

**R N SMITH HOLDINGS LTD &
SUBSIDIARIES**

**REPORT AND
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 OCTOBER 1999**

REGISTERED NUMBER: 702316



R N SMITH HOLDINGS LTD & SUBSIDIARIES

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1999

Contents	Pages
Company information	1
Directors' report	2 - 3
Auditors' report	4
Consolidated profit and loss account	5
Note of historical cost profits and losses	6
Consolidated balance sheet	7
Company balance sheet	8
Consolidated cash flow statement	9
Notes to the financial statements	10 - 22

R N SMITH HOLDINGS LTD & SUBSIDIARIES

COMPANY INFORMATION AT 31 OCTOBER 1999

DIRECTORS

D N Smith
R G Smith
A M Spiby

SECRETARY

R G Smith

REGISTERED OFFICE

Station House
Station Road
Kendal
Cumbria
LA9 6RY

BUSINESS ADDRESS

Rayrigg Showrooms
Rayrigg Road
Bowness on Windermere
Cumbria
LA23 3DN

AUDITORS

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

PRINCIPAL BANKERS

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

R N SMITH HOLDINGS LTD & SUBSIDIARIES

DIRECTORS' REPORT

The directors present their annual report with the financial statements for the year ended 31 October 1999.

PRINCIPAL ACTIVITIES

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

R N Smith Holding Limited	-	Holding and service company
R Smith (Windermere) Limited	-	Motor engineers and garage proprietors
Honeywise Limited	-	Property dealers and developers
Lakeland Finance Co Limited	-	Dormant
Rayrigg Motors Limited	-	Dormant
Loweside Investments	-	Dormant
Windermere Engineering Co Limited	-	Dormant
R Smith (Bowness) Limited	-	Dormant
Newby Bridge Service Station Limited	-	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 decreased by 11% to £13,738,024 (1998: £15,418,768).

The net loss after providing for taxation amounted to £60,816.

DIVIDENDS

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

FUTURE DEVELOPMENTS

The results of the year under review indicate that 1999 proved to be one of the most difficult trading years since the recession of the early 1990's. Unfortunately, this uncertainty continues and we await the manufacturers response to the government's and our customers concerns regarding new car pricing in the United Kingdom. We hope that this uncertainty will be removed and that prospects for the current year will improve from March onwards when the position should be clarified.

The 1999 results reflect the costs involved in establishing a Fiat franchise at our Windermere branch. We see this new brand as a positive move for the future but the cost should not be underestimated both in establishment expenses incurred and the loss in vehicle sales during the transitional period. At the same time, BMW were not helpful in their dealings with the future of Rover cars, but thankfully more positive comments from them and the arrival of new models have gone some way to restoring the position.

We look forward to the combined effect of the reduction in new car prices and the new franchise on our sales volumes. In the light of this, we have taken a long look at our over age vehicles to ensure that their true market value is recognised in our stock valuation. We believe that this action positions us correctly to take advantage of the inevitable price reductions that we will have to offer when the market returns to normal levels of activity.

R N SMITH HOLDINGS LTD & SUBSIDIARIES

DIRECTORS' REPORT

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	
	1999	1998
D N Smith	-	-
R G Smith	-	-
A M Spiby	-	-

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 1999.

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:

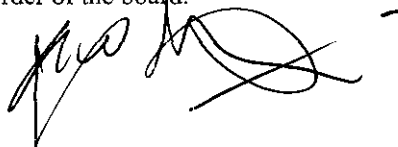
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

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: 2 February 2000

R N SMITH HOLDINGS LTD & SUBSIDIARIES

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements on pages 5 to 22 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 1999 and of its loss 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: 2 February 2000

R N SMITH HOLDINGS LTD & SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 OCTOBER 1999

	Notes	1999 £	1998 £
TURNOVER	2	13,738,024	15,418,768
Cost of sales		12,251,842	13,797,321
GROSS PROFIT		1,486,182	1,621,447
Administrative expenses		1,569,130	1,560,419
		(82,948)	61,028
Other operating income		59,988	84,165
OPERATING (LOSS) / PROFIT	3	(22,960)	145,193
Profit on disposal of listed investments		9,951	-
Investment income and interest receivable		176	-
Amounts written off investments		(21,315)	-
Interest payable and similar charges	4	(39,333)	(38,175)
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(73,481)	107,018
Tax on (loss) / profit on ordinary activities	7	12,665	(22,000)
(LOSS) / PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(60,816)	85,018

Continuing operations

None of the company's activities were acquired or discontinued during the above two financial years.

Total recognised gains and losses

The company has no recognised gains or losses other than the profit or loss for the above two financial years.

The notes on pages 10 to 22 form part of these financial statements.

R N SMITH HOLDINGS LTD & SUBSIDIARIES

NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 31 OCTOBER 1999

	1999 £	1998 £
REPORTED LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(73,481)	107,018
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	2,722	3,457
HISTORICAL COST LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(70,759)	110,475
Historical cost loss for the year accumulated after taxation, minority interests, dividends and transfers to reserves	(58,094)	88,475

The notes on pages 10 to 22 form part of these financial statements.

R N SMITH HOLDINGS LTD & SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 31 OCTOBER 1999

	Notes	£	1999 £	£	1998 £
FIXED ASSETS					
Tangible assets	8		1,674,776		1,361,252
Investments	10		14,375		-
			<u>1,689,151</u>		<u>1,361,252</u>
CURRENT ASSETS					
Stocks	12	1,151,462		1,986,382	
Debtors	14	855,682		660,597	
Investments	15	76,491		80,692	
Cash at bank and in hand		1,273		1,124	
		<u>2,084,908</u>		<u>2,728,795</u>	
CREDITORS: amounts falling due within one year	16	(2,318,601)		(2,573,772)	
NET CURRENT (LIABILITIES) / ASSETS			(233,693)		155,023
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,455,458</u>		<u>1,516,275</u>
CAPITAL AND RESERVES					
Called up share capital	19		15,000		15,000
Revaluation reserve	20		695,791		698,513
Other reserves	21		14,169		14,169
Profit and loss account	22		730,498		788,593
TOTAL SHAREHOLDERS' FUNDS	23		<u>1,455,458</u>		<u>1,516,275</u>

Approved by the board of directors on 2 February 2000 and signed on its behalf by the following directors:

D N Smith:

R G Smith:

The notes on pages 10 to 22 form part of these financial statements.

R N SMITH HOLDINGS LTD & SUBSIDIARIES

BALANCE SHEET AT 31 OCTOBER 1999

	Notes	£	1999 £	£	1998 £
FIXED ASSETS					
Tangible assets	8		325,000		325,000
Investment in subsidiaries	11		13,961		12,605
			<u>338,961</u>		<u>337,605</u>
CURRENT ASSETS					
Debtors	14	159,564		440,875	
CREDITORS: amounts falling due within one year	16	(149,003)		(251,987)	
			<u>10,561</u>		<u>188,888</u>
NET CURRENT ASSETS					
TOTAL ASSETS LESS CURRENT LIABILITIES					
			<u>349,522</u>		<u>526,493</u>
CAPITAL AND RESERVES					
Called up share capital	19		15,000		15,000
Revaluation reserve	20		181,392		181,392
Profit and loss account	22		153,130		330,101
TOTAL SHAREHOLDERS' FUNDS					
	23		<u>349,522</u>		<u>526,493</u>

Approved by the board of directors on 2 February 2000 and signed on its behalf by:

D N Smith

Directors

R G Smith

The notes on pages 10 to 22 form part of these financial statements.

R N SMITH HOLDINGS LTD & SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 1999

	Notes	1999 £	1998 £
Net cash inflow from operating activities	3	395,763	41,849
Returns on investments and servicing of finance	24	(39,157)	(38,175)
Taxation	24	(21,235)	-
Capital expenditure and financial investment	24	(389,876)	(117,657)
Cash outflow before use of liquid resources and financing		(54,505)	(113,983)
Management of liquid resources	24	(7,164)	(80,692)
Financing	24	(57,167)	7,217
DECREASE IN CASH IN THE YEAR		(118,836)	(187,458)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

25

DECREASE IN CASH IN THE YEAR	(118,836)	(187,458)
Cash outflow / (inflow) from movement in debt and lease financing	57,167	(7,217)
Cash outflow from movement in liquid resources	7,164	80,692
Change in net debt resulting from cash flows	(54,505)	(113,983)
Non-cash movements in liquid asset investments	(11,364)	-
Movement in debt in the year	(65,869)	(113,983)
Net debt at 1 November 1998	(760,184)	(646,201)
Net debt at 31 October 1999	(826,053)	(760,184)

The notes on pages 12 to 24 form part of these financial statements.

R N SMITH HOLDINGS LTD & SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1999

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 S230 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, on buildings used for trading purposes
Plant and machinery	20% or 33% on straight line basis
Motor vehicles	25% reducing balance

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 company 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 company'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 LTD & SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1999

2. TURNOVER

	1999 £	1998 £
Analysis by class of business:		
Vehicle sales and services	13,479,627	15,400,481
Rent received by holding company	23,897	18,287
Property dealing	234,500	-
	<u>13,738,024</u>	<u>15,418,768</u>

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

3. OPERATING (LOSS) / PROFIT

Operating (loss) / profit is stated	1999 £	1998 £
After charging:		
Depreciation of fixed assets	65,494	67,308
Depreciation of leased assets	-	260
Auditors' remuneration	7,875	7,675
Non-audit service remuneration paid to auditors	2,265	6,253
Hire of equipment	13,710	13,354
	<u>-</u>	<u>11,481</u>
After crediting:		
Rent received	-	11,481
Profit on disposal of tangible assets	3,517	6,095
	<u>3,517</u>	<u>6,095</u>

Reconciliation of operating loss to net cash inflow from operating activities

	1999 £	1998 £
Operating (loss) / profit	(22,960)	145,193
Depreciation	65,494	67,568
Profit on disposal of fixed assets	(3,517)	(6,095)
(Increase) / decrease in stocks	834,920	(79,745)
(Increase) / decrease in debtors	(183,185)	26,383
Decrease in creditors	(294,989)	(111,455)
Net cash inflow from operating activities	<u>395,763</u>	<u>41,849</u>

R N SMITH HOLDINGS LTD & SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1999

4. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £	1998 £
On bank loans and overdrafts	32,429	30,142
On other loans	6,499	7,064
Lease finance charges and hire purchase interest	405	969
	<u>39,333</u>	<u>38,175</u>

5. INFORMATION ON DIRECTORS AND EMPLOYEES

	1999 £	1998 £
Staff costs		
Wages and salaries	820,186	831,528
Social security costs	89,875	76,017
Other pension costs	13,194	13,264
	<u>923,255</u>	<u>920,809</u>

	1999 No.	1998 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>

R N SMITH HOLDINGS LTD & SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1999

5. INFORMATION ON DIRECTORS AND EMPLOYEES - (continued)

	1999 £	1998 £
Directors' emoluments		
Emoluments	112,159	89,100
Pension contributions to money purchase (defined contribution) scheme	13,194	13,264
	<u>125,353</u>	<u>102,364</u>
	1999 No.	1998 No.
During the year the following number of directors:		
Accrued benefits under money purchase (defined contribution) pension schemes	2	2

6. PENSION COSTS

Money purchase (defined contribution) pension scheme

The company operates a money purchase (defined contribution) pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £13,194 (1998: £13,264).

7. TAX ON LOSS ON ORDINARY ACTIVITIES

	1999 £	1998 £
The taxation credit comprises:		
Corporation tax at 21% and 20% (1998 - 21%)	-	22,000
Adjustment in respect of prior years	(12,665)	-
	<u>(12,665)</u>	<u>22,000</u>

R N SMITH HOLDINGS LTD & SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1999

8. TANGIBLE FIXED ASSETS

The Company	Land and buildings £	Total £
Valuation:		
At 1 November 1998 and at 31 October 1999	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 1998	1,204,421	451,619	168,599	1,824,639
Additions	358,828	44,673	-	403,501
Disposals	-	-	(35,053)	(35,053)
At 31 October 1999	1,563,249	496,292	133,546	2,193,087
Depreciation:				
At 1 November 1998	38,866	365,762	58,759	463,387
Charge for year	4,722	39,085	21,687	65,494
On disposals	-	-	(10,570)	(10,570)
At 31 October 1999	43,588	404,847	69,876	518,311
Net book value:				
At 31 October 1999	1,519,661	91,445	63,670	1,674,776
At 31 October 1998	1,165,555	85,857	109,840	1,361,252
			1999 £	1998 £

Analysis of net book value of land and buildings:

Freehold	1,519,661	1,165,555
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	The Company		The Group	
	1999 £	1998 £	1999 £	1998 £
Analysis of tangible assets stated at valuation:				
Freehold land and buildings				
Cost	143,608	143,608	714,949	499,729
Valuation in 1997	181,392	181,392	523,300	704,692
	325,000	325,000	1,238,249	1,204,421

R N SMITH HOLDINGS LTD & SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1999

8. TANGIBLE FIXED ASSETS - (continued)

	The Company		The Group	
	1999	1998	1999	1998
	£	£	£	£
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	71,949	499,729
Depreciation	-	-	18,354	16,354
	<u>143,608</u>	<u>143,608</u>	<u>53,595</u>	<u>483,375</u>
Total historical net book value of revalued assets, at 31 October 1999	<u>143,608</u>	<u>143,608</u>	<u>53,595</u>	<u>483,375</u>

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

	1999	1998
	£	£
Depreciation charge for the year:		
Motor vehicles	-	260

Net obligations under finance leases and hire purchase contracts are secured on the assets acquired.

10. INVESTMENTS

Cost or valuation:	Additions
	£
Other investments	<u>14,375</u>

Other investments other than loans

Shares:

	Book value	Market value	Book value	Market value
	1999	1999	1998	1998
	£	£	£	£
Unlisted	<u>14,375</u>	<u>14,375</u>	<u>-</u>	<u>-</u>

R N SMITH HOLDINGS LTD & SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1999

10. INVESTMENTS - (continued)

The investment represents 1,875 "B" ordinary shares of £1 each and 12,500 10% redeemable cumulative preference shares of £1 each in Black i Limited, a vehicle fleet management company incorporated in England and Wales. In the directors opinion the market value of this investments is not materially different from the book value.

11. INVESTMENT IN SUBSIDIARIES

	The Company	
	1999 £	1998 £
Investment in subsidiary companies:		
Shares at cost brought forward	37,096	37,096
Provision	(23,135)	(24,491)
Shares at cost net of provision carried forward	13,961	12,605

The details of the subsidiary companies are disclosed in the directors' report.

12. STOCKS

	The Group	
	1999 £	1998 £
Raw materials and consumables	138,295	123,083
Short term work in progress	5,812	10,496
Finished goods and goods for resale	1,007,355	1,852,803
	1,151,462	1,986,382

There is no material difference between the replacement cost of stocks and their balance sheet amounts.

R N SMITH HOLDINGS LTD & SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1999

14. DEBTORS

	The Company		The Group	
	1999 £	1998 £	1999 £	1998 £
Trade debtors	-	-	547,830	429,434
Director's current account	-	-	13,212	18,252
Amounts owed by group undertakings	115,303	402,096	-	-
Other debtors	44,261	38,779	159,977	114,855
Prepayments and accrued income	-	-	134,663	98,056
	<u>159,564</u>	<u>440,875</u>	<u>855,682</u>	<u>660,597</u>
Included in the above are amounts due after more than one year as follows:				
Other	<u>44,261</u>	<u>38,779</u>	<u>-</u>	<u>43,303</u>

15. CURRENT ASSET INVESTMENTS

			1999 £	1998 £
	Book value At 31 October 1999 £	Market value At 31 October 1999 £	Book value At 31 October 1998 £	Market value At 31 October 1998 £
Other investments			<u>76,491</u>	<u>80,692</u>
Market value of listed investments				
U.K. Stock Exchange	<u>76,491</u>	<u>101,250</u>	<u>80,692</u>	<u>82,850</u>

R N SMITH HOLDINGS LTD & SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1999

16. CREDITORS: amounts falling due within one year

	The Company		The Group	
	1999	1998	1999	1998
	£	£	£	£
Bank loans and overdrafts	-	-	494,328	375,343
Net obligations under finance leases and hire purchase contracts	-	-	-	2,917
Payments received on account	4,659	2,243	4,659	2,242
Trade creditors	-	-	1,218,299	1,332,153
Amounts owed to group undertakings	144,344	248,094	-	-
Corporation tax	-	-	-	22,000
Other taxes and social security costs	-	-	33,764	178,871
Other creditors	-	-	525,498	615,766
Accruals and deferred income	-	1,650	42,053	44,480
	<u>149,003</u>	<u>251,987</u>	<u>2,318,601</u>	<u>2,573,772</u>

Bank overdrafts amounting to £294,295 (1998 £175,343) are secured by a first legal mortgage over Rayrigg Showrooms, Rayrigg Road, Bowness on Windermere and an unscheduled mortgage debenture incorporating a fixed and floating charge over all current and future assets of the company.

Bank loans amounting to £200,000 (1998 £200,000) are secured by a second legal charge over Rayrigg Showrooms, Rayrigg Road, Bowness on Windermere and a second legal charge over Lowside, Bowness on Windermere, and a legal charge over Lowside, Bowness on Windermere and by a floating charge on new and used vehicle stocks and plant and equipment.

Bank loans amounting to £210,000 (1998 £275,000) are secured by a legal charge over Rayrigg Showrooms, Rayrigg Road, Bowness on Windermere.

The bank holds a legal mortgage dated 16 November 1999 over the freehold property at Shap Road, Kendal.

17. BORROWINGS

	1999	1998
	£	£
The company's borrowings are repayable as follows		
Up to one year and on demand	<u>903,818</u>	<u>839,083</u>

R N SMITH HOLDINGS LTD & SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1999

18. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	1999 £	1998 £
The group's obligations are repayable as follows:		
Net obligations analysed as follows:		
Included in creditors - amounts falling due within one year	-	2,917

19. SHARE CAPITAL

	1999 £	1998 £
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

20. REVALUATION RESERVE

	The Company		The Group	
	1999 £	1998 £	1999 £	1998 £
Balance at 1 November 1998	181,392	181,392	698,513	701,970
Released during the year	-	-	(2,722)	(3,457)
Balance at 31 October 1999	181,392	181,392	695,791	698,513

21. OTHER RESERVES

	1999 £	1998 £
The Group:		
Capital reserve		
Balance at 1 November 1998 and 31 October 1999	14,169	14,169
Total other reserves	14,169	14,169

R N SMITH HOLDINGS LTD & SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1999

22. PROFIT AND LOSS ACCOUNT

	The Company		The Group	
	1999	1998	1999	1998
	£	£	£	£
Retained profit as at 1 November 1998	330,101	378,048	788,592	700,118
Profit / (loss) for the year	(176,971)	(47,947)	(60,816)	85,018
Depreciation on revaluation reserve	-	-	2,722	3,457
Retained profit as at 31 October 1999	153,130	330,101	730,498	788,593

The profit / (loss) for the year before dividends dealt with in the accounts of the holding company was £(218,971) (1998:£(47,947)).

The cumulative amount of goodwill resulting from acquisitions which has been written off is £1,416 (1998 : £1,416).

23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	The Company		The Group	
	1999	1998	1999	1998
	£	£	£	£
Profit / (loss) for the year	(176,971)	(47,947)	(60,816)	85,018
Opening shareholders' funds	526,493	574,440	1,516,274	1,431,257
Closing shareholders' funds	349,522	526,493	1,455,458	1,516,275
Represented by:-				
Equity interests	349,522	526,493	1,455,458	1,516,275

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

	1999	1998
	£	£
Returns on investments and servicing of finance		
Interest received	176	-
Interest paid	(38,928)	(37,206)
Interest element of hire purchase contracts	(405)	(969)
Net cash outflow from returns on investments and servicing of finance	(39,157)	(38,175)

R N SMITH HOLDINGS LTD & SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1999

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

	1999 £	1998 £
Taxation		
Corporation tax paid	(21,235)	-
Net cash outflow from taxation	<u>(21,235)</u>	<u>-</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(403,501)	(136,047)
Purchase of other investments	(14,375)	-
Receipts from sale of tangible fixed assets	28,000	18,390
Net cash outflow from capital expenditure	<u>(389,876)</u>	<u>(117,657)</u>
Management of liquid resources		
Purchase of equities	(38,397)	(80,692)
Sale of equities	31,233	-
Net cash outflow from management of liquid resources	<u>(7,164)</u>	<u>(80,692)</u>
Financing		
New long-term loans	-	13,531
Repayments of long term loans	(54,250)	-
Capital element of hire purchase contract payments	-	(1,347)
Capital element of finance lease rental payments	(2,917)	(4,967)
Net cash (outflow) / inflow from financing	<u>(57,167)</u>	<u>7,217</u>

25. ANALYSIS OF CHANGES IN NET DEBT

	1998 £	Cash flow £	Other movements £	1999 £
Cash at bank and in hand	1,124	149	-	1,273
Bank overdraft	(175,343)	(118,985)	-	(294,328)
		(118,836)		
Debt due within one year	(663,740)	54,250	-	(609,490)
Hire purchase contracts and finance lease agreements	(2,917)	2,917	-	-
Current asset investments	80,692	7,164	(11,364)	76,492
	<u>(760,184)</u>	<u>(54,505)</u>	<u>(11,364)</u>	<u>(826,053)</u>

R N SMITH HOLDINGS LTD & SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1999

26. CONTINGENT LIABILITIES

The company has given guarantees in favour of its subsidiary companies in respect of loan and bank overdraft facilities. At 31 October 1999 the amount guaranteed was £704,328 (1998 £650,343).

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

The company has a terminal indemnity in favour of Fiat Auto UK Limited of £22,500 (1998 - £nil) and Fiat Auto Financial Limited of £79,000 (1998 - £nil).

The bank has given indemnity to suppliers amounting to £331,500.

27. RELATED PARTY DISCLOSURES

Control

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

Transactions

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

Related Party	Transaction		Balance at year end
Directors and their families	Loans to company	(17,266)	(76,314)
Interest paid on loans from directors and their families totalled £6,367.			
MVRA Limited	Loan to company	3,000	(114,000)
a company of which	Interest paid	5,329	(4,667)
R G and D N Smith are directors and shareholders			

Included in debtors is a loan to a director, D N Smith. The amount outstanding at the year end was £13,212.

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