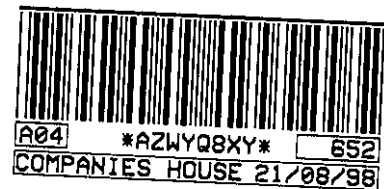


Sabrewatch Limited

Annual report and accounts
for the year ended 31 March 1998

Registered number: 1804778



BINDER HAMLYN

Company information

Directors

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 1998

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 1998.

The Lord Rayner

The directors regret to report that Lord Rayner, our Chairman, died suddenly on Friday 26 June 1998.

He took a very close interest in all aspects of the business and his enthusiasm, advice and counsel will be greatly missed by his colleagues on the board.

We will not forget.

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 are pleased to report another successful year. They view the future with optimism particularly as the loss making French operation ceased trading and went into liquidation on 2 December 1997.

Results and dividends

The audited accounts for the year ended 31 March 1998 are set out on pages 6 to 22. The group profit for the year, after taxation was £2,186,044 (1997: £2,059,400).

An interim dividend amounting to £111.43 (1997: £83.14) per ordinary share was paid. The directors do not recommend the payment of a final dividend (1997: £nil).

Directors' report (continued)

Directors

The current directors, all of whom served throughout the year, are detailed on page 1.

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 1998	1 April 1997
The Lord Rayner	-	-
L Lucas Esq	11,312	11,312
M Ollerton Esq	2,828	2,828
M Steers Esq	-	-
Sir John Smith	-	-

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

Fixed assets

The group's freehold land and buildings situated at Charters Towers, Felcourt Road, East Grinstead were professionally valued on an Open Market Value basis (as defined by the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors) on 11 February 1998 by Stiles Harold Williams at £2,500,000 (original cost £2,138,484). The remaining property which cost £402,577 was not revalued. This resulted in a surplus which has been credited to revaluation reserve.

Charitable and political contributions

During the year the company made charitable contributions of £1,100. 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.

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 6 to 22 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 12 and 13.

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.

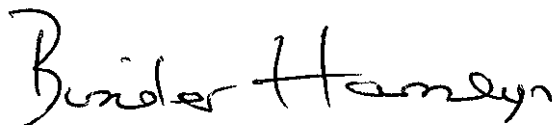
Basis of opinion

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.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 31 March 1998 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
Croydon

Date: 27 July 1998.

Directors' report (continued)

Auditors

The directors will place a resolution before the annual general meeting to reappoint Binder Hamlyn as auditors for the ensuing year.

This report was approved by the Board of Directors on 27 July 1998



Secretary

Consolidated profit and loss account

For the year ended 31 March 1998

	Notes	1998 £	1997 £
Turnover			
Continuing operations		29,371,579	24,482,617
Discontinued operations		<u>897,235</u>	<u>2,880,435</u>
	2	30,268,814	27,363,052
Cost of sales	3	<u>(24,052,206)</u>	<u>(21,986,888)</u>
Gross profit	3	6,216,608	5,376,164
Administrative expenses	3	(2,132,827)	(2,119,993)
Other operating income		<u>27,448</u>	<u>36,641</u>
Operating profit			
Continuing operations		4,323,201	3,402,653
Discontinued operations		<u>(211,972)</u>	<u>(109,841)</u>
		4,111,229	3,292,812
Loss on sale of tangible fixed assets of continuing operations		(451,350)	-
Investment income	4	111	-
Interest payable and similar charges	5	<u>(176,787)</u>	<u>(170,202)</u>
Profit on ordinary activities before taxation	6	3,483,203	3,122,610
Tax on profit on ordinary activities	9	<u>(1,297,159)</u>	<u>(1,063,210)</u>
Profit on ordinary activities after taxation		2,186,044	2,059,400
Dividends	10	<u>(1,575,660)</u>	<u>(1,175,660)</u>
Retained profit for the year		<u>610,384</u>	<u>883,740</u>

There were no acquisitions during either year.

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

Consolidated statement of total recognised gains and losses

For the year ended 31 March 1998

	1998	1997
	£	£
Profit for the financial year	2,186,044	2,059,400
Unrealised surplus on revaluation of properties	361,516	-
Gain on foreign currency translation	31,468	45,087
Total recognised gains relating to the year	<u>2,579,028</u>	<u>2,104,487</u>

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

Consolidated balance sheet

31 March 1998

	Notes	1998 £	1997 £
Fixed assets			
Tangible assets	11	<u>4,278,266</u>	<u>4,724,944</u>
Current assets			
Debtors	13	5,399,367	5,054,024
Cash at bank and in hand		<u>1,826,244</u>	<u>661,758</u>
		7,225,611	5,715,782
Creditors: amounts falling due within one year	14	<u>(3,986,275)</u>	<u>(3,914,468)</u>
Net current assets		<u>3,239,336</u>	<u>1,801,314</u>
Total assets less current liabilities		7,517,602	6,526,258
Creditors: amounts falling due after more than one year	15	(1,752,555)	(1,716,972)
Provisions for liabilities and charges	16	<u>(200,000)</u>	<u>(247,607)</u>
Net assets		<u>5,565,047</u>	<u>4,561,679</u>
Capital and reserves			
Called up share capital	17	14,140	14,140
Revaluation reserve	18	361,516	-
Profit and loss account	18	<u>5,189,391</u>	<u>4,547,539</u>
Equity shareholders' funds	19	<u>5,565,047</u>	<u>4,561,679</u>

The accounts on pages 6 to 22 were approved by the Board of Directors on 27 July 1998



)
) Directors
)

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



Company balance sheet

31 March 1998

	Notes	1998 £	1997 £
Fixed assets			
Tangible assets	11	4,278,266	4,724,944
Investments	12	<u>100</u>	<u>100</u>
		<u>4,278,366</u>	<u>4,725,044</u>
Current assets			
Debtors	13	5,315,175	4,576,123
Cash at bank and in hand		<u>1,544,384</u>	<u>316,081</u>
		6,859,559	4,892,204
Creditors: amounts falling due within one year	14	<u>(3,707,525)</u>	<u>(3,227,786)</u>
Net current assets		<u>3,152,034</u>	<u>1,664,418</u>
Total assets less current liabilities		7,430,400	6,389,462
Creditors: amounts falling due after more than one year	15	(1,752,555)	(1,716,972)
Provisions for liabilities and charges	16	<u>(200,000)</u>	<u>(175,000)</u>
Net assets		<u>5,477,845</u>	<u>4,497,490</u>
Capital and reserves			
Called up share capital	17	14,140	14,140
Revaluation reserve	18	361,516	-
Profit and loss account	18	<u>5,102,189</u>	<u>4,483,350</u>
Equity shareholders' funds		<u>5,477,845</u>	<u>4,497,490</u>

The accounts on pages 6 to 22 were approved by the Board of Directors on

27 July 1998

)
) Directors

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

Consolidated cash flow statement

For the year ended 31 March 1998

Reconciliation of operating profit to operating cash flows

	Notes	1998 £	1997 £
Operating profit		4,111,229	3,292,812
Depreciation charges		252,684	219,312
(Profit)/loss on sale of tangible fixed assets		(600)	9,152
Increase in debtors		(345,343)	(455,227)
Increase in creditors		57,866	244,364
(Decrease)/increase in provisions		(72,607)	72,607
Exchange differences		71,098	72,519
Net cash inflow from operating activities		4,074,327	3,455,539
Net cash flow from operating activities comprises:			
Continuing operating activities		4,007,736	3,589,911
Discontinuing activities		66,591	(134,372)
		4,074,327	3,455,539

Cash flow statement

Net cash inflow from operating activities		4,074,327	3,455,539
Returns on investments and servicing of finance	20	(174,121)	(170,202)
Taxation	20	(1,090,829)	(751,242)
Capital expenditure and financial investment	20	104,760	(169,531)
Equity dividends paid		(1,575,660)	(1,175,660)
Cash inflow before financing		1,338,477	1,188,904
Financing	20	(133,544)	(366,018)
Increase in cash in year		1,204,933	822,886

Analysis and reconciliation of net debt

	1 April 1997 £	Cash flow £	Exchange movement £	1998 £
Cash at bank and in hand	661,758	1,204,933	(40,447)	1,826,244
Debt due after one year	(1,716,972)	(35,583)		(1,752,555)
Debt due within one year	(166,572)	166,572		-
		130,989		
Net debt	(1,221,786)	1,335,922	(40,447)	73,689

Cash flow statement (continued)

	1998	1997
	£	£
Increase in cash in the year	1,204,933	822,886
Cash outflow from decrease in debt financing	<u>130,989</u>	<u>366,018</u>
Change in net debt resulting from cash flows	1,335,922	1,188,904
Translation difference	<u>(40,447)</u>	<u>(27,432)</u>
Movement in net debt in year	1,295,475	1,161,472
Net debt at 31 March 1997	<u>(1,221,786)</u>	<u>(2,383,258)</u>
Net funds/(debt) at 31 March 1998	<u>73,689</u>	<u>(1,221,786)</u>

Notes to the accounts

For the year ended 31 March 1998

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 undertaking 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, other than freehold land and buildings, 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	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, except that the deferred tax effects of timing differences arising from pensions are always recognised in full.

Pension costs

For defined contribution schemes, the amount charged to the profit and loss account in respect of pension costs is 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 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, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

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.

Notes to the accounts (continued)

2 Turnover

The analysis of turnover by geographical origin was:

	1998	1997
	£	£
United Kingdom	28,588,811	23,929,615
France	897,235	2,880,435
Ireland	782,768	553,002
	<u>30,268,814</u>	<u>27,363,052</u>

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

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

	1998			1997		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued Operations	Total
	£	£	£	£	£	£
Cost of sales	<u>23,150,689</u>	<u>901,517</u>	<u>24,052,206</u>	<u>19,490,218</u>	<u>2,496,670</u>	<u>21,986,888</u>
Gross profit	<u>6,220,890</u>	<u>(4,282)</u>	<u>6,216,608</u>	<u>4,992,400</u>	<u>383,764</u>	<u>5,376,164</u>
Administrative expenses	<u>1,925,137</u>	<u>207,690</u>	<u>2,132,827</u>	<u>1,626,388</u>	<u>493,605</u>	<u>2,119,993</u>
Other operating income	<u>27,448</u>	<u>-</u>	<u>27,448</u>	<u>36,641</u>	<u>-</u>	<u>36,641</u>

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

4 Investment income

	1998	1997
	£	£
Other interest receivable and similar income	<u>111</u>	<u>-</u>

5 Interest payable and similar charges

	1998	1997
Bank loans and overdrafts	26,287	170,202
Other loans	<u>150,500</u>	<u>-</u>
	<u>176,787</u>	<u>170,202</u>

Notes to the accounts (continued)

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	1998	1997
	£	£
Depreciation and amounts written off tangible fixed assets	252,684	219,312
Auditors' remuneration		
- audit services	34,500	34,500
- non audit services	11,400	5,000
Foreign exchange loss	<u>92,184</u>	<u>124,457</u>

7 Staff costs

The average monthly number of employees (including directors) was

	Number	Number
Administration	53	45
Security guards	<u>1,417</u>	<u>1,357</u>
	<u>1,470</u>	<u>1,402</u>

Their aggregate remuneration (including directors) comprised:

	£	£
Wages and salaries	21,042,683	19,047,655
Social security costs	2,183,575	2,325,543
Pension costs	<u>188,278</u>	<u>160,104</u>
	<u>23,414,536</u>	<u>21,533,302</u>

Notes to the accounts (continued)

8 Directors' remuneration

Remuneration

The remuneration of the directors was as follows:

	1998	1997
	£	£
Emoluments	312,936	284,600
Company contributions to money purchase pension schemes	158,746	140,844
	<u>471,682</u>	<u>425,444</u>

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

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	103,000	86,300
Company contributions to money purchase schemes	84,692	77,033
	<u>187,692</u>	<u>163,333</u>

In addition, Sir John Smith rendered professional fees of £10,000 to the company during the year ended 31 March 1998 (1997: £10,000).

9 Tax on profit on ordinary activities

The tax charge comprises:

Corporation tax at 31% (1997: 33%)	1,245,086	975,525
Deferred taxation	25,000	45,000
Overseas taxation	27,073	42,685
	<u>1,297,159</u>	<u>1,063,210</u>

Notes to the accounts (continued)

10 Dividends paid

	1998 £	1997 £
Equity shares		
- interim paid of £111.43 (1997: £83.14) per ordinary share	<u>1,575,660</u>	<u>1,175,660</u>

11 Tangible fixed assets

The Group and Company	Freehold land and buildings £	Plant and machinery £	Computer equipment £	Motor vehicles £	Total £
Cost or valuation					
1 April 1997	3,349,456	1,798,254	188,222	57,516	5,393,448
Additions	63,096	185,673	51,679	15,533	315,981
Surplus on revaluation during year	361,516	-	-	-	361,516
Disposals	<u>(871,491)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(871,491)</u>
31 March 1998	<u>2,902,577</u>	<u>1,983,927</u>	<u>239,901</u>	<u>73,049</u>	<u>5,199,454</u>
Depreciation					
1 April 1997	-	513,167	124,790	30,547	668,504
Charge for year	-	184,187	57,871	10,626	252,684
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
31 March 1998	<u>-</u>	<u>697,354</u>	<u>182,661</u>	<u>41,173</u>	<u>921,188</u>
Net book value					
31 March 1998	<u>2,902,577</u>	<u>1,286,573</u>	<u>57,240</u>	<u>31,876</u>	<u>4,278,266</u>
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>

Freehold land and buildings situated at Charters Towers, Felcourt Road, East Grinstead were professionally valued on an Open Market Value basis (as defined by the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors) on 11 February 1998 by Stiles Harold Williams at £2,500,000 (original cost £2,138,484). The remaining property which cost £402,577 was not revalued.

There is no effect on the profit and loss account as a result of the revaluation.

Notes to the accounts (continued)

12 Fixed asset investments

Investment in subsidiary undertakings	£
Cost	
1 April 1997	6,185
Disposals	(6,085)
31 March 1998	<u>100</u>
Amortisation	
1 April 1997	6,085
Disposals	(6,085)
31 March 1998	<u>-</u>
Carrying value	
31 March 1998	<u>100</u>
31 March 1997	<u>100</u>

At 31 March 1998, 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.

On 2 December 1997, Sabrewatch France (SARL) a company incorporated in France, went into liquidation. The company owned all of the ordinary share capital. The subsidiary was engaged in the provision of security services in France.

Both subsidiaries have been included in the consolidation.

13 Debtors: Amounts falling due within one year

	The Group		The Company	
	1998	1997	1998	1997
	£	£	£	£
Trade debtors	5,109,861	4,933,628	4,839,941	4,065,382
Amount owed by subsidiary undertaking	-	-	194,542	409,145
Other debtors	175,244	57,110	166,430	38,309
Prepayments and accrued income	114,262	63,286	114,262	63,287
	<u>5,399,367</u>	<u>5,054,024</u>	<u>5,315,175</u>	<u>4,576,123</u>

Notes to the accounts (continued)

14 Creditors: Amounts falling due within one year

	The Group		The Company	
	1998	1997	1998	1997
	£	£	£	£
Bank loans	-	166,572	-	166,572
Trade creditors	29,056	17,961	-	-
Taxation and social security	1,865,388	1,776,016	1,728,911	1,463,913
Other creditors	1,214,231	1,256,832	1,120,321	915,691
Corporation tax	877,602	697,087	858,293	681,610
	<u>3,986,277</u>	<u>3,914,468</u>	<u>3,707,525</u>	<u>3,227,786</u>

15 Creditors: Amounts falling due after more than one year

	The Group and The Company	
	1998	1997
	£	£
Bank loans	-	1,716,972
Other loans	<u>1,752,555</u>	<u>-</u>
	<u>1,752,555</u>	<u>1,716,972</u>

Other loans consist of loans subject to a minimum notice period of one year and one day and attract interest at the rate of 3% above the base rate of The Bank of England, in force until repayment.

The bank loans were secured on the freehold and leasehold properties of the company.

16 Provision for liabilities and charges

	Group		Company	
	Deferred tax	Other	Total	Deferred tax
	£	£	£	£
(a) Summary				
1 April 1997	175,000	72,607	247,607	175,000
Profit and loss account	<u>25,000</u>	<u>(72,607)</u>	<u>(47,607)</u>	<u>25,000</u>
31 March 1998	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>200,000</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.

Notes to the accounts (continued)

16 Provision for liabilities and charges (continued)

(b) Deferred taxation

	The Group and the Company			
	1998		1997	
	Potential liability	Provision made	Potential Liability	Provision made
	£	£	£	£
Accelerated capital allowances	<u>200,000</u>	<u>200,000</u>	<u>175,000</u>	<u>175,000</u>

The potential liability and provision are based on a corporation tax rate of 31% (1997: 33%).

17 Called up share capital

	1998	1997
	£	£
<i>Authorised</i>		
100,000 ordinary shares of £1	<u>100,000</u>	<u>100,000</u>
<i>Allotted, called up and fully paid</i>		
14,140 ordinary shares of £1	<u>14,140</u>	<u>14,140</u>

Share option schemes

At 31 March 1998, 1,488 (1997: 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

On 1 April 1998, Mr M Steers exercised his share option. The Lord Rayner's share options lapsed with his death on 26 June 1998.

18 Reserves

	The Group		The Company	
	Revaluation reserve	Profit and loss account	Revaluation reserve	Profit and loss account
	£	£	£	£
1 April 1997	-	4,547,539	-	4,483,350
Revaluation surplus	361,516	-	361,516	-
Gain on foreign currency translation	-	31,468	-	-
Retained profit for the year	-	610,384	-	618,839
	<u>361,516</u>	<u>5,189,391</u>	<u>361,516</u>	<u>5,102,189</u>

Notes to the accounts (continued)

19 Reconciliation of movements in group shareholders' funds

	1998	1997
	£	£
Profit for the financial year	2,186,044	2,059,400
Other recognised gains and losses relating to the year	392,984	45,087
Dividends paid on equity shares	<u>(1,575,660)</u>	<u>(1,175,660)</u>
Net addition to shareholders' funds	1,003,368	928,827
Opening shareholders' funds	<u>4,561,679</u>	<u>3,632,852</u>
Closing shareholders' funds	<u>5,565,047</u>	<u>4,561,679</u>

20 Analysis of cash flows

Returns on investments and servicing of finance

Interest received	111	-
Interest paid	<u>(174,232)</u>	<u>(170,202)</u>
Net cash outflow	<u>(174,121)</u>	<u>(170,202)</u>

Taxation

UK corporation tax paid	(1,048,281)	(721,513)
Overseas tax paid	<u>(42,548)</u>	<u>(29,729)</u>
Net cash outflow	<u>(1,090,829)</u>	<u>(751,242)</u>

Capital expenditure and financial investment

Purchase of tangible fixed assets	(315,981)	(245,796)
Sale of tangible fixed assets	<u>420,741</u>	<u>76,265</u>
Net cash inflow/(outflow)	<u>104,760</u>	<u>(169,531)</u>

Financing

New secured loan	1,750,000	-
Repayment of loan	<u>(1,883,544)</u>	<u>(366,018)</u>
Net cash outflow	<u>(133,544)</u>	<u>(366,018)</u>

21 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 £187,864 (1997: £160,104). At the balance sheet date, all contributions due had been fully paid to the pension scheme.

Notes to the accounts (continued)

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. £618,839 (1997: £904,851) of the group profit for the year is dealt with in the accounts of the parent undertaking.