

Registered no: 1040087

R&R DEVELOPMENTS LIMITED

**Annual report
for the year ended 31 July 1999**



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R&R DEVELOPMENTS LIMITED

Annual report for the year ended 31 July 1999

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Directors and advisers

Executive directors

D B Anthony
S R I Liddle
D F Pickering

Non-executive directors

C C Roberts
B E Mellin

Secretary and registered office

D F Pickering
c/o PricewaterhouseCoopers
Princess House
Princess Way
SWANSEA
SA1 5LH

Auditors

PricewaterhouseCoopers
Princess House
Princess Way
SWANSEA
SA1 5LH

Bankers

Julian Hodge Bank Limited
10 Windsor Place
CARDIFF
CF1 8BY

**Directors' report
for the year ended 31 July 1999**

The directors present their report and the audited financial statements for the year ended 31 July 1999.

Principal activities

The principal activity of the company is the supply of general maintenance and engineering work. The profit and loss account for the year is set out on page 5.

Review of business and future developments

Both the level of business and the year end financial position were satisfactory and the directors expect that the present level of activity will be sustained and that the company will become more profitable during the foreseeable future.

Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 31 July 1999.

Changes in tangible fixed assets

The movements in tangible fixed assets during the year are set out in note 7 to the financial statements.

Directors

The directors of the company at 31 July 1999 and for the whole of the year ended on that date, were as follows:

D B Anthony
S R I Liddle
D F Pickering
C C Roberts
B E Mellin

Directors' interests in shares of the company

None of the directors held any interest in the share capital of the company during the year ended 31 July 1999. The directors' interests in the shares of the holding company are shown in the directors' report of that company.

Directors' interests in contracts with the company

Except for the matters disclosed in note 17 to the financial statements, none of the directors had a material interest in any contract of significance to which the company was a party during the financial year.

Directors' responsibilities

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

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 31 July 1999. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Donations

During the year ended 31 July 1999 the company made charitable donations amounting to £500.

Year 2000

The company and group has experienced little disruption or malfunction since the turn of the year arising from its own computer systems. The lack of disruption from the company's and the group's own system and equipment is attributable to the analysis of risks carried out in 1998 and 1999 to determine the impact of the year 2000 problems on our activities. The total cost of complete modification to all hardware and software was not significant.

Auditors

A resolution to reappoint PricewaterhouseCoopers as auditors to the company will be proposed at the annual general meeting.

By order of the board

Company secretary

A handwritten signature in black ink, enclosed within a large, hand-drawn oval. The signature is stylized and appears to be a cursive name.

**Auditors' report to the members of
R & R DEVELOPMENTS LIMITED**

We have audited the financial statements on pages 5 to 18, which have been prepared under the historical cost convention and in accordance with the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report, including as described on page 3 for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 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.

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the recoverability of amounts of £546,710 due from related companies and the holding company. Details of the circumstances relating to the recoverability of these amounts are set out in note 9(b). Our opinion is not qualified in this respect.

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation. The financial statements have been prepared on a going concern basis and the validity of this depends on the continued support of the company's bankers and related companies by providing adequate overdraft and loan facilities. The financial statements do not include any adjustments that would result from a failure to obtain such continued support. Details of the circumstances relating to the fundamental uncertainty are described in note 1. Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 July 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Chartered Accountants and Registered Auditors

Swansea, 2, September 2000

Profit and loss account for the year ended 31 July 1999

	Notes	1999 £	1998 £
Turnover	2	3,157,107	2,796,776
Change in stocks of finished goods and work in progress		3,335	67,080
		3,160,442	2,863,856
Raw materials and consumables		(678,417)	(449,526)
Other external charges		(116,219)	(128,990)
		2,365,806	2,285,340
Staff costs	4	(1,968,735)	(1,856,506)
Depreciation and other amounts written off tangible fixed assets		(30,100)	(25,753)
Other operating charges		(313,144)	(314,024)
Operating profit		53,827	89,057
Interest receivable and similar income		81	131
Interest payable and similar charges	3	(24,922)	(36,841)
Profit on ordinary activities before taxation	5	28,986	52,347
Tax on profit on ordinary activities	6	(15,900)	(44,356)
Profit for the year	14	13,086	7,991
Statement of retained profits			
Retained profits at 1 August 1998		190,604	182,613
Profit for the year		13,086	7,991
Retained profits at 31 July 1999		203,690	190,604

The company has no recognised gains or losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

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

The turnover and operating profit for the year have been derived from the continuing operations of the company.

Balance sheet at 31 July 1999

	Notes	1999 £	1998 £
Fixed assets			
Tangible assets	7	160,323	139,020
Current assets			
Stocks	8	228,234	248,857
Debtors	9	1,524,426	1,163,711
Cash at bank and in hand		2,250	2,574
		1,754,910	1,415,142
Creditors: amounts falling due within one year	10	(1,669,977)	(1,333,387)
Net current assets		84,933	81,755
Total assets less current liabilities		245,256	220,775
Creditors: amounts falling due after more than one year	11	(18,441)	(5,446)
Provision for liabilities and charges	12	(23,100)	(24,700)
Net assets		203,715	190,629
Capital and reserves			
Called up share capital	13	25	25
Profit and loss account		203,690	190,604
Equity shareholders' funds	14	203,715	190,629

The financial statements on pages 5 to 18 were approved by the board of directors on 14 September 2000 and were signed on its behalf by:

Scott Liddle *JB Anthony*

Directors

Cash flow statement for the year ended 31 July 1999

	Notes	1999 £	1998 £
Net cash inflow/(outflow) from continuing operating activities (page 8)		11,994	(41,817)
Returns on investments and servicing of finance			
Interest received		81	131
Interest paid on bank overdraft and other loans		(20,338)	(21,107)
Interest paid on hire purchase contracts		(663)	(2,946)
Interest paid on tax paid late		(3,921)	(12,788)
Net cash outflow from return on investments and servicing of finance		(24,841)	(36,710)
Taxation			
UK corporation tax paid		(17,882)	(8,652)
UK corporation tax refund		22,130	-
		4,248	(8,652)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(51,403)	(17,598)
Sale of tangible fixed assets		-	64,000
Net cash (outflow)/inflow from capital expenditure		(51,403)	46,402
Net cash outflow before financing		(60,002)	(40,777)
Financing			
Inception of hire purchase finance contracts	20	32,075	-
Payment of principal under hire purchase contracts	20	(13,935)	(43,345)
		18,140	(43,345)
(Decrease) in cash and cash equivalents	19	(41,862)	(84,122)

Reconciliation of operating profit to net cash inflow from operating activities

	1999	1998
	£	£
Operating profit	53,827	89,057
Depreciation of tangible fixed assets	30,100	31,695
(Profit) on sale of tangible fixed assets	-	(5,942)
Decrease/(increase) in stocks	20,623	(83,062)
(Increase) in trade debtors	(36,483)	(101,786)
(Increase)/decrease in amounts due from related companies	(310,420)	20,642
(Increase) in prepayments and accrued income	(91,980)	(20,423)
Decrease/(increase) in other debtors	15,450	(15,700)
Decrease/(increase) in former directors loan account	62,718	(62,718)
Increase/(decrease) in trade creditors	62,856	(8,600)
(Decrease)/increase in amounts owed to related companies	(5,367)	2,376
(Decrease)/increase in taxation and social security payable	(56,744)	28,635
Increase in accruals and deferred income	269,924	74,019
(Decrease)/increase in directors loan account	(2,510)	9,990
Net cash inflow/(outflow) from continuing operating activities	11,994	(41,817)

**Notes to the financial statements
for the year ended 31 July 1999****1 Principal accounting policies**

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

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Basis of preparing the financial statements

During the year the company achieved profits of £13,086 and at 31 July 1999 current assets exceed current liabilities by £84,933. The company meets its day to day working capital requirements through a bank overdraft facility which, in common with all such facilities, is repayable on demand. At the balance sheet date the bank overdrafts totalled £286,559.

The company's bankers have agreed to continue the overdraft facilities to the company and the financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the company's bankers continuing their support by providing adequate overdraft facilities.

If the company were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

Whilst the directors are presently uncertain as to the outcome of the matters mentioned above, they believe that it is appropriate for the financial statements to be prepared on a going concern basis.

Tangible fixed assets

Tangible fixed assets are stated at their purchase price together with any incidental expenses. Depreciation is calculated so as to write off the cost, less the estimated net realisable value, of fixed assets on a reducing balance basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Fixtures, fittings and equipment	20%
Plant and machinery	20%
Motor vehicles	20%

Finance and operating leases

Where assets are financed by leasing agreements which give substantially the same rights as ownership ("finance leases"), the assets are treated as if they had been purchased outright at the capital value of the assets, and the corresponding leasing commitments are shown as obligations due to the lessor. The capital element of lease payments is applied to reduce the outstanding obligations and the interest is charged to the profit and loss account over the period of the lease. Other rentals are charged wholly to the profit and loss account.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis. Net realisable value is the price at which stocks can be sold in the normal course of business, after allowing for the cost of realisation. Provision is made where necessary for obsolete, slow moving and defective stocks.

Turnover

Turnover, which excludes value added tax, represents the invoiced value of goods and services supplied.

Pension arrangements

The company participates in a defined contribution money purchase scheme. The charge against profits represents the contributions payable to the pension scheme in respect of the accounting period. The assets of the pension scheme are held separately from those of the company.

Deferred taxation

Provision is made for deferred taxation at the rate of corporation tax expected to apply when the timing differences reverse (the liability method), to the extent that it is probable that a liability or asset will crystallise.

2 Turnover

The turnover of the company is wholly attributable to the principal activity and arose entirely within the United Kingdom.

3 Interest payable and similar charges

	1999 £	1998 £
On bank overdrafts and other loans:		
Repayable within 5 years, not by instalments	20,338	21,107
On finance leases and hire purchase contracts	663	2,946
Interest and penalties on tax paid late	3,921	12,788
	<u>24,922</u>	<u>36,841</u>

4 Employee information

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

	1999	1998
Directors	5	4
Administration	8	7
Production	94	100
	107	111

Staff costs (for the above persons)

	1999 £	1998 £
Wages and salaries	1,783,877	1,723,941
Social security costs	169,936	148,517
Pension costs	16,243	16,048
Net management charges receivable	(1,321)	(62,000)
Compensation for loss of office	-	30,000
	1,968,735	1,856,506

Directors remuneration

	1999 £	1998 £
Emoluments	89,951	58,531
Pension contributions (see below)	6,030	11,568
	95,981	70,099

Retirement benefits are accruing to 2 (1998: 2) directors under money purchase schemes.

5 Profit on ordinary activities before taxation

	1999 £	1998 £
Profit on ordinary activities before taxation is stated after charging:		
Compensation for loss of office paid to former director	-	30,000
Depreciation charge for the year:		
Tangible owned fixed assets	26,559	13,285
Assets held under hire purchase contracts	3,541	18,410
Auditors' remuneration	4,200	3,950
Hire of plant and machinery – operating leases	66,055	71,034
	66,055	71,034

6 Tax on profit on ordinary activities

	1999 £	1998 £
United Kingdom corporation tax at 21% (1998: 27%)		
Current	(15,000)	(37,500)
Deferred	800	800
(Under)/over provision in respect of prior years:		
Current	(2,500)	544
Adjustment to deferred tax balances due to changes in tax rates (see below)	800	(8,200)
	<u>(15,900)</u>	<u>(44,356)</u>

The higher than expected taxation charge in the year and the previous year was due to the effect of increasing the tax rate in providing for deferred taxation liabilities at 31% as compared with the previous years taxation rate of 24%. In addition the company has provided for tax due on potentially disallowable expenditure.

7 Tangible fixed assets

	Fixtures, fittings and equipment £	Plant and machinery £	Motor vehicles £	Total £
Cost				
At 1 August 1998	46,783	237,174	82,269	366,226
Additions	3,775	17,128	30,500	51,403
At 31 July 1999	<u>50,558</u>	<u>254,302</u>	<u>112,769</u>	<u>417,629</u>
Depreciation				
At 1 August 1998	34,222	156,060	36,924	227,206
Charge for year	2,783	17,440	9,877	30,100
At 31 July 1999	<u>37,005</u>	<u>173,500</u>	<u>46,801</u>	<u>257,306</u>
Net book value				
At 31 July 1999	<u>13,553</u>	<u>80,802</u>	<u>65,968</u>	<u>160,323</u>
At 31 July 1998	<u>12,561</u>	<u>81,114</u>	<u>45,345</u>	<u>139,020</u>

The net book value of tangible fixed assets includes an amount of £40,624 (1998: £56,537) in respect of assets held under finance leases and hire purchase contracts.

8 Stocks

	1999 £	1998 £
Raw materials and consumables	48,916	72,874
Work in progress	179,318	175,983
	<u>228,234</u>	<u>248,857</u>

9 Debtors

	1999 £	1998 £
Amounts falling due within one year		
Trade debtors (see (a) below)	691,427	654,944
Amounts owed by related companies (see (b) below)	444,301	235,790
Amounts owed by ultimate holding company (see note 17)	102,409	500
Prepayments and accrued income	285,589	193,609
Former directors' loan account (see (c) below)	-	62,718
Other debtors	700	16,150
	1,524,426	1,163,711

- (a) The trade debtors are subject to factoring arrangements whereby the legal title to the debt has been assigned to a factoring company.
- (b) The amounts owed by related companies and the ultimate holding company are due from companies under the control of the directors of the company. The amounts of £546,710 are interest-free and have no fixed terms for their repayment (see note 17). At 31 July 1999 The Pontardawe Foundry and Engineering Company Limited had net assets of £104,370 and continues to be dependant on its future viability on the support of R & R Developments Limited. At 31 December 1998, the latest audited financial statements of R & R Refractories Limited, this related company had net assets of £566.
- (c) The former directors' loan account are interest free, unsecured and have no fixed terms for their repayment (see note 17). The loan was overdrawn during the year and the maximum amount overdrawn was £99,798 which is in contravention of section 330 of the Companies Act 1985 which prohibits making loans to a director of the company.

10 Creditors: amounts falling due within one year

	1999 £	1998 £
Bank overdrafts (secured)	286,559	249,004
Hire purchase instalments due in one year	14,474	9,329
Factoring advances (see note 9 (a))	417,314	413,331
Trade creditors	201,074	138,218
Amounts owed to related companies (see note 17)	6,285	11,652
Corporation tax	57,763	36,015
Other taxation and social security payable	204,431	261,175
Accruals and deferred income	474,587	204,663
Directors' loan account (see below)	7,490	10,000
	1,669,977	1,333,387

The directors' loan account is interest free, unsecured and has no fixed terms for its repayment.

11 Creditors: amounts falling due after more than one year

	1999 £	1998 £
Obligations under hire purchase contracts (see below)	32,915	14,775
Less amounts falling due for repayment within one year	(14,474)	(9,329)
	<u>18,441</u>	<u>5,446</u>

Hire purchase

The future minimum hire purchase payments to which the company is committed to under hire purchase contracts are as follows:

	1999 £	1998 £
In one year or less	14,474	9,329
Between one and two years	9,924	5,446
Between two and five years	8,517	-
	<u>32,915</u>	<u>14,775</u>

12 Provision for liabilities and charges

	Deferred taxation (see below) £
At 1 August 1998	24,700
Transfer to profit and loss account	(1,600)
At 31 July 1999	<u>23,100</u>

Deferred taxation

Deferred taxation provided and unprovided in the financial statements, are as follows:

	Amount provided		Amount unprovided	
	1999 £	1998 £	1999 £	1998 £
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	<u>23,100</u>	<u>24,700</u>	<u>-</u>	<u>-</u>

13 Called-up share capital

	1999 £	1998 £
Authorised		
4,000 ordinary shares of 25p each	1,000	1,000
Allotted, called up and fully paid		
100 ordinary shares of 25p each	25	25

14 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Opening shareholders' funds	190,629	182,638
Profit for the year	13,086	7,991
Closing shareholders' funds	203,715	190,629

15 Capital commitments

The directors have neither contracted for nor authorised any capital expenditure which is not provided for in these financial statements.

16 Financial commitments

At 31 July 1999 the company had annual commitments under non-cancellable operating leases as follows:

	1999 Land and buildings £	1998 Land and buildings £
Expiring in over five years	15,000	15,000

17 Related party transactions

The company has accrued management charges of £30,000 (1998: £30,000) due to, and management and service charges of £75,000 (1998: £50,000) due from, The Pontardawe Foundry and Engineering Company Limited, a company owned and controlled by the directors of the company, D B Anthony, D F Pickering and S R I Liddle.

The company has made purchases of £17,169 (1998: £130,254) from R & R Refractories Limited, a subsidiary company, which is owned and controlled by D B Anthony, D F Pickering and S R I Liddle. The company has also accrued amounts of £132,580 due to R & R Refractories Limited in respect of work done by that company and has accrued management and service charges of £115,580 due from R & R Refractories Limited. Included in work in progress is £47,400 of work carried out for R & R (Roll Developments) Limited (see below) and £23,050 of work carried out for R & R Refractories Limited.

The company has made purchases of £10,896 (1998: £14,187) from Pickering Safety Products Limited, a company in which A H Roberts and D F Pickering are joint owners. At 31 July 1999 an amount of £5,050 (1998: £8,914) was due to this related company which is included in creditors: amounts falling due within one year at 31 July 1999.

The company has made purchases of £22,172, including consultancy fees of £6,250, from Positive Publicity Limited, a company in which D F Pickering is the director and shareholder. At 31 July 1999 an amount of £1,235 was due to this related company which is included in creditors: amounts falling due within one year at 31 July 1999.

The company has paid consultancy fees of £8,750 (1998: £25,000) to D F Pickering, a director and shareholder of the company.

During the year the company received interest free, unsecured loans of £7,490 (1998: £10,000) from D F Pickering, a director of the company, and this is included in creditors: amounts falling due within one year (see note 10).

The company has paid rent of £15,000 (1998: £25,000) for occupying a property owned by A H Roberts, a former director of the company, from where the company trades. The company has paid consultancy fees of £14,583 to A H Roberts, a former director and shareholder of the company.

During the year the company made interest free, unsecured loans to A H Roberts, a former director and this was included in debtors: amounts falling due within one year (see note 9 (c)).

The company has made the following loans to related companies which were owned and controlled by A H Roberts and are now owned and controlled by D B Anthony, D F Pickering and S R I Liddle and which are included in debtors at 31 July 1999.

	1999	1998
	£	£
The Pontardawe Foundry and Engineering Company Limited	231,716	132,257
R & R Refractories Limited	124,610	50,661
R & R Group Limited (formerly Dayhow Limited)	102,409	500
	<u>458,735</u>	<u>183,418</u>

17 Related party transactions (continued)

The company has accrued management charges due to R & R Group Limited of £61,679.

The company has made the following loans to related companies which are owned and controlled by A H Roberts and which are included in debtors: amounts falling due within one year at 31 July 1999.

	£	£
R & R (Roll Developments) Limited	<u>53,498</u>	<u>52,872</u>

The company has made purchases of £19,309 and sales of £35,751 (1998: £28,434) to R & R (Rolls Developments) Limited, a company which is owned and controlled by A H Roberts. The company has accrued amounts of £60,000 (1998: £20,000) due to R & R (Rolls Developments) Limited in respect of work done by that company and has accrued management and service charges of £45,000 (1998: £8,000) due from R & R (Roll Developments) Limited.

The company has made purchases of £99,044 (1998: £56,743) from BHL (Hastie Fabrications) Limited and sales of £23,515 (1998: £3,071), to a company in which S R I Liddle is a director and is owned and controlled by A H Roberts and D F Pickering. At 31 July 1999 an amount of £34,477 (1998: £2,738) was due from this related company which is included in debtors: amounts falling due within one year. The company has accrued management charges due to BHL (Hastie Fabrications) Limited of £25,000.

18 Ultimate and immediate parent company

The directors regard R & R Group Limited, a company registered in the United Kingdom as the ultimate parent company. According to the register kept by the company R & R Group Limited has a 98% interest in the equity share capital of the company at 31 July 1999.

19 Cash and cash equivalents

	1999 £	1998 £
Changes during the year		
At 1 August 1998	(659,761)	(575,639)
Net cash outflow	(41,862)	(84,122)
At 31 July 1999	<u>(701,623)</u>	<u>(659,761)</u>

Analysis of balances

	1999 £	1998 £	Changes in year £
Cash at bank and in hand	2,250	2,574	(324)
Bank overdraft	(286,559)	(249,004)	(37,555)
Factoring advances	(417,314)	(413,331)	(3,983)
	<u>(701,623)</u>	<u>(659,761)</u>	<u>(41,862)</u>

20 Analysis of changes in financing during the year

	1999	1998
	Hire purchase	Hire purchase
	agreements	agreements
	£	£
At 1 August 1998	(14,775)	(58,120)
Inception of hire purchase agreements	(32,075)	-
Repayment of principal on hire purchase agreements	13,935	43,345
At 31 July 1999	(32,915)	(14,775)

21 Ultimate control

The directors do not consider there to be an ultimate controlling party of R & R Developments Limited.