



CASTACRETE LIMITED

REGISTRATION NO. 875221

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER 1998



CASTACRETE LIMITED

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CASTACRETE LIMITED
REPORT OF THE DIRECTORS
For the year ended 31st December 1998

The directors submit their report and accounts for the year ended 31st December 1998.

PRINCIPAL ACTIVITY

The Group's principal activity during the year was the manufacture and retailing of concrete products.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

As indicated in last year's report, the very wet weather and increased competition has had a considerable impact on the Company's profit. In addition considerable time and cost has been devoted to the development of new products and further automation. In the circumstances the results are considered satisfactory, and there is confidence for an improvement in profits in 1999.

The profit for the year after taxation was £309,363 (1997 £448,172)

The directors recommend that no dividend be paid for the year and that the balance of the undistributed profits be carried forward as part of the general reserves of the company.

The movements in tangible fixed assets during the year are shown in note 7 to the accounts.

DIRECTORS AND THEIR INTERESTS

The directors during the year ended 31st December 1998 and their beneficial interests in the share capital of the company at the beginning and end of the financial year were as follows:

	<u>Ordinary 5p Shares</u>
T. A. Smallman	1,960,000
Mrs. R. M. Smallman	20,000
J R Macfarlane	-
D J Swannell	-
B J Bird	-

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;
- comply with applicable accounting standards 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.

CASTACRETE LIMITED

REPORT OF THE DIRECTORS

For the year ended 31st December 1998

(continued)

DIRECTORS' RESPONSIBILITIES (Continued)

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 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.

YEAR 2000 ISSUE

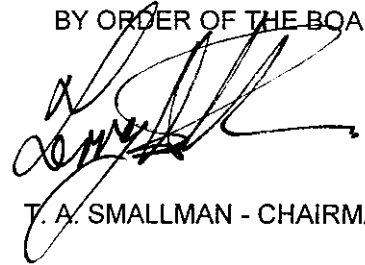
The "Millennium bug" or "Year 2000 issue" refers to potential problems in the processing of data or operation of electronic equipment affected by the transition from 1999 to 2000.

The directors fully recognise the potential risks associated with the issue and are taking reasonable steps to ensure that the company is prepared for the transition. The costs associated with the transition are not considered significant.

CLOSE COMPANY

Castacrete Limited is a close company within the terms of the Income and Corporation Taxes Act 1988.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to be 'T. A. Smallman', written over the printed name.

T. A. SMALLMAN - CHAIRMAN

REGISTERED OFFICE
Dean Street
East Farleigh
Kent.

20th October 1999

CASTACRETE LIMITED

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF
CASTACRETE LIMITED

We have audited the financial statements on pages 1 to 14 which have been prepared following the accounting policies set out on pages 4 and 5.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on pages (i) and (ii) 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.

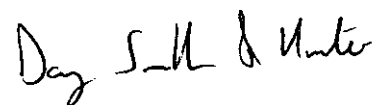
BASIS OF OPINION

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 31st December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



DAY, SMITH & HUNTER
Chartered Accountants
Registered Auditors

121/123 Mount Pleasant
Tunbridge Wells
Kent TN1 1QR

20th October 1999

CASTACRETE LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31st December 1998

	<u>Note</u>	<u>31/12/98</u>	<u>31/12/97</u>
Turnover		6,387,605	7,591,959
Cost of sales		<u>4,160,209</u>	<u>4,625,207</u>
GROSS PROFIT		<u>2,227,396</u>	<u>2,966,752</u>
Distribution costs	1,154,401	1,340,082	
Administration expenses	<u>713,840</u>	<u>827,255</u>	
		<u>1,868,241</u>	<u>2,167,337</u>
OPERATING PROFIT	2	<u>359,155</u>	<u>799,415</u>
Other operating income		<u>-</u>	<u>-</u>
		359,155	799,415
Loss on disposal of fixed asset	3	120,104	-
Income from fixed asset investment		51,000	16,277
Interest receivable		<u>3,533</u>	<u>-</u>
		293,584	815,692
Amounts written off investments	-	192,768	
Amounts written back on investments	8 (188,699)	-	
Interest payable and similar charges	4 <u>225,740</u>	<u>175,272</u>	
		<u>37,041</u>	<u>368,040</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>256,543</u>	<u>447,652</u>
Taxation	6	(52,820)	(520)
RETAINED PROFIT FOR THE FINANCIAL YEAR	15	<u><u>309,363</u></u>	<u><u>448,172</u></u>

STATEMENT OF RECOGNISED GAINS AND LOSSES

For the year ended 31st December 1998

Profit for the financial year		309,363	448,172
Unrealised surplus on revaluation of freehold property	15	412,298	-
TOTAL GAINS RECOGNISED SINCE THE LAST ANNUAL REPORT		<u><u>721,661</u></u>	<u><u>448,172</u></u>

The notes on pages 4 to 14 form part of these accounts

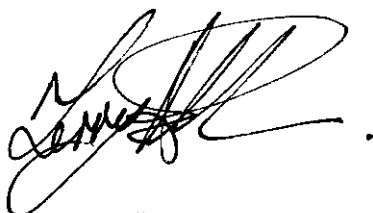
CASTACRETE LIMITED

BALANCE SHEET

As at 31st December 1998

	<u>Note</u>	<u>31/12/98</u>	<u>31/12/97</u>
FIXED ASSETS			
Tangible fixed assets	7	3,195,377	3,356,358
Investments	8	<u>416,973</u>	<u>222,501</u>
		3,612,350	3,578,859
CURRENT ASSETS			
Stocks	9	1,637,969	1,524,101
Debtors	10	2,446,022	1,267,086
Cash at bank and in hand		<u>660</u>	<u>660</u>
		4,084,651	2,791,847
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
	11	<u>2,313,160</u>	<u>1,862,983</u>
NET CURRENT ASSETS		<u>1,771,491</u>	<u>928,864</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,383,841	4,507,723
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
	12	1,271,499	1,064,223
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	13	305,505	358,324
NET ASSETS		<u><u>3,806,837</u></u>	<u><u>3,085,176</u></u>
CAPITAL AND RESERVES			
Called up share capital	14/15	99,000	99,000
Capital redemption reserve	15	1,000	1,000
Revaluation reserve	15	412,298	-
Profit and loss account	15	<u>3,294,539</u>	<u>2,985,176</u>
SHAREHOLDERS FUNDS	15	<u><u>3,806,837</u></u>	<u><u>3,085,176</u></u>

Approved by the board of directors on 20th October 1999



T. A. Smallman

The notes on pages 4 to 14 form part of these accounts.

CASTACRETE LIMITED

CASH FLOW STATEMENT

For the year ended 31st December 1998

	<u>Note</u>	<u>31/12/98</u>	<u>31/12/97</u>
NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES	16	(737,808)	558,529
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received	3,533	-	
Interest paid	<u>(121,713)</u>	<u>(175,271)</u>	
		(118,180)	(175,271)
TAXATION			
UK Corporation tax refunded / (paid)		32,505	(67,804)
CAPITAL EXPENDITURE			
Transfer of assets from subsidiaries	-	(16,396)	
Payments to acquire tangible fixed assets	<u>(274,530)</u>	<u>(396,495)</u>	
Receipts from sales of tangible fixed assets	<u>499,750</u>	<u>3,950</u>	
		225,220	(408,941)
ACQUISITIONS			
Purchase of minority interest in subsidiary undertaking	8	(6,773)	(4,319)
NET CASH OUTFLOW BEFORE FINANCING		<u>(605,036)</u>	<u>(97,806)</u>
FINANCING			
New secured loans	-	475,000	
New unsecured loans	230,000	140,000	
New hire purchase	-	8,338	
Repayments of amounts borrowed	<u>(248,744)</u>	<u>(250,525)</u>	
		(18,744)	372,813
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	17	<u><u>(623,780)</u></u>	<u><u>275,007</u></u>

The notes on pages 4 to 14 form part of these accounts.

NOTES TO THE ACCOUNTS

31st December 1998

1 ACCOUNTING POLICIES

a) Accounting convention

The accounts which are denominated in sterling are prepared under the historical cost convention as amended by revaluations and incorporate the results of the activity described in the directors' report which is continuing.

b) Group accounts

The company has taken advantage of the exemption provided by section 248 of the Companies Act 1985 not to prepare group accounts on the grounds that it is a medium sized group. These accounts give information about the company as an individual undertaking and not about the group.

c) Turnover

Turnover is the total amount receivable by the company in the ordinary course of business for goods supplied excluding VAT and trade discounts.

d) Operating leases

Rentals payable under operating leases are charged on a straight line basis over the lease term.

e) Depreciation

Depreciation is calculated to write down the cost or revalued amount less estimated residual value of tangible fixed assets, other than freehold land and assets in the course of construction, over their expected useful economic lives.

The annual rates generally applicable are:

Freehold buildings and short term

leasehold improvements	1% on cost
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Fixtures and fittings	10% on cost
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Computer	25% on cost
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Plant and machinery	10% on cost
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Motor vehicles	20% on cost
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For assets held at 1st January 1997, the depreciation rates have been applied to the net book value at that date.

f) Stocks

Stocks are stated at the lower of cost and net realisable value.

In the case of raw materials and consumable stores, cost means purchase price including transport and handling costs, less trade discounts, calculated on a first in first out basis. In the case of finished goods, cost comprises direct materials, direct labour and attributable production and other overheads.

Net realisable value means estimated selling price (less trade discounts) less all further costs to completion and all costs to be incurred in marketing, selling and distribution.

g) Pension costs

Contributions payable to the company's pension schemes are charged to the profit and loss account in the period to which they relate.

h) Deferred taxation

Deferred taxation provisions are made for capital allowances in excess of depreciation charged in the accounts and other timing differences when it is expected that tax will become payable in the foreseeable future.

i) Hire purchase contracts

Assets purchased under hire purchase contracts are capitalised at their estimated fair value at the date of inception of each contract.

The total finance charges are allocated over the period of the contract in accordance with the "rule of 78 method".

j) Pallet deposits

Deposits received on pallets are carried as an accrual to meet estimated future liabilities arising on return of the pallets.

k) Research & development

Expenditure is charged to the profit and loss account as it arises.

2 OPERATING PROFIT

This is stated after charging:

	31/12/98	31/12/97
Cost of sales		
Hire of plant and machinery	215	919
Depreciation and amounts written off tangible fixed assets		
- owned	159,796	141,667
Operating lease rentals - land and buildings	18,000	18,000
Distribution costs		
Operating lease rentals - plant & machinery	52,457	41,183
Depreciation and amounts written off tangible fixed assets		
- owned	9,630	13,741
Administrative expenses		
Auditors' remuneration	14,220	14,500
Operating lease rentals - land and buildings	2,000	2,000
Depreciation and amounts written off tangible fixed assets		
- owned	58,534	51,553
- held under hire purchase contracts	-	3,780
Research and development - current period	<u>(264)</u>	<u>704</u>

3 LOSS ON DISPOSAL OF FIXED ASSET

	31/12/98	31/12/97
Loss on disposal of land and buildings	<u>120,104</u>	<u>-</u>

The loss on disposal of freehold land and buildings arose on the sale of the property known as Unit 4, Commissioners Road, Strood to one of the groups' pension schemes at the open market value.

4 INTEREST PAYABLE AND OTHER SIMILAR CHARGES

	31/12/98	31/12/97
On bank loans and overdrafts		
- repayable within 5 years	121,963	94,036
- repayable wholly or partly in more than 5 years	-	-
On pension fund and other loans		
- repayable within 5 years	45,413	45,735
- repayable wholly or partly in more than 5 years	58,364	35,554
Finance charges in respect of hire purchase contracts	<u>-</u>	<u>(53)</u>
	<u>225,740</u>	<u>175,272</u>

5 DIRECTORS AND EMPLOYEES

	31/12/98	31/12/97
Staff costs during the year		
Wages and salaries	1,532,881	1,597,421
Social security costs	164,917	165,707
Other pension costs	37,569	89,812
	<u>1,735,367</u>	<u>1,852,940</u>

The group operates two defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds.

The average number of employees of the company during the year was 77 (1997 - 76) made up as follows:

	Number	Number
Manufacturing	41	39
Administration, sales and distribution	31	32
Directors	5	5
	<u>77</u>	<u>76</u>

Emoluments in respect of directors were payable as follows:

	31/12/98	31/12/97
Directors' emoluments (including pension contributions and benefits in kind)	<u>243,549</u>	<u>318,749</u>

The highest paid director, whose emoluments are included in the above disclosure, received the following amounts:

	31/12/98	31/12/97
Emoluments	95,228	120,324
Contributions to money purchase pension scheme	<u>-</u>	<u>37,000</u>

During the year the following number of directors accrued benefits under defined contribution pension schemes:

	31/12/98	31/12/97
	<u>4</u>	<u>4</u>

6 TAXATION

	31/12/98	31/12/97
Corporation tax on the profits for the year at current rates	-	-
Overprovision February 93 & December 96	-	(14,370)
Underprovision February 95 & February 96	-	187
Deferred Tax (note 13) Provision at 31%	<u>(52,820)</u>	<u>13,663</u>
	<u>(52,820)</u>	<u>(520)</u>

The effective tax rate is lower in the current year, due to group relief of losses incurred by a subsidiary undertaking. Due to the loss the tax charge has been reduced from £22,974 to Nil.

7 TANGIBLE FIXED ASSETS

	Freehold Land and Buildings	Short Term Leasehold Improve - ments	Fixtures and Fittings	Plant and Machinery	Motor Vehicles	Total
Cost or valuation						
As at 1st January 1998	1,772,529	-	198,704	3,209,103	193,120	5,373,456
Additions	1,645	-	21,843	232,697	18,345	274,530
Revaluation adjustment	349,717	-	-	-	-	349,717
Transfer to Leasehold	(7,684)	7,684	-	-	-	-
Disposals	(644,156)	-	-	-	(18,177)	(662,333)
At 31st December 1998	<u>1,472,051</u>	<u>7,684</u>	<u>220,547</u>	<u>3,441,800</u>	<u>193,288</u>	<u>5,335,370</u>

Cost or valuation is comprised:

Cost	46,551	7,684	220,547	3,441,800	193,288	3,909,870
Valuation 1998	<u>1,425,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,425,500</u>
	<u>1,472,051</u>	<u>7,684</u>	<u>220,547</u>	<u>3,441,800</u>	<u>193,288</u>	<u>5,335,370</u>

Depreciation						
As at 1st January 1998	80,503	-	120,995	1,708,141	107,459	2,017,098
Provided in the year	11,130	-	25,267	161,918	25,635	223,950
Revaluation adjustment	(62,581)	-	-	-	-	(62,581)
Disposals	(29,052)	-	-	-	(9,422)	(38,474)
At 31st December 1998	<u>-</u>	<u>-</u>	<u>146,262</u>	<u>1,870,059</u>	<u>123,672</u>	<u>2,139,993</u>

Net book value						
At 31st December 1998	<u>1,472,051</u>	<u>7,684</u>	<u>74,285</u>	<u>1,571,741</u>	<u>69,616</u>	<u>3,195,377</u>

Net book value						
As at 31st December 1997	<u>1,692,026</u>	<u>-</u>	<u>77,709</u>	<u>1,500,962</u>	<u>85,661</u>	<u>3,356,358</u>

The majority of freehold land and buildings were revalued as at 31st December 1998 by Messrs Sibley Pares and Partners Chartered Surveyors on the basis of the open market value for existing use.

The net book value of motor vehicles includes £ Nil (1997 - £13,705) in relation to assets held under hire purchase agreements.

The value of revalued land and buildings based upon historic cost is as follows:

	31/12/98	31/12/97
Cost	1,122,334	1,772,529
Depreciation	<u>(62,581)</u>	<u>(80,503)</u>
Net book value	<u><u>1,059,753</u></u>	<u><u>1,692,026</u></u>

7 TANGIBLE FIXED ASSETS (Continued)

The net book value of fixed assets includes payments for assets in the course of construction as follows:

	Freehold Land and Buildings	Short Term Leasehold Improve - ments	Fixtures and Fittings	Plant and Machinery	Motor Vehicles	Total
Net book value At 31st December 1998	-	7,684	-	343,897	-	351,581
Net book value As at 31st December 1997	147,827	-	-	164,435	-	312,262

8 FIXED ASSETS INVESTMENTS

Shares in subsidiary undertakings

Net Book Value	
At 1st January 1998	222,501
Additions	6,773
Write back of diminuation in value	188,699
Winding up of Castacrete (Bristol) Ltd	(1,000)
At 31st December 1998	416,973

The value of additions (£6,773) comprised the cost of the company acquiring the remaining 25% of the issued share capital in Slabland Ltd. These shares were acquired at net asset value from Mr. T. A. Smallman, one of the company's directors, on 30th March 1998.

At 31st December 1998 the company held shares in the following companies, all of which are registered in England.

	% held	Class of shares held	Nature of business
The Alexandra Stone Company Limited	100%	Ordinary	Manufacturing concrete kerbs, paving slabs and blocks
Slabland Limited	100%	Ordinary	Dormant
Castacrete (Bristol) Limited		Ordinary	Wound up during the year

8 FIXED ASSETS INVESTMENTS (Continued)

The aggregate capital and reserves as at 31st December 1998 and the net results for the year after taxation of each of the subsidiary undertakings was as follows:

	Aggregate capital and reserves	Net results after taxation
The Alexandra Stone Company Ltd.	564,400	(176,371)
Slabland Ltd.	<u>28,079</u>	<u>-</u>

During the year the freehold property of The Alexandra Stone Company Ltd. was revalued by FPD Savills Chartered Surveyors. This had the effect of increasing the net assets by £520,020. Following the annual review the amount of £188,699 previously provided against the cost of the investment has been written back. The directors consider this a fair valuation of the investment as at 31st December 1998.

9 STOCKS

	31/12/98	31/12/97
Raw materials and consumable stores	86,499	84,625
Finished goods and goods for resale	1,355,881	1,293,593
Pallets and mould stocks	195,589	145,883
	<u>1,637,969</u>	<u>1,524,101</u>

There are no significant differences between the replacement costs and the values disclosed above except for mould stocks, which have been valued at 50% of replacement cost.

10 DEBTORS

	31/12/98	31/12/97
Trade debtors	473,635	527,308
Other debtors	-	42,283
Corporation tax recoverable	528	33,031
Amounts due from group undertakings	1,883,922	595,822
Prepayments and accrued income	87,937	68,642
	<u>2,446,022</u>	<u>1,267,086</u>

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31/12/98	31/12/97
Current instalments due on bank loans	187,941	272,969
Secured pension fund loans	28,800	28,800
Unsecured pension fund loans	-	140,000
Bank overdraft	1,110,443	486,663
Trade creditors	230,305	324,407
Amounts owed to group undertakings	28,079	80,080
Corporation tax	-	-
Social security and other taxes	89,780	99,846
Other creditors	11,934	12,122
Accruals and deferred income	278,691	183,933
Amounts due under hire purchase contracts	-	991
Directors' loan account	347,187	233,172
	<u>2,313,160</u>	<u>1,862,983</u>

The bank overdraft is secured by a fixed and floating charges over the company assets.

12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31/12/98	31/12/97
Bank and pension fund loans repayable by instalments:		
Wholly repayable within 5 years		
Bank loans	331,549	465,224
Pension fund loans	143,200	31,749
Amount due under hire purchase contracts	-	-
Not wholly repayable within 5 years		
Pension fund loans		
- Amounts falling due within 5 years	-	252,112
- Amounts falling due after 5 years	796,750	315,138
	<u>1,271,499</u>	<u>1,064,223</u>

The pension fund loans not wholly repayable within 5 years are repayable by 2005 and 2008 and bear interest at 3% and 1.5% respectively over Barclays Bank PLC base rate.

Where applicable the bank and pension fund loans are secured by a fixed and floating charge over the company assets and mortgages on specific properties, together with a legal mortgage over a life assurance policy relating to Mr. T. A. Smallman, one of the company's directors.

Analysis of debt maturity

	31/12/98	31/12/97
Amounts due in one year or less or on demand		
Bank loans and overdrafts	1,298,384	759,633
Other loans	28,800	168,800
Amounts due between one year and two years		
Bank loans	123,909	178,122
Other loans	143,200	91,828
Amounts due between two and five years		
Bank loans	207,640	287,103
Other loans	-	192,033
Amounts due in five years or more		
Other loans	796,750	315,136
	<u>2,598,683</u>	<u>1,992,655</u>

13 DEFERRED TAXATION

	Provided		Further Potential	
	31/12/98	31/12/97	31/12/98	31/12/97
Accelerated capital allowances	305,505	358,324	-	-
Other timing differences	-	-	-	-
	<u>305,505</u>	<u>358,324</u>	-	-
Capital gains rolled over	-	-	114,639	114,639
	<u>305,505</u>	<u>358,324</u>	<u>114,639</u>	<u>114,639</u>

No further potential liability arose as a result of the freehold property revaluation in the year.

14 SHARE CAPITAL

	31/12/98	31/12/97
Authorised		
2,000,000 ordinary shares of 5p each	<u>100,000</u>	<u>100,000</u>
Allotted, issued and fully paid		
1,980,000 ordinary shares of 5p each	<u>99,000</u>	<u>99,000</u>

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Share capital	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total shareholders funds
Balance at 1st January 1998	99,000	1,000	-	2,985,176	3,085,176
Net surplus on revaluation of freehold property	-	-	412,298	-	412,298
Profit for the year	-	-	-	309,363	309,363
Balance at 31st December 1998	<u>99,000</u>	<u>1,000</u>	<u>412,298</u>	<u>3,294,539</u>	<u>3,806,837</u>

16 RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES

	31/12/98	31/12/97
Operating profit	359,155	799,415
Other operating income	-	-
Dividend from subsidiary undertaking	51,000	16,277
Depreciation charges	223,950	206,108
Loss on sale of tangible fixed assets	4,005	4,633
Refund on purchase of subsidiary undertaking	-	20,568
Realisation of shares in subsidiary undertaking	1,000	-
Increase in stocks	(113,868)	(7,860)
Increase in debtors	(1,211,439)	(351,179)
Decrease in creditors	(51,611)	(129,433)
Net cash (outflow) / inflow from operating activities	<u>(737,808)</u>	<u>558,529</u>

17 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	31/12/98	31/12/97
(Decrease) / increase in cash in year	(623,780)	275,007
Cash outflow / (inflow) from increase / (decrease) in debt finance	<u>18,744</u>	<u>(372,813)</u>
Change in net debt	<u>(605,036)</u>	<u>(97,806)</u>

18 ANALYSIS OF CHANGES IN NET DEBT

	At 01/01/98	Cash flow	Other non cash changes	At 31/12/98
Cash at bank and in hand	660	-	-	660
Overdrafts	(486,663)	(623,780)	-	(1,110,443)
Debt due within one year	(442,761)	-	226,020	(216,741)
Debt due after one year	(1,064,223)	18,744	(226,020)	(1,271,499)
	<u>(1,992,987)</u>	<u>(605,036)</u>	<u>-</u>	<u>(2,598,023)</u>

19 FINANCIAL COMMITMENTS

The company had annual commitments under non-cancellable operating leases as follows:

	31/12/98	31/12/97
Land and Buildings:		
Expiring 2 - 5 years	<u>85,000</u>	<u>20,000</u>
Other:		
Expiring under 1 year	12,165	41,403
Expiring 2 - 5 years	<u>12,636</u>	<u>-</u>

20 RELATED PARTIES

a) The ultimate controlling party is Mr. T. A. Smallman, one of the company's directors.

b) Transactions with subsidiary undertakings during the year were as follows:

	The Alexandra Stone Company Ltd.	
	1998	1997
Sales	132,502	78,588
Purchases	(611,002)	(475,892)
Hire of lorry charges	-	(32,840)
Haulage charges	(53,714)	(47,264)

The balances at 31st December 1998 with subsidiary undertakings were:

	Amounts due from group undertakings		Amounts due to group undertakings	
	1998	1997	1998	1997
The Alexandra Stone Company Ltd.	1,883,922	595,822	-	-
Slabland Ltd.	-	-	28,079	79,080
Castacrete (Bristol) Ltd	-	-	-	1,000
	<u>1,883,922</u>	<u>595,822</u>	<u>28,079</u>	<u>80,080</u>

c) As at 31st December 1998 there was an outstanding balance on an unsecured loan from Mr. & Mrs. T. A. Smallman as shown in note 11. Interest is paid on the loan at a commercial rate for unsecured borrowings.

20 RELATED PARTIES (Continued)

- d) The company occupies property owned by one of the groups' pension schemes. Rent at a commercial rate of £20,000 was paid in the year (1997 - £20,000).
Loans from the pension fund to the company are shown in notes 11 and 12.
- e) On 23rd December 1998 the land and buildings known as Unit 4 Commissioners Road, Strood were sold to one of the groups' pension schemes at current open market value. A loss on the disposal of £120,104 arose (note 3). The company is now paying rent at a commercial rate on this property.
- f) As stated in note 8, on 30th March 1998 the company acquired the remaining 25% of the issued share capital of Slabland Ltd., one of its subsidiary undertakings. The 250 shares were acquired from Mr. T. A. Smallman, one of the company's directors, for an arms length consideration of £6,773, being the net asset value at that date.

21 CONTINGENT LIABILITIES

The company is subject to a composite bank guarantee executed on 23rd February 1996 with The Alexandra Stone Company Limited. The total combined liability of these companies to the bank at 31st December 1998 amounted to £2,780,406 (1997 - £2,995,080)