Fieldens PLC

ANNUAL REPORT AND ACCOUNTS

30th JUNE 1997

Fieldens PLC

Fieldens PLC

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 1997

Fieldens

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Fieldens

PROFESSIONAL ADVISORS

Nominated Adviser and Nominated Broker	Shore Capital Stockbrokers Limited One Maddox Street London W1R 9WA
Auditors	Pannell Kerr Forster Pannell House Charter Court Severalls Business Park Colchester Essex CO4 4YA
Solicitors	Eversheds Holland Court The Close Norwich NR1 4DX
Principal Bankers	Trustee Savings Bank Plc City Office St. Andrews Street Cambridge CB2 3AX
Registrars	Independent Registrars Group Limited Balfour House 390/398 High Road Ilford Essex IG1 1NQ
Registered Office	Starhouse Farm Onehouse Stowmarket Suffolk IP14 3EL
Registered Number	1631866

Fieldens

CHAIRMAN'S STATEMENT

The year to 30 June 1997 was the company's first full year as a public quoted company. Unfortunately, the results for the year were disappointing. Sales were £4.88m (1996 : £6.16m) and profit after tax was £15,000 (1996 : £240,000). The causes of the reduced sales and profit include factors which in combination led to falling demand for agricultural tyres, lower prices and lower margins. The BSE scare and anticipated Common Agricultural Policy reviews affected the confidence of our main agricultural customers and discouraged them from spending. The appreciation of sterling gave further problems for farmers as the green pound rose; it also undermined the competitiveness of tyres manufactured in the UK. These problems were compounded by unusually dry weather in the arable areas of the country.

Fieldens' business consequently suffered from falling sales and from reduced margins on some stocks of tyres purchased at higher prices. Because of this a loss was incurred during the first half of the year.

The year has also witnessed the retirement of John Fielden from the company following a stroke. John had worked at the core of the company's activities as founder, Chairman and Chief Executive. It is a tribute to John and to his fellow directors that they had the foresight to recruit David Morley with a view to his eventual succession to the position of Managing Director. David has responded determinedly to the early transfer of responsibilities to him. Barbara Fielden has transferred her executive responsibilities to others but she will continue to make her extensive experience of the business available to the company and continues as a director. The directors wished to acknowledge John Fielden's central role in the building of the business over the years and, as he is unable to continue as a director, have accorded him the honorary title of President.

Action taken in late 1996 to reduce overheads enabled the company to trade profitably during the second half of the year and to cover the loss of the first half. Some of the dislocations in the company's trading environment may however indicate longer term trends. While further measures to improve the existing activities remain vital to the short term recovery in profitability, the directors are undertaking a review of the company's strategic position to ensure that efforts are also applied to achieve longer term growth.

Your Board asked me to join them as Chairman from 8 September. I feel confident that the existing operational trading base of the company provides a strong footing on which to develop for the future and I look forward to working with a team that has already shown itself able to meet adverse conditions with imagination and determination.

The new year has started satisfactorily and we are consolidating upon the return to profit achieved in the second half. In the light of the difficult trading experienced in 1996/7, the directors do not recommend an ordinary dividend for the year. We would hope to return to the dividend list in 1997/8.

R J Steel

MANAGING DIRECTOR'S REPORT

The first half of the year proved very difficult with the company's agricultural customer base facing uncertainty and falling prices for its crops. The prospect of radical changes to the Common Agricultural Policy also inclined customers to defer expenditure whenever possible.

Sales in the first half were consequently 21% below the previous year and action was taken to reduce the company's indirect cost base in the second quarter. Sales continued at the lower level in the second half, but cost reductions enabled the company to trade profitably. The loss of the first half was fully offset in the second half and we achieved a small profit for the year.

In the tyre division, by far the largest, the strengthening of the pound and efforts by manufacturers to end the widespread tyre shortage of the previous year eliminated the scope for export sales. A very dry summer and autumn enabled farmers to complete their harvest and subsequent cultivation without the need for specialist tyres.

Sales of all terrain vehicles and related equipment to the agricultural community were affected by the same combination of factors, and dry weather also led to a quiet year for lawn mowing products. Competitive pressures in this reduced market depressed the margins achieved.

Efforts to develop the sales of the Cheetah bead seating tool met with some success but only at the expense of reduced margins in view of tougher competition throughout Europe. This product makes a useful contribution to the company profit and there is still some scope for improving its contribution.

Last year's difficulties held lessons for us which should enable us to respond more promptly in future. We also started the new year with a lower cost base. We have begun a process of re-examining the profitability of all our existing activities and their sensitivity to external shocks. This will guide our priorities for the future development of existing activities and will serve as a useful starting point as we assess the merits of alternatives for further development in future.

This difficult trading year has placed a great burden on all our employees and on behalf of the company I would like to acknowledge their contribution and thank them for their efforts.

D P Morley

NEW DIRECTORS

Robert J Steel, aged 50, is a Chartered Engineer with a BSc in chemical engineering and an MBA from the Cranfield Management School. His early career included industrial appointments in the UK and Europe and a period as a management consultant. He then spent 17 years in senior positions, including Group Managing Director, within a substantial quoted engineering group.

David P Morley, aged 31, has a BTEC in Management Studies. His early career was spent with a family business in the importation and distribution sector. He worked as a consultant concentrating on senior management development before joining Fieldens as General Manager in October 1996.

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DIRECTORS' REPORT

The directors present their annual report together with the financial statements for the year ended 30 June 1997.

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 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;
- state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements.

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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

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DIRECTORS' REPORT (Continued)

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company's principal activities continued to be the sale of agricultural tyres and wheels, specialising in the larger, flotation and low ground pressure market; the production of wheels from rims, custom built to suit the operation and vehicle; the supply of wheels and tyres for original equipment to the agriculture and construction industries and the supply of all terrain vehicles and grass cutting equipment and all ancillary equipment.

The company continues to develop the division selling the Cheetah bead seating tool and tyre disposal.

A detailed review of the company's performance and prospects is set out in the Chairman's Statement.

RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account on page 10. The directors do not recommend the payment of a final dividend per ordinary share (1996 - 1.5p) and recommend payment of the fixed dividend of 0.05p (1996 - 0.05p) per convertible preferred share. The retained profit of £14,962 (1996 - £164,869) has been transferred to reserves.

DIRECTORS INTEREST IN SHARES

The directors of the company are shown below together with their interests in the shares of the company at the beginning and end of the financial year.

	1997		1996	
	5p Ordinary Shares Fully Paid	5p Convertible Preferred Shares Fully Paid	5p Ordinary Shares Fully Paid	5p Convertible Preferred Shares Fully Paid
J P Fielden (resigned 14 May 1997)	1,416,840	-	1,416,840	-
B Fielden - Non-Executive	1,416,640	-	1,416,640	-
J Fielden *	125,000	475,000	125,000	475,000
D Morley (appointed 14 March 1997)	-	-	-	-
J Seymour - Non-Executive	83,287	16,666	83,287	16,666
R Steel - Non-Executive Chairman (appointed 8 September 1997)	-	-	-	-
D Williams	-	-	-	-

* J Fielden's beneficial interest is held through the Fielden Settlement.

The Fielden Settlement holds a total of 950,000 Convertible Preferred Shares and 250,000 Ordinary Shares in the company. J P Fielden and B Fielden have a non-beneficial interest in these holdings by virtue of being settlors and trustees of the Fielden Settlements.

On 9 May 1996 J P Fielden and B Fielden were granted a joint assignable option to subscribe for up to 600,000 ordinary shares at a price of 60p exercisable at any time within seven years of the date of grant.

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DIRECTORS' REPORT (Continued)

CORPORATE GOVERNANCE

There is no requirement for the directors to report on compliance with the Code of Best Practice ('the code') of the Cadbury Committee on The Financial Aspects of Corporate Governance. However, the board supports the principles contained in the code and have determined that given the company's size and structure it has sought to comply generally with the provisions of the code as follows:

- The board approves the rolling forecast, the long term plans and all major investment and finance matters of the company. Board meetings are held on a regular basis and a formal schedule of matters reserved for decision by the board is in place.

- A formal procedure exists for directors in the furtherance of their duties to take independent professional advice, if necessary, at the company's expense.

- The company is presently considering setting up remuneration and audit committees as recommended by the code. The directors believe that because of the size of the company and the management and control structure it does not require such committees at this time.

- Internal financial control. With a relatively small number of employees reporting to three executive directors the company operates a "hands-on" approach to control. Nevertheless a clear responsibility structure exists to enable control to be maintained as the company grows. There is no separate audit department due to the size of the company, nor are there documented procedure manuals other than those required of BS5750/ISO9000. The company operates a comprehensive forecasting system with detailed reports prepared monthly. These include a cash flow statement projected for 12 months which is used to determine the adequacy of funding for future needs.

CLOSE COMPANY PROVISION

The company is a close company within the meaning of the Income and Corporation Taxes Act 1988. There has been no change since 30 June 1997.

SUBSTANTIAL SHAREHOLDINGS

On 8 September 1997 the company had not been advised of any shareholdings, other than those of the directors, amounting to 3% or more of the share capital of the company.

PAYMENT POLICY ON CREDITORS

It is not the company's policy to follow a code or standard on payment practice. The company settles the terms of payment with suppliers when agreeing the terms of transactions and abides by those terms. Creditor days at 30 June 1997 were 36.9 (1996 : 51.6).

AUDITORS

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Pannell Kerr Forster be re-appointed as auditors of the company will be put to the Annual General Meeting.

This report was approved by the board. D P Morley Date - 8 September 1997

DP Morley

Fieldens

PANNELL
KERR
FORSTER

CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE SHAREHOLDERS OF FIELDENS PLC

We have audited the financial statements on pages 10 to 24 which have been prepared under the accounting policies set out on pages 14 and 15.

Respective responsibilities of directors and auditors

As described on page 6 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. 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 30 June 1997 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

8 September 1997
Colchester

Pannell Kerr Forster

Pannell Kerr Forster
Chartered Accountants
Registered Auditors

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PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 1997

	Notes	1997 £	1996 £
Turnover	2	**4,884,623**	6,156,666
Cost of sales		**(4,154,863)**	(5,173,710)
Gross profit		**729,760**	982,956
Selling and distribution costs		**(417,520)**	(401,017)
Administrative expenses		**(279,781)**	(244,471)
Operating profit	3	**32,459**	337,468
Interest receivable and similar income	4	**1,453**	2,484
Interest payable and similar charges	5	**(11,086)**	(10,955)
Profit on ordinary activities before taxation		**22,826**	328,997
Tax on profit on ordinary activities	6	**(7,364)**	(88,628)
Profit on ordinary activities after taxation		**15,462**	240,369
Dividends	7	**(500)**	(75,500)
Retained profit transferred to reserves		**14,962**	164,869
Earnings per ordinary share	8		
Undiluted		**0.30p**	6.95p
Diluted		**0.23p**	5.39p

The company has no recognised gains or losses other than the profit for the year.

All amounts relate to continuing operations.

The retained profit for the year is equivalent to the historical cost profit.

Movements on reserves are set out in Note 17 to the financial statements.

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BALANCE SHEET
AS AT 30 JUNE 1997

	Notes	1997 £	1997 £	1996 £	1996 £
FIXED ASSETS					
Tangible assets	9		**616,967**		573,884
CURRENT ASSETS					
Stocks	10	**1,098,546**		1,194,940	
Debtors	11	**429,029**		700,407	
Cash at bank and in hand		**9,772**		79,846	
		1,537,347		1,975,193	
CREDITORS					
Amounts falling due within one year	12	**(728,179)**		(1,133,121)	
NET CURRENT ASSETS			**809,168**		842,072
TOTAL ASSETS LESS CURRENT LIABILITIES			**1,426,135**		1,415,956
CREDITORS					
Amounts falling due after more than one year	12a		**(6,960)**		(10,280)
PROVISION FOR LIABILITIES AND CHARGES	13		**(4,879)**		(6,342)
			1,414,296		1,399,334
CAPITAL AND RESERVES					
Called up share capital	15		**300,000**		300,000
Share premium account	16		**799,195**		799,195
Profit and loss account	17		**315,101**		300,139
Shareholders' Funds (including non-equity interests)	18		**1,414,296**		1,399,334

Approved by the Board on 8 September 1997.

J A Seymour
Director

D P Morley
Director

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CASH FLOW STATEMENT
AS AT 30 JUNE 1997

	1997		1996	
	£	£	£	£
Net cash inflow/(outflow) from operating activities		32,104		(97,117)
Returns on investments and servicing of finance				
Interest received	1,667		2,270	
Interest paid	(10,936)		(9,405)	
Net cash outflow from returns on investments and servicing of finance		(9,269)		(7,135)
Taxation				
Corporation tax paid		(103,269)		(43,736)
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets	(84,308)		(491,471)	
Receipts from sales of tangible assets	13,481		17,720	
Net cash outflow from capital expenditure and financial investment		(70,827)		(473,751)
Equity dividend paid		(75,000)		-
Net cash outflow before financing		(226,261)		(621,739)
Financing				
Proceeds of issue of share capital	-		999,999	
Cost of issue of share capital	-		(117,470)	
Capital element of hire purchase repaid	(27,947)		(15,438)	
Net cash (outflow)/inflow from financing		(27,947)		867,091
(Decrease)/Increase in cash		(254,208)		245,352
Reconciliation of net cash flow to movement in net debt				
(Decrease)/increase in cash		(254,208)		245,352
Cash outflow from decrease in lease financing		27,947		15,438
Change in net debt resulting from cash flows		(226,261)		260,790
New finance leases		(36,000)		(33,660)
		(262,261)		227,130

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NOTES TO THE CASH FLOW STATEMENT
AS AT 30 JUNE 1997

1 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	1997	1996
	£	£
Operating profit	**32,459**	337,468
Depreciation of tangible assets	**66,238**	44,115
Profit on disposal of tangible assets	**(2,494)**	(4,823)
Decrease/(Increase) in stocks	**96,394**	(396,432)
Decrease/(Increase) in debtors	**264,286**	(129,622)
(Decrease)/Increase in creditors due within one year	**(424,779)**	52,177
Net cash inflow/(outflow) from operating activities	**32,104**	(97,117)

2 Analysis of changes in net debt

	At 1 July 1996	Cash Flows	Other Non-Cash Changes	At 30 June 1997
	£	£	£	£
Cash at bank and in hand	79,846	(70,074)	-	9,772
Bank overdrafts	-	(184,134)	-	(184,134)
	79,846	(254,208)	-	(174,362)
Finance leases	(25,366)	27,947	(36,000)	(33,419)
	54,480	(226,261)	(36,000)	(207,781)

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1997

1. ACCOUNTING POLICIES

1.1 Accounting convention

The financial statements have been prepared using applicable accounting standards under the historical cost convention and include the results of the company's operations as indicated in the directors' report.

1.2 Turnover

Turnover represents amounts receivable for goods and services provided, net of VAT and trade discounts.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write-off the cost less estimated residual value of each asset over its expected useful life, as follows:-

Plant & Machinery	-	25% reducing balance
Fixtures, Fittings & Equipment	-	25% reducing balance
Motor Vehicles	-	33% reducing balance

Freehold buildings are written off on a straight line basis over 25 years. No depreciation charge is made in respect of freehold land.

1.4 Finance and operating leases

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.5 Stock

Stock is valued at the lower of cost and net realisable value.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1997
(Continued)

1. ACCOUNTING POLICIES (continued)

1.6 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with Statement of Standard Accounting Practice 24. As referred to in note 14 the payments are to an independently administered defined contribution scheme.

1.7 Deferred Taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that a liability to taxation is unlikely to crystallise.

1.8 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the accounting date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

2 TURNOVER AND GROSS PROFIT

The turnover and gross profit of the company for the year has been derived from its principal activities undertaken throughout the world.

Segmental analysis	**Turnover 1997 £**	**Turnover 1996 £**	**Gross Profit 1997 £**	**Gross Profit 1996 £**
Tyres and wheels	**4,080,771**	5,118,646	**525,460**	711,717
Cheetah bead seating tool	**197,757**	184,984	**103,754**	121,390
All terrain vehicles	**606,095**	853,036	**100,546**	149,849
	4,884,623	6,156,666	**729,760**	982,956

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1997
(Continued)

2. TURNOVER AND GROSS PROFIT (continued)

The directors do not consider it practical to allocate selling and distribution costs and administrative expenses between business activities so segmental disclosure of results before interest and of net assets is not possible.

The analysis of turnover by geographical market, all of which originates in the United Kingdom, was as follows:-

	1996 £	1997 £
United Kingdom	**4,724,396**	5,579,507
Other markets throughout the world	**160,227**	577,159
	4,884,623	6,156,666

3. OPERATING PROFIT

	£	£
Operating profit is stated after charging:		
Directors' emoluments	**135,891**	124,393
Depreciation of tangible fixed assets	**66,238**	44,115
Hire of plant and machinery	**2,248**	490
Operating lease rentals:		
Land and building	**3,245**	45,314
Auditors' remuneration - audit fees	**6,000**	5,000
Net gain on foreign currency conversion	**(9,382)**	(3,459)

In addition to the above the auditors were paid the sum of £31,137 in 1996 which is included in the flotation costs as stated in notes 16 and 18.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	£	£
Bank interest received	**1,453**	2,484

5. INTEREST PAYABLE AND SIMILAR CHARGES

	£	£
On bank loans and overdrafts	**7,778**	8,841
Hire purchase interest	**3,308**	2,114
	11,086	10,955

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1997
(Continued)

6. TAXATION

The taxation charge for the year represented:	1997	1996
UK corporation tax at 23% (1996 - 26%)		
Previous year	**685**	-
Current year	**8,142**	84,025
Transfer from deferred taxation	**(1,463)**	4,603
	7,364	88,628

7. DIVIDENDS

	£	£
Proposed dividend of nil (1996 - 1.5p) per ordinary share	-	75,000
Proposed dividend of 0.05p (1996 - 0.05p) per preference share	**500**	500
	500	75,500

8. EARNINGS PER SHARE

Earnings per ordinary share is calculated by dividing the profit, after charging tax and preference dividends by the weighted average number of ordinary shares in issue during the period of 5,000,000.

Fully diluted earnings per share is calculated on the weighted average number of ordinary shares in issue after allowing for full exercise of conversion rights and options.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1997
(Continued)

9. TANGIBLE FIXED ASSETS

	Freehold Land & Building	Plant & Machinery	Fixtures, Fittings & Equipment	Motor Vehicles	Total
	£	£	£	£	£
Cost					
At 1 July 1996	400,000	167,456	76,729	99,156	743,341
Additions	40,003	6,489	3,528	70,288	120,308
Disposals	-	(7,720)	(211)	(26,000)	(33,931)
At 30 June 1997	**440,003**	**166,225**	**80,046**	**143,444**	**829,718**
Depreciation					
At 1 July 1996	-	61,550	45,050	62,857	169,457
On Disposals	-	(6,300)	-	(16,644)	(22,944)
Charge for the year	9,600	26,885	8,454	21,299	66,238
At 30 June 1997	**9,600**	**82,135**	**53,504**	**67,512**	**212,751**
Net book values					
At 30 June 1997	**430,403**	**84,090**	**26,542**	**75,932**	**616,967**
At 30 June 1996	400,000	105,906	31,679	36,299	573,884

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1997
(Continued)

9. TANGIBLE FIXED ASSETS (continued)

Included in the above are assets held under finance leases or hire purchase contracts as follows:-

	Net Book Value		Depreciation	
Charge	**1997**	**1996**	**1997**	**1996**
	£	**£**	**£**	**£**
Plant and machinery	**19,578**	35,663	**6,527**	7,580
Motor vehicles	**38,014**	2,768	**9,449**	1,384
	57,592	38,431	15,976	8,964

10. STOCKS

	£	£
Finished goods and goods for resale	**1,098,546**	1,194,940

11. DEBTORS

	£	£
Amounts recoverable within one year:		
Trade debtors	**411,760**	672,420
Prepayments and accrued income	**5,272**	9,112
ACT recoverable	**11,747**	-
	428,779	681,532
Amounts recoverable after more than one year		
ACT recoverable	**250**	18,875
	429,029	700,407

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1997
(Continued)

12. CREDITORS

	1997	1996
	£	£
Amounts falling due within one year:		
Bank overdraft	**184,134**	-
Net obligations under finance lease and hire purchase contracts	**26,459**	15,086
Trade creditors	**410,280**	788,158
Corporation tax	**1,139**	83,834
Advance corporation tax payable	**250**	18,875
Other taxes and social security costs	**89,067**	51,50
Directors' current accounts	-	61,504
Dividends payable	**1,000**	75,500
Other creditors	-	24,600
Accruals and deferred income	**15,850**	14,056
	728,179	1,133,121

The bank overdraft is secured by a first mortgage debenture being a fixed and floating charge over the company's assets and a legal charge over the premises known as Starhouse Farm, Onehouse, Stowmarket, Suffolk.

The obligations under finance lease and hire purchase contracts are secured on the relevant fixed assets.

12a. CREDITORS

	£	£
Amounts falling due after more than one year:		
Net obligations under finance leases and hire purchase contracts:		
Repayable within one year	**29,547**	17,147
Repayable between one and five years	**7,743**	11,671
	37,290	28,818
Finance charges and interest allocated to future accounting periods	**(3,871)**	(3,452)
	33,419	25,366
Included in current liabilities	**(26,459)**	(15,086)
	6,960	10,280

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1997
(Continued)

13. PROVISION FOR LIABILITIES AND CHARGES

Full provision for deferred tax is provided at 31% (1996 - 33%) analysed over the following timing differences:

	1997 £	1996 £
Accelerated capital allowances	**4,879**	6,342

Movements on the provision for deferred taxation are:

	1997 £	1996 £
At 1 July 1996	**6,342**	1,739
Transferred (to)/from profit and loss account	**(1,463)**	4,603
At 30 June 1997	**4,879**	6,342

14. PENSION COSTS

Pension costs of £3,879 (1996 - £21,954) represent amounts payable to independently administered defined contribution schemes.

15. SHARE CAPITAL

	£	£
Authorised		
10,000,000 Ordinary Shares of 5p each	**500,000**	500,000
1,000,000 Convertible Preferred Shares of 5p each	**50,000**	50,000
	550,000	550,000
Allotted, called up and fully paid		
5,000,000 Ordinary Shares of 5p each	**250,000**	250,000
1,000,000 Convertible Preferred Shares of 5p each	**50,000**	50,000
	300,000	300,000

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1997
(Continued)

15. SHARE CAPITAL (Continued)

The convertible preferred shares shall be entitled to a dividend of 0.05p (net) per share prior to the payment of any dividend on any other class of share in the company, such dividend to be paid yearly in arrears on 31 October in each year.

The convertible preferred shares shall rank pari passu with the ordinary shares for the return of capital on a winding-up.

The convertible preferred shares are convertible into ordinary shares at the option of the holders of the shares at any time on the basis of one ordinary share for every convertible preferred share held provided that the after-tax earnings of the company as derived from the then latest audited accounts of the company is equal to or greater than two times the amount that would be required to pay a fixed dividend of 2.4 pence net on the aggregate number of ordinary shares and convertible preferred shares in issue at that time.

The convertible preferred shares are also convertible into ordinary shares on the basis of one ordinary share for every convertible preferred share following any part of the share capital of the company being admitted to the Official List of the London Stock Exchange or an offer being made for over 50 per cent of the ordinary shares of the company becoming unconditional as to acceptances.

The convertible preferred shares do not carry any voting rights. They may be converted in full but not in part.

16. SHARE PREMIUM ACCOUNT

	1997 £	1996 £
Balance at 1 July 1996	**799,195**	-
Premium on shares issued during the year	-	916,665
Costs of issue	-	(117,470)
Balance at 30 June 1997	**799,195**	799,195

17. PROFIT AND LOSS ACCOUNT

	1997 £	1996 £
Retained profit at 1 July 1996	**300,139**	301,936
Bonus issue	-	(166,666)
Retained profit for the year	**14,962**	164,869
Retained profit at 30 June 1997	**315,101**	300,139

Fieldens

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1997
(Continued)

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Profit before dividends	**15,462**	240,369
Dividends	**(500)**	(75,500)
Retained profit for the financial year	**14,962**	164,869
Proceeds of issue of equity shares	**-**	999,999
Cost of issue of equity shares	**-**	(117,470)
Net addition to shareholders' funds	**14,962**	1,047,398
Opening shareholders' funds	**1,399,334**	351,936
Closing shareholders' funds	**1,414,296**	1,399,334
Equity interests	**1,364,296**	1,349,334
Non-equity interests	**50,000**	50,000
	1,414,296	1,399,334

19. DIRECTORS' EMOLUMENTS

	£	£
Remuneration	**135,891**	124,393
Other pension costs	**1,755**	16,320
	137,646	140,713

Fieldens

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1997
(Continued)

20. EMPLOYEES

Number of Employees

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

	1997 Number	1996 Number
Warehouse, workshop and distribution	**16**	14
Sales	**10**	10
Administration	**5**	3
	31	27

	£	£
Employment costs		
Wages and salaries	**496,280**	420,787
Social security costs	**47,365**	41,739
Other pension costs	**3,878**	21,954
	547,523	484,480

21. RELATED PARTY TRANSACTIONS

During the year rent totalling £nil (1996: £44,000) was paid to Mrs B Fielden and Mr J Fielden who were directors of the company. This was considered by the directors to be a fair commercial rent for the property.

The freehold building was purchased by the company from Mrs B Fielden and Mr J Fielden for £400,000 during the year ended 30 June 1996 which was considered to be open market value (See Note 9).

Fees totalling £800 (1996: £6,850) net of VAT were paid to Beaumont Seymour during the year, a partnership in which John Seymour, a director of the company, has an interest.

During the year fees totalling £6,000 (1996 Nil) were paid to City Management Services Limited, a company in which John Seymour has an interest.

22. COMMITMENTS AND CONTINGENCIES

At 30 June 1997 the company had forward foreign exchange contracts totalling £53,062 (1996 : £87,897).

At 30 June 1997 a H M Customs & Excise Deferment Bond of £15,000 (1996: £15,000) (maximum contingent liability £30,000) was held by the company's bankers.