

SABREWATCH LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1999

Registered Number: 1804778

FILER KNAPPER
CHARTERED ACCOUNTANTS
CHRISTCHURCH
DORSET

**REGISTRAR
OF COMPANIES**



SABREWATCH LIMITED
FINANCIAL STATEMENTS
for the year ended 31 March 1999

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SABREWATCH LIMITED**COMPANY INFORMATION****for the year ended 31 March 1999**

COMPANY NUMBER 1804778

DIRECTORS	L Lucas Esq	- Managing director
	M Ollerton Esq	- Finance director resigned 9 July 1999
	M Steers Esq	- Operations director
	Sir John Smith	- Non-executive director
	Lady Greenbury	- Non-executive director appointed 1 March 1999
	Lord Rayner	- Deceased 26 June 1998

SECRETARY M Ollerton Esq

REGISTERED OFFICE 10 Bridge Street
Christchurch
Dorset
BH23 1EF

AUDITORS Filer Knapper
10 Bridge Street
Christchurch
Dorset
BH23 1EF

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

SABREWATCH LIMITED**DIRECTORS' REPORT****for the year ended 31 March 1999**

The directors present their annual report on the affairs of the group, together with the accounts and auditors' report for the year ended 31 March 1999.

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 continues to be the provision of security services.

Business review

The directors report a satisfactory year.

Results and dividends

The audited accounts for the year ended 31 March 1999 are set out on pages 5 to 21. The group profit for the year, after taxation, was £2,029,744 (1998:£2,186,044).

An interim dividend amounting to £105.86 (1998:£111.43) per ordinary share was paid. The directors do not recommend the payment of a final dividend (1998: £nil).

SABREWATCH LIMITED
DIRECTORS' REPORT (CONTINUED)
for the year ended 31 March 1999

Directors and their interests

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

	31 March 1999	31 March 1998
Lord Rayner (deceased 26 June 1998)	-	-
L Lucas Esq	11,312	11,312
M Ollerton Esq (resigned 9 July 1999)	2,828	2,828
M Steers Esq	744	-
Sir John Smith	-	-
Lady Greenbury (appointed 1 March 1999)	-	-

On 1 April 1998 M Steers Esq exercised his share option, details of which are shown in note 17 to the accounts.

Year 2000

The potential impact on the group of the Year 2000 problem is considered to be minimal. The group is nearing completion of its own compliance work and no major problems are anticipated with suppliers and customers. The total costs for the group of addressing the Year 2000 are not considered to be material.

Charitable and political contributions

During the year the company made charitable contributions of £3,017. No political contributions were made.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

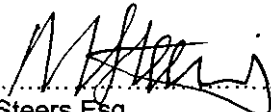
Employee consultation

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them.

Auditors

The company has elected to dispense with the annual appointment of auditors. In the absence of a specific resolution to the contrary, Filer Knapper will continue in office.

This report was approved by the Board of Directors on 9th August 1999



 M Steers Esq
 Director

SABREWATCH LIMITED**AUDITORS' REPORT****for the year ended 31 March 1999****To the shareholders of Sabrewatch Limited**

We have audited the financial statements on pages 5 to 21 which have been prepared under the historical cost convention as modified by the revaluation of property and on the basis of the accounting policies set out on pages 11 and 12.

Respective responsibilities of directors and auditors

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

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 error or other irregularity. 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 31 March 1999 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Filer Knapper

16 August 1999

Filer Knapper
Registered Auditors
Chartered Accountants

SABREWATCH LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 March 1999

	Note	1999 £	1998 £
Turnover	2	33,676,404	30,268,814
Cost of sales	3	(27,296,675)	(24,052,206)
Gross profit	3	6,379,729	6,216,608
Administrative expenses	3	(3,241,923)	(2,132,827)
Other operating income	3	35,000	27,448
Operating profit		3,172,806	4,111,229
Loss on sale of tangible fixed assets		-	(451,350)
Investment income	4	20,789	111
Interest payable	5	(163,788)	(176,787)
Profit on ordinary activities before taxation	6	3,029,807	3,483,203
Tax on profit on ordinary activities	9	(1,000,063)	(1,297,159)
Profit on ordinary activities after taxation		2,029,744	2,186,044
Dividends	10	(1,575,660)	(1,575,660)
Retained profit for the year		454,084	610,384

There were no acquisitions during either year and no discontinued activities during the last financial year.

The accompanying notes form an integral part of this consolidated profit and loss account.

Movements in reserves are shown in the notes to the financial statements.

SABREWATCH LIMITED**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES****for the year ended 31 March 1999**

	1999 £	1998 £
Profit for the financial year	2,029,744	2,186,044
<i>Unrealised surplus on revaluation of properties</i>	-	361,516
(Loss)/Profit on foreign currency translation	(2,978)	31,468
Total recognised gains relating to the year	<u>2,026,766</u>	<u>2,579,028</u>

The accompanying notes form an integral part of this consolidated statement of total recognised gains and losses.

SABREWATCH LIMITED
CONSOLIDATED BALANCE SHEET
as at 31 March 1999

	Note	1999 £	1998 £
Fixed assets			
Tangible assets	11	3,709,422	4,278,266
Current assets			
Debtors	13	5,385,805	5,399,367
Cash at bank and in hand		2,311,653	1,826,244
		7,697,458	7,225,611
Creditors: amounts falling due within one year	14	(5,246,747)	(3,986,275)
Net current assets		2,450,711	3,239,336
Total assets less current liabilities		6,160,133	7,517,602
Creditors: amounts falling due after more than one year	15	-	(1,752,555)
Provisions for liabilities and charges	16	(45,000)	(200,000)
Net assets		6,115,133	5,565,047
Capital and reserves			
Called up share capital	17	14,884	14,140
Share premium reserve	18	98,236	-
Revaluation reserve	18	361,516	361,516
Profit and loss account	18	5,640,497	5,189,391
Equity shareholders' funds	19	6,115,133	5,565,047

The accounts on pages 5 to 21 were approved by the Board of Directors on 9-8-99


.....
L. Lucas Esq
Director

The accompanying notes form an integral part of this consolidated balance sheet.

SABREWATCH LIMITED
COMPANY BALANCE SHEET
as at 31 March 1999

	Note	1999 £	1998 £
Fixed assets			
Tangible assets	11	3,709,422	4,278,266
Investments	12	100	100
		<u>3,709,522</u>	<u>4,278,366</u>
Current assets			
Debtors	13	5,570,635	5,315,175
Cash at bank and in hand		1,774,013	1,544,384
		<u>7,344,648</u>	<u>6,859,559</u>
Creditors: amounts falling due within one year	14	<u>(5,101,615)</u>	<u>(3,707,525)</u>
Net current assets		<u>2,243,033</u>	<u>3,152,034</u>
Total assets less current liabilities		5,952,555	7,430,400
Creditors: amounts falling due after more than one year	15	-	(1,752,555)
Provisions for liabilities and charges	16	(45,000)	(200,000)
Net assets		<u>5,907,555</u>	<u>5,477,845</u>
Capital and reserves			
Called up share capital	17	14,884	14,140
Share premium reserve	18	98,236	-
Revaluation reserve	18	361,516	361,516
Profit and loss account	18	5,432,919	5,102,189
Equity shareholders' funds		<u>5,907,555</u>	<u>5,477,845</u>

The accounts on pages 5 to 21 were approved by the Board of Directors on 9-8-99

L. Lucas
L Lucas Esq
Director

The accompanying notes form an integral part of this balance sheet.

SABREWATCH LIMITED
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 March 1999

	Note	1999 £	1998 £
Reconciliation of operating profit to operating cash flows			
Operating profit		3,172,806	4,111,229
Depreciation charges		977,020	252,684
Profit on sale of tangible fixed assets		(399)	(600)
Decrease/(increase) in debtors		13,562	(345,343)
Increase in creditors		182,048	57,866
(Decrease)/increase in provisions		-	(72,607)
Exchange differences		-	71,098
Net cash inflow from operating activities		<u>4,345,037</u>	<u>4,074,327</u>
Net cash flow from operating activities comprises:			
Continuing operating activities		4,345,037	4,007,736
Discontinuing activities		-	66,591
		<u>4,345,037</u>	<u>4,074,327</u>
CASH FLOW STATEMENT			
Net cash inflow from operating activities		4,345,037	4,074,327
Returns on investments and servicing of finance	20	(142,999)	(174,121)
Taxation	20	(1,266,640)	(1,090,829)
Capital expenditure and financial investment	20	(407,778)	104,760
Equity dividends paid		(1,575,660)	(1,575,660)
Cash inflow before financing		951,960	1,338,477
Financing	20	(463,575)	(133,544)
Increase in cash in year		<u>488,385</u>	<u>1,204,933</u>

ANALYSIS AND RECONCILIATION OF NET DEBT

	1 April 1998 £	Cash Flow £	Exchange movement £	31 March 1999 £
Cash at bank and in hand	1,826,244	488,385	(2,978)	2,311,651
Debt due within one year	(1,752,555)	562,555	-	(1,190,000)
Net debt	<u>73,689</u>	<u>1,050,940</u>	<u>(2,978)</u>	<u>1,121,651</u>

SABREWATCH LIMITED
CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)
for the year ended 31 March 1999

	1999 £	1998 £
<i>Increase in cash in the year</i>	488,385	1,204,933
Cash outflow from decrease in debt financing	562,555	130,989
Change in net debt resulting from cash flows	<u>1,050,940</u>	<u>1,335,922</u>
Translation difference	(2,978)	(40,447)
Movement in net debt in year	<u>1,047,962</u>	<u>1,295,475</u>
Net debt at 31 March 1998	73,689	(1,221,786)
Net funds/(debt) at 31 March 1999	<u><u>1,121,651</u></u>	<u><u>73,689</u></u>

SABREWATCH LIMITED
NOTES ON FINANCIAL STATEMENTS
for the year ended 31 March 1999

1 Statement of accounting policies

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

Basis of accounting

The accounts have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, 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, sold or ceased trading are consolidated for the periods from or to the date on which control passed.

Tangible fixed assets

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

Computer equipment	33% on straight line
Plant, machinery, fixtures and fittings	50% on straight line basis & 15% on reducing balance
Motor vehicles	25% on reducing balance

The useful economic lives of certain plant and machinery and fixtures and fitting assets were revised during the year. These assets are being written off over the remaining two years of their useful economic lives. This has resulted in an additional depreciation of £443,933 being charged to the profit and loss account for the year.

Freehold properties

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. Where an impairment review shows a change in the useful economic life of the properties, depreciation is provided for on a straight line basis over the remaining useful economic life. Such a review was carried out during the year and, as a result, certain properties are being written off over the remaining two years of their useful economic life.

Investments

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

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

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, except that the deferred tax effects of timing differences arising from pensions are always recognised in full.

SABREWATCH LIMITED
NOTES ON FINANCIAL STATEMENTS
for the year ended 31 March 1999

1 Statement of accounting policies (continued)

Pension costs

For defined contribution schemes, the amount charged to the profit and loss account in respect of *pension costs represents the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.*

Foreign currency

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions or contract rates. Monetary assets and liabilities denominated in foreign currencies *at the balance sheet date are translated at the rate ruling at that date. These translation differences are dealt with in the profit and loss account.*

Balance sheets of foreign subsidiaries and related foreign currency borrowings are translated into *sterling at the closing rates of exchange and profit and loss accounts are translated at the average rates of exchange for the year. Differences arising on translation are taken directly to reserves.*

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related tax.

SABREWATCH LIMITED
NOTES ON FINANCIAL STATEMENTS
for the year ended 31 March 1999

2 Turnover

The analysis of turnover by geographical origin was:

	1999 £	1998 £
United Kingdom	32,321,854	28,588,810
Ireland	1,354,550	782,768
France	-	897,236
	<u>33,676,404</u>	<u>30,268,814</u>

The operations of Sabrewatch France (SARL) were discontinued in the previous year. All other turnover was derived from continuing operations.

3 Cost of sales, gross profit and other operating expenses (net)

	1999 Continuing operations £	1998 Continuing operations £	1998 Discontinued operations £	1998 Total £
Cost of sales	<u>27,296,675</u>	<u>23,150,689</u>	<u>901,517</u>	<u>24,052,206</u>
Gross profit	<u>6,379,729</u>	<u>6,220,890</u>	<u>(4,282)</u>	<u>6,216,608</u>
Administrative expenses	<u>3,241,923</u>	<u>1,925,137</u>	<u>207,690</u>	<u>2,132,827</u>
Other operating income	<u>35,000</u>	<u>27,448</u>	<u>-</u>	<u>27,448</u>

On 2 December 1997, the French operation went into liquidation. The comparatives for Sabrewatch France (SARL) for the year ended 31 March 1998 are shown under discontinued operations.

4 Investment income

	1999 £	1998 £
Interest receivable and similar income	<u>20,789</u>	<u>111</u>

5 Interest payable and similar charges

	1999 £	1998 £
Bank interest	5,989	26,287
Other interest	157,799	150,500
	<u>163,788</u>	<u>176,787</u>

SABREWATCH LIMITED
NOTES ON FINANCIAL STATEMENTS
for the year ended 31 March 1999

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1999 £	1998 £
Depreciation and amounts written off tangible fixed assets	849,043	252,684
Deficit on revaluation of property	127,578	-
Auditors' remuneration		
- audit services	23,929	34,500
- non audit services	8,000	11,400
Foreign exchange loss	3,181	92,184
	<u> </u>	<u> </u>

7 Staff Costs

The average monthly number of employees (including directors) was:

	1999 Number	1998 Number
Administration	70	53
Security guards	1,430	1,417
	<u> </u>	<u> </u>
	1,500	1,470
	<u> </u>	<u> </u>

Their aggregate remuneration (including directors) comprised:

Wages and salaries	24,131,336	21,042,683
Social security costs	2,353,824	2,183,575
Pension costs	217,930	188,278
	<u> </u>	<u> </u>
	26,703,090	23,414,536
	<u> </u>	<u> </u>

SABREWATCH LIMITED
NOTES ON FINANCIAL STATEMENTS
for the year ended 31 March 1999

8 Directors' remuneration

The remuneration of the directors was as follows:

	1999 £	1998 £
Emoluments	530,803	312,936
Company contributions to money purchase pension scheme	163,570	158,746
	<u>694,373</u>	<u>471,682</u>

The above amounts do not include any gains made on the exercise of share options.

In addition, Sir John Smith rendered professional fees of £5,000 to the company during the year ended 31 March 1999 (1998:£10,000).

Pensions

The number of directors who were members of pension schemes was as follows:

	Number	Number
Money purchase schemes	<u>3</u>	<u>3</u>

Highest-paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	£	£
Emoluments	272,379	103,000
Company contributions to money purchase schemes	21,270	84,692
	<u>293,649</u>	<u>187,692</u>

The director concerned exercised his share options during the year as detailed in note 17 (1998 none).

9 Tax on profit on ordinary activities

The tax charge comprises:

Corporation tax at 31% (1998: 31%)	1,108,093	1,245,086
Overprovision in previous years	(4,208)	-
Deferred taxation	(155,000)	25,000
Overseas taxation	51,178	27,073
	<u>1,000,063</u>	<u>1,297,159</u>

SABREWATCH LIMITED
NOTES ON FINANCIAL STATEMENTS
for the year ended 31 March 1999

10 Dividends paid

	1999 £	1998 £
Equity shares		
- interim paid of £105.86 (1998:£111.43) per ordinary share	1,575,660	1,575,660

11 Tangible fixed assets

	Freehold Land & Buildings £	Plant & Machinery £	Computer Equipment £	Motor Vehicles £	Total £
The Group and Company					
Cost or Valuation					
1 April 1998	2,902,577	1,983,927	239,901	73,049	5,199,454
Additions	21,262	334,651	45,758	21,707	423,378
Disposals	-	(3,611)	-	(37,126)	(40,737)
Deficit on revaluation	(127,578)	-	-	-	(127,578)
31 March 1999	2,796,261	2,314,967	285,659	57,630	5,454,517
Depreciation					
1 April 1998	-	697,354	182,661	41,173	921,188
Charge for year	154,675	629,169	55,266	10,332	849,442
Disposals	-	(663)	-	(24,872)	(25,535)
31 March 1999	154,675	1,325,860	237,927	26,633	1,745,095
Net book value					
31 March 1999	2,641,586	989,107	47,732	30,997	3,709,422
31 March 1998	2,902,577	1,286,573	57,240	31,876	4,278,266

A number of the company's freehold properties were professionally valued on an open market value basis during the year ended 31 March 1998, at £2,500,000 (original cost £2,138,484) giving rise to a revaluation surplus of £361,516 which was credited to the revaluation reserve in the balance sheet.

The directors undertook a review of the property portfolio during the year ended 31 March 1999 and identified certain buildings, with a cost of £309,349, which have a limited useful economic life. In consequence the company has implemented a depreciation policy to amortise the original cost over the remaining economic life, estimated at two years.

Subsequent to the 31 March 1999 the balance sheet date a further property was professionally valued by Stiles, Howard, Williams, Chartered Surveyors at £275,000 (original cost £402,577) giving rise to a revaluation deficit of £127,577 which has been charged to the profit and loss account.

SABREWATCH LIMITED
NOTES ON FINANCIAL STATEMENTS
for the year ended 31 March 1999

12 Fixed asset investment

Investment in subsidiary undertakings

£

Cost

1 April 1998 and 31 March 1999

100

At 31 March 1999, the company owned all of the ordinary share capital of Sabrewatch (Ireland) Limited, a subsidiary company incorporated in Ireland. The subsidiary is engaged in the provision of security services in Ireland.

13 Debtors: amounts falling due within one year

	The Group		The Company	
	1999	1998	1999	1998
	£	£	£	£
Trade debtors	4,927,013	5,109,861	4,769,980	4,839,941
Amount owed by subsidiary undertaking	-	-	370,038	194,542
Other debtors	215,365	175,244	215,365	166,430
Prepayments and accrued income	243,427	114,262	215,252	114,262
	<u>5,385,805</u>	<u>5,399,367</u>	<u>5,570,635</u>	<u>5,315,175</u>

SABREWATCH LIMITED
NOTES ON FINANCIAL STATEMENTS
for the year ended 31 March 1999

14 Creditors: amounts falling due within one year

	The Group		The Company	
	1999	1998	1999	1998
	£	£	£	£
Trade creditors	269,853	29,054	269,853	151,154
Taxation and social security	1,985,411	1,865,388	1,924,266	1,728,911
Other creditors	2,225,458	1,214,231	2,193,317	969,167
Corporation tax	766,025	877,602	714,179	858,293
	<u>5,246,747</u>	<u>3,986,275</u>	<u>5,101,615</u>	<u>3,707,525</u>

Other creditors includes shareholders' loans of £1,190,000, (1998 £1,752,555 repayable in more than one year) which attract interest at 3% above the Bank of England base rate.

15 Creditors: amounts falling due after more than one year

	The Group and The Company	
	1999	1998
	£	£
Other loans	-	1,752,555
	<u>-</u>	<u>1,752,555</u>

16 Provision for liabilities and charges

	Group Deferred Tax	Company Deferred Tax
	£	£
(a) Summary		
1 April 1998	200,000	200,000
Profit and loss account	(155,000)	(155,000)
	<u>45,000</u>	<u>45,000</u>
31 March 1999	<u>45,000</u>	<u>45,000</u>

If the company's properties were sold at the valuation stated in note 11 to the accounts, there would be no gain arising and therefore deferred tax has not been provided.

SABREWATCH LIMITED

NOTES ON FINANCIAL STATEMENTS

for the year ended 31 March 1999

16 Provision for liabilities and charges (continued)

	The Group and the Company			
	1999		1998	
	Potential liability £	Provision made £	Potential liability £	Provision made £
(b) Deferred Taxation				
Accelerated capital allowances	45,000	45,000	200,000	200,000

The potential liability and provision are based on a corporation tax rate of 31% (1998: 31%).

17 Called up share capital

Authorised	1999 £	1998 £
100,000 ordinary shares of £1	100,000	100,000
Allotted, called up and fully paid 14,884 ordinary shares of £1	14,884	14,140

Share option schemes

Name	As at 01/04/98	Number of options During the year		As at 31/03/99	Price Per Share
		Exercised	Lapsed		
M Steers Esq	744	(744)	-	-	£133.035
The Lord Rayner	744	-	(744)	-	-

On 1 April 1998 M Steers Esq exercised his share option. 744 ordinary shares of £1 each were allotted at £133.035 per share.

18 Reserves

	The Group			The Company		
	Revaluation Reserve	Profit & Loss Account	Share Premium Account	Revaluation Reserve	Profit & Loss Account	Share Premium Account
1 April 1998	361,516	5,189,391	-	361,516	5,102,189	-
Loss on foreign currency translation	-	(2,978)	-	-	-	-
Retained profit for the year	-	454,084	-	-	330,730	-
Premium on issued shares (nominal value £744)	-	-	98,236	-	-	98,236
	361,516	5,640,497	98,236	361,516	5,432,919	98,236

SABREWATCH LIMITED
NOTES ON FINANCIAL STATEMENTS
for the year ended 31 March 1999

19 Reconciliation of movements in group shareholders' funds

	1999 £	1998 £
Profit for the financial year	2,029,744	2,186,044
New share capital subscribed	98,980	-
Other recognised gains and losses relating to the year	(2,978)	392,984
Dividends paid on equity shares	(1,575,660)	(1,575,660)
	<hr/>	<hr/>
Net addition to shareholders' funds	550,086	1,003,368
Opening shareholders' funds	5,565,047	4,561,679
	<hr/>	<hr/>
Closing shareholders' funds	<u>6,115,133</u>	<u>5,565,047</u>

20 Analysis of cash flow

Returns on investments and servicing of finance

Interest received	20,789	111
Interest paid	(163,788)	(174,232)
	<hr/>	<hr/>
Net cash outflow	<u>(142,999)</u>	<u>(174,121)</u>

Taxation

UK corporation tax paid	(1,247,999)	(1,048,281)
Overseas tax paid	(18,641)	(42,548)
	<hr/>	<hr/>
Net cash outflow	<u>(1,266,640)</u>	<u>(1,090,829)</u>

Capital expenditure and financial investment

Purchase of tangible fixed assets	(423,378)	(315,981)
Sale of tangible fixed assets	15,600	420,741
	<hr/>	<hr/>
Net cash outflow	<u>(407,778)</u>	<u>104,760</u>

Financing

Issue of share capital	98,980	-
New loan finance	-	1,750,000
Loan repayments	(562,555)	(1,883,544)
	<hr/>	<hr/>
Net cash outflow	<u>(463,575)</u>	<u>(133,544)</u>

SABREWATCH LIMITED**NOTES ON FINANCIAL STATEMENTS****for the year ended 31 March 1999****21 Pension contribution**

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 £217,930 (1998: £188,278). At the balance sheet date, all contributions due had been fully paid to the pension scheme.

22 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. £330,730 (1998: £618,839) of the group profit for the year is dealt with in the accounts of the parent undertaking.