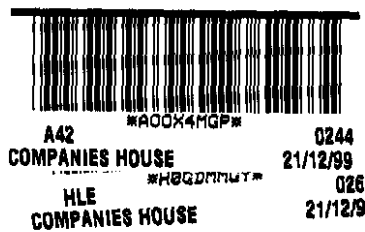


## **Holmes Halls Tanners Limited**

### **Directors' report and financial statements**

27 February 1999

Registered number 1429556



## **Directors' report and financial statements**

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## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 27 February 1999.

### **Principal activities**

The company has continued to trade as a manufacturer of leather.

### **Business review**

The trading loss for the year, after taxation, amounted to £1,611,093 and is dealt with as shown in the profit and loss account on page 5. This result is consistent with the expectations of the directors.

### **Proposed dividend and transfer to reserves**

The directors do not recommend the payment of a dividend. The loss for the year retained in the company was £1,611,093.

### **Employee involvement**

Regular meetings are held between management and employees to allow a free flow of ideas and information. Employees are encouraged to participate in the success of the business through the profit related pay scheme.

### **Disabled employees**

The company gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately fulfilled by a disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development whenever appropriate.

### **Year 2000**

Many computer systems express dates using only the last two digits of the year. These systems require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption.

The operations of our business depends not only on our own computer systems, but also on those of our suppliers and customers. There is, therefore, an exposure to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues. In appropriate cases formal assurance will be sought from these other parties.

The cost of modifications to our computer hardware and software is not expected to be significant. The costs will be expensed unless it is appropriate to capitalise them in line with our normal policy.

## **Directors' report**

### **Directors and directors' interests**

The directors who held office during the year were:

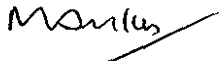
ESM Stanners (chairman)  
TW Ulliott

None of the directors had any disclosable interests in the shares of the company. Their interests in the share capital of the parent company are disclosed in the financial statements of that company.

### **Auditors**

In accordance with Section 385 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.

By order of the board



**M Sykes**  
Secretary

Sculcoates Tannery  
Sculcoates Lane  
HULL  
HU5 1RL

20 December 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 of the company 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.



1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

## **Report of the auditors to the members of Holmes Halls Tanners Limited**

We have audited the financial statements on pages 5 to 17.

### **Respective responsibilities of directors and auditors**


As described on page 3 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 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 the company's affairs as at 27 February 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
KPMG

*Chartered Accountants  
Registered Auditors*

20 December 1999

## Profit and loss account

*for the year ended 27 February 1999*

|   | Note | 1999<br>£    | 1998<br>£    |
|---|------|--------------|--------------|
| <b>Turnover</b>   | 2    | 22,588,236   | 24,709,659   |
| Cost of sales   |      | (18,757,924) | (18,592,594) |
| <b>Gross profit</b>   |      | 3,830,312    | 6,117,065    |
| Distribution costs  |      | (959,726)    | (943,668)    |
| Administrative expenses                                     |      | (3,906,124)  | (4,560,838)  |
| Exceptional items: Reorganisation costs                     |      | (160,385)    | -            |
| <b>Operating (loss)/profit</b>                              |      | (1,195,923)  | 612,559      |
| Other interest receivable and similar income                | 6    | 21,122       | 11,824       |
| Interest payable and similar charges                        | 7    | (442,173)    | (407,719)    |
| <b>(Loss)/profit on ordinary activities before taxation</b> | 3-5  | (1,616,974)  | 216,664      |
| Tax on (loss)/profit on ordinary activities                 | 8    | 5,881        | (35,500)     |
| <b>(Loss)/profit for the financial year</b>                 |      | (1,611,093)  | 181,164      |

Movement on reserves are set out in note 18.

There were no recognised gains or losses in the current or previous year other than the loss for the year.

## Reconciliation of movements in shareholders' funds

*for the year ended 27 February 1999*

|                                      | 1999<br>£   | 1998<br>£ |
|--------------------------------------|-------------|-----------|
| (Loss)/profit for the financial year | (1,611,093) | 181,164   |
| Opening Shareholders' funds          | 6,705,678   | 6,524,514 |
| <b>Closing shareholders' funds</b>   | 5,094,585   | 6,705,678 |

## Note of historical cost profits and losses

*for the year ended 27 February 1999*

|  | 1999<br>£   | 1998<br>£ |
|--|-------------|-----------|
| Reported (loss)/ profit on ordinary activities before taxation   | (1,616,974) | 216,664   |
| Difference between a historical cost depreciation charge and the actual depreciation calculated on the revalued amount | 33,991      | 37,511    |
| <b>Historical cost (loss)/ profit on ordinary activities before taxation</b>   | (1,582,983) | 254,175   |

## Balance sheet

at 27 February 1999

|  | Note | 1999               | 1998               |
|--|------|--------------------|--------------------|
|  |      | £                  | £                  |
| <b>Fixed assets</b>  |      |                    |                    |
| Tangible assets  | 9    | 4,079,139          | 4,230,408          |
| <b>Current assets</b>  |      |                    |                    |
| Stocks   | 10   | 4,515,831          | 6,172,969          |
| Debtors  | 11   | 4,101,932          | 3,956,074          |
| Investments  | 12   | 35,830             | 62,933             |
| Cash at bank and in hand                                       |      | 162,288            | 447                |
|  |      | <u>8,815,881</u>   | <u>10,192,423</u>  |
| <b>Creditors: amounts falling due within one year</b>          | 13   | <u>(7,684,199)</u> | <u>(7,504,856)</u> |
| <b>Net current assets</b>                                      |      | <u>1,131,682</u>   | <u>2,687,567</u>   |
| <b>Total assets less current liabilities</b>                   |      | <u>5,210,821</u>   | <u>6,917,975</u>   |
| <b>Creditors: amounts falling due after more than one year</b> | 14   | (64,534)           | (141,635)          |
| <b>Provisions for liabilities and charges</b>                  | 15   | (15,000)           | (22,000)           |
| <b>Accruals and deferred income</b>                            | 16   | (36,702)           | (48,662)           |
| <b>Net assets</b>  |      | <u>5,094,585</u>   | <u>6,705,678</u>   |
| <b>Capital and reserves</b>                                    |      |                    |                    |
| Called up equity share capital                                 | 17   | 4,110,100          | 4,110,100          |
| Revaluation reserve  | 18   | 704,355            | 738,346            |
| Profit and loss account  | 18   | 280,130            | 1,857,232          |
| <b>Shareholders' funds - equity</b>                            |      | <u>5,094,585</u>   | <u>6,705,678</u>   |

These financial statements were approved by the board of directors on 20 December 1999 and were signed on its behalf by:



ESM Stanners



TW Ulliott

Directors



## Notes

*(forming part of the financial statements)*

### 1 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 preparation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules modified to include the revaluation of certain fixed assets.

#### *Cash flow statement*

The company is exempt from the requirement of Financial Reporting Standard No. 1 to prepare a cash flow statement as it is a wholly owned subsidiary of Profitwell Limited, and its cash flows are included within the consolidated cash flow statement of that company.

#### *Fixed assets and depreciation*

Depreciation is provided by the company to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

|                     |   |                |
|---------------------|---|----------------|
| Freehold buildings  | - | Up to 50 years |
| Motor vehicles      | - | 4 years        |
| Plant and machinery | - | 15 years       |
| Office equipment    | - | 5 years        |

No depreciation is provided on freehold land.

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. 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.

#### *Government grants*

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to trading profit over the estimated useful economic lives of the assets to which they relate.

## Notes (continued)

### Accounting policies (continued)

#### Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

#### Pension costs

The company operates a defined benefit pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions to the company's pension scheme are charged against income so as to spend the cost of the pensions over the employees' working lives within the company. The regular cost is attributed to individual years using the projected unit credit method. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

#### Stocks

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

Cost is calculated as follows:

|                                     |   |   |
|-------------------------------------|---|---|
| Raw materials and consumables       | - | Actual cost of purchase   |
| Work in progress and finished goods | - | Average direct cost of production plus attributable overheads according to location and condition |

#### 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. Deferred taxation is provided on the liability method on all timing differences which are expected to reverse in the future, calculated at the rate at which it is anticipated the timing difference will reverse.

## Notes (continued)

### Accounting policies (continued)

#### Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year, less returns and allowances

### 2 Analysis of turnover

The geographical distribution of turnover, is as follows:

|                | 1999<br>£         | 1998<br>£         |
|----------------|-------------------|-------------------|
| United Kingdom | 14,516,858        | 17,156,354        |
| Rest of Europe | 3,234,989         | 3,222,542         |
| Far East       | 3,270,903         | 2,235,064         |
| Other          | 1,565,486         | 2,095,699         |
|                | <u>22,588,236</u> | <u>24,709,659</u> |

### 3 Loss on ordinary activities before taxation

|  | 1999<br>£         | 1998<br>£         |
|--|-------------------|-------------------|
| <i>Loss on ordinary activities before taxation is stated</i> |                   |                   |
| <i>after charging/(crediting)</i>                            |                   |                   |
| Auditors' remuneration - Audit                               | 11,500            | 12,000            |
| Other services   | 2,000             | 2,000             |
| Depreciation of tangible fixed assets:                       |                   |                   |
| Owned  | 415,112           | 386,832           |
| Leased   | 29,037            | 47,644            |
| Profit on disposal of fixed assets                           | (10,568)          | (11,227)          |
| Operating lease rentals on plant and machinery               | 76,474            | 69,036            |
| Government grants released                                   | (11,960)          | (16,583)          |
| Exchange losses/(gains)                                      | 11,353            | (15,621)          |
|  | <u>          </u> | <u>          </u> |

## Notes (continued)

### 4 Remuneration of directors

|                        | 1999<br>£         | 1998<br>£         |
|------------------------|-------------------|-------------------|
| Directors' emoluments: |                   |                   |
| As directors           | 127,084           | 140,806           |
|                        | <u>          </u> | <u>          </u> |

Retirement benefits are accruing to the following number of directors under:

|                        | Number of directors<br>1999 | 1998              |
|------------------------|-----------------------------|-------------------|
| Defined benefit scheme | 2                           | 2                 |
|                        | <u>          </u>           | <u>          </u> |

### 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<br>1999 | 1998              |
|------------------------|-----------------------------|-------------------|
| Production             | 214                         | 268               |
| Sales and distribution | 5                           | 5                 |
| Administration         | 11                          | 12                |
|                        | <u>          </u>           | <u>          </u> |
|                        | 230                         | 285               |
|                        | <u>          </u>           | <u>          </u> |

The aggregate payroll costs of these persons were as follows:

|                       | £                 | £                 |
|-----------------------|-------------------|-------------------|
| Wages and salaries    | 3,517,640         | 4,046,978         |
| Social security costs | 307,889           | 344,246           |
| Other pension costs   | 174,903           | 155,946           |
|                       | <u>          </u> | <u>          </u> |
|                       | 4,000,432         | 4,547,170         |
|                       | <u>          </u> | <u>          </u> |

**Notes (continued)**

**6 Other interest receivable and similar income**

|                         | 1999<br>£     | 1998<br>£     |
|-------------------------|---------------|---------------|
| Interest receivable     | 21,086        | 5,355         |
| Income from investments | 36            | 6,469         |
|                         | <u>21,122</u> | <u>11,824</u> |

**7 Interest payable and similar charges**

|  | 1999<br>£      | 1998<br>£      |
|--|----------------|----------------|
| Amounts payable on bank loans and overdrafts | 413,568        | 377,245        |
| Amounts payable on other loans               | 28,605         | 30,474         |
|  | <u>442,173</u> | <u>407,719</u> |

**8 Taxation**

|  | 1999<br>£       | 1998<br>£     |
|--|-----------------|---------------|
| UK corporation tax at 21% in the (loss)/ profit on ordinary activities | (7,752)         | 5,500         |
| Deferred taxation  | (7,000)         | 7,000         |
| Group relief   | -               | 14,000        |
|  | <u>(14,752)</u> | <u>26,500</u> |
| Adjustments relating to earlier years                                  | 8,871           | 9,000         |
| Corporation tax  | <u>(5,881)</u>  | <u>35,500</u> |

## Notes (continued)

### 9 Tangible fixed assets

|                          | Freehold<br>property | Plant,<br>equipment<br>and vehicles | Total     |
|--------------------------|----------------------|-------------------------------------|-----------|
|                          | £                    | £                                   | £         |
| <b>Cost or valuation</b> |                      |                                     |           |
| At beginning of year     | 1,315,060            | 5,331,846                           | 6,646,906 |
| Additions                | 36,709               | 344,668                             | 381,377   |
| Disposals                | -                    | (152,271)                           | (152,271) |
| At end of year           | 1,351,769            | 5,524,243                           | 6,876,012 |
| <b>Depreciation</b>      |                      |                                     |           |
| At beginning of year     | 79,541               | 2,336,957                           | 2,416,498 |
| Charge for year          | 18,593               | 425,556                             | 444,149   |
| On disposals             | -                    | (63,774)                            | (63,774)  |
| At end of year           | 98,134               | 2,698,739                           | 2,796,873 |
| <b>Net book value</b>    |                      |                                     |           |
| At 27 February 1999      | 1,253,635            | 2,825,504                           | 4,079,139 |
| At 28 February 1998      | 1,235,519            | 2,994,889                           | 4,230,408 |

Included in freehold property is land valued at £546,000 (1998 : £546,000) which is not depreciated.

Included in the total net book value is £313,471 (1998 : £436,800) in respect of assets held under finance leases and similar hire purchase agreements. Depreciation on these assets amount to £29,037 (1998 : £47,644) in the year.

## Notes (continued)

### Tangible fixed assets (continued)

Particulars relating to revalued assets are given below:

|                                      | 1999<br>£                | 1998<br>£                |
|--------------------------------------|--------------------------|--------------------------|
| <b>Freehold property</b>             |                          |                          |
| At 1992 open market value            | 1,065,000                | 1,065,000                |
| At cost                              | 286,769                  | 250,060                  |
|                                      | <hr/>                    | <hr/>                    |
| Aggregate depreciation thereon       | 1,351,769<br>(98,134)    | 1,315,060<br>(79,541)    |
|                                      | <hr/>                    | <hr/>                    |
| Net book value                       | 1,253,635                | 1,235,519                |
|                                      | <hr/>                    | <hr/>                    |
| <b>Plant, equipment and vehicles</b> |                          |                          |
| At 1987 open market value            | 1,592,880                | 1,601,630                |
| At cost                              | 3,931,363                | 3,730,216                |
|                                      | <hr/>                    | <hr/>                    |
| Aggregate depreciation thereon       | 5,524,243<br>(2,698,739) | 5,331,846<br>(2,336,957) |
|                                      | <hr/>                    | <hr/>                    |
|                                      | 2,825,504                | 2,994,889                |
|                                      | <hr/>                    | <hr/>                    |

### 10 Stocks

|                                     | 1999<br>£ | 1998<br>£ |
|-------------------------------------|-----------|-----------|
| Raw materials and consumables       | 795,107   | 1,280,575 |
| Work in progress                    | 1,665,641 | 2,866,630 |
| Finished goods and goods for resale | 2,055,083 | 2,025,764 |
|                                     | <hr/>     | <hr/>     |
|                                     | 4,515,831 | 6,172,969 |
|                                     | <hr/>     | <hr/>     |

### 11 Debtors

|   | 1999<br>£ | 1998<br>£ |
|---|-----------|-----------|
| Trade debtors                                 | 4,048,738 | 3,927,560 |
| Amounts owed by fellow subsidiary undertaking | 5,000     | -         |
| Other debtors                                 | 1,381     | 1,617     |
| Prepayments and accrued income                | 46,813    | 26,897    |
|   | <hr/>     | <hr/>     |
|   | 4,101,932 | 3,956,074 |
|   | <hr/>     | <hr/>     |

Trade debtors includes a gross amount of approximately £3,263,000 (1998 : £2,847,000) which is subject to a discounting agreement.

## Notes (continued)

### 12 Investments

|                       | 1999<br>£ | 1998<br>£ |
|-----------------------|-----------|-----------|
| Listed UK investments | 35,830    | 62,933    |

The market value of listed investments at 27 February 1999 was £35,830 (1998 : £62,933).

### 13 Creditors: amounts falling due within one year

|  | 1999<br>£        | 1998<br>£        |
|--|------------------|------------------|
| Bank loans and overdrafts - secured                      | 3,706,193        | 4,092,870        |
| Medium term loan   | 112,000          | 222,000          |
| Trade creditors  | 2,767,456        | 2,247,092        |
| Amounts owed to parent and fellow subsidiary undertaking | 745,115          | 631,089          |
| Obligations under finance lease                          | 78,117           | 122,218          |
| Other taxation and social security                       | 252,276          | 142,362          |
| Other creditors  | 23,042           | 28,479           |
| Corporation tax  | -                | 18,746           |
|  | <u>7,684,199</u> | <u>7,504,856</u> |

Bank loans and overdraft includes £1,385,881 (1998 : £1,643,053) due under a discounting agreement.

### 14 Creditors: amounts falling due after more than one year

|                                 | 1999<br>£     | 1998<br>£      |
|---------------------------------|---------------|----------------|
| Medium term loan                | -             | 112,000        |
| Obligations under finance lease | 64,534        | 29,635         |
|                                 | <u>64,534</u> | <u>141,635</u> |

The medium term loan bears interest at the rate of LIBOR plus 1.37% and associated costs. The loan is repayable in annual instalments as follows:

|                               | £              | £              |
|-------------------------------|----------------|----------------|
| Within one year (see note 13) | 112,000        | 222,000        |
| Between one and two years     | -              | 112,000        |
|                               | <u>112,000</u> | <u>334,000</u> |

Both the medium term loan and the bank overdraft are secured by a fixed charge over the freehold property and a debenture giving a fixed and floating charge over the other assets of the company.



## Notes (continued)

### Creditors: amounts falling due after more than one year (continued)

The maturity of obligation under hire purchase contracts is as follows:

|                                      | £        | £        |
|--------------------------------------|----------|----------|
| Within one year                      | 88,076   | 139,490  |
| In second to fifth years             | 72,444   | 33,937   |
|                                      | <hr/>    | <hr/>    |
|                                      | 160,520  | 173,427  |
| Less: future finance charges         | (17,869) | (21,574) |
|                                      | <hr/>    | <hr/>    |
|                                      | 142,651  | 151,853  |
|                                      | <hr/>    | <hr/>    |
| Falling due within one year          | 78,117   | 122,218  |
| Falling due after more than one year | 64,534   | 29,635   |
|                                      | <hr/>    | <hr/>    |
|                                      | 142,651  | 151,853  |
|                                      | <hr/>    | <hr/>    |

### 15 Deferred taxation

|                      | £       |
|----------------------|---------|
| At beginning of year | 22,000  |
| Credit during year   | (7,000) |
|                      | <hr/>   |
| At end of year       | 15,000  |
|                      | <hr/>   |

|   | 1999     |              | 1998     |              |
|---|----------|--------------|----------|--------------|
|   | Provided | Not provided | Provided | Not provided |
|   | £        | £            | £        | £            |
| Capital allowances in advance of depreciation | -        | 148,000      | -        | 669,000      |
| Held over capital gain                        | -        | -            | -        | -            |
| Other timing differences                      | 15,000   | -            | 22,000   | -            |
|   | <hr/>    | <hr/>        | <hr/>    | <hr/>        |

### 16 Accruals and deferred income

|                            | 1999     | 1998     |
|----------------------------|----------|----------|
|                            | £        | £        |
| <b>Government grants</b>   |          |          |
| At beginning of year       | 48,662   | 65,245   |
| Credited to trading profit | (11,960) | (16,583) |
|                            | <hr/>    | <hr/>    |
| At end of year             | 36,702   | 48,662   |
|                            | <hr/>    | <hr/>    |

## Notes (continued)

### 17 Called up equity share capital

|   | 1999<br>£         | 1998<br>£         |
|---|-------------------|-------------------|
| <i>Authorised</i>                         |                   |                   |
| Ordinary shares of £1 each                | 5,000,000         | 5,000,000         |
|   | <u>          </u> | <u>          </u> |
| <i>Allotted, called up and fully paid</i> |                   |                   |
| Ordinary shares of £1 each                | 4,110,100         | 4,110,100         |
|   | <u>          </u> | <u>          </u> |

### 18 Reserves

|                                     | Revaluation<br>reserve<br>£ | Profit and<br>loss account<br>£ |
|-------------------------------------|-----------------------------|---------------------------------|
| At beginning of year                | 738,346                     | 1,857,232                       |
| Loss for the year                   | -                           | (1,611,093)                     |
| Transfer to profit and loss account | (33,991)                    | 33,991                          |
|                                     | <u>          </u>           | <u>          </u>               |
| At end of year                      | 704,355                     | 280,130                         |
|                                     | <u>          </u>           | <u>          </u>               |

### 19 Contingent liabilities

The company has given an unlimited multilateral guarantee between its parent company, itself and its fellow subsidiary undertaking.

## Notes (continued)

### 20 Commitments

- (i) Capital commitments at the end of the financial year for which no provision has been made:

|                               | 1999<br>£ | 1998<br>£ |
|-------------------------------|-----------|-----------|
| Contracted                    | 2,000     | 77,440    |
| Authorised but not contracted | -         | 8,800     |
|                               | <hr/>     | <hr/>     |

- (ii) Annual commitments under non-cancellable operating leases are as follows:

|  | 1999<br>£ | 1998<br>£ |
|--|-----------|-----------|
| Operating leases which expire:         |           |           |
| Within one year                        | 21,656    | 3,536     |
| In the second to fifth years inclusive | 28,193    | 51,099    |
|  | <hr/>     | <hr/>     |
|  | 49,849    | 54,635    |
|  | <hr/>     | <hr/>     |

### 21 Pension scheme

The company operates a defined benefit pension scheme which is funded by the payment of contributions to a separately administered fund. The contributions to this scheme are determined with the advice of independent qualified actuaries on the basis of a triennial valuation using the projected unit credit method. The results of the most recent valuation, which was conducted as at 1 October 1996 were as follows:

Main assumptions:

Valuation rate of interest 9% per annum

Rate of pensionable salary increases 7% per annum

Pensions will be increased by 4.5% per annum compound on benefits accruing after 6 April 1997.

The actuarial valuation states that the scheme's assets fully cover its liabilities at 1 October 1996 and the resources of the scheme are likely in the normal course of events to meet in full the liabilities of the scheme as they fall due.

### 22 Ultimate parent company

The parent company of the company of undertakings for which group financial statements are drawn up and of which the company is a member is Profitwell Limited, a company registered in England and Wales. Copies of the financial statements can be obtained from Sculcoates Tannery, Sculcoates Lane, Hull, HU5 1RL.