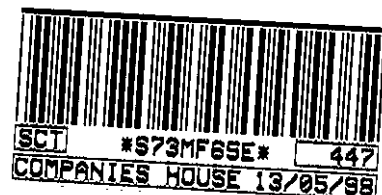


BDF Limited**Report and Financial Statements**

Year Ended

31 January 1998

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BDF Limited

Annual report and financial statements for the year ended 31 January 1998

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Directors

W R Charters
J E McKerchar
M H F Wilkinson

Secretary and registered office

Mrs C McLeish, 64 Dalblair Road, Ayr, KA7 1UH

Company number

107761

Auditors

BDO Stoy Hayward, 64 Dalbair Road, Ayr, KA7 1UH

Bankers

Bank of Scotland, 2 St Vincent Place, Glasgow, G1 2HR
and

Bank of Scotland, 17 Dalrymple Street, Girvan, KA26 9EU

Solicitors

McClure Naismith Anderson & Gardiner, 292 St Vincent Street, Glasgow, G2 5TQ

Report of the directors for the year ended 31 January 1998

The directors present their report together with the audited financial statements for the year ended 31 January 1998.

Results and dividends

The profit and loss account is set out on page 4 and shows the profit for the year.

The directors recommend the payment of a dividend of £30,000 on ordinary shares.

Principal activities, trading review and future developments

The company's principal activity is the manufacture of medical textiles and dental floss.

The company has again produced acceptable results despite difficulties caused by the strong pound. After negotiations the company purchased its property during the year and this should lead to a further reduction in costs. Despite difficulties caused by unfavourable exchange rates the directors are confident of continued profitability.

Directors

The directors of the company during the year and their interests in the ordinary share capital of the company were:

	Ordinary shares of £1 each	
	1998	1997
W R Charters	32500	32500
J E McKerchar	20000	20000
M H F Wilkinson	10000	10000

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 company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- 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 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BDF Limited

Report of the directors for the year ended 31 January 1998 (*Continued*)

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the board

Mrs C McLeish *C McLeish*

Secretary

26 March 1998

BDF Limited**Report of the auditors**

Auditors' report to BDF Limited under section 247B of the Companies Act 1985

We have examined the abbreviated financial statements on pages 4 to 18 together with the financial statements of the company for the year ended 31 January 1998 prepared under section 226 of the Companies Act 1985.

Respective responsibilities of directors and auditors

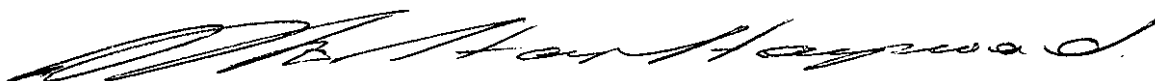
The directors are responsible for preparing the abbreviated financial statements in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated financial statements prepared in accordance with section 246A(3) of the Act to the registrar of companies and whether the financial statements to be delivered are properly prepared in accordance with that provision and to report our opinion to you.

Basis of opinion

We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated financial statements and that the abbreviated financial statements to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated financial statements prepared in accordance with section 246A(3) of the Companies Act 1985 and the abbreviated financial statements on pages 4 to 18 are properly prepared in accordance with that provision.



BDO STOY HAYWARD
*Chartered Accountants
and Registered Auditors*
Ayr

26 March 1998

BDF Limited**Profit and Loss Account for the year ended 31 January 1998**

	Note	1998 £	1997 £
Gross profit		685,232	544,227
Selling and distribution costs		156,635	112,554
Administrative expenses		349,880	338,542
		<hr/>	<hr/>
Operating profit	4	178,717	93,131
Interest payable and similar charges	5	(36,580)	(41,796)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		142,137	51,335
Taxation on profit on ordinary activities	6	21,502	12,456
		<hr/>	<hr/>
Profit on ordinary activities after taxation		120,635	38,879
Dividends	7	30,000	20,000
		<hr/>	<hr/>
Retained profit for the year		90,635	18,879
Retained profit brought forward		131,437	112,558
		<hr/>	<hr/>
Retained profit carried forward		222,072	131,437
		<hr/>	<hr/>

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

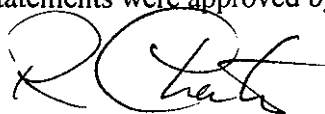
The notes on pages 7 to 18 form part of these financial statements.

BDF Limited**Balance Sheet at 31 January 1998**

	Note	1998	1997
		£	£
Fixed assets			
Tangible assets	8	590,669	247,938
Current assets			
Stocks	9	431,133	446,365
Debtors	10	587,222	651,717
Cash at bank and in hand		335	163
		<u>1,018,690</u>	<u>1,098,245</u>
Creditors: amounts falling due within one year	11	884,526	986,185
Net current assets		<u>134,164</u>	<u>112,060</u>
Total assets less current assets		<u>724,833</u>	<u>359,998</u>
Creditors: amounts falling due after more than one year	12	296,902	143,028
Provisions for liabilities and charges	13	23,359	21,033
Accruals and deferred income		120,000	2,000
Net assets		<u>284,572</u>	<u>193,937</u>
Capital and reserves			
Called up share capital	14	62,500	62,500
Profit and loss account		222,072	131,437
Shareholders' funds	16	<u>284,572</u>	<u>193,937</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium sized companies.

The financial statements were approved by the Board on 26 March 1998



W R Charters
Director

The notes on pages 7 to 18 form part of these financial statements.

BDF Limited**Cash flow statement for the year ended 31 January 1998**

	Note	1998	1997
		£	£
Net cash inflow from operating activities	20	232,081	69,544
Returns on investments and servicing of finance			
Interest paid		(32,171)	(40,154)
Interest element of finance lease rentals		(4,409)	(1,642)
		<u>(36,580)</u>	<u>(41,796)</u>
Taxation			
Corporation tax paid		(13,574)	4,148
		<u>(13,574)</u>	<u>4,148</u>
Capital Expenditure			
Payments to acquire tangible fixed assets		(330,663)	(28,010)
Receipts from sales of tangible fixed assets		-	8,300
Government grants received		120,000	-
		<u>(210,663)</u>	<u>(19,710)</u>
		<u>(28,736)</u>	<u>12,186</u>
Equity dividends paid		<u>(20,000)</u>	<u>-</u>
Cash (outflow)/inflow before use of liquid resources and financing		<u>(48,736)</u>	<u>12,186</u>
Financing			
New loans		165,000	-
Loans repaid		(44,248)	(40,623)
Capital element of finance lease rentals		(24,717)	(7,530)
		<u>96,035</u>	<u>(48,153)</u>
Increase/(decrease) in cash		<u>47,299</u>	<u>(35,967)</u>

The notes on pages 7 to 18 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention. The following principal accounting policies have been applied:

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

Heritable property	-	4% straight line
Leasehold property improvements	-	15% reducing balance
Plant and machinery	-	15% to 25% reducing balance
Motor vehicles	-	25% reducing balance
Fixtures and fittings	-	15% reducing balance and 25% straight line

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value. Cost consists of purchase invoice costs and, where appropriate, attributable overheads.

Work in progress is valued at the lower of cost and net realisable value. Cost consists of direct materials, labour and attributable overheads. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor. All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

1 Accounting policies (*continued*)*Pensions*

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that a liability or asset will crystallise.

Government grants

Grants of a revenue nature are credited to income in the period to which they relate.

Capital grants are credited to a deferred income account and amortised to the profit and loss account over the expected useful lives of the fixed assets involved.

2 Employees

Staff costs (including directors) consist of:

	1998 £	1997 £
Wages and salaries	1,010,220	950,564
Social security costs	66,879	68,098
Other pension costs	7,029	8,772
	<u>1,084,128</u>	<u>1,027,434</u>

The average monthly number of employees (including directors) during the year was as follows:

	1998 Number	1997 Number
Management and administration	10	12
Production, installation and sales	108	104
	<u>118</u>	<u>116</u>

3 Directors

	1998 £	1997 £
Directors' emoluments consist of:		
Emoluments	101,307	110,876
Pension contributions towards defined contribution schemes	4,823	5,873
	<u>106,130</u>	<u>116,749</u>

4 Operating profit

This is arrived at after charging/(crediting):

	1998 £	1997 £
Depreciation of tangible fixed assets		
- owned by the company	37,161	32,559
- held under finance leases	17,228	7,831
Auditors' remuneration	4,100	4,000
Loss on disposal of fixed assets	8,192	1,522
Operating lease rentals - plant and machinery	10,676	18,473
Government grants released	(42,000)	(2,000)
	<u> </u>	<u> </u>

5 Interest payable and similar charges

	1998 £	1997 £
On bank loans and overdrafts	30,197	34,810
On other loans	1,974	5,344
On finance leases and hire purchase contracts	4,409	1,642
	<u>36,580</u>	<u>41,796</u>

BDF LimitedNotes forming part of the financial statements for the year ended 31 January 1998 (*Continued*)**6 Taxation**

	1998 £	1997 £
<i>Current Year</i>		
UK corporation tax	16,682	13,580
Transfer to/(from) deferred taxation	4,826	(1,124)
	<u>21,508</u>	<u>12,456</u>
<i>Prior years</i>		
UK corporation tax	(6)	-
	<u>21,502</u>	<u>12,456</u>

7 Dividends

	1998 £	1997 £
<i>Equity shares</i>		
Ordinary shares		
Final proposed of 48p (1997 - 32p) per share	<u>30,000</u>	<u>20,000</u>

Notes forming part of the financial statements for the year ended 31 January 1998 (Continued)

8 Tangible assets

	Heritable property £	Leasehold property improvements £	Plant and machinery £	Motor vehicles £	Fixtures and Fittings £	Total £
<i>Cost</i>						
At 1 February 1997	-	19,567	487,655	56,855	77,351	641,428
Additions	286,052	-	87,720	-	31,540	405,312
Disposals	-	(19,567)	-	-	-	(19,567)
At 31 January 1998	286,052	-	575,375	56,855	108,891	1,027,173
<i>Depreciation</i>						
At 1 February 1997	-	11,375	335,784	4,814	41,517	393,490
Provided for the year	1,910	(1,040)	27,248	13,011	13,260	54,389
Disposals	-	(11,375)	-	-	-	(11,375)
At 31 January 1998	1,910	(1,040)	363,032	17,825	54,777	436,504
<i>Net Book Value</i>						
At 31 January 1998	284,142	1,040	212,343	39,030	54,114	590,669
At 31 January 1997	-	8,192	151,871	52,041	35,834	247,938

Included above are assets held under finance leases or hire purchase contracts with net book values as follows:

	1998 £	1997 £
Plant & machinery	81,829	11,397
Motor vehicles	39,030	52,041
	<u>120,859</u>	<u>63,438</u>

Capital commitments contracted for amounted to £40,000 (1997 £Nil).

9 Stocks

	1998 £	1997 £
Raw materials and consumables	257,698	250,628
Work in progress	27,122	39,655
Finished goods and goods for resale	146,313	156,082
	<u>431,133</u>	<u>446,365</u>

10 Debtors

	1998 £	1997 £
Trade debtors	489,930	642,416
Other debtors	89,734	5,040
Prepayments and accrued income	7,558	4,261
	<u>587,222</u>	<u>651,717</u>

All amounts shown under debtors fall due for payment within one year.

11 Creditors: amounts falling due within one year

	1998 £	1997 £
Other loans	14,605	21,832
Bank loans and overdrafts	273,561	311,114
Trade creditors	413,139	502,263
Taxation and social security	19,513	25,167
Proposed dividend	30,000	20,000
Corporation tax	11,682	13,580
Advance corporation tax	10,000	5,000
Net obligations under finance lease and hire purchase contracts	34,313	19,850
Accruals and deferred income	77,713	67,379
	<hr/>	<hr/>
	884,526	986,185
	<hr/>	<hr/>

The bank overdraft is secured by Bond and Floating Charge over the assets of the company. The loans are also secured (see note 12).

12 Creditors: amounts falling due after more than one year

	1998 £	1997 £
Bank loans	227,969	93,154
Other loans	3,786	20,196
Net obligations under finance lease and hire purchase contracts	65,147	29,678
	<u>296,902</u>	<u>143,028</u>
	<u><u>296,902</u></u>	<u><u>143,028</u></u>
Included within the above are amounts falling due as follows:		
In 1 - 2 years:		
Loan instalments	35,897	23,493
Finance lease and hire purchase obligations	25,272	19,850
In 2 - 5 years:		
Loan instalments	91,975	89,857
Finance lease and hire purchase obligations	39,875	9,828
In more than 5 years:		
Loan instalments	103,883	-
	<u>296,902</u>	<u>143,028</u>
	<u><u>296,902</u></u>	<u><u>143,028</u></u>

The bank loans are repayable by instalments, with the outstanding balance attracting interest at between 2.5% and 3.5% over the Bank of Scotland base rate. The banks loan are secured by a standard security over the company's property at Girvan together with a Bond and Floating Charge over the whole assets of the company, ranking prior to other loans.

The other loans are secured by Floating charge over the whole property and undertaking of the company and rank behind the security granted to the Bank of Scotland.

13 Provisions for liabilities and charges*Deferred Taxation*

The amount of deferred taxation provided is as follows:

	1998 £	1997 £
Accelerated capital allowances	30,859	26,033
ACT recoverable	(7,500)	(5,000)
	<u>23,359</u>	<u>21,033</u>

There is no deferred taxation unprovided.

	£
Deferred taxation movements:	
Balance at 1 February 1997	21,033
Transfer from profit and loss account	4,826
ACT available for setoff	(2,500)
	<u>23,359</u>
Balance at 31 January 1998	<u>23,359</u>

	1998 £	1997 £
Total provisions for liabilities and charges	<u>23,359</u>	<u>21,033</u>

14 Called up share capital

	Authorised		Allotted, called up and fully paid	
	1998 £	1997 £	1998 £	1997 £
Ordinary shares of £1 each	<u>78,125</u>	<u>78,125</u>	<u>62,500</u>	<u>62,500</u>

15 Reserves

	£
<i>Profit and Loss Account</i>	
At 1 February 1997	131,437
Profit for the year	90,635
	<hr/>
At 31 January 1998	222,072
	<hr/> <hr/>

16 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
Profit for the year	120,635	38,879
Dividends	(30,000)	(20,000)
	<hr/>	<hr/>
	90,635	18,879
Opening shareholders' funds	193,937	175,058
	<hr/>	<hr/>
Closing shareholders' funds	284,572	193,937
	<hr/> <hr/>	<hr/> <hr/>

17 Contingent liabilities

The company has given a guarantee to the Bank of Scotland in respect of the bank borrowings of Gorine Limited. At 31 January 1998 the bank borrowings of Gorine Limited were £Nil (1997 £Nil). During the year ended 31 January 1998 BDF Limited received a grant of £120,000 from the Industry Department of Scotland. A condition of this grant is that some or all of the amount paid may be reclaimed if the company does not fulfil the project for which the grant was awarded.

18 Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

19 Commitments under operating leases

As at 31 January 1998 the company had annual commitments under non-cancellable operating leases as set out below:

	1998		1997	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	850	-	1,379
In two to five years	-	4,186	36,500	5,886
	<u>-</u>	<u>5,036</u>	<u>36,500</u>	<u>7,265</u>
	<u>-</u>	<u>5,036</u>	<u>36,500</u>	<u>7,265</u>

20 Reconciliation of operating profit to net cash inflow from operating activities

	1998 £	1997 £
Operating profit	178,717	93,131
Depreciation of tangible fixed assets	54,389	40,390
Loss on sale of fixed assets	8,192	1,522
Decrease in stocks	15,232	90,266
Decrease/(increase) in debtors	104,495	(220,084)
(Decrease)/increase in creditors	(86,944)	66,319
Amortisation of government grants	(42,000)	(2,000)
	<u>232,081</u>	<u>69,544</u>
Net cash inflow from operating activities	<u>232,081</u>	<u>69,544</u>

21 Reconciliation of net cashflow to movement in net debt

	1998		1997	
	£	£	£	£
Increase/(decrease) in cash in the year	47,299		(35,967)	
Cashflow from change in debt	(145,469)		(453,845)	
Inception of hire purchase creditors		(98,170)		(489,812)
		(74,649)		(91,245)
Change in net debt		(172,819)		(581,057)
Opening net debt		(495,661)		(259,348)
Closing net debt		(668,480)		(840,405)

22 Analysis of changes in net debt

	At 01/02/97 £	Cash flows £	Other changes £	At 31/01/98 £
Cash in hand, at bank	163	172	-	335
Overdrafts	(295,478)	47,127	-	(248,351)
		47,299		
Debt due within one year	(37,468)	(2,347)		(39,815)
Debt due after one year	(113,350)	(118,405)		(231,755)
Finance leases	(49,528)	(24,717)	(74,649)	(99,460)
Total	(495,661)	(98,170)	(74,649)	(668,480)