Fieldens PLC

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 1998

Fieldens

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Fieldens

DIRECTORS & PROFESSIONAL ADVISORS

Directors	Derek C Bonham	*(Chairman)*
	Andrew Arends	*(Chief Executive)*
	David P Morley	
	Barbara Fielden	*(Non-executive)*
	Robert J Steel	*(Non-executive)*
Secretary	Jason N Ford	
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	

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CHAIRMAN'S STATEMENT

I am pleased to be making my first report to shareholders since joining the Board of Fieldens plc as chairman on 29 July 1998.

In the year ended 30 June 1998 profit after tax was £28,000 (1997:£15,000) on sales of £3.93m (1997:£4.88m). The same factors as were reported last year continued to depress demand for agricultural machinery in the UK. The review of operations by David Morley overleaf gives further details of the company's response to this difficult market environment. The new year has started satisfactorily for the core business. Nevertheless, the directors, believe it only prudent to conserve resources and do not recommend an ordinary dividend for the year.

The management and staff of the company have done well to control working capital and preserve the trading viability of the company in difficult market circumstances. Their efforts have provided a sound platform from which the company can grow and diversify in future and I thank them on your behalf.

During the year the directors considered the strategic alternatives facing the company. Whilst one or two attractive niches remain in the agricultural sector, the directors were not able to secure a suitable entry route. As a small team, the directors also thought they had insufficient depth of management to sustain a strategy of development outside the agricultural sector.

John Seymour resigned as a non-executive director on 29 July having provided indispensable support to the directors throughout the period since flotation. David Williams also resigned as a director, but continues to play an important role leading the all terrain vehicle, garden machinery and power equipment division.

Andrew Arends joined me as a director on 29 July 1998 and has been appointed chief executive. With the experience of the new directors now available to the company a wider range of possible acquisitions is being actively reviewed. This is an urgent priority and the unsettled financial markets provide an excellent opportunity for us.

I believe that there is significant potential to create value for our shareholders.

D C Bonham

Fieldens

REVIEW OF OPERATIONS

News in the agricultural sector was consistently gloomy throughout 1997/8. Product prices were low and inter-governmental debate on restructuring the Common Agricultural Policy continued to cast a shadow of uncertainty over the extent and pattern of future subsidy for farmers. Farm incomes declined and farmers preferred to defer investment, so that new tractor registrations and machinery sales have continued to fall.

The 20% reduction in agricultural wheel and tyre sales reported in the first half of the year persisted into the second half. The main causes of reduced sales were lower prices and a smaller market. Informal feedback from the market indicates Fieldens maintained its share of this smaller market. Detailed attention to product purchasing and stock structures enabled margin improvements seen in the first half to be developed further in the second half at the same time as stocks were reduced. There is still some scope for further development of the particular capabilities of the company. Fieldens holds possibly the largest stock of near-new tractor tyres in the UK and is an important contact point for machinery dealers wanting to exchange tyres and wheels on second hand machines as well as being recommended by tractor manufacturers for its tyre and wheel exchange service on new tractors. With its own wheel manufacturing facility, Fieldens is particularly well placed to supply the important flexible-response market for narrow wheels and tyres in the early Spring. Expertise in sourcing products internationally added to export sales in the second half.

The all terrain vehicle, garden machinery and power equipment division, saw both an increase in sales and an improvement in margins. Efforts to increase service work and to reinforce the company's existing reputation as a leading distributor and adviser on Honda ATVs were well placed.

Competition held back sales of the Cheetah bead seating tool, but the re-sourcing of certain components limited the erosion of margins.

The low gross margins available on wheel and tyre business has made for great difficulty in a time of falling prices. While the buying and selling prices for tyres in particular are largely determined by an international market, the factor costs of UK distribution have not gone down. Reliability and frequency of service are vital for Fieldens, and with reduced total volumes being delivered around the country, improving factor efficiency has been a top priority.

D P Morley

Fieldens

DIRECTORS' REPORT

The directors present their annual report together with the financial statements for the year ended 30 June 1998.

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 during the year continued to be the sale of agricultural tyres and wheels, 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 assemble and distribute tools for the tyre fitting industry.

A detailed review of the company's performance and prospects is set out in the Chairman's Statement and Review of Operations on pages 4 and 5.

RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account on page 11. The directors do not recommend the payment of a final dividend per ordinary share (1997 - Nil) and recommend payment of the fixed dividend of 0.05p (1997 - 0.05p) per convertible preferred share. The retained profit of £27,254 (1997 - £14,962) 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.

	1998		1997	
	5p Ordinary Shares Fully Paid	5p Convertible Preferred Shares Fully Paid	5p Ordinary Shares Fully Paid	5p Convertible Preferred Shares Fully Paid
K A Arends (appointed 29.7.98)	-	-	-	-
D C Bonham (appointed 29.7.98)	-	-	-	-
B Fielden	1,416,640	-	1,416,640	-
J Fielden * (resigned 22.12.97)	125,000	475,000	125,000	475,000
D P Morley	-	-	-	-
J Seymour (resigned 29.7.98)	83,287	16,666	83,287	16,666
R J Steel (appointed 8 9.97)	5,000	-	-	-
D A Williams (resigned 29.7.98)	-	-	-	-

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

The Fielden Settlement held throughout the year a total of 950,000 Convertible Preferred Shares and 250,000 Ordinary Shares in the company. J P Fielden and B Fielden had 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.

TRANSACTIONS AFTER 30 JUNE 1998

On 29 July 1998 the company entered into an agreement with D C Bonham and A Arends whereby they were appointed directors and the following transactions took place and are summarised below. The directors have been advised that these transactions do not require shareholder approval.

- On 29 July 1998, D C Bonham and A Arends each acquired 747,500 ordinary shares and J P Fielden and B Fielden each sold 747,500 ordinary shares. The combined holding of D C Bonham and K A Arends represents 29.9% of the issued ordinary share capital.

- D C Bonham and K A Arends were granted options over 2,700,000 new ordinary shares exercisable at an option price of 28p per share. In respect of 1,700,000 option shares, the option is conditional on the company having completed one or more acquisitions with an aggregate value (determined by value of consideration paid) of at least £7 million. The option may be exercised in respect of up to 2,000,000 option shares at any time during the next four years and in respect of 700,000 of the conditional share options at any time during the next five years. The option shares will be issued fully paid and will rank pari passu in all respects with the existing shares in issue. In the event of any consolidation or sub-division of the share capital of the company, any bonus or capitalisation issue, any rights issue, any capital distribution or any other event which affects the value of the shares in the company, then the option shares shall be adjusted as certified by the auditors. The options will lapse upon both Mr Bonham and Mr K Arends ceasing to be directors of the company as a result of their death, incapacity, voluntary resignation and in certain other circumstances.

- On 29 July 1998, 950,000 Convertible Preferred Shares were transferred from the Fielden Settlement to the company for nil consideration and have consequently been cancelled.

If the above transactions had been carried out on 30 June 1998 there would have been no material effect on the fully diluted earnings per share figure.

Between 3 and 5 August 1998 JP Fielden and B Fielden sold a total of 88,480 ordinary shares: they continue to hold a beneficial interest in 1,250,000 ordinary shares. On 5 August 1998, R J Steel sold 2,000 ordinary shares: he continues to hold 3,000 ordinary shares.

With the exception of D P Morley, none of the directors has a service agreement with the company.

YEAR 2000

The company has performed an initial review of the effect on the business of the year 2000 problem. As a result the budgeted costs for making the business year 2000 compliant are £40,000. Work on this matter continues.

THE EURO

The company does not consider that the introduction of the Euro will have a significant effect on the business.

LAND AND BUILDINGS

The directors do not consider that the market value of the land and buildings is materially different to the historic value stated in the accounts.

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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 operates remuneration and audit committees, in each case consisting of the non-executive directors.

- Internal financial control. With a relatively small number of employees reporting to executive directors the company operates a "hands-on" approach to control. A number of written procedures and a structure of delegated responsibilities for certain matters are in place. There is no separate audit department due to the size of the company. The company operates a financial 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 1998.

SUBSTANTIAL SHAREHOLDINGS

On 24 September 1998 the company had been advised of one shareholding, other than those of the directors, amounting to 3% or more of the share capital of the company.

AIM Distribution Trust plc	350,000	7%	5p Ordinary Shares Fully Paid

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 1998 were 101 (1997 : 37). The increase in trade creditors was in part the result of extended credit volunteered by a major supplier and the effect of a contract ongoing at the year end which had a similar effect on debtor days.

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.

J N Ford
Secretary

7 October 1998

Fieldens

PANNELL
KERR
FORSTER

CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE SHAREHOLDERS OF FIELDENS PLC

We have audited the financial statements on pages 11 to 26 which have been prepared under the accounting policies set out on pages 15 and 16.

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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

7 October 1998
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 1998

	Notes	1998 £	1997 £
Turnover	2	**3,928,217**	4,884,623
Cost of sales		**(3,254,020)**	(4,154,863)
Gross profit		**674,197**	729,760
Selling and distribution costs		**(334,360)**	(417,520)
Administrative expenses		**(296,921)**	(279,781)
Operating profit	3	**42,916**	32,459
Interest receivable and similar income	4	**4,332**	1,453
Interest payable and similar charges	5	**(10,569)**	(11,086)
Profit on ordinary activities before taxation		**36,679**	22,826
Tax on profit on ordinary activities	6	**(8,925)**	(7,364)
Profit on ordinary activities after taxation		**27,754**	15,462
Dividends	7	**(500)**	(500)
Retained profit transferred to reserves		**27,254**	14,962
Earnings per ordinary share	8		
Undiluted		**0.55p**	0.30p
Diluted		**0.41p**	0.23p

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 1998

	Notes	1998 £	1998 £	1997 £	1997 £
FIXED ASSETS					
Tangible assets	9		**586,671**		616,967
CURRENT ASSETS					
Stocks	10	**850,099**		1,098,546	
Debtors	11	**584,890**		429,029	
Cash at bank and in hand		**341,702**		9,772	
		1,776,691		1,537,347	
CREDITORS					
Amounts falling due within one year	12	**(919,720)**		(728,179)	
NET CURRENT ASSETS			**856,971**		809,168
TOTAL ASSETS LESS CURRENT LIABILITIES			**1,443,642**		1,426,135
CREDITORS					
Amounts falling due after more than one year	12a		**(288)**		(6,960)
PROVISION FOR LIABILITIES AND CHARGES	13		**(1,804)**		(4,879)
			1,441,550		1,414,296
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		**342,355**		315,101
Shareholders' Funds (including non-equity interests)	18		**1,441,550**		1,414,296

Approved by the Board on 7 October 1998.

D C Bonham DCBonham
Director

DPMorley **D P Morley**
Director

Fieldens

CASH FLOW STATEMENT
AS AT 30 JUNE 1998

	1998		1997	
	£	£	£	£
Net cash inflow/(outflow) from operating activities		**572,389**		32,104
Returns on investments and servicing of finance				
Interest received	**4,332**		1,667	
Interest paid	**(10,569)**		(10,936)	
Net cash outflow from returns on investments and servicing of finance		**(6,237)**		(9,269)
Taxation				
Corporation tax paid		**(1,139)**		(103,269)
Corporation tax received		**11,747**		-
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets	**(37,451)**		(84,308)	
Receipts from sales of tangible assets	**13,720**		13,481	
Net cash outflow from capital expenditure and financial investment		**(23,731)**		(70,827)
Equity dividend paid		**-**		(75,000)
Net cash inflow/(outflow) before financing		**553,029**		(226,261)
Financing				
Capital element of hire purchase repaid	**(36,965)**		(27,947)	
Net cash outflow from financing		**(36,965)**		(27,947)
Increase/(Decrease) in cash		**516,064**		(254,208)

Reconciliation of net cash flow to movement in net debt

	1998 £	1997 £
Increase/(Decrease) in cash	**516,064**	(254,208)
Cash outflow/(inflow) from decrease in lease financing	**36,965**	27,947
Change in net debt resulting from cash flows	**553,029**	(226,261)
New finance leases	**(13,850)**	(36,000)
	539,179	(262,261)

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NOTES TO THE CASH FLOW STATEMENT
AS AT 30 JUNE 1998

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

	1998 £	1997 £
Operating profit	**42,916**	32,459
Depreciation of tangible assets	**67,013**	66,238
(Loss)/Profit on disposal of tangible assets	**864**	(2,494)
Decrease/(Increase) in stocks	**248,447**	96,394
Decrease/(Increase) in debtors	**(167,484)**	264,286
(Decrease)/Increase in creditors due within one year	**380,633**	(424,779)
Net cash inflow/(outflow) from operating activities	**572,389**	32,104

2 **Analysis of changes in net debt**

	At 1 July 1997 £	Cash Flows £	Other Non-Cash Changes £	At 30 June 1998 £
Cash at bank and in hand	9,772	331,930	-	341,702
Bank overdrafts	(184,134)	184,134	-	-
	(174,362)	516,064	-	341,702
Finance leases	(33,419)	36,965	(13,850)	(10,304)
	(207,781)	553,029	(13,850)	331,398

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998

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 1998
(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 1998 £**	**Turnover 1997 £**	**Gross Profit 1998 £**	**Gross Profit 1997 £**
Tyres and wheels	**3,080,811**	4,080,771	**461,709**	525,460
Cheetah bead seating tool	**187,203**	197,757	**96,329**	103,754
All terrain vehicles	**660,203**	606,095	**116,159**	100,546
	3,928,217	4,884,623	**674,197**	729,760

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998
(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:-

	1998 £	1997 £
United Kingdom	**3,513,170**	4,724,396
Other markets throughout the world	**415,047**	160,227
	3,928,217	4,884,623

3. OPERATING PROFIT

	£	£
Operating profit is stated after charging:		
Directors' emoluments	**97,744**	135,891
Depreciation of tangible fixed assets	**67,013**	66,238
Hire of plant and machinery	**227**	2,248
Operating lease rentals - Land and building	**8,233**	3,245
Auditors' remuneration - audit fees	**5,500**	6,000
Auditors' remuneration - other services	**3,505**	2,500
Net gain on foreign currency conversion	**1,660**	(9,382)

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	£	£
Bank interest received	**4,332**	1,453

5. INTEREST PAYABLE AND SIMILAR CHARGES

	£	£
On bank loans and overdrafts	**7,186**	7,778
Hire purchase interest	**3,383**	3,308
	10,569	11,086

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998
(Continued)

6. TAXATION

	1998	1997
	£	£
The taxation charge for the year represented:		
UK corporation tax at 21% (1997 - 23%)		
Previous year	-	685
Current year	12,000	8,142
Transfer from deferred taxation	(3,075)	(1,463)
	8,925	7,364

7. DIVIDENDS

	£	£
Proposed dividend of 0.05p (1997 - 0.05p) per preference share	500	500
	500	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 during the period of 6,600,000.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998
(Continued)

9. TANGIBLE FIXED ASSETS

	Freehold Land & Building £	Plant & Machinery £	Fixtures, Fittings & Equipment £	Motor Vehicles £	Total £
Cost					
At 1 July 1997	440,003	166,225	80,046	143,444	829,718
Additions	25,176	678	11,597	13,850	51,301
Disposals	-	(3,726)	-	(27,400)	(31,126)
At 30 June 1998	**465,179**	**163,177**	**91,643**	**129,894**	**849,893**
Depreciation					
At 1 July 1997	9,600	82,135	53,504	67,512	212,751
On Disposals	-	(2,989)	-	(13,553)	(16,542)
Charge for the year	10,607	22,518	8,316	25,572	67,013
At 30 June 1998	**20,207**	**101,664**	**61,820**	**79,531**	**263,222**
Net book values					
At 30 June 1998	**444,972**	**61,513**	**29,823**	**50,363**	**586,671**
At 30 June 1997	430,403	84,090	26,542	75,932	616,967

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998
(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	1998 £	1997 £	1998 £	1997 £
Plant and machinery	**9,140**	19,578	**3,047**	6,527
Motor vehicles	**27,420**	38,014	**13,506**	9,449
	36,560	57,592	**16,553**	15,976

10. STOCKS

	£	£
Finished goods and goods for resale	**850,099**	1,098,546

11. DEBTORS

	£	£
Amounts recoverable within one year:		
Trade debtors	**538,013**	411,760
Prepayments and accrued income	**44,267**	5,272
ACT recoverable	**-**	11,747
Other debtors	**2,235**	-
	584,515	428,779
Amounts recoverable after more than one year		
ACT recoverable	**375**	250
	584,890	429,029

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998
(Continued)

12. CREDITORS

	1998	1997
	£	£
Amounts falling due within one year:		
Bank overdraft	-	184,134
Net obligations under finance lease and hire purchase contracts	**10,016**	26,459
Trade creditors	**830,634**	410,280
Corporation tax	**12,000**	1,139
Advance corporation tax payable	**375**	250
Other taxes and social security costs	**51,358**	89,067
Dividends payable	**1,500**	1,000
Other creditors	**10**	-
Accruals and deferred income	**13,827**	15,850
	919,720	728,179

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	**11,158**	29,547
Repayable between one and five years	**290**	7,743
	11,448	37,290
Finance charges and interest allocated to future accounting periods	**(1,144)**	(3,871)
	10,304	33,419
Included in current liabilities	**(10,016)**	(26,459)
	288	6,960

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998
(Continued)

13. PROVISION FOR LIABILITIES AND CHARGES

Full provision for deferred tax is provided at 21% (1997 - 31%) analysed over the following timing differences:

	1998	1997
	£	£
Accelerated capital allowances	**1,804**	4,879

Movements on the provision for deferred taxation are:

At 1 July 1997	**4,879**	6,342
Transferred (to)/from profit and loss account	**(3,075)**	(1,463)
At 30 June 1998	**1,804**	4,879

14. PENSION COSTS

Pension costs of £9,364 (1997 - £3,878) 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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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. On 29 July 1998, 950,000 Convertible Preferred shares were transferred from the Fielden Settlement to the company for nil consideration and have consequently been cancelled.

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 the grant.

On 29 July 1998 the company entered into an agreement with D C Bonham and K A Arends whereby they were appointed directors and the following transactions took place and are summarised below. The directors have been advised that these transactions do not require shareholder approval.

On 29 July 1998, D C Bonham and A Arends each acquired 747,500 ordinary shares and J P Fielden and B Fielden each sold 747,500 ordinary shares. The combined holding of D C Bonham and K A Arends represents 29.9% of the issued ordinary share capital.

D C Bonham and K A Arends were granted options over 2,700,000 new ordinary shares exercisable at an option price of 28p per share. In respect of 1,700,000 option shares, the option is conditional on the company having completed one or more acquisitions with an aggregate value (determined by value of consideration paid) of at least £7 million. The option may be exercised in respect of up to 2,000,000 option shares at any time during the next four years and in respect of 700,000 of the conditional share options at any time during the next five years. The option shares will be issued fully paid and will rank pari passu in all respects with the existing shares in issue. In the event of any consolidation or sub-division of the share capital of the company, any bonus or capitalisation issue, any rights issue, any capital

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998
(Continued)

15. SHARE CAPITAL (Continued)

distribution or any other event which affects the value of the shares in the company, then the option shares shall be adjusted as certified by the auditors. The options will lapse upon both Mr Bonham and Mr Arends ceasing to be directors of the company as a result of their death, incapacity, voluntary resignation and in certain other circumstances.

16. SHARE PREMIUM ACCOUNT

	1998 £	1997 £
Balance at 1 July 1997	**799,195**	799,195
Balance at 30 June 1998	**799,195**	799,195

17. PROFIT AND LOSS ACCOUNT

	1998 £	1997 £
Retained profit at 1 July 1997	**315,101**	300,139
Retained profit for the year	**27,254**	14,962
Retained profit at 30 June 1998	**342,355**	315,101

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Profit before dividends	**27,754**	15,462
Dividends	**(500)**	(500)
Net addition to shareholders' funds	**27,254**	14,962
Opening shareholders' funds	**1,414,296**	1,399,334
Closing shareholders' funds	**1,441,550**	1,414,296
Equity interests	**1,391,550**	1,364,296
Non-equity interests	**50,000**	50,000
	1,441,550	1,414,296

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998
(Continued)

19. DIRECTORS' EMOLUMENTS

	£	£
Remuneration	**97,744**	135,891
Other pension costs	**2,705**	1,755
	100,449	137,646

During the year the number of directors to whom retirement benefits were accruing under money purchase schemes was 3 (1997: 2).

20. EMPLOYEES

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

	1998 Number	1997 Number
Warehouse, workshop and distribution	**15**	21
Sales	**4**	6
Administration	**5**	4
	24	31

The 1997 average number of employees figures have been re-stated to reflect current employee classification.

	£	£
Employment costs		
Wages and salaries	**413,331**	496,280
Social security costs	**40,084**	47,365
Other pension costs	**9,364**	3,878
	462,779	547,523

21. RELATED PARTY TRANSACTIONS

During the year rent inclusive of rates totalling £7,153 (1997: £Nil) was paid to Mrs B Fielden, who was a director and a shareholder, and Mr J P Fielden, who was a shareholder of the company. This was considered by the directors to be a fair commercial rent for the property.

Fees totalling £1,630 (1997: £800) net of VAT were paid to Beaumont Seymour during the year, a partnership in which J A Seymour, a director of the company, has an interest.

During the year fees totalling £5,500 (1997: £6,000) net of VAT were paid to City Management Services Ltd, a company in which J A Seymour has an interest.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998
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22. COMMITMENTS AND CONTINGENCIES

At 30 June 1998 the company had forward foreign exchange contracts totalling £74,882 (1997 : £53,062).

At 30 June 1998 a H M Customs & Excise Deferment Bond of £15,000 (1997: £15,000) (maximum contingent liability £30,000) was held by the company's bankers.