

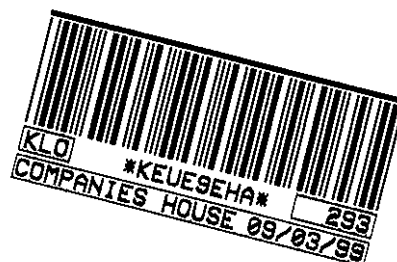


PALL MALL HOLDINGS LIMITED

Report and Financial Statements

For the period ended 30 September 1998

Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR



**REPORT AND FINANCIAL STATEMENTS
PERIOD ENDED 30 SEPTEMBER 1998**

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

B Norman (appointed 3 July 1998)
D Woods
G Ridge
N Pipping
S Kemmery
J Macnamara
R Robson
J Barbour-Smith (appointed 5 August 1998)

SECRETARY

J Macnamara

REGISTERED OFFICE

141-157 Acre Lane
London
SW2 5UA

AUDITORS

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London
EC4A 3TR



DIRECTORS' REPORT

The directors present their annual report and the group audited financial statements for the period from 9 November 1997 to 30 September 1998.

ACTIVITIES

The group's principal activity is the provision of cleaning, chamber-maiding and security services.

REVIEW OF OPERATIONS

The group made a profit before interest and taxation during the period of £775,000 (period from 2 October 1997 to 8 November 1997 – loss of £26,000). After charging taxation and interest paid and accrued, the profit for the period was £104,000 (period from 2 October 1997 to 8 November 1997 – loss of £24,000).

DIVIDENDS

Dividends of £4,000 (period from 2 October 1997 to 8 November 1997 - £nil) have been proposed and paid.

FUTURE PROSPECTS

The directors do not anticipate any significant change in the group's activities during the forthcoming year.

DIRECTORS AND THEIR INTERESTS

The directors who served during the period are shown on page 1.

The following directors have interests, as defined by the Companies Act 1985, in the shares of the company. None of the directors have interests in the shares of any other group company.

Interests held throughout the period:

	Ordinary Shares	"A" Preference Shares	Deferred Shares
B Norman	-	-	-
D Woods	10,000	89,892	10,845
G Ridge	2,500	19,756	2,711
N Pipping	2,500	19,756	2,711
S Kemmery	2,500	19,756	2,711
J Macnamara	4,000	31,609	4,328
R Robson	-	-	-
J Barbour-Smith	-	-	-

Interests acquired during the period:

	Preferred Ordinary Shares 30 September 1998	Preferred Ordinary Shares 8 November 1997	"B" Preference Shares 30 September 1998	"B" Preference Shares 8 November 1997
B Norman	2,000	-	-	-
J Macnamara	1,170	-	53,830	-

**DIRECTORS' REPORT (continued)****YEAR 2000**

The group has recognised the potential issues arising from the Year 2000 and has investigated the upgrading of its computer and communications systems. The estimated cost of necessary changes is not expected to be significant for the group.

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

J Macnamara
Secretary

1999

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material 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 group will continue in business.

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



AUDITORS' REPORT TO THE MEMBERS OF PALL MALL HOLDINGS LIMITED

We have audited the financial statements on pages 6 to 22 which have been prepared under the accounting policies set out on page 11.

Respective responsibilities of directors and auditors

As described on page 4 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 and the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 September 1998 and of the profit of the group for the period from 9 November 1997 to 30 September 1998 and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors

5 February 1999


CONSOLIDATED PROFIT AND LOSS ACCOUNT
Period from 9 November 1997 to 30 September 1998

	Note	Period from 9 November 1997 to 30 September 1998 £'000	Period from 2 October 1997 to 8 November 1997 £'000
TURNOVER	1	32,143	-
Cost of sales		(28,237)	-
GROSS PROFIT		3,906	-
Distribution costs		(515)	-
Administrative expenses		(2,616)	(26)
OPERATING PROFIT/(LOSS) AND PROFIT/(LOSS) BEFORE INTEREST AND TAX	4	775	(26)
Interest payable and similar charges		(643)	-
Interest receivable and similar income		71	2
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		203	(24)
Tax on profit/(loss) on ordinary activities	5	(99)	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		104	(24)
Dividend paid – non equity		(4)	-
Retained profit/(loss) for the period		100	(24)

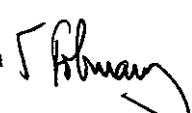
A statement of total recognised gains and losses is not included in these accounts as there are no recognised gains or losses other than the profit for the period, shown in the profit and loss account above.

Turnover and the profit for the period derive from continuing operations.



CONSOLIDATED BALANCE SHEET
30 September 1998

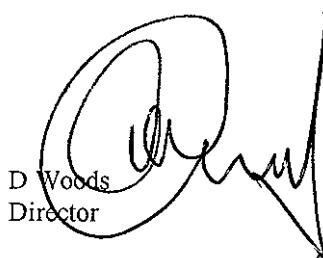
	Note	30 September 1998 £'000	8 November 1997 £'000
FIXED ASSETS			
Tangible assets	7	980	1,009
Investments	8	10	-
		<u>990</u>	<u>1,009</u>
CURRENT ASSETS			
Stocks	9	26	28
Debtors	10	6,396	8,135
Cash at bank and in hand		1,073	2,311
		<u>7,495</u>	<u>10,474</u>
CREDITORS: amounts falling due within one year	11	<u>(3,780)</u>	<u>(6,574)</u>
NET CURRENT ASSETS		<u>3,715</u>	<u>3,900</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,705</u>	<u>4,909</u>
CREDITORS: amounts falling due after more than one year	12	<u>(6,652)</u>	<u>(7,094)</u>
		<u>(1,947)</u>	<u>(2,185)</u>
CAPITAL AND RESERVES			
Called up share capital	14	4	3
Share premium account	15	323	170
Goodwill reserve	15	(2,350)	(2,334)
Profit and loss account	15	76	(24)
		<u>(1,947)</u>	<u>(2,185)</u>
SHAREHOLDERS' DEFICIT			
Equity		<u>(2,262)</u>	<u>(2,344)</u>
Non-equity		<u>315</u>	<u>159</u>
		<u>(1,947)</u>	<u>(2,185)</u>

These financial statements are approved by the Board of Directors on  1999

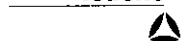
Signed on behalf of the Board of Directors



J Macnamara
Director



D Woods
Director



Deloitte & Touche
Touche


COMPANY BALANCE SHEET

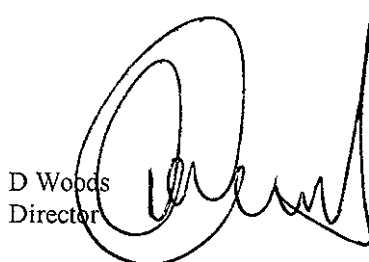
30 September 1998

	Note	30 September 1998 £'000	8 November 1997 £'000
FIXED ASSETS			
Investments	8	<u>2,239</u>	<u>2,213</u>
CURRENT ASSETS			
Debtors	10	5,063	3,240
Cash at bank and in hand		<u>55</u>	<u>2,217</u>
		5,118	5,457
CREDITORS: amounts falling due within one year	11	<u>(673)</u>	<u>(427)</u>
NET CURRENT ASSETS		<u>4,445</u>	<u>5,030</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,684	7,243
CREDITORS: amounts falling due after more than one year	12	<u>(6,652)</u>	<u>(7,094)</u>
		<u>32</u>	<u>149</u>
CAPITAL AND RESERVES			
Called up share capital	14	4	3
Share premium account	15	323	170
Profit and loss account	15	<u>(295)</u>	<u>(24)</u>
TOTAL SHAREHOLDERS' FUNDS		<u>32</u>	<u>149</u>
Equity		<u>(283)</u>	<u>(10)</u>
Non-equity		<u>315</u>	<u>159</u>
		<u>32</u>	<u>149</u>

These financial statements were approved by the Board of Directors on 5 February 1999.

Signed on behalf of the Board of Directors.


J Macnamara
Director


D Woods
Director



Deloitte & Touche
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RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Period from 9 November 1997 to 30 September 1998

	Group Period from 9 November 1997 to 30 September 1998 £'000	Group Period from 2 October 1997 to 8 November 1997 £'000	Company Period from 9 November 1997 to 30 September 1998 £'000	Company Period from 2 October 1997 to 8 November 1997 £'000
Opening shareholders' (deficit)/funds	(2,185)	-	149	-
Profit/(loss) for the period	100	(24)	(271)	(24)
New share capital subscribed	154	173	154	173
Goodwill	(16)	(2,334)	-	-
Closing shareholders' (deficit)/funds	<u>(1,947)</u>	<u>(2,185)</u>	<u>32</u>	<u>149</u>


CONSOLIDATED CASH FLOW STATEMENT
Period from 9 November 1997 to 30 September 1998

			Period from 9 November 1997 to 30 September 1998	Period from 2 October 1997 to 8 November 1997
	Note	£'000	£'000	£'000
Cash outflow from operating activities	18		(474)	(4,003)
Returns on investments and servicing of finance	19		(394)	2
Capital expenditure and financial investment	19		(344)	-
Acquisitions and disposals	19		(26)	(1,167)
Cash outflow before use of liquid resources and financing			(1,238)	(5,168)
Financing				
New loans raised		986		7,375
New shares issued		155		256
Loans repaid		(1,141)		-
Issue costs paid relating to shares and loans		-		(152)
			-	7,479
(Decrease)/increase in cash in the period	20		(1,238)	2,311

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

			Period from 9 November 1997 to 30 September 1998	Period from 2 October 1997 to 8 November 1997
	Note	£'000	£'000	£'000
(Decrease)/increase in cash in period	20		(1,238)	2,311
Net cash inflow/(outflow) from decrease/(increase) in debt		155		(7,375)
Issue costs paid relating to raising debt		-		138
			155	(7,237)
Changes in net debt resulting from cash flows			(1,083)	(4,926)
Issue costs accrued relating to raising debt			-	143
Movement in net debt in the period and balance at 8 November 1997	20		(1,083)	(4,783)

**NOTES TO THE ACCOUNTS**
Period ended 30 September 1998**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover represents amounts chargeable to customers for goods and services, stated net of value added tax.

Tangible fixed assets

Depreciation is provided on the cost of tangible fixed assets on a straight line basis over their estimated useful lives as follows:

Land and buildings

Freehold and long leasehold buildings	1% per annum
Short leasehold property	Over the period of the lease

Plant and equipment

Plant and machinery	20% per annum
Fixtures and fittings and office equipment	20% per annum
Motor vehicles	20% per annum

Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. Work in progress balances represent accrued income for the period on specific contracts where costs have been incurred.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Pensions

The group operates a group personal pension scheme, details of which are given in note 17. The annual pension cost charge represents the contributions payable by the group to the fund.

Leases

Rental costs under operating leases are charged to the profit and loss account in accordance with the terms of the leases over the period of the leases.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiaries for the financial period ended 30 September 1998.

Goodwill

Goodwill arising on acquisition representing the difference between consideration paid and accrued and the fair value of net assets acquired is written off to reserves in the year of acquisition.


NOTES TO THE ACCOUNTS
Period ended 30 September 1998
2. INFORMATION REGARDING DIRECTORS

	Period from 9 November 1997 to 30 September 1998 £'000	Period from 2 October 1997 to 8 November 1997 £'000
Directors' emoluments:		
Receivable from the company	25	-
Receivable from subsidiary companies	331	-
	<u>356</u>	<u>-</u>
Highest paid director's emoluments:		
Receivable from subsidiary companies	83	-
	<u>83</u>	<u>-</u>
Aggregate contributions to a money purchase scheme:		
Receivable from subsidiary companies	47	-
	<u>47</u>	<u>-</u>
Contributions to a money purchase scheme in respect of the highest paid director:		
Receivable from subsidiary companies	17	-
	<u>17</u>	<u>-</u>
	No.	No.
Number of directors who were members of a money purchase scheme	5	-
	<u>5</u>	<u>-</u>

3. STAFF COSTS

The average number of people employed by the group, including directors was:

	Period from 9 November 1997 to 30 September 1998 No.	Period from 2 October 1997 to 8 November 1997 No.
Administration	71	68
Other	4,306	4,966
	<u>4,377</u>	<u>5,034</u>
	£'000	£'000
Staff costs incurred during the period in respect of these employees were:		
Wages and salaries	23,701	11,533
Social security costs	1,452	706
Other pension costs	86	76
	<u>25,239</u>	<u>12,315</u>


NOTES TO THE ACCOUNTS
Period ended 30 September 1998
4. OPERATING PROFIT/(LOSS) BEFORE TAXATION

	Period from 9 November 1997 to 30 September 1998 £'000	Period from 2 October 1997 to 8 November 1997 £'000
Operating profit/(loss) before taxation is after charging:		
Depreciation	383	-
Rentals under operating leases:		
Hire of plant and machinery	459	-
Other operating leases	137	-
Auditors' remuneration - audit	26	2
- non-audit services	-	8
	<hr/>	<hr/>

5. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	Period from 9 November 1997 to 30 September 1998 £'000	Period from 2 October 1997 to 8 November 1997 £'000
United Kingdom corporation tax at 31%		
(1997 - 31%) based on the profit/(loss) for the period	99	-
	<hr/>	<hr/>



NOTES TO THE ACCOUNTS
Period ended 30 September 1998

6. COMPANY PROFIT AND LOSS ACCOUNT

No company profit and loss account has been prepared in these accounts as the company is entitled to an exemption under s.230 of the Companies Act. The company's loss for the period was £271,000 (period ended 8 November 1997 – £24,000).

7. TANGIBLE FIXED ASSETS

THE GROUP	Short Leasehold property £	Long Leasehold property £	Plant and equipment £	Total £
Cost:				
At 9 November 1997	7	105	897	1,009
Additions	-	-	365	365
Disposals	-	-	(11)	(11)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 1998	7	105	1,251	1,363
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation:				
At 9 November 1997	-	-	-	-
Charge for the period	(2)	(1)	(380)	(383)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 1998	(2)	(1)	(380)	(383)
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value:				
At 30 September 1998	5	104	871	980
	<hr/>	<hr/>	<hr/>	<hr/>
At 8 November 1997	7	105	897	1,009
	<hr/>	<hr/>	<hr/>	<hr/>

The company has no fixed assets.


NOTES TO THE ACCOUNTS
 Period ended 30 September 1998

8. INVESTMENTS HELD AS FIXED ASSETS

	Shares in group undertakings £'000
The Group	
Cost:	
At 9 November 1997	-
Investment in ESOP	10
	<hr/>
At 30 September 1998	10
	<hr/> <hr/>
The Company	
Cost:	
At 9 November 1997	2,213
Adjustment to value of subsidiary assets received	16
Investment in ESOP	10
	<hr/>
At 30 September 1998	2,239
	<hr/> <hr/>

This balance represents investments in the following group undertakings:

Subsidiary Undertakings	Class of Share	% held	Principal Activity
Pall Mall Support Services Ltd.	Ordinary	100%	Cleaning, chambermaiding and security

Pall Mall Support Services Limited is incorporated in the United Kingdom and operates solely within that country.

9. STOCKS

	Group 30 September 1998 £'000	Group 8 November 1997 £'000
Raw materials and consumables	26	28
	<hr/> <hr/>	<hr/> <hr/>

The company has no stocks or work in progress at the period end.


NOTES TO THE ACCOUNTS
Period ended 30 September 1998
10. DEBTORS

	Group		Company	
	30 September	8 November	30 September	8 November
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Trade debtors	5,664	7,021	-	-
Amounts due from group undertaking	-	-	4,858	2,988
Other debtors	251	309	197	252
Prepayments and accrued income	481	805	8	-
	<u>6,396</u>	<u>8,135</u>	<u>5,063</u>	<u>3,240</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	30 September	8 November	30 September	8 November
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	287	-	287	-
Trade creditors	792	1,497	163	427
Other creditors including taxation and social security	1,712	2,373	223	-
Accruals and deferred income	989	2,704	-	-
	<u>3,780</u>	<u>6,574</u>	<u>673</u>	<u>427</u>

12. CREDITORS: FALLING DUE AFTER MORE THAN ONE YEAR

The Company and the Group	30 September	8 November
	1998	1997
	£'000	£'000
Bank loans and overdrafts	3,300	3,587
Debenture loans, loan stock and other loans	3,352	3,507
	<u>6,652</u>	<u>7,094</u>



NOTES TO THE ACCOUNTS
Period ended 30 September 1998

13. BORROWINGS

The Company and the Group

	30 September 1998 £'000	8 November 1997 £'000
Bank loan	3,587	3,587
Loan notes	3,352	3,507
	<u>6,939</u>	<u>7,094</u>
Debt due within one year	287	-
Debt after more than one year	6,652	7,094
	<u>6,939</u>	<u>7,094</u>

Analysis of loan repayments:

	30 September 1998 £'000	8 November 1997 £'000
Bank loans and overdrafts		
Within one year or on demand	287	-
Between one and two years	383	287
Between two and five years	1,626	1,329
After five years	1,291	1,971
Debenture loans, loan stock and other loans		
Between two and five years	579	-
After five years	2,773	3,507
	<u>6,939</u>	<u>7,094</u>

The bank loan is repayable by instalments between 31 March 1999 and 30 September 2004. The rate of interest is set at a floating rate of 2% above LIBOR on Tranche A of £3,000,000 and at a rate of 3.5% above LIBOR on Tranche B of £750,000. The loan is secured by a fixed and floating charge over the assets of the group.

Loan notes are repayable by instalments between 30 September 2003 and 30 September 2007. The rate of interest on the notes is set at 10% per annum. The notes are secured by a subordinated debenture giving a fixed and floating charge over the assets of the group.


NOTES TO THE ACCOUNTS
Period ended 30 September 1998
14. CALLED UP SHARE CAPITAL

The Company and the Group	30 September 1998 No.	8 November 1997 No.	30 September 1998 £	8 November 1997 £
Authorised share capital:				
Preferred ordinary shares of 1 penny	78,500	78,500	785	785
Ordinary shares of 1 penny	24,017	24,017	240	240
Deferred shares of 1 penny	23,316	23,316	233	233
"A" Preference shares of 1 penny	180,769	180,769	1,808	1,808
"B" Preference shares of 1 penny	137,618	137,618	1,376	1,376
	<u>444,220</u>	<u>444,220</u>	<u>4,442</u>	<u>4,442</u>

At the end of the period the following shares were called up, allotted and fully paid:

	30 September 1998 No.	8 November 1997 No.	30 September 1998 £	8 November 1997 £
Preferred ordinary shares of 1 penny	78,500	54,165	785	542
Ordinary shares of 1 penny	21,500	21,500	215	215
Deferred shares of 1 penny	23,316	23,316	233	233
"A" Preference shares of 1 penny	180,769	180,769	1,808	1,808
"B" Preference shares of 1 penny	112,835	-	1,128	-
	<u>416,920</u>	<u>279,750</u>	<u>4,169</u>	<u>2,798</u>

The following shares were issued during the period:

	No.	Nominal value £	Consideration received £	Share premium £
Preferred ordinary shares of 1 penny	24,335	243	41,335	40,092
"B" Preference shares of 1 penny	112,835	1,128	112,835	111,707
	<u>137,170</u>	<u>1,371</u>	<u>154,170</u>	<u>152,799</u>

The company's share capital has the following special rights and restrictions:



NOTES TO THE ACCOUNTS
Period ended 30 September 1998

14. CALLED UP SHARE CAPITAL (continued)

The shares have dividend rights in the following order of priority:

1. Preferred Ordinary shares.

Preferred Ordinary shares have a fixed cumulative preferential dividend of 8% paid six monthly on 1 April and 30 September.

2. "B" Preference Shares.

Preference shares have a fixed cumulative preferential dividend of 8% accrued and paid on sale or listing of the company.

3. Preferred Ordinary shares additional dividend.

Preferred Ordinary shares have the right to an additional cumulative preferential dividend of an amount calculated in respect of the financial year of the company as follows:

Year to 30 September	Percentage of net profit
1999	5%
2000	15%
2001 onwards	20%

4. Ordinary shares

No dividend can be paid on the Ordinary shares without the prior written consent of the holders of a majority of the Preferred Ordinary shares.

5. "A" Preference shares

"A" Preference shares do not have any right to any dividend.

The order of priority in the event of a winding up of the company is:

1. "B" Preference shares
2. "A" Preference shares
3. Accruals of "B" fixed Preference dividends
4. Preferred Ordinary shares
5. Any unpaid arrears of the fixed Preferred Ordinary dividend and any interest due on them.

The company has the right to redeem the "A" Preference shares at any time on one month's notice. Unless redeemed previously, the company will redeem all of the Preference shares on sale or listing of the company. Immediately prior to a listing, the equity share capital of the company will be restructured so that the Ordinary shares and Preferred Ordinary shares will be redesignated as one class of Ordinary shares carrying none of the special rights or restrictions attaching to the Ordinary or Preferred Ordinary shares.

Deferred shares have no rights to receive dividends or to participate in any distribution upon winding up. The shares are convertible into Ordinary shares upon the fulfilment of certain conditions.


NOTES TO THE ACCOUNTS
Period ended 30 September 1998
15. RESERVES

Group	Share Premium £'000	Goodwill Reserve £'000	Profit and Loss Account £'000
Balance at 9 November 1997	170	(2,334)	(24)
Profit for the period	-	-	100
Premium on shares issued (note 14)	153	-	-
Goodwill arising on acquisition of group undertakings (note 19)	-	(16)	-
	<u>323</u>	<u>(2,350)</u>	<u>-</u>
Balance at 30 September 1998	<u>323</u>	<u>(2,350)</u>	<u>76</u>

The additional goodwill arising on acquisition of group undertakings reflects an adjustment made during the period to the original purchase price of Pall Mall Support Services Limited.

Company	Share Premium £'000	Profit and Loss Account £'000
Balance at 9 November 1997	170	(24)
Loss for the period	-	(271)
Premium on shares issued (note 14)	153	-
	<u>323</u>	<u>(295)</u>
Balance at 30 September 1998	<u>323</u>	<u>(295)</u>

16. FINANCIAL COMMITMENTS

	30 September 1998 £'000	8 November 1997 £'000
Capital commitments		
Contracted for but not provided	<u>6</u>	<u>30</u>

Operating commitments

At 8 November 1998 the group was committed to making the following payments during the next year in respect of operating leases:

Group	Land And Buildings £'000	Other £'000
Operating leases which expire:		
Within one year	3	161
In two to five years	52	281
Over five years	<u>32</u>	<u>-</u>


NOTES TO THE ACCOUNTS
Period ended 30 September 1998
17. PENSION SCHEME

The group contributes to a group personal pension plan for certain employees, the costs of which are expensed as they are incurred.

18. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Period from 9 November 1997 to 30 September 1998 £'000	Period from 2 October 1997 to 8 November 1997 £'000
Operating profit/loss	775	(26)
Depreciation	383	-
Profit on sale of fixed assets	(10)	-
Decrease in stock	2	-
Decrease in debtors	1,739	-
Decrease in creditors relating to operating activities	(3,363)	(3,977)
	<u>(474)</u>	<u>(4,003)</u>

19. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	Period from 9 November 1997 to 30 September 1998 £'000	Period from 2 October 1997 to 8 November 1997 £'000
Returns on investments and servicing of finance		
Interest received	71	2
Interest paid	(463)	-
Dividend paid	(2)	-
	<u>(394)</u>	<u>2</u>
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(365)	-
Receipts from the sale of tangible fixed assets	21	-
	<u>(344)</u>	<u>-</u>
Acquisitions and disposals		
Acquisition of a subsidiary	-	1,261
Net cash acquired with subsidiary	-	(94)
Investment in ESOP	(10)	-
Payment made after adjustment to original purchase price of subsidiary	(16)	-
	<u>26</u>	<u>1,167</u>



NOTES TO THE ACCOUNTS
Period ended 30 September 1998

20. ANALYSIS OF CHANGES IN NET DEBT

	At 9 November 1997 £'000	Cash flows £'000	Other non-cash movements £'000	At 30 September 1998 £'000
Cash in hand and at bank	2,311	(1,238)	-	1,073
Debt due in less than one year	-	-	(287)	(287)
Debt due after more than one year	(7,094)	155	287	(6,652)
	<u>(4,783)</u>	<u>(1,083)</u>	<u>-</u>	<u>(5,866)</u>

21. RELATED PARTY TRANSACTIONS

The company is taking advantage of the exemption granted by paragraph 3(a) of Financial Reporting Standard No. 8, 'Related Party Transactions', not to disclose transactions with group companies that are related parties.