

S.G.SMITH (MOTORS) LIMITED

COMPANY NO. 287379

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER 1998



S G SMITH MOTOR GROUP

S.G. SMITH (MOTORS) LIMITED
REPORT OF THE DIRECTORS

The Directors submit their report and audited financial statements for the year ended 31st December 1998.

Activities of the Company

The principal activity of the Company is that of property holding.

Review of Results and Future Developments

The Directors do not consider the trading results outlined on Page 3 to be satisfactory. They continue to seek avenues to improve the profitability of the company.

Year 2000

The Directors are confident that all plant and computer equipment will be Year 2000 Compliant by 31st December 1999.

Dividends

The Directors recommend that no dividend be paid.

Fixed Assets

In the Directors' opinion the book value of land and buildings is not substantially different from the market value at 31st December 1998.

Directors

The Directors who served during the year and their interests in the share capital of the Parent Company were as follows:

	Ordinary Shares of £1 each	
	31st December 1998	31st December 1997
L.G. Smith	-	-
R.C.D. Smith	27,286	27,286
C.B. Slater	-	-

R.C.D. Smith is also a trustee of two settlements which held a further 48,284 shares in the Parent Company at 31st December 1998.

No director had any rights to subscribe for shares or debentures at any point during the year.

Directors' Responsibilities

As required by company law the directors have prepared these financial statements to give a true and fair view of the company's affairs at the 31st December 1998 and loss for the year then ended.

In preparing these they have selected suitable accounting policies, following applicable accounting standards, that have been applied consistently. Prudent judgements and estimates have been applied where necessary. The financial statements have been prepared on the going concern basis.

The directors acknowledge responsibility for keeping proper accounting records, for safeguarding the company's assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BY ORDER OF THE BOARD

I.G. Hargrave.

25 Dulwich Village,
London SE21 7BW.

I.G. HARGRAVE
Secretary

25th June 1999

REPORT OF THE AUDITORS TO THE MEMBERS OF
S.G. SMITH (MOTORS) LIMITED

We have audited the financial statements on pages 3 to 9 which have been prepared under the historical cost convention (modified by the revaluation of freehold property) and the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

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

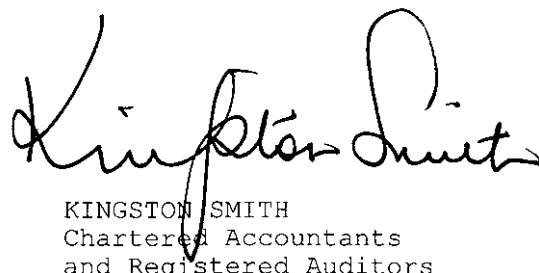
Basis of opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud, 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 at 31st December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KINGSTON SMITH
Chartered Accountants
and Registered Auditors

Devonshire House,
60 Goswell Road,
London.
EC1M 7AD.

28th June 1999.

S.G.SMITH (MOTORS) LIMITED
PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1998

	<u>Note</u>	<u>1998</u>	<u>1997</u>
Turnover:	1(b)	150,560	153,382
Continuing operations			
Cost of sales		(23,244)	(21,505)
Gross profit		127,316	131,877
Administrative expenses		(22,586)	(21,350)
Other operating expenses		(53,856)	(23,404)
Other operating income		1,652	1,748
		(74,790)	(43,006)
Operating profit:	2	52,526	88,871
Continuing operations			
Loss on sale of property:	4	(5,258)	-
Continuing operations			
Interest payable and similar charges	5	(84,000)	(84,209)
Interest receivable and similar income	6	161	153
		(83,839)	(84,056)
(Loss)/profit on ordinary activities before taxation		(36,571)	4,815
Taxation credit/(charge)	7	10,226	(609)
Retained (loss)/profit for the financial year	14	£ (26,345)	£ 4,206

There were no recognised gains and losses other than those stated above, and therefore no separate statement of total recognised gains and losses has been presented.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	<u>Notes</u>	<u>1998</u>	<u>1997</u>
Reported (loss)/profit on ordinary activities before taxation		(36,571)	4,815
Realisation of property revaluation gains of previous years	14	80,342	-
Historical cost profit on ordinary activities before taxation		£ 43,771	£ 4,815
Retained historical cost profit for the financial year after taxation		£ 53,997	£ 4,206

S.G. SMITH (MOTORS) LIMITED
BALANCE SHEET
AS AT 31ST DECEMBER 1998

	<u>Note</u>	<u>1998</u>	<u>1997</u>
<u>FIXED ASSETS</u>			
Tangible assets	1(d), 8	1,588,377	1,671,334
<u>CURRENT ASSETS</u>			
Debtors	9	112,886	51,802
Cash at bank and in hand		9,243	14,056
		<u>122,129</u>	<u>65,858</u>
<u>CREDITORS DUE WITHIN ONE YEAR</u>	10	<u>(24,493)</u>	<u>(24,551)</u>
<u>NET CURRENT ASSETS</u>		<u>97,636</u>	<u>41,307</u>
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>		<u>1,686,013</u>	<u>1,712,641</u>
<u>CREDITORS DUE AFTER MORE THAN ONE YEAR</u>	11	<u>(300,000)</u>	<u>(300,000)</u>
<u>PROVISIONS FOR LIABILITIES AND CHARGES</u>	1(c), 12	<u>(1,185)</u>	<u>(1,468)</u>
<u>NET ASSETS</u>		<u>£ 1,384,828</u>	<u>£ 1,411,173</u>
<u>CAPITAL AND RESERVES</u>			
Called up share capital	13	3,000	3,000
Revaluation Reserve	14	1,002,204	1,082,546
Profit and loss account	14	<u>379,624</u>	<u>325,627</u>
<u>SHAREHOLDERS' FUNDS</u>	14	<u>£ 1,384,828</u>	<u>£ 1,411,173</u>

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R.C.D. SMITH

DIRECTOR

Approved by the Board on 25th June 1999

S.G. SMITH (MOTORS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1998

1. ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold property, and in accordance with applicable Accounting Standards except as described in Note 1(d) below.

(b) Turnover

Turnover represents the amounts invoiced for goods and services supplied to customers, excluding Value Added Tax.

Turnover is attributable to the one principal activity of the company which arose wholly in the United Kingdom.

(c) Deferred Taxation

Deferred tax is provided for taxation liabilities that are expected to crystallise in the future, using the liability method.

No capital gains tax provision has been made in respect of the revaluation surplus on property which is held for long term use.

(d) Tangible Fixed Assets

Depreciation is provided to write off the cost or valuation of assets over their expected useful lives, using the straight line method, at the following annual rates:

Freehold Land & Buildings:	Nil
Plant & Machinery:	between 10% and 33%
Fixtures & Fittings:	between 10% and 33%
Motor Vehicles:	10% or 20%

Freehold property is maintained to a standard so as to ensure that its value is upheld. The maintenance costs are charged to the profit and loss account in the year incurred. In the directors' opinion depreciation would be immaterial.

(e) Leases

Assets held under finance leases are included under tangible assets and depreciated over their expected useful lives.

Rentals payable under operating leases are charged to the profit and loss account as incurred.

S.G.SMITH (MOTORS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 1998

	<u>Notes</u>	<u>1998</u>	<u>1997</u>
2. <u>OPERATING PROFIT</u>			
This is stated after charging:			
Depreciation of tangible fixed assets:			
- wholly owned	£	6,904	£ 6,756
- held under finance leases	£	-	£ -
Auditors' remuneration: audit	£	750	£ 750
Auditors' remuneration: other	£	250	£ 250
Plant operating lease rentals	£	-	£ -
		<u> </u>	<u> </u>
3. <u>EMPLOYEE INFORMATION</u>			
The average number of employees during the year were:			
Production and sales		2	2
Administration		1	1
Other		-	-
		<u> </u>	<u> </u>
		3	3
Staff costs were:			
Salaries and wages		45,305	42,259
Social security costs		4,536	4,322
	£	<u>49,841</u>	£ <u>46,581</u>
4. <u>PROPERTY DISPOSAL LOSS</u>			
Sale proceeds		84,742	-
Valuation cost	8	<u>(90,000)</u>	-
Loss on disposal	£	<u>(5,258)</u>	£ -
5. <u>INTEREST PAYABLE</u>			
Bank loans and overdrafts		84,000	84,000
Finance lease interest charges		-	209
	£	<u>84,000</u>	£ <u>84,209</u>
6. <u>INTEREST RECEIVABLE</u>			
Trade interest received	£	<u>161</u>	£ <u>153</u>
7. <u>TAXATION</u>			
Corporation tax credit/(charge) at 21.00% (1997 21.75%)		8,753	(1,985)
Overprovision in previous year		1,190	-
Deferred taxation movement		283	1,376
	£	<u>10,226</u>	£ <u>(609)</u>

S.G. SMITH (MOTORS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 1998

8. <u>TANGIBLE FIXED ASSETS</u>		Freehold Property	Plant and Machinery	Fixtures and Fittings	Motor Vehicles	Total
<u>Cost or Valuation</u>						
At 1st January 1998		1,658,278	774	11,304	24,772	1,695,128
Additions		-	-	-	18,608	18,608
Disposals		(90,000)	-	-	(8,037)	(98,037)
At 31st December 1998	£	1,568,278	774	11,304	35,343	1,615,699
<u>Depreciation</u>						
At 1st January 1998		-	223	7,591	15,980	23,794
Charge for the year		-	77	1,210	5,617	6,904
Eliminated on disposal		-	-	-	(3,376)	(3,376)
At 31st December 1998	£	-	300	8,801	18,221	27,322
<u>Net Book Value</u>						
At 31st December 1998	£	1,568,278	474	2,503	17,122	1,588,377
At 31st December 1997	£	1,658,278	551	3,713	8,792	1,671,334
<u>Historic Cost Basis:</u>						
				1998	1997	
Freehold Historic Cost				605,714	621,604	
Depreciation				(23,195)	(26,841)	
Net Book Value				582,519	594,763	
Revaluation in 1981				180,286	206,136	
Revaluation in 1988				805,473	857,379	
				£ 1,568,278	£ 1,658,278	

S.G.SMITH (MOTORS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 1998

	<u>1998</u>	<u>1997</u>
9. DEBTORS		
Trade debtors	31,085	30,467
Amounts owed by group undertakings	67,485	18,949
Other debtors	8,919	166
Prepayments and accrued income	5,397	2,220
	<u>£ 112,886</u>	<u>£ 51,802</u>
10. CREDITORS DUE WITHIN ONE YEAR		
Trade creditors	8,708	8,910
Corporation tax	-	1,985
Other creditors	15,785	13,656
	<u>£ 24,493</u>	<u>£ 24,551</u>
11. CREDITORS DUE AFTER MORE THAN ONE YEAR		
<u>Due within two to five years</u>		
Amounts owed to group undertakings	<u>300,000</u>	<u>300,000</u>
12. PROVISIONS FOR LIABILITIES AND CHARGES:		
<u>DEFERRED TAXATION</u>		
At beginning of year	1,468	
Released to profit and loss account	(283)	
At end of year	<u>£ 1,185</u>	
 This comprises:		
	<u>1998</u>	<u>1997</u>
	Amount Provided	Amount Provided
	Potential Liability	Potential Liability
Accelerated capital allowances £	<u>1,185</u>	<u>1,468</u>
	<u>£ 1,185</u>	<u>£ 1,468</u>
<p>The directors consider that the revaluations of property do not constitute timing differences since any gain resulting from the sale of a revalued property would be 'rolled over' against the purchase of a replacement property. No deferred taxation has been quantified in respect of this. 'Group relief', where available, is charged at the current rate of corporation tax and so does not give rise to a timing difference requiring a deferred taxation provision.</p>		
13. SHARE CAPITAL	<u>1998</u>	<u>1997</u>
<u>Authorised</u>		
Ordinary shares of £1 each	<u>£ 3,000</u>	<u>£ 3,000</u>
<u>Allotted and fully paid</u>		
Ordinary shares of £1 each	<u>£ 3,000</u>	<u>£ 3,000</u>

S.G.SMITH (MOTORS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 1998

<u>14.SHAREHOLDERS'</u> <u>FUNDS</u>	<u>SHARE</u> <u>CAPITAL</u>	<u>REVALUATION</u> <u>RESERVE</u>	<u>PROFIT AND</u> <u>LOSS ACCOUNT</u>	<u>TOTAL</u>
At beginning of year	3,000	1,082,546	325,627	1,411,173
Loss for the year	-	-	(26,345)	(26,345)
Realised on disposals	-	(80,342)	80,342	-
At end of year	<u>£ 3,000</u>	<u>£ 1,002,204</u>	<u>£ 379,624</u>	<u>£ 1,384,828</u>

15.CONTINGENT LIABILITIES

The company has provided joint and several guarantees to secure loan and overdraft facilities to group undertakings. The amounts advanced under these facilities at 31st December 1998 were £1,648,878 (1997 £2,972,835). In addition, the company's freehold property is charged to the company's bankers to secure advances made to the company.

16.ULTIMATE PARENT UNDERTAKING

The company is a wholly owned subsidiary of its ultimate parent company which is S.G. Smith (Motors) Insurance and Management Services Limited. That company prepares consolidated financial statements, copies of which may be obtained from the registered office at 25 Dulwich Village, London, SE21 7BW. The company has taken advantage of the exemption to which it is entitled not to disclose any related party transactions.