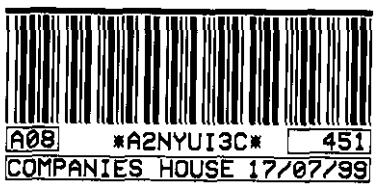
Registered number 2424275

# SALMON DEVELOPMENTS PLC

# FINANCIAL STATEMENTS

## 31ST DECEMBER 1998



# SALMON DEVELOPMENTS PLC

## REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements of the group for the year ended 31st December 1998.

### PRINCIPAL ACTIVITY AND FUTURE DEVELOPMENTS

The group carries on business as property developers and dealers. The directors are satisfied with the continued level of business and profitability of its associated company Salmon Harvester Properties Limited and its subsidiary companies.

### RESULTS AND DIVIDENDS

The profit for the year and the appropriation thereof are set out on page 4.

The directors do not recommend the payment of a dividend upon the ordinary shares. Dividends totalling £731,169 were paid to preference shareholders in the year.

### FIXED ASSETS

Movements in tangible fixed assets and fixed asset investments are set out in notes 13 and 14 respectively.

### DIRECTORS

The directors of the company during the year, and their interest in the company's share capital, are as follows:

| | | 31st December | |
|---|---|---|---|
| | Share Category | 1998 No. | 1997 No. |
| C P Oliver | 'A' Preference | 25,000 | 25,000 |
| | 'A' Ordinary | 350 | 350 |
| D R J Baird | 'B' Preference | 25,000 | 25,000 |
| | 'B' Ordinary | 380 | 380 |
| D J Stewart | 'C' Ordinary | 220 | 220 |
| R F Henderson | 'D' Ordinary | 50 | 50 |
| S K Kuntze (appointed 1 May 1998) | - | - | - |

D W Waddington is considered to be a shadow director under section 741(2) of the Companies Act 1985.

### CREDITORS PAYMENT POLICY

Trade creditors are settled in accordance with their agreed payment terms.

### YEAR 2000

The directors have carried out an assessment of the risk that the group's business and operations may face from what is known as the Year 2000 problem. Where necessary, systems have been modified or replaced. The preparedness of key suppliers is being ascertained and alternative suppliers identified where necessary. The level of expenditure required is not significant and is being funded from existing resources.

### AUDITORS

Taylors are willing to continue in office, and it is proposed that they be re-appointed.

By order of the board

C P OLIVER
Director
6th July 1999

Registered Office: 51 Queen Anne Street, London W1M 0HS.

## STATEMENT OF 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 group and of the profit or loss for that year. 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;
- 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 maintaining 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

# SALMON DEVELOPMENTS PLC

## REPORT OF THE AUDITORS

To the members of Salmon Developments PLC

We have audited the financial statements on pages 4 to 17 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**
As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**BASIS OF OPINION**
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**OPINION**
In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31st December 1998 and of the profit and cash flows of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Taylors

TAYLORS
Chartered Accountants
Registered Auditors
51 Queen Anne Street, London W1M 0HS

6th July 1999

# SALMON DEVELOPMENTS PLC

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1998

| | Note | 1998 £ | 1997 £ |
|---|---|---|---|
| **TURNOVER including share of associate** | | 36,522,295 | 21,918,819 |
| Less : share of associate | | 31,179,891 | 21,556,574 |
| **GROUP TURNOVER** | 2 | 5,342,404 | 362,245 |
| Cost of sales | | 4,321,730 | (179,409) |
| **GROSS PROFIT** | | 1,020,674 | 541,654 |
| Other operating income | 3 | 613,262 | 547,929 |
| | | 1,633,936 | 1,089,583 |
| Administrative expenses | | (1,304,204) | (1,532,683) |
| **OPERATING PROFIT/(LOSS)** | 4 | 329,732 | (443,100) |
| Share of profit of associate | 1 | 2,758,823 | 2,452,367 |
| Interest receivable | 6 | 142,301 | 116,791 |
| Interest payable | 7 | (673,008) | (122,417) |
| **PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION** | | 2,557,848 | 2,003,641 |
| Tax on profit on ordinary activities | 8 | (879,524) | (894,030) |
| **PROFIT FOR THE FINANCIAL YEAR** | | 1,678,324 | 1,109,611 |
| Non equity dividends paid and proposed | 9 | (731,169) | (254,135) |
| **RETAINED PROFIT FOR THE FINANCIAL YEAR** | 10,20 | 947,155 | 855,476 |

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

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

# SALMON DEVELOPMENTS PLC

## CONSOLIDATED BALANCE SHEET

at 31st December 1998

| | Note | £ | 31 December 1998 £ | £ | 31 December 1997 £ |
|---|---|---|---|---|---|
| **FIXED ASSETS** | | | | | |
| Intangible assets | 12 | | - | | - |
| Tangible assets | 13 | | 16,900 | | 11,002 |
| Investments | 14 | | 2,505,931 | | 2,343,212 |
| | | | 2,522,831 | | 2,354,214 |
| **CURRENT ASSETS** | | | | | |
| Work in progress | 1, 15 | 1,392,312 | | 1,285,063 | |
| Debtors | 16 | 516,200 | | 1,368,731 | |
| Cash at bank | | 706,561 | | 825,940 | |
| | | 2,615,073 | | 3,479,734 | |
| **CREDITORS** | | | | | |
| Amounts falling due within one year | 17 | (808,212) | | (2,451,411) | |
| **NET CURRENT ASSETS** | | | 1,806,861 | | 1,028,323 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | | 4,329,692 | | 3,382,537 |
| **CAPITAL AND RESERVES** | | | | | |
| Called up share capital | 19 | | 13,500 | | 13,500 |
| Profit and loss account | 20 | | 4,139,943 | | 3,192,788 |
| Revaluation reserve | 21 | | 176,249 | | 176,249 |
| **SHAREHOLDERS FUNDS** | 25 | | 4,329,692 | | 3,382,537 |
| Attributable to equity shareholders | | | 4,329,692 | | 3,083,467 |
| Attributable to non equity shareholders | | | - | | 299,070 |

Approved by the Board on 6th July 1999

C P OLIVER

D R J BAIRD

Directors

# SALMON DEVELOPMENTS PLC

## BALANCE SHEET

at 31st December 1998

| | Note | £ | 31 December 1998 £ | £ | 31 December 1997 £ |
|---|---|---|---|---|---|
| **FIXED ASSETS** | | | | | |
| Tangible assets | 13 | | 16,900 | | 11,002 |
| Investments | 14 | | 2,850,209 | | 2,695,765 |
| | | | 2,867,109 | | 2,706,767 |
| **CURRENT ASSETS** | | | | | |
| Work in progress | 1,15 | - | | - | |
| Debtors | 16 | 1,742,089 | | 1,654,426 | |
| Cash at bank and in hand | | 660,851 | | 756,081 | |
| | | 2,402,940 | | 2,410,507 | |
| **CREDITORS** | | | | | |
| Amounts falling due within one year | 17 | (1,047,902) | | (1,736,058) | |
| **NET CURRENT ASSETS** | | | 1,355,038 | | 674,449 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | | 4,222,147 | | 3,381,216 |
| **CAPITAL AND RESERVES** | | | | | |
| Called up share capital | 19 | | 13,500 | | 13,500 |
| Profit and loss account | 20 | | 4,032,398 | | 3,191,467 |
| Revaluation reserve | 21 | | 176,249 | | 176,249 |
| **SHAREHOLDERS FUNDS** | | | 4,222,147 | | 3,381,216 |
| Attributable to equity shareholders | | | 4,222,147 | | 3,082,146 |
| Attributable to non equity shareholders | | | - | | 299,070 |

Approved by the Board on 6th July 1999

C P OLIVER

D R J BAIRD

Directors

# SALMON DEVELOPMENTS PLC

## CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31st December 1998

| | Note | £ | 31 December 1998 £ | £ | 31 December 1997 £ |
|---|---|---|---|---|---|
| **NET CASH INFLOW FROM OPERATING ACTIVITIES** | 23 | | 440,283 | | (2,882,313) |
| Income received from associate | | | 1,636,859 | | 1,845,692 |
| **RETURNS ON INVESTMENT AND SERVICING OF FINANCE** | | | | | |
| Interest received | 6 | 52,526 | | 62,152 | |
| Interest paid | 7 | (14,993) | | (133) | |
| Non equity dividend paid | | (764,444) | | (220,860) | |
| **NET CASH OUTFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE** | | | (726,911) | | (158,841) |
| **TAXATION** | | | (328,563) | | (822,474) |
| **CAPITAL EXPENDITURE** | | | | | |
| Payments to acquire fixed assets | | | (10,416) | | (17,597) |
| **ACQUISITIONS AND DISPOSALS** | | | | | |
| Payments to acquire subsidiaries net of cash | | - | | 8,711 | |
| Loan to associate | | (154,444) | | (266,562) | |
| | | | (154,444) | | (257,851) |
| **NET CASH INFLOW BEFORE FINANCING** | | | 856,808 | | (2,293,384) |
| **FINANCING** | | | | | |
| Increase in bank loan | | | - | | 1,000,000 |
| **INCREASE IN CASH** | 24 | | 856,808 | | (1,293,384) |

| **ANALYSIS OF NET DEBT** | **1-January 1998** | **Cashflow** | **31-December 1998** |
|---|---|---|---|
| Cash in hand | 825,940 | (143,192) | 682,748 |
| Debt due within one year | (1,000,000) | 1,000,000 | - |
| | (174,060) | 856,808 | 682,748 |

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 1998

### 1. ACCOUNTING POLICIES

for the year ended 31st December 1998

**Basis of accounting**

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of a fixed asset investment, and comply with all applicable accounting standards.

**Basis of consolidation**

The group financial statements comprise a consolidation of the financial statements of the holding company and its subsidiary undertakings (subsidiaries) for the year ended 31st December 1998.

An associated undertaking (associate) is included in the group financial statements on the equity accounting basis.

In accordance with S.230 of the Companies Act 1985 the company has elected not to present its own profit and loss account.

**Turnover**

Turnover represents the invoiced value of goods and services supplied and the value of long term contract work done, and is stated exclusive of VAT.

**Long term contracts.**

Turnover on long-term contracts is recognised according to the nature of the contract and the stage reached in the contract by reference to the value of work done. A prudent estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. Work in progress is stated at the lower of cost and net realisable value. The costs on development projects not yet taken to the profit and loss account, less foreseeable losses, and payments on account are shown in work in progress.

**Intangible fixed assets**

This represents goodwill arising upon the acquisition of subsidiaries. It has been amortised to the profit and loss account over its estimated useful life, in accordance with the provisions of FRS 10. In the opinion of the directors the goodwill arising in the year has no useful life and has been written off in the year.

**Depreciation**

This is calculated so as to write off the cost of the relevant tangible fixed assets over their expected useful lives, at the following annual rates:

| | | |
|---|---|---|
| Office equipment | - | 25% |
| Computer equipment | - | 33⅓% |

**Capital instruments**

Capital instruments are accounted for in accordance with the principles of FRS 4 and are classified as equity share capital, non equity share capital or debt as appropriate.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 1998

### 2. TURNOVER

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

| | 31 December 1998 £ | 31 December 1997 £ |
|---|---|---|
| **3. OTHER OPERATING INCOME** | | |
| Rent | 13,262 | - |
| Other | 600,000 | 547,929 |
| | 613,262 | 547,929 |
| **4. OPERATING PROFIT/(LOSS)** | | |
| This is stated after charging: | | |
| Auditors' remuneration | 16,500 | 12,000 |
| Depreciation and other amounts written off tangible fixed assets | 4,518 | 28,157 |
| Operating lease charges: | | |
| Equipment | 5,879 | 6,930 |
| Other | 45,000 | 42,477 |

The auditors also received £2,010 in respect of non-audit services during the year.

| | | |
|---|---|---|
| **5. DIRECTORS' EMOLUMENTS** | | |
| Directors' emoluments | 678,272 | 762,207 |
| Highest paid director | 201,896 | 225,500 |
| **6. INTEREST RECEIVABLE** | | |
| Bank interest | 50,087 | 62,152 |
| Other interest | 2,439 | - |
| | 52,526 | 62,152 |
| Share of associate | 89,775 | 54,639 |
| | 142,301 | 116,791 |

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 1998

| | | 31 December 1998 | 31 December 1997 |
|---|---|---|---|
| | | £ | £ |
| **7.** | **INTEREST PAYABLE** | | |
| | Loans and bank overdraft wholly repayable within five years | 127 | 133 |
| | Other | 14,866 | - |
| | | 14,993 | 133 |
| | Share of associate | 658,015 | 122,284 |
| | | 673,008 | 122,417 |
| **8.** | **TAXATION** | | |
| | Based on the profit for the year: | | |
| | Corporation tax at 31% | 355,500 | 355,000 |
| | Overprovision in previous years | (21,425) | - |
| | Tax credit on dividends received | 90,195 | - |
| | Share of associate | 455,254 | 539,030 |
| | | 879,524 | 894,030 |
| | A matter affecting the level of the tax charge is explained in note 18c. | | |
| **9.** | **DIVIDENDS** | | |
| | Non equity shares: | | |
| | Cumulative preference dividends paid | 731,169 | 220,860 |
| | Cumulative preference dividends payable | - | 33,275 |
| | | 731,169 | 254,135 |
| **10.** | **PROFIT FOR THE FINANCIAL YEAR** | | |
| | This is dealt with in the accounts of: | | |
| | Holding company | 840,931 | 853,774 |
| | Subsidiaries | 106,224 | 1,702 |
| | | 947,155 | 855,476 |
| **11.** | **EMPLOYEES** | No. | No. |
| | The average weekly number of employees including the directors, was as follows: | 14 | 16 |
| | Staff costs comprise: | £ | £ |
| | Salaries | 681,832 | 860,039 |
| | Social security costs | 66,400 | 86,004 |
| | | 748,232 | 946,043 |

## NOTES TO THE FINANCIAL STATEMENTS

at 31st December 1998

| | 31 December 1998 £ |
|---|---|
| **12. INTANGIBLE ASSETS** | |
| **Goodwill** | |
| At beginning of year | - |
| Additions | 40,000 |
| Amortisation | (40,000) |
| At end of year | - |

**13. TANGIBLE ASSETS**

| **Group and Company** | Office Equipment £ | Computer Equipment £ | Total £ |
|---|---|---|---|
| Cost: | | | |
| At beginning of year | 32,474 | 28,466 | 60,940 |
| Additions | 5,181 | 5,235 | 10,416 |
| At end of year | 37,655 | 33,701 | 71,356 |
| Depreciation: | | | |
| At beginning of year | 21,473 | 28,465 | 49,938 |
| Provided this year | 3,791 | 727 | 4,518 |
| | 25,264 | 29,192 | 54,456 |
| Net book values: | | | |
| At 31st December 1998 | 12,391 | 4,509 | 16,900 |
| At 31st December 1997 | 11,001 | 1 | 11,002 |

## NOTES TO THE FINANCIAL STATEMENTS
at 31st December 1998

### 14. INVESTMENTS

| | Shares in associate £ | Loan to associate £ | Share of profit of associate £ | Total £ |
|---|---|---|---|---|
| **Group:** | | | | |
| At beginning of year | 2,000,000 | 343,212 | - | 2,343,212 |
| Additions | - | 154,444 | 8,275 | 162,719 |
| At end of year | 2,000,000 | 497,656 | 8,275 | 2,505,931 |

| | Shares in subsidiaries £ | Shares in associate £ | Loans to subsidiary £ | Loans to associate £ | Total £ |
|---|---|---|---|---|---|
| **Company:** | | | | | |
| At beginning of year | 53 | 2,000,000 | 352,500 | 343,212 | 2,695,765 |
| Additions | 40,000 | - | - | 154,444 | 194,444 |
| Provision against investment | (40,000) | - | - | - | (40,000) |
| At end of year | 53 | 2,000,000 | 352,500 | 497,656 | 2,850,209 |

The subsidiaries and associate, all of which are registered in England, are as follows:

| Name | Percentage shareholding % | Activity |
|---|---|---|
| Salcim Limited | 100 | Property developer |
| Salmon Harvester Properties Limited | 50 | Property developer |
| Salmon Investments and Developments Limited | 100 | Property developer |
| Walldren Limited | 100 | Non-trading |

| | **31 December 1998** £ | 31 December 1997 £ |
|---|---|---|
| Group share of associate's current assets | 17,960,754 | 22,438,037 |
| Group share of associate's liabilities falling due within one year | 15,952,479 | 20,430,298 |

## NOTES TO THE FINANCIAL STATEMENTS

at 31st December 1998

| | 31 December 1998 | | 31 December 1997 | |
|---|---|---|---|---|
| | Group £ | Company £ | Group £ | Company £ |
| **15. STOCK** | | | | |
| Work in progress | 1,392,312 | - | 1,285,063 | - |

The above includes £53,713 of capitalised interest (1997 - £nil)

**16. DEBTORS**

| | | | | |
|---|---|---|---|---|
| Trade debtors | 198,897 | 172,154 | 240,868 | 226,768 |
| Amounts due from subsidiary | - | 1,274,759 | - | 320,258 |
| Amounts owed from associated company | 259,869 | 259,869 | 1,072,682 | 1,072,682 |
| Other debtors | 15,206 | 14,645 | 12,866 | 12,866 |
| Other taxes | 21,566 | - | 14,463 | - |
| Prepayments and accrued income | 20,662 | 20,662 | 27,852 | 21,852 |
| | 516,200 | 1,742,089 | 1,368,731 | 1,654,426 |

Other debtors includes £10,000 (1997 - £11,000) which is due after more than one year of the balance sheet date.

**17. CREDITORS**

| | Group £ | Company £ | Group £ | Company £ |
|---|---|---|---|---|
| Bank loan | 23,813 | - | 1,000,000 | - |
| Trade creditors | 45,578 | 8,847 | 40,590 | 40,466 |
| Amounts owed to subsidiaries | - | 317,009 | - | 343,020 |
| Amounts owed to associated company | 18,281 | 18,281 | 146,779 | 96,779 |
| Social security and other taxes | 120,620 | 116,945 | 93,494 | 91,394 |
| Other creditors | - | - | 250,500 | 250,000 |
| Accruals | 244,420 | 241,820 | 536,785 | 531,136 |
| Corporation tax | 355,500 | 345,000 | 349,988 | 349,988 |
| Preference dividends payable | - | - | 33,275 | 33,275 |
| | 808,212 | 1,047,902 | 2,451,411 | 1,736,058 |

## NOTES TO THE FINANCIAL STATEMENTS

at 31st December 1998

### 18. CONTINGENCIES

a. Additional consideration, up to a maximum of £960,000, is potentially payable by the company to the previous owner of a subsidiary, the level of which is dependent upon the future taxable profits generated by the subsidiary.
b. The company has given a guarantee in relation to an overdraft facility of £150,000 made available to Salmon Investments and Developments Limited.
c. The tax charge for the year has been reduced by approximately £162,000, by utilisation of a subsidiary company's accumulated tax losses. As no agreement has been reached with the Inland Revenue in this respect at the date of these accounts, there is a contingent liability of £162,000. The directors are of the opinion that no provision should be made.

### 19. SHARE CAPITAL

| | **31 December 1998** £ | 31 December 1997 £ |
|---|---|---|
| Authorised and allotted: | | |
| 25,000 'A' Cumulative preference shares of £1 each | 25,000 | 25,000 |
| 25,000 'B' Cumulative preference shares of £1 each | 25,000 | 25,000 |
| 350 'A' Ordinary shares of £1 each | 350 | 350 |
| 380 'B' Ordinary shares of £1 each | 380 | 380 |
| 220 'C' Ordinary shares of £1 each | 220 | 220 |
| 50 'D' Ordinary shares of £1 each | 50 | 50 |
| | 51,000 | 51,000 |
| Issued: | | |
| 25,000 'A' Cumulative preference shares of £1 each, 25p paid | 6,250 | 6,250 |
| 25,000 'B' Cumulative preference shares of £1 each, 25p paid | 6,250 | 6,250 |
| 350 'A' Ordinary shares of £1 each | 350 | 350 |
| 380 'B' Ordinary shares of £1 each | 380 | 380 |
| 220 'C' Ordinary shares of £1 each | 220 | 220 |
| 50 'D' Ordinary shares of £1 each | 50 | 50 |
| | 13,500 | 13,500 |

Non equity shares

The interests of the preference shareholders have been classified as non equity. Their rights include entitlement to receive the profits realised on certain of the group's developments as defined in the articles of association. To the extent that such profits are available for distribution, but remain retained within the company, the preference shareholders are entitled to 8% on such amounts. Except in restricted circumstances, the shares do not carry an entitlement to vote at a general meeting.

## NOTES TO THE FINANCIAL STATEMENTS
at 31st December 1998

### 20. PROFIT AND LOSS ACCOUNT

| | Group<br>£ | Company<br>£ |
|---|---|---|
| At beginning of year | 3,192,788 | 3,191,467 |
| Profit for the year | 947,155 | 840,931 |
| At end of year | 4,139,943 | 4,032,398 |

### 21. REVALUATION RESERVE

| | **31 December 1998**<br>**£** | 31 December 1997<br>£ |
|---|---|---|
| At start and at end of year | 176,249 | 176,249 |

### 22. RELATED PARTY TRANSACTIONS

The group and the company has taken advantage of the exemptions provided by Financial Reporting Standard 8 and has not reported transactions and balances with other group companies that are eliminated upon consolidation. During the year, Salmon Developments PLC entered into the following transactions with its associated undertaking Salmon Harvester Properties Limited:

| | **31 December 1998**<br>**£** | 31 December 1997<br>£ |
|---|---|---|
| Project management fees earned | 408,363 | 344,247 |
| Contribution to management costs | 600,000 | 466,667 |
| Contribution to salaries | - | 55,100 |

At the year end the group was owed £241,588 (1997 - £925,903) by Salmon Harvester Properties Limited.

During the year Salmon Developments PLC entered into transactions with the following related parties :

| | | |
|---|---|---|
| Companies controlled by Mr C P Oliver: | | |
| Management fees payable to Salmon Consultants Limited | 33,185 | 146,196 |
| Rent paid to Salmon Properties Limited | - | 42,477 |
| A company controlled by Mr D R J Baird: | | |
| Management fees payable to Adna Limited | 162,404 | - |
| Rent charged to Adna Limited | 23,323 | - |
| A company controlled by Mr D Stewart: | | |
| Management fees payable to Hookwood House Estates Limited | 32,500 | - |

All of the above fees are included within directors emoluments disclosed in note 5.

| | | |
|---|---|---|
| Professional fees paid to the chartered accountancy practice of Mr D W Waddington. | 81,078 | 76,051 |

During the year Mr D R J Baird and Mr C P Oliver were each repaid loans of £125,000, together with interest on each of £7,433.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December 1998

| | 31 December 1998 £ | 31 December 1997 £ |
|---|---|---|
| **23. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES** | | |
| Operating profit / (loss) | 329,732 | (443,100) |
| Depreciation charges | 4,518 | 28,157 |
| Negative goodwill arising in year | - | 2,058 |
| Negative goodwill amortised | - | (21,450) |
| Goodwill amortised | 40,000 | - |
| Increase in stock | (107,249) | (1,207,785) |
| Decrease / (increase) in debtors | 852,531 | (655,458) |
| Decrease in creditors | (679,249) | (584,735) |
| | 440,283 | (2,882,313) |
| **24. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT** | | |
| Increase / (decrease) in cash | 856,808 | (1,293,384) |
| Cash outflow from decrease in debt | - | (82,000) |
| | 856,808 | (1,375,384) |
| Cash acquired with subsidiary | - | (8,713) |
| Loan acquired with subsidiary | - | (918,000) |
| Movement in net debt in year | 856,808 | (2,302,097) |
| Net debt at start of year | (174,060) | 2,128,037 |
| Net cash/(debt) at end of year | 682,748 | (174,060) |
| **25. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS** | | |
| Profit for the financial year | 1,678,324 | 1,109,611 |
| Dividends | (731,169) | (254,135) |
| Other recognised gains and losses | - | - |
| | 947,155 | 855,476 |
| Opening shareholders funds | 3,382,537 | 2,527,061 |
| Closing shareholders funds | 4,329,692 | 3,382,537 |

## NOTES TO THE FINANCIAL STATEMENTS

at 31st December 1998

| | 31 December 1998 £ | 31 December 1997 £ |
|---|---|---|
| **26. FINANCIAL COMMITMENTS** | | |
| Operating leases | | |
| The group has annual commitments expiring as follows: | | |
| Land and buildings: | | |
| Within one year | - | - |
| Within two to five years | 68,232 | 60,970 |
| Other: | | |
| In two to five years | 4,721 | 4,653 |

### 27. DEFERRED TAX

**Company**

The total potential liability, none of which has been provided in these financial statements, is as follows:

| | 31 December 1998 £ | 31 December 1997 £ |
|---|---|---|
| Revaluation of investment | 52,875 | 52,875 |

### 28. ULTIMATE CONTROLLING PARTY

There is no single ultimate controlling party of the group.