

**Deloitte &
Touche**

Deloitte Touche
Tohmatsu



Company Number 896821

**COWLIN CONSTRUCTION LIMITED
AND ITS SUBSIDIARY COMPANIES**

Report and Financial Statements

Year ended 30 September 1998

**Deloitte & Touche
Queen Anne House
69-71 Queen Square
Bristol
BS1 4JP**



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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D L Rebori
G L Ballard
D A Brown
T P Crew
N J Higgs
M C Johns
I R Natt
M D Spiller
N A Sherreard

SECRETARY

G L Ballard

REGISTERED OFFICE

Stratton House
Cater Road
Bristol
BS13 7UH

BANKERS

Midland Bank plc
City Office
49 Corn Street
Bristol
BS99 7PP

SOLICITORS

Lyons Davidson
Bridge House
48-52 Baldwin Street
Bristol
BS1 1QD

AUDITORS

Deloitte & Touche
Queen Anne House
69-71 Queen Square
Bristol
BS1 4JP

**DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the year ended 30 September 1998.

RESULTS

The consolidated profit for the year is set out in the consolidated profit and loss account on page 6.

PRINCIPAL ACTIVITY OF THE COMPANY

The company's and group's principal activity continues to be building contracting.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

During the year the group had considerable success in winning new orders and turnover increased from £32.2m for the year ended 30 September 1997 to £46.9m for the year ended 30 September 1998. Net profit before tax, however, dropped from £718,000 in 1997 to £473,000 in 1998. The drop in margins reflects the increasingly competitive market in the construction industry today. Efforts are being made, with some success to maintain turnover and profitability in the current year at a similar level to that of 1998.

DIVIDENDS

The directors recommend the payment of a dividend of 24.17p (1997: 28.33p) per ordinary share in respect of the year ended 30 September 1998.

DIRECTORS AND THEIR INTERESTS

The directors of the company who held office during the year and their beneficial interests in the ordinary shares of the ultimate holding company Cowlin Group Limited at the beginning and end of the year were:

	1998 £	1997 £
D L Rebori	47,092	42,080
G L Ballard	47,092	42,080
D A Brown	11,561	10,330
T P Crew - (appointed 1 October 1997)	1,000	1,000
N J Higgs	4,500	3,400
M C Johns	11,561	10,330
D J Lucas - (resigned 21 April 1998)	-	-
I R Natt	11,561	10,330
M D Spiller	2,000	500
N A Sherreard - (appointed 1 October 1998)	-	-

Messrs T P Crew, N J Higgs and I R Natt retire by rotation and, being eligible, offer themselves for re-election.

None of the directors had any interest in the shares of the company during the year. The interests of Mr N A Sherreard and Mr D J Lucas in the ordinary shares of Cowlin Group Limited are not disclosed as they were not directors of Cowlin Construction Group Limited at the year end.

**DIRECTORS' REPORT (continued)****EMPLOYEES**

The policy is to encourage and assist, where practicable, the recruitment and training of disabled people and the retention of those who become disabled during their employment.

The company believes in good communications within the organisation. To this end, monthly financial and production meetings are held, which are attended by senior management. A news-sheet detailing contract progress and prospects is published at intervals and is available to all employees.

YEAR 2000

The company has kept the question of year 2000 compliant software under constant review since 1997. Action plans exist to ensure that all software used is compliant. Upgrades and replacements will be undertaken as necessary to ensure that such systems will operate without disruption beyond the year 2000. Costs in the year to 30 September 1998 were not significant and we estimate that further costs will not be material.

AUDITORS

A resolution to reappoint Deloitte & Touche as the company's auditors will be proposed at the Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

G L Ballard
Secretary

**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 the group as at the end of the financial year and of the profit or loss of the group 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; and
- 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 the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



AUDITORS' REPORT TO THE MEMBERS OF

COWLIN CONSTRUCTION LIMITED

We have audited the financial statements on pages 6 to 21 which have been prepared under the accounting policies set out on pages 11 and 12.

Respective responsibilities of directors and auditors

As described on page 4 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 and 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 affairs of the company and the group as at 30 September 1998 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors

12 March 1999


CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 30 September 1998

	Note	Continuing operations	
		1998	1997
		£	£
TURNOVER	2	46,865,851	32,222,880
Cost of sales		(42,586,718)	(28,068,385)
GROSS PROFIT		4,279,133	4,154,495
Administrative expenses		(3,801,069)	(3,430,662)
OPERATING PROFIT		478,064	723,833
Interest payable and similar charges	3	(5,136)	(5,664)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	472,928	718,169
Tax on profit on ordinary activities	7	(125,603)	(252,842)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		347,325	465,327
Dividends proposed	8	(145,000)	(170,000)
RETAINED PROFIT FOR THE YEAR		202,325	295,327

The group has no recognised gains and losses other than the retained profit for the current year and the preceding year. Accordingly no statement of total recognised gains and losses has been prepared.


CONSOLIDATED BALANCE SHEET
30 September 1998

	Note	1998		1997	
		£	£	£	£
FIXED ASSETS					
Tangible assets	10		653,779		627,246
CURRENT ASSETS					
Stocks	12	134,933		220,950	
Debtors	13	9,402,889		7,772,175	
Cash at bank and in hand		5,362,418		5,642,073	
		<u>14,900,240</u>		<u>13,635,198</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(11,126,617)		(11,160,603)	
NET CURRENT ASSETS			<u>3,773,623</u>		<u>2,474,595</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>4,427,402</u>		<u>3,101,841</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15		2,703,040		1,571,805
PROVISIONS FOR LIABILITIES AND CHARGES	16		-		8,000
CAPITAL AND RESERVES					
Called up share capital	17	600,000		600,000	
Revaluation reserve	18	169,184		169,184	
Other reserves	18	1,450		1,450	
Profit and loss account	18	953,728		751,402	
EQUITY SHAREHOLDERS' FUNDS	18		<u>1,724,362</u>		<u>1,522,036</u>
			<u>4,427,402</u>		<u>3,101,841</u>

These financial statements were approved by the Board of Directors on 12/3/99 .

Signed on behalf of the Board of Directors

D. L. Rebori

D L Rebori
Director


**COMPANY BALANCE SHEET
30 September 1998**

	Note	1998		1997	
		£	£	£	£
FIXED ASSETS					
Tangible assets	10		653,779		619,977
CURRENT ASSETS					
Stocks	12	134,933		220,950	
Debtors	13	9,418,912		8,475,405	
Cash at bank and in hand		5,460,059		5,101,306	
		15,013,904		13,797,661	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(11,482,225)		(11,594,110)	
NET CURRENT ASSETS			3,531,679		2,203,551
TOTAL ASSETS LESS CURRENT LIABILITIES			4,185,458		2,823,528
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15		2,703,040		1,571,805
PROVISIONS FOR LIABILITIES AND CHARGES	16		-		8,000
CAPITAL AND RESERVES					
Called up share capital	17	600,000		600,000	
Profit and loss account	18	882,418		643,723	
EQUITY SHAREHOLDERS' FUNDS	18		1,482,418		1,243,723
			4,185,458		2,823,528

These financial statements were approved by the Board of Directors on 12/3/99.

Signed on behalf of the Board of Directors

 D L Rebori
Director


CONSOLIDATED CASH FLOW STATEMENT
Year ended 30 September 1998

	Note	1998		1997	
		£	£	£	£
Net cash inflow from operating activities (see page 10)			151,838		761,022
Returns on investments and servicing of finance					
Interest paid		(104)		(2)	
Interest paid on lease purchases		(5,032)		(5,662)	
Net cash outflow from returns on investments and servicing of finance			(5,136)		(5,664)
Taxation					
UK corporation tax paid			(200,522)		(89,636)
Capital expenditure					
Purchase of tangible fixed assets		(46,295)		(50,301)	
Sale of tangible fixed assets		15,868		2,658	
			(30,427)		(47,643)
Equity dividends paid			(170,000)		-
			(254,247)		618,079
Financing					
Repayment of lease purchase obligations			(25,408)		(37,627)
(Decrease)/increase in cash in the year	19		(279,655)		580,452


CONSOLIDATED CASH FLOW STATEMENT - (continued)
Year ended 30 September 1998

Reconciliation of operating profit to net cash inflow from operating activities	1998 £	1997 £
Operating profit	478,064	723,833
Depreciation of tangible fixed assets	69,197	61,896
Gain on sale of tangible fixed assets	(12,406)	(2,271)
Decrease in stock and work in progress	86,017	239
Increase in trade debtors and amounts recoverable on contracts	(1,745,866)	(1,986,700)
Increase in group debtors	(40,636)	-
Increase in other debtors	(30,149)	(36,013)
Increase in prepayments and accrued income	3,869	(5,904)
Increase in trade creditors	1,061,245	1,629,437
(Decrease)/increase in payments on account	166,988	(2,997)
Increase in group creditors	251,153	22,849
(Decrease)/increase in other creditors including tax and social security	(27,894)	153,692
(Decrease)/increase in accruals	(107,744)	202,961
Net cash inflow from operating activities	151,838	761,022

**NOTES TO THE ACCOUNTS**

Year ended 30 September 1998

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The accounts are prepared in accordance with the historical cost convention as modified by the revaluation of certain land and buildings.

Basis of consolidation

The group accounts include the accounts of the company and its subsidiaries made up to the end of the financial year.

Turnover

Sales values are credited to turnover, which excludes value added tax and trade discounts, when:

- (a) Contracts are finalised and the practical completion certificates issued.
- (b) Significant contracts in progress at the financial year end have reached a sufficiently advanced stage for the final outcome to be reasonably foreseen.

Specific provision is made for remedial work to be carried out at the expiry of the defects liability period.

Stocks and work in progress

Stocks and work in progress, including long term contracts, are valued at the lower of cost and net realisable value, less progress payments received and receivable on account. Cost, in the case of work in progress, consists of materials, labour and sub-contractors' charges, together with overheads directly chargeable to contracts. Net realisable value is the price at which stocks and work in progress can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolescent, slow moving and defective stocks.

A proportion of the profits earned on those long term contracts, which are in an advanced state of completion at the period end, is added to the value of turnover, together with a proportion of the costs associated with these contracts. In addition, full provision is made in the accounts for losses incurred, or expected to be incurred, on contracts entered into at the balance sheet date.

Operating leases and lease purchase agreements

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under lease purchase agreements. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under lease purchase agreements are depreciated over the useful lives of the equivalent owned assets.

**NOTES TO THE ACCOUNTS****Year ended 30 September 1998****1. ACCOUNTING POLICIES (continued)****Fixed assets**

The cost of fixed assets is their purchase cost, together with any incidental expenses of acquisition, if appropriate.

No depreciation is provided on freehold property. Although this is not in compliance with Statement of Standard Accounting Practice Number 12, the values attaching to freehold buildings are, in the opinion of the directors, minimal, and accordingly any depreciation charge would be insignificant.

Depreciation on plant and equipment is calculated to write off the cost of the assets by equal instalments over the estimated useful life of the relevant assets, the rates used being between 15% and 25%.

Short leasehold property is depreciated over the period of the lease.

Investments

Investments held as fixed assets are stated at cost less any provision for permanent diminution in value.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

Pension costs

The company operates a defined contributions pension scheme the assets of which are held separately from those of the company. The pension cost charge represents contributions payable by the company to the scheme.

Related party transactions

The company has taken advantage of the exemption contained in Financial Reporting Standard No 8 from the requirement to disclose related party transactions within the group.

2. TURNOVER

Turnover and profit on ordinary activities before taxation is attributable to the activities of building and specialist contracting, which are based solely in the United Kingdom.


NOTES TO THE ACCOUNTS

Year ended 30 September 1998

3. INTEREST PAYABLE AND SIMILAR CHARGES	1998	1997
	£	£
On lease purchases	5,032	5,664
Other interest payable	104	-
	<u>5,136</u>	<u>5,664</u>
4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
Profit on ordinary activities before taxation is arrived at after charging/(crediting):	1998	1997
	£	£
Auditors' remuneration	25,740	21,122
Depreciation of tangible fixed assets - owned	50,179	35,435
Depreciation of tangible fixed assets - leased	19,018	26,461
Operating leases - plant and machinery	225,998	232,514
Property rents	(18,499)	(26,185)
Profit on disposal of tangible fixed assets	(12,406)	(2,271)
	<u></u>	<u></u>
5. DIRECTORS' EMOLUMENTS	1998	1997
	£	£
Emoluments (excluding pension contributions)	<u>524,201</u>	<u>470,358</u>
	No.	No.
Number of directors who are members of the company's defined contribution pension scheme	<u>9</u>	<u>9</u>
	£	£
Contributions paid to the defined contribution pension scheme in respect of directors	<u>66,871</u>	<u>53,773</u>
	£	£
Highest-paid director's remuneration (excluding pension contributions)	<u>85,020</u>	<u>120,738</u>
	£	£
Contributions paid to the defined contribution pension scheme in respect of the highest paid director	<u>18,628</u>	<u>27,646</u>


NOTES TO THE ACCOUNTS

Year ended 30 September 1998

6. EMPLOYEE INFORMATION

The average number of persons employed by the group during the year, including executive directors, is analysed below:

	1998 No.	1997 No.
Production	194	189
Administration	92	75
	<u>286</u>	<u>264</u>
Employment costs of all the employees included above:	£	£
Gross wages and salaries	4,104,250	4,044,021
Employer's national insurance and state pension contributions	414,027	333,319
Employer's contributions under the group pension scheme	157,044	126,246
	<u>4,675,321</u>	<u>4,503,586</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £	1997 £
United Kingdom corporation tax based on profit for the year at 31% (1997: 33%)		
- current year	155,000	256,000
- prior years	(12,397)	(18,158)
Amounts receivable for group relief		
- current year	(9,000)	7,000
Deferred tax	(8,000)	8,000
	<u>125,603</u>	<u>252,842</u>

8. DIVIDENDS

	1998 £	1997 £
Final dividend proposed of 24.17p (1997: 28.33p) per ordinary share	<u>145,000</u>	<u>170,000</u>


NOTES TO THE ACCOUNTS
Year ended 30 September 1998
9. PROFIT OF PARENT COMPANY

As permitted by section 230 of the Companies Act 1985, no profit and loss account of the parent company is presented. The parent company's profit for the year is £383,695 (1997: £496,850).

10. TANGIBLE FIXED ASSETS

The Group	Freehold property £	Plant and equipment £	Total £
Cost or valuation			
At 1 October 1997	476,000	834,388	1,310,388
Additions	55,591	42,188	97,779
Disposals	-	(42,804)	(42,804)
	<hr/>	<hr/>	<hr/>
At 30 September 1998	531,591	833,772	1,365,363
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 October 1997	-	683,142	683,142
Disposals	-	(40,755)	(40,755)
Provided in year	-	69,197	69,197
	<hr/>	<hr/>	<hr/>
At 30 September 1998	-	711,584	711,584
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 September 1998	531,591	122,188	653,779
	<hr/>	<hr/>	<hr/>
At 30 September 1997	476,000	151,246	627,246
	<hr/>	<hr/>	<hr/>

Freehold property was professionally revalued on an existing use basis at 30 November 1988 by Hartnell Taylor Cook, surveyors and valuers.

The historic cost of tangible assets stated at valuation in the accounts is £306,816 (1997: £306,816).

The net book value of tangible assets includes an amount of £38,257 (1997: £73,697) acquired under lease purchase agreements.


NOTES TO THE ACCOUNTS
 Year ended 30 September 1998

10. TANGIBLE FIXED ASSETS (continued)

The Company	Freehold property £	Plant and equipment £	Total £
Cost or valuation			
At 1 October 1997	476,000	826,027	1,302,027
Additions	55,591	42,188	97,779
Disposals	-	(42,804)	(42,804)
Transferred from Pratten Limited	-	6,960	6,960
	<hr/>	<hr/>	<hr/>
At 30 September 1998	531,591	832,371	1,363,962
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 October 1997	-	682,050	682,050
Disposals	-	(40,755)	(40,755)
Provided in year	-	67,297	67,297
Transferred from Pratten Limited	-	1,591	1,591
	<hr/>	<hr/>	<hr/>
At 30 September 1998	-	710,183	710,183
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 September 1998	531,591	122,188	653,779
	<hr/>	<hr/>	<hr/>
At 30 September 1997	476,000	143,977	619,977
	<hr/>	<hr/>	<hr/>

11. INVESTMENTS

	£
Shares in group companies at cost	
At 1 October 1997 and at 30 September 1998	128,150
	<hr/>
Provisions	
At 1 October 1997 and at 30 September 1998	128,150
	<hr/>
Net book value	
At 30 September 1997 and at 30 September 1998	-
	<hr/>


NOTES TO THE ACCOUNTS
Year ended 30 September 1998
11. INVESTMENTS (continued)

The subsidiary companies at 30 September 1998 were:

Subsidiary	Nature of Business
Bayford Builders Limited	Non trading
Stratton Electrical Limited	Non trading
Pratten Construction Limited	Building contractors
Samuel Wren & Sons Limited	Dormant
Cowlin Developments Limited	Dormant

All the subsidiaries are wholly owned and are registered in England and Wales.

12. STOCKS

	1998		1997	
	Group £	Company £	Group £	Company £
Development land	-	-	80,470	80,470
Raw materials and consumables	134,933	134,933	140,480	140,480
Work in progress	2,727,080	2,727,080	5,036,460	4,929,871
	<u>2,862,013</u>	<u>2,862,013</u>	<u>5,257,410</u>	<u>5,150,821</u>
Payments on account	(2,727,080)	(2,727,080)	(5,036,460)	(4,929,871)
	<u>134,933</u>	<u>134,933</u>	<u>220,950</u>	<u>220,950</u>

13. DEBTORS

	1998		1997	
	Group £	Company £	Group £	Company £
Trade debtors	5,576,970	5,576,970	3,564,381	3,388,933
Amounts recoverable on contracts	3,633,316	3,624,339	4,004,547	3,525,722
Amounts due from group companies	6,636	40,636	-	1,394,993
Group relief receivable	22,000	13,000	13,000	18,000
Other debtors	57,542	57,542	87,691	51,713
Prepayments and accrued income	106,425	106,425	102,556	96,044
	<u>9,402,889</u>	<u>9,418,912</u>	<u>7,772,175</u>	<u>8,475,405</u>

Included in trade debtors is an amount of retentions of £1,723,531 (1997: £1,155,986) of which £297,630 (1997: £143,142) is due after more than one year.


NOTES TO THE ACCOUNTS
Year ended 30 September 1998
14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998		1997	
	Group £	Company £	Group £	Company £
Payments on account	235,303	235,303	68,315	67,850
Trade creditors	9,233,445	9,243,570	8,202,777	7,483,946
Amounts owed to group companies	527,724	854,667	1,349,905	2,549,582
Corporation tax	123,427	123,427	253,887	253,887
Group relief payable	-	25,000	7,000	26,000
Other creditors including taxation and social security	552,407	545,947	587,664	574,610
Accruals and deferred income	309,311	309,311	521,055	468,235
Proposed dividends	145,000	145,000	170,000	170,000
	<u>11,126,617</u>	<u>11,482,225</u>	<u>11,160,603</u>	<u>11,594,110</u>

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1998		1997	
	Group £	Company £	Group £	Company £
Amounts owed to group companies	2,694,000	2,694,000	1,544,000	1,544,000
Other creditors	9,040	9,040	27,805	27,805
	<u>2,703,040</u>	<u>2,703,040</u>	<u>1,571,805</u>	<u>1,571,805</u>

Lease purchase obligations

The net lease purchase obligations, shown within other creditors, to which the group and company are committed are:

	1998		1997	
	Group £	Company £	Group £	Company £
In one year or less	17,158	17,158	25,494	25,494
Between one and two years	7,537	7,537	17,157	17,157
Between two and five years	3,196	3,196	10,648	10,648
	<u>27,891</u>	<u>27,891</u>	<u>53,299</u>	<u>53,299</u>

Assets purchased under lease purchase arrangements are held as security for the related lease obligations.


NOTES TO THE ACCOUNTS

Year ended 30 September 1998

16. PROVISIONS FOR LIABILITIES AND CHARGES
Deferred taxation

The amount of deferred tax provided in the financial statements is as follows:

	1998		1997	
	Group £	Company £	Group £	Company £
At 1 October	8,000	8,000	8,000	-
Transferred from Bayford Builders Limited	-	-	-	8,000
Profit and loss charge	(8,000)	(8,000)	-	-
At 30 September	-	-	8,000	8,000

There are no amounts of unprovided deferred tax.

17. CALLED UP SHARE CAPITAL

	1998 £	1997 £
Authorised, called up, allotted and fully paid:		
Ordinary shares of £1 each	600,000	600,000

18. COMBINED RECONCILIATION OF MOVEMENTS ON RESERVES AND EQUITY SHAREHOLDERS' FUNDS
GROUP

	Share capital £	Revaluation reserve £	Other reserves £	Profit and loss account £	1998 Total £	1997 Total £
At 1 October	600,000	169,184	1,450	751,402	1,522,036	1,226,709
Profit for the year	-	-	-	347,325	347,325	465,327
Dividends	-	-	-	(145,000)	(145,000)	(170,000)
At 30 September	600,000	169,184	1,450	953,728	1,724,362	1,522,036

COMPANY

	Share capital £	Profit and loss account £	1998 Total £	1997 Total £
At 1 October	600,000	643,723	1,243,723	916,873
Profit for the year	-	383,695	383,695	496,850
Dividends	-	(145,000)	(145,000)	(170,000)
At 30 September	600,000	882,418	1,482,418	1,243,723



NOTES TO THE ACCOUNTS

Year ended 30 September 1998

19. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	1998 £
Net funds at 1 October	5,588,774
Decrease in cash in the year	(279,655)
Cash to repay lease financing	25,408
Net funds at 30 September	<u>5,334,527</u>

Analysis of changes in net funds

	At 1 October 1997 £	Cash flows £	At 30 September 1998 £
Cash at bank and in hand	5,642,073	(279,655)	5,362,418
Finance leases	(53,299)	25,408	(27,891)
	<u>5,588,774</u>	<u>(254,247)</u>	<u>5,334,527</u>

20. OPERATING LEASES

At 30 September 1998 the group had annual commitments under non-cancellable operating leases as follows:

	1998 £	1997 £
Plant and machinery:		
Leases terminating within one year	4,828	4,273
Leases terminating between two and five years	215,968	207,450
	<u>220,796</u>	<u>211,723</u>

21. CONTINGENT LIABILITIES

Banking arrangements

Overdraft facilities

The company participates in an arrangement with Midland Bank plc whereby the accounts of the seven companies in the Cowlin Group Limited group, 'the guarantors', are combined, with cleared debit and credit balances being offset for interest calculation purposes.

Each of the guarantors has provided a fixed and floating charge over all assets, first legal charges over freehold properties, and unlimited multilateral company guarantees securing the liabilities of each other. In addition, Cowlin Group Limited has an unlimited company cross guarantee with Cowlin Property Investments Limited to secure the liabilities of each other.

The net balance owing under this arrangement at 30 September 1998 was £1,490,000.

**NOTES TO THE ACCOUNTS**
Year ended 30 September 1998**21. CONTINGENT LIABILITIES (continued)***Secured loan*

The company has agreed to provide security for a loan to William Cowlin (Holdings) Limited. The guarantors for this loan are the companies of the Cowlin Property Investments Limited group and the Cowlin Group Limited group of companies.

Each of the guarantors has provided a fixed and floating charge over all assets, first legal charges over freehold properties, and unlimited multilateral company guarantees securing the liabilities of each other. In addition, Cowlin Group Limited has an unlimited company cross guarantee with Cowlin Property Investments Limited to secure the liabilities of each other.

The net balance owing on this loan at 30 September 1998 was £519,310.

22. ULTIMATE PARENT COMPANY

In the opinion of the directors the ultimate parent company is Cowlin Group Limited, a company registered in England and Wales. Copies of its accounts can be obtained from Companies House, Cardiff, CF4 3UZ.