

# Matrix Healthcare plc

Annual Report 1999

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# Directors and Advisors

## **DIRECTORS**

P Dewe-Mathews  
R Lywood  
J Spiers

## **SECRETARY**

M Osborne

## **HEAD OFFICE**

North Heath  
Chieveley  
Berkshire, RG20 8UD

## **AUDITORS**

Arthur Andersen  
1 City Square  
Leeds, LS1 2AL

## **NOMINATED BROKER AND NOMINATED ADVISOR**

Peel, Hunt & Company Limited  
62 Threadneedle Street  
London, EC2R 8HP

## **BANKERS**

Barclays Bank plc  
Pall Mall Corporate Group  
50 Pall Mall  
London, SW1A 1QF

## **SOLICITORS**

Dibb Lupton Alsop  
3 Noble Street  
London, EC2V 7EE

## **REGISTERED OFFICE**

Gossard House  
7-8 Savile Row  
London, W1X 1AF

## **REGISTRARS**

IRG plc  
Balfour House  
390-398 High Road  
Ilford  
Essex, IG1 1NQ

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# Chairman's statement

Dear Shareholder

The past year has been extremely challenging for your Company and for the nursing home industry in general. Some operators have collapsed in this environment and the largest lessor of nursing homes has recently announced that it is not in a position to finance any further purchases. The accounts show a loss after taxation for the year to 30 September 1999 of £731,000, of which £630,000 relates to a revaluation deficit.

## Background

Trading margins have been eroded by a combination of increased staffing costs as a result of the implementation of the minimum wage and the working time directive together with a national shortage of qualified nurses, which resulted in a significant increase in the utilisation of expensive agency personnel. Meanwhile, the fee rates set by Local Authorities only increased by 2% in April 1999.

In previous years, our occupancy rates have been well above average but a combination of illness and a funding shortage in Bradford led to a deterioration during the middle of the financial year. The average occupancy for the year was 88% compared with 89% in the previous year. By the end of the period occupancy had recovered to 89%.

In August 1999, the Government issued a consultative document on proposed national required standards for residential and nursing homes for older people. As a result of the proposals in this document and the collapse of several operators, the latest revaluation of our homes has led to a writedown of over £1 million.

## Action Taken

Your Directors recognise that the present performance is unacceptable. A considerable number of strategic options have been reviewed in recent months but none of these has resulted in a proposal which we feel able to recommend to shareholders. Nevertheless, we remain vigilant and anxious to pursue any promising proposals.

In view of the deterioration in financial performance the Directors have not drawn any salaries or fees since November 1998. Other cost cutting measures were taken during the year, the full benefit of which will be seen in the current year.

In the meanwhile, we need to address the deterioration in our margins, notwithstanding the difficult background. A new programme has been implemented with the help of an external consultant to reduce staff costs and eliminate where possible the use of agency staff.

## Finances

As a result of the trading losses the Company has only been able to make scheduled repayments of its loans by increasing its overdraft. Our bankers have indicated that they wish to limit our overdraft facility at £500,000 during the current year but it is anticipated that the working capital requirement could exceed this by as much as £200,000. In addition, we are advised that expenditure of a further £200,000 on two of our homes should lead to a significant enhancement in their value, as well as making them more saleable.

The Company, therefore, needed funding of £400,000 in order to fulfil its plans. Despite extensive searches, your Directors were unable to find another bank which would extend to us the facilities required. However, I am pleased to be able to report that we have obtained a two year loan facility of £400,000 at 3% above base rate from BEST Investment Limited, our largest shareholder. I have agreed to guarantee 25% of this loan.

As the loan facility involves either directors of the Company or an entity with which a director is connected, Rupert Lywood, who is independent of these matters, considers that it is appropriate that the transaction be approved by the shareholders and a resolution to that effect will be put to the members at the Annual General Meeting.

# Chairman's statement

(continued)

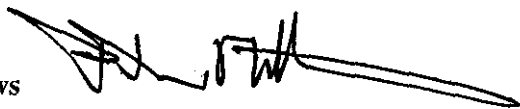
## Current Trading

Occupancy levels have been reasonably satisfactory at 88% for the first five months of the year to the end of February 2000 but staff costs remained high, exacerbated by additional costs over Christmas and the Millennium. However, we are now beginning to see some benefits from our cost reduction programme.

## Conclusion

Until there is a fundamental shift in Government policy towards the sector, operating margins are likely to remain under intense pressure. However, the medium term need for additional capacity means that the present position cannot continue indefinitely. While it does we need to cut our cloth to suit our circumstances. As you can see from the above, your Directors are highly committed to improving upon this year's results.

Peter Dewe-Mathews



Chairman  
17 March 2000

# Directors' report

For the year ended 30 September 1999

## Financial Statements

The Directors present their report and the audited financial statements for the year ended 30 September 1999.

## Principal activities and review of the business

The principal activity of the Company is the owning and managing of nursing homes. A review of the business is included in the Chairman's statement on pages 2 and 3.

## Results and dividends

The loss for the year after taxation amounted to £731,000. The Directors are unable to recommend the payment of a dividend.

## Substantial shareholders

At the date of this report, the Company had been notified of the following interests of 3% or more in its issued share capital:

	Number of Ordinary Shares	Percentage of issued share capital
BEST Investment Limited	337,900	14.8%
P Dewe-Mathews	90,000	3.9%
R H Burchett	80,000	3.5%

## Directors and Directors' interests in shares

The Directors who held office during the year and their interests in the shares of the Company at 30 September 1999 were as follows:

	30 September 1999 Beneficial	30 September 1998 Beneficial
Peter Dewe-Mathews	90,000	90,000
Rupert Lywood	1	1
Roy Baguley (retired 31 January 1999)	5,000*	5,000
BEST Investment Limited	337,900**	337,900

\* The shareholding for Roy Baguley is stated as at the date of his retirement (31 January 1999).

\*\* John Spiers has a controlling interest in BEST Investment Limited.

There are no non-beneficial shareholdings.

## 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 Group and of the Company and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 Group and 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 Group and of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Directors' report

(continued)

## **Going concern**

After making appropriate enquiries, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

## **Policy on payments to suppliers**

The Company's policy is to pay suppliers generally at the end of the month following that in which the supplier's invoice is received. This policy is made known to the staff who handle payments to suppliers and is made known to all suppliers on request. Trade creditors of the Company at 30 September 1999 expressed in relation to the total amounts invoiced by suppliers for services during the year were equivalent to 49 days.

## **Year 2000**

The Directors have implemented policies in order to ensure compliance. The Directors are not aware of any system failure arising from the millenium.

## **Auditors**

A resolution proposing that Arthur Andersen be re-appointed as Auditors of the Company will be put to the Annual General Meeting.

## **By Order of the Board**

**Mark Osborne**  
Secretary  
17 March 2000



# Auditors' report

## **To the shareholders of Matrix Healthcare plc**

We have audited the financial statements on pages 7 to 16 which have been prepared under the historical cost convention as modified by the revaluation of tangible fixed assets on the basis of the accounting policies set out on page 11.

## **Respective responsibilities of Directors and Auditors**

The Directors are responsible for preparing the Annual Report including, as described on page 4, the financial statements. Our responsibilities, as independent Auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company and the Group is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

## **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 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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Going concern**

In forming our opinion, we have considered the adequacy of the disclosures made in note 1a to the financial statements concerning the going concern status of the Group and the Directors' renegotiations of bank and other loan facilities. As the availability of these facilities is dependent upon obtaining shareholder approval of the related transactions, we consider that these disclosures should be brought to your attention but our opinion is not qualified in this respect.

## **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 September 1999 and of the Group loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Arthur Andersen*

**Arthur Andersen**

Chartered Accountants and Registered Auditors

1 City Square

Leeds

LS1 2AL

17 March 2000



## Group profit and loss account

For the year ended 30 September 1999

	Notes	1999 £'000	1998 £'000
<b>Turnover</b>	2	2,866	2,951
Cost of sales		<u>(2,397)</u>	<u>(2,246)</u>
<b>Gross profit</b>		469	705
Administrative expenses		(328)	(383)
Exceptional items	4	<u>(630)</u>	<u>(366)</u>
<b>Operating loss</b>	3	(489)	(44)
Other interest receivable and similar income		-	1
Interest payable and similar charges	7	<u>(242)</u>	<u>(242)</u>
<b>Loss on ordinary activities before taxation</b>		(731)	(285)
Tax on profit on ordinary activities	8	<u>-</u>	<u>(17)</u>
<b>Retained loss for the year</b>		<u>(731)</u>	<u>(302)</u>
<b>Loss per share</b>	9	<u>(32.0)p</u>	<u>(13.2)p</u>
<b>(Loss)/earnings per share excluding exceptional items</b>	9	<u>(4.4)p</u>	<u>2.8p</u>

## Statement of total recognised gains and losses

For the year ended 30 September 1999

	1999 £'000	1998 £'000
Loss for the financial year	(731)	(302)
Impairment loss on fixed assets revaluation	<u>(480)</u>	<u>-</u>
<b>Total losses recognised during the year</b>	<u>(1,211)</u>	<u>(302)</u>

The notes on pages 11 to 16 form an integral part of these financial statements.

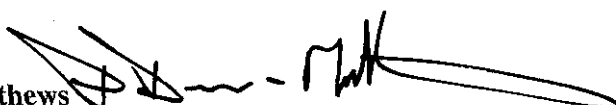
# Group balance sheet

As at 30 September 1999

	Notes	1999 £'000	1998 £'000
<b>Fixed assets</b>			
Tangible assets	10	<u>4,147</u>	<u>5,298</u>
<b>Current assets</b>			
Stocks	12	14	14
Debtors	13	188	249
Cash at bank and in hand		<u>1</u>	<u>2</u>
		203	265
<b>Creditors: amounts falling due within one year</b>	14	<u>(896)</u>	<u>(591)</u>
<b>Net current liabilities</b>		<u>(693)</u>	<u>(326)</u>
<b>Total assets less current liabilities</b>		3,454	4,972
<b>Creditors: amounts falling due after more than one year</b>	15	<u>(2,168)</u>	<u>(2,475)</u>
<b>Net assets</b>		<u>1,286</u>	<u>2,497</u>
<b>Capital and reserves</b>			
Called up share capital	18	1,142	1,142
Share premium account	19	1,242	1,242
Revaluation reserve	19	33	513
Profit and loss account	19	<u>(1,131)</u>	<u>(400)</u>
<b>Equity shareholders' funds</b>		<u>1,286</u>	<u>2,497</u>

The financial statements on pages 7 to 16 were approved by the Board on 17 March 2000 and signed on its behalf by:

**Peter Dewe-Mathews**  
Director



The notes on pages 11 to 16 form an integral part of these financial statements.

# Company balance sheet

As at 30 September 1999

	Notes	1999 £'000	1998 £'000
<b>Fixed assets</b>			
Tangible assets	10	<u>4,147</u>	<u>5,298</u>
<b>Current assets</b>			
Stocks	12	14	14
Debtors	13	269	330
Cash at bank and in hand		<u>1</u>	<u>2</u>
		284	346
<b>Creditors: amounts falling due within one year</b>	14	<u>(977)</u>	<u>(672)</u>
<b>Net current liabilities</b>		<u>(693)</u>	<u>(326)</u>
<b>Total assets less current liabilities</b>		3,454	4,972
<b>Creditors: amounts falling due after more than one year</b>	15	<u>(2,168)</u>	<u>(2,475)</u>
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The financial statements on pages 7 to 16 were approved by the Board on 17 March 2000 and signed on its behalf by:



**Peter Dewe-Mathews**  
Director

The notes on pages 11 to 16 form an integral part of these financial statements.

# Group cashflow statement

For the year ended 30 September 1999

	Notes	1999 £'000	1998 £'000
<b>Net cash inflow from operating activities</b>	22	283	25
<b>Return on investment and servicing of finance</b>	23	(242)	(241)
<b>Tax paid</b>		-	(70)
<b>Capital expenditure and financial investment</b>	23	(46)	(79)
<b>Equity dividends paid</b>		<u>-</u>	<u>(68)</u>
<b>Cash outflow before financing</b>		(5)	(433)
<b>Financing</b>			
Repayment of existing loans		(267)	(185)
Bank loans due beyond one year		<u>-</u>	<u>350</u>
<b>Decrease in cash during the year</b>		<u>(272)</u>	<u>(268)</u>
<b>Reconciliation of net cash flow to movement in net debt</b>			
<b>Decrease in cash during the year</b>		(272)	(268)
Cash outflow/(inflow) from decrease/(increase) in debt		<u>267</u>	<u>(165)</u>
<b>Movement in net debt during the year</b>	24	(5)	(433)
<b>Net debt at 1 October 1998</b>	24	<u>(2,832)</u>	<u>(2,399)</u>
<b>Net debt at 30 September 1999</b>	24	<u>(2,837)</u>	<u>(2,832)</u>

The notes on pages 11 to 16 form an integral part of these financial statements.

# Notes to the financial statements

For the year ended 30 September 1999

## 1. Accounting policies

The principal accounting policies of the Group are set out below and have been applied consistently throughout the current and preceding year.

### a) Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with applicable accounting standards.

The Group has net current liabilities at 30 September 1999. The accounts have been prepared on the going concern basis as the Directors have formed the opinion, based on their review of the trading forecasts for the next 12 months and taking into consideration the available bank and other facilities, that the Group will be able to meet its debts as they fall due. As explained in the Chairman's Statement on pages 2 and 3, availability of these facilities is subject to the related transactions obtaining shareholder approval. The financial statements do not include any adjustments that would result if approval was not received.

The Directors have adopted in the financial statements the requirements of FRS11, FRS12, FRS13 and FRS14 where these standards are relevant.

Acquisitions are accounted for under the acquisition method of accounting. Where the fair value of the consideration exceeds the fair value of the separable net assets of the acquired business, the difference is treated as goodwill on acquisition and has been capitalised for acquisitions subsequent to the 1st October 1997. Capitalised goodwill is amortised and charged to the profit and loss account. Where the fair value of the separable net assets of the acquired business exceeds the fair value of the consideration, the difference is treated as a capital reserve on consolidation. In accordance with FRS 10, goodwill arising prior to 30th September 1997 has been written off to reserves and is being realised as a loss against distributable reserves over the course of its useful economic life.

### b) Basis of consolidation

The Group financial statements consolidate the financial statements of Matrix Healthcare plc and its subsidiary undertakings made up to 30 September each year.

### c) Turnover

Turnover is exempt from value added tax and represents fees receivable from clients.

### d) Tangible fixed assets and depreciation

Tangible assets are stated at cost or valuation plus any incidental costs of acquisition. Depreciation is provided on all assets other than freehold land at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Freehold buildings	2%
Equipment and furnishings	10%

The Directors conduct a review of the carrying value of fixed assets at the year end. Where an impairment to fixed asset value has occurred, this is reported in the financial statements in accordance with FRS11.

### e) Stocks

Stocks are stated at the lower of cost or net realisable value. Cost is arrived at as purchase cost on a first in first out basis. Net realisable value is based on estimated selling price.

### f) Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the Directors consider that a liability to taxation is unlikely to crystallise.

# Notes to the financial statements

(continued)

## 2. Segmental information

The Directors regard the Group as carrying on one class of business being the provision of private nursing home facilities within the United Kingdom.

## 3. Operating loss

The operating loss is stated after charging

	1999 £'000	1998 £'000
Depreciation of tangible fixed assets		
- freehold properties	43	43
- equipment and furnishings	44	38
Auditors' remuneration		
- audit fee	19	18
- non audit services	4	4
	<hr/>	<hr/>
4. Exceptional items		
Impairment loss on fixed assets revaluation	630	-
Costs of aborted acquisition	-	366
	<hr/>	<hr/>
5. Directors		
Directors' emoluments:		
- Chairman	4	25
- Other Directors	4	14
	<hr/>	<hr/>
6. Employees		
(a) Employment costs		
Wages and salaries	1,683	1,687
Social security costs	100	104
	<hr/>	<hr/>
	1,783	1,791
	<hr/>	<hr/>
(b) Number of employees		
The average number of whole time equivalent personnel employed by the Group (excluding Directors) during the year was 194 (1998: 198).		
7. Interest		
Interest payable		
On bank loans and overdrafts repayable wholly or partly within 5 years	242	242
	<hr/>	<hr/>
8. Taxation		
UK Corporation Tax at 20% (1998: 21%)	-	12
Deferred taxation	-	5
	<hr/>	<hr/>
	-	17
	<hr/>	<hr/>

## 9. (Loss)/earnings per share

(a) Loss per share has been calculated by dividing loss on ordinary activities after taxation of £731,000 (1998: £302,000) by the weighted average number of shares in issue during the year of 2,283,422 (1998: 2,283,422).

(b) (Loss)/Earnings per share excluding exceptional costs have been calculated as above using loss before exceptional items and after taxation of £101,000 (1998: profit of £64,000).

# Notes to the financial statements

(continued)

## 10. Tangible fixed assets

	Freehold land and buildings £'000	Equipment and furnishings £'000	Total  £'000
<b>Group and Company</b>			
<b>Cost/Valuation</b>			
1 October 1998	4,941	441	5,382
Additions	1	45	46
Net impairment loss on fixed assets revaluation	(337)	228	(109)
<b>30 September 1999</b>	<b>4,605</b>	<b>714</b>	<b>5,319</b>
<b>Depreciation</b>			
1 October 1998	43	41	84
Charge for the year	43	44	87
Net impairment loss on fixed assets revaluation	713	288	1,001
<b>30 September 1999</b>	<b>799</b>	<b>373</b>	<b>1,172</b>
<b>Net book value</b>			
30 September 1998	4,898	400	5,298
<b>30 September 1999</b>	<b>3,806</b>	<b>341</b>	<b>4,147</b>
<b>Historical cost net book value</b>			
30 September 1998	4,445	340	4,785
<b>30 September 1999</b>	<b>3,773</b>	<b>341</b>	<b>4,114</b>

Included in freehold land and buildings is land of £1,170,000 (1998: £1,170,000) which is not subject to a depreciation charge.

The Group's nursing homes were revalued on 30 September 1999 on an open market value by Conrad Ritblat, Chartered Surveyors, in accordance with the current edition of the Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors.

## 11. Fixed asset investments

The Group has the following non-trading subsidiary undertakings both of which are registered in England and Wales.

Name	Description of shares held	Proportion held
Barleyglow Ltd	Ordinary Shares	100%
The Knoll Nursing Home Ltd	Ordinary Shares	100%

## 12. Stocks

	1999 £'000	1998 £'000
<b>Group and Company</b>		
Consumables and medical supplies	14	14

# Notes to the financial statements

(continued)

## 13. Debtors

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Trade debtors	137	173	137	173
Other debtors	10	15	10	15
Dividend receivable from subsidiary	-	-	-	51
Amounts owed by subsidiary undertakings	-	-	81	30
Advance corporation tax recoverable	5	18	5	18
Prepayments	36	43	36	43
	<u>188</u>	<u>249</u>	<u>269</u>	<u>330</u>

## 14. Creditors: amounts falling due within one year

Bank loans and overdrafts	670	359	670	359
Trade creditors	96	73	96	73
Other taxes and social security costs	28	33	28	33
Accruals	102	113	102	113
Corporation tax	-	13	-	13
Amounts owed to subsidiary undertakings	-	-	81	81
	<u>896</u>	<u>591</u>	<u>977</u>	<u>672</u>

## 15. Creditors: amounts falling due after more than one year

	1999	1998
	£'000	£'000
<b>Group and Company</b>		
Bank loans (see note 16)	<u>2,168</u>	<u>2,475</u>

## 16. Bank loans

Between one and two years	318	278
Between two and five years	793	936
In five years or more	<u>1,057</u>	<u>1,261</u>
	<u>2,168</u>	<u>2,475</u>
Within one year	<u>297</u>	<u>257</u>
	<u>2,465</u>	<u>2,732</u>

The bank loans and overdrafts are secured by fixed charges on the Group's properties and floating charges over the assets of the Group.

The interest rate on loans amounting to £1,125,000 (1998: £1,333,000) are 2% to 2.5% above LIBOR.

The interest rate on a loan amounting to £851,000 (1998: £889,000) is fixed at 9.24% until February 2002.

The interest rate on a loan amounting to £489,000 (1998: £510,000) is fixed at 9.31% until May 2002.

The weighted average cost of fixed rate bank borrowing at 30 September 1999 was 9.27% (1998: 9.27%).

The weighted average time for which bank borrowing rates are fixed at 30 September 1999 was 2.49 years (1998: 3.49 years).

The fair value of fixed rate bank borrowing at 30 September 1999 was £1,382,000, (1998: £1,371,000).

The Group borrows at both fixed and floating rates of interest. The Group's policy is to maintain between 50 per cent and 65 per cent of its borrowings at fixed rates of interest. At the year-end, 54 per cent of the Group's borrowings were at fixed rates. The Group does not make use of derivative financial instruments.

Short-term debtors and creditors have been excluded for the purposes of FRS13 disclosure requirements. All transactions are carried out in £-sterling; therefore disclosures required for foreign currency translation are not relevant.



# Notes to the financial statements

(continued)

## 17. Deferred tax

Provided

1999  
£'000

1998  
£'000

### Group and Company

Accelerated capital allowances

5

5

Advance corporation tax available for off set

(5)

(5)

-

-

Deferred tax not provided at 20% (1998: 20%)

29

25

## 18. Called up share capital

(a) Authorised

5,000,000 (1998: 5,000,000) ordinary shares of 50p each

2,500

2,500

(b) Allotted and fully paid

2,283,422 (1998: 2,283,422) ordinary shares of 50p each

1,142

1,142

## 19. Reserves

	Share Premium Account £'000	Revaluation Reserve £'000	Profit and Loss Account £'000	Total £'000
(a) Group:				
1 October 1998	1,242	513	(400)	1,355
Impairment loss on fixed assets revaluation	-	(480)	-	(480)
Retained loss for year	-	-	(731)	(731)
30 September 1999	1,242	33	(1,131)	144
(b) Company:				
1 October 1998	1,242	383	(270)	1,355
Impairment loss on fixed assets revaluation	-	(350)	-	(350)
Retained loss for year	-	-	(861)	(861)
30 September 1999	1,242	33	(1,131)	144

## 20. Reconciliation of shareholders' funds

	1999 £'000	1998 £'000
Opening shareholders' funds	2,497	2,799
Loss for the year	(731)	(302)
Impairment loss on fixed assets revaluation	(480)	-
Closing shareholders' funds	1,286	2,497

# Notes to the financial statements

(continued)

## 21. Loss of parent Company

The loss on ordinary activities after taxation dealt with in the financial statements of the parent Company was £861,000 (1998: £302,000). As permitted by the Companies Act 1985, a separate profit and loss account for the parent Company has not been presented.

## 22. Reconciliation of operating loss to operating cash flows

	1999 £'000	1998 £'000
Operating loss	(489)	(44)
Impairment loss on fixed assets revaluation	630	-
Depreciation	87	81
Increase in stocks	-	(5)
Decrease/(increase) in debtors	48	(24)
Increase in creditors	7	17
	<hr/>	<hr/>
Net cash inflow from operating activities	283	25

## 23. Analysis of cash flows for headings netted in the cashflow statement

### Returns on investments and servicing of finance

Interest received	-	1
Interest paid	(242)	(242)
	<hr/>	<hr/>
	(242)	(241)

### Capital expenditure and financial investment

Purchase of tangible fixed assets	46	79
	<hr/>	<hr/>

## 24. Analysis of net debt

	At 1 October 1998 £'000	Cash Flow £'000	At 30 September 1999 £'000
Cash at bank and in hand	(2)	1	(1)
Bank overdrafts	102	271	373
Bank loans due after one year	2,475	(307)	2,168
Bank loans due within one year	257	40	297
	<hr/>	<hr/>	<hr/>
	2,832	5	2,837

## 25. Related party transactions

The Company pays £4,200 per annum to Mrs P.J. Dewe-Mathews (the wife of P. Dewe-Mathews) for rent of the Company's head office.

During the year £5,288 was paid to a Company, of which R. Lywood is a Director, for general financial advice.

# Notice of the annual general meeting

Notice is hereby given that the annual general meeting of the Company will be held at Gossard House, 7-8 Savile Row, London W1X 1AF on 14 April 2000 at 11.30 am for the following purposes.

1. To receive and adopt the Directors' Report and financial statements of the Company for the year ended 30 September 1999 together with the Auditors' report thereon.
2. To re-appoint Arthur Andersen as Auditors to the Company to hold office until the conclusion of the next general meeting before which financial statements are laid, and to authorise the Directors to set their remuneration.
3. To re-appoint R Lywood as a Director.
4. As special business, to consider and, if thought fit, pass the following ordinary resolution:

**THAT** pursuant to Section 80 Companies Act 1985 the Directors be and are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 ("the 1985 Act") to exercise all powers of the Company to allot relevant securities (as defined in the said Section 80) up to an aggregate nominal amount of £1,358,289

**Provided that** this authority shall expire on the date of the Annual General Meeting of the Company to be held in 2005 and that the Directors be entitled under the authority conferred by Section 80(7) of the 1985 Act and of this resolution to make at any time prior to the expiry of such authority any offer or agreement which would or might require relevant securities of the Company to be allotted after the expiry of such authority.

5. As special business, to consider and, if thought fit, pass the following ordinary resolution:

**THAT** the loan agreement between BEST Investment Limited (1) and the Company (2) a copy of which was produced to the meeting marked "A" and initialed by the Chairman for the purposes of identification be and is hereby approved and the Directors are hereby authorised at their discretion to make such non-material amendments, waivers, variations, or extensions of or to any terms of the said agreement or any other document referred to therein or connected therewith in whatever way they may consider to be appropriate and execute all such acts, things and documents as they may consider necessary or desirable in connection therewith.

6. As special business, to consider and, if thought fit, pass the following special resolution:

**THAT** subject to the passing of resolution 4 set out above, the Directors be and are hereby empowered pursuant to section 95 of the Companies Act 1985 (the "Act"), to allot equity securities (within the meaning of section 94 of the Act) for cash, pursuant to the authority conferred by resolution 4 above, as if section 89(1) of the Act did not apply to any such allotment **PROVIDED THAT** this power shall be limited to

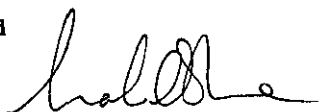
6.1 the allotment of equity securities in connection with a rights issue, open offer or any other pre-emptive issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them (subject in either case) to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of, or the requirements of, any regulatory body or stock exchange in any territory or otherwise howsoever;

6.2 the allotment (otherwise than pursuant to paragraph 6.1 above) of equity securities up to a nominal value of £57,085 being 5 percent of the issued ordinary share capital of the Company at 30 September 1999

and shall expire upon the earlier of the renewal of this power or the conclusion of the next Annual General Meeting of the Company, save that the Company may before any such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By Order of the Board

Mark Osborne  
Secretary



17 March 2000

Registered Office

Gossard House  
7-8 Savile Row  
London W1X 1AF

**Note** A person entitled to receive notice of, and attend and vote at the above meeting may appoint a proxy to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company. Forms of proxy must be deposited with the Company's Registrars, IRG plc at Balfour House, 390-398 High Road, Ilford, Essex IG1 1BR not later than 48 hours before the time appointed for the meeting or adjourned meeting. Completion and return of the form of proxy will not prevent the holder from attending the meeting and voting in person should he wish to do so.