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HELSTON GARAGES LIMITED

DIRECTORS' REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002

Registered no. 703021



HELSTON GARAGES LIMITED

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HELSTON GARAGES LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	D S Carr Esq (Chairman) Mrs B V Carr N W Perry Esq, ACA A J Barrett Esq J R Keast Esq
SECRETARY:	Mrs B V Carr
REGISTERED OFFICE:	83-87 Meneage Street Helston Cornwall
REGISTERED NUMBER:	703021
AUDITORS:	Kitchen and Brown Alpha House 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 2002

The directors present their report and the financial statements of the company for the year ended 31 December 2002.

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; and
- 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 satisfactory by the directors.

Future Developments

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

Fixed Assets

The company acquired 100% of the ordinary share capital of Kastner Limited.

The freehold property at Yeovil was transferred to Yeovil Motor Company Limited at net book value.

The other 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 £231,808 (2001 - £262,296).

The directors recommend that no dividend be paid.

Directors

The present directors are as shown on page 1. Apart from J R Keast Esq who was appointed on 27 March 2002 and G T H Carroll Esq who was appointed on 14 January 2002 all served on the board throughout the year. G T H Carroll Esq resigned on 7 March 2003.

HELSTON GARAGES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002 (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 2002	1 January 2002
D S Carr Esq (Chairman) Beneficial owner - ordinary £1 shares	-	-
Mrs B V Carr Beneficial owner - ordinary £1 shares	-	-
N W Perry Esq, ACA Beneficial owner - ordinary £1 shares	-	-
A J Barrett Esq Beneficial owner - ordinary £1 shares	-	-
J R Keast Esq (appointed 27.03.02) Beneficial owner - ordinary £1 shares	-	-
G T H Carroll Esq (appointed 14.01.02) 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 owns 100% of Helston Garages Limited.

Auditors

The auditors, Kitchen and Brown, are prepared 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: 30/05/03

HELSTON GARAGES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HELSTON GARAGES LIMITED

We have audited the financial statements of Helston Garages Limited for the year ended 31 December 2002, which comprise the Profit & Loss Account, the Statement of Total Recognised Gains and Losses, the Note of Historical Cost Profits and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KITCHEN AND BROWN
Registered Auditors

Date: 30.05.03

ALPHA HOUSE
40 COINAGEHALL STREET
HELSTON
CORNWALL

HELSTON GARAGES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	2002 £	2001 £
TURNOVER	2	12,018,292	11,158,556
Cost of sales		(10,097,399)	(9,520,137)
GROSS PROFIT		1,920,893	1,638,419
Net operating expenses	3	(1,957,374)	(1,626,309)
OPERATING (LOSS)/PROFIT	4	(36,481)	12,110
Interest receivable and similar income		38,568	16,496
Interest payable and similar charges	7	(376,895)	(393,202)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(374,808)	(364,596)
Tax on loss on ordinary activities	8	143,000	102,300
RETAINED LOSS FOR THE FINANCIAL YEAR	18	(231,808)	(262,296)

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.

The annexed notes form part of these financial statements.

HELSTON GARAGES LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2002

	2002 £	2001 £
Loss for the financial year	(231,808)	(262,296)
Deficit on property revaluation	(108,930)	-
Total recognised gains and losses relating to the year	(340,738)	(262,296)

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2002 £	2001 £
Reported (loss) on ordinary activities before taxation	(374,808)	(364,596)
Realisation of property revaluation gains of previous years	475,407	-
Historical cost profit/(loss) on ordinary activities before taxation	100,599	(364,596)
Historical cost profit/(loss) for the year retained after taxation and dividends	243,599	(262,296)

HELSTON GARAGES LIMITED

BALANCE SHEET AT 31 DECEMBER 2002

	Note		2002 £		2001 £
FIXED ASSETS					
Tangible assets	9		1,982,813		3,160,017
Investments	10		3,358,703		2,357,794
			5,341,516		5,517,811
CURRENT ASSETS					
Stocks	11	899,995		946,984	
Debtors	12	11,206,178		10,322,048	
Cash at bank and in hand		817,999		724,883	
		12,924,172		11,993,915	
CREDITORS					
Amounts falling due within one year	13	(12,288,906)		(11,615,039)	
NET CURRENT ASSETS			635,266		378,876
TOTAL ASSETS LESS CURRENT LIABILITIES			5,976,782		5,896,687
CREDITORS					
Amounts falling due after more than one year	14		(3,262,393)		(2,820,560)
PROVISIONS FOR LIABILITIES AND CHARGES	15		(37,000)		(58,000)
NET ASSETS			2,677,389		3,018,127
CAPITAL AND RESERVES					
Called up share capital	16		200,000		200,000
Revaluation reserve	17		248,470		832,807
Profit and loss account	18		2,228,919		1,985,320
SHAREHOLDERS' FUNDS	19		2,677,389		3,018,127

These financial statements were approved by the board on 30.05.03

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 2002

	Note		2002 £		2001 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	26		271,136		1,377,390
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		38,568		16,496	
Interest paid		(352,780)		(373,105)	
Interest element of finance lease/hire purchase repayments		(24,115)		(20,097)	
			(338,327)		(376,706)
TAXATION			122,000		93,300
CAPITAL EXPENDITURE					
Payments to acquire fixed assets		(932,955)		(584,686)	
Receipts from sales of fixed assets		1,891,629		401,671	
			958,674		(183,015)
ACQUISITIONS AND DISPOSALS					
Payments for investments in subsidiary undertakings	30	(1,000,909)		-	
			(1,000,909)		-
			12,574		910,969
FINANCING					
New bank loans		1,188,000		-	
Repayments of loan		(752,000)		(940,000)	
Capital element of finance lease/hire purchase repayments		(11,993)		(8,303)	
			424,007		(948,303)
INCREASE/(DECREASE) IN CASH	27		436,581		(37,334)

The annexed notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

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. The policies have remained unchanged from the previous year (with the exception of the change in policy on demonstrator vehicles noted below) and have also been consistently applied within the 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 2002 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 2002 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	-	2% per annum of cost or revalued amount
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

Revaluations

An increase in the carrying amount of property as a result of a revaluation is credited directly to equity under the heading of revaluation surplus. (However, a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease previously recognised as an expense in respect of the same property).

A decrease in the carrying amount of property as a result of a revaluation is charged directly against any related revaluation surplus to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of the same property. Any decrease in excess of this amount is recognised as an expense under the heading of impairment loss.

With effect from this year, a policy of annual revaluations for property has been adopted.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)

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.

Deferred Taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date and which could give rise to an obligation to pay more or less taxation in the future.

However, deferred tax is not provided on the surplus arising on the revaluation of land and buildings unless there is a binding contract to sell the property.

Deferred tax assets are only recognised when it is more likely than not that the asset will be recovered.

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.

Change of Accounting Policy

The company has changed its accounting policy in respect of demonstrator vehicles.

Such vehicles were previously treated as current assets, but the directors believe that treatment as fixed assets more correctly reflects the use of these vehicles by the business.

The change of policy has no effect on the stated results of the company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)

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

	2002 £	2001 £
Administrative expenses	3,135,308	2,652,219
Other operating income	(1,177,934)	(1,025,910)
	1,957,374	1,626,309

4. OPERATING LOSS

Operating loss is stated after charging:

	2002 £	2001 £
Directors' emoluments - see note 6 (including contributions to money purchase pension scheme of £26,025 (2001: £8,626))	996,549	541,363
Hire of plant and machinery - operating leases	30,294	15,454
Loss on sale of fixed assets	-	8,904
Depreciation and amortisation of owned assets	119,600	113,542
Auditors' remuneration	9,170	10,045

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)

5. DIRECTORS' REMUNERATION

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

	2002 £	2001 £
Highest paid director:		
Emoluments (including contributions to money purchase pension scheme of £- (2001: £-))	250,404	204,232

There are 4 directors to whom retirement benefits are accruing under money purchase pension schemes in respect of qualifying services (2001: 2).

All directors' remuneration is paid by the service company.

6. STAFF COSTS

Payroll costs are paid by Helston Garages Group (Management) Limited and re-charged.

The emoluments of all directors are disclosed in note 4.

The only persons employed by the company during the year were the directors as follows:

	2002 Number	2001 Number
Management and administration	6	4

The aggregate payroll costs of these persons were as follows:

	2002 £	2001 £
Wages and salaries	-	-
Social security costs	-	-
Other pension costs	-	-
	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £	2001 £
Bank loan and overdraft	230,794	283,265
Other loans	121,986	89,840
Finance charges payable - finance leases and hire purchase	24,115	20,097
	376,895	393,202

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)

8. TAXATION

(a) Analysis of charge in year

	2002 £	2001 £
Current year:		
Deferred tax transfer	(21,000)	(9,000)
Charge to other group companies for surrender of losses	(122,000)	(93,300)
	(143,000)	(102,300)

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2002 £	2001 £
Loss on ordinary activities before tax	(374,808)	(364,596)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001:30%)	(112,442)	(109,379)
Effects of:		
Expenses not deductible for tax purposes	1,563	2,284
Capital allowances for year in excess of depreciation	(10,755)	12,550
Utilisation of group tax losses	121,634	94,545
Current tax charge for year (see (a) above)	-	-

(c) Factors that may affect future tax charges

Based on current capital investment plans, the company expects to continue to be able to claim capital allowances in excess of depreciation in future years, but at a lower level than in the current year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (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 2002	2,916,339	350,254	169,346	244,948	3,680,887
Additions	43,389	24,906	10,684	863,976	942,955
Revaluations	(121,050)	-	-	-	(121,050)
Disposals	(1,538,678)	(111,856)	(84,826)	(560,987)	(2,296,347)
At 31 December 2002	1,300,000	263,304	95,204	547,937	2,206,445
Depreciation					
At 1 January 2002	137,715	216,394	134,088	32,673	520,870
Charge for the year	3,240	20,980	16,712	78,668	119,600
Revaluations	(12,120)	-	-	-	(12,120)
Elimination on disposals	(128,835)	(111,856)	(84,826)	(79,201)	(404,718)
At 31 December 2002	-	125,518	65,974	32,140	223,632
Net book value					
At 31 December 2002	1,300,000	137,786	29,230	515,797	1,982,813
At 31 December 2001	2,778,624	133,860	35,258	212,275	3,160,017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)

Demonstrator vehicles (which were previously treated as current assets) valued at £229,072 at 31 December 2002 have been re-classified as garage vehicles. The change of policy has no effect on the stated results of the company.

The cost and valuation of freehold land and buildings at 31 December 2002 includes £250,000 (2001: £550,000) in respect of land.

The freehold properties were revalued during the year by Messrs Edward Symmons & Partners, Consultant Surveyors, on the basis of the open market value for existing use.

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 2002 was not less than their net book value shown in the financial statements.

No provision has been made for taxation of £ - (2001: £6,000) which would arise if the land and buildings were disposed of at their revalued amount.

Included in the total net book value of tangible fixed assets held at 31 December 2002 was £10,000 (2001: £-) in respect of assets held under finance leases and hire purchase contracts.

Garage and hire vehicles to the value of £390,451 (2001: £78,018) which were subject to vehicle stocking loans and where legal title had therefore not passed to the company at 31 December 2002.

Cost or valuation of land and buildings comprises:

	£
Cost	-
Valuation 2002	1,300,000
	1,300,000

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

	£
Cost	1,101,306
Accumulated depreciation	66,801
Net book value	
At 31 December 2002	1,034,505
At 31 December 2001	1,640,371

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)

10. **INVESTMENTS**

Shares in group undertakings

	£
Cost	
At 1 January 2002	2,357,794
Additions	1,000,909
Disposals	-
At 31 December 2002	3,358,703

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
Kastner 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

On 31 July 2002 all of the issued share capital of Kastner Limited was acquired for a cash consideration of £1,000,909.

The profit/(loss) on ordinary activities after taxation of the acquired company was as follows:

	£
Year ended 31 December 2001	84,117
Year ended 31 December 2002	(175,282)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)

11. STOCKS AND WORK IN PROGRESS

	2002 £	2001 £
New vehicles	34,883	10,515
Demonstrator vehicles	-	193,847
Used vehicles	707,155	569,450
Parts and accessories	135,195	147,496
Miscellaneous stock	22,762	25,676
	899,995	946,984

Demonstrator vehicles valued at £229,072 at 31 December 2002 have been re-classified as fixed assets. The change of policy has no effect on the stated results of the company.

New vehicle stocks include vehicles to the value of £ - (2001: £ -) which were not paid for at 31 December 2002 and where legal title had therefore not passed.

Demonstrator vehicle stocks include vehicles to the value of £- (2001: £193,846) which were subject to vehicle stocking loans and where legal title had therefore not passed to the company at 31 December 2002.

Used vehicle stocks include vehicles to the value of £555,378 (2001: £371,818) which were subject to vehicle stocking loans and where legal title had therefore not passed to the company at 31 December 2002.

The company held stock on consignment from manufacturers not accounted for in the balance sheet amounting to £390,673 (2001: £482,557).

12. DEBTORS

Receivable within one year:

	2002 £	2001 £
Trade debtors	388,242	624,603
Prepayments on consignment vehicles	335,544	350,635
Amounts owed by group companies	9,921,716	8,517,450
Other debtors	526,773	570,357
Prepayments and accrued income	33,903	259,003
	11,206,178	10,322,048

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)

13. CREDITORS - AMOUNTS DUE WITHIN ONE YEAR

	2002 £	2001 £
Bank loan and overdraft	1,198,091	1,541,556
Payments received in advance	6,849	37,061
Obligations under finance leases and hire purchase contracts	1,986	9,812
Trade creditors	438,809	374,329
Finance for prepayments on consignment stocks	335,544	350,635
Amounts owed to group companies	8,345,154	7,749,498
Other creditors	796,267	677,859
Accruals and deferred income	146,958	110,527
Vehicle stocking loans	1,019,248	763,762
	12,288,906	11,615,039

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, Taylors (Truro) Limited, Olympic (Exeter) Limited, Houndstone (Yeovil) Limited, Group SMB Limited, SMB (Exeter) Limited, SMB (Barnstaple) Limited, Carr`s of Exeter Limited, Kastner Limited, Carr`s of Yeovil Limited, Carr`s of Truro Limited, Yeovil Motor Company Limited and Helston Garages Group (Management) Limited.

The bank loan and overdraft are secured by mortgage debentures creating a legal charge over the freehold premises at Reckleford, Yeovil, Somerset (now transferred to Yeovil Motor Company Limited) which ranks second behind the charge held by Esso Petroleum Company Limited, the freehold premises at Meneage Street, Helston and a floating charge over all the other assets.

The vehicle stocking loans are secured on individual vehicles.

The payments received in advance represent deposits against vehicles.

Obligations under finance leases and hire purchase contracts are secured by related assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)

14. CREDITORS - AMOUNTS DUE AFTER ONE YEAR

	2002 £	2001 £
Bank loan	3,256,560	2,820,560
Obligations under finance leases and hire purchase contracts	5,833	-
	3,262,393	2,820,560

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

Obligations under finance leases and hire purchase contracts are secured by related assets.

Analysis of bank debt maturity

	2002 £	2001 £
Amounts payable:		
Within one year or on demand (including overdraft)	1,198,091	1,541,556
Between one and two years	3,008,000	752,000
Between two and five years	248,560	2,068,560
In five years or more	-	-
	4,454,651	4,362,116

Obligations under finance leases and hire purchase contracts

	2002 £	2001 £
Amounts payable:		
Within two to five years	5,833	-
After five years	-	-
	5,833	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)

15. PROVISIONS FOR LIABILITIES AND CHARGES

Accumulated excess of capital allowances over corresponding depreciation:-

	Deferred taxation £
Balance at 1 January 2002	58,000
Utilised during the year	(21,000)
Balance at 31 December 2002	37,000

16. SHARE CAPITAL

	2002 £	2001 £
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

17. REVALUATION RESERVE

	2002 £
At 1 January 2002	832,807
Deficit on property revaluation	(108,930)
Surplus arising from disposal of freehold land and buildings	(475,407)
At 31 December 2002	248,470

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)

18. PROFIT AND LOSS ACCOUNT

	2002 £
At 1 January 2002	1,985,320
Retained loss for the financial year	(231,808)
Transfer from revaluation reserve	475,407
At 31 December 2002	2,228,919

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Loss for the financial year	(231,808)	(262,296)
Deficit on property revaluation	(108,930)	-
Net addition to shareholders' funds	(340,738)	(262,296)
Opening shareholders' funds	3,018,127	3,280,423
Closing shareholders' funds	2,677,389	3,018,127

20. CAPITAL COMMITMENTS

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

	2002 £	2001 £
Authorised and contracted for	-	42,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)

21. 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 £2,428,542 (2001: £1,865,798) in connection with borrowing facilities granted to its subsidiaries.

(ii) VAT

At 31 December 2002, the company was jointly and severally liable for the VAT liabilities of other group companies totalling £744,847 (2001: £562,661).

22. 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.

23. TRANSACTIONS WITH DIRECTORS

Loans to Directors

	N W Perry £
Balance at 1 January 2002	3,250
Maximum balance during the year	3,250
Balance at 31 December 2002	1,750

No interest was paid on this loan.

Loans from Directors

	D S Carr and Mrs B V Carr £
Balance at 1 January 2002	663,851
Maximum balance during the year	862,851
Balance at 31 December 2002	312,851

Interest is paid on the directors' loans to the company at 8% per annum.

24. RELATED PARTIES

The company is exempted from disclosing transactions with other group companies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)

25. PARENT UNDERTAKING AND ULTIMATE CONTROLLING ENTITY

The ultimate holding company is Helston Garages Group Limited. Accounts for this company may be obtained from the Registrar of Companies, Cardiff.

This company is controlled by the directors D S Carr Esq and Mrs B V Carr.

26. RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £	2001 £
Operating (loss)/profit	(36,481)	12,110
Depreciation charge	119,600	113,542
Loss on sale of fixed assets	-	8,904
Decrease/(increase) in stocks	46,989	(249,823)
Increase in debtors	(884,130)	(1,495,600)
Increase in creditors	1,025,158	2,988,257
Net cash inflow from operating activities	271,136	1,377,390

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)

27. ANALYSIS OF NET DEBT

	2001 £	Cash flow £	Other changes £	2002 £
Cash at bank and in hand	724,883	93,116	-	817,999
Bank overdraft	(789,556)	343,465	-	(446,091)
		436,581		
Debt due within 1 year	(752,000)	(436,000)	436,000	(752,000)
Debt due after 1 year	(2,820,560)	-	(436,000)	(3,256,560)
Finance leases and hire purchase contracts	(9,812)	11,993	(10,000)	(7,819)
		(424,007)		
Total	(3,647,045)	12,574	(10,000)	(3,644,471)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)

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

	2002 £	2001 £
Increase/(decrease) in cash in the year	436,581	(37,334)
Cash (inflow)/outflow from (increase)/decrease finance leases and hire purchase	(424,007)	948,303
Change in net funds resulting from cash flows	12,574	910,969
New finance leases	(10,000)	(18,115)
Movement in net funds in the year	2,574	892,854
Net debt at 1 January 2002	(3,647,045)	(4,539,899)
Net debt at 31 December 2002	(3,644,471)	(3,647,045)

29. NON-CASH TRANSACTIONS

During the year the company entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £10,000 (2001: £18,115).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)

30. PURCHASE OF SUBSIDIARY UNDERTAKINGS

Net assets acquired	£
Tangible fixed assets	2,150,000
Stocks	2,320,718
Debtors	358,653
Creditors	(3,829,821)
Corporation tax payable	(37,000)
Deferred tax	(16,000)
	946,550
Goodwill	54,359
	1,000,909