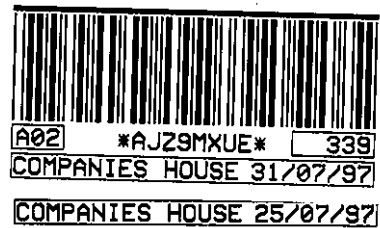


THE RENWICK GROUP p.l.c.

FINANCIAL STATEMENTS

31 DECEMBER 1996

Registered Number 247231



THE RENWICK GROUP p.l.c.

FINANCIAL STATEMENTS

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THE RENWICK GROUP p.l.c.

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December, 1996.

Results and Activities

The activities of the group are stated in note 5. The results for the year are given on page 4. The directors do not recommend the payment of a dividend.

The substantial increase in group turnover and profit reflects the full year's results of Fairline Boats for which only five months were included in the previous year.

Output of the boatbuilding operations is expected to show a further increase in 1997 provided that there are no unforeseen setbacks in any of their major markets.

Directors

The directors during the year were:

G J Beck
D G Burnham
D S King

No director had any disclosable interest in, or contract of significance with, any group company at any time during the year other than his service contract where applicable.

Employees

Employees are informed as appropriate about the development of their companies through regular meetings and newsletters.

The group pursues a policy of providing, whenever possible, the same employment opportunities to disabled persons as to others.

Charitable contributions

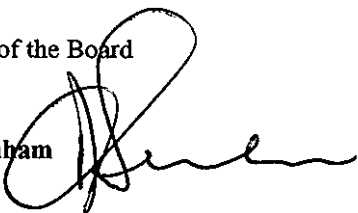
During the year, the group made charitable contributions of £25,000 (1995 - £26,000).

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

D G Burnham
Secretary



22 April 1997

Renwick House
Brixham Road
Paignton
TQ4 7BN

THE RENWICK GROUP p.l.c.

STATEMENT OF 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 group and of the profit or loss 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 group 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



Phoenix House
Notte Street
Plymouth
Devon
PL1 2RT
United Kingdom

AUDITORS' REPORT TO THE MEMBERS OF THE RENWICK GROUP p.l.c.

We have audited the financial statements on pages 4 to 17.

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 judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the group'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 affairs of the company and the group as at 31 December 1996 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to be 'KPMG' with a stylized flourish.

Chartered Accountants
Registered Auditors

28 April, 1997

THE RENWICK GROUP p.l.c.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 December, 1996

| | Note | 1996 £'000 | 1995 £'000 |
|--|------|----------------|---------------|
| Turnover: | 2 | | |
| Continuing operations | | 134942 | 66,452 |
| Acquisitions | | - | 18,764 |
| | | <u>134,942</u> | <u>85,216</u> |
| Operating profit | | 6,430 | 4,215 |
| Income from listed investments | | - | 234 |
| Interest receivable | | 1,125 | 919 |
| Interest payable on borrowings repayable within five years | | (1,743) | (1,742) |
| Currency retranslation | | 1,253 | (141) |
| Group profit on ordinary activities before taxation | 2 | 7,065 | 3,485 |
| Taxation on profit on ordinary activities | 3 | (1,859) | (1,193) |
| Group profit on ordinary activities after taxation | | <u>5,206</u> | <u>2,292</u> |
| Goodwill written off | | - | (3,139) |
| Transfer from revaluation reserve | 11 | 281 | - |
| Retained profit at beginning of year | | 488 | 1,335 |
| Retained profit at end of year | | <u>5,975</u> | <u>488</u> |

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December, 1996

| | 1996 £'000 | 1995 £'000 |
|---|---------------|---------------|
| Group profit after taxation | 5,206 | 2,292 |
| Unrealised deficit on revaluation of investments | (186) | (50) |
| Total recognised gains and losses relating to the year | <u>5,020</u> | <u>2,242</u> |

THE RENWICK GROUP p.l.c.

CONSOLIDATED BALANCE SHEET
as at 31 December, 1996

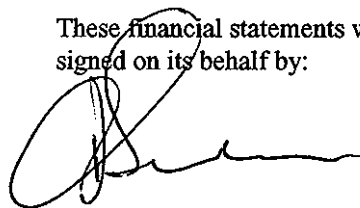
| | Note | 1996 £'000 | 1995 £'000 |
|--|------|---------------|---------------|
| Fixed assets | | | |
| Tangible assets | 4 | 30,707 | 30,365 |
| Investments | 5 | 677 | 1,180 |
| | | <u>31,384</u> | <u>31,545</u> |
| Current assets | | | |
| Stocks | 6 | 24,785 | 26,353 |
| Debtors | 7 | 13,710 | 9,610 |
| Cash at bank and in hand | | 13,740 | 8,525 |
| | | <u>52,235</u> | <u>44,488</u> |
| Creditors: amounts falling due within one year | 8 | (28,468) | (23,936) |
| Net current assets | | <u>23,767</u> | <u>20,552</u> |
| Total assets less current liabilities | | <u>55,151</u> | <u>52,097</u> |
| Creditors: amounts falling due after more than one year | 9 | (28,427) | (31,258) |
| Accruals and deferred income: | | | |
| Deferred government grants | | (865) | - |
| | | <u>25,859</u> | <u>20,839</u> |
| Capital and reserves | | | |
| Called up share capital | 10 | 15,515 | 15,515 |
| Share premium account | | 1,632 | 1,632 |
| Revaluation reserve | 11 | 2,737 | 3,204 |
| Profit and loss account | | 5,975 | 488 |
| Equity shareholders' funds | 12 | <u>25,859</u> | <u>20,839</u> |

THE RENWICK GROUP p.l.c.

COMPANY BALANCE SHEET
as at 31 December, 1996

| | Note | 1996 £'000 | 1995 £'000 |
|--|------|---------------|---------------|
| Fixed assets | | | |
| Tangible assets | 4 | 9,916 | 9,586 |
| Investments | 5 | 45,883 | 48,132 |
| | | <u>55,799</u> | <u>57,718</u> |
| Current assets | | | |
| Debtors | 7 | 81 | 49 |
| Cash at bank and in hand | | 85 | 175 |
| | | <u>166</u> | <u>224</u> |
| Creditors: amounts falling due within one year | 8 | (220) | (288) |
| Net current liabilities | | <u>(54)</u> | <u>(64)</u> |
| Total assets less current liabilities | | 55,745 | 57,654 |
| Creditors: amounts falling due after more than one year | 9 | (29,886) | (36,815) |
| | | <u>25,859</u> | <u>20,839</u> |
| Capital and reserves | | | |
| Called up share capital | 10 | 15,515 | 15,515 |
| Share premium account | | 1,632 | 1,632 |
| Profit and loss account | | 8,712 | 3,692 |
| Equity shareholders' funds | 12 | <u>25,859</u> | <u>20,839</u> |

These financial statements were approved by the Board of Directors on 22 April 1997 and signed on its behalf by:



DG Burnham
Director

THE RENWICK GROUP p.l.c.

CASH FLOW STATEMENT

for the year ended 31 December, 1996

| | Note | 1996 | 1995 |
|--|------|----------------|---------|
| | 16 | £'000 | £'000 |
| Net cash flow from operating activities | | 10,202 | 3,899 |
| Returns on investments and servicing of finance | | (618) | (589) |
| UK corporation tax | | (1,009) | (134) |
| Capital expenditure and financial investment | | (3,263) | (773) |
| Purchase of subsidiary undertaking (net of cash) | | - | (6,472) |
| | | <hr/> | <hr/> |
| Net cash flow before financing | | 5,312 | (4,069) |
| Financing | | - | 5,003 |
| | | <hr/> | <hr/> |
| Net increase in cash | | 5,312 | 934 |
| | | <hr/> | <hr/> |

There were no movements in other liquid resources in either year.

THE RENWICK GROUP p.l.c.

NOTES (forming part of the financial statements)

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

Consolidation and preparation of financial statements

The consolidated financial statements include the audited accounts of the parent company and all its subsidiary undertakings made up to 31 December. In accordance with the Companies Act 1985, s230, a separate profit and loss account of The Renwick Group p.l.c. is not presented as the results of the company are disclosed in the notes to the consolidated profit and loss account.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with s228 of, and Schedule 4 to, the Companies Act 1985, and applicable Accounting Standards. Goodwill arising on consolidation is written off against reserves on acquisition.

Turnover

Turnover represents the invoiced value of goods and services supplied during the year.

Depreciation

Depreciation is provided so as to write off the cost or valuation of fixed tangible assets in equal instalments over their expected useful economic lives, as follows:

| | |
|---------------------------|--------------|
| Freehold properties | 50 years |
| Cranes and hoists | 20 years |
| Other plant and equipment | 3 - 7 years |
| Vehicles | 4 - 5 years |
| Bloodstock | 3 to 7 years |

Grants

Property based government grants are treated as deferred income and credited to trading results over the estimated useful economic lives of the related assets on a consistent basis with the depreciation policy for those assets.

Development costs

Development costs are written off as incurred.

Stocks

Boatbuilding:

Stocks are valued at the lower of cost and net realisable value. In the case of finished goods and work in progress, cost represents the cost of materials, labour and production overheads and deposits received are deducted therefrom.

Thoroughbred farms:

Bloodstock held as trading stock is valued at the lower of cost and net realisable value and comprises certain equine interests held for resale together with all inutero foals and weanlings. Cost includes, as individually applicable, purchase costs, service fees, depreciation on mares and stallion interests used for breeding, boarding and related charges and all attributable overheads.

THE RENWICK GROUP p.l.c.

NOTES (continued)

1 Accounting policies (continued)

Investments

Income from investments is recognised on a receipts basis.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is on the liability basis whenever it is probable that taxation deferred by timing differences will crystallise.

Foreign currency

Turnover, results, assets and liabilities of overseas subsidiary undertakings and foreign currency denominated assets and liabilities of UK undertakings are translated into sterling at the rates of exchange ruling at the balance sheet date. All exchange differences are included in trading results.

Pension costs

The group operates pension schemes covering the majority of employees and providing benefits based partly on final salary and partly on defined contributions. The assets of all the schemes are held separately from those of the group. For the defined contribution schemes, contributions are charged to trading results as they become payable in accordance with the rules of the schemes. For the final salary schemes, contributions are charged to trading results so as to spread the cost over the working lives of the scheme members.

2 Turnover and profit on ordinary activities before taxation

| | Total | Continuing operations | Acquisitions | Total |
|----------------------------|-----------|--------------------------|--------------|----------|
| | 1996 | 1995 | 1995 | 1995 |
| | £'000 | £'000 | £'000 | £'000 |
| Turnover | 134,942 | 66,452 | 18,764 | 85,216 |
| Cost of sales | (122,232) | (59,830) | (16,874) | (76,704) |
| Gross profit | 12,710 | 6,622 | 1,890 | 8,512 |
| Selling/distribution costs | (2,697) | (1,165) | (423) | (1,588) |
| Administrative expenses | (3,583) | (2,040) | (669) | (2,709) |
| Operating profit | 6,430 | 3,417 | 798 | 4,215 |

The directors are of the opinion that it would be seriously prejudicial to the interests of the company to analyse the turnover, results and net assets between the group's operations, and, accordingly, this information is not disclosed.

THE RENWICK GROUP p.l.c.

NOTES *(continued)*

2 Turnover and profit on ordinary activities before taxation *(continued)*

The trading profit is stated after charging/(crediting):

| | 1996 £'000 | 1995 £'000 |
|-------------------------------------|---------------|---------------|
| Depreciation | 2,069 | 2,417 |
| Profit on disposal of fixed assets | (324) | (17) |
| Diminution in value of fixed assets | - | 93 |
| Development costs | 3,920 | 2,653 |
| Directors' emoluments | 344 | 384 |
| Auditors' remuneration - audit | 68 | 56 |
| - other | 63 | 44 |

The chairman received no remuneration. The remuneration, excluding pension contributions, of the highest paid director was £255,597 (1995: £308,408). The remuneration of the remaining director, excluding pension contributions, was in the range £85,001 - £90,000 (1995: £70,001 - £75,000).

| | 1996 | 1995 |
|------------------------------|---------------|---------------|
| Average number of employees: | | |
| Boatbuilding | 1,699 | 1,083 |
| Thoroughbred farms | 65 | 65 |
| | £'000 | £'000 |
| Employee costs: | | |
| Wages and salaries | 34,750 | 20,879 |
| Social security costs | 3,049 | 1,825 |
| Pension contributions | 156 | 63 |
| | <u>37,955</u> | <u>22,767</u> |

The accounting policy on pension costs is set out in note 1. Contributions to final salary schemes are determined by independent qualified actuaries on the basis of triennial valuations using the aggregate funding method. The most recent valuation of the principal scheme was at 1 April 1995 and the value of that scheme's funds was £10,591,000. The actuarial value of its assets represented 138 per cent of the benefits that had accrued to members, after allowing for estimated future increases in earnings. The main actuarial assumption was that the long term yield on investments would exceed the average increase in earnings by 1.5 per cent per annum. Contributions to the scheme are made accordingly.

THE RENWICK GROUP p.l.c.

NOTES (continued)

3 Taxation on profit on ordinary activities

| | 1996 £'000 | 1995 £'000 |
|--|---------------|---------------|
| Taxation on profit on ordinary activities at 33% | 2,005 | 936 |
| Adjustments relating to prior years | (146) | 210 |
| Tax attributable to franked investment income | - | 47 |
| | <u>1,859</u> | <u>1,193</u> |

| | 1996 £'000 | 1995 £'000 |
|--|---------------|---------------|
| Deferred taxation not provided: | | |
| Accelerated capital allowances | 1,042 | 1,152 |
| On revaluation of property | 8 | 150 |
| Other timing differences | 150 | (71) |
| | <u>1,200</u> | <u>1,231</u> |

4 Fixed tangible assets

| | Freehold properties £'000 | Plant & equipment £'000 | Bloodstock £'000 | Total £'000 |
|--------------------------|---------------------------------|-------------------------------|---------------------|----------------|
| Group | | | | |
| Cost or valuation: | | | | |
| At 1 January, 1996 | 28,175 | 8,937 | 9,081 | 46,193 |
| Currency retranslation | (973) | (94) | (849) | (1,916) |
| Additions | 1,458 | 1,655 | 561 | 3,674 |
| Net transfers from stock | - | - | 528 | 528 |
| Disposals | (29) | (301) | (599) | (929) |
| At 31 December, 1996 | <u>28,631</u> | <u>10,197</u> | <u>8,722</u> | <u>47,550</u> |
| Depreciation: | | | | |
| At 1 January, 1996 | 4,133 | 5,242 | 6,453 | 15,828 |
| Currency retranslation | (199) | (57) | (603) | (859) |
| Charge to P&L account | 680 | 1,029 | 360 | 2,069 |
| Charge to stock | - | - | 363 | 363 |
| Disposals | - | (205) | (353) | (558) |
| | <u>4,614</u> | <u>6,009</u> | <u>6,220</u> | <u>16,843</u> |
| Net book value: | | | | |
| At 31 December, 1996 | <u>24,017</u> | <u>4,188</u> | <u>2,502</u> | <u>30,707</u> |

THE RENWICK GROUP p.l.c.

NOTES (continued)

4 Fixed tangible assets (continued)

Freehold properties are made up as follows:

| | Cost or valuation £'000 | Depreciation £'000 | Historical cost £'000 | Historical depreciation £'000 |
|--------------------------------|-------------------------------|-----------------------|-----------------------------|-------------------------------------|
| Existing use valuation in 1989 | 1,150 | 161 | 1,045 | 146 |
| Existing use valuation in 1991 | 9,687 | 1,010 | 7,292 | 1,313 |
| Cost | 17,794 | 3,443 | 17,906 | 3,443 |
| | <u>28,631</u> | <u>4,614</u> | <u>26,243</u> | <u>4,902</u> |

| | Freehold properties £'000 | Plant & equipment £'000 | Total £'000 |
|------------------------|---------------------------------|-------------------------------|----------------|
| Company | | | |
| Cost or valuation: | | | |
| At 1 January, 1996 | 10,459 | 89 | 10,548 |
| Additions | 524 | 34 | 558 |
| Disposals | - | (22) | (22) |
| 31 December, 1996 | <u>10,983</u> | <u>101</u> | <u>11,084</u> |
| Depreciation: | | | |
| At 1 January, 1996 | 920 | 42 | 962 |
| Charge for year | 213 | 15 | 228 |
| Disposals | - | (22) | (22) |
| At 31 December, 1996 | <u>1,133</u> | <u>35</u> | <u>1,168</u> |
| Net book value: | | | |
| At 31 December, 1996 | <u>9,850</u> | <u>66</u> | <u>9,916</u> |

Freehold properties are made up as follows:

| | Cost or valuation £'000 | Depreciation £'000 | Historical cost £'000 | Historical depreciation £'000 |
|--------------------------------|-------------------------------|-----------------------|-----------------------------|-------------------------------------|
| Existing use valuation in 1991 | 9,687 | 1,010 | 7,292 | 1,361 |
| Cost | 1,296 | 123 | 1,296 | 123 |
| | <u>10,983</u> | <u>1,133</u> | <u>8,588</u> | <u>1,484</u> |

THE RENWICK GROUP p.l.c.

NOTES (continued)

5 Investments

| | Listed £'000 | Unlisted £'000 | Total £'000 |
|---|-----------------|-------------------|----------------|
| Group | | | |
| Cost or valuation: | | | |
| At 1 January, 1996 | - | 1,180 | 1,180 |
| Currency retranslation | - | (73) | (73) |
| Transfer | 400 | (400) | - |
| Additions | 40 | 16 | 56 |
| Disposals | (300) | - | (300) |
| Transfers to/(from) revaluation reserve | 40 | (226) | (186) |
| At 31 December, 1996 | 180 | 497 | 677 |
| At 31 December, 1996 | | | |
| Valuation | 180 | 497 | 677 |
| Cost | 55 | 824 | 879 |

Investments include a 12 per cent interest in Alemany Associates engaged in property investment and a 33 per cent interest in Nehl's Flying Service engaged in aviation, both in U.S.A.

| | Shares in subsidiary undertakings £'000 | Other investments £'000 | Total £'000 |
|------------------------|--|-------------------------------|----------------|
| Company | | | |
| Valuation: | | | |
| At 1 January, 1996 | 47,832 | 300 | 48,132 |
| Currency retranslation | (2,607) | - | (2,607) |
| Disposals | - | (300) | (300) |
| Revaluation | 658 | - | 658 |
| At 31 December, 1996 | 45,883 | - | 45,883 |
| Cost: | | | |
| At 31 December, 1996 | 66,827 | - | 66,827 |

The shares in subsidiary undertakings are revalued so that they are equivalent to the underlying net assets. Details of cumulative goodwill written off prior to 23 December, 1989 are not available. Goodwill written off since that date amounts to £3,139,000.

The principal subsidiary undertakings, which are wholly owned and directly held unless otherwise stated, are as follows:

Fairline Boats PLC - manufacture of motor yachts; registered and operating in England.

Felix Engineering Limited - manufacture of motor yachts; registered and operating in England; indirectly held.

Gainesway Management Corporation - thoroughbred farm management; incorporated and operating in U.S.A.; indirectly held.

Gainesway Thoroughbreds Limited - property and thoroughbred ownership; incorporated and operating in U.S.A.; indirectly held.

Marine Projects (Plymouth) Limited - manufacture of motor and sailing yachts; registered and operating in England.

Renwick Holdings Limited - holding company for the Gainesway companies listed above; incorporated in U.S.A.

THE RENWICK GROUP p.l.c.

NOTES (continued)

6 Stocks

| | 1996 | 1995 |
|---------------------|----------------|--------------|
| | £'000 | £'000 |
| Boatbuilding: | | |
| Work in progress | 16,532 | 11,380 |
| Finished goods | 7,377 | 12,105 |
| Deposits received | (8,755) | (5,243) |
| | 15,154 | 18,242 |
| Raw materials | 7,983 | 5,822 |
| | 23,137 | 24,064 |
| Thoroughbred farms: | | |
| Bloodstock | 1,648 | 2,289 |
| | 24,785 | 26,353 |

7 Debtors

| | 1996 | | 1995 | |
|---------------|---------------|----------------|--------------|----------------|
| | Group | Company | Group | Company |
| | £'000 | £'000 | £'000 | £'000 |
| Trade debtors | 11,092 | - | 7,710 | - |
| Other debtors | 1,386 | 35 | 793 | 3 |
| Prepayments | 1,232 | 46 | 1,107 | 46 |
| | 13,710 | 81 | 9,610 | 49 |

All amounts fall due for payment within one year.

8 Creditors : amounts falling due within one year

| | 1996 | | 1995 | |
|------------------------------------|---------------|----------------|--------------|----------------|
| | Group | Company | Group | Company |
| | £'000 | £'000 | £'000 | £'000 |
| Order deposits | 8,520 | - | 5,760 | - |
| Trade creditors | 10,363 | - | 10,207 | - |
| Corporation tax | 2,037 | - | 1,187 | - |
| Other taxation and social security | 1,524 | - | 1,061 | 2 |
| Other creditors | 1,055 | 42 | 1,021 | 46 |
| Accruals | 4,969 | 178 | 4,700 | 240 |
| | 28,468 | 220 | 23,936 | 288 |

THE RENWICK GROUP p.l.c.

NOTES (continued)

9 Creditors : amounts falling due after more than one year

| | 1996 | | 1995 | |
|---|----------------|------------------|----------------|------------------|
| | Group £'000 | Company £'000 | Group £'000 | Company £'000 |
| Bank loans (unsecured): | | | | |
| Repayable 1998 | 28,427 | 28,427 | 31,258 | 31,258 |
| Amounts due to subsidiary undertakings (unsecured): | | | | |
| No specific repayment date | - | 1,459 | - | 5,557 |
| | <u>28,427</u> | <u>29,886</u> | <u>31,258</u> | <u>36,815</u> |

All the above loans are at variable rates of interest.

10 Called up share capital

At 31 December, 1996 and 31 December, 1995:

Authorised - 80,000,000 ordinary shares of 25p each : £20,000,000

Allotted, called up and fully paid - 62,059,636 ordinary shares of 25p each : £15,514,909

11 Revaluation reserve

| | 1996 £'000 | 1995 £'000 |
|---------------------------------------|---------------|---------------|
| Group | | |
| At beginning of year | 3,204 | 3,254 |
| Deficit on revaluation of investments | (186) | (50) |
| Realised during year | (281) | - |
| At end of year | <u>2,737</u> | <u>3,204</u> |

The revaluation reserve represents the residual surplus on revaluation of properties and investments.

12 Reconciliation of movements in equity shareholders' funds

| | 1996 | | 1995 | |
|--|----------------|------------------|----------------|------------------|
| | Group £'000 | Company £'000 | Group £'000 | Company £'000 |
| Profit for the year | 5,206 | 5,020 | 2,292 | (897) |
| Goodwill written off | - | - | (3,139) | - |
| Deficit on revaluation of investments | (186) | - | (50) | - |
| Net increase/(decrease) in shareholders' funds | <u>5,020</u> | <u>5,020</u> | <u>(897)</u> | <u>(897)</u> |
| Opening shareholders' funds | 20,839 | 20,839 | 21,736 | 21,736 |
| Closing shareholders' funds | <u>25,859</u> | <u>25,859</u> | <u>20,839</u> | <u>20,839</u> |

THE RENWICK GROUP p.l.c.

NOTES (continued)

13 Commitments

| | 1996 | | 1995 | |
|--------------------------------------|------------------------|--------------------------|------------------------|--------------------------|
| | Group £'000 | Company £'000 | Group £'000 | Company £'000 |
| Capital expenditure: | | | | |
| Contracts placed | 1,785 | 706 | 340 | - |
| Annual property rents: | | | | |
| Leases expiring in one to two years | 103 | - | 103 | - |
| Leases expiring in two to five years | 185 | - | 185 | - |

14 Contingent liabilities

There are outstanding forward exchange contracts amounting to £2,112,000 (1995: nil).

15 Ultimate holding company

The ultimate holding company is Kangra Group (Pty) Limited, registered in South Africa.

16 Cash flow statement

| | 1996 £'000 | 1995 £'000 |
|---|-----------------------|-----------------------|
| Reconciliation of operating profit with operating cash flow | | |
| Operating profit | 6,430 | 4,165 |
| Depreciation charged to P & L | 2,069 | 2,417 |
| Depreciation charged to stock | 363 | - |
| Profit on sale of fixed assets | (324) | (17) |
| Diminution in value of fixed assets | - | 202 |
| Decrease/(increase) in stocks | 1,353 | (3,893) |
| Increase in debtors | (4,272) | (2,987) |
| Increase in creditors | 3,718 | 4,012 |
| Increase in deferred grants | 865 | - |
| Net cash flow from operating activities | 10,202 | 3,899 |
| Returns on investments and servicing of finance | | |
| Dividends received | - | 234 |
| Interest received | 1,125 | 919 |
| Interest paid | (1,743) | (1,742) |
| Net cash flow from returns on investments and servicing of finance | (618) | (589) |
| Capital expenditure and financial investment | | |
| Purchase of tangible fixed assets | (4,202) | (1,702) |
| Sale of tangible fixed assets | 635 | 1,172 |
| Purchase of investments | (56) | (243) |
| Sale of investments | 360 | - |
| Net capital expenditure and financial investment | (3,263) | (773) |

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NOTES (continued)

16 Cash flow statement (continued)

Reconciliation of net cash flow with movement in net debt

| | £'000 |
|-------------------------------|----------|
| Increase in cash | 5,312 |
| Currency retranslation | 2,734 |
| | <hr/> |
| Movement in net debt | 8,046 |
| Net debt at 1 January, 1996 | (22,733) |
| | <hr/> |
| Net debt at 31 December, 1996 | (14,687) |

Analysis of net debt

| | Cash £'000 | Debt £'000 | Net debt £'000 |
|------------------------|---------------|---------------|-------------------|
| At 1 January, 1996 | 8,525 | (31,258) | (22,733) |
| Movements in year: | | | |
| Cash flow | 5,312 | - | 5,312 |
| Currency retranslation | (97) | 2,831 | 2,734 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December, 1996 | 13,740 | (28,427) | (14,687) |