

**Line Management Group Limited**

Report and Financial Statements

Year Ended

31 December 1998



BDO Stoy Hayward  
Chartered Accountants



# **LINE MANAGEMENT GROUP LIMITED**

**Annual report and financial statements for the year ended 31 December 1998**

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## **Directors**

D B George  
N D Rowe  
J H Payne

## **Secretary and registered office**

N D Rowe, 66 Broomfield Road, Chelmsford, Essex, CM1 1SW.

## **Company number**

02155746

## **Auditors**

BDO Stoy Hayward, 66 Broomfield Road, Chelmsford, Essex, CM1 1SW.

## **LINE MANAGEMENT GROUP LIMITED**

### **Report of the directors for the year ended 31 December 1998**

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The directors present their report together with the audited financial statements for the year ended 31 December 1998.

#### **Results and dividends**

The consolidated profit and loss account is set out on page 5 and shows the group profit for the year.

The directors do not recommend the payment of a dividend.

#### **Principal activities, trading review and future developments**

The principal activities of the group are the design, installation and management of IT (Information Technology) infrastructure networks.

1998 was the final year of the three year restructuring programme to re-focus the business on the implementation and management of IT infrastructure. The improvement in the financial results demonstrate the success of the new focus with a 29% increase in sales and a healthy return to profitability with a pre tax profit of £199,870.

1999 will see a consolidation of the re-focused business with the main thrust being in improving the internal process and controls before the next phase of business growth. The next phase of growth will be centred on providing our clients with specialist support services in the implementation and management of e-business technology whilst still continuing to offer the day to day infrastructure and support services.

Major developments within the group in 1999 will see investment in Intranet and customer management software to improve the business controls in support of the planned growth. Significant investment in staff training will also be continued with particular emphasis on internet technology to ensure that the group is well prepared for the predicted growth in e-commerce business.

#### **Year 2000**

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

The company has formed a Year 2000 project team, with full support from the directors. Its remit is to assess and address all Year 2000 related issues affecting the group. Internally, all systems have been audited and evaluated for 'Year 2000 compliance' and all business critical systems have been identified. All business critical systems are planned to be Year 2000 compliant by the end of June 1999 and the approximate cost of this work is estimated to be £50,000.

The company's operations are also exposed to an unquantifiable degree to the failure of third parties to deal with their Year 2000 exposure. We will take all practical steps to mitigate the effect. All business critical suppliers have been requested to contact the group and inform us of their current position with regard to Year 2000 compliance and state what steps they are taking to ensure that the business will not be affected by the Year 2000 date change.

## LINE MANAGEMENT GROUP LIMITED

### Report of the directors for the year ended 31 December 1998 (Continued)

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#### Directors

The directors of the company during the year and their interests in the ordinary share capital of the company were:

	'A' Ordinary shares of 10p each		'B' Ordinary shares of 10p each		Ordinary shares of 10p each	
	1998	1997	1998	1997	1998	1997
D B George	247,615	247,615	-	-	-	-
N D Rowe	-	-	220,550	220,550	-	-
A R C Clarke (resigned 5 January 1998)	-	-	-	-	15,037	15,037
J H Payne				-	1,000	1,000

#### 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 group and the company and of the profit or loss of the group 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 departure 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 group 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Charitable donations

During the year the group made charitable donations of £3,795 (1997 - £4,256).

**LINE MANAGEMENT GROUP LIMITED**

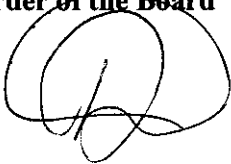
**Report of the directors for the year ended 31 December 1998 *(Continued)***

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**Auditors**

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

**By order of the Board**

A handwritten signature in black ink, appearing to be 'D B George', written over a circular stamp or seal.

**D B George  
Director**

Date 12/7/99

# LINE MANAGEMENT GROUP LIMITED

## Report of the auditors

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### To the shareholders of Line Management Group Limited

We have audited the financial statements on pages 5 to 19 which have been prepared under the accounting policies set out on pages 9 and 10.

#### *Respective responsibilities of directors and auditors*

As described on page 2 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 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 profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**BDO STOY HAYWARD**  
*Chartered Accountants  
and Registered Auditors*  
Chelmsford

13 July 1999

**LINE MANAGEMENT GROUP LIMITED****Consolidated profit and loss account for the year ended 31 December 1998**

	Note	1998 £	1997 £
<b>Turnover</b>	1 & 2	8,949,211	6,926,982
Cost of sales		7,156,191	5,470,465
		<hr/>	<hr/>
<b>Gross profit</b>		1,793,020	1,456,517
Administrative expenses		1,468,421	1,416,513
		<hr/>	<hr/>
<b>Operating profit</b>	5	324,599	40,004
Provision in respect of subsidiary company	9	74,882	61,790
		<hr/>	<hr/>
<b>Profit/(loss) on ordinary activities before interest</b>		249,717	(21,786)
Investment income		2,318	2,183
Interest receivable		-	666
Interest payable	6	(52,165)	(26,839)
		<hr/>	<hr/>
<b>Profit/(loss) on ordinary activities before taxation</b>		199,870	(45,776)
Taxation	7	120,000	10,000
		<hr/>	<hr/>
<b>Profit/(loss) for the financial year transferred to/(from) reserves</b>	17	79,870	(55,776)
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 9 to 19 form part of these financial statements.

# LINE MANAGEMENT GROUP LIMITED

## Consolidated balance sheet at 31 December 1998

	Note	1998	1997
		£	£
<b>Fixed assets</b>			
Tangible assets	8	265,647	341,223
<b>Current assets</b>			
Investment	10	841	841
Stocks	11	305,512	176,274
Debtors	12	1,713,532	1,534,097
Cash at bank and in hand		381	129
		<u>2,020,266</u>	<u>1,711,341</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>1,911,419</u>	<u>1,741,949</u>
<b>Net current assets/(liabilities)</b>		<u>108,847</u>	<u>(30,608)</u>
<b>Total assets less current liabilities</b>		<u>374,494</u>	<u>310,615</u>
<b>Creditors: amounts falling due after more than one year</b>	14	<u>-</u>	<u>15,991</u>
		<u>374,494</u>	<u>294,624</u>
<b>Capital and reserves</b>			
Called up share capital - equity	16	50,000	50,000
Share premium account - equity	17	479	479
Capital redemption reserve - equity	17	153	153
Profit and loss account - equity	17	323,862	243,992
<b>Shareholders' funds</b>	18	<u>374,494</u>	<u>294,624</u>

These accounts were approved by the Board on 12/7/99

The notes on pages 9 to 19 form part of these financial statements.



# LINE MANAGEMENT GROUP LIMITED

## Balance sheet at 31 December 1998

	Note	1998	1997
		£	£
<b>Fixed assets</b>			
Tangible assets	8	265,647	341,223
Investments	9	46,592	46,592
		<u>312,239</u>	<u>387,815</u>
<b>Current assets</b>			
Investment	10	841	841
Stocks	11	305,512	176,274
Debtors	12	1,713,532	1,534,097
Cash at bank and in hand		381	129
		<u>2,020,266</u>	<u>1,711,341</u>
<b>Creditors: amounts falling due within one year</b>	13	1,958,011	1,788,541
		<u>1,958,011</u>	<u>1,788,541</u>
<b>Net current assets/(liabilities)</b>		62,255	(77,200)
		<u>374,494</u>	<u>310,615</u>
<b>Total assets less current liabilities</b>		374,494	310,615
<b>Creditors: amounts falling due after more than one year</b>	14	-	15,991
		<u>374,494</u>	<u>294,624</u>
<b>Capital and reserves</b>			
Called up share capital - equity	16	50,000	50,000
Share premium account - equity	17	479	479
Capital redemption reserve - equity	17	153	153
Profit and loss account - equity	17	323,862	243,992
		<u>374,494</u>	<u>294,624</u>
<b>Shareholders' funds</b>	18	374,494	294,624
		<u>374,494</u>	<u>294,624</u>

These accounts were approved by the Board on

D B George  
Director

12/1/99

The notes on pages 8 to 18 form part of these financial statements.

# LINE MANAGEMENT GROUP LIMITED

## Consolidated cash flow statement for the year ended 31 December 1998

	Note	1998	1997
		£	£
<b>Net cash inflow/(outflow) from operating activities</b>	21	718,225	(497,421)
<b>Returns on investments and servicing of finance</b>			
Interest received		-	666
Interest paid		(48,990)	(20,080)
Finance lease and hire purchase interest		(3,175)	(4,298)
Investment income		2,318	2,183
		<hr/>	<hr/>
<b>Net cash outflow from returns on investments and servicing of finance</b>		(49,847)	(21,529)
<b>Taxation</b>			
UK corporation tax paid		(10,317)	(81,551)
<b>Capital expenditure and financial investment</b>			
Payments to acquire fixed assets		(59,185)	(317,253)
Payments to acquire fixed asset investments		-	(12,000)
Sale of fixed assets		2,500	-
		<hr/>	<hr/>
<b>Net cash outflow for capital expenditure and financial investments</b>		(56,685)	(329,253)
		<hr/>	<hr/>
<b>Net cash inflow/(outflow) before financing</b>		601,376	(929,754)
<b>Financing</b>			
Capital element of finance lease and hire purchase payments	23	(20,695)	(17,594)
Bank loan advanced	23	-	150,000
Bank loan repayments	23	(74,317)	(43,750)
Share capital issued		-	632
		<hr/>	<hr/>
		(95,012)	89,288
		<hr/>	<hr/>
<b>Increase/(decrease) in cash</b>	22	506,364	(840,466)
		<hr/>	<hr/>

The notes on pages 8 to 18 form part of these financial statements.

## LINE MANAGEMENT GROUP LIMITED

### Notes forming part of the financial statements for the year ended 31 December 1998

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#### 1 Accounting policies

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

The company has taken advantage of the exemption from presenting its own profit and loss account. The consolidated profit for the financial period includes a profit of £199,870 (1997 - £39,283) which is dealt with in the financial statements of the parent company.

The following accounting policies have been applied:

##### *Basis of consolidation*

The consolidated financial statements incorporate the results of Line Management Group Limited and all of its subsidiaries at 31 December 1998 using the merger method of accounting.

##### *Merger accounting*

Where merger accounting is used, the investment is recorded in the company's balance sheet at the nominal value of shares issued together with the fair value of any additional consideration paid.

In the group financial statements, merged subsidiary undertakings are treated as if they had always been a member of the group. The results of such subsidiaries are included for the whole period in the year they join the group. The corresponding figures for the previous year include their results for that period, the assets and liabilities at the previous balance sheet date and the shares issued by the group as consideration as if they had always been in issue. Any difference between the nominal value of the shares acquired by the group and those issued by the group to acquire them is taken to reserves.

##### *Turnover*

Turnover represents the invoiced amounts of goods sold and services provided, exclusive of value added tax and trade discounts, after taking account of work in progress on unfinished jobs.

##### *Depreciation*

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets, over their expected useful lives, on a straight line basis. It is calculated at the following rates:

Residential freehold property	-	Nil
Leasehold improvements	-	25% per annum
Plant and equipment	-	25% per annum
Motor vehicles	-	25% per annum
Computer equipment	-	25% per annum

##### *Valuation of investments*

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

## LINE MANAGEMENT GROUP LIMITED

Notes forming part of the financial statements for the year ended 31 December 1998 (*Continued*)

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### 1 Accounting policies (*continued*)

#### *Stocks*

Stocks are valued at the lower of cost and net realisable value less applicable payments on accounts. Cost is calculated as follows:

- Raw materials - cost of purchase on a first in, first out basis
- Work in progress - cost of raw materials and labour together with attributable overheads

Net realisable value is based on estimated selling price less further costs to completion and disposal.

#### *Deferred taxation*

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that a liability or asset will crystallise.

#### *Leased assets*

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor. All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives received to enter into operating lease agreements are released to the profit and loss account over the period to the date on which the rent is first expected to be adjusted to the prevailing market rate.

#### *Pension costs*

Contributions to the group's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

#### *Product development and research*

Product development and research costs are charged to the profit and loss account in the year in which they are incurred, except when individual projects satisfy the following criteria: the project is clearly defined and related expenditure is separately identifiable; the project is technically feasible and commercially viable; current and future costs will be exceeded by future sales; and adequate resources exist for the project to be completed. In such circumstances the costs are capitalised and amortised over a period not exceeding five years.

## LINE MANAGEMENT GROUP LIMITED

Notes forming part of the financial statements for the year ended 31 December 1998 (*Continued*)

### 2 Turnover

Turnover is wholly attributable to the group's principal activities carried out in the United Kingdom.

### 3 Employees

The average monthly number of employees, including directors, during the year was as follows:

	1998 Number	1997 Number
Office and management	28	26
Engineers	37	36
	<hr/>	<hr/>
	65	62
	<hr/>	<hr/>
Staff costs consist of:	£	£
Wages and salaries	2,614,250	1,864,614
Social security costs	230,428	188,120
Other pension costs	96,175	84,589
	<hr/>	<hr/>
	2,940,853	2,137,323
	<hr/>	<hr/>

This includes remuneration paid to directors of the company as set out in note 4.

### 4 Directors

	1998 £	1997 £
Directors emoluments and pension contributions were:		
Remuneration for management services	296,645	289,378
Compensation for reduction in term of employment contracts	160,001	-
Pension contributions to the defined contribution pension scheme	88,600	56,950
	<hr/>	<hr/>
	545,246	346,328
	<hr/>	<hr/>
The emoluments of the highest paid director were:	175,465	87,049
	<hr/>	<hr/>
Pension contributions in respect of the highest paid director were:	31,237	15,000
	<hr/>	<hr/>

# LINE MANAGEMENT GROUP LIMITED

Notes forming part of the financial statements for the year ended 31 December 1998 *(Continued)*

## 5 Operating profit

	1998 £	1997 £
This has been arrived at after (crediting)/charging:		
(Profit)/loss on sale of tangible fixed assets	(2,498)	1,332
Depreciation	134,760	139,334
Operating lease rentals - Plant and machinery	74,038	99,950
- Land and buildings	41,660	55,928
Auditors remuneration - Audit services	18,000	15,200
- Other services	16,623	2,800
	<u>          </u>	<u>          </u>

## 6 Interest payable

Bank loans and overdrafts	48,990	22,541
Hire purchase	3,175	4,298
	<u>          </u>	<u>          </u>
	52,165	26,839
	<u>          </u>	<u>          </u>

## 7 Taxation

UK corporation tax - current year	120,000	10,000
	<u>          </u>	<u>          </u>

# LINE MANAGEMENT GROUP LIMITED

Notes forming part of the financial statements for the year ended 31 December 1998 (*Continued*)

## 8 Tangible assets

Group and Company	Freehold land and buildings £	Leasehold improvements £	Plant and equipment £	Motor vehicles £	Computer equipment £	Total £
<i>Cost</i>						
At 1 January 1998	24,218	77,557	292,492	88,000	150,612	632,879
Additions	-	8,015	7,425	-	43,745	59,185
Disposals	-	-	-	(17,363)	-	(17,363)
At 31 December 1998	24,218	85,572	299,917	70,637	194,357	674,701
<i>Depreciation</i>						
At 1 January 1998	-	19,389	151,974	55,122	65,171	291,656
Provided for the year	-	19,389	54,114	17,658	43,599	134,760
Disposals	-	-	-	(17,362)	-	(17,362)
At 31 December 1998	-	38,778	206,088	55,418	108,770	409,054
<i>Net book value</i>						
At 31 December 1998	24,218	46,794	93,829	15,219	85,587	265,647
At 31 December 1997	24,218	58,168	140,518	32,878	85,441	341,223

The net book value of tangible fixed assets includes an amount of £8,926 (1997 - £32,878) in respect of assets held under hire purchase contracts. The related depreciation charge for the year was £8,924 (1997 - £19,432).

## LINE MANAGEMENT GROUP LIMITED

Notes forming part of the financial statements for the year ended 31 December 1998 (Continued)

### 9 Fixed asset investments

	Company £
<i>Cost</i>	
At 1 January 1998 and at 31 December 1998	46,592

The following were subsidiary undertakings at the end of the year and have all been included in the consolidated financial statements:

Name	Country of registration	Proportion of ordinary share capital held	Nature of business
Line Management Installation Services Limited	England	100%	Dormant
Line Management Business Services Limited	England	100%	Dormant
Line Management Communications Services Limited	England	100%	Dormant

During the year the company disposed of 75% of the ordinary share capital of Exan Technologies Limited, an unlisted company. The group and company has made a full provision of £74,882 (1997 - £61,790) against all balances due by Exan Technologies Limited as at 31 December 1998.

### 10 Current asset investment

	Group and Company	
	1998 £	1997 £
Cost of listed investment	841	841
Market value	1,426	1,140



# LINE MANAGEMENT GROUP LIMITED

Notes forming part of the financial statements for the year ended 31 December 1998 (Continued)

## 11 Stocks

	Group and Company	
	1998 £	1997 £
Raw materials and consumables	33,409	42,799
Work in progress	948,064	459,465
Less: Payments on account	(675,961)	(325,990)
	<u>305,512</u>	<u>176,274</u>

The replacement cost of stock does not materially differ from the balance sheet value.

## 12 Debtors

	Group		Company	
	1998 £	1997 £	1998 £	1997 £
Amounts receivable within one year				
Trade debtors	1,712,512	1,529,674	1,712,512	1,529,674
Other debtors	1,020	4,423	1,020	4,423
	<u>1,713,532</u>	<u>1,534,097</u>	<u>1,713,532</u>	<u>1,534,097</u>

## 13 Creditors: amounts falling due within one year

Bank loan (secured)	34,394	108,711	34,393	108,711
Bank overdraft (secured)	63,580	569,692	63,580	569,692
Trade creditors	801,164	579,186	801,165	579,186
Amounts owed to subsidiary undertakings	-	-	46,592	46,592
Taxation and social security	304,671	159,851	304,671	159,851
Corporation tax	120,330	10,647	120,330	10,647
Other creditors	63,000	105,164	63,000	105,164
Accruals and deferred income	510,190	189,904	510,190	189,904
Obligations under hire purchase contracts	14,090	18,794	14,090	18,794
	<u>1,911,419</u>	<u>1,741,949</u>	<u>1,958,011</u>	<u>1,788,541</u>

Bank borrowings are secured by a mortgage debenture incorporating fixed and floating charges over the assets of the company.

# LINE MANAGEMENT GROUP LIMITED

Notes forming part of the financial statements for the year ended 31 December 1998 (*Continued*)

14	Creditors: amounts falling due after more than one year	Group and Company	
		1998	1997
		£	£
	Obligations under hire purchase contracts	-	15,991
	Obligations under hire purchase contracts are due as follows:		
	Within 1 and 2 years	-	15,991
15	Deferred taxation		
	Asset:	1998	1997
	Group and Company	Unprovided £	Provided in accounts £
	Capital allowances	13,777	-
	Other timing differences	-	-
		13,777	-
16	Share capital		
		1998	1997
	Authorised	£	£
	531,835 Ordinary shares of 10p each	53,183	53,183
	247,615 'A' Ordinary shares of 10p each	24,762	24,762
	220,550 'B' Ordinary shares of 10p each	22,055	22,055
	Allotted called up and fully paid		
	31,835 Ordinary shares of 10p each	3,183	3,183
	24,615 'A' Ordinary shares of 10p each	24,762	24,762
	220,550 'B' Ordinary shares of 10p each	22,055	22,055
		50,000	50,000

# LINE MANAGEMENT GROUP LIMITED

Notes forming part of the financial statements for the year ended 31 December 1998 (Continued)

## 17 Reserves

	Group £	Company £
Profit and loss account		
At 1 January 1998	243,992	243,992
Retained profit for the year	79,870	99,870
	<hr/>	<hr/>
At 31 December 1998	323,862	343,862
	<hr/>	<hr/>
Share premium account		
On sale of shares above par	479	479
	<hr/>	<hr/>
Capital redemption reserve		
On purchase of own shares	153	153
	<hr/>	<hr/>

## 18 Reconciliation of movements in shareholders funds

	Group		Company	
	1998 £	1997 £	1998 £	1997 £
Profit/(loss) for the financial year	79,870	(55,776)	79,870	29,283
Issue of shares	-	632	-	632
	<hr/>	<hr/>	<hr/>	<hr/>
Net addition to/(reduction in) shareholders' funds	79,870	(55,144)	79,870	29,915
Opening shareholders' funds	294,624	349,768	294,624	264,709
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	374,494	294,624	374,494	294,624
	<hr/>	<hr/>	<hr/>	<hr/>

## 19 Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge, including payments in respect of the 4 directors during the year (1997 - 4), represents contributions payable by the company to the fund. At 31 December 1998 there were no unpaid contributions (1997 - £Nil).

# LINE MANAGEMENT GROUP LIMITED

Notes forming part of the financial statements for the year ended 31 December 1998 (*Continued*)

## 20 Commitments under operating leases

As at 31 December 1998, the group and the company had annual commitments under non-cancellable operating leases as set out below:

	Group and Company			
	1998		1997	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Between two and five years	-	53,714	-	85,478
Over five years	53,000	-	53,000	-
	<u>53,000</u>	<u>70,133</u>	<u>53,000</u>	<u>85,478</u>

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

	1998 £	1997 £
Operating profit	324,599	40,004
Provision in respect of subsidiary company	(74,882)	(61,790)
Depreciation - tangible fixed assets	134,760	139,334
(Profit)/loss on sale of fixed assets	(2,499)	1,332
Increase in stocks	(129,238)	(18,953)
Increase in debtors	(179,435)	(667,218)
Increase in creditors	644,920	69,870
	<u>718,225</u>	<u>(497,421)</u>
Net cash inflow/(outflow) from operating activities		

# LINE MANAGEMENT GROUP LIMITED

Notes forming part of the financial statements for the year ended 31 December 1998 (*Continued*)

## 22 Reconciliation of net cash flow to movement in net debt

	1998		1997	
	£	£	£	£
Increase/(decrease) in cash in the year	506,364		(840,466)	
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing	95,012		(91,117)	
Movement in debt in the year		601,376		(931,583)
Net debt at 1 January 1998		(713,059)		218,524
Net debt at 31 December 1998		(111,683)		(713,059)

## 23 Analysis of net debt

	At 31 December 1997 £	Cash flow £	At 31 December 1998 £
Cash at bank and in hand	129	252	381
Overdrafts	(569,692)	506,112	(63,580)
Hire purchase contracts	(34,785)	20,695	(14,090)
Bank loan	(108,711)	74,317	(34,394)
Total	(713,059)	601,376	(111,683)

## 24 Related parties transactions

During the year the company undertook transactions with Exan Technologies Limited, a company formerly controlled by David George and Nigel Rowe. This balance has been fully provided for in these financial statements (see note 9). Consequently at the year end £Nil (1997 - £Nil) was due from the related party.

## 25 Control

In the opinion of the directors the ultimate controlling parties are Mr D B George and Mr N D Rowe.