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HELSTON GARAGES LIMITED

DIRECTORS' REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2000

Registered No. 703021

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HELSTON GARAGES LIMITED

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HELSTON GARAGES LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	D S Carr Esq (Chairman) Mrs B V Carr N W Perry Esq, ACA (Financial Director) C R Spaett Esq (Managing Director)
SECRETARY:	Mrs B V Carr
REGISTERED OFFICE:	83-87 Meneage Street Helston Cornwall
REGISTERED NUMBER:	703021
AUDITORS:	Messrs Kitchen & Brown Registered Auditors and Chartered Accountants 40 Coinagehall Street Helston Cornwall
BANKERS:	Lloyds TSB Bank Plc 1 Market Place Helston Cornwall

HELSTON GARAGES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2000

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

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 judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a 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.

Principal Activities

The principal activities of the company throughout the year were selling and repairing motor vehicles, supplying motor accessories and hiring motor vehicles.

Review of Business

The results for the year and the financial position at the year end were considered disappointing by the directors.

Future Developments

The directors aim to maintain the current management policies and hope to improve profitability.

Fixed Assets

The changes in fixed assets are summarised in the notes to the financial statements.

Results and Dividends

The results of the year's trading and the financial position of the company are shown in the annexed financial statements.

The company's loss for the year, after taxation, amounted to £160,533 (1999: £4,143).

The directors recommend that no dividend be paid.

Directors

The present directors are as shown on page 1. All served on the board throughout the year.

New Holding Company

On 5 December 2000, the Company's issued share capital was transferred to Helston Garages Group Limited, a company owned by D S Carr Esq and Mrs B V Carr.

Helston Garages Limited is therefore no longer the ultimate holding company of the Helston Garages group.

HELSTON GARAGES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2000 (CONTINUED)

Directors' Interests

The interests of the directors in the shares of the company at the beginning and end of the year, were as follows:

	31 December 2000	1 January 2000
D S Carr Esq (Chairman)		
Beneficial owner - ordinary £1 shares	-	75,000
As trustee - ordinary shares of £1 each	-	25,000
Mrs B V Carr		
Beneficial owner - ordinary £1 shares	-	75,000
As trustee - ordinary shares of £1 each	-	25,000
N W Perry Esq, ACA (Financial Director)		
Beneficial owner - ordinary £1 shares	-	-
C R Spaett Esq (Managing Director)		
Beneficial owner - ordinary £1 shares	-	-

D S Carr Esq and Mrs B V Carr also own 75% of Helston Garages Group Limited, the holding company, which has owned 100% of Helston Garages Limited since 5 December 2000.

Auditors

The auditors, Messrs Kitchen & Brown, have indicated their willingness to accept re-appointment under Section 385(2) of the Companies Act 1985.

ON BEHALF OF THE BOARD

B.V. Carr

MRS B V CARR - SECRETARY

Date: 13/8/2001

HELSTON GARAGES LIMITED

AUDITORS' REPORT TO THE MEMBERS OF HELSTON GARAGES LIMITED

We have audited the financial statements on pages 5 to 24 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described in the directors' report, the company's directors are responsible for the preparation of the 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 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 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

MESSRS KITCHEN & BROWN

Registered Auditors

Date: 13.6.01

REGISTERED AUDITORS &
CHARTERED ACCOUNTANTS
40 COINAGEHALL STREET
HELSTON
CORNWALL

HELSTON GARAGES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2000

	Note	2000 £	1999 £
TURNOVER	2	8,869,601	9,125,701
Cost of sales		(7,639,247)	(7,893,548)
GROSS PROFIT		1,230,354	1,232,153
Net operating expenses	3	(1,105,312)	(1,188,741)
OPERATING PROFIT	4	125,042	43,412
Interest receivable and similar income		20,985	130,371
Interest payable and similar charges	7	(341,960)	(184,639)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(195,933)	(10,856)
Tax on loss on ordinary activities	8	35,400	6,713
RETAINED LOSS FOR THE FINANCIAL YEAR		(160,533)	(4,143)
Retained profit brought forward		2,408,149	2,412,292
RETAINED PROFIT CARRIED FORWARD		2,247,616	2,408,149

The company has made no acquisitions nor discontinued any operations within the meaning of Financial Reporting Standard 3 during either year. Therefore turnover and operating profit derive entirely from continuing operations.

There are no recognised gains or losses other than the loss for the financial year shown above.

The annexed notes form part of these financial statements.

HELSTON GARAGES LIMITED

BALANCE SHEET AT 31 DECEMBER 2000

	Note		2000 £		1999 £
FIXED ASSETS					
Tangible assets	9		3,081,333		2,941,913
Investments	10		2,357,794		6,492,899
			5,439,127		9,434,812
CURRENT ASSETS					
Stocks	11	697,161		607,396	
Debtors	12	8,826,448		2,953,172	
Cash at bank and in hand		116,779		662,042	
		9,640,388		4,222,610	
CREDITORS					
Amounts falling due within one year	13	(7,971,532)		(10,159,466)	
NET CURRENT ASSETS/(LIABILITIES)			1,668,856		(5,936,856)
TOTAL ASSETS LESS CURRENT LIABILITIES			7,107,983		3,497,956
CREDITORS					
Amounts falling due after more than one year	14		(3,760,560)		-
PROVISIONS FOR LIABILITIES AND CHARGES	15		(67,000)		(57,000)
NET ASSETS			3,280,423		3,440,956
CAPITAL AND RESERVES					
Called up share capital	16		200,000		200,000
Revaluation reserve	17		832,807		832,807
Profit and loss account			2,247,616		2,408,149
SHAREHOLDERS' FUNDS	18		3,280,423		3,440,956

These financial statements were approved by the board on ....13/8/2001....

ON BEHALF OF THE BOARD

.....

D S CARR ESQ (CHAIRMAN) - DIRECTOR

The annexed notes form part of these financial statements.

HELSTON GARAGES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2000

	Note	2000 £		1999 £	
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	25		(3,865,708)		(468,640)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		20,985		130,371	
Interest paid		(320,153)		(169,118)	
Interest element of finance lease rental payments		(21,807)		(15,521)	
			(320,975)		(54,268)
TAXATION			43,400		(93,287)
CAPITAL EXPENDITURE					
Payments to acquire fixed assets		(519,957)		(401,454)	
Receipts from sales of fixed assets		269,382		232,813	
Receipts from sale of investments in subsidiary undertakings		4,443,456		-	
			4,192,881		(168,641)
ACQUISITIONS AND DISPOSALS					
Payments to acquire investments in subsidiary undertakings		(308,351)		(4,812,537)	
			(308,351)		(4,812,537)
			(258,753)		(5,597,373)
FINANCING					
Issue of debentures, loans etc		436,288		4,640,272	
Repayments of loan		(564,000)		(1,044,354)	
			(127,712)		3,595,918
DECREASE IN CASH	26		(386,465)		(2,001,455)

The annexed notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards and the principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have remained unchanged from the previous year and have been consistently applied within the same financial statements.

Basis of Preparation of Financial Statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

The effect of events in relation to the year ended 31 December 2000 which occurred before the date of approval of the financial statements by the board of directors, have been included in the statements to the extent required to show a true and fair view of the state of affairs at 31 December 2000 and of the results for the year ended on that date.

The financial statements present information about the company as an individual undertaking and not about its group. Group financial statements are not required because the company is included in the financial statements of Helston Garages Group Limited.

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:-

Freehold buildings	-	1% per annum of cost
Plant, equipment, fixtures and fittings	-	10% per annum of cost
Computers	-	20% per annum of cost
Garage and hire vehicles	-	20% per annum of net book value

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 expected to be incurred to completion and disposal.

Stock held on consignment is treated as follows:-

(a) Where title has not passed and the commercial risk of obsolescence rests with the manufacturer, stock is not accounted for in the balance sheet.

(b) Costs incurred directly by the company on consignment stock are accounted for as prepayments. Such costs are written off to profit and loss account in the event that such consignment stock is returned to the manufacturer or passed to another dealer with no prospect of recovering the cost.

(c) Deposits paid to manufacturers in respect of stock held on consignment are treated as prepayments and accounted for as debtors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000 (CONTINUED)

Deferred Taxation

Deferred taxation is the taxation attributable to timing differences between profits computed for taxation purposes and profits as stated in the financial statements.

Deferred taxation is provided using the liability method on all short term timing differences to the extent that, in the opinion of the directors, there is a reasonable probability that a liability will crystallise in the foreseeable future.

Leasing and Hire Purchase Commitments

Tangible fixed assets acquired under finance leases or hire purchase contracts are capitalised and depreciated in the same manner as other tangible fixed assets. The related obligations, net of future finance charges, are included in creditors.

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

Pension Costs

The company operates a defined contribution pension scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account of the service company in the period to which they relate.

2. **TURNOVER**

The company's turnover represents the invoiced amount, excluding Value Added Tax, of goods and services supplied to customers during the year.

3. **NET OPERATING EXPENSES**

	2000 £	1999 £
Administrative expenses	2,124,960	1,753,839
Other operating income	(1,019,648)	(565,098)
	1,105,312	1,188,741

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000 (CONTINUED)

4. OPERATING PROFIT

Operating profit is stated after charging:

	2000 £	1999 £
Directors` emoluments (including contributions to money purchase pension scheme of £7,514 (1999: £6,935))	513,039	465,671
Hire of plant and machinery - operating leases	15,478	11,750
Loss on sale of fixed assets	9,389	12,158
Depreciation and amortisation of owned assets	95,509	91,254
Depreciation of assets held under finance leases and hire purchase	6,257	6,257
Auditors` remuneration	8,850	9,506

5. DIRECTORS` REMUNERATION

The emoluments of the directors disclosed in note 4 include the following amounts:-

	2000 £	1999 £
Highest paid director:		
Emoluments	196,000	179,130
Pension contributions in respect of money purchase benefits	288	613

There are 3 directors to whom retirement benefits are accruing under money purchase pension schemes in respect of qualifying services (1999: 3).

All directors` remuneration is paid by the service company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000 (CONTINUED)

6. STAFF COSTS

The average number of persons employed by the company, including directors, during the year was as follows:

	2000 Number	1999 Number
Management and administration	4	4

The aggregate payroll costs of these persons were as follows:

	2000 £	1999 £
Wages and salaries	-	-
Social security costs	-	-
Other pension costs	-	-
	-	-

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2000 £	1999 £
Bank loan and overdraft	256,897	95,559
Other loans	63,256	73,559
Finance charges payable - finance leases and hire purchase	21,807	15,521
	341,960	184,639

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000 (CONTINUED)

8. TAXATION ON ORDINARY ACTIVITIES

	2000 £	1999 £
Based on the Profit for the year:		
Corporation tax	-	2,000
Deferred tax transfer	10,000	(10,000)
Charge for losses surrendered to other group companies	(47,000)	-
	(37,000)	(8,000)
Prior year		
Corporation tax under provided	1,600	1,287
	(35,400)	(6,713)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000 (CONTINUED)

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant, equipment, fixtures and fittings £	Computers £	Garage and hire vehicles £	Total £
Cost or valuation					
At 1 January 2000	2,691,704	291,950	145,167	239,292	3,368,113
Additions	97,352	20,461	9,594	392,550	519,957
Disposals	-	-	-	(323,233)	(323,233)
At 31 December 2000	2,789,056	312,411	154,761	308,609	3,564,837
Depreciation					
At 1 January 2000	110,865	184,357	90,244	40,734	426,200
Charge for the year	13,290	17,768	21,110	49,598	101,766
Elimination on disposals	-	-	-	(44,462)	(44,462)
At 31 December 2000	124,155	202,125	111,354	45,870	483,504
Net book value					
At 31 December 2000	2,664,901	110,286	43,407	262,739	3,081,333
At 31 December 1999	2,580,839	107,593	54,923	198,558	2,941,913

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000 (CONTINUED)

Cost or valuation of land and buildings comprises:

	£
Cost	1,024,056
Valuation 1988	815,000
Valuation 1998	950,000
	2,789,056

The comparable amounts determined according to the historical cost convention are as follows:

	£
Cost	1,671,389
Accumulated depreciation	150,780
Net book value	
At 31 December 2000	1,520,609
At 31 December 1999	1,436,854

The cost and valuation of freehold land and buildings includes £550,000 (1999: £550,000) in respect of freehold land.

The remaining fixed assets of the company have not been revalued in the financial statements but the directors have considered their value and are satisfied that their aggregate value at 31 December 2000 was not less than their net book value shown in the financial statements.

No provision has been made for taxation of £20,000 (1999: £30,000) which would arise if the land and buildings were disposed of at their revalued amounts.

Included in the total net book value of tangible fixed assets held at 31 December 2000 was £9,136 (1999 - £15,393) in respect of assets held under finance leases and hire purchase contracts.

Included in the total net book value of tangible fixed assets held at 31 December 2000 was £155,634 (1999: £125,294) in respect of vehicles financed by short term stocking loans.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000 (CONTINUED)

10. INVESTMENTS

Shares in group undertakings

	£
Cost	
At 1 January 2000	6,492,899
Additions	308,351
Disposals	(4,443,456)
At 31 December 2000	2,357,794

The company owns more than 20% of the issued share capital of the following companies:

Name	Country of registration	Interest held	Class
Taunton Motor Company Limited	England	75.00%	Ordinary £1 shares
Taunton Garages Limited	England	99.98%	Ordinary £1 shares
Carr's of Truro Limited	England	95.00%	Ordinary £1 shares
Truscotts (Launceston) Limited	England	99.60%	Ordinary £1 shares
Helston Garages Group (Management) Limited	England	96.00%	Ordinary £1 shares
Carr's of Yeovil Limited	England	99.99%	Ordinary £1 shares
Matford Motor Company Limited	England	99.20%	Ordinary £1 shares
Olympic (Exeter) Limited	England	100.00%	Ordinary £1 shares
Yeovil Motor Company Limited	England	99.99%	Ordinary £1 shares
Taylors (Truro) Limited	England	100.00%	Ordinary £1 shares
Houndstone (Yeovil) Limited	England	100.00%	Ordinary £1 shares

All of the above companies are involved in the motor trade except the following companies:

Name	Activity
Helston Garages Group (Management) Limited	Service company
Taylors (Truro) Limited	Dormant

The investment in Houndstone (Yeovil) Limited has been stated at the directors' best estimate after considering circumstances described in note 20(iv).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000 (CONTINUED)

11. STOCKS AND WORK IN PROGRESS

	2000 £	1999 £
New vehicles	6,431	28,347
Demonstrator vehicles	193,702	260,353
Used vehicles	356,370	175,224
Parts and accessories	124,916	126,490
Work in progress	298	-
Miscellaneous stock	15,444	16,982
	697,161	607,396

(i) New vehicle stocks include vehicles to the value of £ - (1999: £ -) which were not paid for at 31 December 2000 and where legal title had therefore not passed.

(ii) Demonstrator vehicle stocks include vehicles to the value of £193,702 (1999: £217,078) which were subject to vehicle stocking loans and where legal title had therefore not passed to the company at 31 December 2000.

(iii) Used vehicle stocks include vehicles to the value of £217,708 (1999: £47,320) which were subject to vehicle stocking loans and where legal title had therefore not passed to the company at 31 December 2000.

(iv) The company held stock on consignment from manufacturers not accounted for in the balance sheet amounting to £155,758 (1999: £110,529).

12. DEBTORS

	2000 £	1999 £
Trade debtors	355,330	345,434
Prepayments on consignment vehicles	376,555	305,486
Amounts owed by group companies	7,407,134	2,229,211
Other debtors	579,826	-
Prepayments and accrued income	107,603	73,041
	8,826,448	2,953,172

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000 (CONTINUED)

13. CREDITORS - AMOUNTS DUE WITHIN ONE YEAR

	2000 £	1999 £
Bank loan notes	-	4,640,272
Bank loan and overdraft	896,118	302,916
Payments received in advance	17,542	16,796
Trade creditors	203,348	224,356
Finance for prepayments on consignment stocks	376,555	305,486
Amounts owed to group companies	5,687,081	3,701,029
Social security and other taxes	32,908	128,159
Other creditors	-	326,587
Corporation tax payable	-	2,000
Accruals and deferred income	70,902	50,562
Vehicle stocking loans	687,078	461,303
	7,971,532	10,159,466

Unlimited cross guarantees have been given by the company's subsidiaries Taunton Garages Limited, Taunton Motor Company Limited, Truscotts (Launceston) Limited, Matford Motor Company Limited, Carr's of Exeter Limited, Carr's of Truro Limited, Helston Garages Group (Management) Limited, Yeovil Motor Company Limited, Carr's of Yeovil Limited, Taylors (Truro) Limited, Group SMB Limited, SMB (Exeter) Limited, SMB (Barnstaple) Limited, Olympic (Exeter) Limited and Houndstone (Yeovil) Limited.

The bank loan and overdraft are secured by a legal mortgage held over the freehold premises at Reckleford, Yeovil, Somerset which ranks second behind the charge held by Esso Petroleum Company Limited and a legal mortgage over the freehold premises at Meneage Street, Helston.

The bank overdraft is secured by a mortgage debenture creating a legal charge over the company's stock and securities and a floating charge over all other assets.

The vehicle stocking loans are secured on individual demonstrators or hire vehicles or by a floating charge over vehicle stocks.

The payments received in advance represent deposits against vehicles.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000 (CONTINUED)

14. CREDITORS - AMOUNTS DUE AFTER ONE YEAR

	2000 £	1999 £
Bank loan	3,760,560	-

Repayable by instalments, amounts falling due after five years:

	2000 £	1999 £
Bank loan	752,560	-

The bank loan and overdraft are secured, as described in note 13.

The bank loan bears interest at base plus 1.5%.

Analysis of bank debt maturity

	2000 £	1999 £
Amounts payable:		
Within one year or on demand (including overdraft)	896,118	4,943,188
Between one and two years	752,000	-
Between two and five years	2,256,000	-
In five years or more	752,560	-
	4,656,678	4,943,188

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000 (CONTINUED)

15. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
Balance at 1 January 2000	57,000
Transfer from Profit and Loss account	10,000
Balance at 31 December 2000	67,000

The amount provided and the potential liability for deferred taxation is as follows:

	2000		1999	
	Provided £	Potential £	Provided £	Potential £
The accumulated excess of capital allowances over corresponding depreciation	67,000	-	57,000	-
Valuation surplus	-	20,000	-	30,000
	67,000	20,000	57,000	30,000

16. SHARE CAPITAL

	2000 £	1999 £
Authorised		
200,000 ordinary shares of £1 each	200,000	200,000
Allotted, called up and fully paid		
200,000 ordinary shares of £1 each	200,000	200,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000 (CONTINUED)

17. REVALUATION RESERVE

	2000 £
As at 1 January 2000 and 31 December 2000	832,807

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £	1999 £
Loss for the financial year	(160,533)	(4,143)
Opening shareholders' funds	3,440,956	3,445,099
Closing shareholders' funds	3,280,423	3,440,956

19. CAPITAL COMMITMENTS

Commitments for capital expenditure at the end of the year were as follows:

	2000 £	1999 £
Authorised and contracted for	850,000	-
Authorised but not contracted for	50,000	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000 (CONTINUED)

20. CONTINGENT LIABILITIES

(i) Cross guarantees

Under the terms of unlimited cross guarantees given to Lloyds TSB Bank Plc, the company has contingent liabilities amounting to £2,069,191 (1999: £1,535,422) in connection with borrowing facilities granted to its subsidiaries.

(ii) Deferred tax

Deferred tax of £20,000 (1999: £30,000) is not considered to be payable in the foreseeable future.

(iii) VAT

At 31 December 2000, the company was jointly and severally liable for the VAT liabilities of other group companies totalling £296,782 (1999: £200,253).

(iv) Purchase of SMB Group

The costs of the investments made in November 1999 in Group SMB Limited (now transferred to Helston Garages Group Limited) and Houndstone (Yeovil) Limited (shown in Note 10) are based on the value upon which a provisional agreement has been proposed).

Further payments totalling £436,288 which have been made in accordance with the sale and purchase agreement are included in other debtors.

As the final consideration has not been settled, the directors do not consider it is possible at this point to quantify further costs associated with the investments.

If a greater consideration is finally agreed, investments and amounts owed by group companies will have been understated, and debtors overstated, by the excess.

21. PENSION COSTS

The company operates a contributory pension scheme. It is a defined contribution scheme and contributions are charged in the profit and loss account of the service company as they accrue.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000 (CONTINUED)

22. TRANSACTIONS WITH DIRECTORS

Loans to Directors

	D S Carr and Mrs B V Carr £	N W Perry £	C R Spaett £
Balance at 1 January 2000	-	-	-
Maximum balance during the year	15,818	5,000	2,500
Balance at 31 December 2000	15,818	5,000	2,500

No interest was paid on these loans.

Loans from Directors

	D S Carr and Mrs B V Carr £
Balance at 1 January 2000	326,587
Maximum balance during the year	326,587
Balance at 31 December 2000	-

Interest is paid on the director's loan to the company at 8% per annum.

23. RELATED PARTIES

Under the exemption granted by Financial Reporting Standard 8, the company has not disclosed transactions with other group companies.

24. CONTROLLING PARTY

The company is controlled by the directors, D S Carr Esq (Chairman) and Mrs B V Carr, by virtue of their shareholdings in Helston Garages Group Limited, the ultimate holding company, which owns 100% of the ordinary share capital of Helston Garages Limited.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000 (CONTINUED)

25. RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES

	2000 £	1999 £
Operating profit	125,042	43,412
Depreciation charge	101,766	97,511
Loss on sale of fixed assets	9,389	12,158
(Increase)/decrease in stocks	(89,765)	226,067
(Increase)/decrease in debtors	(5,873,276)	2,560,198
Increase/(decrease) in creditors	1,861,136	(3,407,986)
Net cash (outflow) from operating activities	(3,865,708)	(468,640)

26. ANALYSIS OF NET DEBT

	1999 £	Cash flow £	Other changes £	2000 £
Cash at bank and in hand	662,042	(545,263)	-	116,779
Bank overdraft	(302,916)	158,798	-	(144,118)
		(386,465)		
Debt due within 1 year	(4,640,272)	127,712	3,760,560	(752,000)
Debt due after 1 year	-	-	(3,760,560)	(3,760,560)
Total	(4,281,146)	(258,753)	-	(4,539,899)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000 (CONTINUED)

27. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2000 £	1999 £
Decrease in cash in the year	(386,465)	(2,001,455)
Cash outflow/(inflow) from decrease/(increase) in debt	127,712	(3,595,918)
Movement in net debt in the year	(258,753)	(5,597,373)
Net (debt)/funds at 1 January 2000	(4,281,146)	1,316,227
Net debt at 31 December 2000	(4,539,899)	(4,281,146)