

Reports & Financial Statements

For the year ended 31 December 1998

Stafford Knight Holdings Limited and Subsidiaries

Registered Number: 2040193



STAFFORD KNIGHT HOLDINGS LIMITED AND SUBSIDIARIES

DIRECTORS:

R V C Robins
J Dunford
D N Howe
P J Michau
C I Calder

SECRETARY:

M T Cass

REGISTERED OFFICE:

4/5 London Wall Buildings
LONDON EC2M 5NR

REGISTERED NUMBER:

2040193

AUDITORS:

Mazars Neville Russell
24 Bevis Marks
LONDON EC3A 7NR

STAFFORD KNIGHT HOLDINGS LIMITED AND SUBSIDIARIES

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DIRECTORS' REPORT

The directors present their report together with the audited financial statements for the year ended 31 December 1998, which show the state of affairs of the company and the group.

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 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;
- state whether applicable accounting standards have been followed; 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.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The company acts as a management holding company and the principal activities of the subsidiaries are the provision of insurance broking services.

The group has shown a moderate increase in business throughout the year and the directors look forward to continuing growth and return to profitability in the future.

RESULTS

The group made a loss after tax of £103,393 for the year (1997: profit £46,167).

DIVIDEND

The directors do not recommend the payment of a dividend and the loss for the year has been taken to reserves.

DIRECTORS' REPORT (continued)**DIRECTORS**

The directors who served during the year and their interests in the shares of the company were as follows:-

	Number of £1 ordinary shares 31 December 1998	Number of £1 ordinary shares 31 December 1997
R V C Robins	185	185
J Dunford	250	250
D N Howe	62	62
P J Michau	-	-
C I Calder	-	-

FIXED ASSETS

The additions to tangible fixed assets are shown in note 10 to the financial statements.

YEAR 2000

The turn of the century could see faults in the processing of data which could have wide ranging consequences for all businesses. The company is aware of this issue and is undertaking relevant steps to eliminate the problem within its internal operations. The company does, however, remain potentially exposed to the failure of third parties to deal with their Year 2000 exposures and will take all practical steps to mitigate the effect.

DONATIONS

During the year, the group made donations for charitable purposes amounting to £1,255 (1997: £2,230).

AUDITORS

A resolution to re-appoint Mazars Neville Russell as auditors will be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD

Secretary

28 APRIL 1999

4/5 London Wall Buildings
LONDON EC2M 5NR

AUDITORS' REPORT TO THE SHAREHOLDERS OF

STAFFORD KNIGHT HOLDINGS LIMITED

We have audited the financial statements on pages 4 to 20 which have been prepared following the accounting policies set out on pages 9 to 10.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1 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 affairs of the company and the group as at 31 December 1998 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



CHARTERED ACCOUNTANTS
and Registered Auditors

24 Bevis Marks
LONDON EC3A 7NR

29 April 1999

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1998

	Notes	1998 £	1997 £
TURNOVER	3	3,724,033	4,161,509
Administrative expenses		<u>(3,774,886)</u>	<u>(4,177,027)</u>
OPERATING LOSS		(50,853)	(15,518)
Profit on disposal of discontinued operations		<u>-</u>	<u>100,000</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		(50,853)	84,482
Interest receivable		17,571	19,265
Interest payable	4	<u>(59,015)</u>	<u>(57,580)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(92,297)	46,167
Taxation	8	<u>(11,096)</u>	<u>-</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	18	<u>£(103,393)</u>	<u>£46,167</u>

There are no recognised gains or losses other than those shown in the profit and loss account above.

CONSOLIDATED BALANCE SHEET

As at 31 December 1998

	Notes	1998		1997	
		£	£	£	£
FIXED ASSETS					
Intangible assets	9		572,703		602,845
Tangible assets	10		654,298		716,463
			<u>1,227,001</u>		<u>1,319,308</u>
CURRENT ASSETS					
Debtors	12	7,012,154		6,604,613	
Cash at bank and in hand		<u>1,980,853</u>		<u>1,632,749</u>	
		8,993,007		8,237,362	
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	13	<u>10,242,597</u>		<u>9,470,448</u>	
NET CURRENT LIABILITIES			<u>(1,249,590)</u>		<u>(1,233,086)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			(22,589)		86,222
CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	14		<u>65,772</u>		<u>71,190</u>
			<u>£(88,361)</u>		<u>£15,032</u>
CAPITAL AND RESERVES					
Called up share capital	16		2,786		2,786
Share premium account	17		459,631		459,631
Profit and loss account	18		<u>(550,778)</u>		<u>(447,385)</u>
SHAREHOLDERS' FUNDS			<u>£(88,361)</u>		<u>£15,032</u>

Approved by the board on 28 APRIL 1999
and signed on its behalf by



Director

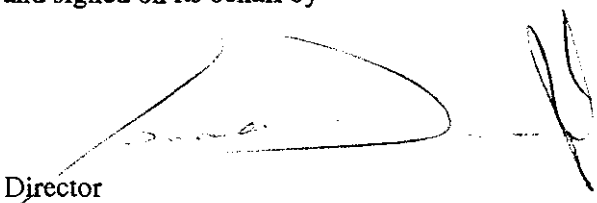
COMPANY BALANCE SHEET

As at 31 December 1998

	Notes	1998	1997
		£	£
FIXED ASSETS			
Tangible assets	10	150,753	181,482
Investments	11	<u>1,109,564</u>	<u>1,109,564</u>
		1,260,317	1,291,046
CURRENT ASSETS			
Debtors	12	151,269	125,127
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	13	<u>1,754,446</u>	<u>1,726,099</u>
NET CURRENT LIABILITIES		(1,603,177)	(1,600,972)
TOTAL ASSETS LESS CURRENT LIABILITIES		(342,860)	(309,926)
CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	14	<u>50,759</u>	<u>58,168</u>
		<u>£(393,619)</u>	<u>£(368,094)</u>
CAPITAL AND RESERVES			
Called up share capital	16	2,786	2,786
Share premium account	17	459,631	459,631
Profit and loss account	18	<u>(856,036)</u>	<u>(830,511)</u>
SHAREHOLDERS' FUNDS		<u>£(393,619)</u>	<u>£(368,094)</u>

Approved by the board on 28 APRIL 1999
and signed on its behalf by

Director



CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 1998

	Note	1998 £	1997 £
CASH FLOW FROM OPERATING ACTIVITIES	1a	598,408	409,237
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		17,571	19,265
Interest paid		(41,110)	(36,102)
Interest element of finance lease rental payments		(17,905)	(21,478)
Net cash outflow for returns on investments and servicing of finance		(41,444)	(38,315)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(177,615)	(201,950)
Sale of plant and machinery		34,525	58,780
Net cash outflow for capital expenditure and financial investment		(143,090)	(143,170)
		(184,534)	(181,485)
Cash inflow before use of liquid resources and financing		413,874	227,752
FINANCING AND MANAGEMENT OF LIQUID RESOURCES			
Capital element of finance lease rental payments		(26,273)	(9,746)
Net cash outflow for financing and management of liquid resources		(26,273)	(9,746)
INCREASE/(DECREASE) IN CASH IN THE PERIOD		£387,601	£218,006

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 1998 (continued)

NOTES**1a. Reconciliation of operating profit to net cash flow from operating activities**

	1998 £	1997 £
Operating loss	(50,853)	(15,518)
Depreciation and amortisation	239,579	227,990
Profit on sale of tangible fixed assets	(4,182)	(20,658)
(Increase) in debtors	(407,541)	(1,186,198)
Increase in creditors	821,405	1,303,621
Exceptional profit on disposal of discontinued operation	-	100,000
	<u> </u>	<u> </u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>£598,408</u>	<u>£409,237</u>

1b. Reconciliation of net cash flow to movement in net debt (Note 1c)

	1998 £	1997 £
Increase/(decrease) in cash in the period	387,601	218,006
Cash inflow from increase in debt and lease financing	<u>26,273</u>	<u>9,746</u>
	<u> </u>	<u> </u>
Movement in net debt in the period	413,874	227,752
Net debt at 1 January 1998	<u>(257,050)</u>	<u>(484,802)</u>
	<u> </u>	<u> </u>
Net debt at 31 December 1998	<u>£156,824</u>	<u>£(257,050)</u>

1c. Analysis of net debt

	At 1 January 1998 £	Cash Flow £	At 31 December 1998 £
Cash in hand and at bank	1,632,749	348,104	1,980,853
Overdrafts	<u>(1,740,495)</u>	<u>39,497</u>	<u>(1,700,998)</u>
	<u> </u>	<u> </u>	<u> </u>
	(107,746)	387,601	279,855
Finance leases	<u>(149,304)</u>	<u>26,273</u>	<u>(123,031)</u>
	<u> </u>	<u> </u>	<u> </u>
Total	<u>£(257,050)</u>	<u>£413,874</u>	<u>£156,824</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1998

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards.

(a) Accounting convention

The financial statements are prepared under the historical cost convention.

(b) Basis of consolidation

- (i) The group financial statements consolidate the accounts of Stafford Knight Holdings Limited and its subsidiaries for the year ended 31 December 1998. The results of subsidiaries acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.
- (ii) Goodwill arising on consolidation representing the excess of the purchase price over the fair value of net assets acquired is amortised over a period of its estimated useful life.

(c) Turnover

Turnover represents income received exclusive of Value Added Tax. Brokerage and fees are recognised when the business is placed by the client having regard to the date of inception of policies. Alterations in brokerage arising from additional and return premiums and adjustments are taken into account as and when these occur.

(d) Expenses

Expenses are written off as incurred.

(e) Depreciation

Depreciation is calculated to write off the cost or revalued amount less residual value of fixed assets over their estimated useful lives.

(f) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Revenues and costs expressed in foreign currencies are translated into Sterling at rates of exchange ruling on the date on which the transaction occurs. Differences arising on the translation of trading items are dealt with in the profit and loss account for the year.

(g) Deferred taxation

Deferred taxation is provided in respect of the tax effect of all timing differences, to the extent that it is probable that a liability or asset will crystallise in the foreseeable future at the rates of tax expected to apply when the timing differences reverse.

(h) Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value. Investments held as current assets are stated at the lower of cost and net realisable value.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 1998 (continued)

1. ACCOUNTING POLICIES (continued)

(i) Insurance debtors and creditors

The legal status of the practice of net settlement is uncertain and in the event of an insolvency it is generally abandoned. Financial Reporting Standard No 5 "Reporting the substance of transactions" requires that offset of assets and liabilities should be recognised in financial statements where, the offset would survive the insolvency of the other party. Accordingly, only such offsets have been recognised in calculating insurance broking debtors and creditors.

(j) Leases

(i) Finance leases

Assets held under finance leases and the related lease obligations are included at the fair value of the leased assets at the inception of the lease. Depreciation on leased assets is calculated to write off this amount on a straight line basis over the shorter of the lease term and the useful life of the asset.

Rentals payable are apportioned between the finance charge and a reduction of the outstanding obligation for future amounts payable so that the charge for each accounting period is a constant percentage of the remaining balance of the capital sum outstanding.

(ii) Operating leases

Rentals payable are charged on a straight line basis over the term of the lease.

(k) Pension costs

Contributions payable to the group's pension scheme are charged to the profit and loss account in the period to which they relate.

(l) Goodwill

Goodwill represents the excess of costs of acquisition over the fair value of the separable net assets of businesses acquired. Goodwill is amortised through the profit and loss account in equal instalments over its estimated useful life.

2. COMPANY PROFIT AND LOSS ACCOUNT

The company's own profit and loss account is not shown by virtue of the exemption provisions contained in Section 230 of the Companies Act. The parent company's loss for the financial year was £25,525 (1997: profit £59,999).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1998 (continued)

3. TURNOVER

The group engages in only one class of activity, insurance broking, which is carried out in the United Kingdom.

	1998 Total £	Continuing £	1997 (As restated) Discontinued £	Total £
Turnover	3,724,033	4,058,952	102,557	4,161,509
Administrative expenses	<u>(3,774,886)</u>	<u>(3,921,460)</u>	<u>(255,567)</u>	<u>(4,177,027)</u>
Operating loss	<u>£(50,853)</u>	<u>£137,492</u>	<u>£(153,010)</u>	<u>£(15,518)</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £	1997 £
Interest payable on bank loans and overdrafts wholly repayable within five years	41,110	36,102
Finance lease interest	<u>17,905</u>	<u>21,478</u>
	<u>£59,015</u>	<u>£57,580</u>

5. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1998 £	1997 £
The (loss)/profit on ordinary activities before taxation is stated after charging/(crediting):-		
Amortisation of intangible fixed assets	30,124	18,949
Depreciation of tangible fixed assets		
- owned assets	115,065	128,851
- leased assets	94,372	80,190
Auditors' remuneration	38,070	41,000
Operating lease rentals		
- hire of equipment	16,178	12,078
- land and buildings	146,024	156,680
Exchange profit	(8,680)	(14,896)
Net insurance balance write offs	(32,833)	(22,906)
Profit on sale of tangible fixed assets	(4,182)	(20,658)
Bank interest receivable	<u>(17,571)</u>	<u>(19,265)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1998 (continued)

6. STAFF COSTS	1998 £	1997 £
All employees including executive directors:		
Wages and salaries	2,016,005	2,148,091
Social security costs	179,505	183,807
Other pension costs	153,335	154,028
	<u>£2,348,845</u>	<u>£2,485,926</u>

The average number of persons employed by the group was:-

	Number	Number
Insurance broking	<u>99</u>	<u>108</u>

7. DIRECTORS' EMOLUMENTS

	1998 £	1997 £
Emoluments of directors of Stafford Knight Holdings (including pension contributions)		
As executives	<u>£157,631</u>	<u>£216,360</u>
The emoluments of directors disclosed above include amounts paid to		
The chairman		
Emoluments	32,111	33,352
Pension contributions	<u>6,980</u>	<u>6,980</u>
The highest paid director		
Emoluments	83,665	83,297
Pension contributions	<u>4,875</u>	<u>2,625</u>

8. TAXATION

The group has tax losses after group relief available to carry forward against future trading profits of approximately £145,088 (company: £97,866) (1997: £230,000 (company: £130,000)).

Deferred taxation

There is no liability for deferred taxation.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 1998 (continued)

9. INTANGIBLE FIXED ASSETS

GOODWILL	£
COST	
At 1 January 1998 and 31 December 1998	<u>£812,372</u>
AMOUNTS WRITTEN OFF	
At 1 January 1998	209,527
Charge for the year	<u>30,142</u>
At 31 December 1998	<u>£239,669</u>
NET BOOK VALUE	
At 31 December 1998	<u>£572,703</u>
At 31 December 1997	<u>£602,845</u>
Goodwill is being amortised over 20 years.	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1998 (continued)

10. TANGIBLE FIXED ASSETS

GROUP

	Short leasehold improvements £	Furniture, fixtures, fittings & office equipment £	Motor vehicles £	Computer equipment £	Total £
COST					
At 1 January 1998	9,420	204,381	427,394	739,309	1,380,504
Additions	-	4,612	87,156	85,847	177,615
Disposals	-	(3,648)	(81,091)	-	(84,739)
	<u>9,420</u>	<u>205,345</u>	<u>433,459</u>	<u>825,156</u>	<u>1,473,380</u>
At 31 December 1998	9,420	205,345	433,459	825,156	1,473,380
DEPRECIATION					
At 1 January 1998	7,423	113,717	172,363	370,538	664,041
Charge for the year	660	12,912	97,009	98,856	209,437
Eliminated on disposals	-	(1,554)	(52,842)	-	(54,396)
	<u>8,083</u>	<u>125,075</u>	<u>216,530</u>	<u>469,394</u>	<u>819,082</u>
At 31 December 1998	8,083	125,075	216,530	469,394	819,082
NET BOOK VALUE					
At 31 December 1998	<u>£1,337</u>	<u>£80,270</u>	<u>£216,929</u>	<u>£355,762</u>	<u>£654,298</u>
At 31 December 1997	<u>£1,997</u>	<u>£90,664</u>	<u>£255,031</u>	<u>£368,771</u>	<u>£716,463</u>
Depreciation rates	15 years	10%	20-25%	20%	
Depreciation method		reducing balance	straight line	straight line	

The net book value of motor vehicles includes an amount of £205,836 (1997: £250,397) in respect of assets held under finance leases and hire purchase contracts.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 1998 (continued)

10. TANGIBLE FIXED ASSETS (continued)

COMPANY	Motor vehicles £
COST	
At 1 January 1998	303,106
Additions	56,219
Disposals	(18,280)
	<u> </u>
At 31 December 1998	<u>£341,045</u>
DEPRECIATION	
At 1 January 1998	122,098
Charge for the year	78,980
Eliminated on disposal	(10,786)
	<u> </u>
At 31 December 1998	<u>£190,292</u>
NET BOOK VALUE	
At 31 December 1998	<u>£150,753</u>
At 31 December 1997	<u>£181,482</u>
Depreciation rate	25%
Depreciation method	Straight line

Included in the above are motor vehicles held under finance leases with a net book value of £144,715 (1997: £178,291).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1998 (continued)

11. FIXED ASSET INVESTMENTS

COMPANY	Shares in subsidiaries £
COST	
At 1 January 1998	1,109,564
Written off in year	-
	<hr/>
At 31 December 1998	£1,109,564
	<hr/>
PROVISIONS	
At 1 January 1998	-
Written off in year	-
	<hr/>
At 31 December 1998	-
	<hr/>
NET BOOK VALUE	
At 31 December 1997 and 1998	£1,109,564
	<hr/>

The company had a 100% interest in the ordinary share capital of the following subsidiaries at 31 December 1998 which are all incorporated in England.

Subsidiary Undertakings	Class of shares held	Percentage of shares held	Principal Activity
Stafford Knight & Co Ltd	Ordinary £1	100%	Insurance broking
Stafford Knight Life Ltd	Ordinary £1	100%	Life and pensions
Stafford Knight (UK) Ltd	Ordinary £1	100%	Insurance broking
Stafford Knight Insurance Services Ltd	Ordinary £1	100%	Insurance broking

All subsidiary undertakings are included in the consolidated group accounts.

The group holds 49% of the ordinary share capital of Alliance Associates Limited, a company incorporated in England. This company is accounted for as a fixed asset investment since Stafford Knight are not able to exert significant influence over the financial and operating activities of the company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1998 (continued)

12. DEBTORS

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
DUE WITHIN ONE YEAR				
Insurance debtors	6,829,733	6,342,050	-	-
Amounts owed by subsidiary undertakings	-	-	151,269	115,127
Other debtors	62,145	126,260	-	10,000
Prepayments and accrued income	83,603	79,629	-	-
	<u>6,975,481</u>	<u>6,547,939</u>	<u>151,269</u>	<u>125,127</u>
DUE AFTER MORE THAN ONE YEAR				
Other debtors	36,674	56,674	-	-
	<u>£7,012,155</u>	<u>£6,604,613</u>	<u>£151,269</u>	<u>£125,127</u>

13. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Bank loans and overdrafts	1,700,998	1,740,495	1,689,854	1,643,541
Obligations under finance leases	57,259	78,114	41,009	60,065
Insurance creditors	8,284,652	7,450,293	-	-
Corporation tax	10,464	-	-	-
Taxation and social security	56,909	64,227	1,350	1,250
Accruals and deferred income	132,316	137,319	22,233	21,243
	<u>£10,242,597</u>	<u>£9,470,448</u>	<u>£1,754,446</u>	<u>£1,726,099</u>

The above bank loans and overdrafts have been secured by a mortgage debenture over all the company's assets.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 1998 (continued)

14. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Obligations under finance leases	<u>£65,772</u>	<u>£71,190</u>	<u>£50,759</u>	<u>£58,168</u>

15. LEASING COMMITMENTS

(a) Finance leases

Future minimum lease payments under finance leases are:-

	1998		1997	
	Group	Company	Group	Company
	£	£	£	£
AMOUNT FALLING DUE				
Within one year	68,002	48,830	92,850	71,945
Between two and five years	<u>71,666</u>	<u>54,062</u>	<u>80,174</u>	<u>64,328</u>
	139,668	102,892	173,024	136,273
Less future finance charges	<u>16,637</u>	<u>11,124</u>	<u>23,720</u>	<u>18,040</u>
	<u>£123,031</u>	<u>£91,768</u>	<u>£149,304</u>	<u>£118,233</u>
The commitments, net of finance charges, are included in the balance sheets as follows:				
Due within one year	57,259	41,009	78,114	60,065
Due after more than one year	<u>65,772</u>	<u>50,759</u>	<u>71,190</u>	<u>58,168</u>
	<u>£123,031</u>	<u>£91,768</u>	<u>£149,304</u>	<u>£118,233</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 1998 (continued)

15. LEASING COMMITMENTS (continued)

(b) Operating leases

At 31 December 1998 the group had the following annual commitments under non-cancellable operating leases:

	1998 Group		1997 Group	
	Land and buildings £	Other £	Land and buildings £	Other £
Leases which expire:				
Within one year	-	-	11,150	843
Between two and five years	130,456	3,726	126,450	7,191
Over five years	-	-	-	-
	<u>£130,456</u>	<u>£3,726</u>	<u>£137,600</u>	<u>£8,034</u>

16. SHARE CAPITAL

	Allotted, Issued and fully paid		Authorised	
	1998 £	1997 £	1998 £	1997 £
Ordinary shares of £1 each	<u>£2,786</u>	<u>£2,786</u>	<u>£10,000</u>	<u>£10,000</u>

17. SHARE PREMIUM ACCOUNT

	Group £	Company £
At 1 January 1998 and 31 December 1998	<u>£459,631</u>	<u>£459,631</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 1998 (continued)

18. PROFIT AND LOSS ACCOUNT

	Group £	Company £
At 1 January 1998	(447,385)	(830,511)
Loss for the year	<u>(103,393)</u>	<u>(25,525)</u>
At 31 December 1998	<u>£(550,778)</u>	<u>£(856,036)</u>

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
(Loss)/profit for the financial year and net additions to shareholders' funds	<u>(103,393)</u>	<u>46,167</u>
Opening shareholders' funds	<u>15,032</u>	<u>(31,135)</u>
Closing shareholders' funds	<u>£(88,361)</u>	<u>£15,032</u>

20. PENSION CONTRIBUTIONS

The group operates a defined contribution pension scheme. The scheme funds are administered independently of the company.

During the year ended 31 December 1998 contributions payable by the group to the scheme were £153,335 (1997: £154,028). At the balance sheet date there was no outstanding liability.

21. GUARANTEES AND OTHER FINANCIAL OBLIGATIONS

The company has given a guarantee to secure certain bank loans and overdrafts of its subsidiaries. At the balance sheet date these amounted to £11,144.

22. ULTIMATE PARENT COMPANY

The directors regard Summer Shore Investments Limited, a company incorporated in the Cayman Islands, as the ultimate parent company.