

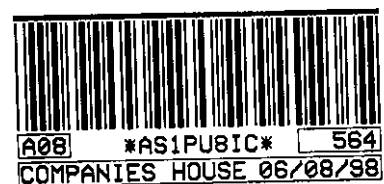


**IBC VEHICLES LIMITED**

**Report and Financial Statements**

**31 December 1997**

Deloitte & Touche  
Hill House  
1 Little New Street  
London EC4A 3TR



**REPORT AND FINANCIAL STATEMENTS 1997**

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**REPORT AND FINANCIAL STATEMENTS 1997****OFFICERS AND PROFESSIONAL ADVISERS****DIRECTORS**

C M Trudell  
S Oh'oka (resigned 22 May 1997)  
J C Barber (resigned 22 May 1997)  
D N Reilly  
JW Henderson  
K Kuramochi (appointed 22 May 1997)  
J Bailey (appointed 22 May 1997)

**SECRETARY**

D McCrum

**REGISTERED OFFICE**

P O Box 163  
Kimpton Road  
Luton LU2 0TY

**BANKERS**

Midland Bank plc  
63 George Street  
Luton LU1 2AP

Barclays Bank PLC  
38 George Street  
Luton LU1 2AE

**SOLICITORS**

Manches & Co  
Aldwych House  
81 Aldwych  
London WC2B 4RP

**AUDITORS**

Deloitte & Touche  
Hill House  
1 Little New Street  
London EC4A 3TR



## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 1997.

### **ACTIVITIES**

The activities of the group continue to be the manufacture and distribution of motor vehicles, pressed parts and related spare parts and components.

Within the UK, the company's main products are marketed as the Vauxhall Frontera and the Vauxhall Frontera Sport. In all other European countries, these products are sold under the Opel badge.

### **REVIEW OF DEVELOPMENTS**

In the last full calendar year of the current model lifecycle the number of sales units dropped to 25,139 or by more than 24% year on year. The strong Pound Sterling contributed to an even further deterioration in turnover, and the company realised a loss of £41.2 million.

### **DIVIDENDS**

The directors do not propose the payment of a dividend (1996 - £nil).

### **FUTURE PROSPECTS**

The directors are of the opinion that 1998 will be a very demanding year as the current Frontera will run out and a new Frontera model will be put into production and launched into the market. While total sales volume is forecast to be at approximately prior year levels, these developments will require increased marketing costs, start-up manufacturing expenditures and increased investment/engineering costs. Therefore, and in the light of the continued strong Pound, the company will not be profitable in 1998.

Longer term, a successful introduction of the new Frontera, further expansion of the press facility and the planned production of a medium duty van commencing in the next several years should help improve and stabilise the company's profit projections.

### **FIXED ASSETS**

During the course of the year £42.9 million (1996 - £46.8 million) was spent on additional tangible fixed assets. The majority of this was on production tools for the Frontera range of vehicles and press shop improvements. Movements in tangible fixed assets are set out in note 10.

Development work continues on this vehicle with costs being capitalised as explained in note 9 to the accounts.

### **DIRECTORS**

The directors who served during the year are listed on page 1.

No director had any interests in any shares of the company or the group. No director was or is materially interested in any contract subsisting during, or at the end of, the financial year.

**DIRECTORS' REPORT (continued)****EMPLOYEE INVOLVEMENT**

The Board regards employee involvement and effective communication as essential to maintain productive relationships, achieve improved performance and ensure commitment to the company's business objectives.

Discussions take place regularly with the trade unions and other employee representatives on a wide range of issues through the forum of the Company Joint Council. Additionally, all employees are briefed throughout the year on the current business status and the immediate outlook through a range of communication forums.

**EMPLOYMENT OF DISABLED PERSONS**

The company gives full consideration to the possibility of employing disabled persons wherever suitable opportunities exist. Employees who become disabled are given every opportunity and assistance to continue in their employment or to be trained for other suitable positions.

**CHARITABLE CONTRIBUTIONS**

The company has made donations of £4,800 (1996: £4,800) during the year for charitable purposes. No political donations were made (1996 - £nil).

**AUDITORS**

A resolution to reappoint Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

A handwritten signature in cursive script, appearing to read 'C M Trudell'.

C M Trudell

Director

23 July 1998

Luton, Bedfordshire



## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 the group at the end of the financial year and of the profit or loss of the group 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;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group 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 the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the group's system of internal financial control, for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## AUDITORS' REPORT TO THE MEMBERS OF IBC VEHICLES LIMITED

We have audited the financial statements on pages 6 to 22 which have been prepared under the accounting policies set out on pages 11 and 12.

### Respective responsibilities of directors and auditors

As described on page 4 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 circumstances of the company and the group, 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 affairs of the company and the group as at 31 December 1997 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche*

Chartered Accountants and  
Registered Auditors

*28 July* 1998



**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 1997**

	Note	1997 £'000	1996 £'000
<b>TURNOVER - Continuing operations</b>	2	283,239	404,384
Cost of sales		(314,348)	(385,366)
Gross (loss)/profit		(31,109)	19,018
Distribution costs		(2,027)	(2,490)
Administrative expenses		(8,540)	(6,940)
Other operating income		1,213	1,841
<b>OPERATING (LOSS)/PROFIT - Continuing operations</b>		(40,463)	11,429
Interest receivable and similar income	3	1,671	1,478
Interest payable and similar charges	4	(2,865)	(2,703)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	5	(41,657)	10,204
Tax on (loss)/profit on ordinary activities	6	466	(466)
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>	16	(41,191)	9,738

There are no recognised gains or losses for the current financial year and preceding financial year other than as stated in the profit and loss account.




**CONSOLIDATED BALANCE SHEET**

31 December 1997

	Note	1997 £'000	1996 £'000
<b>FIXED ASSETS</b>			
Intangible assets	9	4,940	8,027
Tangible assets	10	<u>125,468</u>	<u>102,127</u>
		130,408	110,154
<b>CURRENT ASSETS</b>			
Stocks	12	37,755	39,197
Debtors	13	23,126	40,058
Cash at bank and in hand		<u>18,097</u>	<u>49,493</u>
		78,978	128,748
<b>CREDITORS: amounts falling due within one year</b>	14	<u>(145,424)</u>	<u>(141,454)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(66,446)</u>	<u>(12,706)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		63,962	97,448
<b>CREDITORS: amounts falling due after more than one year</b>	15	<u>(31,606)</u>	<u>(30,901)</u>
<b>TOTAL NET ASSETS</b>		<u><u>32,356</u></u>	<u><u>66,547</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	80,000	73,000
Other reserves	16	50	111
Profit and loss account	16	<u>(47,694)</u>	<u>(6,564)</u>
Equity shareholders' funds		<u><u>32,356</u></u>	<u><u>66,547</u></u>

These financial statements were approved by the Board of Directors on 23 July 1998 and signed on its behalf by:

C M Trudell



**COMPANY BALANCE SHEET**

31 December 1997

	Note	1997 £'000	1996 £'000
<b>FIXED ASSETS</b>			
Intangible assets	9	4,940	8,027
Tangible assets	10	125,468	102,127
Investments	11	100	100
		<u>130,508</u>	<u>110,254</u>
<b>CURRENT ASSETS</b>			
Stocks	12	37,511	37,530
Debtors	13	34,089	66,712
Cash at bank and in hand		17,879	45,486
		<u>89,479</u>	<u>149,728</u>
<b>CREDITORS: amounts falling due within one year</b>	14	<u>(155,953)</u>	<u>(162,461)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(66,474)</u>	<u>(12,733)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		64,034	97,521
<b>CREDITORS: amounts falling due after more than one year</b>	15	<u>(31,606)</u>	<u>(30,901)</u>
<b>TOTAL NET ASSETS</b>		<u>32,428</u>	<u>66,620</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	80,000	73,000
Other reserves	16	50	111
Profit and loss account	16	(47,622)	(6,491)
Equity shareholders' funds		<u>32,428</u>	<u>66,620</u>

These financial statements were approved by the Board of Directors on 23 July 1998, and signed on its behalf by:

C M Trudell



**CONSOLIDATED CASH FLOW STATEMENT**  
Year ended 31 December 1997

	Note	1997 £'000	1996 £'000
Net cash inflow from operating activities	17	3,828	30,004
<b>Returns on investments and servicing of finance</b>			
Interest received		1,671	1,295
Interest paid		(370)	(350)
Interest element of finance lease rental payments		<u>(2,797)</u>	<u>(2,560)</u>
<b>Net cash outflow from returns on investment and servicing of finance</b>		(1,496)	(1,615)
<b>Capital expenditure</b>			
Purchase to acquire intangible fixed assets		(3,910)	(430)
Purchase to acquire tangible fixed assets		(38,185)	(28,378)
Receipts from sales of tangible fixed assets		<u>314</u>	<u>196</u>
<b>Net cash outflow from capital expenditure</b>		<u>(41,781)</u>	<u>(28,612)</u>
<b>Net cash outflow before use of liquid resources and financing</b>		(39,449)	(223)
<b>Financing</b>	20		
Issue of ordinary share capital		7,000	20,000
Debt due within one year:			
Other loans		20,000	-
Capital element of finance lease rental Payments		<u>(11,485)</u>	<u>(11,131)</u>
<b>Net cash inflow from financing</b>		<u>15,515</u>	<u>8,869</u>
<b>(Decrease)/increase in cash</b>	18	<u><u>(23,934)</u></u>	<u><u>8,646</u></u>

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

Year ended 31 December 1997

	1997 £'000	1996 £'000
(Loss)/profit for the financial year	(41,191)	9,738
New share capital subscribed	7,000	20,000
Opening shareholders' funds	<u>66,547</u>	<u>36,809</u>
Closing shareholders' funds	<u><u>32,356</u></u>	<u><u>66,547</u></u>

**NOTES TO THE ACCOUNTS**

Year ended 31 December 1997

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets as described in note 10. Comparative figures have been amended to reflect changes in presentation.

**Basis of consolidation**

The group financial statements consolidate the financial results of the company and its subsidiary for the year ended 31 December 1997.

**Fixed assets**

Freehold land is not depreciated. The cost or valuation of other fixed assets is depreciated by equal monthly instalments over the expected useful lives of the assets as follows:

Freehold buildings	25 years
Plant, machinery and equipment	4 to 25 years
Office equipment	3 to 5 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or over the periods of the leases where these are shorter.

**Special tools, jigs and dies**

The costs of special tools, jigs and dies are written off over the estimated production run of the models to which they relate.

**Research and development**

Development expenditure attributable to major projects whose technical feasibility and commercial viability are reasonably assured is capitalised and amortised over the product's anticipated life.

**Leased assets**

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the company are capitalised at their fair value.

The capital element of the related rental obligations is included in creditors. The interest element of the rental obligation is charged to the profit and loss account so as to produce a constant rate of charge on the remaining balance of the obligations. Rentals in respect of operating leases are charged to the profit and loss account as incurred.

**Capital reserve**

The excess of the fair market value ascribed to the net tangible assets over the purchase consideration paid for the business of the company at the date of its commencement was transferred to an unrealised capital reserve account. An amount is transferred annually from the unrealised capital reserve account to realised reserves in accordance with standard accounting practice, over the expected useful life of the assets acquired.

**Deferred taxation**

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.



**NOTES TO THE ACCOUNTS**  
Year ended 31 December 1997

**1. ACCOUNTING POLICIES (continued)**

**Stocks and work in progress**

Stocks and work in progress are valued at the lower of cost and net realisable value. Costs used in the valuation are based either on the first-in, first-out basis, or on a weighted average basis, and relate to material, direct labour and appropriate overheads.

**Foreign exchange**

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

**Pension costs**

The expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the scheme, in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

**Warranty liability on company products**

Provision is made for potential abnormal warranty or service liabilities on all products. Normal warranty costs are dealt with by the final wholesaler.

**2. TURNOVER - GEOGRAPHICAL ANALYSIS**

	1997 £'000	1996 £'000
United Kingdom	90,305	81,337
Other European countries	183,094	310,677
Outside Europe	9,840	12,370
	<u>283,239</u>	<u>404,384</u>

The group is engaged solely in the manufacture and distribution of motor vehicles and related spare parts and components.

**3. INTEREST RECEIVABLE AND SIMILAR INCOME**

	1997 £'000	1996 £'000
Bank interest	1,520	1,412
Exchange gains	151	66
	<u>1,671</u>	<u>1,478</u>



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**

**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	1997 £'000	1996 £'000
Bank loans, overdrafts and other loans.	370	386
Finance leases	2,495	2,317
	<u>2,865</u>	<u>2,703</u>

**5. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	1997 £'000	1996 £'000
<b>(Loss)/profit on ordinary activities before taxation is after charging:</b>		
Depreciation and amortisation of tangible fixed assets:		
Owned assets	11,830	5,794
Assets held under finance leases	7,423	5,445
Amortisation of intangible fixed assets	6,997	5,373
Research and development	2,695	6,988
Auditors' remuneration:		
Audit services	59	51
Other services	17	-
	<u>17</u>	<u>-</u>

**6. TAXATION**

	1997 £'000	1996 £'000
United Kingdom corporation tax based on the profit for the year	-	466
Adjustment in respect of prior years	(466)	-
	<u>(466)</u>	<u>466</u>

There is no provided or unprovided deferred tax liability at 31 December 1997 (1996: £nil).



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**

**7. DIRECTORS' EMOLUMENTS**

	1997 £'000	1996 £'000
Emoluments (excluding pension contributions and awards under share option schemes and other long-term incentive schemes)	<u>607</u>	<u>405</u>
Awards (other than shares and share options) receivable during the year under long-term incentive schemes	<u>-</u>	<u>-</u>
	No.	No.
Number of directors who:		
• are members of a defined benefit pension scheme	2*	2*
• exercised share options	2*	-
• have received awards during the year in the form of shares under long-term incentive schemes	<u>1*</u>	<u>1*</u>
* includes highest paid director	1997 £'000	1996 £'000
Highest paid director's remuneration:		
Aggregate of emoluments and awards under long-term incentive schemes (excluding pension contributions, share options gains and awards in the form of shares)	<u>375</u>	<u>314</u>
The amount of the accrued pension of the highest-paid director at 31 December 1997 is £19,000 p.a.		
	1997 £'000	1996 £'000
Amounts shown above which are paid to third parties for services of directors	<u>573</u>	<u>347</u>

The increase in the directors' emoluments versus 1996 is mainly attributable to the fact that two expatriate directors have served during the whole of 1997 (as opposed to only part of 1996) which has triggered a full-year impact of expatriate benefits such as rental expenses and foreign living cost allowances. The increase in the highest paid director's remuneration also reflects the impact of a full calendar year's director's service in 1997 as opposed to a ten month period in 1996.





**NOTES TO THE ACCOUNTS**  
Year ended 31 December 1997

**8. EMPLOYEES**

	1997	1996
	No.	No.
<b>Average weekly number</b>		
Administration	208	193
Production	1,572	1,626
	<u>1,780</u>	<u>1,819</u>
	<b>£'000</b>	<b>£'000</b>
<b>Costs</b>		
Wages and salaries	37,394	38,435
Social security costs	2,928	3,080
Pension costs	2,621	2,511
	<u>42,943</u>	<u>44,026</u>

**9. INTANGIBLE FIXED ASSETS**

<b>The Group and the Company</b>	<b>Development costs</b>
	<b>£'000</b>
<b>Cost</b>	
At 1 January 1997	34,905
Expenditure during the year	3,910
At 31 December 1997	<u>38,815</u>
<b>Amortisation</b>	
At 1 January 1997	26,878
Amount charged in the year	6,997
At 31 December 1997	<u>33,875</u>
<b>Net book value</b>	
At 31 December 1997	<u>4,940</u>
At 31 December 1996	<u>8,027</u>

The costs capitalised during the year are in respect of future improvements to the Frontera vehicles.  
The remaining costs for uncompleted projects will be amortised at the start of commercial production.


**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**
**10. TANGIBLE FIXED ASSETS**

The Group and the Company	Freehold land and buildings £'000	Plant, machinery and equipment £'000	Special tools, jigs and dies £'000	Total £'000
<b>Cost</b>				
At 1 January 1997	19,306	72,649	91,192	183,147
Additions at cost	1,568	16,553	24,761	42,882
Disposals	-	(663)	-	(663)
	<u>19,306</u>	<u>72,649</u>	<u>91,192</u>	<u>183,147</u>
At 31 December 1997	<u>20,874</u>	<u>88,539</u>	<u>115,953</u>	<u>225,366</u>
<b>Depreciation</b>				
At 1 January 1997	2,236	17,502	61,282	81,020
Charge for the year	606	6,267	12,380	19,253
Disposals	-	(375)	-	(375)
	<u>2,236</u>	<u>17,502</u>	<u>61,282</u>	<u>81,020</u>
At 31 December 1997	<u>2,842</u>	<u>23,394</u>	<u>73,662</u>	<u>99,898</u>
<b>Net book value</b>				
At 31 December 1997	<u>18,032</u>	<u>65,145</u>	<u>42,291</u>	<u>125,468</u>
At 31 December 1996	<u>17,070</u>	<u>55,147</u>	<u>29,910</u>	<u>102,127</u>

The net book value of fixed assets includes £37,547,000 (1996 - £39,102,000) in respect of assets held under finance leases, of which £nil (1996: £3,401,000) relates to special tools, jigs and dies and £37,547,000 (1996: £35,701,000) relates to plant, machinery and equipment.

Certain assets transferred to the company during the period ended 31 December 1988 were valued on an open market value for existing use basis at 31 July 1987 by Arthur D. Little Valuation Inc., valuers, at £9.9 million. The surplus over consideration paid of £1.9 million was transferred to the capital reserve.

**11. INVESTMENTS**

£'000

**The Company**

Shares in subsidiary at cost:

 At 1 January 1997 and at  
 31 December 1997

100

The company's sole subsidiary is IBC Vehicles (Distribution) Limited which is wholly owned. This company, which is registered in England and Wales, is a motor vehicle distributor.


**NOTES TO THE ACCOUNTS**  
 Year ended 31 December 1997

**12. STOCKS**

	The Group		The Company	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Raw materials	20,319	20,896	20,319	20,896
Work in progress	1,379	1,238	1,379	1,238
Finished goods and goods for resale	256	1,667	12	-
Motor vehicles sold under sale and repurchase agreements	15,801	15,396	15,801	15,396
	<u>37,755</u>	<u>39,197</u>	<u>37,511</u>	<u>37,530</u>

**13. DEBTORS**

	The Group		The Company	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Trade debtors	2,602	1,865	525	69
Amounts owed by group undertakings:				
Subsidiary	-	-	26,609	58,018
Fellow subsidiary undertakings	17,554	26,453	6,504	7,969
Other debtors	848	2,244	195	372
Prepayments and accrued income	2,122	9,496	256	284
	<u>23,126</u>	<u>40,058</u>	<u>34,089</u>	<u>66,712</u>

**14. CREDITORS: amounts falling due within one year**

	The Group		The Company	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Bank loans and overdrafts	10,677	18,139	10,677	18,139
Trade creditors	49,864	45,547	49,758	45,349
Bills of exchange payable	5,206	6,886	5,206	6,886
Amounts owed to group undertakings:				
Subsidiary undertakings	-	-	16,960	25,486
Fellow subsidiary undertakings	34,116	13,240	31,171	12,040
Taxation and social security	4,777	12,264	4,777	11,580
Obligations under finance leases (see note 15)	4,810	12,363	4,810	12,363
Accruals	21,855	20,355	18,475	17,958
Liability for repurchase of specific vehicles sold under sale and repurchase agreements	14,119	12,660	14,119	12,660
	<u>145,424</u>	<u>141,454</u>	<u>155,953</u>	<u>162,461</u>



**NOTES TO THE ACCOUNTS**  
Year ended 31 December 1997

15. **CREDITORS: amounts falling due after more than one year**

	The Group and the Company	
	1997	1996
	£'000	£'000
Obligations under finance leases	<u>31,606</u>	<u>30,901</u>

Finance leases are repayable in instalments at varying rates of interest.

The capital amounts due under finance lease obligations are as follows:

	The Group and the Company	
	1997	1996
	£'000	£'000
Within one year (see note 14)	4,810	12,363
Within two to five years	15,742	19,482
After five years	15,864	11,419
	<u>36,416</u>	<u>43,264</u>

16. **CAPITAL AND RESERVES**

	1997	1996	1997	1996
	No	No	£'000	£'000
<b>Called up share capital</b>				
Authorised				
Ordinary shares of £1 each	<u>80,000,000</u>	<u>80,000,000</u>	<u>80,000</u>	<u>80,000</u>
Allotted, called up and fully paid				
"G" £1 ordinary shares	66,800,000	59,800,000	66,800	59,800
"I" £1 ordinary shares	13,200,000	13,200,000	13,200	13,200
	<u>80,000,000</u>	<u>73,000,000</u>	<u>80,000</u>	<u>73,000</u>

7 million "G" £1 ordinary shares were issued at par during the year.



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**

**16. CAPITAL AND RESERVES (continued)**

	The Group and the Company Capital reserve £'000	The Group Profit and loss account £'000	The Company Profit and loss account £'000
<b>Reserves</b>			
Balance at 1 January 1997	111	(6,564)	(6,491)
Capital reserve transfer	(61)	61	61
Loss for the financial year	-	(41,191)	(41,192)
	<u>50</u>	<u>(47,694)</u>	<u>(47,622)</u>
Balance at 31 December 1997			

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The group's loss for the financial year attributable to shareholders includes £41,192,000 (1996: £9,646,000) which is dealt with in the financial statements of the parent company.

**17. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	1997 £'000	1996 £'000
Operating (loss)/profit	(40,463)	11,429
Depreciation	19,253	11,239
Amortisation of intangible fixed assets	6,997	5,373
(Profit)/loss on sale of tangible fixed assets	(26)	43
Decrease/(increase) in debtors	16,930	6,756
Decrease/(increase) in stocks	1,442	16,920
(Decrease)/increase in creditors	(305)	(21,756)
	<u>3,828</u>	<u>30,004</u>



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**

**18. ANALYSIS OF NET DEBT**

	At 1 January 1997 £'000	Cash flow £'000	Other non-cash changes £'000	At 31 December 1997 £'000
Cash at bank and in hand	49,493	(31,396)	-	18,097
Overdrafts	(18,139)	7,462	-	(10,677)
		(23,934)		
Debt due after one year	-	-	-	-
Debt due within one year	-	(20,000)	-	(20,000)
Finance leases	(43,264)	11,485	(4,637)	(36,416)
<b>Total</b>	<b>(11,910)</b>	<b>(32,449)</b>	<b>(4,637)</b>	<b>(48,996)</b>

**19. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	1997 £,000	1996 £'000
(Decrease)/increase in cash in the period	(23,934)	8,646
Cash (outflow)/inflow from increase in debt and lease financing	(8,515)	11,131
<b>Change in net debt resulting from cash flows</b>	<b>(32,449)</b>	<b>19,777</b>
New finance leases	(4,637)	(18,453)
Movement in net debt in the period	(37,086)	1,324
Net debt at start of year	(11,910)	(13,234)
Net debt at end of year	(48,996)	(11,910)



**NOTES TO THE ACCOUNTS**  
Year ended 31 December 1997

**20. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR**

	Loans and finance		Loans and finance	
	Share capital	lease obligations	Share capital	lease obligations
	1997	1997	1996	1996
	£'000	£'000	£'000	£'000
Balance at 1 January 1996	73,000	43,264	53,000	35,942
Cash outflow from financing	-	(11,485)	-	(11,131)
Shares issued during the year	7,000	-	20,000	-
Inception of new finance leases	-	4,637	-	18,453
	<u>80,000</u>	<u>36,416</u>	<u>73,000</u>	<u>43,264</u>

**21. MAJOR NON-CASH TRANSACTIONS**

During the year the company/group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £4,637,000.

**22. CONTINGENT LIABILITIES**

There are no material contingent liabilities.

**23. COMMITMENTS**

Capital expenditure authorised and commitments not provided for in these financial statements are:

	1997	1996
	£'000	£'000
Committed	<u>5,857</u>	<u>24,115</u>

**24. PENSIONS**

The company operates a funded defined benefit pension scheme for all qualified employees. The assets of the scheme are held in a separate trustee administered fund. The scheme is subject to triennial valuation by independent actuaries, the last valuation being carried out at 1 January 1997, using the projected unit method, in which the actuarial liability makes allowances for projected earning. The following actuarial assumptions were applied:

Investment returns	9% per annum
Salary growth	6% per annum until 1 January 2000, 7% thereafter
Pension increases	2.5% per annum in respect of pensions in payment for service before 6 April 1997, 4% thereafter

At the last actuarial valuation date, the market value of the assets of the scheme was £77.9 million and the actuarial value was sufficient to cover 98.0% of the benefits which had accrued to members, after allowing for expected future increases in earning. The employer's contribution rate over the average remaining service lives of the members of the scheme takes account of the deficit disclosed by the valuation.



**NOTES TO THE ACCOUNTS**

**Year ended 31 December 1997**

**25. RELATED PARTY TRANSACTIONS**

IBC Vehicles Limited was 83.5% owned by GM Holdings UK and 16.5% owned by Isuzu at 31 December 1997. Its ultimate parent undertaking is General Motors Corporation, a company incorporated in the State of Delaware, United States of America. The related parties of IBC Vehicles Limited are the group undertakings of the ultimate parent undertaking and these are disclosed in its financial statements (see table below).

IBC Vehicles Limited had a number of transactions which are classified as related party transactions under the definitions given in Financial Reporting Standard 8, "Related Party Disclosures", during the year ended 31 December 1997. The related party transactions included in the consolidated accounts are:

	Note	1997 £'000	1996 £'000
Sales of goods to group undertakings	2	309,155	382,415
Purchases of goods from group undertakings		20,661	27,232
Purchases of fixed assets from group undertakings	10	2,031	50
Research and development costs incurred by group undertakings and recharged to IBC Vehicles Limited	5	1,887	2,700
Provision of equity finance by GM Holdings UK, an intermediate parent undertaking		7,000	20,000
		<u>7,000</u>	<u>20,000</u>

Amounts owed by group undertakings and amounts owed to group undertakings are disclosed in notes 13 and 14 respectively.

**26. ULTIMATE PARENT UNDERTAKING**

The ultimate parent company and ultimate controlling party is General Motors Corporation, a company incorporated in the State of Delaware, United States of America. The consolidated financial statements of General Motors Corporation may be obtained from Global Headquarters, 200 Renaissance Centre, 27 Floor – Tower 200, PO Box 200, Detroit, Michigan 48265-2000, USA.

The results of the company are also included in the consolidated financial statements of GM Holdings UK, the immediate parent company, which are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.