

FRED SMITH & SONS (MOTOR BODIES) LIMITED

Company Registered No. 807879

AUDITED ACCOUNTS

YEAR ENDED 30TH JUNE 1997

SAMS LANE, WEST BROMWICH, WEST MIDLANDS

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FRED SMITH & SONS (MOTOR BODIES) LIMITEDDIRECTORS' REPORT

The directors present their annual report and the audited accounts of the company for the year ended 30th June 1997.

Results and Dividends for the Year

The trading profit for the year, after all taxation, was £561807. The directors propose a dividend on the ordinary shares of £100000.

Review of the Business

The principal activities of the company have been those of motor body builders, repairers and assemblers, with an associated activity involving the short term hire of commercial vehicles.

There has been no significant change in the activities of the company during the year.

Fixed Assets

Changes in the fixed assets of the company are shown in note 8 to the accounts and are not considered by the directors to be significant.

Freehold and Long Leasehold Land and Buildings

The market value of the land and buildings is considered by the directors to be in excess of its book value.

Future Developments

No major alterations to the company's present position are foreseen.

Important Events Since the Year End

No major events have taken place since the end of the year.

Directors and their Shareholdings

The directors during the year, and their interests in the share capital of the company, were as follows:

	As at <u>30.06.97</u>	As at <u>30.06.96</u>
F. Smith, Esq.	750	750
M. Smith, Esq.	750	750
P. Smith, Esq.	750	750
W. Smith, Esq.	750	750
G. Smith, Esq.	-	-
Mrs. A. Evanson	-	-
Mrs. J. Wilford	-	-

The directors have not been granted, nor have exercised, any right to subscribe for shares in the company during the year.

FRED SMITH & SONS (MOTOR BODIES) LIMITEDDIRECTORS' REPORT (continued)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 then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Political and Charitable Donations

During the year the company made the following donations:-

	£	£
Charitable Donations	1307	550
	<u> </u>	<u> </u>

Auditors

A resolution to re-appoint Owen Millichamp as auditors will be proposed at the forthcoming Annual General Meeting.

By Order of the Board,


.....

Secretary.

Date. 27.1.98.....

AUDITORS' REPORT TO THE SHAREHOLDERS OFFRED SMITH & SONS (MOTOR BODIES) LIMITED

We have audited the financial statements on pages 4 to 18 which have been prepared under the historical cost convention and the accounting policies set out on pages 10 and 11.

Respective Responsibilities of Directors and Auditors

As described on page 2 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 judgments 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 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 the company's affairs as at 30th June 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Signed... *Owen Millichamp & Co.*

28th January 1998

OWEN MILLICHAMP AND CO.
CHARTERED ACCOUNTANTS
6 COMPTON ROAD
CHAPEL ASH
WOLVERHAMPTON
WEST MIDLANDS
WV3 9PH

FRED SMITH & SONS (MOTOR BODIES) LIMITED

Company Registered Number 807879

PROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED30TH JUNE 199730TH JUNE 1996

	<u>Notes</u>	£	£	£	£
<u>Gross Profit for the Year</u>			1622995		1384280
Administrative Expenses		968528		1054636	
Other Operating Income		(113083)		(23069)	
		<u> </u>	855445	<u> </u>	1031567
<u>Operating Profit</u>	2		767550		352713
Interest Receivable		8051		8109	
Interest Payable					
and Similar Charges	3	(137418)		(106238)	
		<u> </u>	(129367)	<u> </u>	(98129)
<u>Profit on Ordinary</u>					
<u>Activities before Taxation</u>			638183		254584
Tax on Profit					
on Ordinary Activities	5		76376		95176
<u>Profit on Ordinary</u>					
<u>Activities after Taxation</u>			561807		159408
Dividends	6		100000		-
<u>Retained Profit for the Financial Year</u>			461807		159408
Retained Profit brought forward			1105123		945715
<u>Retained Profit carried forward</u>			1566930		1105123

Continuing Operations

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

Recognised Gains and Losses

There were no recognised gains or losses in these two financial years other than the profits attributable to the shareholders of the company.

The notes on pages 10 to 18 form part of these accounts.

FRED SMITH & SONS (MOTOR BODIES) LIMITED

<u>BALANCE SHEET AS AT</u>		<u>30TH JUNE 1997</u>		<u>30TH JUNE 1996</u>	
	<u>Notes</u>	£	£	£	£
<u>Fixed Assets</u>					
Tangible Assets	7		3081218		2796292
<u>Current Assets</u>					
Stocks	8	138910		109759	
Debtors	9	683499		814713	
Cash at Bank and in Hand		227604		193666	
		1050013		1118138	
<u>Creditors : amounts due within one year</u>					
Directors' Current Accounts		187703		127703	
Bank Loan and Overdraft	10	27712		36458	
Obligations under Finance Leases and Hire Purchase Contracts		824081		845323	
Trade Creditors		319458		27712	
Current Corporation Tax		100000		12000	
Other Taxes and Social Security		106759		88191	
Other Creditors		11107		113805	
Accruals		53550		160020	
Proposed Dividends		100000		-	
		1730370		1746517	
<u>Net Current Liabilities</u>					
			(680357)		(628379)
<u>Total Assets less Current Liabilities</u>					
			2400861		2167913
<u>Creditors : amounts falling due after one year</u>					
	11	660931		868833	
<u>Provision for Liabilities and Charges</u>					
	12	170000		190957	
			830931		105979
<u>Net Assets</u>					
			1569930		1108123

The notes on pages 10 to 18 form part of these accounts.

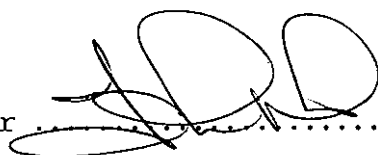
FRED SMITH & SONS (MOTOR BODIES) LIMITEDBALANCE SHEET (CONTINUED)

		<u>30TH JUNE 1997</u>		<u>30TH JUNE 1996</u>	
	<u>Notes</u>	£	£	£	£
<u>Capital and Reserves</u>					
<u>Share Capital</u>					
Authorised:					
Ordinary Shares of £1 each		3000		3000	
		<u> </u>		<u> </u>	
Allotted, Called up and Fully Paid:					
Ordinary Shares of £1 each			3000		3000
<u>Reserves</u>					
Profit and Loss Account			1566930		1105123
			<u> </u>		<u> </u>
<u>Shareholders' Funds</u>	14		1569930		1108123
			<u> </u>		<u> </u>

The directors have taken advantage of the exemptions conferred by Section B of Part III of Schedule 8 to the Companies Act 1985 and have done so on the grounds that, in their opinion, the company is entitled to those exemptions as a medium company.

Approved by the Board of Directors on ..27.1.98...

Director



F. Smith, Esq.

The notes on pages 8 to 18 form part of these accounts.

FRED SMITH & SONS (MOTOR BODIES) LIMITEDCASH FLOW STATEMENT

<u>FOR THE YEAR ENDED</u>	<u>30TH JUNE 1997</u>		<u>30TH JUNE 1996</u>	
	£	£	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES (note 1)		907997		858514
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest Received	8051		8109	
Interest Paid	(137418)		(106238)	
	=====		=====	
		(129367)		(98129)
TAXATION		(9333)		(7628)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT				
Purchase of fixed assets	(932978)		(1159162)	
Proceeds of sale of fixed assets	249000		64445	
	=====		=====	
		(683978)		(1094717)
FINANCING				
Loans received	82500		385295	
Loan repaid	(133881)		(22477)	
	=====		=====	
		(51381)		362818
		=====		=====
INCREASE IN CASH		33938		20858
		=====		=====

The notes on pages 8 and 9 form part of this statement.

FRED SMITH & SONS (MOTOR BODIES) LIMITEDNOTES TO THE CASH FLOW STATEMENT

<u>FOR THE YEAR ENDED</u>	<u>30TH JUNE 1997</u>		<u>30TH JUNE 1996</u>	
	£	£	£	£
1. <u>Reconciliation of operating profit to net cash inflow from operating activities</u>				
Operating profit		767550		352713
Depreciation	501685		409222	
Profit on sale of fixed assets	(102633)		(1269)	
Increase in stock	(29151)		(3343)	
Increase in debtors	(46549)		(75857)	
(Decrease)/Increase in creditors	(182905)		177048	
		<u>140447</u>		<u>505801</u>
<u>Net cash inflow from operating activities</u>		<u>907997</u>		<u>858514</u>
2. <u>Reconciliation of net cash flow to movement in net debt</u> (note 3)				
	£	£	£	£
Increase in cash in the year	33938		20858	
Cash outflow/(inflow) from reduction in debt and lease financing	51381		(362818)	
		<u></u>		<u></u>
<u>Movement in net debt in the year</u>		85319		(341960)
<u>Net debt at 1st July 1996</u>		(1548202)		(1206242)
		<u></u>		<u></u>
<u>Net debt at 30th June 1997</u>		<u>(1462883)</u>		<u>(1548202)</u>

FRED SMITH & SONS (MOTOR BODIES) LIMITEDNOTES TO THE CASHFLOW STATEMENT (CONTINUED)

	As at 1st July <u>1996</u>	Cash Flows	Other Changes	As at 30th June <u>1997</u>
3. <u>Analysis of changes</u> <u>in net debt</u>	£	£	£	£
Cash at bank and in hand	193666	33938	-	227604
Other Loans: due within one year (27712)	-	-	-	(27712)
: due after one year (125111)	25269	-	-	(99842)
Finance leases:				
: due within one year (845323)	(82500)	-	-	(927823)
: due after one year (743722)	108612	-	-	(635110)
	(1741868)	51381	-	(1690487)
Total	(1548202)	85319	-	(1462883)

FRED SMITH & SONS (MOTOR BODIES) LIMITEDNOTES TO THE ACCOUNTSYEAR ENDED 30TH JUNE 19971. Accounting Policies

The financial statements have been prepared in accordance with applicable U.K. accounting standards. The particular accounting policies adopted are described below.

Accounting Convention

The accounts are prepared under the historical cost convention.

Turnover

Turnover represents the amounts derived from the provision of goods and services, net of value added tax.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life, as follows:-

Plant and Equipment	15% p.a. reducing balance basis
Equipment	15% p.a. reducing balance basis
Commercial Hire Vehicles - Lorries	16.67% p.a. straight line basis
- Trailers	8.33% p.a. straight line basis
Motor Vehicles	25% p.a. reducing balance basis

Stocks

Stocks are stated at the lower of cost and net realisable value as follows:

Raw Materials	Purchase cost on a first-in, first-out basis.
Work in Progress and Finished Goods	Cost of direct materials and labour, including all production overheads and the attributable proportion of indirect overhead expenses.

Deferred Taxation

Deferred taxation is provided on the liability method on all material 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 estimated that taxation will be payable.

FRED SMITH & SONS (MOTOR BODIES) LIMITEDNOTES TO THE ACCOUNTS (CONTINUED)YEAR ENDED 30TH JUNE 19971. Accounting Policies - continuedLeasing and Hire Purchase Commitments

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

Interest charges are allocated to the profit and loss account over the period of the contract and represent a constant proportion of the balance of capital outstanding.

Operating Leases

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Pension Contributions

The company operates a defined contributions scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

	<u>1997</u>	<u>1996</u>
	£	£
2. <u>Operating Profit</u>		
is stated after charging or crediting:		
Auditors' Remuneration		
- for audit work	6000	6000
- for non-audit work	7000	6000
Depreciation of Tangible Fixed Assets		
- owned assets	80562	90411
- assets held under finance leases and hire purchase contracts	421123	318811
Operating Lease Rentals		
- land and buildings	24895	24000
- other	22174	16130
Profit on Sale of Fixed Assets	(102633)	(1269)
Employee Pension Costs	3910	3435
	<u> </u>	<u> </u>

FRED SMITH & SONS (MOTOR BODIES) LIMITEDNOTES TO THE ACCOUNTS (CONTINUED)YEAR ENDED 30TH JUNE 1997

	<u>1997</u>	<u>1996</u>
<u>3. Interest Payable and Similar Charges</u>		
On Bank Loans and Overdrafts	13033	13982
Finance Charges	124385	92256
	<hr/>	<hr/>
	137418	106238
	<hr/>	<hr/>

4. Staff Numbers and Costs

The average monthly number of employees during the year (including directors) was made up as follows:-

	<u>1997</u>	<u>1996</u>
Management	8	8
Administration and Office Staff	7	8
Production and Sales Staff	45	46
	<hr/>	<hr/>
Staff costs during the year amounted to:	£	£
Salaries, Wages and National Insurance	1108021	1146956
Pension Costs	49337	55909
	<hr/>	<hr/>
	1157358	1202865
	<hr/>	<hr/>
<u>Directors' Remuneration</u>	£	£
Fees	269250	363555
Pension Contributions	45427	52474
Benefits in Kind	50078	-
	<hr/>	<hr/>
	364755	416029
	<hr/>	<hr/>

Emoluments (excluding pension contributions) of the highest paid director amounted to £55645 (1996: £69000).

FRED SMITH & SONS (MOTOR BODIES) LIMITEDNOTES TO THE ACCOUNTS (CONTINUED)YEAR ENDED 30TH JUNE 1997

	<u>1997</u>	<u>1996</u>
5. <u>Taxation</u>	£	£
This comprises:		
Corporation Tax payable on profits for the year at 24% (1996; 24.75%)	100000	12000
Deferred Taxation	(20957)	82548
	<hr/>	<hr/>
	79043	94548
Adjustment re: (Over)/Under provision in previous years	(2667)	628
	<hr/>	<hr/>
	76376	95176
	<hr/>	<hr/>
6. <u>Dividends Proposed</u>	£	£
Ordinary - final proposed £33.33 per share (1996: £Nil)	100000	-
	<hr/>	<hr/>

FRED SMITH & SONS (MOTOR BODIES) LIMITED• NOTES TO THE ACCOUNTS (CONTINUED)YEAR ENDED 30TH JUNE 19977. Tangible Fixed AssetsCost or Valuation

	<u>At start of year</u>	<u>Additions</u>	<u>Disposals</u>	<u>At end of year</u>
	£	£	£	£
Land and Buildings:				
Freehold	422827	-	(30830)	391997
Plant and Equipment	378510	-	-	378510
Fleet Vehicles	2537811	857272	(140600)	3254483
Office Equipment	57308	-	-	57308
Motor Vehicles	325163	75706	(50216)	350653
	3721619	932978	(221646)	4432951

Depreciation

	<u>At start of year</u>	<u>Charge for the year</u>	<u>Disposal Adjustment</u>	<u>At end of year</u>
	£	£	£	£
Plant and Equipment	217470	24156	-	241626
Fleet Vehicles	471161	429157	(32900)	867418
Office Equipment	36926	3057	-	39983
Motor Vehicles	199770	45315	(42379)	202706
	925327	501685	(75279)	1351733

Net Book Value

	<u>£</u>
As at 30th June 1997	3081218
As at 30th June 1996	2796292

Included above are the following amounts relating to assets held at 30th June 1997 under finance leases and hire purchase contracts :

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Depreciation charge for the year</u>
	£	£	£	£
Fleet Vehicles	2998823	757008	2241815	384797
Motor Vehicles	189697	68723	120974	36326
	3188520	825731	2362789	421123

FRED SMITH & SONS (MOTOR BODIES) LIMITEDNOTES TO THE ACCOUNTS (CONTINUED)YEAR ENDED 30TH JUNE 1997

	<u>1997</u>	<u>1996</u>
8. <u>Stocks</u>	£	£
Raw Materials and Consumables	60840	56594
Work in Progress	78070	53165
	<hr/>	<hr/>
	138910	109759
	<hr/>	<hr/>

The current replacement cost of stocks is not materially different from the historical cost.

9. Debtors

<u>Amounts falling due within one year:</u>	£	£
Trade debtors	580899	713663
Prepayments and accrued income	102600	101050
	<hr/>	<hr/>
	683499	814713
	<hr/>	<hr/>

10. Bank Borrowings

	£	£
<u>Amounts due within one year:</u>		
Bank loan	27712	27712
<u>Amounts due between one and two years:</u>		
Bank loan	27712	27712
<u>Amounts due between two and five years:</u>		
Bank loan	72130	97399
	<hr/>	<hr/>
	127554	152823
	<hr/>	<hr/>

The bank loans are secured by a fixed and floating charge over the company's assets.

FRED SMITH & SONS (MOTOR BODIES) LIMITEDNOTES TO THE ACCOUNTS (CONTINUED)YEAR ENDED 30TH JUNE 1997

	<u>1997</u>	<u>1996</u>
<u>11. Creditors</u>		
<u>Amounts falling due after more than one year:</u>	£	£
Bank loans	99842	125111
Obligations under finance leases and hire purchase contracts	561089	743722
	<u>660931</u>	<u>868833</u>
<u>12. Provisions For Liabilities And Charges</u>	£	£
Deferred Tax - see note 15	170000	190957
<u>13. Deferred Taxation</u>		
The provision for deferred taxation, which represents the full potential liability, comprises:-	£	£
Accelerated capital allowances	170000	190957
Movement of deferred tax provision:	£	£
Balance as at 1st July 1996	190957	108409
Transfer for the year	(20957)	82548
Balance as at 30th June 1997	<u>170000</u>	<u>190957</u>
<u>14. Reconciliation of Movements in Shareholders' Funds</u>	£	£
Profit for the financial year after taxation	561807	159408
Dividends	(100000)	-
Net addition to shareholders funds	<u>461807</u>	<u>159408</u>
Opening shareholders' funds at 1st July 1996	1108123	948715
Closing shareholders' funds at 30th June 1997	<u>1569930</u>	<u>1108123</u>

• FRED SMITH & SONS (MOTOR BODIES) LIMITED

• NOTES TO THE ACCOUNTS (CONTINUED)

YEAR ENDED 30TH JUNE 1997

15. Capital Commitments

There were no capital commitments contracted for at the balance sheet date (1996: £Nil).

Other Commitments

The company has the following annual commitments under operating leases:

	<u>1997</u>
	£
Expiring in one year	
- office equipment	1003
Expiring in two to five years	
- fleet vehicles	12070
- office equipment	10378
	<u> </u>

16. Contingent Liabilities

There were no significant contingent liabilities at the balance sheet date (1996 £Nil).

FRED SMITH & SONS (MOTOR BODIES) LIMITEDNOTES TO THE ACCOUNTS (CONTINUED)YEAR ENDED 30TH JUNE 199717. Related Party TransactionsRelated Individuals

The following transactions took place with individual related parties during the year:

Directors' current accounts

Creditors include the following amounts due to directors at the year end:

	£
F. Smith, Esq.	46791
M. Smith, Esq.	47128
P. Smith, Esq.	46603
W. Smith, Esq.	47181
	<hr/>
	187703
	<hr/>

These balances arise as a result of the opening balances due and emoluments voted.

Other Transactions with Directors

F. W. Smith, Esq., M. Smith, Esq., P. Smith, Esq. and W. Smith, Esq. provided the use of a property to the company for which rent of £22000 was paid. The same directors also provided the use of a further property for which no charge was made.

Transactions with other individual related parties

There are no provisions against any of the amounts owing at the year end and no amounts have been written off in respect of these transactions during the year.

All of the above transactions were undertaken at arms length on normal commercial terms.

18. Controlling Party

The company is not under the control of any individual shareholder, but is collectively controlled by four of the directors, Messrs. F. Smith, Esq., M. Smith, Esq., P. Smith, Esq., and W. Smith, Esq.