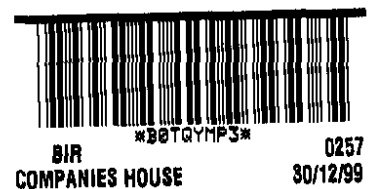


Registered no: 1764574

SWP HOLDINGS LIMITED

Directors' Report and Financial Statements

for the year ended 30 June 1998



Directors' Report and Financial Statements

for the year ended 30 June 1998

Registered no: 1764574

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SWP HOLDINGS LIMITED

Directors' Report for the year ended 30 June 1998

The directors present their report and the audited financial statements for the year ended 30 June 1998.

Principal activities

SWP Holdings Limited is the intermediate parent company of a group engaged in the design, manufacture and installation of specialist components for the construction industry. The names of the group's principal trading companies are set out on page 12.

Review of business

The profit and loss for the year is set out on page 6. The Directors do not recommend the payment of a dividend (1997:nil).

Directors and their interests

The directors of the company at 30 June 1998, and those who served during the year are listed below:

S.J. Barclay (resigned 30th December 1998)
C.G. Smith (resigned 8th December 1998)
A.J. Arnsby (resigned 1st May 1998)
S.G. Linford (resigned 19th December 1997)

J.A.F. Walker was appointed a director of the company on 30th December 1998 and A.G. Smith was appointed a director of the company on 15th February 1999. They were both appointed directors of the ultimate parent company SWP Group PLC on 8th December 1998. Their interests in the shares of SWP Group PLC are disclosed in the directors' report of the parent company.

The interests of the other directors in the share capital of SWP Group PLC at 30 June 1998 are also disclosed in the directors' report of the parent company.

SWP HOLDINGS LIMITED

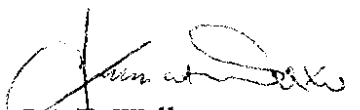
Year 2000 compliance

Many computer systems which express dates using the last two digits of the year may malfunction due to the date change to the Year 2000. This risk to the business relates not only to the company's computer system but to some degree to the company's customers and suppliers. The company has completed a detailed review of the risks resulting from this issue and corrective action has been taken. No significant costs have been incurred or are anticipated.

Auditors

KPMG Audit Plc were appointed auditors on 4th August 1999. A resolution to re-appoint KPMG Audit Plc will be proposed at the forthcoming Annual General Meeting.

By order of the Board


J.A.F. Walker
Director

Registered Office:
4th Floor Bedford House
3 Bedford Street
London WC2E 9HD

23rd December 1999

SWP HOLDINGS LIMITED

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements the directors are required to:

- ◆ Select suitable accounting policies and then apply them consistently
- ◆ Make judgements and estimates that are reasonable and prudent
- ◆ State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- ◆ Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**Report of the auditors to the members of
SWP Holdings Limited**

We have audited the financial statements on pages 6 to 12.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

23rd December 1999

SWP HOLDINGS LIMITED

Profit and loss account for the year ended 30 June 1998

	<i>Notes</i>	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
Turnover		-	-
Operating costs		<u>(376)</u>	<u>-</u>
Operating loss		(376)	-
Income from shares in group undertakings		286	
Amounts written off investments	5	(1,045)	-
Interest payable		(19)	-
Amounts provided to subsidiary undertaking		<u>-</u>	<u>(844)</u>
Loss on ordinary activities before taxation		(1,154)	(844)
Tax on loss on ordinary activities	3	<u>-</u>	<u>-</u>
Retained loss for the financial year	11	<u>(1,154)</u>	<u>(844)</u>

The company has no recognised gains or losses other than those included in the above profit and loss account and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year as stated above, and their historical cost equivalents.

Movements in reserves are shown in note 11.

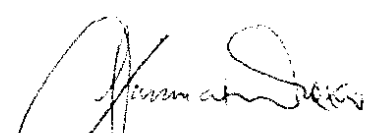
The above results relate to continuing operations.

SWP HOLDINGS LIMITED

Balance sheet at 30 June 1998

	Notes	1998 £'000	Restated 1997 £'000
Fixed assets			
Tangible assets	4	412	-
Investments	5	3,837	4,755
		<u>4,249</u>	<u>4,755</u>
Current assets			
Debtors	6	699	306
Creditors: amounts falling due within one year	7	(6,071)	(5,223)
Net current liabilities		<u>(5,372)</u>	<u>(4,917)</u>
Total assets less current liabilities		<u>(1,123)</u>	<u>(162)</u>
Creditors: amounts falling due after more than one year	8	(93)	-
Provision for liabilities and charges	9	(100)	-
Net liabilities		<u>(1,316)</u>	<u>(162)</u>
Capital and reserves			
Called up share capital	10	550	550
Profit and loss account	11	(1,866)	(712)
Equity shareholders' funds		<u>(1,316)</u>	<u>(162)</u>

These financial statements were approved by the board of directors on 22nd November 1999 and were signed on its behalf by:


J.A.F. Walker
Director

SWP HOLDINGS LIMITED

Reconciliation of movements in shareholders' funds for the year ended 30 June 1998

	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
Loss for the financial year	(1,154)	(844)
Net decrease to shareholders' funds	(1,154)	(844)
Opening shareholders' funds	(162)	682
Closing shareholders' funds	(1,316)	(162)

Notes forming part of the financial statements

1. Accounting policies

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

2. Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention rules.

The company is exempt by virtue of S228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its Group.

Under Financial Reporting Standard 1 the company is exempt from the requirements to prepare cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of SWP Group plc within which this company is included can be obtained from the address given in note 12.

Prior year adjustment

The prior year adjustment has increased fixed asset investments and increased creditors by £1,893,000. This adjustment has been made so that the investments reflect the legal ownership that SWP Holdings Ltd has of Fullflow Systems Ltd.

Tangible Fixed Assets

Depreciation is provided by the company to write off the cost of valuation less the estimated residual value of tangible fixed assets on a straight line basis over their estimated useful economic lives as follows:

Leasehold buildings – 2% per annum

No depreciation is provided against freehold property as the directors are of the opinion that its residual value is so high as to make any charge immaterial.

3. Taxation

There is no taxation charge in the year due to the availability of taxable losses.

SWP HOLDINGS LIMITED

4. Tangible Fixed Assets

	<i>Freehold land and buildings £'000</i>	<i>Long leasehold land and buildings £'000</i>	<i>Total £'000</i>
Cost or valuation			
At 1 July 1997	-	-	-
Additions	138	-	138
Inter group transfers	-	274	274
At 30 June 1998	138	274	412
Depreciation			
At 1 July 1997	-	-	-
Charge for the year	-	-	-
At 30 June 1998	-	-	-
Net book value	138	274	412
At 30 June 1998			
At 1 July 1997	-	-	-

5. Fixed asset investments

	<i>Shares in Group undertakings £'000</i>	<i>Participating Interests £'000</i>	<i>Total £'000</i>
Cost			
At 1 July 1997 as restated (note 2)	4,755	-	4,755
Additions	-	240	240
Disposals	(113)	-	(113)
At 30 June 1998	4,642	240	4,882
Provisions			
At 1 July 1997	-	-	-
Provided in year	805	240	1,045
At 30 June 1998	805	240	1,045
Net book value			
At 30 June 1998	3,837	-	3,837
At 1 July 1997 as restated (note 2)	4,755	-	4,755

6. Debtors

	<i>1998 £'000</i>	<i>1997 £'000</i>
Amounts owed by group undertakings	699	306

7. Creditors: amounts falling due within one year

SWP HOLDINGS LIMITED

	1998 £'000	1997 £'000
Amounts owed to group undertakings (note 2)	5,563	5,223
Bank overdraft	333	-
Other creditors	175	-
	<u>6,071</u>	<u>5,223</u>

8. Creditors: amounts falling due after more than one year

	1998 £'000	1997 £'000
Bank loans	<u>93</u>	<u>-</u>

The bank loan and overdraft are secured on the company's freehold property and guaranteed by fellow group undertakings.

9. Provision for liabilities and charges

	1998 £'000	1997 £'000
Crystallisation of bank guarantee in respect of former associated company	<u>100</u>	<u>-</u>

10. Called up share capital

	1998 £'000	1997 £'000
Authorised		
500,000 ordinary shares of £1 each	500	500
400,000 preference shares of £1 each	400	400
50,000 preferred ordinary shares of £1 each	50	50
	<u>950</u>	<u>950</u>
Allotted, called up and fully paid:		
500,000 ordinary shares of £1 each	500	500
50,000 preferred ordinary shares of £1 each non equity	50	50
	<u>550</u>	<u>550</u>

The preferred ordinary shares are entitled to a 10% fixed rate dividend and 7.5% of profits for the year exceeding £300,000 (1997: £300,000). The shareholders are entitled to a vote at general meetings and rank in preference to ordinary shares as regards rights to capital on winding up.

The preferred ordinary dividend in respect of the year ended 30 June 1998 has been waived by SWP Group PLC.

The only change in shareholders' funds relates to the retained loss for the year.

SWP HOLDINGS LIMITED

11. Profit and loss account

	£'000
At beginning of year	(712)
Retained loss for the year	(1,154)
At the end of year	(1,866)

12. Ultimate parent undertaking

The parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member is SWP Group PLC which is registered in England and Wales.

The results of the company are included in the group financial statements of SWP Group PLC, the ultimate parent undertaking. The directors consider SWP Group PLC to be the ultimate controlling party.

The financial statements of the ultimate parent company are available from The Secretary, SWP Group PLC, 4th floor, Bedford House, 3 Bedford Street, London WC2E 9HD.

13. Subsidiary undertakings

	<i>Country of registration and principal operation</i>	<i>Class of share</i>	<i>Holding</i>	<i>Principal activity</i>
PB Timber Ltd	England	£1 deferred £1 ordinary	100% 100%	Design and manufacture of timber components for construction industry
Crescent of Cambridge Ltd	England	50p "A" ordinary 50p "B" ordinary £1 participating preferred ordinary	100% 100% 100%	Design manufacture and installation of typical staircases
SWP Timber	England	£1 ordinary	100%	Timber importer
Fullflow Ltd	England and Wales	£1 ordinary	100%	Design, manufacture and installation of syphonic drainage systems
Fullflow Systems Ltd	England and Wales	£1 Ordinary £1 A Ordinary £1 Redeemable Preference	100% 100% 100%	Design, manufacture and installation of syphonic drainage systems
Fullflow Pacific Pty Ltd	Australia	Aus\$ ordinary	100%	Design, manufacture and installation of syphonic drainage systems
Associated undertaking: Rushmoor Investments Ltd**	England	£1 redeemable ordinary	100%	Residential estate developer

** The 100% holding of £1 redeemable ordinary shares of Rushmoor Investments Limited represents 20% of the total issued equity share capital of that company. However as regards income the £1 redeemable ordinary shares are only entitled to dividends arising from the profits earned in a particular development project. Rushmoor Investments Ltd operates entirely within the UK.