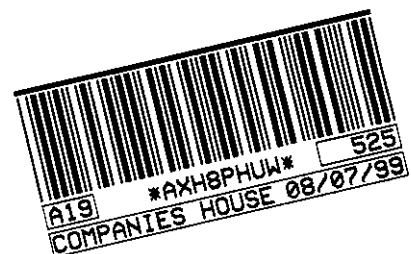


ESDALE LIMITED
FINANCIAL STATEMENTS
30TH SEPTEMBER 1998

Company Registration Number 1071506

BURLINSON STEWART & CO.
Chartered Accountants & Registered Auditors
21 Henrietta Street
Batley
WF17 5DN



ESDALE LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 30TH SEPTEMBER 1998

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ESDALE LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The Board of Directors

F. Eastwood
E. Brown
D. Brown
H. Brown
D.R. Brown
M.H. Ellis

Company Secretary

D.R. Brown

Registered Office

Thomas Street
Bradford Road
Batley

Auditors

Burlinson Stewart & Co.
Chartered Accountants
& Registered Auditors
21 Henrietta Street
Batley
WF17 5DN

ESDALE LIMITED
THE DIRECTORS' REPORT
YEAR ENDED 30TH SEPTEMBER 1998

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 30th September 1998.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was as precision engineers and mould makers for the glass and plastic industries.

The year proved to be a tough trading year, especially on the plastic tooling side of the business.

The glass mould operation held up moderately well in spite of fierce competition from the continent.

Prices were very keen because of the strength of the pound, but we managed to keep up performance due to the extensive investment we have made over the last few years. Our foundry operation worked well after the extensive re-fit of our moulding operation and the results were encouraging.

The plastics operation was under great pressure from foreign suppliers. Again, the strength of the pound proved to be a difficulty. Customers have been buying from abroad, especially the Eastern Block, which has benefitted from new investment from the USA.

Our new design and technical facility has been appreciated by many of our customers and this is an area we have been actively pursuing over the last year or so. Through 1998 we allowed the workforce of the plastic tooling departments to deplete by 20%. Because of the market difficulties and price issues, we are planning to further reduce the operation to make it more effective until such time as the fiscal environment improves.

At the beginning of 1999, one of our major glass mould customers, through their USA owners, decided to purchase all their tools from a new Hungarian supplier, who had been set up with USA finance. This meant that after 1999 we would lose a significant part of our sales. Because of the sterling situation it meant that we had no chance of replacing that business, and so we had to plan to reduce the operation by 40% throughout 1999.

In February we made the first block of employees redundant. Further employees will be made redundant towards the end of the year, so that by early 2000 we will be at a size at which we can operate more profitably and effectively.

This action is being viewed as a positive move in view of the market changes. Our depth of technical knowledge and high-technology machine tools will hold us in good stead, so that we will be able to respond to any improvement in the market situation.

Year 2000 Considerations

During recent months the company has made a detailed assessment of any potential year 2000 problems. As a result of this assessment, some computer hardware has been replaced and some machine and computer programming software has been upgraded. The costs involved in addressing this issue have not been substantial and it is believed that any further problems are likely to be minimal.

ESDALE LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30TH SEPTEMBER 1998

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have recommended the following dividends:

| | 1998 | 1997 |
|-----------------------------------|---------------|---------------|
| | £ | £ |
| Dividends paid on ordinary shares | <u>48,000</u> | <u>96,000</u> |

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests, including family holdings, in the shares of the company were as follows:

| | Ordinary Shares of £1 each | |
|-------------|----------------------------|-------------------|
| | At 30 September 1998 | At 1 October 1997 |
| F. Eastwood | 2,500 | 2,500 |
| E. Brown | 6,250 | 6,250 |
| D. Brown | 4,000 | 4,000 |
| H. Brown | - | - |
| D.R. Brown | 4,875 | 4,875 |
| M.H. Ellis | <u>1,250</u> | <u>1,250</u> |

Eric Brown has a nominal shareholding of one ordinary share in the wholly owned subsidiary, Esdale Foundry Limited, which has not traded since September 1995. Other than this, no director has an interest in the subsidiary company shares.

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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on pages 9 to 10, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also 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. The directors 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.

ESDALE LIMITED

THE DIRECTORS' REPORT *(continued)*


YEAR ENDED 30TH SEPTEMBER 1998

AUDITORS

A resolution to re-appoint Burlinson Stewart & Co. as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
Thomas Street
Bradford Road
Batley

Signed by order of the directors



D.R.BROWN
Company Secretary

Approved by the directors on 30th June 1999

ESDALE LIMITED
AUDITORS' REPORT TO THE SHAREHOLDERS
YEAR ENDED 30TH SEPTEMBER 1998

We have audited the financial statements on pages 6 to 19 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 to 10.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described on page 3, the company's directors are responsible for the preparation of the 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 company's state of affairs as at 30th September 1998 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Burlinson, Stewart & Co

21 Henrietta Street
Batley
WF17 5DN

BURLINSON STEWART & CO.
Chartered Accountants
& Registered Auditors

30th June 1999

ESDALE LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 30TH SEPTEMBER 1998

| | Note | 1998 £ | 1997 £ |
|--|----------|------------------|------------------|
| TURNOVER | 2 | 7,174,114 | 8,187,661 |
| Cost of sales | | 6,170,496 | 6,852,513 |
| GROSS PROFIT | | <u>1,003,618</u> | <u>1,335,148</u> |
| Distribution costs | | 34,417 | 36,148 |
| Administrative expenses | | 770,713 | 939,090 |
| Other operating income | 3 | (43,789) | (50,703) |
| OPERATING PROFIT | 4 | <u>242,277</u> | <u>410,613</u> |
| Interest payable | 7 | 70,660 | 51,527 |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | <u>171,617</u> | <u>359,086</u> |
| Tax on profit on ordinary activities | 8 | 39,365 | 67,340 |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | <u>132,252</u> | <u>291,746</u> |
| Dividends | 9 | 48,000 | 96,000 |
| RETAINED PROFIT FOR THE FINANCIAL YEAR | | <u>84,252</u> | <u>195,746</u> |

The company has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the company are classed as continuing.

ESDALE LIMITED

BALANCE SHEET

30TH SEPTEMBER 1998

| | Note | 1998 | | 1997 | |
|--|------|--------------------|------------------|--------------------|------------------|
| | | £ | £ | £ | £ |
| FIXED ASSETS | | | | | |
| Tangible assets | 10 | | 3,217,872 | | 3,573,905 |
| Investments | 11 | | 20,302 | | 20,302 |
| | | | <u>3,238,174</u> | | <u>3,594,207</u> |
| CURRENT ASSETS | | | | | |
| Stocks | 12 | 525,467 | | 699,786 | |
| Debtors | 13 | 1,255,453 | | 1,510,851 | |
| Cash at bank and in hand | | 4,496 | | 1,716 | |
| | | <u>1,785,416</u> | | <u>2,212,353</u> | |
| CREDITORS: Amounts falling due within one year | 14 | <u>(1,877,398)</u> | | <u>(2,599,249)</u> | |
| NET CURRENT LIABILITIES | | | <u>(91,982)</u> | | <u>(386,896)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>3,146,192</u> | | <u>3,207,311</u> |
| CREDITORS: Amounts falling due after more than one year | 15 | | <u>(181,979)</u> | | <u>(327,350)</u> |
| | | | <u>2,964,213</u> | | <u>2,879,961</u> |
| PROVISIONS FOR LIABILITIES AND CHARGES | | | | | |
| Deferred taxation | 17 | | <u>(100,000)</u> | | <u>(100,000)</u> |
| | | | <u>2,864,213</u> | | <u>2,779,961</u> |
| CAPITAL AND RESERVES | | | | | |
| Called-up equity share capital | 19 | | 23,750 | | 23,750 |
| Other reserves | 20 | | 1,250 | | 1,250 |
| Profit and loss account | 21 | | 2,839,213 | | 2,754,961 |
| SHAREHOLDERS' FUNDS | 22 | | <u>2,864,213</u> | | <u>2,779,961</u> |

These financial statements were approved by the directors on the 30th June 1999 and are signed on their behalf by:

F. EASTWOOD
Director



The notes on pages 9 to 19 form part of these financial statements.

ESDALE LIMITED
CASH FLOW STATEMENT
YEAR ENDED 30TH SEPTEMBER 1998

| | 1998 | | 1997 |
|--|-----------|------------------|--------------------|
| | £ | £ | £ |
| NET CASH INFLOW FROM OPERATING ACTIVITIES | 23 | 904,105 | 825,303 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | |
| Interest paid | (36,159) | | (25,712) |
| Interest element of finance lease rental payments | (34,501) | | (25,815) |
| | ----- | | ----- |
| NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | (70,660) | (51,527) |
| TAXATION | | (67,340) | (210,708) |
| CAPITAL EXPENDITURE | | | |
| Payments to acquire tangible fixed assets | (184,605) | | (941,418) |
| Receipts from sale of fixed assets | 17,275 | | 25,019 |
| | ----- | | ----- |
| NET CASH OUTFLOW FROM CAPITAL EXPENDITURE | | (167,330) | (916,399) |
| EQUITY DIVIDENDS PAID | | (48,000) | (96,000) |
| | | ----- | ----- |
| CASH INFLOW/(OUTFLOW) BEFORE FINANCING | | 550,775 | (449,331) |
| FINANCING | | | |
| Payments to acquire own shares | - | | (100,000) |
| Repayment of bank loans | (52,325) | | 53,120 |
| Capital element of finance lease rental payments | (119,190) | | 198,373 |
| | ----- | | ----- |
| NET CASH (OUTFLOW)/INFLOW FROM FINANCING | | (171,515) | 151,493 |
| INCREASE/(DECREASE) IN CASH | 24 | ----- 379,260 | ----- (297,838) |
| | | ----- | ----- |

ESDALE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 1998

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

Consolidation

In the opinion of the directors, the company and its subsidiary undertakings comprise a medium-sized group. The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Goodwill

Purchased goodwill is capitalised and depreciated on a straight line basis over its useful economic life (reviewed annually), not exceeding 20 years. Goodwill which is generated by the activities of the company is not recognised as an asset in the balance sheet and the associated costs are written off to the profit and loss account when they are incurred.

Depreciation

Depreciation is calculated so as to write off the cost of an asset over the useful economic life of that asset as follows:

| | |
|---------------------|-------------------------|
| Freehold buildings | 2% on cost |
| Tools and equipment | 10% / 20% on cost |
| Motor vehicles | 25% on reducing balance |

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits as incurred.

ESDALE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30TH SEPTEMBER 1998

1. ACCOUNTING POLICIES *(continued)*

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may arise.

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 of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

| | 1998 £ | 1997 £ |
|----------------|------------------|------------------|
| United Kingdom | 6,786,113 | 7,749,506 |
| Europe | 388,001 | 438,155 |
| | <u>7,174,114</u> | <u>8,187,661</u> |

3. OTHER OPERATING INCOME

| | 1998 £ | 1997 £ |
|------------------------------------|---------------|---------------|
| Rent receivable | 43,789 | 43,739 |
| Profit on disposal of fixed assets | - | 6,964 |
| | <u>43,789</u> | <u>50,703</u> |

ESDALE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30TH SEPTEMBER 1998

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

| | 1998 £ | 1997 £ |
|--|-------------------|-------------------|
| Depreciation | 522,725 | 493,583 |
| Loss on disposal of fixed assets | 638 | - |
| Profit on disposal of fixed assets | - | (6,964) |
| Auditors' remuneration | 5,000 | 5,000 |
| Operating lease costs: | | |
| Plant and equipment | 3,654 | 818 |
| Profit on foreign currency translation | (66) | (2364) |
| | <u> </u> | <u> </u> |

5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

| | 1998 No. | 1997 No. |
|--------------------------------|-------------------|-------------------|
| Number of production staff | 174 | 186 |
| Number of distribution staff | 6 | 6 |
| Number of administrative staff | 15 | 15 |
| | <u> </u> | <u> </u> |
| | 195 | 207 |

The aggregate payroll costs of the above were:

| | 1998 £ | 1997 £ |
|-----------------------|-------------------|-------------------|
| Wages and salaries | 3,583,991 | 3,788,662 |
| Social security costs | 338,590 | 342,566 |
| Other pension costs | 167,833 | 167,673 |
| | <u> </u> | <u> </u> |
| | 4,090,414 | 4,298,901 |

6. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

| | 1998 £ | 1997 £ |
|--|-------------------|-------------------|
| Emoluments receivable | 281,459 | 308,240 |
| Value of company pension contributions to money purchase schemes | 18,502 | 33,319 |
| | <u> </u> | <u> </u> |
| | 299,961 | 341,559 |

ESDALE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30TH SEPTEMBER 1998

6. DIRECTORS' EMOLUMENTS *(continued)*

Emoluments of highest paid director:

| | 1998 £ | 1997 £ |
|---|-------------------|-------------------|
| Total emoluments (excluding pension contributions): | 88,770 | 87,914 |
| | <u> </u> | <u> </u> |

The number of directors who are accruing benefits under company pension schemes were as follows:

| | 1998 No. | 1997 No. |
|------------------------|-------------------|-------------------|
| Money purchase schemes | 4 | 6 |
| | <u> </u> | <u> </u> |

No director had a material interest in any contract with the company.

7. INTEREST PAYABLE

| | 1998 £ | 1997 £ |
|------------------------------------|---------------|---------------|
| Interest payable on bank borrowing | 36,159 | 25,712 |
| Finance charges | 34,501 | 25,815 |
| | <u>70,660</u> | <u>51,527</u> |

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 1998 £ | 1997 £ |
|---|---------------|---------------|
| In respect of the year: | | |
| Corporation tax based on the results for the year at 21% (1997 - 22.5%) | 35,327 | 63,045 |
| Adjustment in respect of previous years: | | |
| Corporation tax | 4,038 | 4,295 |
| | <u>39,365</u> | <u>67,340</u> |

ESDALE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30TH SEPTEMBER 1998

9. DIVIDENDS

The following dividends have been paid in respect of the year:

| | 1998 £ | 1997 £ |
|---------------------------------|---------------|---------------|
| Dividends paid on equity shares | <u>48,000</u> | <u>96,000</u> |

10. TANGIBLE FIXED ASSETS

| | Freehold Property £ | Tools and equipment £ | Motor Vehicles £ | Total £ |
|-------------------------------|---------------------------|-----------------------------|------------------------|------------------|
| COST | | | | |
| At 1st October 1997 | 962,188 | 5,876,372 | 450,254 | 7,288,814 |
| Additions | - | 162,655 | 21,950 | 184,605 |
| Disposals | - | - | (41,325) | (41,325) |
| At 30th September 1998 | <u>962,188</u> | <u>6,039,027</u> | <u>430,879</u> | <u>7,432,094</u> |
| DEPRECIATION | | | | |
| At 1st October 1997 | 114,950 | 3,431,615 | 168,344 | 3,714,909 |
| Charge for the year | 12,936 | 438,125 | 71,664 | 522,725 |
| On disposals | - | - | (23,412) | (23,412) |
| At 30th September 1998 | <u>127,886</u> | <u>3,869,740</u> | <u>216,596</u> | <u>4,214,222</u> |
| NET BOOK VALUE | | | | |
| At 30th September 1998 | <u>834,302</u> | <u>2,169,287</u> | <u>214,283</u> | <u>3,217,872</u> |
| At 30th September 1997 | <u>847,238</u> | <u>2,444,757</u> | <u>281,910</u> | <u>3,573,905</u> |

Hire purchase agreements

Included within the net book value of £3,217,872 is £655,821 (1997 - £729,225) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £88,410 (1997 - £87,185).

Capital commitments

| | 1998 £ | 1997 £ |
|---|---------------|----------------|
| Contracted but not provided for in the accounts | <u>60,270</u> | <u>133,000</u> |

ESDALE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30TH SEPTEMBER 1998

11. INVESTMENTS

| | £ |
|---|---------------|
| COST | |
| At 1st October 1997 and 30th September 1998 | <u>20,302</u> |
| NET BOOK VALUE | |
| At 30th September 1998 | <u>20,302</u> |
| At 30th September 1997 | <u>20,302</u> |

The above investment represents 100% of the ordinary share capital of Esdale Foundry Limited, an unlisted company registered in England, which has not traded since 30th September 1995. The aggregate amount of the capital and reserves of Esdale Foundry Limited at 30th September 1998 were £446189 (1997:£446189) and the profit for the year then ended was £nil (1997:£nil).

12. STOCKS

| | 1998 | 1997 |
|--------------------------|----------------|----------------|
| | £ | £ |
| Raw materials | 325,578 | 495,888 |
| Work in progress | 151,109 | 156,686 |
| Loose tools and sundries | 48,780 | 47,212 |
| | <u>525,467</u> | <u>699,786</u> |

The replacement value of stocks is not significantly different from cost.

13. DEBTORS

| | 1998 | 1997 |
|--------------------------------|------------------|------------------|
| | £ | £ |
| Trade debtors | 1,197,633 | 1,448,882 |
| Other debtors | 6,206 | 200 |
| Prepayments and accrued income | 51,614 | 61,769 |
| | <u>1,255,453</u> | <u>1,510,851</u> |

ESDALE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30TH SEPTEMBER 1998

14. CREDITORS: Amounts falling due within one year

| | 1998 | | 1997 |
|--|---------|------------------|------------------|
| | £ | £ | £ |
| Bank loans and overdrafts | | 145,265 | 527,154 |
| Trade creditors | | 524,436 | 761,259 |
| Amounts owed to group undertakings | | 446,189 | 446,189 |
| Other creditors including taxation and social security: | | | |
| Advance Corporation Tax | 12,000 | | 24,000 |
| Corporation tax | 27,365 | | 43,340 |
| PAYE and social security | 89,494 | | 98,078 |
| VAT | 193,931 | | 208,782 |
| Hire purchase agreements | 216,851 | | 237,586 |
| Other creditors | 36,967 | | 24,557 |
| Other loans | 17,432 | | 19,705 |
| Directors current accounts | 39,884 | | 75,453 |
| | | <u>633,924</u> | <u>731,501</u> |
| Accruals and deferred income | | 127,584 | 133,146 |
| | | <u>1,877,398</u> | <u>2,599,249</u> |

The following liabilities disclosed under creditors falling due within one year are secured by the company:

| | 1998 | | 1997 |
|---------------------------|------|----------------|----------------|
| | £ | | £ |
| Bank loans and overdrafts | | 145,265 | 527,154 |
| Hire purchase agreements | | 216,851 | 237,586 |
| | | <u>362,116</u> | <u>764,740</u> |

The bank borrowings are secured by the freehold property and the hire purchase creditors are secured by the assets to which they relate.

15. CREDITORS: Amounts falling due after more than one year

| | 1998 | | 1997 |
|---------------------------|------|----------------|----------------|
| | £ | | £ |
| Bank loans and overdrafts | | 43,480 | 90,396 |
| Other creditors: | | | |
| Hire purchase agreements | | 138,499 | 236,954 |
| | | <u>181,979</u> | <u>327,350</u> |

ESDALE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30TH SEPTEMBER 1998

15. CREDITORS: Amounts falling due after more than one year *(continued)*

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

| | 1998 £ | 1997 £ |
|---------------------------|----------------|----------------|
| Bank loans and overdrafts | 43,480 | 90,396 |
| Hire purchase agreements | 138,499 | 236,954 |
| | <u>181,979</u> | <u>327,350</u> |

The bank loan is secured by the freehold property and the hire purchase creditors are secured by the assets to which they relate.

16. CREDITORS - CAPITAL INSTRUMENTS

Creditors include finance capital, which is due for repayment as follows:

| | 1998 £ | 1997 £ |
|-----------------------------------|----------------|------------------|
| In one year or less, or on demand | 362,116 | 764,740 |
| Between one and two years | 159,718 | 216,292 |
| Between two and five years | 22,261 | 111,058 |
| | <u>544,095</u> | <u>1,092,090</u> |

The above liabilities comprise bank loans, overdrafts and hire purchase agreements.

17. DEFERRED TAXATION

The balance of the deferred taxation provision throughout the year was £100,000.

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

| | Provided £ | Unprovided £ | Provided £ | Unprovided £ |
|---|-------------------|-------------------|-------------------|-------------------|
| Excess of taxation allowances over depreciation on fixed assets | 100,000 | 148,523 | 100,000 | 148,486 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

ESDALE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30TH SEPTEMBER 1998

18. COMMITMENTS UNDER OPERATING LEASES

At 30th September 1998 the company had annual commitments under non-cancellable operating leases as set out below.

| | Assets Other Than Land & Buildings | |
|---|---------------------------------------|------------|
| | 1998 | 1997 |
| | £ | £ |
| Operating leases which expire: Within 2 to 5 years | 4,221 | 818 |
| | <u>4,221</u> | <u>818</u> |

19. SHARE CAPITAL

Authorised share capital:

| | 1998 | 1997 |
|-----------------------------------|---------------|---------------|
| | £ | £ |
| 25,000 Ordinary shares of £1 each | 25,000 | 25,000 |
| | <u>25,000</u> | <u>25,000</u> |

Allotted, called up and fully paid:

| | 1998 | 1997 |
|--|---------------|---------------|
| | £ | £ |
| Ordinary share capital brought forward | 23,750 | 25,000 |
| Purchase of own equity shares | - | (1,250) |
| | <u>23,750</u> | <u>23,750</u> |

20. OTHER RESERVES

| | 1998 | 1997 |
|----------------------------|--------------|--------------|
| | £ | £ |
| Capital redemption reserve | 1,250 | 1,250 |
| | <u>1,250</u> | <u>1,250</u> |

21. PROFIT AND LOSS ACCOUNT

| | 1998 | 1997 |
|--|------------------|------------------|
| | £ | £ |
| Balance brought forward | 2,754,961 | 2,659,215 |
| Retained profit for the financial year | 84,252 | 195,746 |
| Purchase of own shares | - | (100,000) |
| | <u>2,839,213</u> | <u>2,754,961</u> |

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22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 1998 £ | 1997 £ |
|------------------------------------|------------------|------------------|
| Profit for the financial year | 132,252 | 291,746 |
| Dividends | (48,000) | (96,000) |
| | <u>84,252</u> | <u>195,746</u> |
| Purchase of own shares | - | (100,000) |
| Net addition to funds | 84,252 | 95,746 |
| Opening shareholders' equity funds | 2,779,961 | 2,684,215 |
| | <u>2,864,213</u> | <u>2,779,961</u> |

23. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | 1998 £ | 1997 £ |
|--|----------------|----------------|
| Operating profit | 242,277 | 410,613 |
| Depreciation | 522,725 | 493,583 |
| Loss/(Profit) on disposal of fixed assets | 638 | (6,964) |
| Decrease in stocks | 174,319 | 48,247 |
| Decrease/(Increase) in debtors | 255,398 | (127,307) |
| (Decrease)/Increase in creditors | (291,252) | 7,131 |
| | <u>904,105</u> | <u>825,303</u> |
| Net cash inflow from operating activities | <u>904,105</u> | <u>825,303</u> |

24. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

| | 1998 | | 1997 | |
|--|----------------|------------------|------------------|--------------------|
| | £ | £ | £ | £ |
| Increase/(Decrease) in cash in the period | 379,260 | | (297,838) | |
| Net cash outflow/(inflow) from bank loans | 52,325 | | (53,120) | |
| Net cash outflow/(inflow) in respect of finance leases | 119,190 | | (198,373) | |
| | <u>550,775</u> | | <u>(549,331)</u> | |
| Change in net debt | | 550,775 | | (549,331) |
| Net debt at 1st October 1997 | | (1,090,374) | | (541,043) |
| Net debt at 30th September 1998 | | <u>(539,599)</u> | | <u>(1,090,374)</u> |

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25. ANALYSIS OF CHANGES IN NET DEBT

| | At 1 Oct 1997 | Cash flows | At 30 Sep 1998 |
|--------------------------|--------------------|----------------|-------------------|
| | £ | £ | £ |
| Net cash: | | | |
| Cash in hand and at bank | 1,716 | 2,780 | 4,496 |
| Overdrafts | (474,241) | 376,480 | (97,761) |
| | <u>(472,525)</u> | <u>379,260</u> | <u>(93,265)</u> |
| Debt: | | | |
| Debt due within 1 year | (52,913) | 5,409 | (47,504) |
| Debt due after 1 year | (90,396) | 46,916 | (43,480) |
| Finance leases | (474,540) | 119,190 | (355,350) |
| | <u>(617,849)</u> | <u>171,515</u> | <u>(446,334)</u> |
| Net debt | <u>(1,090,374)</u> | <u>550,775</u> | <u>(539,599)</u> |

26. GROUP ACCOUNTS

These financial statements present information about Esdale Limited as an individual undertaking and not about its group.