

Specialist Cars (SNM) Limited

Directors' report and financial statements

31 December 1998

Registered number 226340



Directors' report and financial statements

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Directors' report

The directors present their annual report and audited financial statements for the year ended 31 December 1998.

Principal activities and business review

The Company did not trade during the year and is unlikely to do so in the near future.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a final dividend (1997: £nil).

Directors and directors' interests

The directors who held office during the year were as follows:

DJ Booth
ML Young
I Wardle (resigned 29 May 1998)

None of the persons who were directors at 31 December 1998 had any interest in the shares of the Company, or share options awarded to them as a result of their duties for the Company.

The directors who held office at the end of the financial year had the following interests in the ordinary shares of Lex Service PLC, of which the Company is a wholly owned subsidiary, as recorded in the register of directors' share and debenture interests:

	Ordinary shares of 25p each	
	31 December 1998	1 January 1998
DJ Booth	2,242	2,314
ML Young	50	-

Directors' report (continued)

Directors and directors' interests (continued)

The following directors held options at the beginning and end of the year to subscribe for ordinary shares of 25p each in Lex Service PLC as follows:-

Lex Executive Share Option Scheme	1 January 1998	Granted	Lapsed	Exercised during year	31 December 1998	Date of grant	Date from which exercisable	Expiry date	Exercise price £
DJ Booth	21,459	-	-	21,459	-	31.3.93	31.3.96	31.3.03	3.19
Lex Executive Share Option Scheme (1994)									
ML Young	15,060	-	-	-	15,060	7.4.95	7.4.98	7.4.05	3.22
	23,961	-	-	-	23,961	29.3.96	29.3.99	29.3.03	3.13
DJ Booth	13,498	-	-	-	13,498	29.3.96	29.3.99	29.3.03	3.13

The options under the Lex Executive Share Option Scheme were granted for a consideration of £1 for each option.

The options under the Lex Executive Share Option Scheme (1994) were granted for nil consideration.

The market price at date of exercise of DJ Booth's options which was 19 May 1998, was 582p per share. As a result of the exercise DJ Booth made an aggregate gain of £56,437.17.

The outstanding options are potentially exercisable, between various future points in time at between 313p per share and 322p per share.

Options are granted at an aggregate value not exceeding an agreed multiple of the employee's earnings. This multiple, which is approved by the Remuneration Committee of Lex Service PLC, varies for each participant and ranges from two to four.

Under the 1984 scheme, no performance criteria were required to be met for the exercise of an option after three years.

Under the 1994 scheme, the exercise of options will normally be conditional on the achievement of a specified performance target determined by the Remuneration Committee where options are granted.

Under certain conditions, where the employment of persons holding share options under the 1984 Scheme ceases, the rules of the Scheme state that their options will remain exercisable for a six month period commencing on either the date of cessation of employment, or for a six month period commencing on the third anniversary of their grant, whichever is the later date. In the case of the 1994 Scheme, options will remain exercisable for a twelve month period commencing on the date of cessation of employment, or for a six month period commencing on the third anniversary of their grant, whichever is the later date.

Directors' report (continued)

Directors and directors' interests (continued)

Lex Sharesave Scheme

Under the terms of the Scheme, introduced in 1997, the Board of Lex Service PLC, the Company's ultimate parent company, may offer options to purchase ordinary shares in Lex Service PLC, to those eligible employees who enter into an Inland Revenue approved Save As You Earn (SAYE) savings contract. The price at which options may be offered is up to a maximum discount of 20% of the market price for three consecutive dealing days preceding the date of offer. The options may normally be exercised during the period of six months after the completion of the SAYE contract, whether three or five years after entering the Scheme.

Options held under the Scheme by the following directors who served during the year are as follows:

Name	Number of shares under option at 1 January 1998	Number of shares under option at 31 December 1998	Exercise price £	Date of grant	Date from which normally exercisable	Expiry date
ML Young	1,927	1,927	3.58	22.10.97	1.12.02	1.6.03
	-	1,796	3.84	7.9.98	1.12.03	1.6.04
DJ Booth	-	507	3.84	7.9.98	1.12.01	1.6.02

The outstanding options under the 1997 Lex Sharesave Scheme are exercisable for up to six months commencing 1 December 2002 at 358p per share.

The outstanding options under the 1998 Lex Sharesave Scheme are exercisable for up to six months commencing on either 1 December 2001 or 1 December 2003 at 384p per share.

The middle market price of the shares at 31 December 1998 was 382p and the range during 1998 was 329p-614p per share.

Long Term Incentive Plan

The Long Term Incentive Plan was approved by shareholders at the Lex Service PLC 1998 Annual General Meeting. It is designed to align the interests of executive directors and the other senior executives with those of shareholders, to encourage increased shareholding to assist with the attraction and retention of individuals who will be crucial to the Group's success in the coming years and to reward sustained good performance over a period of time.

Details of the Lex Service PLC ordinary shares provisionally awarded to each director, as a participant under the Long Term Incentive Plan, are as follows:

	1 January 1998	Grants/awards during 1998	31 December 1998
ML Young	-	6,051	6,051

Full details of the Long Term Incentive Plan are disclosed in the directors' report of Lex Service PLC.

Directors' report *(continued)*

Year 2000 compliance

The Company has recognised that the millennium date change is a major business risk, and to mitigate the risk to business critical systems and processes, is participating in a group wide Lex Millennium Programme. This programme is subject to independent external review, with findings being reported to the parent company Board.

Contingency plans are being prepared for millennium failures that may occur which affect business critical systems and processes.

No costs have been incurred by the Company in 1998 and none are expected to be incurred in future periods.

Insurance

The directors and officers of Specialist Cars (SNM) Limited are indemnified under the Lex Service PLC worldwide director and officers' insurance cover.

Auditors

Pursuant to Section 250(1) of the Companies Act 1985, a resolution is to be put the forthcoming Annual General Meeting which, if passed, would result in the Company not being required to appoint auditors. This resolution will remain in force whilst the Company remains dormant.

By order of the board



DA Ives

Secretary

Lex House
17 Connaught Place
London
W2 2EL

13 September 1999

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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;
- 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

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Auditors' report to the members of Specialist Cars (SNM) Limited

We have audited the financial statements on pages 7 to 9.

Respective responsibilities of directors and auditors

As described on page 5 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 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 1998 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

14 September 1999

Profit and loss account

for the financial year ended 31 December 1998

The Company has not traded and has had no income or expenditure during the year ended 31 December 1998 and the preceding financial year, and consequently has made neither a profit nor a loss.

There were no recognised gains or losses in either year.

Balance sheet

at 31 December 1998

	<i>Note</i>	1998 £000	1997 £000
Current assets			
Debtors due within one year:			
Amounts owed by parent and fellow subsidiary undertakings		1,592	1,592
		<hr/>	<hr/>
Net current assets and net assets		1,592	1,592
		<hr/>	<hr/>
Capital and reserves			
Share capital	5	50	50
Profit and loss account		1,542	1,542
		<hr/>	<hr/>
Total equity shareholders' funds		1,592	1,592
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 13 September 1999 and were signed on its behalf by:


DJ Booth
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under Financial Reporting Standard 1 (revised) the Company is exempt from the requirement to prepare a cashflow statement on the grounds that it is a wholly owned subsidiary undertaking.

The Company has taken advantage of the exemption in Financial Reporting Standard 8 not to disclose related party transactions with Lex Service PLC and its subsidiaries.

2 Emoluments of directors

There were no directors' emoluments during the year (1997: £nil).

3 Auditors' remuneration

Auditors' remuneration was borne by the holding company on a group basis with no recharge to the subsidiary companies.

4 Staff numbers and costs

The Company does not have any employees or related costs (1997: £nil).

5 Share capital

	1998	1997
	£000	£000
<i>Authorised</i>		
60,000 ordinary shares of £1 each	60	60
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i>		
50,000 ordinary shares of £1 each	50	50
	<u> </u>	<u> </u>

6 Ultimate parent company and parent undertaking of largest group of which the Company is a member

The Company is a subsidiary undertaking of Lex Service PLC, incorporated in Great Britain and registered in England and Wales, which is the ultimate parent company.

The consolidated accounts of the Group are available to the public and may be obtained from:

Lex House
17 Connaught Place
London
W2 2EL