

S. G. SMITH (MOTORS) LIMITED

COMPANY NO. 287379

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER 2007



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 2007

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 4 to be satisfactory in the light of the current trading conditions. They continue to seek avenues to improve the profitability of the company.

Fixed Assets

In the Directors' opinion, the book value of land and buildings is not substantially different from the market value at 31st December 2007.

Dividends

The Directors recommend that no dividend be paid.

Directors

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

	<u>Ordinary Shares of £1 each</u>	
	<u>31st December 2007</u>	<u>31st December 2006</u>
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 2007.

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

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Kingston Smith LLP be reappointed as auditors of the company will be put to the Annual General Meeting.

Disclosure of Information to Auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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 of the profit or loss of the company for that period.

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

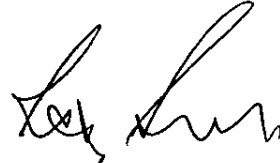
In preparing those financial statements, the directors are required to select suitable accounting policies and then apply them consistently, make judgements and estimates that are reasonable and prudent, and prepare the financial statements on a going concern basis unless it is inappropriate to assume 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 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

25 Dulwich Village,
London SE21 7BW

12th October 2008

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to read 'R C D Smith', is written over the printed name and title.

R C D Smith
Director

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

We have audited the financial statements of S G Smith (Motors) Limited for the year ended 31st December 2007 which comprise the Profit and Loss Account, the Balance Sheet and related notes. These financial statements have been prepared under the historical cost convention and 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 for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party 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

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK & 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, if in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the Directors' Report 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 & 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, other irregularity or error. In forming our opinion, we have 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 31st December 2007 and of its profit 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 directors' report is consistent with the financial statements.

Devonshire House,
60 Goswell Road,
London,
EC1M 7AD
12th October 2008

KINGSTON SMITH LLP
Chartered Accountants
and Registered Auditors

Kingston Smith LLP

S.G. SMITH (MOTORS) LIMITED
PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2007

	<u>Note</u>	<u>2007</u>	<u>2006</u>
Turnover	1 (b)	191,849	184,268
Continuing operations			
Cost of sales		<u>(40,941)</u>	<u>(36,776)</u>
Gross Profit		150,908	147,492
Administrative expenses		(33,186)	(39,636)
Other operating expenses		(54,722)	(49,065)
Other operating income		<u>350</u>	<u>285</u>
		(87,558)	(88,416)
Operating Profit	2	<u>63,350</u>	<u>59,076</u>
Continuing operations			
Profit on disposal of property		-	-
Interest payable and similar charges	4	(52,052)	(52,402)
Interest receivable and similar income	5	4,984	8,201
Profit on ordinary activities before taxation		<u>16,282</u>	<u>14,875</u>
Taxation charge	6	(5,688)	(7,429)
Retained Profit for the financial year	11	£ <u>10,594</u>	£ <u>7,446</u>

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>2007</u>	<u>2006</u>
Reported profit on ordinary activities before taxation	16,282	14,875
Difference between depreciation on freehold property on historical cost basis and valuation basis	7,037	6,519
Historical cost profit on ordinary activities before taxation	£ <u>23,319</u>	£ <u>21,038</u>
Retained historical cost profit for the financial year	£ <u>17,631</u>	£ <u>13,592</u>

S G SMITH (MOTORS) LIMITED
BALANCE SHEET
AS AT 31ST DECEMBER 2007

	<u>Note</u>	<u>2007</u>	<u>2006</u>
<u>FIXED ASSETS</u>			
Tangible assets	1(d),7	978,102	985,891
<u>CURRENT ASSETS</u>			
Debtors	8	699,979	679,154
Cash at bank and in hand		-	-
		<u>699,979</u>	<u>679,154</u>
<u>CREDITORS DUE WITHIN ONE YEAR</u>	9	<u>(61,884)</u>	<u>(59,175)</u>
<u>NET CURRENT ASSETS</u>		<u>638,095</u>	<u>619,979</u>
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>		<u>1,616,197</u>	<u>1,605,870</u>
<u>PROVISIONS FOR LIABILITIES AND CHARGES</u>	1(c),12	<u>(1,303)</u>	<u>(1,570)</u>
<u>NET ASSETS</u>		<u>£ 1,614,894</u>	<u>£ 1,604,300</u>
<u>CAPITAL AND RESERVES</u>			
Called up share capital	10	3,000	3,000
Revaluation reserve	11	628,920	628,920
Profit and loss account	11	<u>982,974</u>	<u>972,380</u>
<u>SHAREHOLDERS' FUNDS</u>	11	<u>£ 1,614,894</u>	<u>£ 1,604,300</u>


R C D SMITH DIRECTOR

Approved by the Board on 12th October 2008

S.G. SMITH (MOTORS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2007

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

(b) Turnover

Turnover represents the amounts invoiced for rental 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, in respect of the taxation effects of all timing differences that have originated but have not been reversed at the balance sheet date. Liabilities are calculated at the rates that have been enacted at the balance sheet date

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 Buildings	2%
Plant & Machinery	between 10% and 33%
Fixtures & Fittings	between 10% and 33%
Motor Vehicles	10% or 20%

The transitional provisions of FRS15 have been adopted in respect of property stated at valuation. As permitted by these provisions, the valuations have not been updated. Details of the last valuation are shown in note 7

(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 2007

	<u>2007</u>	<u>2006</u>
2 <u>OPERATING PROFIT</u>		
This is stated after charging		
Depreciation of tangible fixed assets		
- Wholly owned	£ 18,062	£ 20,173
- Held under finance leases	£ -	£ -
Auditors' remuneration audit	£ 1,125	£ 1,125
Auditors' remuneration other	£ 375	£ 375
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	2	1
Other Staff	-	-
	<u> </u>	<u> </u>
	4	3
Staff costs were		
Salaries and wages	66,148	70,898
Social security costs	5,869	6,374
Other pension costs	-	-
	£ <u>72,017</u>	£ <u>77,272</u>
4 <u>INTEREST PAYABLE</u>		
Bank Loans and overdrafts	£ <u>52,052</u>	£ <u>52,402</u>
5 <u>INTEREST RECEIVABLE</u>		
Trade interest received	£ <u>4,984</u>	£ <u>8,201</u>
6 <u>TAXATION</u>		
Corporation tax charge	5,955	6,097
at 30% (2006 30%)	<u>5,955</u>	<u>6,097</u>
Current tax charge for year	(267)	1,332
Deferred taxation movement	£ <u>5,688</u>	£ <u>7,429</u>
Factors affecting the current year tax charge were as follows -		
Profit on ordinary activities before tax	£ <u>16,282</u>	£ <u>14,875</u>
Profit on ordinary activities at standard rate of Corporation Tax in the UK of 30%	4,885	4,463
Expenses not deductible for tax purposes	-	605
Depreciation in excess of capital allowances	4,160	4,559
Utilised group losses	-	-
Relief for marginal rates of tax	(3,090)	(3,530)
Current tax charge for year	£ <u>5,955</u>	£ <u>6,097</u>

S.G. SMITH (MOTORS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2007

7 TANGIBLE FIXED ASSETS	Freehold Property	Plant and Machinery	Fixtures and Fittings	Motor Vehicles	Total
<u>Cost or Valuation</u>					
At 1 st January 2007	1,052,590	774	6,575	41,270	1,101,209
Additions	8,425	1,848	-		10,273
Disposals	-	-	-	(10,892)	(10,892)
At 31 st December 2007	<u>£ 1,061,015</u>	<u>£ 2,622</u>	<u>£ 6,575</u>	<u>£ 30,378</u>	<u>£ 1,100,590</u>
<u>Depreciation</u>					
At 1 st January 2007	86,860	774	2,553	25,131	115,318
Charge for the year	12,978	310	657	4,117	18,062
Eliminated on disposal	-	-	-	(10,892)	(10,892)
At 31 st December 2007	<u>£ 99,838</u>	<u>£ 1,084</u>	<u>£ 3,210</u>	<u>£ 18,356</u>	<u>£ 122,488</u>
<u>Net Book Value</u>					
At 31 st December 2007	<u>£ 961,177</u>	<u>£ 1,538</u>	<u>£ 3,365</u>	<u>£ 12,022</u>	<u>£ 978,102</u>
At 31 st December 2006	<u>£ 965,730</u>	<u>£ -</u>	<u>£ 4,022</u>	<u>£ 16,139</u>	<u>£ 985,891</u>
<u>Historical Cost Basis</u>			2007	2006	
Freehold Historic Cost			432,095	423,670	
Depreciation			(56,456)	(50,515)	
Net Book Value			375,639	373,155	
Additional Depreciation on revaluation basis			(43,382)	(36,345)	
Revaluation in 1981			-	-	
Revaluation in 1988			628,920	628,920	
		<u>£</u>	<u>£ 961,177</u>	<u>£ 965,730</u>	

S.G. SMITH (MOTORS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2007

	<u>2007</u>	<u>2006</u>
8 <u>DEBTORS</u>		
<u>Due within one year</u>		
Trade Debtors	43,062	48,786
Amounts owed by group undertakings	543,613	489,279
Other debtors	-	34,200
Prepayments and accrued income	11,710	-
	<u>598,385</u>	<u>572,265</u>
<u>Due after one year</u>		
Property Debtor	101,594	106,889
	£ <u>699,979</u>	£ <u>679,154</u>

9 CREDITORS DUE WITHIN ONE YEAR

Trade creditors	11,225	9,285
Amounts owed to group undertakings	-	-
Corporation tax	5,955	6,097
Payments received on account	44,563	43,793
Accruals and deferred income	141	-
	£ <u>61,884</u>	£ <u>59,175</u>

10 SHARE CAPITAL EQUITY INTERESTS

	<u>2007</u>	<u>2006</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>

11 <u>SHAREHOLDERS' FUNDS</u>	<u>Share Capital</u>	<u>Revaluation Reserve</u>	<u>Profit and Loss Account</u>	<u>Total</u>
At beginning of year	3,000	628,920	972,380	1,604,300
Profit in year	-	-	10,594	10,594
At end of year	£ <u>3,000</u>	£ <u>628,920</u>	£ <u>982,974</u>	£ <u>1,614,894</u>

12 PROVISIONS FOR LIABILITIES AND CHARGES
DEFERRED TAXATION

At beginning of year	1,570
Charged to profit and loss account	(267)
At end of year	£ <u>1,303</u>

This comprises	2007 Amount Provided	2006 Amount Provided
Accelerated Capital Allowances	1,303	1,570
Other Timing Differences	-	-
	1,303	1,570

S.G. SMITH (MOTORS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2007

13 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 2007 were £58,598 (2006 £3,392,982)

In addition, the company's freehold property is charged to the company's bankers to secure advances made to the company

14 ULTIMATE PARENT UNDERTAKING

The company is a wholly owned subsidiary of its 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

15 CONTROLLING INFLUENCE

The group is controlled by R C D Smith, the chairman, by virtue of his own shareholding and those of trusts of which he is a trustee as disclosed in the directors' report on page 1