

# COMPANIES HOUSE

## THE PETERS FRASER & DUNLOP GROUP LIMITED DIRECTORS' REPORT



**DIRECTORS:** Michael Sissons - (Joint Chairman)  
Anthony Jones - (Joint Chairman)  
Timothy Corrie  
Patricia Kavanagh  
Maureen Vincent  
Norman North  
Anthony Baring  
Caroline Dawnay  
Ginette Chalmers  
St. John Donald  
Guy Paterson (appointed 21st May, 1997) (Non-Executive)  
Maria Dawson (appointed 1st April, 1998)

**SECRETARY:** Maria Dawson

**REGISTERED OFFICE:** 5th Floor,  
The Chambers,  
Chelsea Harbour,  
Lots Road,  
London, SW10 0XF.

**COMPANY NUMBER:** 2185448

The directors submit their annual report together with the audited financial statements of the company and of the group for the year ended 31st March, 1998.

### PRINCIPAL ACTIVITIES

The principal activities of the company and the group are:-

- (i) Acting as Writers' Agents
- (ii) Management of Film and Television Directors
- (iii) Acting as Theatrical Agents.

### RESULTS

The group's profit after taxation amounted to £317,595.

The directors are satisfied with the results for the year and the state of the company and group at the balance sheet date.

### DIVIDENDS

The following dividends have been recommended and paid in relation to the year ended 31st March, 1998:

- Interim dividend paid 27th November, 1997 - £100,000 (33.3 pence per share).
- Interim dividend paid 17th March, 1998 - £100,000 (33.3 pence per share).
- Final dividend paid 26th May, 1998 - £100,000 (33.3 pence per share).

**THE PETERS FRASER & DUNLOP GROUP LIMITED**  
**DIRECTORS' REPORT**

**DIRECTORS AND THEIR INTERESTS**

The beneficial interests of the directors in the share capital of the company are as follows:

	<u>At 31st March, 1998</u> <u>£1 Ordinary shares</u>	<u>At 1st April 1997</u> <u>£1 Ordinary shares</u>
Michael Sissons	54,000	54,000
Anthony Jones	54,000	54,000
Timothy Corrie	23,886	23,886
Patricia Kavanagh	27,000	27,000
Maureen Vincent	9,377	9,377
Norman North	15,840	15,840
Anthony Baring	-	-
Caroline Dawnay	3,960	3,960
Ginette Chalmers	5,069	5,069
St. John Donald	6,000	-
Guy Paterson	-	-

Michael Sissons, Anthony Jones, Timothy Corrie and Patricia Kavanagh hold 33,114 ordinary shares of £1 each as joint trustees of the Peters Fraser Dunlop Group Limited Retirement Benefit Scheme No. 2.

Michael Sissons, Anthony Jones and Anthony Baring also hold 23,268 ordinary shares of £1 each as trustees of the company's Employee Share Ownership Trust.

**Directors' share options**

The company has granted the following directors options to subscribe for ordinary shares of £1 each in the company at a subscription price of £10 per share:

	<u>1st April, 1997</u> <u>and at</u> <u>31st March, 1998</u>
Anthony Baring	7,000
Caroline Dawnay	1,500
Ginette Chalmers	1,500

In addition, the company has granted the following directors seven year options at a price of £6 per share on ordinary £1 shares currently held by the trustees of its Employee Share Ownership Trust:

Norman North	2,160
Maureen Vincent	5,633
Ginette Chalmers	6,931
Caroline Dawnay	3,540
St. John Donald	500

**POLITICAL AND CHARITABLE CONTRIBUTIONS**

The company made charitable donations of £8,600 during the year.

## DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

## AUDITORS

By order of the Board

.....  
Secretary

9 July 1998.  
Date

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
THE PETERS FRASER & DUNLOP GROUP LIMITED**

We have audited the financial statements on pages 5 to 20 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described on page 3 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**

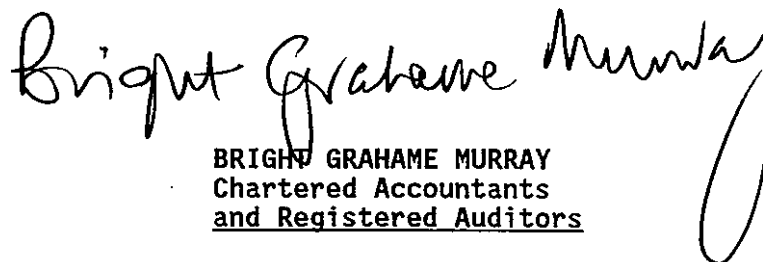
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 group as at 31st March, 1998 and of the profit and cashflows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

124/130, Seymour Place,  
London, W1H 6AA.  
3rd September, 1998

  
**BRIGHT GRAHAME MURRAY**  
**Chartered Accountants**  
**and Registered Auditors**

**THE PETERS FRASER & DUNLOP GROUP LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31ST MARCH, 1998**

	<u>Notes</u>	<u>1998</u> £	<u>1997</u> £
Turnover	2	4,942,664	4,530,542
Administrative expenses		<u>4,609,415</u>	<u>4,148,712</u>
		333,249	381,830
Other operating income		<u>46,194</u>	<u>20,692</u>
<b>OPERATING PROFIT</b>	3	379,443	402,522
Income from fixed asset investments	5	25,899	33,349
Interest receivable	6	74,244	62,452
Interest payable	7	<u>(11,410)</u>	<u>(380)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		468,176	497,943
Tax on profit on ordinary activities	8	<u>150,581</u>	<u>187,280</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	9	317,595	310,663
Dividends	10	<u>300,000</u>	<u>300,000</u>
<b>RETAINED PROFIT FOR THE YEAR</b>		17,595	10,663
Retained profit brought forward		<u>206,323</u>	<u>195,660</u>
<b>RETAINED PROFIT CARRIED FORWARD</b>		223,918	206,323
		=====	=====


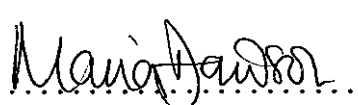
All amounts relate to continuing activities.

There were no recognised gains or losses other than those included in the profit and loss account.

The attached notes 1 to 23 form part of these financial statements.

**THE PETERS FRASER & DUNLOP GROUP LIMITED**  
**CONSOLIDATED BALANCE SHEET AT 31ST MARCH, 1998**

	Notes	£	1998 £	£	1997 £
<b>FIXED ASSETS</b>					
Intangible assets	11(a)		270,000		286,000
Tangible assets	11(b)		594,664		635,874
Investments	12		<u>144,602</u>		<u>166,286</u>
			1,009,266		1,088,160
<b>CURRENT ASSETS</b>					
Debtors	13	497,962		465,396	
Cash at bank and in hand	14	<u>1,462,698</u>		<u>896,754</u>	
		1,960,660		1,362,150	
<b>CREDITORS: amounts falling due within one year</b>	15	<u>2,388,508</u>		<u>1,886,487</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(427,848)</u>		<u>(524,337)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			581,418		563,823
			=====		=====
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17		300,000		300,000
Reserve on consolidation			57,500		57,500
Profit and loss account			<u>223,918</u>		<u>206,323</u>
<b>SHAREHOLDERS' FUNDS - EQUITY</b>	18		581,418		563,823
			=====		=====

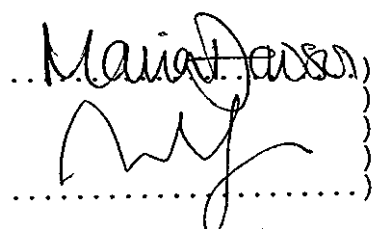
  
 .....  
  
 ..... } Directors

Approved on... 9th July 1998

The attached notes 1 to 23 form part of these financial statements.

**THE PETERS FRASER & DUNLOP GROUP LIMITED**  
**COMPANY BALANCE SHEET AT 31ST MARCH, 1998**

	<u>Notes</u>	<u>1998</u>	<u>1997</u>
		£	£
<b>FIXED ASSETS</b>			
Intangible assets	11(a)	270,000	286,000
Tangible assets	11(b)	594,664	635,874
Investments	12	<u>326,135</u>	<u>347,819</u>
		1,190,799	1,269,693
 <b>CURRENT ASSETS</b>			
Debtors	13	497,962	465,396
Cash at bank and in hand	14	<u>1,462,698</u>	<u>896,754</u>
		1,960,660	1,362,150
 <b>CREDITORS: amounts falling due within one year</b>	15	<u>2,576,149</u>	<u>2,074,128</u>
<b>NET CURRENT LIABILITIES</b>		<u>(615,489)</u>	<u>(711,978)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		575,310	557,715
		=====	=====
 <b>CAPITAL AND RESERVES</b>			
Called up share capital	17	300,000	300,000
Profit and loss account		<u>275,310</u>	<u>257,715</u>
<b>SHAREHOLDERS' FUNDS - EQUITY</b>	18	575,310	557,715
		=====	=====


 ..... } Directors

Approved on..... 9th July 1998

The attached notes 1 to 23 form part of these financial statements.

**THE PETERS FRASER & DUNLOP GROUP LIMITED**  
**CONSOLIDATED CASH FLOW FOR THE YEAR ENDED 31ST MARCH, 1998**

	<u>Notes</u>	<u>1998</u> £	<u>1997</u> £
Net cash inflow from operating activities	19	571,522	517,972
Returns on investment and servicing of finance	20	57,019	63,497
Taxation	20	(161,610)	(193,148)
Capital expenditure and financial investment	20	(29,928)	(329,008)
Equity dividends paid		(300,000)	(400,000)
 <b>INCREASE/(DECREASE) IN CASH IN THE YEAR</b>	 21	 137,003	 (340,687)
		=====	=====

The attached notes 1 to 23 form part of these financial statements.



**THE PETERS FRASER & DUNLOP GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 1998**

**1. ACCOUNTING POLICIES**

**(a) BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements are prepared under the historical cost convention and are in accordance with applicable Accounting Standards.

**(b) BASIS OF CONSOLIDATION**

The group financial statements consolidate the financial statements of The Peters Fraser & Dunlop Group Limited and its subsidiary undertakings for the year ended 31st March, 1998.

**(c) FIXED ASSETS**

Depreciation is provided on all fixed assets at annual rates estimated to write off the cost of each asset over its expected useful life as follows:

**Intangible assets**

Purchased goodwill	- over 25 years
Copyrights	- no amortisation is provided on copyrights as in the opinion of the directors their residual value is substantially greater than their historical costs.

**Tangible assets**

Leasehold properties	- over the period of the lease
Fixtures and fittings	- 10% on a reducing balance basis
Furniture and equipment	- 10% on a reducing balance basis
Computer equipment	- 20% on a reducing balance basis
Computer software	- 33 1/3% on a straight line basis
Motor vehicles	- 25% on a reducing balance basis

**(d) TURNOVER**

Turnover represents the invoiced value of commissions received by the group, exclusive of value added tax.

**(e) DEFERRED TAXATION**

Deferred taxation is provided on the liability method on all timing differences where a liability is likely to arise in the future.

**(f) INVESTMENTS**

Fixed asset investments are stated at cost less provisions for any permanent diminution in value.

**THE PETERS FRASER & DUNLOP GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 1998**

**1. ACCOUNTING POLICIES (continued)**

**(g) INCOME FROM INVESTMENTS**

Income from fixed asset investments is accounted for on a receivable basis.

**(h) LEASED ASSETS**

Where assets are financed by leasing or hire purchase agreements, the assets are treated as if they had been purchased. The present value of the minimum lease payments payable during the lease term is capitalised as a tangible asset and the corresponding lease commitment is included as a liability. Rentals payable are apportioned between interest, which is charged to the profit and loss account, and capital which reduces the outstanding commitment.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a payable basis.

**(i) FOREIGN CURRENCIES**

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

All exchange differences are taken to the profit and loss account.

**(j) PENSION COSTS**

The group operates a defined contribution pension scheme. The amount charged to the profit and loss account represents the contributions payable in the year.

**(k) EMPLOYEE SHARE OWNERSHIP TRUST**

In accordance with UITF Abstract 13 "Accounting for ESOP Trusts" the assets, liabilities, income and costs of the company's ESOT are incorporated into these financial statements.

**2. TURNOVER**

	<u>1998</u> £	<u>Group</u> <u>1997</u> £
Commissions	4,942,664	4,530,542
	=====	=====

**THE PETERS FRASER & DUNLOP GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 1998**

	<u>1998</u> £	<u>Group</u> <u>1997</u> £
<b>3. OPERATING PROFIT</b>		
This is stated after charging:-		
Auditors' remuneration	11,250	11,500
Depreciation of tangible fixed assets	122,994	119,252
Amortisation of goodwill	16,000	16,000
Operating lease rentals - land and buildings	178,973	178,973
- equipment	22,132	25,609
	=====	=====
<b>4. DIRECTORS AND STAFF</b>		
(a) Directors' emoluments		
Remuneration for management services	1,082,350	1,120,051
Pension contributions to money purchase schemes	<u>332,310</u>	<u>243,071</u>
	1,414,660	1,363,122
	=====	=====
(b) Directors in money purchase pension schemes	10	10
	==	==
(c) Highest paid director		
	<u>1998</u> £	<u>Group</u> <u>1997</u> £
Aggregate emoluments (excluding pension contributions)	205,779	225,577
	=====	=====
Aggregate pension contributions to money purchase scheme	55,000	30,000
	=====	=====
(d) Staff costs (including directors)		
Wages and salaries	2,600,979	2,369,067
Social security costs	253,533	241,708
Pension contributions and other costs	<u>428,856</u>	<u>318,355</u>
	3,283,368	2,929,130
	=====	=====

**THE PETERS FRASER & DUNLOP GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 1998**

**4. DIRECTORS AND STAFF (Continued)**

(e) Staff numbers

The average monthly number of persons employed during the year (including directors) was 69 (1997: 64).

	<u>1998</u> £	<u>Group</u> 1997 £
<b>5. INCOME FROM FIXED ASSET INVESTMENTS</b>		
Income from investment in own shares	22,330	9,161
Income from other investments	<u>3,569</u>	<u>24,188</u>
	25,899	33,349
	=====	=====
<b>6. INTEREST RECEIVABLE</b>		
Bank interest receivable	74,244	62,452
	=====	=====
<b>7. INTEREST PAYABLE</b>		
Bank overdrafts	11,410	380
	=====	===
<b>8. TAX ON PROFIT ON ORDINARY ACTIVITIES</b>		
Based on the results for the year:		
U.K. corporation tax @ 31% (1997: 33%)	150,581	187,280
	=====	=====
<b>9. PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		
Of the consolidated profit attributable to the shareholders of The Peters Fraser & Dunlop Group Limited, £317,595 (1997: £310,663) has been dealt with in the financial statements of the Parent company.		
<b>10. DIVIDENDS</b>	<u>1998</u> £	<u>1997</u> £
Interims - paid	200,000	200,000
Final - proposed	<u>100,000</u>	<u>100,000</u>
	300,000	300,000
	=====	=====

THE PETERS FRASER & DUNLOP GROUP LIMITED  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 1998

11. FIXED ASSETS - GROUP AND COMPANY

(a) INTANGIBLE ASSETS

Cost:	<u>Copyrights</u> £	<u>Purchased goodwill</u> £	<u>Total</u> £
At 1st April, 1997 and at 31st March, 1998	30,000	400,000	430,000
Amortisation:			
At 1st April, 1997	-	144,000	144,000
Charge for the year	-	16,000	16,000
At 31st March, 1998	-	160,000	160,000
Net book value:			
At 31st March, 1998	30,000	240,000	270,000
	=====	=====	=====
Net book value:			
At 31st March, 1997	30,000	256,000	286,000
	=====	=====	=====

Copyrights represent the cost of acquiring part of the literary rights and similar interests in the Estate of Evelyn Waugh. In the opinion of the directors, the residual value of the copyright is substantially greater than its cost and accordingly no provision for amortisation has been made in these financial statements.

Purchased goodwill is in respect of the acquisition of the June Hall Literary Agency and its client base and is being written off in equal annual instalments over its estimated economic life of 25 years.

**THE PETERS FRASER & DUNLOP GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 1998**

**11. FIXED ASSETS - GROUP AND COMPANY (continued)**

**(b) TANGIBLE ASSETS**

	<u>Short leasehold properties</u>	<u>Furniture, fixtures, fittings and equipment</u>	<u>Computer equipment and software</u>	<u>Motor vehicles</u>	<u>Total</u>
	£	£	£	£	£
Cost:					
At 1st April, 1997	26,189	769,635	270,854	229,659	1,296,337
Additions	-	17,670	16,996	54,950	89,616
Disposals	-	-	-	(26,878)	(26,878)
At 31st March, 1998	26,189	787,305	287,850	257,731	1,359,075
Depreciation:					
At 1st April, 1997	9,048	396,788	141,199	113,428	660,463
Provided during the year	1,048	39,052	42,057	40,837	122,994
Disposals	-	-	-	(19,046)	(19,046)
At 31st March, 1998	10,096	435,840	183,256	135,219	764,411
Net book value:					
At 31st March, 1998	16,093	351,465	104,594	122,512	594,664
	=====	=====	=====	=====	=====
Net book value:					
At 31st March, 1997	17,141	372,847	129,655	116,231	635,874
	=====	=====	=====	=====	=====

**THE PETERS FRASER & DUNLOP GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 1998**

	<u>Group</u> £	<u>1998</u> Company £	<u>Group</u> £	<u>1997</u> Company £
<b>12. INVESTMENTS</b>				
<b>SHARES IN SUBSIDIARY UNDERTAKINGS</b>				
100% OWNED, AT COST				
(Companies incorporated and registered in England - unquoted)				
A.D. Peters (Holdings) Ltd.				
(Note (a))				
1,000 shares of £1 each	-	180,000	-	180,000
Fraser & Dunlop (Scripts) Ltd.				
100 shares of £1 each	-	100	-	100
Fraser & Dunlop Ltd.				
1,083 shares of £1 each	-	1,333	-	1,333
June Hall Literary Agency Ltd.				
100 shares of £1 each	-	100	-	100
	-	181,533	-	181,533
	—	—	—	—
<b>OTHER INVESTMENTS - SHARES</b>				
<b>(UNQUOTED) AND PARTNER-</b>				
<b>SHIP CAPITAL, AT COST</b>				
Intercontinental Literary Agency (Partnership)				
(Note (b))	535	535	535	535
Beewell Corporation	35	35	35	35
	570	570	570	570
	—	—	—	—
<b>ESOT INVESTMENT IN OWN SHARES, AT COST</b>				
23,268 (1997: 26,882) shares of £1 each (see Note (c) below and Note 23)	144,032	144,032	165,716	165,716
	—	—	—	—
<b>TOTAL</b>	144,602	326,135	166,286	347,819
	=====	=====	=====	=====

**Note**

- (a) All of the company's subsidiary undertakings are dormant. A.D. Peters (Holdings) Limited owns 100% of the issued ordinary share capital of Watergate Film Services Limited (100 shares of £1 each).
- (b) The company has a 30.9% share in the Intercontinental Literary Agency which is a partnership based in the U.K.
- (c) During the year ended 31st March 1998, 3,614 shares were disposed of.

**THE PETERS FRASER & DUNLOP GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 1998**

	<u>1998</u>		<u>1997</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
<b>13. DEBTORS</b>				
Other debtors	151,324	151,324	127,863	127,863
Prepayments and accrued income	<u>346,638</u>	<u>346,638</u>	<u>337,533</u>	<u>337,533</u>
	497,962	497,962	465,396	465,396
	=====	=====	=====	=====

Included in other debtors are amounts of £44,808 (1997: £38,769) which are recoverable after more than one year.

	<u>1998</u>		<u>1997</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
<b>14. CASH AT BANK AND IN HAND</b>				
Office accounts and petty cash	782	782	1,441	1,441
Clients Trust accounts (Note 15)	<u>1,461,916</u>	<u>1,461,916</u>	<u>895,313</u>	<u>895,313</u>
	1,462,698	1,462,698	896,754	896,754
	=====	=====	=====	=====

<b>15. CREDITORS: amounts falling due within one year</b>				
Bank overdrafts (see below)	187,256	187,256	324,918	324,918
Amounts owed to subsidiary undertakings	-	187,641	-	187,641
Amounts held on behalf of clients in trust accounts (Note 14)	<u>1,461,916</u>	<u>1,461,916</u>	<u>895,313</u>	<u>895,313</u>
Corporation tax	76,251	76,251	87,280	87,280
Advance corporation tax payable	50,000	50,000	50,000	50,000
Other taxes and social security costs	233,054	233,054	200,377	200,377
Accruals	280,031	280,031	228,599	228,599
Proposed dividend	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
	2,388,508	2,576,149	1,886,487	2,074,128
	=====	=====	=====	=====

£62,100 of the company's bank overdraft is secured by a mortgage debenture over all the assets of the company. The remaining £125,156 is the overdraft of the company's Employee Share Ownership Trust, which is guaranteed by the company (see Note 23).



**THE PETERS FRASER & DUNLOP GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 1998**

**16. DEFERRED TAXATION**

Deferred taxation provided in the accounts and the amounts not provided are as follows:-

	<u>Provided</u>		<u>Not provided</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	£	£	£	£
Accelerated capital allowances	-	-	70,792	76,583
Other timing differences	-	-	(5,477)	(12,760)
	-	-	65,315	63,823
	==	==	=====	=====

No deferred tax provision has been made as the directors consider that any timing differences will not reverse in the foreseeable future.

**17. SHARE CAPITAL**

	<u>1998</u>	<u>1997</u>
	£	£
Authorised		
333,000 ordinary shares of £1 each	333,000	333,000
	=====	=====
Allotted, called up and fully paid		
300,000 ordinary shares of £1 each	300,000	300,000
	=====	=====

The company has granted in accordance with the executive share option scheme, options to subscribe for 14,500 ordinary shares of £1 each at a subscription price of £10 per share. 8,500 options are exercisable up to 20th June, 2000 and 6,000 options are exercisable to 21st June, 2004.

In addition to the above, further share options have been granted in accordance with the company's Employee Benefit Trust. Further details are given in Note 23.

<b>18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS</b>	<u>1998</u>		<u>1997</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	£	£	£	£
Profit for the year	317,595	317,595	310,663	310,663
Dividends	(300,000)	(300,000)	(300,000)	(300,000)
Opening shareholders' funds	<u>563,823</u>	<u>557,715</u>	<u>553,160</u>	<u>547,052</u>
Closing shareholders' funds	581,418	575,310	563,823	557,715
	=====	=====	=====	=====

**THE PETERS FRASER & DUNLOP GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 1998**

19. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>1998</u> £	<u>1997</u> £
Operating profit	379,443	402,522
Depreciation charge	122,994	119,252
(Increase)/decrease in debtors	(32,566)	52,238
(Decrease)/increase in creditors	88,819	(62,515)
Profit on disposal of fixed assets	(3,168)	(9,525)
Amortisation	<u>16,000</u>	<u>16,000</u>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>571,522</b>	<b>517,972</b>
	=====	=====

20. GROSS CASH FLOWS	£	<u>1998</u>	£	£	<u>1997</u>	£
<b>Returns on investment and servicing of finance</b>						
Interest received	68,429			63,877		
Interest paid	<u>(11,410)</u>			<u>(380)</u>		
			57,019			63,497
			=====			=====
<b>Taxation</b>						
Corporation tax and ACT			(161,610)			(193,148)
			=====			=====
<b>Capital expenditure and financial investment</b>						
Purchase of own shares (see Note 23)	-			(165,716)		
Proceeds on disposal of own shares (see Note 12)	21,684			-		
Purchase of tangible fixed assets	(89,616)			(215,317)		
Proceeds on sale of fixed assets	11,000			27,537		
Income from fixed asset investments	<u>27,004</u>			<u>24,488</u>		
			(29,928)			(329,008)
			=====			=====

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 1998**

**21. ANALYSIS OF CHANGES IN NET DEBT**

	At 1st April, <u>1997</u> £	Cash flows £	At 31st March, <u>1998</u> £
Cash in hand and in bank (see below)	1,441	(659)	782
Overdrafts	(324,918)	137,662	(187,256)
<b>TOTAL</b>	(323,477)	137,003	(186,474)
	=====	=====	=====

Amounts held in clients trust accounts have been excluded from the group's cash flows.

**22. COMMITMENTS UNDER OPERATING LEASES**

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

	£
Leases expiring within two to five years:	
Equipment	22,592
Land and buildings	32,925
	55,517
	=====
Leases expiring after five years:	
Land and buildings	146,048
	=====

**23. EMPLOYEE BENEFIT TRUST**

On 9th October, 1996 the company established an Employee Share Ownership Trust (the "ESOT"). The Trustees of the ESOT are T.M.B. Sissons, A.S. Jones and A. Baring who are directors of the company. The ESOT is a discretionary trust for the benefit of employees (including directors) of the company. The ESOT provides for the issue of options to the company's employees at the discretion of the Trustees.

The assets, liabilities, income and costs of the ESOT are incorporated into the company's financial statements in accordance with UITF Abstract 13.

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**23. EMPLOYEE BENEFIT TRUST (continued)**

At 31st March, 1998 the Trustees owned 23,268 ordinary shares of £1 each which represents 7.7% of the issued share capital of the company. Of these shares, options have been granted to directors for 20,264 shares. Funding for the share purchases by the ESOT has been provided by contributions from the company together with bank borrowings which, at 31st March, 1998 amounted to £125,156. These borrowings have been guaranteed by the company.

The total ESOT costs charged to the company's profit and loss account for the year ended 31st March, 1998 were £Nil (1997: £9,500.).