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R. N. SMITH HOLDINGS LIMITED

**REPORT AND
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 OCTOBER 1998**

Sagars

Chartered Accountants



R. N. SMITH HOLDINGS LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1998

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R. N. SMITH HOLDINGS LIMITED

COMPANY INFORMATION
AS AT 31 OCTOBER 1998

DIRECTORS

R G Smith
D N Smith
Mrs A M Spiby

SECRETARY

R G Smith

REGISTERED OFFICE

Station House
Station Road
Kendal
Cumbria
LA9 6RY

REGISTERED NUMBER

702316

AUDITORS

Sagars
Chartered Accountants
Station House
Station Road
Kendal
Cumbria
LA9 6RY

SOLICITORS

Temple and Bargh Gatey Heelis
41 Crescent Road
Windermere
Cumbria
LA23 1BL

PRINCIPAL BANKERS

National Westminster Bank Plc
2 High Street
Windermere
Cumbria
LA23 1AF

R. N. SMITH HOLDINGS LIMITED

DIRECTORS' REPORT

The directors present their annual report with the financial statements for the year ended 31 October 1998.

PRINCIPAL ACTIVITIES

The principal activities of the company and its subsidiaries in the year under review were:

R N Smith Holdings Ltd	-	Holding and service company
R Smith (Windermere) Ltd	-	Motor engineers and garage proprietors
Honeywise Ltd	-	Property dealers and developers
Lakeland Finance Co Ltd	-	Dormant
Rayrigg Motors Ltd	-	Dormant
Biskey Howe Investments	-	Dormant
Windermere Engineering Co Ltd	-	Dormant
R Smith (Bowness) Ltd	-	Dormant
Newby Bridge Service Station Ltd	-	Dormant

The company owns 100% of the issued share capital of all its subsidiaries.

No significant change in the nature of these activities occurred during the year.

REVIEW OF THE BUSINESS

Turnover during the year increased to £15,418,768.

The net profit after providing for taxation amounted to £85,018.

The group has benefitted from the developments reported on in the previous year's directors' report, resulting in a return to the profit levels of two years ago.

DIVIDENDS

No dividends were paid during the year and no recommendation is made as to dividends.

POST BALANCE SHEET EVENTS

Since the end of the financial year the Windermere branch of R Smith (Windermere) Ltd has been awarded the franchise for Fiat, to give the total customer base a wider choice.

FUTURE DEVELOPMENTS

The developments referred to above have produced significant cost savings, which the directors are hoping will enable the group to maintain profitability in the current difficult trading conditions.

DIRECTORS AND THEIR INTERESTS

The directors in office in the year and their beneficial interests in the company at the balance sheet date and the beginning of the year (or on appointment if later) were as follows:

		Number of Shares	
		1998	1997
R G Smith	Ordinary shares	-	-
D N Smith	Ordinary shares	-	-
Mrs A M Spiby	Ordinary shares	-	-

A R Reed, a partner in Sagars, the company's auditors, is a Trustee of a Trust which held 15,000 Ordinary £1 Shares in the company at 31 October 1998.

R. N. SMITH HOLDINGS LIMITED

DIRECTORS' REPORT

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 as at the end of the financial year and of the profit or loss of the company 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records 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.

YEAR 2000 SOFTWARE ISSUES

The directors have assessed the risk that the group's business and operations will be adversely affected by what is known as the year 2000 problem.

The group's systems and equipment will be modified or replaced, as appropriate, to ensure that there is no significant disruption to the group's operations.

It is anticipated that the costs of making the group year 2000 compliant will be met from the group's normal operating budgets.

AUDITORS

The auditors, Sagars, will be proposed for re-appointment in accordance with section 385 of the Companies Act 1985.

By order of the board:



R/G Smith
Secretary

Date: 30 March 1999

R. N. SMITH HOLDINGS LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 21 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and on the basis of accounting policies set out on page 10.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS

As described in the directors' report, 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 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 as to whether 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 of the group as at 31 October 1998 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Sagars
Chartered Accountants
and Registered Auditors
Station House
Station Road
Kendal
Cumbria
LA9 6RY

Date signed: 30 March 1999

R. N. SMITH HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 OCTOBER 1998

	Notes	1998 £	1997 £
TURNOVER	2	15,418,768	15,041,106
Cost of sales		13,797,321	13,608,597
GROSS PROFIT		1,621,447	1,432,509
Administrative expenses		1,560,419	1,504,038
		61,028	(71,529)
Other operating income		84,165	139,813
OPERATING PROFIT	3	145,193	68,284
Interest payable and similar charges	4	(38,175)	(51,154)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		107,018	17,130
Tax on profit on ordinary activities	7	(22,000)	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		85,018	17,130
Transfers to and from reserves		3,457	2,722
RETAINED PROFIT FOR THE FINANCIAL YEAR	18	88,475	19,852

Continuing operations

None of the group activities were acquired or discontinued during the above two financial periods.

R. N. SMITH HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 OCTOBER 1998

	1998	1997
	£	£
Profit for the financial year after taxation	85,018	17,130
Unrealised movement on revaluation of properties	-	98,809
TOTAL RECOGNISED GAINS RELATING TO THE YEAR	85,018	115,939

NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 31 OCTOBER 1998

	1998	1997
	£	£
REPORTED PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	107,018	17,130
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	3,457	2,722
HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	110,475	19,852
Historical cost profit for the year retained after taxation, minority interests, dividends and transfers to reserves	88,475	19,852

R. N. SMITH HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET AT 31 OCTOBER 1998

	Notes	£	1998 £	£	1997 £
FIXED ASSETS					
Tangible assets	8		1,361,252		1,305,068
CURRENT ASSETS					
Stocks	9	1,986,382		1,906,637	
Debtors	10	660,597		686,980	
Investments	11	80,692		-	
Cash at bank and in hand		1,124		13,312	
		<u>2,728,795</u>		<u>2,606,929</u>	
CREDITORS: amounts falling due within one year	12	<u>(2,573,772)</u>		<u>(2,480,740)</u>	
NET CURRENT ASSETS			155,023		126,189
TOTAL ASSETS LESS CURRENT LIABILITIES					
			<u>1,516,275</u>		<u>1,431,257</u>
CAPITAL AND RESERVES					
Called up share capital	15		15,000		15,000
Revaluation reserve	16		698,513		701,970
Other reserves	17		14,169		14,169
Profit and loss account	18		788,593		700,118
TOTAL SHAREHOLDERS' FUNDS					
	19		<u>1,516,275</u>		<u>1,431,257</u>

Approved by the board of directors on 30 March 1999 and signed on its behalf by:

R G Smith

D N Smith

) Directors

The notes on pages 10 to 21 form part of these financial statements.

R. N. SMITH HOLDINGS LIMITED

BALANCE SHEET AT 31 OCTOBER 1998

	Notes	£	1998 £	£	1997 £
FIXED ASSETS					
Tangible assets	8		325,000		325,000
Investment in subsidiaries			12,605		12,605
			<u>337,605</u>		<u>337,605</u>
CURRENT ASSETS					
Debtors	10	440,875		441,457	
Cash at bank and in hand		-		8	
		<u>440,875</u>		<u>441,465</u>	
CREDITORS: amounts falling due within one year	12	(251,987)		(204,630)	
NET CURRENT ASSETS			<u>188,888</u>		<u>236,835</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>526,493</u>		<u>574,440</u>
CAPITAL AND RESERVES					
Called up share capital	15		15,000		15,000
Revaluation reserve	16		181,392		181,392
Profit and loss account	18		330,101		378,048
TOTAL SHAREHOLDERS' FUNDS	19		<u>526,493</u>		<u>574,440</u>

Approved by the board of directors on 30 March 1999 and signed on its behalf by:

R G Smith )
 Directors
 D N Smith )

R. N. SMITH HOLDINGS LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 1998

	Notes	1998 £	1997 £
Net cash inflow from operating activities	3	41,849	175,258
Returns on investments and servicing of finance	22	(38,175)	(51,154)
Taxation	22	-	(2,762)
Capital expenditure	22	(117,657)	(134,481)
Cash outflow before use of liquid resources and financing		(113,983)	(13,139)
Management of liquid resources	22	(80,692)	-
Financing	22	7,217	171,333
(DECREASE) / INCREASE IN CASH IN THE YEAR		(187,458)	158,194

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

23

(DECREASE) / INCREASE IN CASH IN THE YEAR	(187,458)	158,194
Cash outflow from movement in debt and lease financing	(7,217)	(171,333)
Cash outflow / (inflow) from movement in liquid resources	(80,692)	-
Change in net debt resulting from cash flows	(113,983)	(13,139)
Movement in net debt in the year	(113,983)	(13,139)
Net debt at 1 November 1997	(646,201)	(633,062)
Net debt at 31 October 1998	(760,184)	(646,201)

The notes on pages 10 to 21 form part of these financial statements.

R. N. SMITH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1998

1. STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention modified to include the revaluation of freehold land and buildings.

Consolidation

The group accounts consolidate the accounts of R N Smith Holdings Limited and all its subsidiary companies, made up to 31 October each year. No profit and loss account is presented for R N Smith Holdings Limited, as provided by S228(7) of the Companies Act 1985.

Turnover

Turnover represents the total invoice value, excluding value added tax, of goods sold and services rendered during the year.

Depreciation of tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its useful life:

Freehold land and buildings	2% on cost, straight line basis, on buildings used for trading purposes
Plant and machinery	20% on cost, straight line basis
Motor vehicles	25% on reducing balance basis

Stocks

Stocks are stated at the lower of cost and net realisable value.

Net realisable value is based on estimated selling price less further costs to completion and disposal.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their estimated useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease.

Pension costs

The group operates a money purchase (defined contribution) pension scheme. Contributions payable to this scheme are charged to the profit and loss account in the period to which they relate. These contributions are invested separately from the group's assets.

Operating lease commitments

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

R. N. SMITH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1998

2. TURNOVER

	1998 £	1997 £
Analysis by class of business:		
Vehicle sales and services	15,400,481	15,009,523
Rent received by holding company	18,287	31,583
	<u>15,418,768</u>	<u>15,041,106</u>

The company's turnover arose wholly in the United Kingdom.

3. OPERATING PROFIT

	1998 £	1997 £
Operating profit		
After charging:		
Depreciation of fixed assets	67,308	38,266
Depreciation of leased assets	260	594
Auditors' remuneration	7,675	7,848
Non-audit service remuneration paid to auditors	6,253	4,490
Hire of equipment	13,354	3,585
	<u></u>	<u></u>

After crediting:		
Rent received	11,481	15,311
Profit on disposal of tangible assets	6,095	-
	<u></u>	<u></u>

Reconciliation of operating profit to net cash inflow from operating activities

	1998 £	1997 £
Operating profit	145,193	68,284
Depreciation	67,568	38,860
(Profit) / loss on disposal of fixed assets	(6,095)	-
Increase in stocks	(79,745)	(271,065)
Decrease / (increase) in debtors	26,383	(157,644)
(Decrease) / increase in creditors	(111,455)	496,823
Net cash inflow from operating activities	<u>41,849</u>	<u>175,258</u>

R. N. SMITH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1998

4. INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £	1997 £
On bank overdrafts and loans	30,142	50,431
On other loans	7,064	-
On overdue tax	-	723
Lease finance charges and hire purchase interest	969	-
	<u>38,175</u>	<u>51,154</u>

5. INFORMATION ON DIRECTORS AND EMPLOYEES

	1998 £	1997 £
Staff costs		
Wages and salaries	831,528	808,389
Social security costs	76,017	72,591
Other pension costs	13,264	13,269
	<u>920,809</u>	<u>894,249</u>

	1998 No.	1997 No.
The average number of employees during the year was made up as follows:		
Sales	9	9
Service and parts	27	27
Office and administration	11	11
Subsidiary company directors	2	2
Holding company directors	3	3
	<u>52</u>	<u>52</u>

	1998 £	1997 £
Directors' emoluments		
Emoluments	89,100	89,100
Pension contributions to money purchase (defined contribution) schemes	13,264	13,269
	<u>102,364</u>	<u>102,369</u>

R. N. SMITH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1998

5. INFORMATION ON DIRECTORS AND EMPLOYEES - (continued)

	1998 No.	1997 No.
During the year the following number of directors:		
Accrued benefits under money purchase (defined contribution) pension schemes	<u>2</u>	<u>2</u>

6. PENSION COSTS

Money purchase (defined contribution) pension scheme

The group operates a money purchase (defined contribution) pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £13,264 (1997:£13,269).

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £	1997 £
The taxation charge comprises:		
UK corporation tax at 21% (1997 - 24% and 21%)	<u>22,000</u>	<u>-</u>

R. N. SMITH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1998

8. TANGIBLE FIXED ASSETS

The Company

Land and buildings £	Total £
----------------------------	------------

Valuation:

At 1 November 1997 and at 31 October 1998

325,000 325,000

No depreciation is charged on freehold investment property.

The Group

Land and buildings £	Plant and machinery £	Motor vehicles £	Total £
----------------------------	-----------------------------	---------------------	------------

Cost or valuation:

At 1 November 1997

1,204,421 392,302 116,681 1,713,404

Additions

- 41,194 94,853 136,047

Disposals

- - (42,935) (42,935)

At 31 October 1998

1,204,421 433,496 168,599 1,806,516

Depreciation:

At 1 November 1997

33,055 316,494 58,787 408,336

Charge for year

5,811 31,145 30,612 67,568

On disposals

- - (30,640) (30,640)

At 31 October 1998

38,866 347,639 58,759 445,264

Net book value:

At 31 October 1998

1,165,555 85,857 109,840 1,361,252

At 31 October 1997

1,171,366 75,808 57,894 1,305,068

1998 £	1997 £
-----------	-----------

Analysis of net book value of land and buildings:

Freehold

1,165,555 1,171,366

The Company		The Group	
1998 £	1997 £	1998 £	1997 £

Analysis of tangible assets stated at valuation:

Freehold land and buildings

Cost 143,608 143,608 499,729 499,729

Valuation in 1997

181,392 181,392 704,692 704,692

325,000 325,000 1,204,421 1,204,421

R. N. SMITH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1998

8. TANGIBLE FIXED ASSETS - (continued)

	The Company		The Group	
	1998 £	1997 £	1998 £	1997 £
If shown on an historical cost basis, the revalued tangible assets would be stated as follows:				
Freehold land and buildings				
Cost	143,608	143,608	499,729	499,729
Depreciation	-	-	16,354	14,000
	<u>143,608</u>	<u>143,608</u>	<u>483,375</u>	<u>485,729</u>
Total historical net book value of revalued assets, at 31 October 1998	<u>143,608</u>	<u>143,608</u>	<u>483,375</u>	<u>485,729</u>

Included above are assets held under finance leases or hire purchase contracts as follows:

	1998 £	1997 £
Net book values:		
Motor vehicles	-	1,783
Depreciation charge for the year:		
Motor vehicles	260	594

Net obligations under finance leases and hire purchase contracts are secured on the assets acquired. Freehold land and buildings are valued on an open market basis.

9. STOCKS

	The Group	
	1998 £	1997 £
Raw materials and consumables	123,083	113,800
Short term work in progress	10,496	3,650
Finished goods and goods for resale	1,852,803	1,789,187
	<u>1,986,382</u>	<u>1,906,637</u>

The estimated current replacement cost of stocks does not materially exceed the amount stated above.

R. N. SMITH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1998

10. DEBTORS

	The Company		The Group	
	1998	1997	1998	1997
	£	£	£	£
Trade debtors	-	-	429,434	524,745
Director's current account			18,252	-
Amounts owed by group undertakings	402,096	408,096	-	-
Other debtors	38,779	33,361	114,855	54,626
Prepayments and accrued income	-	-	98,056	107,609
	<u>440,875</u>	<u>441,457</u>	<u>660,597</u>	<u>686,980</u>

Included in the above are amounts due after more than one year as follows:

Other debtors	<u>38,779</u>	<u>33,361</u>	<u>43,303</u>	<u>38,335</u>
---------------	---------------	---------------	---------------	---------------

11. CURRENT ASSET INVESTMENTS

			1998	1997
			£	£
Other investments			<u>80,692</u>	<u>-</u>
	Book value	Market value	Book value	Market value
	At 31 October	At 31 October	At 31 October	At 31 October
	1998	1998	1997	1997
	£	£	£	£
Market value of listed investments				
U.K. Stock Exchange	<u>80,692</u>	<u>82,850</u>	<u>-</u>	<u>-</u>

R. N. SMITH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1998

12. CREDITORS: amounts falling due within one year

	The Company		The Group	
	1998	1997	1998	1997
	£	£	£	£
Bank loans and overdrafts			375,343	200,073
Net obligations under finance leases and hire purchase contracts	-	-	2,917	9,231
Rents paid in advance	2,243	-	2,242	-
Trade creditors		629	1,332,153	1,517,380
Amounts owed to group undertakings	248,094	202,351	-	-
Corporation tax			22,000	-
Other taxes and social security costs	-	-	178,871	249,406
Other creditors			615,766	477,443
Accruals and deferred income	1,650	1,650	44,480	27,207
	<u>251,987</u>	<u>204,630</u>	<u>2,573,772</u>	<u>2,480,740</u>

Included in creditors are loans and overdrafts payable within one year amounting to £650,343 (1997 £200,073) which are secured.

13. BORROWINGS

	1998	1997
	£	£
Borrowings are repayable as follows		
Up to one year and on demand	<u>839,083</u>	<u>650,282</u>

14. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	1998	1997
	£	£
The group's net obligations are repayable as follows:		
Included in current liabilities	<u>(2,917)</u>	<u>(9,231)</u>

R. N. SMITH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1998

15. SHARE CAPITAL

	1998 £	1997 £
Authorised:		
Equity interests:		
Ordinary shares of £1 each	15,000	15,000
Allotted, called up and fully paid:		
Equity interests:		
Ordinary shares of £1 each	15,000	15,000

16. REVALUATION RESERVE

	The Company		The Group	
	1998 £	1997 £	1998 £	1997 £
Balance at beginning of year	181,392	221,392	701,970	605,883
Revaluation during the year	-	(40,000)	-	98,809
Released during the year	-	-	(3,457)	(2,722)
Balance at end of year	181,392	181,392	698,513	701,970

17. OTHER RESERVES

	1998 £	1997 £
The Group:		
Capital reserve		
Balance at beginning and end of year	14,169	14,169

18. PROFIT AND LOSS ACCOUNT

	The Company		The Group	
	1998 £	1997 £	1998 £	1997 £
Retained profit at 1 November 1997	378,048	375,964	700,118	680,266
(Loss)/profit for the year	(47,947)	2,084	85,018	17,130
Depreciation on revaluation reserve	-	-	3,457	2,722
Retained profit at 31 October 1998	330,101	378,048	788,593	700,118

The (loss)/profit for the year before dividends dealt with in the accounts of the holding company was £(47,947) (1997:£2,084).

R. N. SMITH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1998

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	The Company		The Group	
	1998	1997	1998	1997
	£	£	£	£
Profit for the financial year	(47,947)	2,084	85,018	17,130
Other recognised gains and losses relating to the year	-	(40,000)	-	98,809
Net addition to shareholders' funds	(47,947)	(37,916)	85,018	115,939
Opening shareholders' funds	574,440	612,356	1,431,257	1,315,318
Closing shareholders' funds	526,493	574,440	1,516,275	1,431,257
Represented by:-				
Equity interests	526,493	574,440	1,516,275	1,431,257

20. CONTINGENT LIABILITIES

The company has given guarantees in favour of its subsidiary companies in respect of loan and bank overdraft facilities. At 31 October 1998 the amount guaranteed was £650,343 (1997 - £200,073).

The company has given a guarantee in respect of the granting of direct debit facilities to MVRA Ltd.

21. CAPITAL COMMITMENTS

There were no capital commitments at 31st October 1998 or 1997.

22. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	1998	1997
	£	£
Returns on investments and servicing of finance		
Interest paid	(37,206)	(51,154)
Interest element of hire purchase contracts	(969)	-
Net cash inflow / (outflow) from returns on investments and servicing of finance	(38,175)	(51,154)
Taxation		
Corporation tax paid	-	(2,762)

R. N. SMITH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1998

22. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT - (continued)

	1998 £	1997 £
Capital expenditure		
Purchase of tangible fixed assets	(136,047)	(134,481)
Receipts from sale of tangible fixed assets	18,390	-
Net cash outflow from capital expenditure	<u>(117,657)</u>	<u>(134,481)</u>
Management of liquid resources		
Short-term investments and bank deposits	(80,692)	-
Net cash outflow from management of liquid resources	<u>(80,692)</u>	<u>-</u>
Financing		
New long term loans	13,531	271,333
Capital element of hire purchase contract payments	(1,347)	-
Capital element of finance lease rental payments	(4,967)	-
Repayment of short term loans	-	(100,000)
Net cash (outflow) / inflow from financing	<u>7,217</u>	<u>171,333</u>

23. ANALYSIS OF CHANGES IN NET DEBT

	1997 £	Cash flow £	Other movements £	1998 £
Cash at bank and in hand	13,312	(12,188)	-	1,124
Bank overdraft	(73)	(175,270)	-	(175,343)
		(187,458)		
Debt due within one year	(650,209)	(13,531)	-	(663,740)
Hire purchase contracts and finance lease agreements	(9,231)	6,314	-	(2,917)
Current asset investments	-	80,692	-	80,692
	<u>(646,201)</u>	<u>(113,983)</u>	<u>-</u>	<u>(760,184)</u>

R. N. SMITH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1998

24. RELATED PARTY DISCLOSURES

Control

Throughout the year, the company was controlled by its directors.

Transactions

During the year R Smith (Windermere) Ltd had the following transactions with related parties:

Related party	Transaction	Balance at year end
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Directors and their families	Loans to company	38,876 (59,048)
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Interest paid on loans from directors and their families totalled £7,063.

MVRA Ltd -	Loan to company	(58,000) (117,000)
a company of which	Interest paid	(2,341) -
R G and D N Smith are directors and shareholders		

Transactions between group companies are not disclosed as consolidated accounts are prepared.