

MAWLAW 222 LIMITED
(FORMERLY HARRISON COWLEY LIMITED)

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 1998



Registered Number: 2858045

MAWLAW 222 LIMITED (FORMERLY HARRISON COWLEY LIMITED)

INDEX TO THE ACCOUNTS

YEAR ENDED 31 MARCH 1998

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MAWLAW 222 LIMITED (FORMERLY HARRISON COWLEY LIMITED)

OFFICERS AND PROFESSIONAL ADVISERS

YEAR ENDED 31 MARCH 1998

DIRECTORS:

D Heal
C Keil

SECRETARY:

Miss N Westoby

REGISTERED OFFICE:

7th Floor
Broad Quay House
Broad Quay
Bristol BS1 4DJ

REGISTERED NUMBER:

2858045

AUDITORS:

Solomon Hare
Registered Auditors
Chartered Accountants
Oakfield House
Oakfield Grove
Clifton
Bristol BS8 2BN

SOLICITORS:

Rowe & Maw
20 Black Friars Lane
London
EC4V 6HD

MAWLAW 222 LIMITED (FORMERLY HARRISON COWLEY LIMITED)

DIRECTORS' REPORT

YEAR ENDED 31 MARCH 1998

The directors present their report and accounts for year ended 31 March 1998.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the business for the year was the provision of marketing communications services.

Operating profits of £203,056 for the year, compared to the restated profits of £80,948 for the previous fifteen month period, reflect the continuing improvement in profitability following the reorganisation during the two previous years. The directors do not recommend any payments to shareholders by the way of a dividend.

Revenue for the core business increased by 5% year on year through organic and a number of significant new business wins, most notably Rover Group Limited. Aggressive marketing and new business programmes were also initiated during the latter part of the year. Growth was achieved without increasing staff numbers.

It is our opinion that the company's historically weak balance sheet as a result of the losses incurred in the first year of trading to January 1995 has not allowed the company to make the most of all available commercial opportunities.

A decision was therefore taken to transfer the assets and trade of the business to the parent company Harrison Cowley Limited (formerly Shellard Investments Limited) on 31 March 1998. The directors have taken this opportunity to eliminate purchased goodwill from the group. Goodwill totalling £440,000 has therefore been written off in these accounts and is shown as an exceptional item in the profit and loss account, effectively converting a trading profit of £190,899 to a loss of £249,101.

The name of the company was changed to Mawlaw 222 Limited on 1 April 1998, which has ceased to trade from that date.

DIRECTORS

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

	Ordinary Shares of 12p each	
	At 31 March 1998	At 1 April 1997
D Heal	-	40
C Keil - Chairman	-	14

MAWLAW 222 LIMITED (FORMERLY HARRISON COWLEY LIMITED)

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 MARCH 1998

DIRECTORS *(continued)*

During the year, David Heal acquired a further 4 ordinary shares in the company and then disposed of his entire holding to Harrison Cowley Limited (formerly Shellard Investments Limited), a company of which he is a director and major shareholder. Charles Keil acquired a further 2 ordinary shares in the company during the year and did a share-for-share exchange to acquire 20% of the shareholding of Harrison Cowley Limited (formerly Shellard Investments Limited). Charles Keil was appointed a director of the parent company on 18 February 1998.

The directors' interests in the share capital of the parent company, Harrison Cowley Limited, are disclosed in that company's accounts.

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 at the end of the financial period and of the profit or loss for that period. In preparing the accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for maintaining adequate accounting records, for safeguarding the assets of the company, and for preventing and detecting fraud and other irregularities. The directors are satisfied that the business is a going concern.

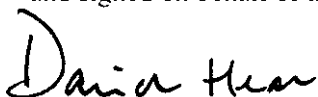
YEAR 2000 COMPLIANCE

We are currently completing the assessment phase of the review of our systems compliance with the year 2000. We have already identified the key systems which require modification and expect to be compliant well in advance of any critical date without disruption to the business.

AUDITORS

The auditors, Solomon Hare, will be proposed for re-appointment in accordance with section 385 of the Companies Act 1985. Solomon Hare have expressed their willingness to continue in office.

Approved by the Board of Directors
and signed on behalf of the Board by



D Heal
Director

Date: 16 July 1998

MAWLAW 222 LIMITED (FORMERLY HARRISON COWLEY LIMITED)

AUDITORS' REPORT TO THE MEMBERS OF HARRISON COWLEY LIMITED

FOR THE YEAR ENDED 31 MARCH 1998

We have audited the accounts on pages 5 to 19 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 accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 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 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 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 company's affairs as at 31 March 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Solomon Hare

SOLOMON HARE
Registered Auditors
Chartered Accountants
Oakfield House
Oakfield Grove
Clifton
Bristol BS8 2BN

16 July 1998

Date: 16 July 1998

MAWLAW 222 LIMITED (FORMERLY HARRISON COWLEY LIMITED)**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 MARCH 1998**

	Note	1998 £	1.1.96 to 31.3.97 £
TURNOVER	2	5,330,441	6,565,110
Cost of sales		(1,563,952)	(2,031,363)
REVENUE		3,766,489	4,533,747
Administrative expenses		(3,563,433)	(4,452,799)
OPERATING PROFIT	3	203,056	80,948
Profit on sale of fixed assets		11,259	89,261
Cost of fundamental reorganisation		-	(102,591)
Goodwill written off on transfer of business		(440,000)	-
		(225,685)	67,618
Interest receivable		528	153
Interest payable		(23,944)	(25,396)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(249,101)	42,375
Tax on (loss)/profit on ordinary activities	6	-	-
RETAINED (LOSS)/PROFIT FOR THE YEAR	19	(249,101)	42,375
MOVEMENT IN RESERVES		£	£
(Loss)/profit for the year		(249,101)	42,375
Goodwill adjustment to profit and loss reserves		440,000	-
INCREASE IN RESERVES FOR THE PERIOD		190,899	42,375
Profit and loss account brought forward		(1,042,975)	(1,085,350)
Profit and loss account carried forward		(852,276)	(1,042,975)

The company ceased trading on 31 March 1998 when its trade was transferred to its parent company.

Comparative figures have been restated for a prior period adjustment – see note 7.

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

MAWLAW 222 LIMITED (FORMERLY HARRISON COWLEY LIMITED)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 MARCH 1998

	Note	1998 £	1.1.96 to 31.3.97 £
(Loss)/profit for the financial year/period		<u>(249,101)</u>	<u>42,375</u>
Total recognised gains and losses relating to the year		(249,101)	<u>42,375</u>
Prior year adjustment – amortisation charged in previous periods	7	<u>69,667</u>	
Total gains and losses recognised since last report and accounts		<u>(179,434)</u>	

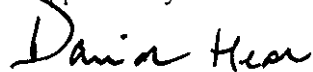
The notes on pages 9 to 19 form part of these accounts.

MAWLAW 222 LIMITED (FORMERLY HARRISON COWLEY LIMITED)**BALANCE SHEET****AS AT 31 MARCH 1998**

		1998	1997
	Note	£	£
FIXED ASSETS			
Intangible assets	8	-	-
Tangible assets	9	-	156,927
		<u>-</u>	<u>156,927</u>
CURRENT ASSETS			
Stocks	10	-	39,744
Debtors - amounts due after one year	11	40,366	-
- amounts due within one year		-	1,159,511
Cash at bank and in hand		-	1,500
		<u>40,366</u>	<u>1,200,755</u>
CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)	12	-	(1,471,841)
NET CURRENT ASSETS/(LIABILITIES)		<u>40,366</u>	<u>(271,086)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		40,366	(114,159)
CREDITORS (AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR)	13	-	(36,374)
NET ASSETS/(LIABILITIES)		<u>40,366</u>	<u>(150,533)</u>
CAPITAL AND RESERVES			
Called up share capital	18	194	194
Share premium account	19	892,248	892,248
Profit and loss account	19	(852,076)	(1,042,975)
TOTAL SHAREHOLDERS' FUNDS		<u>40,366</u>	<u>(150,533)</u>
Equity shareholders' funds		(859,634)	(1,050,533)
Non equity shareholders' funds		900,000	900,000
		<u>40,366</u>	<u>(150,533)</u>

Comparative figures have been restated for a prior period adjustment – see note 7.

Approved by the board on 16 July 1998

D Heal
Director

The notes on pages 9 to 19 form part of these accounts

MAWLAW 222 LIMITED (FORMERLY HARRISON COWLEY LIMITED)**CASH FLOW STATEMENT****FOR THE YEAR ENDED 31 MARCH 1998**

	Note	1998 £	1.1.96 to 31.3.97 £
Net cash inflow/(outflow) from operating activities	22	279,287	(333,177)
Returns on investments and servicing of finance			
Interest paid		(26,400)	(22,196)
Interest received		528	153
Net cash outflow from returns on investments and servicing of finance		(25,872)	(22,043)
Capital expenditure			
Purchase of tangible fixed assets		(55,338)	(74,577)
Sale of tangible fixed assets		13,719	98,887
Net cash (outflow)/inflow from capital expenditure		(41,619)	24,310
Increase/(decrease) in cash	23	211,796	(330,910)

The above cash flow statement reflects the movement in cash prior to the transfer of the company's cash funds to its parent company on 31 March 1998.

The notes on pages 9 to 19 form part of these accounts

MAWLAW 222 LIMITED (FORMERLY HARRISON COWLEY LIMITED)

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 1998

1 ACCOUNTING POLICIES

Basis of preparation

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

As noted in the directors' report, on 31 March 1998 the company ceased to trade and its business, assets and liabilities were transferred to its parent company. The accounts have therefore been prepared on this basis.

Turnover

Turnover comprises amounts billed to clients including outlays, and excluding value added tax.

Revenue

Revenue represents the fees and commissions, excluding sales taxes, from services provided to clients, and is generally recognised when work is billed.

Tangible fixed assets and depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset, less the estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	10 years straight line (or over life of lease if shorter)
Information technology equipment	4 years straight line
Furniture and equipment	6 years straight line
Motor vehicles	4 years straight line

Work in progress

Work in progress is valued at the lower of cost and net realisable value and comprises mainly outlays incurred on behalf of clients.

Deferred taxation

Provision is made, using the liability method, 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 in the foreseeable future.

Operating lease agreements

Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged against profits as incurred.

MAWLAW 222 LIMITED (FORMERLY HARRISON COWLEY LIMITED)

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 1998

1 ACCOUNTING POLICIES *(continued)*

Pension costs

The company operates a defined contribution group personal pension scheme, an individual defined contribution scheme and a defined benefit pension scheme. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charge in respect of the defined contribution schemes represent contributions payable by the company to the funds in the year in which they became payable. Contributions to the defined benefit scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' expected working lives with the company.

Goodwill – change in accounting policy

The company has changed its accounting policy in respect of the treatment of goodwill so that goodwill is written off immediately against reserves as incurred and not amortised through the profit and loss account on a straight line basis over its expected useful life of 20 years. The impact on the result for the period ended 31 March 1997 is disclosed in note 7.

2 TURNOVER

The turnover is attributable to the principal activity of the company and arose wholly in the United Kingdom.

3 OPERATING PROFIT

	1998	1.1.96 to 31.3.97
	£	£
The operating profit is arrived at after charging:		
Depreciation - owned assets	45,829	92,205
Auditors' remuneration	8,000	8,000
Operating leases		
- plant and machinery	286,457	222,725
- other assets	306,010	333,385

MAWLAW 222 LIMITED (FORMERLY HARRISON COWLEY LIMITED)

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 1998

4 DIRECTORS' REMUNERATION

The remuneration of directors, who served during the year, is set out below:

	1998	1.1.96 to 31.3.97
	£	£
Fees	38,885	-
Emoluments for qualifying services	199,124	288,161
Pension contributions to money purchase schemes	6,000	10,508
Compensation for loss of office	-	112,934
	<u>244,009</u>	<u>411,603</u>
Highest paid director		
Total remuneration excluding pension contributions	159,007	129,836
Pension contributions to money purchase schemes	<u>6,000</u>	<u>7,125</u>
Number of directors who are members of money purchase pension schemes	<u>1</u>	<u>2</u>

5 STAFF NUMBERS AND COSTS

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

	1998	1.1.96 to 31.3.97
	No	No
Client service	58	56
Administration	30	31
	<u>88</u>	<u>87</u>

MAWLAW 222 LIMITED (FORMERLY HARRISON COWLEY LIMITED)

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 1998

5 STAFF NUMBERS AND COSTS *(continued)*

The aggregate payroll costs of these persons were as follows:

	1998	1.1.96 to 31.3.97
	£	£
Wages and salaries	1,865,267	2,313,664
Social security costs	173,277	210,458
Other pension costs	47,926	55,668
	<u>2,086,470</u>	<u>2,579,790</u>

6 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

There is no tax payable on the results for the year or the previous period due to the availability of taxation losses brought forward. Tax losses transferred along with the trade and assets to the parent company are anticipated to be in excess of £330,000 (1997 - £640,000).

7 PRIOR PERIOD ADJUSTMENT

During the period the company changed its accounting policy in respect of the treatment of purchased goodwill. Goodwill will now be written off immediately against reserves as the directors believe that this results in the balance sheet giving a more accurate view of the company's position.

As a result of this change in policy, a prior period adjustment has been made to reflect the immediate write-off of the goodwill on the acquisition of the business on 1 February 1994 as follows:

	£
Write-off in period ended 31 January 1995	500,000
Write-back of amortisation - period ended 31 January 1995	(25,000)
- period ended 31 December 1995	(20,167)
Write-back cost of goodwill disposed of in period ended 31 December 1995	<u>(57,000)</u>
Adjustment prior to 1 January 1996	397,833
Write-back of amortisation - period ended 31 March 1997	<u>(27,500)</u>
Total adjustment to prior years	<u>370,333</u>

If there had been no change in policy, an amortisation charge of £22,000 would have been made to the profit and loss account during the current year.

MAWLAW 222 LIMITED (FORMERLY HARRISON COWLEY LIMITED)

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 1998

8 INTANGIBLE ASSETS

As described in note 7 above, the accounting policy in respect of goodwill has been changed to reflect immediate write-off against reserves.

	1998 £
Cost	
At 1 April 1997	440,000
Prior period adjustment – note 7	(440,000)
At 31 March 1998	-
Amortisation	
At 1 April 1997	69,667
Prior period adjustment – note 7	(69,667)
At 31 March 1998	-
Net book amount	
At 31 March 1998	-
At 31 March 1997 – as restated	-

MAWLAW 222 LIMITED (FORMERLY HARRISON COWLEY LIMITED)

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 1998

9 TANGIBLE ASSETS

	Leasehold improvements £	Information technology £	Furniture & equipment £	Motor vehicles £	Total £
Cost					
At 1 April 1997	97,203	160,574	48,590	46,240	352,607
Additions	1,036	48,719	5,583	-	55,338
Disposals	-	(23,302)	-	(40,066)	(63,368)
Transfer to parent undertaking	(98,239)	(185,991)	(54,173)	(6,174)	(344,577)
At 31 March 1998	-	-	-	-	-
Depreciation					
At 1 April 1997	17,393	106,460	28,047	43,780	195,680
Charge for the year	10,875	27,573	7,381	-	45,829
Relating to disposals	-	(23,302)	-	(37,606)	(60,908)
Transfer to parent undertaking	(28,268)	(110,731)	(35,428)	(6,174)	(180,601)
At 31 March 1998	-	-	-	-	-
Net book amounts					
At 31 March 1998	-	-	-	-	-
At 31 March 1997	79,810	54,114	20,543	2,460	156,927

10 STOCKS

	1998 £	1997 £
Work in progress	-	39,744

11 DEBTORS

	1998 £	1997 £
Trade debtors	-	885,310
Amounts owed by parent undertaking – due after one year	40,366	-
Prepayments and accrued income	-	274,201
	40,366	1,159,511

MAWLAW 222 LIMITED (FORMERLY HARRISON COWLEY LIMITED)**NOTES TO THE ACCOUNTS****YEAR ENDED 31 MARCH 1998****12 CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)**

	1998 £	1997 £
Bank overdraft (note 14)	-	222,324
Trade creditors	-	666,126
Other creditors (note 16)	-	113,760
Other taxes and social security	-	138,833
Accruals and deferred income	-	321,134
Pension costs	-	9,664
	<u>-</u>	<u>1,471,841</u>

13 CREDITORS (AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR)

	1998 £	1997 £
Other creditors (note 16)	<u>-</u>	<u>36,374</u>

14 BANK LOANS AND OVERDRAFTS

The aggregate amount of bank loans and overdrafts was as follows:

	1998 £	1997 £
Amounts falling due within one year:		
Bank overdraft	<u>-</u>	<u>222,324</u>

15 SECURITY

The mortgage debenture in respect of the overdraft facility with the Bank of Wales committing a fixed and floating charge over the company's assets together with a fixed charge over book debts has been transferred to Harrison Cowley Limited (formerly Shellard Investments Limited) with effect from 31 March 1998. The company guarantees the facility on behalf of Harrison Cowley Limited.

16 OTHER CREDITORS

Other creditors at 31 March 1997 included an amount of £65,473 repayable in 27 equal monthly instalments. In addition interest of £3,601 per annum was being paid in equal monthly instalments over the repayment period. This loan was transferred to the parent company on 31 March 1998

Interest of £3,601 (1997 - £2,701) was charged during the period.

MAWLAW 222 LIMITED (FORMERLY HARRISON COWLEY LIMITED)

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 1998

17 DEFERRED TAXATION

There is no deferred tax liability at 31 March 1998 following the transfer of assets to the parent company. At 31 March 1997 the company held deferred tax assets of the following:-

	1997 £
Accelerated capital allowances	6,975
Trading losses	154,282
	<u>161,257</u>

None of the above are recorded in the balance sheet.

18 CALLED UP SHARE CAPITAL

	1998 £	1997 £
Authorised:		
100,000 Ordinary shares of £0.12	12,000	12,000
175 Deferred shares of £1	175	175
900,000 Preference shares of £0.00001	9	9
	<u>12,184</u>	<u>12,184</u>
	£	£
Allotted and fully paid:		
80 Ordinary shares of £0.12	10	10
175 Deferred shares of £1	175	175
900,000 Preference shares of £0.00001	9	9
	<u>194</u>	<u>194</u>

The preference shares are redeemable at £1 per share as follows:

1998	900,000 shares
1999	Any remaining unredeemed shares

If the company does not have sufficient distributable reserves to redeem the shares, they will be carried forward to the next redemption date. Shares not redeemed at the final redemption date will be converted to deferred shares at the rate of 1 £1 deferred share for 100,000 preference shares.

MAWLAW 222 LIMITED (FORMERLY HARRISON COWLEY LIMITED)

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 1998

18 CALLED UP SHARE CAPITAL *(continued)*

The preference shareholders are not entitled to any dividend in respect of their preference shares.

The deferred shareholders are entitled to a fixed dividend in the sum of 1 penny per deferred share in respect of each year ending on 31 December.

The deferred and preference shares do not give any rights to vote in any meeting of the company.

In the event of a winding up, the surplus assets of the company after paying its liabilities shall be applied as follows:-

- i paying to the preference shareholders the sum of 0.001 of a penny for each preference share held;
- ii paying to the ordinary shareholders the sum of £50,000 on each ordinary share held;
- iii paying to the deferred shareholders the sum of £1 on each deferred share; and
- iv any surplus shall be paid to the holders of the ordinary shares pro rata according to their respective shareholdings.

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £	Share premium £	Profit & loss account £	1998 Total £	1997 Total £
At 1 April 1997	194	892,248	(672,642)	219,800	204,925
Prior period adjustment (note 7)	-	-	(370,333)	(370,333)	(397,833)
As restated	194	892,248	(1,042,975)	(150,533)	(192,908)
(Loss)/profit for the period	-	-	(249,101)	(249,101)	42,375
Goodwill adjustment	-	-	440,000	440,000	-
At 31 March 1998	194	892,248	(852,076)	40,366	(150,533)

MAWLAW 222 LIMITED (FORMERLY HARRISON COWLEY LIMITED)

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 1998

20 COMMITMENTS UNDER OPERATING LEASES

At 31 March 1998 the company had commitments under non-cancellable operating leases, falling due for payment within one year as follows:

	Land and buildings		Other	
	1998	1997	1998	1997
	£	£	£	£
Operating leases which expire:				
Within one year	-	1,042	45,102	39,947
In two to five years	342,435	300,777	170,343	229,469
	<u>342,435</u>	<u>301,819</u>	<u>215,445</u>	<u>269,416</u>

The company is in the process of transferring the leases into the name of the parent company.

21 PENSIONS

The company operated a defined contribution pension scheme which was wound up with effect from 31 March 1997. The assets of the scheme were held separately from those of the company in an independently administered fund. It now operates a defined contribution group personal pension scheme and an individual defined contribution scheme. The pension cost charged represents contributions payable by the company to these funds. Contributions payable to the fund at the year end were £6,895 (1997 - £7,800) and were included in creditors and transferred to the parent company on 31 March 1998.

There is also a defined benefit scheme which is managed by an independent trustee.

On 3 April 1997, the actuaries of the defined benefit scheme issued a certificate in accordance with Guidance Note GN19 confirming that the liabilities of the scheme did not exceed the value of the assets of the scheme as at 1 February 1997 and the scheme is in the process of being wound up.

22 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	1998	1.1.96 to 31.3.97
	£	£
Operating profit	203,056	80,948
Proceeds on sale of business operations net of reorganisation costs	-	(102,588)
Depreciation of tangible fixed assets	45,829	92,205
Decrease in stocks	5,873	64,700
(Increase)/ decrease in debtors	(31,044)	405,477
Increase/(decrease) in creditors	55,573	(873,919)
Net cash inflow/(outflow) from operating activities	<u>279,287</u>	<u>(333,177)</u>

MAWLAW 222 LIMITED (FORMERLY HARRISON COWLEY LIMITED)

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 1998

23 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (NOTE 24)

	1998 £	1.1.96 to 31.3.97 £
Change in net funds resulting from cashflows	211,796	(330,910)
Net (debt)/funds at 1 April 1997	(220,824)	110,086
Net debt at 31 March 1998	(9,028)	(220,824)
Transfer to parent undertaking	9,028	
Net funds at 31 March 1998	-	

24 ANALYSIS OF THE CHANGES IN NET DEBT

	At 1 April 1997 £	Cash flows £	Transfer to parent £	At 31 March 1998 £
Cash at bank and in hand	1,500	666	(2,166)	-
Overdraft	(222,324)	211,130	(11,194)	-
	(220,824)	211,796	(9,028)	-

25 MAJOR NON-CASH TRANSACTIONS

On 31 March 1998 the company transferred its assets and liabilities to its parent company at book value. Other than the transfer of the cash at bank and in hand and the bank overdraft as disclosed in note 24, this transaction did not involve cash flows.

26 RELATED PARTY TRANSACTIONS

The company is controlled by Harrison Cowley Limited (formerly Shellard Investments Limited) which became the ultimate parent company during the year. Harrison Cowley Limited (formerly Shellard Investments Limited) is controlled by D Heal, a director of both companies, and is registered in England.

During the year management charges of £5,000 were paid to the parent company Harrison Cowley Limited (formerly Shellard Investments Limited).

As described in the directors' report, on 31 March 1998 the company transferred its assets, liabilities and trade to its parent company at book values. Following that transaction, the company was owed £40,366 by its parent company.