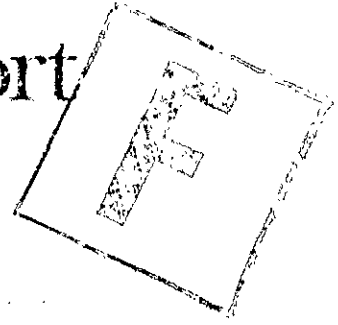


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# Directors' Report and Accounts



THE SMT SALES AND SERVICE COMPANY LTD

31 DECEMBER 1978

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Price  
Waterhouse & Co.

THE SMT SALES AND SERVICE COMPANY LTD

31 DECEMBER 1978

THE SMT SALES AND SERVICE COMPANY LIMITED

REPORT OF THE DIRECTORS

The directors of the company are

L Sainer  
R Reid Jack  
DF Porter  
JB Cranstoun  
G Maitland Smith  
GB Dryden

The principal activity of the company is motor vehicle sales and service.

The trading results for the year which accord with expectation are as shown in the attached Profit and Loss Account.

The directors retiring by rotation are Mr R Reid Jack and Mr DF Porter who, being eligible, offer themselves for re-election.

The auditors, Messrs Price Waterhouse & Co have expressed their willingness to be reappointed.

The following information is given in accordance with the requirements of the Companies Act 1967:-

- (a) The interest of the directors of the company in shares and debentures of the company and all other companies in the group of which the company is a member, with the exception of Mr L Sainer, Mr R Reid Jack and Mr G Maitland Smith who are directors of the holding company, are shown below:-

|  | <u>31.12.78</u> | <u>31.12.77</u> |
|--|-----------------|-----------------|
| GB Dryden - Sears Holdings Limited - Ordinary shares | 25,000          | 25,000          |
| Other directors                                      | NIL             | NIL             |

- (b) The value of goods exported from the United Kingdom by the company during the year amounted to ENIL.

BY ORDER OF THE BOARD

D REID

SECRETARY

39 Fountainbridge  
EDINBURGH, EH3 9BJ

27 March 1979

REPORT OF THE AUDITORS TO THE MEMBERS OF  
THE SMT SALES AND SERVICE COMPANY LIMITED

We have examined the attached accounts and notes which have been prepared under the historical cost convention as modified by the revaluation of certain land and buildings as shown in Note 4. In our opinion these accounts give, under the convention stated above, a true and fair view of the state of the company's affairs at 31 December 1978 and of its profit and source and application of funds for the year then ended and comply with the Companies Acts 1948 and 1967.

Price Waterhouse & Co.

PRICE WATERHOUSE & CO

Chartered Accountants

27 March 1979

THE SMT SALES AND SERVICE COMPANY LIMITED

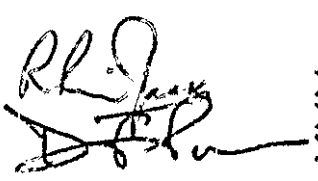
PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 1978

|                                      | <u>1978</u>        | <u>1977</u>        |
|--------------------------------------|--------------------|--------------------|
| SALES (excluding car tax and VAT)    | <u>£50,378,107</u> | <u>£43,768,774</u> |
| TRADING PROFIT (Note 6)              | 1,935,651          | 1,881,983          |
| Surplus on sale of assets            | 26,826             | 17,656             |
|                                      | <u>1,962,477</u>   | <u>1,899,639</u>   |
| INTEREST (Note 8)                    | 913,946            | 623,898            |
| PROFIT BEFORE TAXATION               | <u>1,048,531</u>   | <u>1,275,741</u>   |
| Taxation (Note 9)                    | 590,953            | 701,608            |
| PROFIT AFTER TAXATION                | <u>457,578</u>     | <u>574,133</u>     |
| DIVIDEND FOR YEAR                    |                    |                    |
| Dividend on ordinary shares (Note 2) | <u>300,000</u>     | <u>470,000</u>     |
| PROFIT RETAINED (Note 1)             | <u>£157,578</u>    | <u>£104,133</u>    |

The attached notes form part of these accounts.

THE SMT SALES AND SERVICE COMPANY LIMITED

BALANCE SHEET  
AT 31 DECEMBER 1978

|   | <u>1978</u>        | <u>1977</u>        |
|---|--------------------|--------------------|
| FIXED ASSETS (Notes 4 and 5)  |                    |                    |
| Land and buildings  | 6,207,858          | 6,061,189          |
| Plant, machinery, fixtures and fittings<br>and motor vehicles                                   | 3,340,398          | 2,178,860          |
|   | <u>9,548,256</u>   | <u>8,240,049</u>   |
| INTEREST IN SUBSIDIARIES  |                    |                    |
| Shares at cost  | 557,227            | 557,227            |
| CURRENT ASSETS  |                    |                    |
| Amounts due by fellow<br>subsidiaries   | 804,463            | 1,245,030          |
| Stocks and work in progress   | 10,907,251         | 9,768,261          |
| Deposits with manufacturers   | 97,040             | 650,593            |
| Debtors and prepayments   | 3,243,055          | 2,562,915          |
| Bank and cash balances  | 46,935             | 63,102             |
|   | <u>15,098,744</u>  | <u>14,289,901</u>  |
| LESS CURRENT LIABILITIES  |                    |                    |
| Amount due to holding company and<br>fellow subsidiaries (Note 2)                               | 10,793,264         | 9,650,879          |
| Creditors and accrued expenses  | 2,228,454          | 2,513,570          |
| Taxation (Note 9)   | -                  | 4,750              |
|   | <u>13,021,718</u>  | <u>12,169,199</u>  |
|  ) Directors | 2,077,026          | 2,120,702          |
|   | <u>£12,182,509</u> | <u>£10,917,978</u> |
| Financed by:-   |                    |                    |
| SHARE CAPITAL   |                    |                    |
| Authorised - 500,000 shares of £1 each  | £500,000           | £500,000           |
| Issued - 100,000 shares of £1 each fully paid   | 100,000            | 100,000            |
| RESERVES (Note 1)   | 6,498,654          | 6,341,076          |
|   | 6,598,654          | 6,441,076          |
| LOANS (Note 10)   | 20,000             | 40,000             |
| DEFERRED TAXATION   |                    |                    |
| Stock appreciation relief   | 3,768,855          | 3,267,902          |
| Other   | 1,795,000          | 1,169,000          |
|   | 5,563,855          | 4,436,902          |
|   | <u>£12,182,509</u> | <u>£10,917,978</u> |

The attached notes form part of these accounts

THE SMT SALES AND SERVICE COMPANY LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

|   | <u>1976</u>       | <u>1977</u>       |
|---|-------------------|-------------------|
| SOURCE OF FUNDS                               |                   |                   |
| Profit before taxation                        | 1,048,531         | 1,275,741         |
| Depreciation                                  | 1,075,288         | 749,606           |
| Sales of fixed assets                         | 855,809           | 453,220           |
|   | <u>2,979,628</u>  | <u>2,478,567</u>  |
| Increase in net amount due to group companies | 2,114,202         | 4,113,723         |
|   | <u>5,093,830</u>  | <u>6,592,290</u>  |
| APPLICATION OF FUNDS                          |                   |                   |
| Dividend                                      | 300,000           | 40,000            |
| Redemption of loans                           | 20,000            | 20,000            |
| Additions to fixed assets                     | <u>3,239,304</u>  | <u>1,672,511</u>  |
|   | <u>3,559,304</u>  | <u>2,162,511</u>  |
|   | <u>1,534,526</u>  | <u>4,429,779</u>  |
| Increase in stocks and deposits               | 585,437           | 2,617,180         |
| Increase in debtors                           | 680,140           | 350,070           |
| Decrease in creditors                         | 285,116           | 1,461,835         |
| Decrease in bank and cash                     | <u>(16,167)</u>   | <u>694</u>        |
|   | <u>£1,534,526</u> | <u>£4,429,779</u> |

## THE SMT SALES AND SERVICE COMPANY LIMITED

### ACCOUNTING POLICIES

#### THE ACCOUNTS

The accounts at 31 December 1978 have been prepared on the same basis as the previous year.

#### FIXED ASSETS AND DEPRECIATION

Fixed assets are stated in the balance sheet at valuation or at cost after deducting investment grants amounting to £104,863, (1977 £104,863).

Depreciation is provided at the following annual rates on a straight line basis:

Freehold land and buildings - 2% on valuation or cost.

Depreciation is calculated on the combined amount of land and buildings because there are practical difficulties in accurately apportioning this amount between buildings and site values for individual properties. In the opinion of the directors, on the basis of an estimated apportionment, the rates adopted provide an appropriate charge on the buildings alone.

Leasehold land and buildings - 2% on valuation or cost or by equal instalments over the period of the lease whichever is the greater.

Plant, machinery, fixtures and fittings - 10% on cost

Motor vehicles - 20% to 33 $\frac{1}{3}$ % on cost

#### STOCKS AND WORK-IN-PROGRESS

Stocks and work-in-progress are included at the lower of cost and net realisable value.

#### DEFERRED TAXATION

Provision is made in these accounts for taxation deferred at current rates by reason of the excess of taxation allowances on fixed assets over the corresponding depreciation charged in the accounts together with relief in respect of stock appreciation.

No provision is made for taxation on any capital gains which might arise on the disposal of fixed assets because it is not intended to make any substantial disposals.



THE SMT SALES AND SERVICE COMPANY LIMITED

NOTES ON THE ACCOUNTS

1 RESERVES

|                              |                   |
|------------------------------|-------------------|
| Balance at 1 January 1978    | 6,341,076         |
| Retained profits of the year | 157,578           |
|                              | <hr/>             |
| Balance at 31 December 1978  | <u>£6,498,654</u> |

2 AMOUNT DUE TO HOLDING COMPANY

The dividend of £300,000 on the ordinary share capital has been included in the amount due to the holding company at 31 December 1978.

3 COMMITMENTS FOR CAPITAL EXPENDITURE

Contracts for capital expenditure entered into by the company and not provided for in these accounts amounted to £66,500 (1977 £312,000). Expenditure authorised but not committed amounted to £17,000 (1977 £152,000).

4 FIXED ASSETS

|                   | <u>Land and buildings</u> |                   | <u>Plant, machinery, fixtures &amp; fittings and motor vehicle</u> |                   |
|-------------------|---------------------------|-------------------|--|-------------------|
|                   | <u>1978</u>               | <u>1977</u>       | <u>1978</u>  | <u>1977</u>       |
| Valuation or cost | 6,353,701                 | 6,089,365         | 5,097,229  | 3,586,416         |
| Depreciation      | 145,843                   | 28,176            | 1,756,831  | 1,407,556         |
|                   | <hr/>                     | <hr/>             | <hr/>  | <hr/>             |
| Net book value    | <u>£6,207,858</u>         | <u>£6,061,189</u> | <u>£3,340,398</u>  | <u>£2,178,860</u> |

The value of land and buildings before depreciation is analysed as follows:-

|                 | <u>1978</u>       | <u>1977</u>       |
|-----------------|-------------------|-------------------|
| Freehold        | 6,227,276         | 5,962,940         |
| Long leasehold  | 55,570            | 55,570            |
| Short leasehold | 70,855            | 70,855            |
|                 | <hr/>             | <hr/>             |
|                 | <u>£6,353,701</u> | <u>£6,089,365</u> |

Properties amounting to £5,812,940 and £95,000 are included at professional valuations made by Messrs Healey & Baker during 1977 and 1966 respectively on the basis of market value assuming vacant possession. Subsequent additions and other fixed assets are included at cost.

Leaseholds with more than 50 years to run are shown as long leaseholds. other leaseholds are shown as short leaseholds.

THE SMT SALES AND SERVICE COMPANY LIMITED

NOTES ON THE ACCOUNTS (continued)

5 MOVEMENT ON FIXED ASSETS

|   | <u>Additions</u> | <u>Disposals</u> |
|---|------------------|------------------|
| Land and buildings  | £ 421,310        | £156,974         |
| Plant, machinery, fixtures and fittings<br>and motor vehicles | £2,817,994       | £698,835         |

Disposals are shown at net book amounts.

6 TRADING PROFIT

The trading profits are stated after taking account of the following:-

|  | <u>1978</u> | <u>1977</u> |
|--|-------------|-------------|
| (a) Depreciation   | £1,075,288  | £749,606    |
| (b) Emoluments of directors of the company.<br>For management services | £ 61,834    | £ 59,964    |
| (c) Auditors' remuneration   | £ 10,540    | £ 8,768     |

7 (a) FURTHER PARTICULARS OF DIRECTORS' EMOLUMENTS  
(excluding pension contributions).

|   | <u>1978</u> | <u>1977</u> |
|---|-------------|-------------|
| Nil but not exceeding £ 2,500               | 3           | 4           |
| Exceeding £15,000 but not exceeding £17,500 | 2           | 1           |
| " £17,500 " " " £20,000                     | -           | 1           |
| " £20,000 " " " £22,500                     | -           | 1           |
| " £22,500 " " " £25,000                     | 1           | -           |
| Emoluments of:-                             |             |             |
| The Chairman                                | £ NIL       | £ NIL       |
| The highest paid director                   | £23,184     | £21,151     |

(b) EMPLOYEES EARNING OVER £10,000  
(excluding pension contributions)

|   |   |   |
|---|---|---|
| Exceeding £10,000 but not exceeding £12,500 | 5 | 3 |
| " £12,500 " " " £15,000                     | 2 | 4 |
| " £15,000 " " " £17,500                     | 1 | - |
| " £17,500 " " " £20,000                     | 2 | - |

THE SMT SALES AND SERVICE COMPANY LIMITED

NOTES ON THE ACCOUNTS (continued)

8 INTEREST

|                                       | <u>1978</u>     | <u>1977</u>     |
|---------------------------------------|-----------------|-----------------|
| Interest on bank overdrafts and loans | 29,233          | 38,721          |
| Interest on inter-company loans       | 885,355         | 585,197         |
|                                       | <u>914,588</u>  | <u>623,918</u>  |
| LESS: Interest received               | 642             | 20              |
|                                       | <u>£913,946</u> | <u>£623,898</u> |

9 TAXATION

- (a) Taxation is based on the profits of the year without deduction of depreciation of £114,338 (1977 £70,431) on amounts not eligible for tax relief.

The charge in the Profit and Loss Account is made up as follows:-

|                           | <u>1978</u>    | <u>1977</u>    |
|---------------------------|----------------|----------------|
| UK Corporation tax at 52% |                |                |
| Current                   | (536,000)      | (585,250)      |
| Deferred                  | 1,126,953      | 1,286,952      |
|                           | <u>590,953</u> | <u>701,702</u> |

Adjustment in respect of previous years:-

| Deferred | -               | (94)            |
|----------|-----------------|-----------------|
|          | <u>£590,953</u> | <u>£701,608</u> |

- (b) Taxation included under Current Liabilities in the Balance Sheet comprises:-

|  | <u>1978</u> | <u>1977</u> |
|--|-------------|-------------|
| Corporation tax payable 1 January 1980 | £ NIL       | £4,750      |

10 MISCELLANEOUS

- (a) Group accounts are not presented as the company is the wholly owned subsidiary of another body corporate incorporated in the United Kingdom. Post acquisition profits of the subsidiaries, all of which are wholly owned, amount to £55,581 (1977 £127,286) no part of which has been dealt with in this company's accounts.

- (b) The loan of £20,000 is repayable not later than 31 December 1979.

THE SMT SALES AND SERVICE COMPANY LIMITED

NOTES ON THE ACCOUNTS (continued)

- (c) The company has executed a first floating charge on the whole of its property and undertaking as security for the joint and several guarantee given by the company in respect of the issue by Sears Engineering Limited of £10,000,000 8½% Debenture Stock 1987/92 of which £7,993,000 was outstanding at 31 December 1978.
- (d) The ultimate holding company is Sears Holdings Limited, a company incorporated in the United Kingdom.