ARTHUR ANDERSEN

# The Ravenhead Company Limited

## and subsidiary undertaking

Accounts 30 November 1998

together with directors' and auditors' reports

Registered number: 2749300

JMA *J03R2JXU* 0189
COMPANIES HOUSE 21/09/99

# Directors' report

For the year ended 30 November 1998

The directors present their annual report on the affairs of the group, together with the financial statements and auditors' report, for the year ended 30 November 1998.

**Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. In preparing those 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 group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Principal activity and business review**

The principal activity of the group continues to be the design, manufacture and sale of glass tableware.

Group turnover for the year was £19,509,000 (1997 - £21,005,000), and the retained loss for the year was £2,417,000 (1997 - profit of £162,000). The directors expect the general level of activity to continue and profitability to improve.

**Results and dividends**

Group results, dividends and recommended transfers to reserves are as follows:

| | £'000 |
|---|---|
| Group accumulated deficit at 30 November 1997 | (3,538) |
| Group retained loss for the year | (2,417) |
| Group accumulated deficit at 30 November 1998 | (5,955) |

No dividend can be paid.

# Directors' report (continued)

**Directors and their interests**

The directors who served during the year are as shown below:

| | |
|---|---|
| M. Zadikyan | Chairman |
| J-C. Dehovre | |
| B. Marchand | |
| B. Liebin | |
| F. Willems | (appointed 18 March 1999) |

The directors do not have any interests required to be disclosed under Schedule 7 of the Companies Act 1985.

**Supplier payment policy**

The company has a policy of paying its creditors within the agreed terms. The number of creditor days at 30 November 1998 was 60 (1997 – 52).

**Disabled employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

**Employee consultation**

The group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

**Year 2000 and the euro**

The Year 2000 issue, relating to date sensitive calculations, is one which affects all companies which are reliant on computer based technologies. The company is giving high priority to the impact of the millennium and the effect of the Year 2000 date change on the company's ability to maintain its systems and to continue to provide services to customers. Any costs incurred in achieving this will be charged to operating costs.

The directors are investigating the likely impact of the euro on the company. Their brief is to ensure that the company is fully prepared in readiness for the introduction of the euro and, in particular, for the business implication of the United Kingdom's potential entry into the EMU.

**Refinancing**

During 1999 the company repaid the bank loans and overdrafts including the medium term loan. These were replaced with term loans from Cossom BV and financial institutions together with a flexible funding facility. The total funding available as a result of this action exceeds that previously available to the company both in the short and medium term.

# Directors' report (continued)

**Auditors**

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

PO Box 48
Nuttall Street
St. Helens
Merseyside
WA10 3LP

By order of the Board,

Derek Grimes

Secretary

14 September 1999

# Auditors' report

Manchester

**To the Shareholders of The Ravenhead Company Limited:**

We have audited the financial statements on pages 5 to 19 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 10.

**Respective responsibilities of directors and auditors**

As described on page 1 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 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.

**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 at 30 November 1998 and of the group's loss 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**

Bank House
9 Charlotte Street
Manchester
M1 4EU

14 September 1999

# Consolidated profit and loss account

*For the year ended 30 November 1998*

| | Notes | 1998 £'000 | 1997 £'000 |
|---|---|---|---|
| **Turnover** | 2 | 19,509 | 21,005 |
| Change in stocks of finished goods and work-in-progress | | 42 | (651) |
| Raw materials and consumables | | (3,168) | (2,743) |
| Other external charges | | (8,812) | (7,850) |
| Staff costs | 5 | (8,481) | (8,697) |
| Depreciation of tangible fixed assets | 8 | (1,452) | (1,823) |
| Insured loss of profits receipts | | - | 1,250 |
| | | (21,871) | (20,514) |
| **Operating (loss) profit** | | (2,362) | 491 |
| Profit on sale of tangible assets of continuing operations | 6 | 616 | - |
| ***(Loss) profit on ordinary activities before finance charges*** | | (1,746) | 491 |
| Interest payable and similar charges | 3 | (671) | (529) |
| **Loss on ordinary activities before taxation** | 4 | (2,417) | (38) |
| Tax on loss on ordinary activities | 7 | - | 200 |
| **Retained (loss) profit for the year** | | (2,417) | 162 |
| **Retained (loss) profit for the year** | | | |
| The company | | 864 | 404 |
| Group undertaking | | (3,281) | (242) |
| | | (2,417) | 162 |

All activity has arisen from continuing operations. The company and the group have no recognised gains or losses other than the retained loss for the year.

A statement of movements on reserves is given in note 16.

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

# Consolidated balance sheet

30 November 1998

| | Notes | 1998 £'000 | 1997 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 8 | 9,915 | 10,371 |
| **Current assets** | | | |
| Stocks | 10 | 6,102 | 6,196 |
| Debtors | 11 | 5,849 | 4,828 |
| Cash at bank and in hand | | 311 | 404 |
| | | 12,262 | 11,428 |
| **Creditors:** Amounts falling due within one year | 12 | (15,153) | (8,952) |
| **Net current (liabilities) assets** | | (2,891) | 2,476 |
| **Total assets less current liabilities** | | 7,024 | 12,847 |
| **Creditors:** Amounts falling due after more than one year | 13 | (1,393) | (4,799) |
| **Net assets** | | 5,631 | 8,048 |
| **Capital and reserves** | | | |
| Called-up share capital | 15 | 8,000 | 8,000 |
| Capital reserve | 16 | 3,586 | 3,586 |
| Profit and loss account | 16 | (5,955) | (3,538) |
| **Total capital employed** | | 5,631 | 8,048 |

**Signed on behalf of the Board**

M. Zadikyan Chairman

14 September 1999

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

# Balance sheet

30 November 1998

| | Notes | 1998 £'000 | 1997 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 8 | 9,915 | 10,371 |
| Investments | 9 | 7,000 | 7,000 |
| | | 16,915 | 17,371 |
| **Current assets** | | | |
| Stocks | 10 | 6,102 | 6,196 |
| Debtors | 11 | 9,226 | 5,173 |
| Cash at bank and in hand | | 311 | 404 |
| | | 15,639 | 11,773 |
| **Creditors:** Amounts falling due within one year | 12 | (15,249) | (9,055) |
| **Net current assets** | | 390 | 2,718 |
| **Total assets less current liabilities** | | 17,305 | 20,089 |
| **Creditors:** Amounts falling due after more than one year | 13 | (11,737) | (15,385) |
| **Net assets** | | 5,568 | 4,704 |
| **Capital and reserves** | | | |
| Called-up share capital | 15 | 8,000 | 8,000 |
| Profit and loss account | 16 | (2,432) | (3,296) |
| **Total capital employed** | | 5,568 | 4,704 |

**Signed on behalf of the Board**

M. Zadikyan Director

14 September 1999

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

# Notes to accounts

30 November 1998

### 1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

*a) Basis of accounting*

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. Assets and liabilities are recognised in the accounts where, as a result of past transactions or events, the group has rights or other access to future economic benefits controlled by the group, or obligations to transfer economic benefits.

*b) Basis of consolidation*

The group financial statements consolidate the financial statements of The Ravenhead Company Limited and its subsidiary undertaking. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised and written off over its useful economic life. Any excess of the aggregate of the fair value of the separable net assets acquired over the fair value of the consideration given (negative goodwill) is credited directly to reserves.

In the company's financial statements, the investment in the subsidiary undertaking is stated at cost. Only dividends received and receivable are credited to the company's profit and loss account. Provision is made for impairment.

No profit and loss account is presented for The Ravenhead Company Limited as permitted by section 230 of the Companies Act 1985.

*c) Tangible fixed assets*

Fixed assets are shown at cost.

Depreciation is provided 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 | 2.5 - 4% per annum |
| Plant and machinery | 5 - 33.3% per annum |
| Fixtures, fittings and equipment | 10 - 33.3% per annum |

Residual value is calculated on prices prevailing at the date of acquisition. Profits or losses on the disposal of fixed assets are included in the calculation of operating profit.

# Notes to accounts (continued)

**1 Accounting policies (continued)**

*d) Stocks*

Stocks are stated at the lower of cost and net realisable value.

Cost incurred in bringing each product to its present location and condition is based on:

| | | |
|---|---|---|
| Raw materials | - | purchase cost on a first-in, first-out basis, including transport |
| Work-in-progress and finished goods | - | cost of direct materials and labour, plus a reasonable proportion of manufacturing overheads based on normal levels of activity. |

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

*e) Taxation*

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax legislation) has been calculated on the liability method. Deferred taxation is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of the reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

However, the amount of all deferred taxation, including that which will probably not reverse, is shown in note 14.

*f) Pension costs*

The group provides pensions to the majority of its employees through funded defined benefit pension scheme arrangements based on final pensionable salary. All employees are entitled to become members as soon as they join the group. The assets are held independently of the group in trustee administered funds. Contributions by the group are based upon the results of triennial valuations by a professionally qualified actuary.

The amount charged to the profit and loss account is the estimated regular cost of providing the benefits accrued in the period, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account over the estimated average remaining working life of scheme members.

Any difference between amounts charged to the profit and loss account and contributions paid is shown as a separately identified liability or asset in the balance sheet.

Further information on pension costs is provided in note 18c.

**1 Accounting policies (continued)**

*g) Foreign currency*

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction (or, where appropriate, at the rate of exchange in a related forward exchange contract). Monetary assets and liabilities denominated in foreign currencies at the period end are reported at the rates of exchange prevailing at the period end (or, where appropriate, at the rate of exchange in a related forward exchange contract). Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

*h) Turnover*

Group turnover comprises the value of sales (excluding VAT, intra group transactions and trade discounts) of goods and services provided in the normal course of business.

*i) Leases*

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Further information on charges in the period and future commitments is given in note 18b.

*j) Government grants*

Government grants received in respect of various revenue and capital projects are included within accruals and deferred income and amortised over various periods from the date of receipt. These periods are principally three years and reflect the charging of the related costs, including the expected useful lives of related tangible fixed assets. The balance of unamortised grants is disclosed as deferred income (see note 12).

*k) Cash flow statement*

The company has taken advantage of Financial Reporting Standard 1 (Revised 1996), and has not prepared a consolidated cash flow statement because its ultimate parent company, Societe Regionale D'Investissement De Wallonie S.A., incorporated in Belgium, has prepared consolidated financial statements which include the financial statements of the group and which contain a consolidated cash flow statement.

# Notes to accounts (continued)

### 2 Turnover

Contributions to turnover by geographical destination are as follows:

| | 1998<br>£'000 | 1997<br>£'000 |
|---|---|---|
| United Kingdom | 10,459 | 10,794 |
| Rest of the World | 9,050 | 10,211 |
| | 19,509 | 21,005 |

### 3 Interest payable and similar charges

| | 1998<br>£'000 | 1997<br>£'000 |
|---|---|---|
| Bank loans and overdrafts | 570 | 524 |
| Intercompany loans | 82 | 59 |
| Exchange loss (profit) on retranslation of intercompany loan | 19 | (54) |
| | 671 | 529 |

### 4 Loss on ordinary activities before taxation

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

| | 1998<br>£'000 | 1997<br>£'000 |
|---|---|---|
| Government grants amortised | (200) | (366) |
| Depreciation of tangible fixed assets | 1,452 | 1,823 |
| Auditors' remuneration - audit | 17 | 17 |
| - non-audit | 7 | 7 |
| Staff costs (see note 5) | 8,481 | 8,697 |

### 5 Staff costs

Particulars of employees (including executive directors) are as shown below:

| | 1998<br>£'000 | 1997<br>£'000 |
|---|---|---|
| Employee costs during the year amounted to: | | |
| Wages and salaries | 7,743 | 8,000 |
| Social security costs | 658 | 649 |
| Other pension costs | 80 | 48 |
| | 8,481 | 8,697 |

**5 Staff costs (continued)**

Pensions costs represent actual amounts paid. The net impact on the profit and loss account with respect to pensions was a credit of £127,000 (see note 18c).

The average monthly number of persons employed by the group during the year was as follows:

| | 1998 Number employed | 1997 Number employed |
|---|---|---|
| Production | 270 | 327 |
| Sales and distribution | 61 | 58 |
| Administration | 29 | 32 |
| | 360 | 417 |

The remuneration of the directors was as follows:

| | 1998 £'000 | 1997 £'000 |
|---|---|---|
| Emoluments | 56 | 60 |

No directors were members of company pension schemes.

**6 Exceptional items reported after operating loss**

During the year the Ravenhead Company Limited disposed of fixed assets from continuing operations realising a profit of £616,000. The tax impact of these disposals is £Nil due to the availability of tax losses.

**7 Tax on loss on ordinary activities**

| | Group and Company | |
|---|---|---|
| | 1998 £'000 | 1997 £'000 |
| Adjustments to current taxation in respect of prior years | - | 200 |

Due to tax losses arising in the year there is no current year tax charge. At 30 November 1998 the group had tax losses available for carry forward of approximately £6,439,000 (1997 - £2,845,000). The deferred tax asset on these losses has not been recognised on the grounds of prudence. The full amount of this and other unrecognised deferred tax is detailed in note 14.

# Notes to accounts (continued)

## 8 Tangible fixed assets

The movement in the year was as follows:

| Group and company | Freehold land and buildings £'000 | Plant and machinery £'000 | Fixtures, fittings and equipment £'000 | Assets in course of construction £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Beginning of year | 5,181 | 13,957 | 650 | 2,366 | 22,154 |
| Additions | 12 | 770 | - | 214 | 996 |
| Disposals | (300) | (114) | - | - | (414) |
| End of year | 4,893 | 14,613 | 650 | 2,580 | 22,736 |
| **Depreciation** | | | | | |
| Beginning of year | 956 | 10,249 | 578 | - | 11,783 |
| Charge | 182 | 1,233 | 37 | - | 1,452 |
| Disposals | (300) | (114) | - | - | (414) |
| End of year | 838 | 11,368 | 615 | - | 12,821 |
| **Net book value** | | | | | |
| Beginning of year | 4,225 | 3,708 | 72 | 2,366 | 10,371 |
| End of year | 4,055 | 3,245 | 35 | 2,580 | 9,915 |

Freehold land amounting to £1,099,000 (1997 - £1,087,000) has not been depreciated.

## 9 Fixed asset investments

The following are included in the net book value of fixed asset investments:

| | Company 1998 £'000 | Company 1997 £'000 |
|---|---|---|
| Subsidiary undertaking | 7,000 | 7,000 |

*a) Principal group investment*

The company has an investment in the following subsidiary undertaking:

| Subsidiary undertaking | Principal activity | Description and proportion of shares held by the company |
|---|---|---|
| Ravenhead Limited | Sale of glass tableware | 100% ordinary shares |

# Notes to accounts (continued)

**9 Fixed asset investments (continued)**

*b) Investment in subsidiary undertaking*

| | £'000 |
|---|---|
| **Cost** | |
| Beginning and end of year | 7,000 |
| **Amounts written off** | |
| Beginning and end of year | - |
| **Net book value** | |
| Beginning and end of year | 7,000 |

**10 Stocks**

The following are included in the net book value of stocks:

| | Group and Company | |
|---|---|---|
| | 1998 | 1997 |
| | £'000 | £'000 |
| Raw materials and consumables | 1,329 | 1,465 |
| Finished goods and goods for resale | 4,773 | 4,731 |
| | 6,102 | 6,196 |

**11 Debtors**

The following amounts, all falling due within one year, are included in the net book value of debtors:

| | Group | | Company | |
|---|---|---|---|---|
| | 1998 | 1997 | 1998 | 1997 |
| | £'000 | £'000 | £'000 | £'000 |
| Trade debtors | 4,977 | 4,491 | 2,942 | 3,374 |
| Amounts owed by other group undertakings | 22 | 174 | 5,338 | 1,636 |
| Other debtors | 778 | 68 | 874 | 68 |
| Prepayments and accrued income | 72 | 95 | 72 | 95 |
| | 5,849 | 4,828 | 9,226 | 5,173 |

# Notes to accounts (continued)

### 12 *Creditors: Amounts falling due within one year*

The following amounts are included in creditors falling due within one year:

| | Group | | Company | |
|---|---|---|---|---|
| | 1998 | 1997 | 1998 | 1997 |
| | £'000 | £'000 | £'000 | £'000 |
| Bank loans and overdrafts | 3,570 | 2,143 | 3,570 | 2,143 |
| Medium term loan | 4,250 | 1,250 | 4,250 | 1,250 |
| Trade creditors | 1,802 | 1,638 | 1,802 | 1,638 |
| Amounts owed to other group undertakings | 2,665 | 306 | 2,665 | 306 |
| Other creditors | | | | |
| - social security and PAYE | 166 | 208 | 166 | 208 |
| - VAT | 382 | 546 | 478 | 649 |
| - other creditors | 2,235 | 2,397 | 2,235 | 2,397 |
| - pension schemes | 83 | 264 | 83 | 264 |
| Accruals and deferred income | | | | |
| - government grants | - | 200 | - | 200 |
| | 15,153 | 8,952 | 15,249 | 9,055 |

The company has granted a fixed and floating charge over its assets to secure the bank overdrafts of £3,570,000 (1997 - £2,143,000). Subsequent to the year end the company repaid the bank loans and overdrafts including the medium term loan during 1999. These were replaced by loans over periods of 5 and 7 years together with a flexible funding facility.

### 13 Creditors: Amounts falling due after more than one year

The following amounts are included in creditors falling due after more than one year:

| | Group | | Company | |
|---|---|---|---|---|
| | 1998 | 1997 | 1998 | 1997 |
| | £'000 | £'000 | £'000 | £'000 |
| Amounts owed to subsidiary undertaking | - | - | 10,344 | 10,586 |
| Amounts owed to other group undertakings | 1,393 | 1,299 | 1,393 | 1,299 |
| Medium term loan | - | 3,500 | - | 3,500 |
| | 1,393 | 4,799 | 11,737 | 15,385 |

The amounts owed to the subsidiary undertaking are unsecured, non-interest bearing and have no fixed repayment date.

# Notes to accounts (continued)

**13 Creditors: Amounts falling due after more than one year (continued)**

Amounts owed to other group undertakings include *intercompany loans totalling £1,393,000, which was paid in full* in December 1998.

*Analysis of borrowings:*

| | Group and Company | |
|---|---|---|
| | 1998 | 1997 |
| | £'000 | £'000 |
| Amounts payable | | |
| - within 1 year or on demand | 4,250 | 1,325 |
| - between 1 and 2 years | - | 1,075 |
| - between 2 and 5 years | - | 2,724 |
| | 4,250 | 5,124 |

**14 Deferred taxation**

There was no provision for deferred tax at the year end (1997 - £Nil).

The unrecognised deferred tax asset was as follows:

| | Group and Company | |
|---|---|---|
| | 1998 | 1997 |
| | £'000 | £'000 |
| Excess of book depreciation of fixed assets over tax allowances | 1,692 | 1,305 |
| Other timing differences related to | | |
| - pensions | 20 | 87 |
| - current assets and liabilities | 109 | 67 |
| Deferred tax asset | 1,821 | 1,459 |

In addition, the tax effect of losses carried forward is approximately £1,996,000 (1997 - £880,000).

**15 Called-up share capital**

| | 1998 £'000 | 1997 £'000 |
|---|---|---|
| *Authorised* | | |
| 10,000,000 (1997 - 8,000,000) ordinary shares of £1 each | 10,000 | 8,000 |
| *Allotted, called-up and fully-paid* | | |
| 8,000,000 (1997 - 8,000,000) ordinary shares of £1 each | 8,000 | 8,000 |

**16 Reserves**

Of total reserves shown in the balance sheet, the following amounts are regarded as distributable or otherwise:

| | Group | | Company | |
|---|---|---|---|---|
| | 1998 £'000 | 1997 £'000 | 1998 £'000 | 1997 £'000 |
| Non-distributable | | | | |
| - capital reserve | 3,586 | 3,586 | - | - |
| - profit and loss account | (5,955) | (3,538) | (2,432) | (3,296) |
| Total reserves | (2,369) | 48 | (2,432) | (3,296) |

| **Group** | Capital reserve £'000 | Profit and loss account £'000 | Total £'000 |
|---|---|---|---|
| Beginning of year | 3,586 | (3,538) | 48 |
| Retained loss for the year | - | (2,417) | (2,417) |
| End of year | 3,586 | (5,955) | (2,369) |

| **Company** | Profit and loss account £'000 |
|---|---|
| Beginning of year | (3,296) |
| Retained profit for the year | 864 |
| End of year | (2,432) |

# Notes to accounts (continued)

## 17 Reconciliation of movements in shareholders' funds

| | 1998 £'000 | 1997 £'000 |
|---|---|---|
| Retained (loss) profit for the year | (2,417) | 162 |
| Net (reductions) addition in shareholders' funds | (2,417) | 162 |
| Opening shareholders' funds | 8,048 | 7,886 |
| Closing shareholders' funds | 5,631 | 8,048 |

## 18 Guarantees and other financial commitments

*a) Capital commitments*

At the end of the year, capital commitments were:

| | Group and Company | |
|---|---|---|
| | 1998 £'000 | 1997 £'000 |
| Contracted for but not provided for | - | 1,442 |

*b) Lease commitments*

The group has entered into non-cancellable operating leases in respect of plant and machinery, the payments for which extend over a period of up to 8 years all of which are applicable to the company. The lease agreements provide that the group will pay all insurance, maintenance and repairs. The group may continue, at its option, to use the plant and machinery after the expiration of the initial lease period at a nominal rental.

The minimum annual rentals under the foregoing leases are as follows:

| | Group and Company | |
|---|---|---|
| | 1998 £'000 | 1997 £'000 |
| Operating leases which expire | | |
| - within 1 year | 16 | 20 |
| - within 2 - 5 years | 76 | 79 |
| - after 5 years | 424 | 495 |
| | 516 | 594 |

**18 Guarantees and other financial commitments (continued)**

*c) Pension arrangements*

The group operates defined benefit pension scheme arrangements. The assets are held independently of the group in trustee administered funds.

The pension cost and related provision are assessed in accordance with the advice of a professionally qualified actuary. The latest actuarial valuations were at 6 April 1996 and used the projected unit method. The principal actuarial assumptions were an investment return of 9% per annum, an increase in pensionable earnings of 6% per annum and an increase in state benefits of 6% per annum.

At the date of the latest actuarial valuations, the market value of the assets was £20,672,000 and the actuarial value of the assets was sufficient to cover 123% of the benefits that had accrued to members after allowing for future increases in earnings.

In view of the pension surpluses, reduced contributions are being made until the next actuarial valuations. The current period pension credit of £127,000 (1997 - £47,000) represents the regular cost of pensionable payroll less variations from this regular cost arising from the pension surpluses. The surpluses are being spread over the average remaining service lives of the relevant employees.

A balance sheet provision of £64,000 (1997 - £264,000) has been set up to account for the excess of the accumulated pension cost over the amount funded.

**19 Ultimate parent company**

The company is a subsidiary undertaking of Societe Regionale D'Investissement De Wallonie S.A., incorporated in Belgium.

The largest and smallest group of which The Ravenhead Company Limited is a member and for which group accounts are drawn up is that headed by Societe Regionale D'Investissement De Wallonie S.A., incorporated in Belgium, whose principal place of business is Avenue Maurice Destenay 13, 4000 Liege, Belgium.

In preparing the financial statements the company has taken advantage of the provisions of Financial Reporting Standard 8 and has not disclosed transactions with the ultimate parent company, Societe Regionale D'Investissement de Wallonie S.A., or other group undertakings.

**20 Financial support**

The board of Durobor S.A., the immediate parent company, has indicated that they will provide or cause to be provided adequate financial support to enable the company to continue trading for the foreseeable future and to settle its liabilities as they fall due.