

RMA (HOLDINGS) LIMITED
Registered No 2890236

REPORT AND FINANCIAL STATEMENTS

31 December 1997



RMA (HOLDINGS) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997

The directors present their report and the audited financial statements of the company and group for the year ended 31 December 1997.

PRINCIPAL ACTIVITY

The principal activity of the group is life, pensions and general insurance broking.

REVIEW OF THE BUSINESS

The business has traded satisfactorily throughout the year in difficult conditions in the insurance market. Although these conditions are not expected to improve in the immediate future the directors are confident that further progress will be made in 1998.

RESULTS AND DIVIDENDS

The consolidated profit and loss account shows a profit for the period after taxation of £120,720.

Preference dividends of £24,500 have been paid during the year and ordinary dividends of £85,279 are proposed, leaving a retained profit of £10,941 to be taken to reserves.

DIRECTORS

The directors of the company in office during the period and their interests in the called-up share capital of the company as at 31 December 1996 and 31 December 1997 were:

	Number of shares
R S Johnson (Chairman)	7,098
C S Beaumont	7,098
I G Logan	7,098
J W Marshall	7,098
J D Mutch	7,098

None of the directors had any interest in the share capital of other group companies at 31 December 1996 or 31 December 1997.

DONATIONS

The group made charitable donations of £405 during the year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period 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 judgments 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 financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

RMA (HOLDINGS) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997 (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

Price Waterhouse have indicated their willingness to continue as auditors and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the Board



R N Gillingwater
Secretary

17 June 1998

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF RMA (HOLDINGS) LIMITED

We have audited the financial statements on pages 4 to 18 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on pages 1 and 2 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 judgments 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 at 31 December 1997 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

17 June 1998

RMA (HOLDINGS) LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1997**

	Note	1997	1996
TURNOVER - Continuing operations	2	2,195,593	2,024,243
Administrative expenses		<u>(1,926,674)</u>	<u>(1,642,619)</u>
OPERATING PROFIT - Continuing operations	3	268,919	381,624
Interest receivable	5	31,776	30,390
Interest payable	6	<u>(38,894)</u>	<u>(35,083)</u>
			-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		261,801	376,931
Taxation	7	<u>(141,081)</u>	<u>(130,237)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		120,720	246,694
Dividends	8	<u>(109,779)</u>	<u>(143,713)</u>
RETAINED PROFIT FOR THE YEAR	18	<u>£10,941</u>	<u>£102,981</u>

The group had no recognised gains or losses other than the profit for the year.

RMA (HOLDINGS) LIMITED

BALANCE SHEETS - 31 DECEMBER 1997

	Notes	<u>Group</u>		<u>Company</u>	
		1997	1996	1997	1996
FIXED ASSETS					
Intangible assets	9	974,822	824,958	-	-
Tangible assets	10	207,916	152,166	-	-
Investments	11	<u>4,220</u>	<u>4,220</u>	<u>1,298,438</u>	<u>1,298,438</u>
		£1,186,958	£981,344	£1,298,438	£1,298,438
CURRENT ASSETS					
Debtors	12	1,475,176	1,323,686	42,347	49,078
Cash at bank and in hand		<u>860,047</u>	<u>1,068,285</u>	<u>266</u>	<u>1,774</u>
		2,335,223	2,391,971	42,613	50,852
CREDITORS - Amounts falling due in less than one year	13	<u>(2,673,370)</u>	<u>(2,536,549)</u>	<u>(864,916)</u>	<u>(777,720)</u>
NET CURRENT LIABILITIES		£(338,147)	£(144,578)	£(822,303)	£(726,868)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>848,811</u>	<u>836,766</u>	<u>476,135</u>	<u>571,570</u>
CREDITORS - Amounts falling due after more than one year	14	(217,433)	(216,674)	(95,435)	(190,870)
PROVISIONS FOR LIABILITIES AND CHARGES	15	<u>(116,000)</u>	<u>(45,655)</u>	-	-
		£515,378	£574,437	£380,700	£380,700
CAPITAL AND RESERVES					
Called up share capital	17	260,700	330,700	260,700	330,700
Capital redemption reserve	18	120,000	50,000	120,000	50,000
Profit and loss account	18	<u>134,678</u>	<u>193,737</u>	-	-
SHAREHOLDERS' FUNDS - including non-equity interests	19	<u>£515,378</u>	<u>£574,437</u>	<u>£380,700</u>	<u>£380,700</u>

APPROVED BY THE BOARD OF DIRECTORS ON
17 June 1998

R S Johnson

DIRECTOR

RMA (HOLDINGS) LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1997

	Note	1997	1996
NET CASH INFLOW FROM OPERATING ACTIVITIES	22(1)	548,276	616,147
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		31,776	30,390
Interest paid		(30,001)	(29,263)
Dividends paid - non-equity		(24,500)	(30,500)
Interest element of finance lease rental payments		<u>(8,893)</u>	<u>(5,820)</u>
		(31,618)	(35,193)
TAXATION		(157,102)	(120,193)
CAPITAL EXPENDITURE			
Purchase of fixed asset investments		-	(1,925)
Purchase of tangible fixed assets		(15,393)	(29,226)
Proceeds from sales of tangible fixed assets		<u>13,500</u>	<u>14,900</u>
		(1,893)	(16,251)
ACQUISITIONS AND DISPOSALS			
Acquisition of businesses		(112,772)	-
EQUITY DIVIDENDS PAID		<u>(91,508)</u>	<u>(90,503)</u>
CASH INFLOW BEFORE FINANCING		153,383	354,007
FINANCING			
Repayment of secured loan		(95,435)	(95,435)
Redemption of preference share capital		(70,000)	(50,000)
Capital element of finance lease rental payments		<u>(67,518)</u>	<u>(30,124)</u>
NET CASH OUTFLOW FROM FINANCING		<u>(232,953)</u>	<u>(175,559)</u>
(DECREASE)/INCREASE IN CASH IN THE YEAR	22(2)	<u>£(79,570)</u>	<u>£178,448</u>

RMA (HOLDINGS) LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1997 (CONTINUED)**

	Note	1997	1996
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
(Decrease)/increase in cash in the year		(79,570)	178,448
Cash outflow from decrease in debt and lease financing		<u>162,953</u>	<u>125,559</u>
Change in net debt resulting from cashflows		83,383	304,007
New finance leases		(96,411)	(42,015)
Effect of foreign exchange rate changes		<u>-</u>	<u>(3,816)</u>
MOVEMENT IN NET DEBT IN THE PERIOD		(13,028)	258,176
NET FUNDS AT 31 DECEMBER 1996		<u>219,830</u>	<u>(38,346)</u>
NET FUNDS AT 31 DECEMBER 1997	22(2)	<u>£206,802</u>	<u>£219,830</u>

RMA (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997

1 ACCOUNTING POLICIES

(1) Accounting convention

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

(2) Basis of consolidation

The group financial statements consolidate the financial statements of RMA (Holdings) Limited and its subsidiary undertakings for the period ended 31 December 1997.

(3) Turnover

Turnover represents brokerage and commissions receivable by the group during the year. Credit is taken for brokerage when the debit note is raised. Life and pensions commission is recognised at the onset of the policy.

Provision is made to recognise potential clawbacks in respect of policies written on indemnity terms and policies due for renewal in the following financial year.

(4) Goodwill

Goodwill arising on consolidation and on acquisition of businesses is treated as an intangible fixed asset and amortised over 20 years.

(5) Tangible fixed assets

Depreciation of tangible fixed assets is calculated by reference to cost at rates estimated to write off the relevant assets from the date of acquisition over their expected useful lives.

The annual rates used are as follows:

Fixtures and fittings	10% on cost
Motor vehicles	25% reducing balance
Computer equipment	25% on cost

(6) Deferred taxation

Deferred taxation is provided in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

(7) Leased assets

Tangible fixed assets acquired under finance leases are capitalised at the estimated fair value at the date of inception of each lease. Depreciation is provided so as to write off the costs over the shorter of the estimated useful life of the asset or the period of the lease.

The capital element of future rental payments is treated as a liability and the interest element is charged to the profit and loss account over the period of the lease.

Operating lease rentals are charged to the profit and loss account when incurred.

RMA (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(8) Loan finance

Loans are stated net of the costs of raising loan finance. These costs are amortised on a straight line basis over the period of the loans, the charge being made at each repayment date.

(9) Pensions

The group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested in insurance policies.

Contributions to the scheme are made in accordance with the advice of an independent qualified actuary and are charged to the accounts in the year in which they fall due.

2 TURNOVER

Turnover and profit before taxation are attributable to the principal activity of the group.

3 OPERATING PROFIT	1997	1996
Operating profit is stated after charging		
Depreciation		
- Owned assets	7,292	11,176
- Leased assets	<u>39,941</u>	<u>28,752</u>
	<u>£47,233</u>	<u>£39,928</u>
Amortisation of goodwill	<u>£58,016</u>	<u>£47,622</u>
Auditors' remuneration	<u>£11,500</u>	<u>£10,500</u>
Operating lease rentals		
- Land and buildings	£38,550	£31,750
- Other	£36,800	£30,100
	<u>£76,000</u>	<u>£20,000</u>
Pension review provision (note 15)		

RMA (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

4	DIRECTORS AND EMPLOYEES	1997	1996
	Staff costs including directors' emoluments		
	Wages and salaries	969,172	821,141
	Social security costs	93,533	72,759
	Other pension costs	<u>93,168</u>	<u>129,302</u>
		£1,155,873	£1,023,202
		<u><u> </u></u>	<u><u> </u></u>
		Number	Number
	Average number employed including executive directors		
	Insurance broking	49	41
	Administration	<u>8</u>	<u>8</u>
		57	49
		<u><u> </u></u>	<u><u> </u></u>
	Directors' emoluments (excluding pension scheme contributions)	£331,005	£319,925
		<u><u> </u></u>	<u><u> </u></u>
	Five directors (1996 five) have retirement benefits accruing under defined benefit pension schemes.		
5	INTEREST RECEIVABLE	1997	1996
	Bank interest	£31,776	£30,390
		<u><u> </u></u>	<u><u> </u></u>
6	INTEREST PAYABLE		
	Bank loans and overdrafts	30,001	29,263
	Finance leases	<u>8,893</u>	<u>5,820</u>
		£38,894	£35,083
		<u><u> </u></u>	<u><u> </u></u>
7	TAXATION		
	UK corporation tax	146,687	151,920
	Deferred taxation	(5,312)	212
	Adjustments for earlier years		
	- Corporation tax	49	(20,839)
	- Deferred taxation	<u>(343)</u>	<u>(1,056)</u>
		£141,081	£130,237
		<u><u> </u></u>	<u><u> </u></u>

RMA (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

8	DIVIDENDS	1997	1996
	Paid - non-equity shares	24,500	30,500
	Proposed		
	- ordinary shares £1.68 per share (£2.23 per share)	59,694	79,249
	- 'A' ordinary shares £1.68 per share (£2.23 per share)	<u>25,585</u>	<u>33,964</u>
		<u>£109,779</u>	<u>£143,713</u>
9	INTANGIBLE FIXED ASSETS		Goodwill
	Cost		
	31 December 1996		952,429
	Additions		<u>207,880</u>
	31 December 1997		<u>£1,160,309</u>
	Amortisation		
	31 December 1996		127,471
	Charge for the year		<u>58,016</u>
	31 December 1997		<u>£185,487</u>
	Net book value		
	31 December 1997		<u>£974,822</u>

Additions to goodwill arise from the acquisition, during the year, for cash, of two insurance broking businesses by a subsidiary undertaking. The total consideration, including expenses, amounts to a maximum of £211,772 of which £112,772 was paid during the year. Of the deferred consideration payable an amount of £42,000 is conditional upon the businesses achieving certain brokerage levels in the three years from acquisition. Included in the purchase price are net tangible assets of £3,892.

The results of the two businesses are not separately accounted for, and therefore cannot be separately disclosed in the profit and loss account.

RMA (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

10	TANGIBLE FIXED ASSETS	Office furniture and equipment	Motor vehicles	Total
	GROUP			
	Cost			
	31 December 1996	124,071	176,775	300,846
	Additions	19,285	96,411	115,696
	Disposals	-	(26,365)	(26,365)
	31 December 1997	£143,356	£246,821	£390,177
	Depreciation			
	31 December 1996	95,290	53,390	148,680
	Charge for the year	4,434	42,799	47,233
	Appropriated on disposals	-	(13,652)	(13,652)
	31 December 1997	£99,724	£82,537	£182,261
	Net book value			
	31 December 1997	£43,632	£164,284	£207,916

The net book value of fixed assets includes £118,105 (1996 £107,936) of motor vehicles held under finance leases.

11	FIXED ASSET INVESTMENTS	Listed on recognised stock exchange	Other investment	Group Total	Company Shares in subsidiary undertakings
	31 December 1996 and 31 December 1997	£1,035	£3,185	£4,220	£1,298,438

The market value of listed investments at 31 December 1997 was £3,796 (1996 £3,164).

Subsidiary undertakings	Proportion of issued ordinary shares held	Principal activity
Penmarch Limited	100%	Holding of investment
Rockpride Limited	100%	Holding of investment
J Rixon Matthews & Appleyard Limited	100%	Insurance broking
P M Elliott & Company Limited	100%	Non-trading

Rockpride Limited and J Rixon Matthews & Appleyard Limited are held by subsidiary undertakings.

RMA (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

12	DEBTORS - Amounts falling due within one year	Group		Company	
		1997	1996	1997	1996
	Trade debtors	1,366,865	1,209,828	-	-
	Due from subsidiary undertaking	-	-	20,775	20,775
	Prepayments and accrued income	72,656	71,981	-	-
	Other debtors	14,083	13,574	-	-
	Advance corporation tax recoverable	21,572	28,303	21,572	28,303
		<u>£1,475,176</u>	<u>£1,323,686</u>	<u>£42,347</u>	<u>£49,078</u>
13	CREDITORS - Amounts falling due within one year	Group		Company	
		1997	1996	1997	1996
	Bank loan (note 14)	95,435	95,435	95,435	95,435
	Bank overdrafts	378,764	507,432	-	-
	Trade creditors	1,739,105	1,514,893	-	-
	Due to subsidiary undertaking	-	-	620,577	516,669
	Corporation tax	117,213	123,827	-	-
	Advance corporation tax payable	21,320	31,803	21,320	31,803
	Other creditors (Note 14)	35,600	20,600	20,600	20,600
	Other taxes and social security	37,382	53,040	-	-
	Dividends	106,984	113,213	106,984	113,213
	Accruals and deferred income	95,954	47,392	-	-
	Finance leases (note 14)	45,613	28,914	-	-
		<u>£2,673,370</u>	<u>£2,536,549</u>	<u>£864,916</u>	<u>£777,720</u>
14	CREDITORS - Amounts falling due after more than one year	Group		Company	
		1997	1996	1997	1996
	Bank loan	95,435	190,870	95,435	190,870
	Finance leases	37,998	25,804	-	-
	Other creditors	84,000	-	-	-
		<u>£217,433</u>	<u>£216,674</u>	<u>£95,435</u>	<u>£190,870</u>
		Group and company Bank loan		Group Finance leases	
		1997	1996	1997	1996
Bank loans and finance leases are repayable					
	Less than 1 year	100,000	100,000	45,613	28,914
	Between 1 and 2 years	100,000	100,000	19,941	20,466
	Between 2 and 5 years	-	100,000	18,057	5,338
		<u>200,000</u>	<u>300,000</u>	<u>83,611</u>	<u>54,718</u>
	Less Costs of raising finance	<u>(9,130)</u>	<u>(13,695)</u>	-	-
		<u>£190,870</u>	<u>£286,305</u>	<u>£83,611</u>	<u>£54,718</u>

The bank loan bears interest at a rate of 2½% above LIBOR and is repayable in equal annual instalments until 1999. As required by Financial Reporting Standard No 4 'Capital Instruments' the costs associated with the raising of the loan have been debited against the amount advanced and will be amortised on a straight line basis over the period of the loan.

RMA (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

14 CREDITORS - Amounts falling due after more than one year (CONTINUED)

Other creditors

Included within other creditors is deferred consideration in respect of the two insurance broking businesses acquired in the year, and which is payable in instalments as follows:

	<u>Group</u>		<u>Company</u>	
	1997	1996	1997	1996
Between one and two years	42,000	-	-	-
Between two and five years	<u>42,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	£84,000	£-	£-	£-
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

The final instalments totalling £42,000 are conditional upon certain brokerage levels being achieved.

15	PROVISIONS FOR LIABILITIES AND CHARGES	Pension review	Deferred taxation	Total
	31 December 1996	40,000	5,655	45,655
	Profit and loss account	<u>76,000</u>	<u>(5,655)</u>	<u>70,345</u>
	31 December 1997	£116,000	£-	£116,000
		<u>=====</u>	<u>=====</u>	<u>=====</u>

Provision is made for the potential cost of investigation and compensation arising from the group's review of pensions sold, as required by the Securities and Investment Board's report "Pension Transfers and Opt-outs, Review of Past Business". The provision is based on the group's review, to date, of all pensions sold and represents the maximum potential compensation based on industry average payments, plus associated costs.

16	DEFERRED TAXATION	<u>1997</u>		<u>1996</u>	
		Full potential asset	Provision made	Full potential liability	Provision made
	Accelerated capital allowances	7,910	7,910	5,655	5,655
	Other timing differences	<u>(23,560)</u>	<u>(7,910)</u>	<u>-</u>	<u>-</u>
		£(15,650)	£-	£5,655	£5,655
		<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

The full potential liability and provision made are calculated at a rate of 31% (1996 33%).

RMA (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

17 CALLED UP SHARE CAPITAL	1997	1996
Authorised, allotted, called up and fully paid		
Equity shares		
Ordinary shares of £1 each	35,490	35,490
'A' ordinary shares of £1 each	<u>15,210</u>	<u>15,210</u>
	50,700	50,700
Non-equity shares		
Redeemable preference shares of £1 each	<u>210,000</u>	<u>280,000</u>
	<u>£260,700</u>	<u>£330,700</u>

The company redeemed 70,000 preference shares of £1 each at par during the year.

The rights attached to the equity and non equity shares are as follows:

	Equity		Non-equity
	Ordinary shares	'A' ordinary shares	Preference shares
Dividend			
Cumulative preferential		'Participating' dividend being 8% of net profit, and 'Additional' dividend should directors' emoluments exceed pre-set limits.	'Preference' dividend being 10p per share net per annum.
Ordinary	'Initial' dividend per share being equal to the 'Participating' dividend paid per share.		
Voting	One vote per share	One vote per share	No voting rights
Winding up priority	Third	Second	First
Receivable upon winding-up	£4.86 per share plus any accrued dividend and the balance remaining shared pari pasu.	£4.54 per share plus any accrued dividend and the balance remaining shared pari pasu.	£1 per share plus any accrued dividend.

The 'A' ordinary shares carry the right to be converted at any time into ordinary shares on a one to one basis.

RMA (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

17 CALLED UP SHARE CAPITAL (CONTINUED)

To the extent that they have not previously been redeemed, the company must redeem the remaining preference shares in the proportions and on the dates set out below:

Redemption date	Number of shares
30 June 1998	70,000
30 June 1999	70,000
30 June 2000	<u>70,000</u>
	210,000
	<u><u> </u></u>

18 PROFIT AND LOSS ACCOUNT

	Group	Company
31 December 1996	193,737	-
Retained profit	10,941	70,000
Transfer to capital redemption reserve	<u>(70,000)</u>	<u>(70,000)</u>
31 December 1997	£134,678	£-
	<u><u> </u></u>	<u><u> </u></u>

In accordance with the exemption allowed by S230(3) of the Companies Act 1985 the company has not presented its own profit and loss account. Of the profit on ordinary activities after taxation £179,779 has been dealt with in the accounts of the company.

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Company	
	1997	1996	1997	1996
Profit for the year	120,720	246,694	179,779	193,713
Dividends	(109,779)	(143,713)	(109,779)	(143,713)
Redemption of preference shares	<u>(70,000)</u>	<u>(50,000)</u>	<u>(70,000)</u>	<u>(50,000)</u>
Net (decrease)/increase in shareholders' funds	(59,059)	52,981	-	-
Opening shareholders' funds	<u>574,437</u>	<u>521,456</u>	<u>380,700</u>	<u>380,700</u>
Closing shareholders' funds	£515,378	£574,437	£380,700	£380,700
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>
Equity interests	305,378	294,437	170,700	100,700
Non-equity interests	<u>210,000</u>	<u>280,000</u>	<u>210,000</u>	<u>280,000</u>
	£515,378	£574,437	£380,700	£380,700
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

RMA (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

20 CONTINGENT LIABILITIES AND COMMITMENTS

The company's borrowings are guaranteed by its subsidiary undertakings.

The company has undertaken to provide financial support to a subsidiary undertaking so as to enable that company to meet its liabilities as they fall due.

At 31 December 1997 the group had commitments to make the following payments in the year to 31 December 1998 in respect of non-cancellable operating leases.

	1997		1996	
	Land and buildings	Other	Land and buildings	Other
Expiring between one and five years	£38,550	£39,000	£28,000	£30,000

Neither the group nor the company had any contracted capital commitments at 31 December 1997 (1996 £Nil).

21 PENSIONS

The contributions to the defined benefit scheme operated by a group company are determined by an independent qualified actuary on the basis of valuations prepared using the attained age method. The most recent valuation was carried out by a qualified actuary at 1 April 1996. The assumptions which have the most significant effect on the valuations are those relating to investment returns, and increases in salaries and pensions. It was assumed that the investment returns would be 8.5% per annum, that salary increases would average 6.5% per annum and that present and future pensions would increase at a rate of 4% per annum.

The pension charge for the year was £93,168 (1996 £129,302).

The most recent actuarial valuation showed that the market value of the schemes' assets at 1 April 1996 was £991,230 and that the actuarial value of those assets represented 103% of the benefits accrued to members after allowing for expected future increased in earnings.

22 CASHFLOW STATEMENT

	1997	1996
(1) Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	268,919	381,624
Depreciation charge	47,233	39,928
Amortisation of goodwill	58,016	47,622
Foreign exchange losses	-	3,816
(Profit)/loss on sale of fixed assets	(787)	2,423
(Increase)/decrease in debtors	(158,221)	122,273
Increase in creditors	257,116	18,461
Increase in provisions	76,000	-
Net cash inflow from operating activities	£548,276	£616,147

RMA (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

22 CASHFLOW STATEMENT (CONTINUED)

(2) Analysis of net funds

	1996	Cashflows	Other non-cash changes	1997
Cash at bank and in hand	1,068,285	(208,238)	-	860,047
Overdrafts	(507,432)	<u>128,668</u>	-	(378,764)
		(79,570)		
Debts falling due after more than one year	(190,870)	-	95,435	(95,435)
Debts falling due in less than one year	(95,435)	95,435	(95,435)	(95,435)
Finance leases	<u>(54,718)</u>	<u>67,518</u>	<u>(96,411)</u>	<u>(83,611)</u>
Total	£219,830	£83,383	£(96,411)	£206,802

23 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption provided by Financial Reporting Standard No 8 "Related Party Transactions" not to disclose transactions with members of the group.