Steel Plate & Sections Limited

Directors' report and financial statements

For the year ended 30 June 1999
Registered number 853935

Directors' report and financial statements

Contents

Chairman's statement

The year under review has seen the most difficult trading conditions that I can remember. In my report last year I closed by expressing my confidence that we were well placed to defend our market position and in good shape to take advantage of the upturn when it came. I have to report that the recession in our market increased during the latter part of 1998 and well into 1999. This was caused by a combination of low oil prices the continuing recession in the Far East and a general over supply of steel to the world market.

In response to this dramatic downturn we have been forced to make significant cuts in the workforce, to reduce overheads and to re-focus the company's sales efforts to include additional products. The effect of these measures has been to arrest the sales decline and to reduce our break even point which should ensure an early return to profitability.

The downturn has affected all of our markets. The UK North Sea has seen a major fall in developments due to the low oil price in the early months of 1999 which the subsequent rise has been unable to reverse. The offices in Malaysia and Dubai have both been badly affected by the downturn but are now showing strong signs of recovery. In the UK domestic market our performance in the non-oil sectors has been extremely strong and the directors are continuing to explore more and more markets where we can expand.

Our relationships with our major suppliers are extremely strong and it is hoped that we can develop these even more to enhance our market position.

Once again I would like to commend to the shareholders the tremendous contribution of all the company's employees. They have all responded to the challenge that the recession has presented and have refused to allow it to de-motivate them.

For the future, I am able to report that the company is holding its market share and sales are currently in line with our forecasts which would indicate that the company should return a modest profit for the current year.

Julian J Robbins
Chairman

Directors' report

The directors present their report and the audited financial statements for the year ended 30 June 1999.

Principal activity

The principal activity of the group is, and will continue to be, that of steel stockholding.

Results

The results of the group for the year are shown on page 5.

Dividends and transfers to reserves

During the year the directors paid a dividend of £Nil *(1998: £485,550)*.

Investment property

In the opinion of the directors, the investment property is included at its market value.

Directors' and directors' interests

The directors' who held office during the year were as follows:

JJ Robbins
MN Robbins
AE Jones
JA James

The directors who held office at the end of the financial year had the following interests in the shares of the company according to the register of directors' interests:

	1999	1998
	£	£
JJ Robbins:		
Beneficial	**32,350**	32,350
Non-beneficial	**5,000**	5,000
MN Robbins		
Beneficial	**18,881**	18,881
Non-beneficial	**5,000**	5,000
AE Jones	-	-
JA James	-	-

JJ Robbins and JA James retire by rotation at the next annual general meeting and, being eligible, offer themselves for re-election.

Directors' report *(continued)*

Year 2000

The year 2000 potentially has wide ranging financial and operational consequences. The company has carried out reviews to identify areas where year 2000 compliance is necessary. Where problems have been identified, rectification work has been carried out in order to minimise the level of year 2000 risk to which the company is exposed.

The company has undertaken an extensive review of the implications of the year 2000 for the standard financial and operational systems and equipment. The company believes that no further costs will arise.

Given the complexity of the problem, it is impossible to guarantee that no year 2000 problems will remain since some level of failure may still occur. However, the board believes it will achieve an acceptable state of readiness by the due time.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming annual general meeting.

This report was approved by the board of directors and signed on its behalf by:

J. A. Faulkner

J Faulkner
Secretary

Island House
2 Fazeley Street
Birmingham
B5 5JP

16 November 1999

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

- select suitable accounting policies and then apply them consistently;
- make 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 keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They 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.

KPMG

2 Cornwall Street
Birmingham
B3 2DL

Report of the auditors to the members of Steel Plate and Sections Limited

We have audited the financial statements on pages 5 to 20.

Respective responsibilities of directors and auditors

As described on page 4, the directors of the company are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial 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 that they are consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we consider 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 the group at 30 June 1999 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

16 November 1999

Consolidated profit and loss account

for the year ended 30 June 1999

	Note	1999 £	1998 £
Turnover	2	**14,389,813**	32,336,864
Cost of sales		**(11,652,016)**	(25,579,287)
Gross profit		**2,737,797**	6,757,577
Distribution costs		**(1,351,583)**	(2,101,414)
Sales and administrative costs		**(2,491,224)**	(2,652,802)
Operating (loss)/profit		**(1,105,010)**	2,003,361
Loss on sale of fixed assets	6	**(8,071)**	-
(Loss)/profit on sale of fixed asset investments		**(22,893)**	653
Other interest receivable and similar income		**2,112**	1,470
Interest payable and similar charges	7	**(244,188)**	(258,170)
(Loss)/profit on ordinary activities before taxation	3	**(1,378,050)**	1,747,314
Tax on (loss)/profit on ordinary activities	8	**340,427**	(555,061)
(Loss)/profit on ordinary activities after taxation for the financial year		**(1,037,623)**	1,192,253
Dividends paid	9	-	(485,550)
Retained (loss)/profit for the year		**(1,037,623)**	706,703

Movements in reserves are shown in note 19.

All turnover and operating results arise from continuing activities.

The retained loss for the year represents the only movement in shareholders' funds.

The group has no recognised gains or losses in either the current or preceding years other than the profit or loss in those years.

There is no material difference between the results as disclosed in the profit and loss account and the result on an unmodified historical cost basis.

Consolidated balance sheet
at 30 June 1999

	Note	1999 £	1999 £	1998 £	1998 £
Fixed assets					
Tangible assets	*10*		**637,688**		690,877
Current assets					
Stocks	*12*	**4,094,477**		6,866,842	
Debtors	*13*	**3,127,993**		8,944,694	
Investments	*14*	**-**		74,326	
Cash at bank and in hand		**211,853**		231,527	
		7,424,323		16,117,389	
Creditors: amounts falling due within one year	*15*	**(4,049,904)**		(11,703,812)	
Net current assets			**3,384,419**		4,413,577
Total assets less current liabilities			**4,022,107**		5,104,454
Creditors: amounts falling due after more than one year	*16*		**(59,775)**		(121,209)
Provisions for liabilities and charges	*17*		**(16,710)**		-
Net assets			**3,945,622**		4,983,245
Capital and reserves					
Called up share capital	*18*		**74,700**		74,700
Other reserves	*19*		**25,300**		25,300
Profit and loss account	*19*		**3,845,622**		4,883,245
Shareholders' funds - equity	*20*		**3,945,622**		4,983,245

These financial statements were approved by the board of directors on 16 November 1999 and were signed on its behalf by:

JJ Robbins

MN Robbins
Directors

Company balance sheet
at 30 June 1999

	Note	1999 £	1999 £	1998 £	1998 £
Fixed assets					
Tangible assets	*10*		**589,571**		690,877
Investments	*11*		**-**		167,785
Current assets					
Stocks	*12*	**4,094,477**		6,866,842	
Debtors	*13*	**3,104,853**		8,963,581	
Investments	*14*	**-**		74,326	
Cash at bank and in hand		**197,322**		63,742	
		7,396,652		15,968,491	
Creditors: amounts falling due within one year	*15*	**(4,117,902)**		(11,722,699)	
Net current assets			**3,278,750**		4,245,792
Total assets less current liabilities			**3,868,321**		5,104,454
Creditors: amounts falling due after more than one year	*16*		**(56,625)**		(121,209)
Provisions for liabilities and charges	*17*		**(16,710)**		-
Net assets			**3,794,986**		4,983,245
Capital and reserves					
Called up share capital	*18*		**74,700**		74,700
Other reserves	*19*		**25,300**		25,300
Profit and loss account	*19*		**3,694,986**		4,883,245
Equity shareholders' funds	*20*		**3,794,986**		4,983,245

These financial statements were approved by the board of directors on 16 November 1999 and were signed on its behalf by:

JJ Robbins

MN Robbins
Directors

Consolidated cash flow statement

for the year ended 30 June 1999

	Note	1999 £	1998 £
Reconciliation of operating profit to net cash flow from operating activities			
Operating (loss)/profit		**(1,105,010)**	2,003,361
Depreciation charges		**140,191**	138,631
Profit on sale of fixed assets		**-**	(2,307)
Decrease/(increase) in stocks		**2,772,365**	(1,674,890)
Decrease/(increase) in debtors		**5,256,934**	(4,362,582)
(Decrease)/increase in creditors		**(5,825,207)**	3,574,377
Net cash inflow/(outflow) from operating activities		**1,239,273**	(323,410)

Cash flow statement

	Note	1999 £	1998 £
Cash flow from operating activities		**1,239,273**	(323,410)
Returns on investments and servicing of finance	*21(a)*	**(242,076)**	(256,700)
Taxation		**(303,702)**	1,245
Capital expenditure and financial investment	*21(a)*	**24,017**	(165,451)
Equity dividends paid		**-**	(485,550)
Cash inflow/(outflow) before management of liquid resources and financing		**717,512**	(1,229,866)
Financing	*21(a)*	**166,524**	(139,448)
Increase/(decrease) in cash in the period		**884,036**	(1,369,314)

Reconciliation of net cash flow to movement in net debt

	Note	1999 £	1998 £
	21(b)		
Increase/(decrease) in cash in the period		**884,036**	(1,369,314)
Finance lease repayments		**132,476**	139,448
Cash inflow from movement in liquid resources		**(74,326)**	(3,522)
Change in net debt resulting from cash flows		**942,186**	(1,233,388)
New finance leases		**(67,657)**	(204,173)
Movement in net debt in the period		**874,529**	(1,437,561)
Net debt at the start of the period		**(2,477,878)**	(1,040,317)
Net debt at the end of the period		**(1,603,349)**	(2,477,878)

Notes

(forming part of the financial statements)

1 Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

Basis of accounting

The financial statements have been prepared under the historical cost accounting rules modified by the revaluation of investment properties.

Consolidation principles

The consolidated financial statements incorporate the financial statements of Steel Plate & Sections Limited and its subsidiary undertakings. The financial statements of the subsidiary undertaking are made up to 31 December 1998. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

A separate profit and loss account dealing with the results of the company only has not been presented, in accordance with the exemption granted by S230(4) of the Companies Act 1985.

In the company's accounts investments in subsidiary undertakings are stated at cost. Dividends received and receivable are credited to the company's profit and loss account to the extent that they represent a realised profit for the company.

Investment in subsidiary undertakings

The cost of investment in subsidiary undertakings is stated at the cost of acquisition.

Investment properties

In accordance with Statement of Standard Accounting Practice No 19:

(i) investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve. Any permanent diminution is taken to the profit and loss account for the year;

(ii) no depreciation or amortisation is provided in respect of freehold investment properties with over 20 years to run. The directors consider that this accounting policy results in the financial statements giving a true and fair view.

Depreciation

The rate of depreciation on motor vehicles is calculated using either the reducing balance method at 25% per annum of the asset's written down value or 35% per annum in equal instalments over their estimated useful lives. Rates of depreciation on other assets are calculated so as to write off the cost of tangible fixed assets by equal annual instalments over their estimated useful lives as follows:

Short leasehold improvement	-	over period of lease
Plant and machinery	-	15% per annum
Office equipment	-	15% per annum
Computer equipment	-	20% per annum

Notes *(continued)*

1 Principal accounting policies *(continued)*

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost comprises the purchase price of goods held for resale.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction, or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Advance corporation tax recoverable by deduction from future corporation tax is carried forward within deferred taxation or as ACT recoverable within debtors as appropriate.

Finance leases and similar hire purchase agreements

Assets acquired by the company for its own use under finance leases or hire purchase agreements are capitalised together with the corresponding liability. The finance charges on these agreements are charged to the profit and loss account on a sum of the digits basis.

Operating leases

Lease payments on operating leases are charged to the profit and loss account in the year in which the charges are incurred.

Pension costs

Staff scheme

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

Directors' scheme

The company operates a money purchase scheme on behalf of two directors.

The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market.

Notes *(continued)*

2 Turnover

Turnover, which comprises sales to external customers exclusive of VAT, may be analysed by geographical area as follows:

	1999 £	1998 £
United Kingdom	**9,191,965**	14,073,564
Rest of Europe	**881,872**	4,478,593
Middle East and Pacific Rim	**1,676,901**	8,140,081
North America	**2,639,075**	5,644,626
	14,389,813	32,336,864

3 Profit on ordinary activities before taxation

	1999 £	1998 £
Profit on ordinary activities before taxation is stated		
after charging		
Auditors' remuneration:		
Audit	**18,000**	18,000
Other services	**18,180**	25,080
Depreciation of tangible fixed assets:		
Owned	**54,902**	72,937
Leased	**85,289**	65,694
Hire of plant and machinery - rentals payable under operating leases	**11,540**	404
Hire of other assets - operating leases	**191,491**	203,000

Audit costs for the parent company amounted to £18,000 *(1998: £18,000)*.

4 Remuneration of directors

	1999 £	1998 £
Directors' emoluments:		
As directors (excluding pension)	**562,967**	759,509
Contributions to money purchase pension schemes	**3,724**	45,817

	Number of directors	
Number of directors to whom pension contributions relate	**1**	3

The emoluments and pension contributions of the highest paid director were £288,917 *(1998: £318,467)* and £Nil *(1998: £20,624)* respectively.

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	1999	1998
Sales and distribution	**23**	22
Administration	**20**	19
Production	**12**	13
	55	54

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	**1,364,105**	1,743,674
Social security costs	**161,653**	172,554
Pension costs	**71,830**	108,510
	1,597,588	2,024,738

6 Loss on sale of fixed assets

	1999	1998
	£	£
Other	**8,071**	-

7 Interest payable and similar charges

	1999	1998
	£	£
On bank overdrafts	**214,003**	237,512
On all other loans	**13,121**	-
Finance charges	**17,064**	20,658
	244,188	258,170

Notes *(continued)*

8 Tax on profit on ordinary activities

	1999 £	1998 £
UK corporation tax at 30% *(1998: 31%)*	**(357,137)**	575,000
Adjustment in respect of prior years	-	(19,939)
Deferred tax	**16,710**	-
	(340,427)	555,061

9 Dividends

	1999 £	1998 £
Paid on ordinary shares	-	485,550

10 Tangible fixed assets

Group	Investment property £	Short leasehold improvements £	Plant and machinery £	Fixtures, fittings, tools and equipment £	Total £
Cost or valuation					
At beginning of year	177,947	197,758	791,073	586,810	1,753,588
Additions	-	-	118,304	15,055	133,359
Disposals	-	-	(74,066)	(24,185)	(98,251)
At end of year	177,947	197,758	835,311	577,680	1,788,696
Depreciation					
At beginning of year	-	38,769	546,310	477,632	1,062,711
Charged in year	-	28,907	80,241	31,043	140,191
Disposals	-	-	(27,709)	(24,185)	(51,894)
At end of year	-	67,676	598,842	484,490	1,151,008
Net book value					
At 30 June 1999	**177,947**	**130,082**	**236,469**	**93,190**	**637,688**
At 30 June 1998	177,947	158,989	244,763	109,178	690,877

The net book value of tangible fixed assets includes an amount of £219,874 *(1998: £276,922)* in respect of assets held under hire purchase agreements. The amount of depreciation allocated during the year for such assets amounts to £85,289 *(1998: £65,694)*.

In the opinion of the directors, the market value of the investment property is not materially different from the cost.

Notes *(continued)*

10 Tangible fixed assets *(continued)*

Company	Investment property	Short leasehold improvements	Plant and machinery	Fixtures, fittings, tools and equipment	Total
	£	£	£	£	£
Cost					
At beginning of year	177,947	197,758	791,073	586,810	1,753,588
Additions	-	-	59,100	8,914	68,014
Disposals	-	-	(60,308)	(24,185)	(84,493)
At end of year	177,947	197,758	789,865	571,539	1,737,109
Depreciation					
At beginning of year	-	38,769	546,310	477,632	1,062,711
Charged in year	-	28,907	74,471	30,133	133,511
Disposals	-	-	(24,499)	(24,185)	(48,684)
At end of year	-	67,676	596,282	483,580	1,147,538
Net book value					
At 30 June 1999	**177,947**	**130,082**	**193,583**	**87,959**	**589,571**
At 30 June 1998	177,947	158,989	244,763	109,178	690,877

The net book value of tangible fixed assets includes an amount of £213,813 *(1998: £276,922)* in respect of assets held under hire purchase agreements. The amount of depreciation allocated during the year for such assets amounts to £79,583 *(1998: £65,694)*.

11 Investments

Group

	Other unlisted investments
	£
Cost	
At beginning and end of year	4,104
Provision	
At beginning and end of year	4,104
Net book value	
At 30 June 1999	-
At 30 June 1998	-

Notes *(continued)*

11 Investments *(continued)*

Company

	Shares in group undertakings	Other unlisted investments	Total
	£	£	£
Cost			
At beginning and end of year	186,733	4,104	190,837
Provision			
At beginning of year	18,948	4,104	23,052
Made during the year	167,785	-	167,785
At end of year	186,733	4,104	190,837
Net book value			
At 30 June 1999	-	-	-
At 30 June 1998	167,785	-	167,785

At 30 June 1999, the group held the stated percentage of the issued share capital of the following subsidiaries. The company's subsidiary undertakings comprise:

Name of company	Country of incorporation	Class of shares held	Proportion of class held	Nature of business
Winsor Bond Generators Limited	Great Britain	Ordinary	100%	Non-trading
Winsor Bond Silver Limited	Great Britain	Ordinary	100%	Non-trading
Rapid Steel Services Limited	Great Britain	Ordinary	100%	Non-trading
Plasmacut Limited	Great Britain	Ordinary	100%	Non-trading
SPS Middle East FZE	Dubai	Ordinary	100%	Trading

12 Stocks

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Finished goods and goods for resale	**4,094,477**	6,866,842	**4,094,477**	6,866,842

Notes *(continued)*

13 Debtors

	Group		Company	
	1999	1998	**1999**	1998
	£	£	**£**	£
Trade debtors	**2,894,596**	8,208,747	**2,871,456**	8,208,747
Amounts owed by group undertakings	**-**	-	**-**	18,887
Other debtors	**115,789**	629,607	**115,789**	629,607
Prepayments and accrued income	**117,608**	106,340	**117,608**	106,340
	3,127,993	8,944,694	**3,104,853**	8,963,581

Included in other debtors were the following amounts due from directors:

	Group and company		
	Maximum during year	***1999***	*1998*
	£	**£**	£
MN Robbins	53,219	**53,219**	5,307
AE Jones	37,675	**35,592**	16,720

Other debtors also include ACT recoverable of £22,203 *(1998: £5,619)*.

14 Investments

	Group		Company	
	1999	1998	**1999**	1998
	£	£	**£**	£
Investments listed on the London Stock Exchange	**-**	58,606	**-**	58,606
Unlisted investments	**-**	15,720	**-**	15,720
	-	74,326	**-**	74,326

The market value of listed investments is £Nil *(1998: £57,512)*.

Notes *(continued)*

15 Creditors: Amounts falling due within one year

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Bank overdrafts (secured)	**1,665,943**	2,569,653	**1,665,943**	2,569,653
Other loans (unsecured)	**299,000**	-	**299,000**	-
Obligations under finance leases (see note 16)	**89,484**	92,869	**86,743**	92,869
Trade creditors	**1,527,426**	7,798,639	**1,527,426**	7,817,526
Amounts owed to group undertakings	-	-	**87,053**	-
Other creditors including taxation and social security	**342,064**	1,167,532	**342,064**	1,167,532
Accruals and deferred income	**125,987**	75,119	**109,673**	75,119
	4,049,904	11,703,812	**4,117,902**	11,722,699
Other creditors including taxation and social security comprise:				
Corporation tax payable	**29,795**	813,809	**29,795**	813,809
ACT payable	**16,584**	-	**16,584**	-
Other taxation and social security	**240,698**	184,460	**240,698**	184,460
Other creditors	**4,799**	28,436	**4,799**	28,436
Directors' account	**50,188**	140,827	**50,188**	140,827
	342,064	1,167,532	**342,064**	1,167,532

The company's invoice discounting facility, disclosed above within bank overdraft, is secured by a fixed charge on certain of the company's trade debts.

16 Creditors: Amounts falling due after more than one year

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Obligations under finance leases	**59,775**	121,209	**56,625**	121,209

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Within one year	**86,743**	92,869	**86,743**	92,869
In the second to fifth years	**62,516**	121,209	**56,625**	121,209
	149,259	214,078	**143,368**	214,078

Obligations under finance leases and hire purchase contracts are secured on the assets being financed.

Notes *(continued)*

17 Provisions for liabilities and charges

Group and company

	Deferred taxation
	£
At beginning of year	-
Charge for the year	16,710
At end of year	16,710

The amounts provided for deferred taxation are set out below:

	1999	1998
	£	£
Difference between accumulated depreciation and capital allowances	**17,760**	-
Other timing differences	**(1,050)**	-
	16,710	-

18 Called up share capital

	1999	1998
	£	£
Authorised:		
Ordinary shares of £1 each	**125,000**	125,000
Allotted, called up and fully paid:		
Ordinary shares of £1 each	**74,700**	74,700

19 Reserves

	Group		Company	
	Capital redemption reserve	Profit and loss account	Capital redemption reserve	Profit and loss account
	£	£	£	£
At beginning of year	25,300	4,883,245	25,300	4,883,245
Loss for the year	-	(1,037,623)	-	(1,188,259)
At end of year	**25,300**	**3,845,622**	**25,300**	**3,694,986**

Notes *(continued)*

20 Reconciliation of movement in shareholders' funds

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Equity shareholders' funds at beginning of year	**4,983,245**	4,276,542	**4,983,245**	4,276,542
(Loss)/profit for the year	**(1,037,623)**	1,192,253	**(1,188,259)**	1,192,253
Dividend	**-**	(485,550)	**-**	(485,550)
Equity shareholders' funds at end of year	**3,945,622**	4,983,245	**3,794,986**	4,983,245

21 Gross cash flows

(a) Analysis of cash flows

	1999		1998	
	£	£	£	£
Returns on investment and servicing of finance				
Interest received	**2,112**		1,470	
Interest paid	**(227,124)**		(237,512)	
Interest element of finance lease rental	**(17,064)**		(20,658)	
		(242,076)		(256,700)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	**(65,702)**		(295,814)	
Purchase of current asset investments	**-**		(105,716)	
Sale of tangible fixed assets	**38,286**		126,188	
Sale of current asset investments	**51,433**		109,891	
		24,017		(165,451)
Financing				
Capital element of finance leases	**(132,476)**		(139,448)	
New loans	**299,000**		-	
		166,524		(139,448)

Notes *(continued)*

21 Gross cash flows *(continued)*

(b) *Analysis of net debt*

	At 1 July 1998 £	Cash flow £	Other non-cash changes £	**At 30 June 1999 £**
Cash in hand, at bank	231,527	(19,674)	-	**211,853**
Overdrafts	(2,569,653)	903,710	-	**(1,665,943)**
	(2,338,126)	884,036	-	**(1,454,090)**
Finance leases	(214,078)	132,476	(67,657)	**(149,259)**
Current asset investments	74,326	(74,326)	-	-
	(2,477,878)	942,186	(67,657)	**(1,603,349)**

22 Commitments

(a) At 30 June 1999, the company had the following capital commitments:

	1999 £	1998 £
Authorised and contracted for	-	-

(b) The company had annual commitments under non-cancellable operating leases as follows:

	1999		1998	
	Land and buildings £	**Other £**	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	**903**	-	-
In the second to fifth year inclusive	**62,500**	**7,929**	-	7,929
After more than five years	**133,000**	-	196,491	-
	195,500	**8,832**	196,491	7,929

(c) The company had entered into forward exchange contracts of £615,743 at the year end.

23 Pension fund

The total pension costs charged to the profit and loss account for the year amounted to £71,830 *(1998: £108,510)*.

24 Related party transactions

During the year, rent of £63,491 was paid to SPS 1996 pension scheme and rent of £133,000 was paid to a family trust for buildings occupied by the company.