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WASSEN INTERNATIONAL LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 1999**



WASSEN INTERNATIONAL LIMITED

Company Information

Directors	R. S. Matthews R. Ricatti R. D. Parker R. Nahmani P. A. J. Tunnell N. J. Wilkinson M. Barber N. P. Cross
Secretary	N. P. Cross
Company Number	1154116
Registered Office	14 The Mole Business Park Leatherhead Surrey KT22 7BA
Auditors	Smith & Williamson Chartered Accountants Prospect House 2 Athenaeum Road Whetstone London N20 9YU
Bankers	Barclays Bank plc P.O. Box 193 8/12 Church Street Walton on Thames Surrey KT12 2YW
Solicitors	Lovell White Durrant 65 Holborn Viaduct London EC1A 2DY
Trade Mark Agents	J. A. Kemp & Co. 14 South Square Gray's Inn London WC1R 51X

WASSEN INTERNATIONAL LIMITED

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1999

The directors present their report and the financial statements for the year ended 30 June 1999.

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 of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- *select suitable accounting policies and then apply them consistently;*
- *make judgements and estimates that are reasonable and prudent;*
- *state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;*
- *prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.*

The directors are responsible for 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 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.

Results and dividends

The profit for the year after taxation, amounted to £698,674 (1998 - £480,829) .

During the year interim dividends of £169,530 (7.5 pence per share) on ordinary shares, £6,000 on 200,000 6% fixed cumulative redeemable preference shares and £115,470 on 1,539,600 fixed cumulative preferred ordinary shares were paid during the year.

At the year end the directors recommended a final dividend of £168,030 (7.5 pence per share) on ordinary shares, £6,000 on 200,000 6% fixed cumulative redeemable preference shares, £19,158 on 5,000 income shares and £115,470 on 1,539,600 fixed cumulative preferred ordinary shares.

Principal activities, review of business and future developments

The company's principal activity continues to be that of the manufacturing and marketing of nutritional supplements.

The directors are satisfied with the result for the year and expect the position of the company to be maintained in the next financial year.

During the year, the company acquired 100% of the issued share capital of Wassen GmbH. The company did not commence trading until after 30 June 1999.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1999

Directors

The directors who served during the year and their beneficial interests in the company's issued share capital were :

	Capital Growth shares of £1 each		Ordinary shares of 25p each	
	1999	1998	1999	1998
R. S. Matthews	-	-	2,040,400	2,080,400
R. Ricatti	-	-	40,000	40,000
R. D. Parker	-	-	-	-
R. Nahmani	-	-	20,000	-
P. A. J. Tunnel	-	-	-	-
N. J. Wilkinson (Appointed 3 November 1998)	5,000	-	-	-
M. Barber (Appointed 20 January 1999)	1,250	-	-	-
N. P. Cross	-	-	-	-

None of the directors hold any interests in the cumulative redeemable preference shares or the cumulative preferred ordinary share capital. N. J. Wilkinson has a beneficial interest in all 5,000 income shares of £1 each. Details of allotments and movements in share capital are given in the notes to the financial statements.

On 21 April 1999, the company purchased a total of 20,000 ordinary shares of 25 pence each, from R. S. Matthews, in the capital of the company, for a total consideration of £41,000 (£2.05 per share). At the time when the duly approved purchase contract was signed by both parties, the shares being purchased represented 1% of the called up share capital. Once all formalities relating to the purchase were completed, the shares were cancelled in accordance with sections 160(4) and 162(2) of the Companies Act 1985. The shares were purchased as part of the restructuring of the company.

Research and development

The company continues to invest in research and development to extend the product range.

Year 2000 issues

The directors are aware of the risks and uncertainties associated with the Year 2000 issue. The company has to date experienced no problems arising from this issue. While it is impossible to guarantee that no Year 2000 problems remain, the directors consider that the company will be able to deal promptly with any failures that might occur.

Auditors

On 1 April 1999, the practice of Hereward Philips merged with Smith & Williamson Chartered Accountants and became known as Smith & Williamson Chartered Accountants. Smith & Williamson Chartered Accountants will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on



N. P. Cross
Director

26.1.00

AUDITORS' REPORT TO WASSEN INTERNATIONAL LIMITED

pursuant to section 247B of the Companies Act 1985

We have examined the abbreviated accounts set out on pages 4 to 19 together with the financial statements of Wassen International Limited prepared under section 226 of the Companies Act 1985 for the year ended 30 June 1999.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with sections 246A(3) of the Act to the registrar of companies and whether the accounts to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

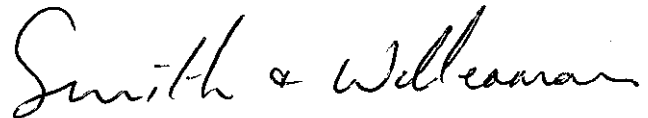
Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the audited financial statements, that the company is entitled to the exemptions and that the abbreviated accounts have been properly prepared from those financial statements. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.

We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Companies Act 1985 and the abbreviated accounts on pages 4 to 19 are properly prepared in accordance with that provision.



Smith & Williamson
Chartered Accountants and
Registered Auditors

Prospect House
2 Athenaeum Road
Whetstone
London
N20 9YU

Dated: 28.2.2000

WASSEN INTERNATIONAL LIMITED

ABBREVIATED PROFIT AND LOSS ACCOUNT
For the year ended 30 June 1999

	Note	1999 £	1998 £
GROSS PROFIT		3,870,710	3,485,949
Selling and distribution costs		(1,629,604)	(1,824,564)
Administrative expenses		(1,009,008)	(833,225)
OPERATING PROFIT	2	1,232,098	828,160
Amounts written off investments	2	(89,021)	-
Interest receivable	5	1,028	1,210
Interest payable	6	(67,761)	(57,017)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,076,344	772,353
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	7	(377,670)	(291,524)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		698,674	480,829
DIVIDENDS - On equity shares	8	(587,658)	(298,274)
- On non-equity shares		(12,000)	(6,279)
RETAINED PROFIT FOR THE YEAR		99,016	176,276
RETAINED PROFIT BROUGHT FORWARD		36,728	1,050,344
Purchase of own shares		(41,000)	(1,223,642)
Transferred from Revaluation Reserve		25,312	33,750
RETAINED PROFIT CARRIED FORWARD		120,056	36,728

All amounts relate to continuing operations.

There were no recognised gains and losses for 1999 or 1998 other than those included in the profit and loss account.

The notes on pages 9 to 19 form part of these financial statements.

NOTE OF HISTORICAL COST PROFITS AND LOSSES
For the year ended 30 June 1999

	1999 £	1998 £
Reported profit on ordinary activities before taxation	1,076,344	772,353
Difference between a historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	25,312	33,750
Historical cost profit on ordinary activities before taxation	1,101,656	806,103
 Historical cost profit for the year retained after taxation	 124,328	 210,026

WASSEN INTERNATIONAL LIMITED

BALANCE SHEET
As at 30 June 1999

	Note	£	1999 £	£	1998 £
FIXED ASSETS					
Intangible fixed assets	9		531,374		419,312
Tangible fixed assets	10		219,715		181,705
Investments	11		494,620		349,021
			<u>1,245,709</u>		<u>950,038</u>
CURRENT ASSETS					
Stocks	12	1,168,158		1,121,193	
Debtors	13	2,225,631		1,627,986	
Cash at bank and in hand		93,721		46,785	
		<u>3,487,510</u>		<u>2,795,964</u>	
CREDITORS: amounts falling due within one year	14	<u>(2,454,078)</u>		<u>(1,514,109)</u>	
NET CURRENT ASSETS			<u>1,033,432</u>		<u>1,281,855</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,279,141</u>		<u>2,231,893</u>
CREDITORS: amounts falling due after more than one year	15		<u>(23,992)</u>		-
PROVISIONS FOR LIABILITIES AND CHARGES	16		<u>(59,900)</u>		<u>(52,800)</u>
NET ASSETS			<u><u>2,195,249</u></u>		<u><u>2,179,093</u></u>
CAPITAL AND RESERVES					
Called up share capital	17		1,156,250		1,150,000
Share premium account	18		765,505		818,615
Revaluation reserve	18		98,438		123,750
Capital redemption reserve	18		55,000		50,000
Profit and loss account			120,056		36,728
SHAREHOLDERS' FUNDS	19		<u><u>2,195,249</u></u>		<u><u>2,179,093</u></u>

Shareholders' Funds include non-equity interests

The financial statements have been prepared in accordance with Part VII of the Companies Act 1985 relating to medium sized companies.

The financial statements were approved by the board on 26.1.00

N. P. Cross

Director

N. Wilkinson

Director

The notes on pages 9 to 19 form part of these financial statements.

CASH FLOW STATEMENT
For the year ended 30 June 1999

	Note	£	1999 £	£	1998 £
Net cash inflow from operating activities (Page 8)			1,008,493		1,146,678
Returns on investments and servicing of finance	20		(78,733)		(62,086)
Taxation			(219,538)		(138,100)
Capital expenditure and financial investment	20		(499,364)		(1,455,758)
Acquisitions and disposals	20		-		(148,021)
Equity dividends paid			(279,000)		(298,274)
Cash outflow before use of liquid resources and financing			(68,142)		(955,561)
Financing:	20				
Issue of shares		(41,860)		1,018,615	
Decrease in debt		51,183		(500,000)	
			9,323		518,615
Decrease in cash in the period			(58,819)		(436,946)

The notes on pages 9 to 19 form part of these financial statements.

CASH FLOW STATEMENT INFORMATION
For the year ended 30 June 1999

	Note	£	1999 £	1998 £	£
RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES					
Operating profit			1,232,098		828,160
Amortisation of intangible assets			72,559		69,746
Depreciation of tangible fixed assets			53,615		68,390
Profit on disposal of tangible fixed assets			(1,319)		(342)
(Increase) / decrease in debtors			(327,663)		92,095
Increase in stocks			(46,965)		(6,927)
Increase in creditors			26,168		95,556
Net cash inflow from operating activities			1,008,493		1,146,678
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT					
	21				
Decrease in cash in the period			(58,819)		(436,946)
Cash inflow from decrease in debt and lease financing			(51,183)		500,000
Change in net debt resulting from cash flows			(110,002)		63,054
New finance leases			(51,183)		-
Movement in net debt in the period			(161,185)		63,054
Net debt at 1 July 1998			(141,971)		(205,025)
Net debt at 30 June 1999			(303,156)		(141,971)

NOTES TO THE ABBREVIATED ACCOUNTS
For the year ended 30 June 1999

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom.

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and include the results of the company's operations which are described in the Directors' Report and all of which are continuing.

The company is exempt from the requirement to prepare group accounts by virtue of section 248 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

1.2 Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, exclusive of Value Added Tax.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Motor vehicles	-	25%	straight line
Fixtures and fittings	-	10 - 15 %	straight line
Office equipment	-	33.3%	straight line

1.4 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.5 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit and loss account as incurred.

1.6 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads. Cost is based on the first in - first out method.

1.7 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

1.8 Deferred taxation

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method, only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the near future.

NOTES TO THE ABBREVIATED ACCOUNTS
For the year ended 30 June 1999

1.9 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

1.10 Research and development

Development expenditure incurred on specific product testing and validation has been capitalised and is written off over 10 years on a straight line basis, being the directors estimate of its useful economic life. All other expenditure on research and development is written off against profits in the year in which it is incurred.

1.11 Trademarks and registrations

Trademarks and registrations are written off over 10 years on a straight line basis, being the directors estimate of its useful economic life.

2. OPERATING PROFIT

The operating profit is stated after charging:

	1999 £	1998 £
Amortisation of intangible assets	72,559	69,746
Depreciation of tangible fixed assets		
- owned by the company	46,712	68,390
- held under finance leases and hire purchase contracts	6,903	-
Audit fees	9,000	9,000
Operating lease rentals		
- hire of plant and machinery	10,939	13,087
- other	97,100	90,600
Exceptional item	89,021	-
Foreign exchange variances	11,536	42,201

The exceptional item relates to the write down of the company's investment in Proinsa Technology Limited.

3. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	1999 £	1998 £
Wages and salaries	627,318	563,735
Social security costs	71,799	64,134
Other pension costs	40,081	27,422
	<u>739,198</u>	<u>655,291</u>

The average monthly number of employees, including directors, during the year was as follows:

	1999	1998
Office and management	19	18
Production	6	7
	<u>25</u>	<u>25</u>

NOTES TO THE ABBREVIATED ACCOUNTS
For the year ended 30 June 1999

4. DIRECTORS' REMUNERATION

	1999 £	1998 £
Emoluments for services as directors	299,374	183,853
Company pension contributions to money purchase schemes	16,222	-
	<u>315,596</u>	<u>183,853</u>

Retirement benefits are accruing under money purchase schemes for 3 directors (1998 - Nil).

Highest paid director	<u>81,243</u>	<u>108,412</u>
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5. INTEREST RECEIVABLE

	1999 £	1998 £
Other interest receivable	<u>1,028</u>	<u>1,210</u>

6. INTEREST PAYABLE

	1999 £	1998 £
On bank overdraft	34,836	17,017
On other loans	-	40,000
On overdue taxes	30,000	-
	<u>64,836</u>	<u>57,017</u>
On finance leases and hire purchase contracts	2,925	-
	<u>67,761</u>	<u>57,017</u>

7. TAXATION

	1999 £	1998 £
Current year taxation		
UK Corporation Tax	370,764	238,988
Transfer to deferred taxation	7,100	19,100
	<u>377,864</u>	<u>258,088</u>
Group relief	-	100,000
	<u>377,864</u>	<u>358,088</u>
Prior years		
UK Corporation Tax	(194)	(66,564)
	<u>377,670</u>	<u>291,524</u>

NOTES TO THE ABBREVIATED ACCOUNTS
For the year ended 30 June 1999

8. DIVIDENDS

	1999 £	1998 £
Preference - paid	6,000	6,279
- final proposed	6,000	-
Ordinary - paid	285,000	298,274
- final proposed	302,658	-
	<u>599,658</u>	<u>304,553</u>

Ordinary dividends paid in 1999 includes £115,470 (1998 - £120,845) and Ordinary dividends proposed in 1999 includes £115,470 (1998 - £Nil) in relation to preferred ordinary shares. Ordinary dividends proposed includes £19,158 (1998 - £Nil) in relation to income shares.

9. INTANGIBLE FIXED ASSETS

	Trademarks £	Research and Development £	Total £
Cost			
At 1 July 1998	279,120	261,848	540,968
Additions	50,682	133,939	184,621
At 30 June 1999	<u>329,802</u>	<u>395,787</u>	<u>725,589</u>
Amortisation			
At 1 July 1998	79,273	42,383	121,656
Charge for year	32,980	39,579	72,559
At 30 June 1999	<u>112,253</u>	<u>81,962</u>	<u>194,215</u>
Net Book Value			
At 30 June 1999	<u>217,549</u>	<u>313,825</u>	<u>531,374</u>
At 30 June 1998	<u>199,847</u>	<u>219,465</u>	<u>419,312</u>

NOTES TO THE ABBREVIATED ACCOUNTS
For the year ended 30 June 1999

10. TANGIBLE FIXED ASSETS

	Plant and Machinery £	Motor Vehicles £	Total £
Cost or valuation			
At 1 July 1998	330,231	50,694	380,925
Additions	31,407	65,428	96,835
Disposals	-	(20,845)	(20,845)
At 30 June 1999	<u>361,638</u>	<u>95,277</u>	<u>456,915</u>
Depreciation			
At 1 July 1998	166,409	32,811	199,220
Charge for year	31,556	22,059	53,615
On disposals	-	(15,635)	(15,635)
At 30 June 1999	<u>197,965</u>	<u>39,235</u>	<u>237,200</u>
Net Book Value			
At 30 June 1999	<u>163,673</u>	<u>56,042</u>	<u>219,715</u>
<i>At 30 June 1998</i>	<u>163,822</u>	<u>17,883</u>	<u>181,705</u>

Included above are assets held under finance leases or hire purchase contracts as follows:

	1999 £	1998 £
Plant and machinery	8,671	-
Motor vehicles	35,609	-
	<u>44,280</u>	<u>-</u>

Plant and machinery with a nil book value was revalued by the directors on 30 June 1995 to an open market value of £225,000.

NOTES TO THE ABBREVIATED ACCOUNTS
For the year ended 30 June 1999

11. FIXED ASSET INVESTMENTS

	Other investments £	Shares in group undertakings £	Total £
Cost			
At 1 July 1998	349,021	-	349,021
Additions	-	234,620	234,620
Amounts written off	(89,021)	-	(89,021)
At 30 June 1999	<u>260,000</u>	<u>234,620</u>	<u>494,620</u>
Net Book Value			
At 30 June 1999	<u>260,000</u>	<u>234,620</u>	<u>494,620</u>
At 30 June 1998	<u>349,021</u>	<u>-</u>	<u>349,021</u>

Investments include an investment in a subsidiary, Bee Pollen from England Limited, a company incorporated in Great Britain, comprising a holding of 100% of its issued ordinary capital. The company did not trade during the year. The investment in the company has been written down to £Nil.

Investments include an investment in a subsidiary, Wassen GmbH a company registered in Germany, comprising a holding of 100% of its issued ordinary capital. The company did not trade until after 30 June 1999.

Other investments include an investment in Proinsa Technology Limited consisting of A and B redeemable preference shares. The investment was disposed of for £260,000 on 5 August 1999 and the directors have provided for the reduction in the value of the investment in the year.

12. STOCKS

	1999 £	1998 £
Raw materials	920,398	759,815
Finished goods	247,760	361,378
	<u>1,168,158</u>	<u>1,121,193</u>

13. DEBTORS

	1999 £	1998 £
Due within one year		
Trade debtors	1,704,108	1,408,867
Amounts owed by group undertaking	63,594	-
Other debtors	68,080	104,323
ACT recoverable	333,945	63,963
Prepayments and accrued income	55,904	50,833
	<u>2,225,631</u>	<u>1,627,986</u>

NOTES TO THE ABBREVIATED ACCOUNTS
For the year ended 30 June 1999

14. CREDITORS:**Amounts falling due within one year**

	1999 £	1998 £
Bank overdraft	354,346	188,756
Net obligations under finance lease and hire purchase contracts	18,539	-
Trade creditors	1,001,782	849,680
Corporation tax	599,204	178,190
Social security and other taxes	46,659	18,783
Proposed dividend	308,658	-
Accruals and deferred income	124,890	278,700
	<u>2,454,078</u>	<u>1,514,109</u>

Finance lease and hire purchase obligations are secured over the assets concerned.

15. CREDITORS:**Amounts falling due after more than one year**

	1999 £	1998 £
Net obligations under finance lease and hire purchase contracts	23,992	-
	<u>23,992</u>	<u>-</u>
Included within the above are amounts falling due as follows:		
In 1 - 2 years:		
Finance lease and hire purchase obligations	20,541	-
	<u>20,541</u>	<u>-</u>
In 2 - 5 years:		
Finance lease and hire purchase obligations	3,451	-
	<u>3,451</u>	<u>-</u>

Finance lease and hire purchase obligations are secured over the assets concerned.

16. PROVISIONS FOR LIABILITIES AND CHARGES

	1999 £	1998 £
Deferred Tax		
At 1 July 1998	52,800	33,700
Charge for the year	7,100	19,100
	<u>59,900</u>	<u>52,800</u>
At 30 June 1999	59,900	52,800

The provision for deferred taxation relates entirely to accelerated capital allowances.

NOTES TO THE ABBREVIATED ACCOUNTS
For the year ended 30 June 1999

17. CALLED UP SHARE CAPITAL

	1999 £	1998 £
Authorised		
2,240,400 (1998 - 2,460,400) ordinary shares of 25p each	560,100	615,100
200,000 cumulative redeemable preference shares of £1 each	200,000	200,000
6,250 capital growth shares of £1 each	6,250	-
5,000 income shares of £1 each	5,000	-
1,539,600 cumulative preferred ordinary shares of 25p each	384,900	384,900
	<u>1,156,250</u>	<u>1,200,000</u>
Allotted, called up and fully paid		
2,240,400 (1998 - 2,260,400) ordinary shares of 25p each	560,100	565,100
200,000 cumulative redeemable preference shares of £1 each	200,000	200,000
6,250 capital growth shares of £1 each	6,250	-
5,000 income shares of £1 each	5,000	-
1,539,600 cumulative preferred ordinary shares of 25p each	384,900	384,900
	<u>1,156,250</u>	<u>1,150,000</u>

On 21 April 1999, the company purchased a total of 20,000 ordinary shares of 25 pence each in the capital of the company from R.S.Matthews for a total consideration of £41,000 (£2.05 per share). At the time when the duly approved purchase contract was signed by both parties, the shares being purchased represented 1% of the called up ordinary share capital. Once all formalities relating to the purchase were completed, the shares were cancelled in accordance with sections 160(4) and 162(2) of the Companies Act 1985. The shares were purchased as part of the restructuring of the company.

Following the reorganisation of shares, the authorised share capital of the company was reduced as shown above. The authorised share capital of ordinary shares was further reduced by 200,000 shares following the amendment to the company's shadow share option scheme.

6,250 capital growth shares of £1 each and 5,000 income shares of £1 each were issued at par during the year.

The capital growth shares have no rights to receive any dividend. These shares have the same voting rights as the ordinary shares but rank behind all other shares in a winding up or reduction in share capital. However they are entitled to receive back their subscription price.

The income shares entitle the holders to receive dividends in priority to all other shareholders. In respect of the year ended 30 June 1999 the dividend shall be equal to 8 per cent of the amount by which the profit before tax is greater than £1,000,000 and in respect of each financial year thereafter 8 per cent of the amount by which profit before tax is greater than £1,250,000, but the dividend not to exceed £50,000 in any one year. These shares have the same voting rights as the ordinary shares but have priority over amounts receivable on a winding up or reduction in share capital.

The cumulative redeemable preference shares attract a fixed dividend of 6 per cent and have preferential rights to any distribution in the event of a winding up or reduction in the capital of the company. These shares carry no voting rights. 50,000 of these shares are redeemable quarterly from 31 December 2002 at par, or if not redeemed will be converted into 9 per cent preference shares.

The cumulative preferred ordinary shares attract a fixed dividend of 6 per cent in priority over the ordinary shares. As from 30 June 2004 and each financial year thereafter these shares will be entitled to a dividend of 10 per cent of the amount by which the profit before tax of the company is greater than £1 million. Thereafter the shares will rank *pari passu* with the ordinary shares in respect of dividends. These shares have the same voting rights as the ordinary shares but have priority over amounts receivable on a winding up or reduction in share capital.

NOTES TO THE ABBREVIATED ACCOUNTS
For the year ended 30 June 1999

18. RESERVES

	£	
Share Premium Account		
At 1 July 1998	818,615	
Expenses of share issue	(53,110)	
	<u>765,505</u>	
At 30 June 1999		
	£	
Revaluation Reserve		
At 1 July 1998	123,750	
Transfer to Profit and Loss account	(25,312)	
	<u>98,438</u>	
At 30 June 1999		
	£	
Capital Redemption Reserve		
At 1 July 1998	50,000	
Repurchase of 20,000 ordinary shares of 25 pence each	5,000	
	<u>55,000</u>	
At 30 June 1999		

19. SHAREHOLDERS' FUNDS

Reconciliation of movements on shareholders' funds

	1999 £	1998 £
Profit for the year	698,674	480,829
Dividends	(599,658)	(304,553)
	<u>99,016</u>	<u>176,276</u>
Purchase of own shares	(41,000)	(1,223,642)
Shares issued during year	6,250	150,000
Share premium on shares issued	(53,110)	818,615
Transfer to Capital Redemption Reserve	5,000	50,000
	<u>16,156</u>	<u>(28,751)</u>
Opening shareholders' funds	2,179,093	2,207,844
	<u>2,195,249</u>	<u>2,179,093</u>
Closing shareholders' funds		

Analysis of shareholders' funds

	1999 £	1998 £
Non-equity interests	200,000	200,000
Equity interests	1,995,249	1,979,093
	<u>2,195,249</u>	<u>2,179,093</u>

NOTES TO THE ABBREVIATED ACCOUNTS
For the year ended 30 June 1999

**20. ANALYSIS OF CASH FLOWS FOR HEADINGS
NETTED IN THE CASH FLOW STATEMENT**

	1999 £	1998 £
Returns on investments and servicing of finance		
Interest received	1,028	1,210
Interest paid	(64,836)	(57,017)
Interest element of finance lease rentals	(2,925)	-
Preference dividends paid	(12,000)	(6,279)
Net cash outflow for returns on investments and servicing of finance	<u>(78,733)</u>	<u>(62,086)</u>
Capital expenditure and financial investment		
Purchase of intangible fixed assets	(184,621)	(219,892)
Purchase of tangible fixed assets	(45,652)	(14,753)
Sale of tangible fixed assets	6,529	2,529
Loans made to group undertakings	(234,620)	-
Payments to acquire own shares	(41,000)	(1,223,642)
Net cash outflow for capital expenditure	<u>(499,364)</u>	<u>(1,455,758)</u>
Acquisitions and disposals		
Purchase of additional shares in Proinsa Technology Limited	-	(148,021)
Net cash inflow/(outflow) for acquisitions and disposals	<u>-</u>	<u>(148,021)</u>
Financing		
Issue of new shares	11,250	818,615
Expenses paid in connection with issue	(53,110)	-
Issue of cumulative redeemable preference shares	-	200,000
Issue of shares	<u>(41,860)</u>	<u>1,018,615</u>
Repayment of loans	-	(500,000)
Capital element of finance lease rentals	(8,652)	-
Decrease in debt	<u>(8,652)</u>	<u>(500,000)</u>
Net cash (outflow) / inflow from financing	<u>(50,512)</u>	<u>518,615</u>

NOTES TO THE ABBREVIATED ACCOUNTS
For the year ended 30 June 1999

21. ANALYSIS OF NET DEBT

	At 1 July 1998	Cash flow £	Non cash changes £	At 30 June 1999 £
Net cash:				
Cash at bank and in hand	46,785	46,936		93,721
Bank overdraft	(188,756)	(165,590)		(354,346)
	<u>(141,971)</u>	<u>(118,654)</u>		<u>(260,625)</u>
Debt:				
Finance leases	-	8,652	(51,183)	(42,531)
Net debt	<u>(141,971)</u>	<u>8,652</u>	<u>(169,837)</u>	<u>(303,156)</u>

22. CAPITAL COMMITMENTS

At 30 June 1999 the company had capital commitments as follows:

	1999 £	1998 £
Contracted for but not provided in these accounts	-	25,216

23. OTHER COMMITMENTS

At 30 June 1999 the company had annual commitments under non-cancelable operating leases as follows:

	Land and buildings		Other	
	1999 £	1998 £	1999 £	1998 £
Expiry date:				
Within 1 year	-	-	1,679	10,791
Between 2 and 5 years	-	-	5,224	11,344
In more than 5 years	97,100	90,600	-	-

24. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they accrue. The charge for the year was £40,081 (1998 - £27,422). At the year end, an amount of £15,112 (1998 - £3,248) was outstanding.

25. RELATED PARTY TRANSACTIONS

Other creditors includes an amount of £17,721 (1998 - £68,721) relating to the earn-out provision payable to the management of Proinsa Technology Limited. R. Ricatti, a non-executive director, together with T. McMurray, (who resigned as company secretary in the year) purchased the whole of the share capital in Proinsa Technology Limited on 9 September 1997.

R. Ricatti also has a controlling interest in Wassen Italia SRL to whom the company supplied goods and services amounting to £895,058 (1998 - £984,902). The amount owed by Wassen Italia SRL at the year end was £72,940 (1998 - £170,299).

26. ULTIMATE CONTROLLING PARTY

The directors consider R. S. Matthews, a director, to be the ultimate controlling party.