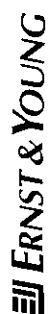


The Laybond Group Limited

Report and Financial Statements

For the year ended 31 March 2005

 ERNST & YOUNG

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The Laybond Group Limited

Registered No: 4026996

Directors

T C F Simpson (Chairman)
R Ewing
P C Thomson
C T Murphy
D K Snellgrove
S M Dinnen (Non-executive)

Secretary

P C Thomson

Auditors

Ernst & Young LLP
100 Barbirolli Square
Manchester
M2 3EY

Bankers

HSBC
47 Eastgate Street
Chester
CH1 1XW

Lawyers

Dickson Minto
Royal London House
22/25 Finsbury Square
London
EC2A 1DX

Registered Office

Riverside
Saltney
Chester
CH4 8RS

Directors' report

The directors present their annual report and the audited group financial statements for the year ended 31 March 2005.

Principal activities and review of the business

The principal activities of the group are the manufacture of adhesives, smoothing compounds and bituminous products.

The principal activity of the company is a holding company.

The Directors considered the results for the year and the financial position at 31 March 2005 to be satisfactory in the light of difficult trading conditions in the roofing sector, rising material costs and some commodity shortages. They believe the Group will continue to grow its core business in the next financial year.

Results and dividends

The profit after tax for the year ended 31 March 2005 is £92,000 (2004: loss of £244,000). The directors do not recommend payment of a dividend (2004: £nil).

The profit after tax is after an exceptional profit of £387,000 which relates to the sale of the Wolff trademark and Flexitec plant.

Research and development

During the year the group invested £499,000 (2004: £429,000) in research and development of new and improved products and processes and in industry specific applications and solutions.

Future developments and post balance sheet events

The group will continue its policy to develop new products and processes to maintain and improve its competitiveness in the market place.

Directors and their interests

The directors who held office during the year and their interests in the share capital of the company at the year end are as follows:

	2005	2004
	£	£
	<i>1p ordinary shares</i>	<i>1p ordinary shares</i>
T C F Simpson (Chairman)	15,798	15,798
R Ewing	59,000	59,000
P C Thomson	53,825	53,825
R D Teagle	25,000	37,800
C T Murphy	38,950	38,950
S M Dinnen	-	-
D K Snellgrove	24,800	12,000

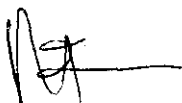
R D Teagle resigned from office on 29 June 2004.

Directors' report

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board



P C Thomson
Secretary

Date: 16th June 2005

Statement of directors' responsibilities in respect of the financial statements

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 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; and
- 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 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.

Independent auditors' report

to the members of The Laybond Group Limited

We have audited the company's financial statements for the period ended 31 March 2005 which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Consolidated Balance Sheet, Company Balance Sheet, Group Statement of Cash Flows and the related notes 1 to 26. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

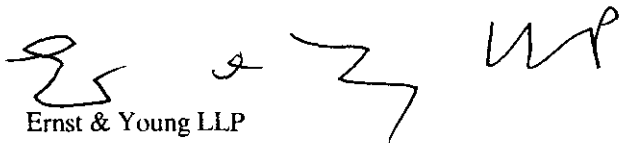
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Independent auditors' report

to the members of The Laybond Group Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 March 2005 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Liverpool

17/6/05

Consolidated profit and loss account

For the year ended 31 March 2005

	Notes	2005 £'000	2004 £'000
Turnover	2	21,187	21,519
Cost of sales		(14,721)	(14,849)
Gross profit		6,466	6,670
Distribution costs		(3,503)	(3,646)
Administration expenses		(2,065)	(1,878)
Operating profit	3	898	1,146
Profit/(loss) on disposal of fixed assets	5	387	(226)
Profit before interest and taxation		1,285	920
Interest payable and similar charges	6	(911)	(932)
Profit/(loss) on ordinary activities before taxation		374	(12)
Tax on profit/(loss) on ordinary activities	7	(282)	(232)
Retained profit/(loss) for the financial year	19	92	(244)

Statement of total recognised gains and losses

for the year ended 31 March 2005

		2005 £'000	2004 £'000
Profit/(loss) for the financial year		92	(244)
Revaluation surplus	19	-	287
Total recognised gain		92	43

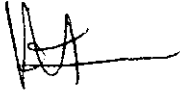
Group balance sheet

At 31 March 2005

	Notes	2005 £'000	2004 £'000
Fixed assets			
Intangible assets	9	8,042	8,585
Tangible assets	10	3,716	3,982
		<u>11,758</u>	<u>12,567</u>
Current assets			
Stocks	12	1,574	1,972
Debtors	13	2,189	2,947
Cash at bank and in hand		791	598
		<u>4,554</u>	<u>5,517</u>
Creditors: amounts falling due within one year	14	(5,550)	(6,463)
		<u>(996)</u>	<u>(946)</u>
Net current liabilities			
Total assets less current liabilities		<u>10,762</u>	<u>11,621</u>
Creditors: amounts falling due after more than one year	15	(10,187)	(10,961)
Deferred income			
Investment grants	16	(188)	(196)
Provisions for liabilities and charges	17	(564)	(533)
		<u>(177)</u>	<u>(69)</u>
Net liabilities			
Capital and reserves			
Called up share capital	18,19	14	15
Share premium account	19	241	241
Revaluation reserve	19	435	435
Capital redemption reserve	19	1	-
Profit and loss account	19	(868)	(760)
		<u>(177)</u>	<u>(69)</u>
Equity shareholders' funds	19	<u>(177)</u>	<u>(69)</u>

Approved by the Board on 16 June 2005


R Ewing
Director


P C Thomson
Director

Company balance sheet

At 31 March 2005

	Notes	2005 £'000	2004 £'000
Fixed assets			
Investments	11	19,257	19,257
Current assets			
Cash at bank and in hand		1	1
		1	1
Creditors: amounts falling due within one year	14	(9,135)	(12,160)
Net current liabilities		(9,134)	(12,159)
Total assets less current liabilities		10,123	7,098
Creditors: amounts falling due after more than one year	15	(10,187)	(10,961)
Net liabilities		(64)	(3,863)
Capital and reserves			
Called up share capital	18,19	14	15
Share premium account	19	241	241
Capital redemption reserve	19	1	-
Profit and loss account	19	(320)	(4,119)
Equity shareholders' funds		(64)	(3,863)

Approved by the Board on 16th June 2005


R Ewing
Director


P C Thomson
Director

Group statement of cash flows

For the year ended 31 March 2005

	Notes	2005 £'000	2004 £'000
Net cash inflow from operating activities	26(a)	2,526	2,629
Returns on investments and servicing of finance			
Interest paid		(922)	(884)
Tax paid		(271)	(404)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(170)	(231)
Proceeds on disposal of tangible fixed assets		-	275
Costs incurred on disposal of fixed assets	26(d)	(2)	(165)
Proceeds on disposal of intangible fixed assets		197	-
		25	(121)
Net cash inflow before financing		1,358	1,220
Financing			
Long term bank loan repayments		(1,166)	(1,100)
Net cash outflow from financing		(1,166)	(1,100)
Decrease in cash for the period	26(b)	192	120

The proceeds on disposal of fixed assets of £275,000 in 2004 and the costs incurred as a result of the sale of these assets are directly related to the exceptional item disclosed in the 2004 consolidated profit and loss account.

Notes to the accounts

at 31 March 2005

1. Accounting policies

Accounting convention

The accounts are prepared under the historical cost convention, modified to include the revaluation of certain freehold land and buildings.

Basis of consolidation

The group accounts consolidate the accounts of Laybond Group Limited and its subsidiary undertakings. The accounting reference date of all the companies in the group is 31 March. Results for the period ended on the accounting date are included in the group results in full, except where subsidiaries are acquired during the period when results are included from the date of acquisition.

Goodwill

In accordance with FRS 10, goodwill arising on acquisitions is capitalised and written off over 20 years.

Know how

Know how is capitalised on acquisition and reviewed for impairment on annual basis.

Depreciation

All fixed assets are initially recorded at cost.

Freehold land and buildings are periodically revalued with the revaluation surplus being taken to the revaluation reserve.

An amount equal to the excess of the annual depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

Depreciation is provided on all tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land or assets in the course of construction. The principal annual rates used for other assets are:

Freehold buildings	2.5% per annum
Plant, machinery and motor vehicles	10-25% per annum
Fixtures and fittings	20% per annum
Tools and equipment	20% per annum

The carrying values of assets are revalued for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Investment grants

Investment grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account over the expected useful lives of the relevant assets by equal annual instalments.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials and goods for resale	Purchase cost on a first in, first – out basis
Finished goods	Cost of direct materials and labour plus attributable overheads based on a normal level of activity

Notes to the accounts

at 31 March 2005

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Research and development

Expenditure on research and development is charged to the profit and loss account as incurred.

Foreign currencies

Transactions denominated in foreign currencies are recorded in sterling at the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates ruling at 31 March, or the contracted rate. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is dealt with through the profit and loss account.

Operating leases

Operating lease payments are charged to the profit and loss account on a straight line basis over the lease term.

Pension cost

The group operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

2. Turnover

Turnover represents the invoice value, exclusive of VAT. All of the group's turnover arises from continuing operations. Its geographical distribution is as follows:

	2005 £'000	2004 £'000
United Kingdom	19,627	19,766
Rest of Europe	1,124	1,063
Other	436	690
	<u>21,187</u>	<u>21,519</u>

Notes to the accounts

at 31 March 2005

3. Operating profit

	2005 £'000	2004 £'000
Operating profit is stated after charging/(crediting)		
Auditors' remuneration: Audit	18	18
Other	5	7
Depreciation – owned assets	428	457
Amortisation of goodwill	518	518
Impairment of intangible fixed asset	25	-
Operating lease rentals- in respect of plant & machinery	323	301
Research and development	499	429
Loss/(profit) on foreign exchange transactions	7	(12)
Investment grants	(8)	(9)
	<u> </u>	<u> </u>

4. Directors and employees

Directors' remuneration

Directors' emoluments during the period were as follows:

	2005 £'000	2004 £'000
Emoluments	285	332
Pension fund contributions	27	32
Fees	20	20
	<u> </u>	<u> </u>
	332	384
	<u> </u>	<u> </u>

The number of directors to whom net retirement benefits are accruing under defined contribution pension schemes is 4 (2004: 4).

The emoluments of the highest paid director were as follows:

	2005 £'000	2004 £'000
Remuneration including benefits in kind	78	75
Company contributions to defined contribution pension schemes	9	9
	<u> </u>	<u> </u>
	87	84
	<u> </u>	<u> </u>

Notes to the accounts

at 31 March 2005

4. Directors and employees (continued)

Employees

Total employee costs were:

	2005 £'000	2004 £'000
Salaries and wages	3,000	3,051
Social security costs	302	310
Pension costs	256	211
	<u>3,558</u>	<u>3,572</u>

The average number of persons employed by the group (including directors) during the period were:

	2005 No	2004 No
Administration	25	25
Other	98	112
	<u>123</u>	<u>137</u>

5. Exceptional item

	2005 £'000	2004 £'000
Loss on disposal of land & buildings	-	(226)
Profit on disposal of plant & machinery	190	-
Profit on disposal of trademark	197	-
	<u>387</u>	<u>(226)</u>

The tax effect of the above item is a capital profit of £116,000.

6. Interest payable and similar charges

	2005 £'000	2004 £'000
Bank overdraft	11	-
Bank loans	376	400
Other loans	490	490
Amortisation of loan issue costs	34	42
	<u>911</u>	<u>932</u>

Notes to the accounts

at 31 March 2005

7. Tax on profit on ordinary activities

(a) Current year tax charge

	2005 £'000	2004 £'000
Corporation tax – current year charge	287	257
Corporation tax – prior year	(51)	14
Deferred tax (note 17)	46	(48)
	<u>282</u>	<u>223</u>

(b) Factors affecting the tax charge for the year

	2005 £'000	2004 £'000
(Loss)/profit before tax	374	(12)
Expected tax credit / (charge) at 30%	(112)	4
Actual tax charge	236	(271)
Difference	<u>124</u>	<u>275</u>
Explained by:		
Permanent differences	187	213
Capital allowances in advance of depreciation	(13)	43
Adjustments in respect of previous periods	(51)	14
Other short term timing differences	1	5
	<u>124</u>	<u>275</u>

(c) Factors affecting taxation in future years

No deferred tax asset has been recognised in respect of the unrealised surplus on remaining property revaluations in Laybond Products Limited, a subsidiary of The Laybond Group Limited, as there was no binding commitment to sell the remaining property at the balance sheet date.

No deferred tax asset has been recognised in respect of tax losses of £45,000 in The Laybond Group Limited as sufficient taxable profits are not expected to arise in the foreseeable future to enable the losses to reverse.

Notes to the accounts

at 31 March 2005

8. Profit attributable to shareholders

In accordance with Section 230(1) Companies Act 1985, the company is not required to publish its own profit and loss account. The consolidated profit and loss account reflects the trading activities of the company and its wholly owned subsidiaries. The profit for the year dealt with in the accounts of the parent company was £3,999,000 (2004: loss - £986,000).

9. Intangible fixed assets

<i>Group</i>	<i>Goodwill £'000</i>	<i>Know how £'000</i>	<i>Total £'000</i>
Cost:			
At 1 April 2004 and at 31 March 2005	10,369	41	10,410
Amortisation:			
At 1 April 2004	1,825	-	1,825
Provided during the year	518	-	518
Impairment charge	-	25	25
At 31 March 2005	2,343	25	2,343
Net book value:			
At 31 March 2005	8,026	16	8,042
At 31 March 2004	8,544	41	8,585

Goodwill is being written off in equal annual instalments, over its estimated economic life of 20 years.

Notes to the accounts

For the year ended 31 March 2005

10. Tangible fixed assets

	<i>Freehold land and buildings</i>	<i>Assets under construction</i>	<i>Plant, machinery and motor vehicles</i>	<i>Fixtures, fittings, tools and equipment</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost or valuation:					
At 1 April 2004	2,200	63	9,523	1,010	12,796
Additions	-	19	151	-	170
Disposals	-	-	(231)	-	(231)
Reclassifications	-	(68)	68	-	-
At 31 March 2005	2,200	14	9,511	1,010	12,735
Depreciation:					
At 1 April 2004	-	-	8,031	783	8,814
Charge for the year	29	-	301	98	428
Disposals	-	-	(223)	-	(223)
At 31 March 2005	29	-	8,109	881	9,019
Net book value:					
At 31 March 2005	2,171	14	1,402	129	3,716
At 31 March 2004	2,200	63	1,492	227	3,982

Freehold land and buildings were externally revalued to £2,200,000 at 31 March 2004 on an existing use basis. Edward Symons & Partners, consultant surveyors and valuers carried out the valuation.

On the historical cost basis, freehold land and buildings would have been included as follows:

	<i>2005</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>
Cost	1,818	1,818
Accumulated depreciation	(1,414)	(1,378)
	404	440

Notes to the accounts

For the year ended 31 March 2005

11. Fixed asset investments

Company

Shares in
subsidiary
undertakings
£'000

Cost:

At 1 April 2004 and 31 March 2005

19,257

The company's subsidiaries and the class and proportion of shares held are as follows:

	Principal activities	Country of registration	Class of shares held	Proportion held
Laybond Products Limited	Building industry products	England	Ordinary and deferred	100%
Vapotherm (UK) Limited	Dormant	England	Ordinary and deferred	100%
Plycol Limited (formerly Laybond Products Limited)	Dormant	England	Ordinary	100%

Vapotherm (UK) Limited and Plycol Limited are held indirectly through Laybond Products Limited.

12. Stocks

	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
Raw materials and consumables	737	-	874	-
Finished goods and goods for resale	837	-	1,098	-
	<u>1,574</u>	<u>-</u>	<u>1,972</u>	<u>-</u>

13. Debtors

	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
Trade debtors	2,048	-	2,810	-
Other debtors	4	-	20	-
Prepayments and accrued income	137	-	117	-
	<u>2,189</u>	<u>-</u>	<u>2,947</u>	<u>-</u>

Notes to the accounts

For the year ended 31 March 2005

14. Creditors: amounts falling due within one year

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>2005</i>	<i>2005</i>	<i>2004</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Bank loans (note 15)	1,475	1,475	1,867	1,867
Trade creditors	2,908		3,386	-
Amounts owed to group undertakings	-	7,413	-	10,035
Corporation tax	13	-	71	-
Other taxation and social security costs	429	-	485	-
Accruals and deferred income	698	247	603	258
Other creditors	27	-	51	-
	<u>5,550</u>	<u>9,135</u>	<u>6,463</u>	<u>12,160</u>

15. Creditors: amounts falling due after more than one year

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>2005</i>	<i>2005</i>	<i>2004</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Banks loans	3,187	3,187	3,961	3,961
Other loans	7,000	7,000	7,000	7,000
	<u>10,187</u>	<u>10,187</u>	<u>10,961</u>	<u>10,961</u>

The maturity of these amounts is as follows:

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>2005</i>	<i>2005</i>	<i>2004</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Amounts payable:				
within one year - bank loans	1,475	1,475	1,867	1,867
within one to two years - bank loans	3,187	3,187	1,474	1,474
within two to five years - bank loans	-	-	2,487	2,487
- other loans	7,000	7,000	7,000	7,000
	<u>11,662</u>	<u>11,662</u>	<u>12,828</u>	<u>12,828</u>
Less: included in creditors:				
amounts falling due within one year	(1,475)	(1,475)	(1,867)	(1,867)
	<u>10,187</u>	<u>10,187</u>	<u>10,961</u>	<u>10,961</u>

Notes to the accounts

For the year ended 31 March 2005

15. Creditors: amounts falling due after more than one year (continued)

The bank loans comprise senior debt and a revolving credit facility. Interest is charged on the revolving credit facility at LIBOR plus a fixed margin of 1.5% and variable cost.

The senior loan is due for repayment by 31 March 2007 in variable instalments payable six-monthly with a bullet repayment on 31 March 2007. Interest is charged at LIBOR plus a fixed margin of 1.5%.

Other loans comprise loan notes from Close Brothers Private Equity Limited.

16. Deferred income

	Group £000	Company £000
<i>Investment grants</i>		
At 1 April 2004	196	196
Transferred to profit and loss account	(8)	(8)
At 31 March 2005	188	188

17. Provisions for liabilities and charges

Group	Operating provisions £'000	Deferred taxation £'000	Total £'000
At 1 April 2004	15	518	533
Transferred to profit and loss account	(15)	46	(15)
At 31 March 2005	-	564	518

The operating provisions are mainly in respect of potential liabilities of the group.

Deferred taxation provided in the accounts is as follows:

	2005 £'000	2004 £'000
Accelerated capital allowances	569	527
Other short term timing differences	(5)	(9)
	564	518

Notes to the accounts

For the year ended 31 March 2005

18. Called up share capital

	<i>Authorised</i>	
	<i>2005</i>	<i>2004</i>
	<i>No.</i>	<i>No.</i>
Ordinary shares of 1p each	236,968	236,698
A shares of 1p each	1,342,824	1,342,824
	<u>1,579,792</u>	<u>1,579,792</u>

	<i>Allotted, called up and fully paid</i>	
	<i>No.</i>	<i>£'000</i>
	<i>2005</i>	<i>2004</i>
Ordinary shares of 1p each	235,773	2
A shares of 1p each	1,216,441	12
	<u>1,452,214</u>	<u>14</u>

Subject to rights attaching to the holders of deferred shares, profits or capital and assets on a winding up or other return of capital shall be distributed to equity shareholders pro rata as if they constituted one class of share.

Equity shares attract one vote per share. In other circumstances, the A1 shares and the A2 shares shall constitute one class of shares and the A shares and the ordinary shares shall constitute one class of share.

On 15 December 2004 126,383 class A shares were bought back from Streamline (UK) Limited for a consideration of £200,000. The revised issued share capital of the company at the date of these financial statements is 1,452,214 ordinary shares.

Notes to the accounts

For the year ended 31 March 2005

19. Reconciliation of shareholders' funds and movements on reserves

<i>Group</i>	<i>Share capital £'000</i>	<i>Share premium £'000</i>	<i>Revaluation reserve £000</i>	<i>Profit & loss account £'000</i>	<i>Capital redemption reserve £'000</i>	<i>Total shareholders' funds £'000</i>
At 1 April 2003	15	241	148	(516)	-	(112)
Surplus on revaluation	-	-	287	-	-	287
Loss for the year	-	-	-	(244)	-	(244)
At 31 March 2004	15	241	435	(760)	-	(69)
Profit for the year	-	-	-	92	-	92
Purchase of own shares	-	-	-	(200)	-	(200)
Reduction in share capital	(1)	-	-	-	1	-
At 31 March 2005	14	241	435	(868)	1	(177)

<i>Company</i>	<i>Share Capital £'000</i>	<i>Share premium £'000</i>	<i>Profit & loss account £'000</i>	<i>Capital redemption reserve</i>	<i>Total share holders' funds £'000</i>
At 1 April 2003	15	241	(3,133)	-	(2,877)
Loss for the year	-	-	(986)	-	(986)
At 31 March 2004	15	241	(4,119)	-	(3,863)
Profit for the year	-	-	3,999	-	3,999
Purchase of own shares	-	-	(200)	-	(200)
Reduction in share capital	(1)	-	-	1	-
At 31 March 2005	14	241	(320)	1	(64)

20. Capital commitments

At 31 March 2005 the Board had authorised capital commitments of £15,200 (2004: £26,000).

21. Contingent liabilities

The company has cross guarantees in respect of bank arrangements with subsidiary undertakings, which arise in the normal course of business.

The bank holds a debenture over certain assets and land owned by the group.

Notes to the accounts

For the year ended 31 March 2005

22. Financial commitments

At 31 March 2005 the group had annual commitments under non-cancellable operating leases as follows, none of which relate to land and buildings:

	2005 £'000	2004 £'000
Expiring within one year	27	17
Expiring between two and five years inclusive	241	195
	<u>268</u>	<u>212</u>

23. Pension costs

The company operates a defined contribution pension scheme, The Laybond Group personal pension scheme, for its directors and employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The unpaid contributions outstanding at the year end, included in other creditors are £25,136 (2004: £24,454).

24. Related party transactions

The company has taken exemption under Financial Reporting Standard No 8 from disclosure of intra group transactions and balances as these are eliminated on consolidation in the financial statements.

25. Controlling party

The directors consider Close Brothers Private Equity to be the ultimate controlling party.

26. Notes to the group cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities

	31 March 2005 £'000	31 March 2004 £'000
Operating profit	898	1,146
Depreciation and amortisation charges	946	975
Impairment of intangible fixed asset	25	-
Decrease/(increase) in stocks	398	(178)
Decrease in debtors	758	515
(Decrease)/increase in creditors	(476)	189
Decrease in deferred income and other provisions	(23)	(18)
Net cash inflow from operating activities	<u>2,526</u>	<u>2,629</u>

Notes to the accounts

At 31 March 2005

26. Notes to the group cash flow statement (continued)

(b) Analysis of changes in net debt

	<i>At 1 April 2004 £000</i>	<i>Cash flow £000</i>	<i>Non-cash movement £000</i>	<i>At 31 March 2005 £000</i>
Cash at bank and in hand	598	192	-	791
	598	192	-	791
Bank loan & other loans due within one year	(1,867)	392	-	(1,475)
Bank loan & other loans due after more than one year	(10,961)	774	-	(10,187)
Total	(12,230)	1,358	-	(10,872)

(c) Reconciliation of net cash flow to movement in net debt

	<i>2005 £000</i>	<i>2004 £000</i>
Increase in cash in the year	192	120
Cash outflow from decrease in debt	1,166	1,100
Changes in debt resulting from cashflows	1,358	1,220
Other non cash movements	-	(42)
Changes in net debt	1,358	1,178
Net debt at 1 April 2004	(12,230)	(13,408)
Net debt at 31 March 2005	(10,872)	(12,230)

(d) Material non cash transaction

As discussed in note 18, during the year the group repurchased 126,283 of its class A shares. The agreed consideration for this purchase was £200,000.

Simultaneously the group sold fixed assets with a net book value of £8,041 to the holder of the class A shares, also for consideration of £200,000.

The group incurred cash costs of £2,000 on the sale of the fixed assets.

Both parties agreed that the consideration for the purchase of own shares would be offset against the consideration for the sale of fixed assets, hence no cash changed hands as a result of these transactions.