

Sabrewatch Limited

Annual report and accounts
for the year ended 31 March 1997

Registered number: 1804778



BINDER HAMLYN

Contents

	Page
Company information	1
Directors' report	2 - 3
Auditors' report	4
Consolidated profit and loss account	5
Consolidated statement of total recognised gains and losses	6
Consolidated balance sheet	7
Company balance sheet	8
Consolidated cash flow statement	9
Notes to the accounts	10 - 21

Company information

Directors

The Lord Rayner	(Non-executive chairman)
L Lucas Esq	(Managing director)
M Ollerton Esq	(Finance director)
M Steers Esq	(Operations director)
Sir John Smith	(Non-executive director)

Secretary

M Ollerton Esq

Registered office

10 Bridge Street
Christchurch
Dorset
BH23 1EF

Auditors

Binder Hamlyn
17 Lansdowne Road
Croydon
CR9 2PL

Bankers

Lloyds Bank Plc
1-3 London Road
East Grinstead
West Sussex
RH19 1AH

Solicitors

Harold G Walker & Co
Office Chambers
Lansdowne House
Christchurch Road
Bournemouth
BH1 3JT

Directors' report

for the year ended 31 March 1997

The directors present their annual report and audited accounts for the year ended 31 March 1997.

Directors' responsibilities

Company law requires the directors to prepare accounts 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 of the group for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts 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 group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The principal activity of the group in the year under review was that of the provision of security services.

Business review

The directors are pleased to report a successful year and view the future with optimism.

Results and dividends

The results for the year are shown in the profit and loss account on page 5.

An interim dividend amounting to £83.14 (1996: £54.86) per ordinary share was paid. The directors do not recommend the payment of a final dividend (1996: £nil).

Directors' report (continued)

Directors and their interests

The directors of the company during the year and their interests in the shares of the company as recorded in the register of directors' interests were as follows:

	31 March 1997	1 April 1996
The Lord Rayner	-	-
L Lucas Esq	11,312	11,312
M Ollerton Esq	2,828	2,828
M Steers Esq	-	-
Sir John Smith	-	-

Share capital

No share options have been exercised during the year. Information on share options is given in note 17 to the accounts.

Employees

The directors give special attention to the health and safety of their employees and endeavour to ensure that as far as possible the training, career development and promotion of disabled persons is the same as for other employees. Should employees become disabled, every effort is made to ensure that their employment continues and appropriate retraining is received.

Auditors

The auditors, Filer Knapper, resigned during the year and Binder Hamlyn were appointed in their place. The directors will place a resolution before the annual general meeting to appoint Binder Hamlyn as auditors for the ensuing year.

This report was approved by the Board of Directors on 31 July 1997



Secretary

BINDER HAMLYN

Andersen Worldwide

17 Lansdowne Road
Croydon CR9 2PL

Auditors' report

To the shareholders of Sabrewatch Limited

We have audited the accounts on pages 5 to 21 which have been prepared under the historical cost convention and the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

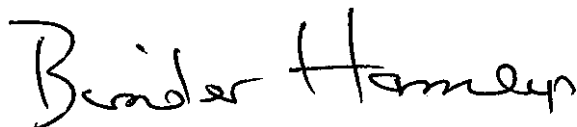
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company and of the group, 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 accounts 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 accounts.

Qualified opinion arising from accounting treatment

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group at 31 March 1997 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors

31 July 1997

Consolidated profit and loss account
for the year ended 31 March 1997

	Notes	1997 £	1996 £
Turnover	2	27,363,052	23,926,266
Cost of sales		<u>(21,991,933)</u>	<u>(19,867,899)</u>
Gross profit		5,371,119	4,058,367
Administrative expenses		(2,114,948)	(1,672,556)
Other operating income		<u>36,641</u>	<u>73,875</u>
Operating profit	3	3,292,812	2,459,686
Investment income	4	-	3,242
Interest payable and similar charges	5	<u>(170,202)</u>	<u>(190,537)</u>
Profit on ordinary activities before taxation		3,122,610	2,272,391
Taxation on profit on ordinary activities	8	<u>(1,063,210)</u>	<u>(717,647)</u>
Profit for the financial year		2,059,400	1,554,744
Dividends	9	<u>(1,175,660)</u>	<u>(775,660)</u>
Retained profit for the year	18	<u>883,740</u>	<u>779,084</u>

The results for the year are wholly derived from the group's continuing operations and there were no acquisitions during the year.

Consolidated statement of total recognised gains and losses

For the year ended 31 March 1997

	1997	1996
	£	£
Profit for the financial year	2,059,400	1,554,744
Gain on foreign currency translation	<u>45,087</u>	<u>-</u>
Total recognised gains relating to the year	<u>2,104,487</u>	<u>1,554,744</u>

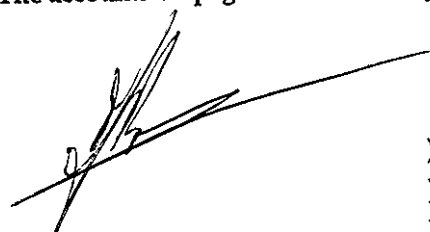
Consolidated balance sheet

31 March 1997

	Notes	1997 £	1996 £
Fixed assets			
Tangible assets	10	<u>4,724,944</u>	<u>4,783,877</u>
Current assets			
Debtors	13	5,054,024	4,598,797
Cash at bank and in hand		<u>661,758</u>	<u>178,547</u>
		5,715,782	4,777,344
Creditors: amounts falling due within one year	14	<u>(3,914,468)</u>	<u>(3,839,157)</u>
Net current assets		<u>1,801,314</u>	<u>938,187</u>
Total assets less current liabilities		6,526,258	5,722,064
Creditors: amounts falling due after more than one year	15	(1,716,972)	(1,959,212)
Provision for liabilities and charges	16	<u>(247,607)</u>	<u>(130,000)</u>
Net assets		<u>4,561,679</u>	<u>3,632,852</u>
Capital and reserves			
Called up share capital	17	14,140	14,140
Profit and loss account	18	<u>4,547,539</u>	<u>3,618,712</u>
Equity shareholders' funds	19	<u>4,561,679</u>	<u>3,632,852</u>

The accounts on pages 5 to 21 were approved by the Board of directors on

31 July 1997



)
) Directors
)

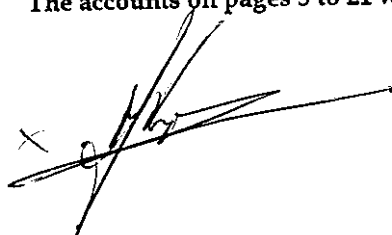
Company balance sheet

31 March 1997

	Notes	1997 £	1996 £
Fixed assets			
Tangible assets	10	4,724,944	4,783,877
Investments	12	<u>100</u>	<u>100</u>
		<u>4,725,044</u>	<u>4,783,977</u>
Current assets			
Debtors	13	4,576,123	3,791,839
Cash at bank and in hand		<u>316,081</u>	<u>3,289</u>
		4,892,204	3,795,128
Creditors: amounts falling due within one year	14	<u>(3,227,786)</u>	<u>(2,897,254)</u>
Net current assets		<u>1,664,418</u>	<u>897,874</u>
Total assets less current liabilities		6,389,462	5,681,851
Creditors: amounts falling due after more than one year	15	(1,716,972)	(1,959,212)
Provision for liabilities and charges	16	<u>(175,000)</u>	<u>(130,000)</u>
Net assets		<u>4,497,490</u>	<u>3,592,639</u>
Capital and reserves			
Called up share capital	17	14,140	14,140
Profit and loss account	18	<u>4,483,350</u>	<u>3,578,499</u>
Equity shareholders' funds		<u>4,497,490</u>	<u>3,592,639</u>

The accounts on pages 5 to 21 were approved by the Board of Directors on

31 July 1997



)
) Directors
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Consolidated cash flow statement

for the year ended 31 March 1997

	Notes	1997 £	1996 £
Net cash inflow from operating activities	20	3,455,539	1,600,217
Returns on investments and servicing of finance	21	(170,202)	(187,295)
Taxation	21	(751,242)	(577,250)
Capital expenditure and financial investment		(169,531)	(1,389,268)
Equity dividends paid		<u>(1,175,660)</u>	<u>(775,660)</u>
Cash inflow/(outflow) before management of liquid resources and financing		1,188,904	(1,329,256)
Financing	21	<u>(366,018)</u>	<u>905,090</u>
Increase/(decrease) in cash in year	22	<u>822,886</u>	<u>(424,166)</u>

Notes to the accounts

for the year ended 31 March 1997

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

The accounts are prepared under the historical cost convention, and in accordance with applicable accounting standards.

Basis of consolidation

The group accounts consolidate the accounts of Sabrewatch Limited and its subsidiary undertakings drawn up to 31 March each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and provision for permanent diminution in value. Depreciation is provided on all tangible fixed assets, other than freehold land and buildings, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Leasehold property	straight line basis over 125 years or the lease term if shorter
Computer equipment	33% on straight line
Plant, machinery, fixtures and fittings	10% on straight line basis and 15% on reducing balance
Motor vehicles	25% on reducing balance

Residual value is calculated on prices prevailing at the date of acquisition.

No depreciation is provided on freehold properties as it is the group's practice to maintain these assets in a continual state of sound repair and to extend and make improvements thereto from time to time and accordingly the directors consider that the lives of these assets are so long and residual values, based on prices prevailing at the time of acquisition, are so high that their depreciation is insignificant. Any permanent diminution in the value of such properties is charged to the profit and loss account as appropriate.

Investments

Fixed asset investments are shown at cost less provision for permanent diminution in value.

Notes to the accounts (continued)

1 Accounting policies (continued)

Taxation

Corporation tax payable is provided on taxable profits at the current rate. Advance corporation tax payable on dividends paid or provided for in the year is written off, except when recoverability against corporation tax is considered to be reasonably assured. Credit is taken for advance corporation tax written off in previous years when it is recovered against corporation tax liabilities.

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations and on foreign currency borrowings, to the extent that they hedge the group's investment in such operations, are dealt with through reserves.

Leases

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

Pensions

Pension contributions are charged to the profit and loss account when due by the company. These contributions are invested separately from the company assets.

2 Turnover

Turnover represents the amount derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax.

The analysis of turnover by geographical origin was:

	1997 £	1996 £
United Kingdom	23,929,615	20,040,782
Ireland	2,880,435	3,587,811
France	553,002	297,673
	<u>27,363,052</u>	<u>23,926,266</u>

Notes to the accounts (continued)

3 Operating profit

Operating profit is stated after charging/(crediting):

	1997	1996
	£	£
Depreciation	219,312	152,383
Auditors' remuneration for audit services	34,500	34,325
Foreign exchange loss/(gain)	<u>124,457</u>	<u>(1,914)</u>

Amounts payable to the auditors in respect of non-audit services were £5,000 (1996: £42,647).

4 Investment income

	1997	1996
	£	£
Investment income	<u>-</u>	<u>3,242</u>

5 Interest payable and similar charges

Bank loans, overdrafts and other loans repayable:

Within 5 years not by instalments	21,973	22,502
Wholly or partly in more than 5 years	<u>148,229</u>	<u>168,035</u>
	<u>170,202</u>	<u>190,537</u>

Notes to the accounts (continued)

6 Staff costs

The average weekly number of employees (including directors) was

	1997 Number	1996 Number
Administration staff	45	40
Security guards	<u>1,357</u>	<u>1,175</u>
	<u>1,402</u>	<u>1,215</u>

Their aggregate remuneration (including directors) comprised:

	£	£
Wages and salaries	19,047,655	16,696,076
Social security costs	2,325,543	2,281,442
Pension costs	<u>160,104</u>	<u>194,402</u>
	<u>21,533,302</u>	<u>19,171,920</u>

7 Directors' remuneration

Emoluments	284,600	245,983
Company contributions to money purchase schemes	<u>135,799</u>	<u>166,300</u>
	<u>420,399</u>	<u>412,283</u>

The emoluments, excluding pension scheme contributions, of the directors included:

Highest paid director	<u>88,300</u>	<u>72,500</u>
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In addition, Sir John Smith rendered professional fees of £10,000 to the company during the year ended 31 March 1997.

8 Taxation on profit on ordinary activities

The tax charge comprises:

Corporation tax at 33% (1996: 33%)	975,525	611,265
Overseas taxation	42,685	14,382
Deferred taxation	<u>45,000</u>	<u>92,000</u>
	<u>1,063,210</u>	<u>717,647</u>

Notes to the accounts (continued)

9 Dividends paid

	1997 £	1996 £
Equity shares		
- interim paid of £83.14 (1996: £54.86) per ordinary share	<u>1,175,660</u>	<u>775,660</u>

10 Tangible fixed assets

The Group and Company	Land and Buildings £	Plant and Machinery £	Computer Equipment £	Motor Vehicles £	Total £
Cost					
1 April 1996	3,398,463	1,661,237	119,861	65,041	5,244,602
Additions	40,418	137,017	62,361	-	245,796
Disposals	<u>(89,425)</u>	<u>-</u>	<u>-</u>	<u>(7,525)</u>	<u>(96,950)</u>
31 March 1997	<u>3,349,456</u>	<u>1,798,254</u>	<u>188,222</u>	<u>57,516</u>	<u>5,393,448</u>
Depreciation					
1 April 1996	5,945	347,823	80,408	26,549	460,725
Charge for year	596	165,344	44,382	8,990	219,312
Disposals	<u>(6,541)</u>	<u>-</u>	<u>-</u>	<u>(4,992)</u>	<u>(11,533)</u>
31 March 1997	<u>-</u>	<u>513,167</u>	<u>124,790</u>	<u>30,547</u>	<u>668,504</u>
Net book value					
31 March 1997	<u>3,349,456</u>	<u>1,285,087</u>	<u>63,432</u>	<u>26,969</u>	<u>4,724,944</u>
Net book value					
1 April 1996	<u>3,392,518</u>	<u>1,313,414</u>	<u>39,453</u>	<u>38,492</u>	<u>4,783,877</u>

11 Land and buildings

The Group and Company

	1997 £	1996 £
Freehold	3,349,456	3,309,038
Long leasehold	<u>-</u>	<u>83,480</u>
	<u>3,349,456</u>	<u>3,392,518</u>

Long leaseholds are those leaseholds with more than 50 years unexpired.

Notes to the accounts (continued)

12 Fixed asset investments

	The Company	
	1997	1996
	£	£
Cost		
Subsidiary companies	6,185	6,185
Less: Investment fully amortised	<u>6,085</u>	<u>6,085</u>
	<u>100</u>	<u>100</u>

At 31 March 1997, the subsidiary companies which are wholly owned by the holding company were:

Trading subsidiary	Country of incorporation	Share capital class	Shares issued
Sabrewatch (Ireland) Limited	Ireland	ordinary	100
Sabrewatch (France) SARL	France	ordinary	<u>50,000</u>

The above subsidiary companies are engaged in the provision of security services, and their principal country of operation is the country of incorporation.

13 Debtors

	The Group		The Company	
	1997	1996	1997	1996
	£	£	£	£
Amounts falling due within one year				
Trade debtors	4,933,628	4,520,218	4,065,382	3,293,465
Amounts owed by subsidiary undertakings	-	-	409,145	439,326
Other debtors	57,110	36,456	38,309	16,925
Prepayments and accrued income	<u>63,286</u>	<u>42,123</u>	<u>63,287</u>	<u>42,123</u>
	<u>5,054,024</u>	<u>4,598,797</u>	<u>4,576,123</u>	<u>3,791,839</u>
 Amounts owed by subsidiary undertakings	 -	 -	 713,845	 655,226
Provision for non-recoverability	<u>-</u>	<u>-</u>	<u>(304,700)</u>	<u>(215,900)</u>
	<u>-</u>	<u>-</u>	<u>409,145</u>	<u>439,326</u>

Notes to the accounts (continued)

14 Creditors: amounts falling due within one year

	The Group		The Company	
	1997	1996	1997	1996
	£	£	£	£
Bank loans	166,572	290,350	166,572	290,350
Bank overdraft	-	312,243	-	312,243
Corporation tax	697,087	430,119	681,610	427,598
Trade creditors	17,961	14,568	-	-
Amount owed to subsidiary undertakings	-	-	-	23,537
Taxation and social security	1,776,016	1,573,557	1,463,913	1,063,135
Other creditors	1,256,832	1,218,320	915,691	780,391
	<u>3,914,468</u>	<u>3,839,157</u>	<u>3,227,786</u>	<u>2,897,254</u>

The bank loans and overdraft are secured by the freehold and leasehold properties of the company.

15 Creditors: amounts falling due after more than one year

	The Group and The Company	
	1997	1996
	£	£
Bank loans	<u>1,716,972</u>	<u>1,959,212</u>

The bank loans are secured by the freehold and leasehold properties of the company.

Maturity of debt

In one year or less, or on demand	166,572	290,350
Between one and two years	166,572	211,063
Between two and five years	666,288	673,889
In five years or more	<u>884,112</u>	<u>1,074,260</u>
	<u>1,883,544</u>	<u>2,249,562</u>

Bank loans are repayable as follows:

Not wholly repayable within five years:

Repayable by instalments

- Within five years

- In more than five years

999,432	1,175,302
<u>884,112</u>	<u>1,074,260</u>
<u>1,883,544</u>	<u>2,249,562</u>

Notes to the accounts (continued)

16 Provision for liabilities and charges

	Group			Company
	Deferred tax	Other	Total	Deferred tax
(a) Summary	£	£	£	£
At 1 April 1996	130,000	-	130,000	130,000
Profit and loss account	45,000	72,607	117,607	45,000
At 31 March 1997	<u>175,000</u>	<u>72,607</u>	<u>247,607</u>	<u>175,000</u>

(b) Deferred taxation

	The Group and the Company			
	1997		1996	
	Potential Liability	Provision made	Potential Liability	Provision made
	£	£	£	£
Accelerated capital allowances	<u>175,000</u>	<u>175,000</u>	<u>130,680</u>	<u>130,000</u>

The potential liability and provision are based on a corporation tax rate of 31% (1996: 33%).

17 Called up share capital

(a) Summary

	1997 and 1996	
	Number of Shares	£
Authorised		
Ordinary shares of £1	<u>100,000</u>	<u>100,000</u>

(b) Share option schemes

Allotted, called up and fully paid

Ordinary shares of £1	<u>14,140</u>	<u>14,140</u>
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Share option schemes

At 31 March 1997, 1,488 (1996: 1,488) of the authorised but unissued ordinary shares of £1 were reserved in respect of the following options:

Date	Name	Option	Price per share	Period exercisable
15 March 1993	M Steers Esq	744 shares	Between £133.03 - £133.04	Between 3 - 10 years
31 October 1993	The Lord Rayner	744 shares	£153	Between 3 - 7 years

Notes to the accounts (continued)

18 Profit and loss account

	The Group 1997 £	The Company 1997 £
1 April 1996	3,618,712	3,578,499
Retained profit for the year	883,740	904,851
Gain on foreign currency translation	45,087	-
31 March 1997	<u>4,547,539</u>	<u>4,483,350</u>

19 Reconciliation of movements in group shareholders' funds

	Group	
	1997 £	1996 £
Profit for the financial year	2,059,400	1,554,744
Dividends	(1,175,660)	(775,660)
Gain on foreign currency translation	45,087	-
Net addition to shareholders' funds	928,827	779,084
Opening shareholders' funds	<u>3,632,852</u>	<u>2,853,768</u>
Closing shareholders' funds	<u>4,561,679</u>	<u>3,632,852</u>

Notes to the accounts (continued)

20 Reconciliation of operating profit to operating cash flows

	1997	1996
	£	£
Operating profit	3,292,812	2,459,685
Depreciation charges	219,312	152,383
Loss/(profit) on sale of tangible fixed assets	9,152	(3,767)
Increase in debtors	(455,227)	(1,406,768)
Increase in creditors	244,364	398,684
Increase in provisions	72,607	-
Exchange differences	72,519	-
Net cash inflow from operating activities	3,455,539	1,600,217
Net cash inflow from operating activities comprises:		
Continuing operating activities	3,455,539	1,600,217

21 Analysis of cash flows

	1997	1996
	£	£
<i>Returns on investments and servicing of finance</i>		
Interest received	-	3,242
Interest paid	(170,202)	(190,537)
Net cash outflow	(170,202)	(187,295)
<i>Taxation</i>		
UK corporation tax paid	(721,513)	(577,250)
Overseas tax paid	(29,729)	-
Net cash outflow	(751,242)	(577,250)
<i>Capital expenditure and financial investment</i>		
Purchase of tangible fixed assets	(245,796)	(1,488,144)
Sale of fixed asset investments	-	24,533
Sale of tangible fixed assets	76,265	74,343
Net cash outflow	(169,531)	(1,389,268)
<i>Financing</i>		
New secured loan	-	1,250,000
Repayment of loan	(366,018)	(344,910)
Net cash (outflow)/inflow	(366,018)	905,090

Notes to the accounts (continued)

22 Analysis and reconciliation of net debt

	1 April 1996 £	Cash flow £	Exchange movement £	31 March 1997 £
Cash at bank and in hand	178,547	510,643	(27,432)	661,758
Overdrafts	(312,243)	312,243	-	-
		822,886		
Debt due after one year	(1,959,212)	242,240	-	(1,716,972)
Debt due within one year	(290,350)	123,778	-	(166,572)
		366,018		
Net debt	<u>(2,383,258)</u>	<u>1,188,904</u>	<u>(27,432)</u>	<u>(1,221,786)</u>

	1997 £	1996 £
Increase/(decrease) in cash in the year	822,886	(424,165)
Cash outflow/(inflow) from decrease/(increase) in debt financing	366,018	(905,090)
Change in net debt resulting from cash flows	1,188,904	(1,329,255)
Translation difference	(27,432)	-
Movement in net debt in year	1,161,472	(1,329,255)
Net debt at 31 March 1996	<u>(2,383,258)</u>	<u>(1,054,003)</u>
Net debt at 31 March 1997	<u>(1,221,786)</u>	<u>(2,383,258)</u>

23 Pension contributions

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £160,104 (1996: £194,402). At the balance sheet date all contributions due had been fully paid to the pension scheme.

24 Net profit for the year

The company has taken advantage of Section 230 (4) of the Companies Act 1985, and has not included its own profit and loss account in these accounts.

£ 904,851 (1996: £1,667,291) of the group profit for the year is dealt with in the accounts of the parent undertaking.

Notes to the accounts (continued)

25 Post balance sheet events

(a) The freehold property comprised units which were being marketed individually at the year end. Subsequent to the year end, one offer was received for the property as a whole which resulted in a lower price being accepted than if they had been sold individually. The loss arising amounted to £449,000.

(b) Subsequent to the year end, two of the directors, Mr L Lucas and Mr MA Ollerton, have loaned money to the company which has been used to repay the bank loans. The directors loans are repayable after more than one year.