

Longwall Holdings Limited
Report and financial statements
for the year ended 30 September 1998

Registered no: 2993253



Longwall Holdings Limited

Report and financial statements for the year ended 30 September 1998

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Directors and advisers

Directors

R Osterrieth (Chairman)
N E C Boles
S R E C James

Registered Auditors

Coopers & Lybrand
Fanum House
108 Great Victoria Street
Belfast
BT2 7AX

Secretary and registered office

N E C Boles
43 Great Portland Street
London
W1N 5DG

Solicitors

Dibb Lupton Alsop
Carlton House
18 Albert Square
Manchester
M2 5PE

Bankers

Ulster Bank Limited
2 Linenhall Street
BELFAST
BT2 8BA

National Westminster Bank plc
69 Margaret Street
LONDON
W1M 8HD

**Directors' report
for the year ended 30 September 1998**

The directors present their report and the audited financial statements for the year ended 30 September 1998.

Directors' responsibility statement

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the group at the end of the financial year and of the profit or loss of the group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30 September 1998. The directors also confirm that applicable accounting standards have been followed and that the statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities

The group is engaged in the manufacture and sale of brushes, paint rollers and ancillary products.

Review of business

The business has progressed satisfactorily during the year and is in a sound financial position at the year end.

Results

The consolidated profit and loss account for the year is set out on page 6.

Dividends

The directors do not recommend the payment of an ordinary dividend for the year but recommend that a preference dividend of £12,410 be paid.

Directors

The directors of the company at the date of presentation of these accounts are as set out on page 1.

Directors' interests in shares of the company

The directors interests were as follows:

	At 1 October 1997 and 30 September 1998 "A" Ordinary Shares
R Osterrieth	-
N E C Boles	50,000
S R E C James	50,000

No director had an interest in the company's preference shares at 30 September 1998.

Charitable and political contributions

The donations made by the group during the year for political and charitable purposes were £Nil and £950 respectively.

Employment of disabled persons

The directors are aware of their social responsibility towards disabled persons. It is group policy not to discriminate against applications for employment from disabled persons who are capable of meeting the requirements of that particular employment, and to provide equal opportunity for training and advancement, in so far as circumstances permit, to all disabled employees.

Creditor payment policy

The company's current policy concerning the payment of its creditors is to:

- (a) settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- (b) ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- (c) pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments for revenue and capital items without exception.

Longwall Holdings Limited

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Millennium and European monetary union

We are aware of the implications of the millennium issue and European monetary union for both our information and operating systems. Actions are underway to ensure any necessary systems' modifications are completed within the time available. It is not anticipated that significant incremental expenditure will be incurred.

Auditors

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July and a resolution to appoint the new firm, PricewaterhouseCoopers, as auditors to the company will be proposed at the annual general meeting.

By order of the board



N E C Boles
Secretary

London
3 February 1999

**Report of the auditors to the members of
Longwall Holdings Limited**

We have audited the financial statements on pages 6 to 22.

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.

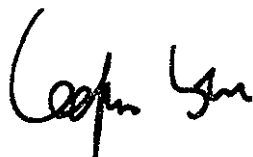
Basis of opinion

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 other irregularity or error. 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 at 30 September 1998 and of the profit and total recognised gains and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand

Chartered Accountants and Registered Auditors

Belfast

24 February 1999

**Consolidated profit and loss account
for the year ended 30 September 1998**

	Notes	1998 £	1997 £
Turnover	2	7,507,497	7,122,605
Net operating expenses (including exceptional items)	3	6,691,960	5,985,236
Operating profit before exceptional items		740,226	882,559
Exceptional items	3	75,311	254,810
Operating profit		815,537	1,137,369
Share of results of associated companies	11	(43,664)	50,500
Interest payable and similar charges	6	(211,873)	(196,135)
Profit on ordinary activities before taxation		560,000	991,734
Taxation	7	56,209	93,073
Profit for the financial year	8	503,791	898,661
Dividends and appropriations			
Preference share dividend	9	12,410	12,410
Preference share appropriation	9	86,870	86,870
Non-equity appropriation		99,280	99,280
Retained profit for the year	19	£404,511	£799,381

The movements on reserves are set out in note 19.

All amounts above relate to continuing operations of the group.

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

**Statement of total recognised gains and losses
for the year ended 30 September 1998**

	1998 £	1997 £
Profit for the financial year	503,791	898,661
Currency translation differences on foreign currency net investments	(47,696)	(349,194)
Company translation difference on borrowings to finance foreign currency net investments	-	10,232
Goodwill written off on acquisition of associated undertakings	-	(268,440)
Other movements in respect of associated undertakings	(23,071)	-
Total recognised gains and losses relating to the year	<u>£433,024</u>	<u>£291,259</u>

**Consolidated balance sheet
at 30 September 1998**

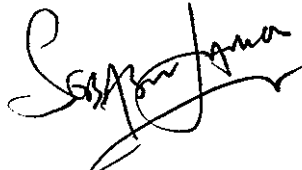
	Notes	1998 £	1997 £
Fixed assets			
Tangible assets	10	1,304,523	1,306,435
Investments	11	395,130	467,219
		<u>1,699,653</u>	<u>1,773,654</u>
Current assets			
Stocks and work in progress	12	1,736,935	1,370,985
Debtors: amounts falling due within one year	13	1,799,730	1,648,264
Cash at bank and in hand		3,562,273	696,317
		<u>7,098,938</u>	<u>3,715,566</u>
Creditors: amounts falling due within one year	14	(5,415,532)	(2,161,296)
Net current assets		<u>1,683,406</u>	<u>1,554,270</u>
Total assets less current liabilities		<u>3,383,059</u>	<u>3,327,924</u>
Creditors: amounts falling due after more than one year	15	(1,150,000)	(1,500,000)
Provisions for liabilities and charges			
Deferred taxation	16	(125,544)	(134,578)
Accruals and deferred income			
Deferred government grants	17	(86,138)	(92,584)
		<u>£2,021,377</u>	<u>£1,600,762</u>
Capital and reserves			
Called-up share capital	18	1,791,001	1,791,001
Share premium account	19	360,000	360,000
Capital redemption reserve	19	335,000	335,000
Profit and loss account	19	(464,624)	(885,238)
Equity shareholders' funds		<u>344,364</u>	<u>10,619</u>
Non-equity shareholders' funds		<u>1,677,013</u>	<u>1,590,143</u>
Shareholders' funds	20	<u>£2,021,377</u>	<u>£1,600,762</u>

The financial statements on pages 6 to 22 were approved by the board of directors on 3 February 1999 and were signed on its behalf by:

N E C Boles



S R E C James



Directors

Balance sheet at 30 September 1998

	Notes	1998 £	1997 £
Fixed assets			
Tangible assets	10	9,000	8,692
Investments	11	5,388,784	5,388,158
		<u>5,397,784</u>	<u>5,396,850</u>
Current assets			
Debtors: amounts falling due within one year	13	7,530	33,344
Cash at bank and in hand		64,304	28,814
		<u>71,834</u>	<u>62,158</u>
Creditors: amounts falling due within one year	14	1,905,923	1,376,668
Net current (liabilities)		<u>(1,834,089)</u>	<u>(1,314,510)</u>
Total assets less current liabilities		3,563,695	4,082,340
Creditors: amounts falling due after more than one year	15	(1,150,000)	(1,500,000)
		<u>£2,413,695</u>	<u>£2,582,340</u>
Capital and reserves			
Called-up share capital	18	1,791,001	1,791,001
Share premium account	19	360,000	360,000
Capital redemption reserve	19	335,000	335,000
Profit and loss account	19	(72,306)	96,340
Equity shareholders' funds		<u>736,682</u>	<u>992,197</u>
Non-equity shareholders' fund		<u>1,677,013</u>	<u>1,590,143</u>
Shareholders' funds		<u>£2,413,695</u>	<u>£2,582,340</u>

The financial statements on pages 6 to 22 were approved by the board of directors on 3 February 1999 and were signed on its behalf by:

N E C Boles



S R E C James



Directors

**Consolidated cash flow statement
For the year ended 30 September 1998**

	Notes	1998 £	1997 £
Net cash inflow from continuing operation activities (see below)		<u>531,100</u>	<u>1,137,803</u>
Returns on investments and servicing of finance			
Preference dividends paid		(12,410)	(12,410)
Interest paid on bank loans and overdrafts		(211,873)	(196,135)
		<u>(224,283)</u>	<u>(208,545)</u>
Taxation			
UK Corporation tax paid		(71,582)	(49,371)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(187,417)	(232,816)
Sale of tangible fixed assets		9,750	21,436
		<u>(177,667)</u>	<u>(211,380)</u>
Acquisition and disposals			
Purchase of associate undertaking		-	(674,926)
Cash inflow/(outflow) before management of liquid resources and financing		<u>57,568</u>	<u>(6,419)</u>
Management of liquid resources			
Movements in short term deposits		400,000	(480,000)
Financing			
New loan advanced		-	626,300
Loans repaid		(199,374)	-
Government capital grants received		11,250	21,579
		<u>(188,124)</u>	<u>647,879</u>
Increase in cash in the period	23	<u>£269,444</u>	<u>£161,460</u>

Reconciliation of operating profit to net cash flow from operation activities:

	1998 £	1998 £
Operating profit before interest	815,537	1,137,369
Depreciation of tangible fixed assets	185,120	156,501
Profit on sale of tangible fixed assets	(9,637)	(20,441)
Exchange differences	(47,696)	(305,855)
Deferred government grants released	(17,563)	(18,239)
(Increase) in stocks	(365,950)	(64,621)
(Increase)/decrease in debtors	(151,466)	53,650
Increase in creditors	122,755	199,439
Net cash inflow from operating activities	<u>£531,100</u>	<u>£1,137,803</u>

**Notes to the financial statements
for the year ended 30 September 1998****1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The company prepares its financial statements on the historical cost basis of accounting.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings. The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary, the subsidiary's assets and liabilities are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses, that arise after the group has gained control of the subsidiary are reflected in the post acquisition profit and loss account.

Associated undertakings

The group's share of profits less losses of associated undertakings is included in the consolidated profit and loss account, and the group's share of their net assets is included in the consolidated balance sheet. These amounts are taken from the audited accounts of the undertakings concerned, which were drawn up to 30 September 1998. Because the accounting policies of associated undertakings do not necessarily conform in all respects to those of the group, adjustments are made on consolidation where the amounts involved are material to the group.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired.

Goodwill on the consolidation of subsidiary companies and other purchased goodwill is written off to reserves on acquisition.

Fixed Assets

Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual values over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Long leasehold land and buildings	2%
Plant and equipment	12½% & 20%
Motor vehicles	25% & 33⅓%

Government grants

Grants that relate to specific capital expenditure are treated as deferred income which is then credited to the profit and loss account over the related assets useful lives. Revenue grants are credited to income in the period to which they relate.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes appropriate production overheads.

Turnover

Turnover, which excludes value added tax, represents the invoiced value of goods sold to customers.

Deferred taxation

Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Pension costs

The group companies operate defined contribution schemes for employees. The assets of the schemes are held separately from those of the companies in independently administered funds, and contributions are charged to the profit and loss account in the year to which they relate.

Foreign Currencies

Assets and liabilities expressed in foreign currencies are translated to sterling at the rate of exchange ruling at the end of the financial year. Differences on exchange arising from the retranslation of the opening net investment in subsidiary companies are taken to reserves and reported in the statement of total recognised gains and losses. Where the net investment in subsidiaries is hedged by foreign currency borrowings the investment is revalued, and the matching exchange differences on revaluation and on the borrowings are taken to the company's reserves.

Related party transactions

As the company publishes consolidated group accounts, it has taken advantage of the exemption to not report transactions with subsidiary undertakings as permitted in FRS 8. There were no material transactions with the associated undertaking during the year.

2 Turnover and profit on ordinary activities before taxation

An analysis of turnover and profit on ordinary activities before taxation has not been disclosed by geographical segment. In the opinion of the directors the group is not engaged in more than one class of business.

3 Net operating expenses

	1998	1997
	£	£
Exceptional foreign exchange gain on loan to a subsidiary	(103,095)	(254,810)
Exceptional non-recurring professional costs	27,784	-
	<u>(75,311)</u>	<u>(254,810)</u>
Total exceptional items	(75,311)	(254,810)
Changes in stocks of finished goods and work in progress	(513,381)	(39,565)
Raw materials and consumables	3,952,614	3,319,507
Staff costs (note 5)	2,022,183	1,731,598
Depreciation	185,120	156,501
Deferred grant release	(6,313)	(18,239)
Other operating charges	1,121,924	1,110,841
Foreign exchange losses/(gains) on trading activities	24,443	(7,676)
Interest received	(19,319)	(12,921)
	<u>£6,691,960</u>	<u>£5,985,236</u>

Other operating charges are stated after charging:

Auditors' remuneration		
- for audit (company £1,700;1997: £1,000)	10,750	10,000
- for other services	12,336	1,500
Profit on disposal of fixed assets	(9,637)	(20,441)
	<u>£12,449</u>	<u>£9,059</u>

4 Directors' emoluments

	1998	1997
	£	£
Aggregate emoluments	104,000	96,000
Company contributions to defined contribution scheme	8,738	8,014
	<u>£112,738</u>	<u>£104,014</u>

5 Employee information

The average weekly number of persons (including executive directors) employed during the year was:

	1998	1997
	Number	Number
Weekly paid	134	115
Monthly paid	30	30
	<u>164</u>	<u>145</u>
	£	£
Staff costs (for the above persons):		
Wages and salaries	1,818,164	1,568,229
Social security costs	151,570	120,629
Other pension costs	52,449	42,740
	<u>£2,022,183</u>	<u>£1,731,598</u>

6 Interest payable and similar charges

	1998	1997
	£	£
On bank loans and overdrafts	211,249	195,888
Other interest	624	247
	<u>£211,873</u>	<u>£196,135</u>

7 Taxation

	1998	1997
	£	£
United Kingdom corporation tax at 22% (1997 - 36.8%)		
Current	-	9,808
Deferred	(8,016)	2,806
Republic of Ireland corporation tax at 13% (1997: 10%)		
Current	86,602	87,976
Deferred	(935)	(208)
(Over)/under provision in respect of prior years:		
Corporation tax	(21,442)	151
Deferred tax	-	(7,460)
	<u>£56,209</u>	<u>£93,073</u>

8 Profit for the financial year

As permitted by Section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial year is made up as follows:

	1998	1997
	£	£
Dealt with in the accounts of the holding company	(168,646)	381,389
Retained by subsidiary companies	716,101	466,772
Retained by associated companies	(43,664)	50,500
	<u>£503,791</u>	<u>£898,661</u>

9 Dividends

	1998	1997
	£	£
Preference share dividend - proposed	<u>£12,410</u>	<u>£12,410</u>
Preference share appropriation - redemption premium	<u>£86,870</u>	<u>£86,870</u>

In accordance with the provisions of FRS 4, the appropriation in respect of the redemption premium has been credited back to the profit and loss account reserve (note 19). The cumulative redemption premium at 30 September 1998 was £309,876 (1997: £223,006), and is reflected within non-equity shareholders funds.

10 Tangible fixed assets

Group

	Freehold land and buildings £	Long leasehold land and buildings £	Plant and equipment £	Motor vehicles £	Total £
Cost or valuation					
At 1 October 1997	279,310	650,000	1,417,489	181,636	2,528,435
Exchange adjustment	(3,411)	-	(4,144)	(139)	(7,694)
Additions	26,700	14,050	118,456	28,211	187,417
Disposals	-	-	-	(31,375)	(31,375)
At 30 September 1998	302,599	664,050	1,531,801	178,333	2,676,783
Depreciation					
At 1 October 1997	16,759	39,000	1,082,359	83,882	1,222,000
Exchange adjustment	(205)	-	(3,324)	(69)	(3,598)
Charge for the year	6,052	13,281	114,247	51,540	185,120
Disposals	-	-	-	(31,262)	(31,262)
At 30 September 1998	22,606	52,281	1,193,282	104,091	1,372,260
Net book value					
At 30 September 1998	£279,993	£611,769	£338,519	£74,242	£1,304,523
Net book value					
At 30 September 1997	£262,551	£611,000	£335,130	£97,754	£1,306,435
Cost or valuation					
At 30 September 1998 is represented by:					
Valuation	275,899	664,050	-	-	939,949
Cost	26,700	-	1,531,801	178,333	1,736,834
	£302,599	£664,050	£1,531,801	£178,333	£2,676,783

At 30 September 1994 the land and buildings of the group companies were valued on the basis of an open market valuation for existing use by Lambert Smith Hampton, Chartered Surveyors.

If land and buildings had not been revalued they would have been included at the following amounts:

	1998	1997
Cost	£748,460	£748,460
Aggregate depreciation based on cost	£174,161	£158,337

10 Tangible fixed assets (continued)

Company

	Plant and equipment £
Cost	
At 1 October 1997	11,342
Additions	2,754
	<u>14,096</u>
At 30 September 1998	
Depreciation	
At 1 October 1997	2,650
Charge for the year	2,446
	<u>5,096</u>
At 30 September 1998	
Net book value	
At 30 September 1998	<u><u>£9,000</u></u>
Net book value	
At 30 September 1997	<u><u>£8,692</u></u>

11 Fixed asset investments

Group

Associated companies

	1998
Opening share of net assets	467,219
Exchange difference on translation	(5,354)
Share of results for the year	(43,664)
Other movements	(23,071)
	<u>£395,130</u>
At 30 September 1998	

Company

	Interests in group undertakings £	Associated undertakings £	Total
Cost			
At 1 October 1997	4,703,000	685,158	5,388,158
Exchange difference on translation	-	626	626
	<u>£4,703,000</u>	<u>£685,784</u>	<u>£5,388,784</u>
At 30 September 1998			

11 Fixed asset investments (continued)

	Country of incorporation	Proportion of ordinary shares held
Subsidiary undertakings		
Robert J Hall Limited	Northern Ireland	100%
Ezy Koter Limited	Republic of Ireland	100%
Associated undertakings		
Roulor	France	34%
Le Herisson	France	34%

All of the above undertakings are involved in the manufacture and sale of brushes, paint rollers and ancillary products.

The group's share of the results of its associated undertakings is as follows:

	Roulor £	Le Herisson £	Total £
Turnover	2,198,404	565,707	2,764,111
Fixed assets	255,883	168,247	424,130
Current assets	945,623	373,422	1,319,045
Liabilities due within one year	(953,690)	(315,712)	(1,269,402)
Provision for liabilities and charges	(110,239)	-	(110,239)
Adjustment to reflect consolidated net assets of Roulor's subsidiary undertaking	31,596	-	31,596
	<u>£169,173</u>	<u>£225,957</u>	<u>£395,130</u>

12 Stocks and work in progress

Group	1998 £	1997 £
Raw materials and consumables	1,238,434	1,006,720
Work in progress	188,093	139,960
Finished goods	310,408	224,305
	<u>£1,736,935</u>	<u>£1,370,985</u>

13 Debtors

	Group 1998 £	Group 1997 £	Company 1998 £	Company 1997 £
Amounts falling due within one year				
Trade debtors	1,792,200	1,560,492	-	-
Other debtors	7,530	33,344	7,530	33,344
Prepayments and accrued income	-	54,428	-	-
	<u>£1,799,730</u>	<u>£1,648,264</u>	<u>£7,530</u>	<u>£33,344</u>

14 Creditors: amounts falling due within one year

	Group 1998	Group 1997	Company 1998	Company 1997
	£	£	£	£
Bank overdraft	3,000,000	3,488	-	3,488
Bank loan	1,076,926	926,000	1,076,926	926,300
Trade creditors	675,655	586,515	-	-
Amounts owed to subsidiary undertakings	-	-	801,512	420,714
Corporation tax	83,528	89,950	-	-
Other taxation and social security payable	56,419	49,004	-	-
Other creditors	240,185	264,152	-	-
Accruals and deferred income	270,409	229,777	15,075	13,756
Preference dividends payable	12,410	12,410	12,410	12,410
	<u>£5,415,532</u>	<u>£2,161,296</u>	<u>£1,905,923</u>	<u>£1,376,668</u>

15 Creditors: amounts falling due after more than one year

	Group 1998	Group 1997	Company 1998	Company 1997
Bank loan	<u>£1,150,000</u>	<u>£1,500,000</u>	<u>£1,150,000</u>	<u>£1,500,000</u>

The above loans are repayable as follows:

	Group 1998	Group 1997	Company 1998	Company 1997
	£	£	£	£
In less than one year	1,076,926	926,300	1,076,926	926,300
Between one and two years	550,000	600,000	550,000	600,000
Between two and five years	600,000	900,000	600,000	900,000
	<u>£2,226,926</u>	<u>£2,426,300</u>	<u>£2,226,926</u>	<u>£2,426,300</u>

16 Deferred taxation

	1998		1997	
Group	Amount provided	Total potential liability	Amount provided	Total potential liability
Tax effect of timing differences arising on:				
Accelerated capital allowances	<u>£125,544</u>	<u>£125,544</u>	<u>£134,578</u>	<u>£134,578</u>
				£
At 1 October 1997				134,495
Profit and loss account				(8,951)
At 30 September 1998				<u>£125,544</u>

16 Deferred taxation (continued)

If any of the properties were realised at the amounts included in the balance sheet, in view of the group's policy of expansion and continued ownership of its assets it would be necessary to replace them by purchasing similar property; rollover relief would therefore be available. Accordingly, the revalued amounts do not constitute timing differences as defined by SSAP 15, and the potential amount of deferred tax if they were to be disposed of has not therefore been quantified.

17 Deferred government grants

	Group 1998 £	Group 1997 £
At 1 October 1997	92,584	91,033
Exchange adjustment	(133)	(1,789)
Received in the year	11,250	21,579
Released to profit and loss account	(17,563)	(18,239)
Provision at 30 September 1998	£86,138	£92,584

18 Called-up share capital

	1998 £	1997 £
Authorised		
110,000 "A" ordinary shares of £1 each	110,000	110,000
313,863 "B" ordinary shares of £1 each	313,864	313,864
126,137 deferred shares	126,136	126,136
376,250 4% "C" preference shares of £1 each	376,250	376,250
1,128,750 "D" preference shares of £1 each	1,128,750	1,128,750
	£2,055,000	£2,055,000
Allotted, called up and fully paid		
110,000 "A" ordinary shares of £1 each	110,000	110,000
313,863 "B" ordinary shares of £1 each	313,864	313,864
126,137 deferred shares	126,136	126,136
310,250 4% "C" preference shares of £1 each	310,250	310,250
930,750 "D" preference shares of £1 each	930,751	930,751
	£1,791,001	£1,791,001

18 Called-up share capital (continued)

The preference shares are redeemable at any time, and on the earlier of a listing or sale of the company the preference shares then in issue are to be redeemed in full. The prices at which the shares are redeemable are as follows:

4% "C" Preference shares

- (i) at issue price plus 4% per annum from date of issue
- or
- (ii) at issue price plus 16% per annum from date of issue

"D" Preference shares

- at issue price plus 8% per annum from date of issue
- or
- at issued price plus 20% per annum from date of issue

(ii) is at the option of a majority of the "A" ordinary shareholders.

Rights of non-equity interests

4% "C" Preference shares of £1 each entitle holders, in priority to the holders of any other shares in the company, to a fixed cumulative preferential dividend of 4% per annum. They do not entitle holders to any further right of participation in the profits of the company.

"D" Preference shares of £1 each do not entitle the holders to any right of participation in the profits of the company.

The holders of the deferred shares shall not be entitled to any participation in the profits or the assets of the company, but may at any time appoint any person to execute on behalf of the holders of the deferred shares a transfer for no consideration to such persons as the company may determine. In addition, the company may purchase all the deferred shares, for not more than an aggregate sum of one pence without obtaining the sanction of the holders.

19 Reserves

	Share premium account £	Capital redemption reserve £	Profit and loss account £
Group			
At 1 October 1997	360,000	335,000	(885,238)
Retained profit for the year	-	-	404,511
Reversal of non-equity appropriations on redemption of preference shares	-	-	86,870
Exchange adjustment	-	-	(47,696)
Other movements in respect of associates	-	-	(23,071)
At 30 September 1998	£360,000	£335,000	£(464,624)
Company			
At 1 October 1997	360,000	335,000	96,340
Loss for the year	-	-	(168,646)
At 30 September 1998	£360,000	£335,000	£(72,306)

The cumulative amount of goodwill which has been written off to reserves at 30 September 1998 is £1,757,008.

20 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
Retained profit for the year	404,511	663,245
Other recognised gains and losses relating to the year (net)	(70,766)	(607,402)
Reversal of non-equity appropriations	86,870	223,006
	<hr/>	<hr/>
Net addition to shareholders funds	420,615	278,849
Opening shareholders' funds	1,600,762	1,321,913
	<hr/>	<hr/>
Closing shareholders' funds	<u>£2,021,377</u>	<u>£1,600,762</u>

21 Capital commitments

	Group 1998	Group 1997	Company 1998	Company 1997
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>£56,000</u>	<u>£250,000</u>	<u>£56,000</u>	<u>£230,000</u>

22 Contingent liability

The company has entered into an all monies cross guarantee on loan facilities taken out by the group. The guarantee consists of a fixed charge over any book debts and a floating charge over all other assets.

23 Reconciliation of net cash flows to movement in net debt

	1998 £	1997 £
Increase in cash in the period	269,444	161,460
Cash (outflow)/inflow from (decrease)/increase in liquid resources	(400,000)	480,000
Cash outflow/(inflow) from decrease/(increase) in debt	199,374	(626,300)
	<hr/>	<hr/>
Movement in net debt in the period	68,818	15,160
Net debt at 30 September 1997	(1,733,471)	(1,748,631)
	<hr/>	<hr/>
Net debt at 30 September 1998	<u>£(1,664,653)</u>	<u>£(1,733,471)</u>

	At 1 October 1997 £	Cash flow £	At 30 September 1998 £
Cash at bank and in hand	696,317	2,865,956	3,562,273
Less: deposits treated as liquid resources	(490,000)	400,000	(90,000)
	<hr/>	<hr/>	<hr/>
	206,317	3,265,956	3,472,273
Bank overdraft	(3,488)	(2,996,512)	(3,000,000)
	<hr/>	<hr/>	<hr/>
	202,829	269,444	472,273
Debt due after one year	(1,500,000)	350,000	(1,150,000)
Debt due within one year	(926,300)	(150,626)	(1,076,926)
Liquid resources - short term deposits	490,000	(400,000)	90,000
	<hr/>	<hr/>	<hr/>
Total	<u>£(1,733,471)</u>	<u>£68,818</u>	<u>£(1,664,653)</u>