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ARTHUR
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Holroyd Meek Limited

Financial Statements

Year ended 25 September 1993

Company number 1712456

A company incorporated in England



Holroyd Meek Limited

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Holroyd Meek Limited

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Directors and company information

Directors

Chairman (non executive): K R Williams FCA

Chief executive: C W Holroyd MHCIMA

Executive:
A D Meek
M C Blank
M H Burrill BSc ACA
H A Frend MBA ACMA
A J Gatcliffe
D M Smith

Non-executive: W E M Clegg

Secretary: M H Burrill BSc ACA

Registered office:
Salmon Fields
Royton
Oldham
OL2 6JG

Bankers:
Royal Bank of Scotland plc
St Ann Street
Manchester
M60 2SS

Auditors:
Arthur Andersen
Chartered Accountants
Bank House
9 Charlotte Street
Manchester
M1 4EU

Solicitors:
Molesworths
Solicitors
3-11 Drake Street
Rochdale
OL16 1RH

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Holroyd Meek Limited

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Chairman's Statement

The economy in 1993 showed positive growth, albeit somewhat hesitant. We were fortunate that our excellent client base outperformed the market average.

Three important events occurred during the year to further strengthen our resources:

Hugh Frend was recruited as Operations Director, responsible for all operating activities, to allow Bill Holroyd to concentrate on Marketing and Strategic Development.

The Salmon Fields complex was doubled in size and this development and its attendant financing is covered more fully in the report of the Chief Executive.

The minority shareholders in Holroyd Meek Limited exchanged their shareholdings for shares in its holding company - Eskdale Limited. This has resulted in Holroyd Meek, the operating company, becoming a wholly owned subsidiary of Eskdale Limited in which Bill Holroyd continues to hold a controlling interest in excess of 75%.

We believe that although we are a small company we should be operating in a socially acceptable manner, and can think of no cause more worthy of our support than the Duke of Edinburgh Award Scheme Charter for Industry of which we were one of the original members. The scheme is aimed primarily at the development of our youth - surely a priority for the UK.

We remain committed to our focused business definition of shared distribution to major restaurant chains. Our objective is to add value to our clients' business by driving down costs in total terms. We seek to achieve this through continuously improved quality of service in all aspects of the supply chain.

1994 will continue to provide us with opportunities and challenges - not the least of which is the iniquitous increase in taxation on derv ! However, I am confident of continued progress under the Chief Executive's dynamic leadership of his very able management team.



K R Williams

Chairman

8 December 1993

Chief executive's report

Financial Review

1993 has been another excellent year with sales increasing 27% to £83,167,000 and profit before tax improving 27% to £893,000. These advances have been achieved despite the substantial investments we have made during the year in quality of service, human resource and operational facilities.

The trading environment continues to be difficult with our clients having to find increasingly creative ways of maintaining their market. In general we have seen a positive trend with organic growth in our sales to existing clients.

During the year the company acquired from its landlords, Oldham Metropolitan Borough, the warehouse built on Salmon Fields in 1988. The purchase consideration was £1,498,000 which was financed by a 15 year loan for £1,195,000. In addition the company was, at the year end, midway through a major development on the Salmon Fields site comprising a 2 million cubic foot coldstore and a 17,000 square foot office block. This is a joint development with the local council. The council have agreed to fund both constructions at a cost of some £3.5 million, and the company has agreed to enter into a 25 year lease with the council in respect of these properties. The fitting out of the buildings will be paid for by the company at an eventual cost of in excess of £1 million with a matching three year loan for £740,000 to provide the substantial part of the finance. However at the year end the new loan had not been drawn down and the expenditure on fitting out had amounted to £638,000 which is recorded on the balance sheet under the caption "assets in the course of construction". The company is indebted to its bankers, The Royal Bank of Scotland plc and its local council, Oldham Metropolitan Borough, for the support they have provided in the development of Salmon Fields into the country's most modern food service distribution facility.

The retention of profits after tax and dividends of £374,000 saw shareholders' funds exceed £1 million for the first time in the company's history and enabled the company to embark on the above developments.

The investments both in time and money that were made last year have given us a strong base to progress the business during 1994.

Review of Activities

The strategic plan for 1993 was named 'Quantum Leap'. We wanted to put in place the physical and human resources to allow us to double the size of the business by September 1994. In addition to this we wanted to underpin this growth with measureable improvements in the quality of service to our clients.

This ambitious plan required the company to undertake a daunting programme of activities in the space of twelve months and I am pleased to report that my team has achieved the targets without exception.

We have doubled the size of the hub at Salmon Fields to 180,000 sq ft. We have introduced a companywide training scheme. We have improved the measureable quality of service to our customers by an average of 25%. We have also introduced a warehouse management system that tracks product throughout our supply chain.

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Holroyd Meek Limited

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Chief executive's report (continued)

Review of Activities (continued)

In addition to the operational agenda my team have also introduced six major clients, namely Beefeater (North), Pizzaland, Bella Pasta, Rank Restaurants, TGI Friday's and K F C (London). Equally important, we have not lost any business.

All in all it has been a hugely demanding year and it is a source of much pride within the company that we have achieved all of our objectives.

Outlook

Our clients are, without exception, taking a positive view for the forthcoming financial year. As a result we are confident that we will achieve further organic growth during the year with them.

We will continue to make substantial investment in our quality programme, our staff development programme and our facilities in order that we can extend our competitive advantage.

We are delighted to welcome Littlewoods Chain Stores Limited to our service from January 1994.

Appreciation

In May 1993 Bruce McInnes resigned as non executive director. Bruce joined Holroyd Meek Limited during our most testing period when the recession was placing immense pressure on our company. His sound guidance and positive, clear thinking helped us to chart a course through the troubled waters and make progress to our current position of strength. I would like to register my sincere thanks for all of his guidance.

We are a team and I would like to pass on my sincere thanks to everyone who delivered our ambitious programme of objectives. I am proud of their achievements and I look forward to another year of positive results.



C W Holroyd

Chief executive

8 December 1993

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Report of the directors

The directors present their report and the audited accounts for the year ended 25 September 1993.

Principal activity, business review and shareholder reorganisation

The principal activity of the company continues to be contract distribution to chains of branded restaurants. The review of the business is dealt with in the chief executive's report.

On 17 September 1993 the minority shareholders in the company accepted a share for share exchange with the holding company Eskdale Limited. This resulted in the company becoming a 100% owned subsidiary of Eskdale Limited with the directors maintaining their proportionate share of their investment.

Result and dividend

The result and dividend is as follows	£'000
Retained profit at 27 September 1992	314
Profit for the financial year	565
Realisation of revaluation reserve	1
Dividend—375 pence per share	(191)
	<hr/>
Retained profit at 25 September 1993	689

Directors and their interests

With the following exceptions, the directors named on page 1 served throughout the year. Dr B G McInnes resigned as a director on 20 May 1993. D M Smith was appointed a director on 25 January 1993 and H A Frend was appointed a director on 24 September 1993. The beneficial interests of the directors and their immediate families in the ordinary shares of the company including interests held by family trusts and interests held by companies owned by the directors and their immediate families were:

	At 25 September 1993	At 26 September 1992
M C Blank	—	522
M H Burrill	—	522
W E M Clegg	—	—
H A Frend	—	—
A J Gatliffe	—	1,485
C W Holroyd	—	38,947
A D Meek	—	2,609
D M Smith	—	—
K R Williams	—	2,609

The directors' interests in Eskdale Limited are disclosed in the accounts of Eskdale Limited.

Report of the directors (continued)

Fixed assets

The movements in fixed assets are dealt with in note 7 to the accounts.

Employees

Full and fair consideration is given to disabled persons in employment, training, career development and promotion. Account is taken of disabilities only insofar as they affect ability to perform a job or have health or safety implications. If employees become disabled, they are retained in suitable employment or retrained to the best of the company's capability.

The board recognises the importance of good communications with employees at all levels. A number of communication methods are used on a regular basis including staff meetings, letters and payment by result schemes.

Taxation status

The company is a close company within the provisions of the Income and Corporation Taxes Act 1988.

Directors' and officers' liability insurance

During the year the company purchased and maintained liability insurance for its directors and officers as permitted by section 310(3) of the Companies Act 1985.

Political and charitable donations

The company is a charter member of the Duke of Edinburgh's Award making donations of £10,000 in the year to this charity. No contributions were made to political parties.

Auditors

On 26 April 1993 the company's auditors Mitchell Charlesworth tendered their resignation. The directors would like to record their appreciation of the service and advice given to the company by Mitchell Charlesworth over many years.

Arthur Andersen were appointed as auditors to the company to fill this vacancy. A resolution proposing the re-appointment of Arthur Andersen as auditors will be put to the annual general meeting in accordance with section 384(1) of the Companies Act 1985.

By order of the Board



M H Burrill

Secretary

8 December 1993

Directors' responsibilities

Company law requires the directors to prepare 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 judgments 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 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.

Auditors' responsibilities

Company law requires auditors to form an independent opinion on the financial statements presented by the directors based on their audit and to report their opinion to the shareholders. The Companies Act 1985 also requires auditors to report to the shareholders if the following requirements are not met:

- that the company has maintained proper accounting records;

- that the financial statements are in agreement with the accounting records;

- that directors' emoluments and other transactions with directors are properly disclosed in the accounts; and

- that the auditors have obtained all the information and explanations which, to the best of their knowledge and belief, are necessary for the purpose of their audit.

The auditors' opinion does not encompass the directors' report on pages 5 and 6. However, the Companies Act 1985 requires auditors to report to the shareholders if the matters contained in the directors' report are inconsistent with the financial statements.

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Report of the auditors

To the shareholders of Holroyd Meek Limited

We have audited the financial statements on pages 9 to 19 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 12 and 13.

Respective responsibilities of directors and auditors

As described on page 7 the company's directors are responsible for the preparation of the 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 conduct 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 judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, 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 affairs of the company at 25 September 1993 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors

8 December 1993

Bank House
9 Charlotte Street
Manchester
M1 4EU

Profit and loss account for the year ended 25 September 1993

	Notes	1993 £'000	1992 £'000
Turnover		83,167	65,459
Cost of sales		(72,897)	(57,481)
Gross profit		10,270	7,978
Distribution costs		(7,344)	(5,826)
Administration costs		(2,049)	(1,471)
Operating profit	2	877	681
Net interest receivable	4	16	22
Profit on ordinary activities before taxation		893	703
Tax on profit on ordinary activities	5	(328)	(232)
Profit on ordinary activities after taxation		565	471
Dividend	6	(191)	(80)
Retained profit for the financial year	14	374	391
Statement of total recognised gains and losses			
Profit for the financial year		565	471
Realisation of revaluation reserve		1	1
Total gains and losses realised in the financial year		566	472

A statement of movements on reserves is given in note 14.

Holroyd Meek Limited

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Balance sheet, 25 September 1993

	Notes	1993 £'000	1992 £'000
Fixed assets			
Tangible fixed assets	7	<u>4,322</u>	<u>2,242</u>
Current assets			
Stocks	8	3,364	2,362
Debtors	9	8,161	5,146
Cash at bank and in hand		<u>1,680</u>	<u>1,550</u>
		13,205	9,058
Creditors: Amounts falling due within one year	10	<u>(14,273)</u>	<u>(9,563)</u>
Net current liabilities		<u>(1,068)</u>	<u>(505)</u>
Total assets less current liabilities		3,254	1,737
Creditors: Amounts falling due between two and five years	11	(785)	(500)
Creditors: Amounts falling due after more than five years	11	(1,242)	(527)
Provisions for liabilities and charges	12	<u>(195)</u>	<u>(52)</u>
Total net assets		<u><u>1,032</u></u>	<u><u>658</u></u>
Capital and reserves			
Called up share capital	13	51	51
Share premium	14	232	232
Capital redemption reserve	14	8	8
Revaluation reserve	14	52	53
Profit and loss account	14	<u>689</u>	<u>314</u>
Total shareholders' funds		<u><u>1,032</u></u>	<u><u>658</u></u>

Signed on behalf of the Board



C W Holroyd
Director



M H Burrill
Director

8 December 1993

Cash flow statement for the year ended 25 September 1993

	Notes	1993 £'000	1992 £'000
Net cash inflow from operating activities			
Operating profit		877	681
Depreciation of tangible fixed assets		323	304
Profit on disposal of tangible fixed assets		(1)	(6)
Movement in stocks		(1,002)	(221)
Movement in debtors		(3,040)	(1,724)
Movement in creditors		4,712	1,457
		<u>1,869</u>	<u>491</u>
Returns on investments and servicing of finance			
Interest received	4	130	180
Interest paid	4	(114)	(158)
Dividends paid	6	(191)	(80)
		<u>(175)</u>	<u>(58)</u>
Taxation			
UK corporation tax (paid) / received		(220)	78
Investing activities			
Purchase of tangible fixed assets	7	(2,413)	(314)
Sale of tangible fixed assets		11	13
		<u>(2,402)</u>	<u>(301)</u>
Net cash inflow before financing		<u>(928)</u>	<u>210</u>
Financing			
Bank loans taken out	15	1,195	-
Hire purchase receipts	15	20	-
Bank loans repaid	15	(105)	(185)
Mortgages repaid	15	(21)	(60)
Hire purchase payments	15	(31)	(94)
		<u>1,058</u>	<u>(339)</u>
Change in cash and cash equivalents	16	<u>130</u>	<u>(129)</u>

Notes to the financial statements for the year ended 25 September 1993

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings, and comply with the Companies Act 1985 and applicable accounting standards.

Fixed assets, depreciation and revaluation reserve

Fixed assets are stated at purchase price or professional valuation less depreciation and other amounts written off. Depreciation is provided on all fixed assets, other than freehold land, at rates calculated to write off the cost, or valuation, of each asset over its expected useful life. The rates of depreciation vary as follows:

Freehold buildings	2%–4%	Straight line
Leasehold interests		Period of lease
Vehicles	20%–25%	Reducing balance
Plant, machinery, fixtures and fittings	5%–50%	Straight line

Surpluses arising on the revaluation of fixed assets are credited to a non distributable reserve known as the revaluation reserve. Where depreciation charges are increased following a revaluation an amount equal to such increase is transferred annually from this reserve to the profit and loss account.

Grants

Grants on capital expenditure are used to reduce the carrying value of the assets to which they relate.

Stocks

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

Deferred taxation

Where it is considered that, due to differences between the treatment of items for accounts and taxation purposes, an additional liability will arise within the foreseeable future; a provision is made for deferred taxation using the liability method at the anticipated rate of corporation tax.

Notes to the financial statements for the year ended 25 September 1993

1. Accounting policies (continued)

Turnover

Turnover represents the invoice value of goods and services provided less returns, allowances and value added tax.

Hire purchase and operating leases

Tangible fixed assets subject to hire purchase contracts are shown in tangible fixed assets and are depreciated in accordance with the accounting policy above. The capital amounts outstanding under such contracts are included in creditors. Finance costs are charged against profits over the period of the contract. The rental costs of all operating leases are charged against profits as incurred.

Pension costs

The company operates a money purchase scheme. The assets of the scheme are held externally. Costs are charged against profits as incurred.

	1993 £'000	1992 £'000
2. Operating profit		
This is stated after charging/(crediting):		
Directors' fees	11	13
Directors' management remuneration	314	212
Auditors' remuneration	25	23
Depreciation of owned assets	317	252
Depreciation of assets held under hire purchase contracts	6	52
Profit on disposal of fixed assets	(1)	(6)
Operating lease and contract hire charges	1,582	1,350

3. Particulars of directors and staff

Employee costs during the year amounted to

Wages and salaries	3,770	2,885
Social security costs	347	261
Pension costs	8	4
	<u>4,125</u>	<u>3,150</u>

Directors' remuneration (excluding pension contributions) included:

Chairman	8	1
Highest paid director	98	58

Notes to the financial statements for the year ended 25 September 1993

	1993 £'000	1992 £'000
3. Particulars of directors and staff (continued)		
Other directors' remuneration (excluding pension contributions) were:		
	(number)	(number)
£nil — £5,000	2	1
£10,001—£15,000	1	1
£15,001—£20,000	—	1
£20,001—£25,000	1	—
£30,001—£35,000	—	3
£35,001—£40,000	—	1
£40,001—£45,000	3	—
£45,001—£50,000	1	—
	—	—
The average number of persons employed during the year was:		
Office and management	91	79
Warehouse	141	93
Distribution	124	102
	—	—
	356	274
	—	—
4. Net interest receivable		
On amounts wholly repayable within 5 years		
Bank overdraft	(12)	(1)
Mortgage	(20)	(31)
Hire purchase	(4)	(13)
Bank loan	(5)	(12)
On amounts not wholly repayable within 5 years		
Bank loan	(73)	(101)
	—	—
	(114)	(158)
Bank interest received	130	180
	—	—
	16	22
	—	—
5. Taxation on profit on ordinary activities		
The taxation charge is calculated as follows:		
Corporation tax at 33% (1992-33%)		
—current year	173	227
—prior year	11	—
Deferred taxation	144	5
	—	—
	328	232
	—	—
6. Dividend		
Paid in year 375 pence per share (1992—157 pence per share)	191	80
	—	—

Notes to the financial statements for the year ended 25 September 1993

7. Tangible fixed assets

	Freehold land and buildings	Short leasehold land and buildings	Plant machinery and vehicles	Fixtures and Fittings	Assets in course of construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
27 September 1992	1,216	26	1,480	133	—	2,855
Additions	1,123	—	643	9	638	2,413
Disposals	—	(12)	(114)	(20)	—	(146)
25 September 1993	2,339	14	2,009	122	638	5,122
Analysis of cost or valuation						
Cost	2,283	14	2,009	122	638	5,066
Valuation in 1988	56	—	—	—	—	56
	2,339	14	2,009	122	638	5,122
Depreciation						
27 September 1992	31	15	505	62	—	613
Charged in year	31	4	266	22	—	323
Provided on disposals	—	(12)	(104)	(20)	—	(136)
25 September 1993	62	7	667	64	—	800
Net book value						
25 September 1993	2,277	7	1,342	58	638	4,322

The company's land and buildings were revalued on the basis of an open market valuation for existing use on 30 September 1988. If the land and buildings had not been revalued they would have been included at the following amounts:

	Freehold land and buildings	Short leasehold land and buildings
	£'000	£'000
Cost	2,283	14
Depreciation	(58)	(7)
	2,225	7

Plant machinery and vehicles with a net book value at the year end of £39,000 on which depreciation of £6,000 was charged during the year, were financed by hire purchase contracts.

Notes to the financial statements for the year ended 25 September 1993

	1993 £'000	1992 £'000
8. Stocks		
Goods for resale	<u>3,364</u>	<u>2,362</u>
9. Debtors		
Trade debtors	6,554	4,671
Amounts owed by holding company	383	168
Other debtors	983	256
Advance corporation tax recoverable	—	25
Prepayments and accrued income	<u>241</u>	<u>26</u>
	<u>8,161</u>	<u>5,146</u>
Other debtors include an amount owing by Clegg Transport (Rochdale) Limited of £29,500, a company under the control of one of the directors.		
10. Creditors: amounts falling due within one year		
Trade creditors	13,329	8,934
Other creditors	172	71
Other taxes and social security	119	75
Advance corporation tax	56	—
Corporation tax	117	233
Accruals	<u>307</u>	<u>135</u>
Total non interest bearing debt	14,100	9,448
Interest bearing debt (note 11)	<u>173</u>	<u>115</u>
	<u>14,273</u>	<u>9,563</u>
11. Creditors: amounts falling due after more than one year		
Mortgage	201	220
Bank loans	1,813	803
Hire purchase obligations	<u>13</u>	<u>4</u>
	<u>2,027</u>	<u>1,027</u>

Notes to the financial statements for the year ended 25 September 1993

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

	Amounts falling due		
	Within one year £'000	2-5 years £'000	Over 5 years £'000
Mortgage	—	201	—
Bank loans	162	571	1,242
Hire purchase obligations	11	13	—
	<u>173</u>	<u>785</u>	<u>1,242</u>

(i) Mortgage—Gentra Limited

On 1 September 1993 the Royal Trust Bank changed its name to Gentra Limited. The loan is secured by a first legal charge over the freehold premises at Ariel Business Park, Membury. The loan will be repaid by a single capital repayment on 31 March 1996.

(ii) Banking facilities—Royal Bank of Scotland plc

The banking facilities comprise of a bank overdraft facility, 5 year term loan and 15 year term loan. The overdraft facility is repayable on demand, the term loans are repayable by equal instalments over the relevant terms. Interest is chargeable at commercial rates. Security is given by way of a debenture in favour of the bank together with fixed legal charges over the company's freehold and leasehold properties.

12. Provisions for liabilities and charges

	1993 £'000	1992 £'000
Deferred taxation represents a full provision at the expected rate of corporation tax of 33% of the potential liability arising on the following timing differences:		
Capital allowances ahead of depreciation	191	58
Other timing differences	4	(6)
	<u>195</u>	<u>52</u>

No provision has been made for the liability to taxation which would arise if the company's properties were to be sold for their revalued amounts.

Notes to the financial statements for the year ended 25 September 1993

	1993 £'000	1992 £'000
13. Called up share capital		
Authorised 100,000 ordinary shares of £1 each	100	100
Allotted, called up and fully paid shares 51,042 ordinary shares of £1 each	51	51
14. Reserves		
	Share premium £'000	Capital redemption reserve £'000
		Revaluation reserve £'000
		Profit and loss account £'000
Balance 27 September 1992	232	8
Transfer of depreciation	—	(1)
Retained profit for the year	—	—
Balance 25 September 1993	232	8
15. Changes in financing during the year		
Interest bearing debt at 27 September 1992	1,142	1,481
Bank loans taken out	1,195	—
Capital element of hire purchase receipts	20	—
Bank loans repaid	(105)	(185)
Mortgage repaid	(21)	(60)
Capital element of hire purchase payments	(31)	(94)
Interest bearing debt at 25 September 1993	2,200	1,142
16. Changes in cash and cash equivalents during the year		
Cash and cash equivalents at 27 September 1992	1,550	1,679
Change in year	130	(129)
Cash and cash equivalents at 25 September 1993	1,680	1,550

Holroyd Meek Limited

Notes to the financial statements for the year ended 25 September 1993

17. Leasing commitments

At the balance sheet date there were annual commitments under cancellable operating leases as follows:

Expiring within one year
Expiring between two and five years inclusive

1993 £'000	1992 £'000
---------------	---------------

272	352
<u>1,308</u>	<u>843</u>

18. Capital commitments

The outstanding capital commitments at the balance sheet date were

Contracts in progress

<u>467</u>	<u>—</u>
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19. Ultimate holding company

Holroyd Meek Limited is a 100% owned subsidiary of its ultimate holding company, Eskdale Limited, a company incorporated in England.