

THE SMD GROUP LIMITED

FINANCIAL STATEMENTS

31ST DECEMBER 2000

Registered number: 2182529



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CRITCHLEYS

CHARTERED ACCOUNTANTS

Oxon

THE SMD GROUP LIMITED

FINANCIAL STATEMENTS

for the year ended 31st December 2000

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The following pages do not form part of the statutory accounts

Detailed trading and profit and loss account	Appendix 1
Schedule to the detailed trading and profit and loss account	Appendix 2

THE SMD GROUP LIMITED

COMPANY INFORMATION

31st December 2000

INCORPORATED	England, 21st December 1987
NUMBER	2182529
DIRECTORS	P A Duff H C Blackie (resigned 1/9/00) S D Jacobs S E M Powell (appointed 24/8/00) I M Thompson (appointed 24/8/00)
SECRETARY	G A L Bell, FFA
REGISTERED OFFICE	Unit 1 Park Road Faringdon Oxon
AUDITORS	Critchleys Chartered Accountants 10 Marlborough Street Faringdon Oxon SN7 7JP

THE SMD GROUP LIMITED

DIRECTORS' REPORT

31st December 2000

The directors present their report and the audited financial statements for the year ended 31st December 2000.

Principal activity

The principal activity of the company is that of the sale, marketing and distribution of equestrian related products.

As predicted the company returned to profit in 2000. This was achieved through the company's continued efforts to firmly establish its key brands in the home market.

Exports remain difficult due to the weakness of the Euro.

The directors remain confident that the repositioning of the company, commenced in 1999, will enable the business to continue its recovery. During 2001 there have been significant product additions to the key ranges, with good market acceptance. Foot and mouth disease will have affected the forecast for the current year, but the extent is still unknown.

Recent restructuring of the facilities provided by our bankers, has resulted in the overdraft being significantly reduced and replaced by a long term loan repayable over six years.

Directors

The directors of the company during the year and their interests in the shares of the company as recorded in the register of directors' interests were as follows:

	31st December 2000		1st January 2000	
	Preference shares	Ordinary shares	Preference shares	Ordinary shares
P A Duff	-	-	-	22,000
H C Blackie (resigned 1/9/00)	-	-	-	-
S D Jacobs	50,000	10,288	50,000	10,288
S E M Powell (appointed 24/8/00)	-	-	-	-
I M Thompson (appointed 24/8/00)	-	-	-	-

Auditors

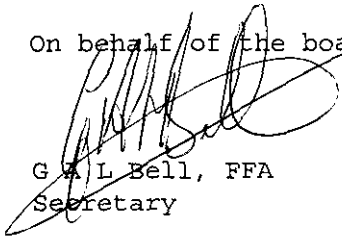
Critchleys have agreed to offer themselves for re-appointment as auditors.

Small company exemptions

This report is prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements on pages 5 to 13 have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000).

On behalf of the board


G A L Bell, FFA
Secretary

Unit 1
Park Road
Faringdon
Oxon

15 November 2001

THE SMD GROUP LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

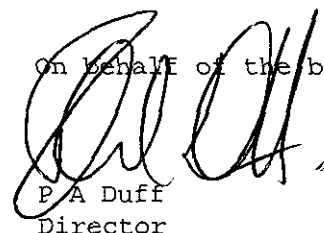
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and 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 keeping 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.

15 November 2001

On behalf of the board



P A Duff
Director

THE SMD GROUP LIMITED

AUDITORS' REPORT

Auditors' report to the members of

The SMD Group Limited

We have audited the financial statements on pages 5 to 13 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000), under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3, 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 that the financial statements are free from material misstatement, whether caused by fraud or error or other irregularity. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Fundamental uncertainty

In forming our opinion, we have considered the financial position of the company and its ability to continue trading. The financial statements have been prepared on a going concern basis, the validity of which depends on the company's ability to trade profitably in the future. The company is also dependant on the continuing support of the bank which has been guaranteed until 26 November 2002, provided that the company operates within the existing overdraft facility. We would draw your attention to the contents of the Directors' Report in this respect. In the event of the bank's support being withdrawn, the company would have to seek alternative sources of finance. Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Critchleys
Registered Auditors
Chartered Accountants

Oxon
6th December 2001

THE SMD GROUP LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31st December 2000

	Note	2000 £	1999 £
Turnover	2	1,107,349	1,106,738
Cost of sales		(600,183)	(649,295)
Gross profit		507,166	457,443
Net operating expenses			
Distribution costs		(25,971)	(132,831)
Administrative expenses		(436,091)	(480,708)
Other operating income		29,847	11,864
Operating profit/(loss)	3	74,951	(144,232)
Interest payable		(33,019)	(34,464)
Profit/(loss) on ordinary activities before taxation		41,932	(178,696)
Taxation		-	-
Profit/(loss) on ordinary activities after taxation		41,932	(178,696)
Dividends	5	(6,000)	(6,000)
Retained profit/(loss) for the year	14	35,932	(184,696)

Movements in reserves are shown in the notes to the financial statements.

THE SMD GROUP LIMITED

BALANCE SHEET

at 31st December 2000

	Note	2000 £	1999 £
Fixed assets			
Tangible assets	6	28,429	43,264
Investments	7	4	4
		<u>28,433</u>	<u>43,268</u>
Current assets			
Stocks	8	186,322	186,314
Debtors	9	326,762	326,731
Cash at bank and in hand		1,570	1,869
		<u>514,654</u>	<u>514,914</u>
Creditors: amounts falling due within one year	10	(486,061)	(624,845)
Net current assets/(liabilities)		<u>28,593</u>	<u>(109,931)</u>
Total assets less current liabilities		<u>57,026</u>	<u>(66,663)</u>
Creditors: amounts falling due after more than one year	11	(300,425)	(212,667)
		<u>(243,399)</u>	<u>(279,330)</u>
Capital and reserves			
Called up share capital	12	60,436	60,436
Share premium account	13	219,685	219,685
Profit and loss account	14	(523,520)	(559,451)
Total shareholders' funds		<u>(243,399)</u>	<u>(279,330)</u>

These financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective March 2000).

The financial statements on pages 5 to 13 were approved by the board of directors on 15 November 2001 and signed on its behalf by:



P. A. Duff
Director

THE SMD GROUP LIMITED

NOTES ON FINANCIAL STATEMENTS

31st December 2000

1 Accounting policies**Basis of accounting**

The financial statements have been prepared under the historical cost convention.

The financial statements have also been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000). The company has taken advantage of the exemption from preparing a cash flow statement on the grounds that it qualifies as a small company under the Companies Act 1985.

Turnover

Turnover represents the amount derived from the provision of goods and services after deduction of trade discounts and value added tax.

Depreciation

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

Land and buildings	fully depreciated
Other tangible fixed assets	20%, 25% and 33% straight line

Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

Research and development

Expenditure on research and development incurred in the year other than on fixed assets is charged against profit.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis.

Net realisable value is based on estimated selling price less the estimated cost of disposal.

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

Foreign currencies

Transactions expressed in foreign currencies are translated into sterling and recorded at rates of exchange approximating to those ruling at the date of the transaction. Monetary assets and liabilities are translated at rates ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Pensions**Defined contribution scheme**

Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

THE SMD GROUP LIMITED

NOTES ON FINANCIAL STATEMENTS

31st December 2000

2 Turnover

In the opinion of the directors, 7% of the turnover of the company is attributable to geographical markets outside the UK (1999 6%).

3 Operating profit/(loss)

	2000 £	1999 £
Operating profit/(loss) is stated after crediting:		
Interest receivable	1	827
Profit on foreign exchange	-	528
Profit on sale of assets	82	-
	<u> </u>	<u> </u>
and after charging:		
Auditors' remuneration	2,200	2,500
Loss on foreign exchange	18,881	-
	<u> </u>	<u> </u>
Depreciation of tangible fixed assets (note 6):		
Owned assets	9,974	11,503
Leased assets	8,705	8,705
	<u> </u>	<u> </u>
	18,679	20,208
	<u> </u>	<u> </u>

4 Directors

	2000 £	1999 £
Directors' emoluments	44,358	80,869
	<u> </u>	<u> </u>
During the year the following number of directors accrued retirement benefits under:	Number	Number
Money purchase pension schemes	2	2
	<u> </u>	<u> </u>

Defined contribution pension scheme

The company operates a defined contribution 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 £9,616 (1999 £12,910) including contributions in respect of employees.

Contributions totalling £0 (1999 £0) were payable to the fund at 31st December 2000 and are included in creditors.

THE SMD GROUP LIMITED

NOTES ON FINANCIAL STATEMENTS

31st December 2000

5 Dividends

	2000 £	1999 £
Non-equity - preference	<u>6,000</u>	<u>6,000</u>

6 Tangible fixed assets

Cost	Land and Buildings £	Plant and Machinery etc £	Total £
1st January 2000	7,553	93,763	101,316
Additions	-	3,965	3,965
Disposals	-	(499)	(499)
	<u>7,553</u>	<u>97,229</u>	<u>104,782</u>
31st December 2000	<u>7,553</u>	<u>97,229</u>	<u>104,782</u>
Depreciation			
1st January 2000	7,551	50,501	58,052
Charge for the year	-	18,679	18,679
Disposals	-	(377)	(377)
	<u>7,551</u>	<u>68,803</u>	<u>76,354</u>
31st December 2000	<u>7,551</u>	<u>68,803</u>	<u>76,354</u>
Net book amount			
31st December 2000	<u>2</u>	<u>28,427</u>	<u>28,429</u>
1st January 2000	<u>2</u>	<u>43,262</u>	<u>43,264</u>

The net book amount of fixed assets includes £11,717 (1999 £20,422) in respect of assets held under finance leases and hire purchase contracts, the depreciation of which is shown in note 3.

THE SMD GROUP LIMITED

NOTES ON FINANCIAL STATEMENTS

31st December 2000

7 Fixed asset investments

Investments
other than
loans
£

Cost

1st January 2000

4

Net book amount

31st December 2000

4

1st January 2000

4

The investment comprises two ordinary shares, issued on subscription for £1 in each of two dormant subsidiary companies, SMD (UK) Limited and PR+ UK Limited (formerly SMD Consultancy Limited). The subsidiaries were both registered in England on 20th January 1999 and have yet to commence trading.

8 Stocks

2000
£1999
£

Stocks

186,322

186,314

9 Debtors

2000
£1999
£

Amounts falling due within one year

Trade debtors

304,084

300,255

Other debtors

22,678

26,476

326,762

326,731

THE SMD GROUP LIMITED

NOTES ON FINANCIAL STATEMENTS

31st December 2000

10 Creditors: amounts falling due within one year

	2000 £	1999 £
Bank loans and overdrafts	128,441	107,133
Trade creditors	166,469	275,319
Obligations under finance leases and hire purchase contracts - note 11	8,004	9,954
Other taxation and social security	19,529	37,330
Other creditors	163,618	195,109
	<u>486,061</u>	<u>624,845</u>

During the year the loan from P Duff, the managing director, was repaid in full (1999 £1,500).

11 Creditors: amounts falling due after more than one year

	2000 £	1999 £
Bank loans	118,782	137,339
Trade creditors	86,598	25,652
Obligations under finance leases and hire purchase contracts	672	8,676
Other creditors	94,373	41,000
	<u>300,425</u>	<u>212,667</u>

Creditors other than finance lease and hire purchase contracts

Amounts falling due after more than five years	<u>125,308</u>	<u>87,206</u>
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Secured creditors

Small company secured creditors	<u>396,656</u>	<u>427,508</u>
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The directors have given personal guarantees in respect of the bank loans and overdraft and the debt factoring liability of £140,757 (1999 £173,406)

Included in other creditors is a loan from S Jacobs, a director, of £25,500 (1999 £25,500). The loan is interest bearing at a commercial rate and there is no fixed date for repayment.

THE SMD GROUP LIMITED

NOTES ON FINANCIAL STATEMENTS

31st December 2000

12 Called up share capital

	2000		1999	
	Number of shares	£	Number of shares	£
Authorised				
Ordinary share capital	50,000	500	50,000	500
Preference share capital	75,000	75,000	75,000	75,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
		75,500		75,500
		<u> </u>		<u> </u>
Allotted, called up and fully paid				
Ordinary share capital	43,622	436	43,622	436
Preference share capital	60,000	60,000	60,000	60,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
		60,436		60,436
		<u> </u>		<u> </u>

The Preference shares are 10% Cumulative Redeemable Shares. They carry no voting rights and are redeemable between 1st January 2001 and 31st December 2003 at the directors' option. No premium is payable on redemption.

13 Share premium account

	2000 £
1st January 2000	
and	
31st December 2000	<u>219,685</u>

14 Profit and loss account

	2000 £
1st January 2000	(559,452)
Retained profit for the year	<u>35,932</u>
31st December 2000	<u>(523,520)</u>

THE SMD GROUP LIMITED

NOTES ON FINANCIAL STATEMENTS

31st December 2000

15 Related parties

During the year, there were the following related party transactions:

Homeserve Limited (common director)

At the end of the year there was a balance on the sales ledger of £8,120 (1999 £9,955) and no purchase ledger balance.

Transactions during the year include the following:

Sales to Homeserve Limited

Management charges	£9,333 (1999 £10,000)
Rent and rates recharge	£2,613 (1999 £2,613)

Purchases from Homeserve Limited

Computer	£0 (1999 £850)
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Horseworld Limited (majority shareholder)

During the year Horseworld Limited advanced a loan of £70,000 (1999 £0) to the company. There were also costs incurred by The SMD Group Limited on behalf of Horseworld Limited, totalling £7,627 (1999 £0). The balance due to Horseworld Limited at the year end was £62,373 (1999 £0).

16 Ultimate parent undertaking

The company is controlled by Horseworld Limited, the majority voting shareholder.