



ARTHUR ANDERSEN

AAF Consultants Limited

Accounts 30 June 1999

together with directors' and auditors' reports

Registered number: 2341764



Directors' report

For the year ended 30 June 1999

The directors present their report on the affairs of the company together with the accounts and auditors' report for the year ended 30 June 1999.

Principal activity

The principal activity of the company is the provision of financial consultancy services.

Results and dividends

The loss for the year was £9,741 (1998 - £7,365). There are no distributable reserves.

Directors and directors' interests

The directors who held office during the year and changes up to the date of this report were as follows:

E. De Sa	(appointed 2 May 2000)
P.G. Cook	(resigned 31 July 1998)
S. Edmund	(resigned 1 February 2000)
A.L. Walker	
R. Krumholectski	(appointed 1 February 2000, resigned 2 May 2000)

The interests of A.L. Walker in the shares and the long term incentive scheme of AAF Industries plc, the ultimate parent company, are disclosed in that company's accounts.

There are no other interests required to be disclosed under section 234 of the Companies Act 1985.

Year 2000

The company has made an assessment of the impact of the year 2000 on its business. Certain software packages were identified as being non-compliant and have been replaced. All hardware devices which were non-compliant have also been upgraded or replaced. The company has made extensive enquiries of its customers and suppliers concerning the extent of their compliance. No year 2000 issues were experienced at the change over to the year 2000 and no issues relating to year 2000 are expected.

Auditors

The company has passed a resolution under Section 386 of the Companies Act 1985 to dispense with the appointment of its auditors annually.

Catwick Lane
Brandesburton
Driffeld
East Yorkshire
YO25 8RW

By order of the Board



A.L. Walker
Director

9 June 2000

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial period 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 accounts, 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 accounts; and
- prepare the accounts 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 enable them to ensure that the accounts 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.

To the Shareholders of AAF Consultants Limited:

We have audited the accounts on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

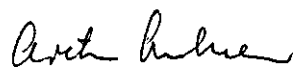
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the affairs of the company at 30 June 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

1 City Square
Leeds
LS1 2AL

9 June 2000

Profit and loss account

For the year ended 30 June 1999

	Notes	1999 (12 months) £	1998 (18 months) £
Turnover	1	750,000	1,408,945
Administrative expenses		(679,038)	(977,790)
Operating profit before closure costs		70,962	431,155
Costs of closure of London office		-	(400,000)
Operating profit		70,962	31,155
Interest payable and similar charges	2	(80,703)	(38,520)
Loss on ordinary activities before taxation	3	(9,741)	(7,365)
Tax on result on ordinary activities	6	-	-
Loss for the financial year/period	12	(9,741)	(7,365)

All results arise from continuing activities.

No statement of total recognised gains and losses has been presented as there have been no recognised gains or losses other than the loss for the financial periods.

The accompanying notes are an integral part of this profit and loss account.

Balance sheet

30 June 1999

	Notes	1999 £	1998 £
Fixed assets			
Tangible assets	7	<u>401,443</u>	<u>42,777</u>
Current assets			
Debtors	8	2,455,768	2,020,992
Creditors: Amounts falling due within one year	9	<u>(2,625,412)</u>	<u>(2,081,244)</u>
Net current liabilities		<u>(169,644)</u>	<u>(60,252)</u>
Total assets less current liabilities		231,799	(17,475)
Creditors: Amounts falling due after more than one year	10	<u>(259,015)</u>	<u>-</u>
Net liabilities		<u>(27,216)</u>	<u>(17,475)</u>
Capital and reserves			
Called-up share capital	11	35,353	35,353
Profit and loss account	12	<u>(62,569)</u>	<u>(52,828)</u>
Equity shareholders' funds	13	<u>(27,216)</u>	<u>(17,475)</u>

The accounts on pages 4 to 13 were approved by the board of directors on 9 June 2000 and signed on its behalf by:

A.L. Walker



Director

The accompanying notes are an integral part of this balance sheet.

Statement of accounting policies

30 June 1999

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

Basis of preparation

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

The company is exempt from the requirement of Financial Reporting Standard No. 1 (Revised) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of AAF Industries plc, and its cash flows are included within the consolidated cash flow statement of that company.

Going concern

The accounts have been prepared on a going concern basis which is dependent on the company's holding company, AAF Industries plc, continuing to provide financial support. AAF Industries plc has confirmed that the necessary support will continue to be given to enable the company to trade for the foreseeable future and to meet its liabilities as they fall due.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line or reducing balance basis over its estimated useful economic life as follows:

Leasehold land and buildings	50 years straight line
Fixtures and fittings	5 years straight line
Motor vehicles	25% reducing balance
Computer equipment	33% straight line

Pension costs

The company contributes to certain employees' personal pension schemes. The amounts charged to the profit and loss account represent the contributions payable to these schemes in respect of the accounting period.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced, except that the deferred tax effects of timing differences arising from pensions and other post retirement benefits are always recognised in full.

Turnover

Turnover represents fee income receivable (net of value added tax) in respect of consultancy services provided during the year.

Statement of accounting policies (continued)

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Notes to accounts

30 June 1999

1 Turnover

All turnover originates in the United Kingdom and is derived from one class of business, namely the provision of financial consultancy services. All turnover is derived from sales in the United Kingdom.

2 Interest payable and similar charges

	1999 (12 months) £	1998 (18 months) £
On bank loans and overdrafts	60,673	38,520
On other loans	20,030	-
	<u>80,703</u>	<u>38,520</u>

3 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging(crediting):

	1999 (12 months) £	1998 (18 months) £
Auditors' remuneration		
- audit fees	2,000	-
- over provision in prior periods	-	(2,315)
- other	-	13,125
Depreciation on owned tangible fixed assets	45,339	58,159
Operating lease rentals	-	87,000
	<u></u>	<u></u>

Notes to accounts (continued)

4 Staff costs

The average monthly number of persons employed by the company (including directors) during the year was as follows:

	1999 Number	1998 Number
Consultancy	<u>7</u>	<u>6</u>

The aggregate staff costs of these persons were as follows:

	1999 (12 months) £	1998 (18 months) £
Wages and salaries	433,005	519,606
Social security costs	43,647	51,961
Other pension costs	<u>1,657</u>	<u>35,417</u>
	<u>478,309</u>	<u>606,984</u>

5 Directors' remuneration

Remuneration

The remuneration of the directors was as follows:

	1999 (12 months) £	1998 (18 months) £
Emoluments	231,000	391,223
Company contributions to money purchase pension schemes	<u>27,400</u>	<u>34,083</u>
	<u>258,400</u>	<u>425,306</u>

Pensions

The number of directors who were members of pension schemes was as follows:

	1999 Number	1998 Number
Money purchase schemes	<u>1</u>	<u>2</u>

Notes to accounts (continued)

5 Directors' remuneration (continued)

Highest-paid director

The above amounts for remuneration include the following in respect of the highest-paid director:

	1999 (12 months) £	1998 (18 months) £
Emoluments	137,000	191,909
Company contributions to money purchase pension schemes	13,700	16,083
	<u>150,700</u>	<u>207,992</u>

6 Tax on result on ordinary activities

There is no tax charge due to the availability of group relief.

7 Tangible fixed assets

	Long leasehold property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1 July 1998	26,317	10,019	5,938	116,487	158,761
Additions	-	-	10,337	393,668	404,005
Disposals	-	-	-	(15,991)	(15,991)
At 30 June 1999	<u>26,317</u>	<u>10,019</u>	<u>16,275</u>	<u>494,164</u>	<u>546,775</u>
Depreciation					
At 1 July 1998	26,317	9,414	5,935	74,318	115,984
Charge for period	-	605	769	43,965	45,339
Disposals	-	-	-	(15,991)	(15,991)
At 30 June 1999	<u>26,317</u>	<u>10,019</u>	<u>6,704</u>	<u>102,292</u>	<u>145,332</u>
Net book value					
At 30 June 1998	-	605	3	42,169	42,777
At 30 June 1999	<u>-</u>	<u>-</u>	<u>9,571</u>	<u>391,872</u>	<u>401,443</u>

Included in the total net book value of £401,443 is £328,321 (1998 – £nil) in respect of assets held under finance leases.

Notes to accounts (continued)

8 Debtors

	1999 £	1998 £
Amounts falling due within one year:		
Amounts owed by group undertakings	2,321,139	1,985,563
Value added tax	34,289	32,442
Other debtors	72,905	1,414
Prepayments and accrued income	27,435	1,573
	<u>2,455,768</u>	<u>2,020,992</u>

9 Creditors: Amounts falling due within one year

	1999 £	1998 £
Obligations under finance leases and hire purchase contracts	129,508	-
Bank overdraft (secured)	1,121,552	1,574,365
Trade creditors	151,702	112,522
Amounts owed to group undertakings	1,100,635	65,135
Corporation tax	-	231,190
Other taxes and social security	14,453	16,790
Other creditors	-	15,970
Accruals and deferred income	107,562	65,272
	<u>2,625,412</u>	<u>2,081,244</u>

The amounts due to group undertakings comprise interest free working capital advances. AAF Industries plc has confirmed that the necessary financial support will continue to be given to enable the company to continue to trade.

Notes to accounts (continued)

10 Creditors: Amounts falling due after more than one year

	1999 £	1998 £
Obligations under finance leases and hire purchase contracts	<u>259,015</u>	<u>-</u>
Borrowings are repayable as follows:		
Finance leases:		
- on demand or within 1 year	129,508	-
- between 1 and 2 years	126,846	-
- between 2 and 5 years	<u>132,169</u>	<u>-</u>
	<u>388,523</u>	<u>-</u>

11 Called-up share capital

	1999 £	1998 £
<i>Authorised</i>		
35,353 ordinary shares of £1 each	<u>35,353</u>	<u>35,353</u>
<i>Allotted, called-up and fully-paid</i>		
35,353 ordinary shares of £1 each	<u>35,353</u>	<u>35,353</u>

12 Profit and loss account

The movement during the year was as follows:

	£
At 30 June 1998	(52,828)
Loss for the financial year	<u>(9,741)</u>
At 30 June 1999	<u>(62,569)</u>

13 Reconciliation of movements in equity shareholders' funds

	1999 £	1998 £
Loss for the financial year/period	<u>(9,741)</u>	<u>(7,365)</u>
Net reduction in equity shareholders' funds	(9,741)	(7,365)
Opening equity shareholders' funds	<u>(17,475)</u>	<u>(10,110)</u>
Closing equity shareholders' funds	<u>(27,216)</u>	<u>(17,475)</u>

Notes to accounts (continued)

14 Guarantees and other financial commitments

The company is party to a cross guarantee arrangement in respect of a group overdraft facility of £3 million (1998 - £3 million) of which £nil was drawn at 30 June 1999 (1998 - £nil).

15 Ultimate parent undertaking

The ultimate parent undertaking is AAF Industries plc, which heads the smallest group in which the results of the company are consolidated. The consolidated accounts of this group are available to the public and may be obtained from Catwick Lane, Brandesburton, Driffeld, East Yorkshire, YO25 8RW. The largest group in which the results of the company are consolidated is Waco International Limited, a company incorporated in South Africa.

As a subsidiary undertaking of AAF Industries plc, the company has taken advantage of the exemption in FRS 8 "Related Party Disclosures" not to disclose transactions with other members of the group headed by AAF Industries plc. There are no other related party transactions requiring disclosure.