVISIONS FOR LIABILITIES

	31 12 06	31 12 05
	£	£
Deferred tax	<u>50,574</u>	<u>167,000</u>
		Deferred tax
		£
Balance at 1 January 2006		167,000
Decrease in provision		(116,426)
Balance at 31 December 2006		<u>50,574</u>

Pilling Motor Group Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2006

16 PROVISIONS FOR LIABILITIES - continued

The deferred tax provision consists of the tax effect of timing differences in respect of -

	31.12.06		31 12 05	
	Provided £	Unprovided £	Provided £	Unprovided £
Excess of taxation allowances over depreciation on fixed assets	126,495	-	170,000	-
Trading losses carried forward	(75,921)	-	(3,000)	-
Other timing differences		180,000	-	180,000
	<u>50,574</u>	<u>180,000</u>	<u>167,000</u>	<u>180,000</u>

In the opinion of the directors the property is unlikely that the property will be disposed of in the foreseeable future, therefore deferred tax has not been provided on the revaluation and is shown above as unprovided

17 CALLED UP SHARE CAPITAL

Authorised Number	Class	Nominal value £1	31 12 06 £	31 12 05 £
500,000	Ordinary		<u>500,000</u>	<u>500,000</u>

Allotted and issued Number	Class	Nominal value £1	31 12 06 £	31 12 05 £
250,000	Ordinary		<u>250,000</u>	<u>250,000</u>

18 RESERVES

	Profit and loss account £	Revaluation reserve £	Totals £
At 1 January 2006	1,501,166	627,422	2,128,588
Deficit for the year	(214,656)		(214,656)
At 31 December 2006	<u>1,286,510</u>	<u>627,422</u>	<u>1,913,932</u>

19 CONTINGENT LIABILITIES

The company has given unlimited guarantees to the bankers of Pilling (Coachbuilders) Limited covering any liabilities due to the bank. In the opinion of the directors at 31 December 2006 the potential liability was £Nil (2005 £Nil)

20 TRANSACTIONS WITH DIRECTORS

The directors loan accounts were overdrawn at the year end by the sum of £25,231

21 RELATED PARTY DISCLOSURES

During the year the company had the following transactions with Pilling (Coachbuilders) Limited, a company in which K J Pilling and C G Pilling are both directors and shareholders. The trade has been carried out under usual commercial terms (unless otherwise stated), as follows -

Pilling (Coachbuilders) Limited	31 12 06 £	31 12 05 £
Sales	78,434	234,703
Purchases	<u>24,299</u>	<u>124,344</u>

Pilling Motor Group Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2006

22 **ULTIMATE CONTROLLING PARTY**

K J Pilling is this company's ultimate controlling related party by virtue of his majority shareholding

23 **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	31 12 06 £	31 12 05 £
Loss for the financial year	(214,656)	(198,310)
Net reduction of shareholders' funds	(214,656)	(198,310)
Opening shareholders' funds	2,378,588	2,576,898
Closing shareholders' funds	2,163,932	2,378,588