


The Laybond Group Limited

Report and Financial Statements

For the year ended 31 March 2004

 **ERNST & YOUNG**



The Laybond Group Limited

Registered No: 4026996

Directors

T C F Simpson (Chairman)
R Ewing
P C Thomson
C T Murphy
D K Snellgrove (appointed 22 April 2003)
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 2004.

Principal activities and review of the business

The principal activities of the group are the manufacture of adhesives, smoothing compounds and packed 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 2004 to be satisfactory in the light of difficult trading conditions in the roofing sector and some overseas markets. They believe the Group is well placed to grow its core business in the next financial year.

Results and dividends

The loss after tax for the year ended 31 March 2004 is £244,000 (2003: profit £240,000). The directors do not recommend payment of a dividend (2003: £nil).

The loss after tax was after an exceptional loss of £226,000 on the sale of part of the Riverside site in March 2004, including the costs of relocating the plant on to the remaining site. The logistical and cost benefits of this will accrue in 2004/5.

Research and development

During the year the group invested £429,000 (2003: £398,000) 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.

On 8 April 2004, the group sold the "Wolff" trademark.

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:

	2004	2003
	£	£
	<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	37,800	37,800
C T Murphy	38,950	38,950
S M Dinnen	-	-
D K Snellgrove	12,000	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: 24 January 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 of the profit or loss of the company 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 company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and 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.

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 2004 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 27. 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.

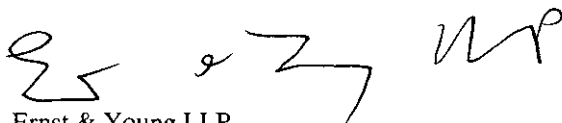
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 2004 and of the loss 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

26/1/05

Consolidated profit and loss account

For the year ended 31 March 2004

	Notes	2004 £'000	2003 £'000
Turnover	2	21,519	22,944
Cost of sales		(14,849)	(15,637)
Gross profit		6,670	7,307
Distribution costs		(3,646)	(3,863)
Administration expenses		(1,878)	(1,863)
Operating profit	3	1,146	1,581
Loss on disposal of tangible fixed assets	5	(226)	-
Interest payable and similar charges	6	(932)	(992)
(Loss) / profit on ordinary activities before taxation		(12)	589
Tax on profit on ordinary activities	7	(232)	(349)
Retained (loss)/profit for the financial year	19	(244)	240

Statement of total recognised gains and losses

for the year ended 31 March 2004

		2004 £'000	2003 £'000
(Loss)/profit for the financial year		(244)	240
Revaluation surplus	19	287	-
Total recognised gain		43	240

Group balance sheet

At 31 March 2004

	Notes	2004 £'000	2003 £'000
Fixed assets			
Intangible assets	9	8,585	9,103
Tangible assets	10	3,982	4,258
		<u>12,567</u>	<u>13,361</u>
Current assets			
Stocks	12	1,972	1,794
Debtors	13	2,947	3,462
Cash at bank and in hand		598	478
		<u>5,517</u>	<u>5,734</u>
Creditors: amounts falling due within one year	14	(6,463)	(6,084)
		<u>(946)</u>	<u>(350)</u>
Net current liabilities			
		<u>11,621</u>	<u>13,011</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	15	(10,961)	(12,328)
Deferred income			
Investments grants	16	(196)	(205)
Provisions for liabilities and charges	17	(533)	(590)
		<u>(69)</u>	<u>(112)</u>
Net liabilities			
Capital and reserves			
Called up share capital	18,19	15	15
Share premium account	19	241	241
Revaluation reserve	19	435	148
Profit and loss account	19	(760)	(516)
		<u>(69)</u>	<u>(112)</u>
Equity shareholders' funds	19		

Approved by the Board on 24 January 2005

R Ewing

R Ewing
Director

P C Thomson

P C Thomson
Director

Company balance sheet

At 31 March 2004

	Notes	2004 £'000	2003 £'000
Fixed assets			
Investments	11	19,257	19,257
Current assets			
Debtors	13	-	2
Cash at bank and in hand		1	1
		1	3
Creditors: amounts falling due within one year	14	(12,160)	(9,809)
Net current liabilities		(12,159)	(9,806)
Total assets less current liabilities		7,098	9,451
Creditors: amounts falling due after more than one year	15	(10,961)	(12,328)
Net liabilities		(3,863)	(2,877)
Capital and reserves			
Called up share capital	18,19	15	15
Share premium account	19	241	241
Profit and loss account	19	(4,119)	(3,133)
Equity shareholders' funds		(3,863)	(2,877)

Approved by the Board on 24 January 2005

R Ewing
Director

P C Thomson
Director

Group statement of cash flows

For the year ended 31 March 2004

	Notes	2004 £'000	2003 £'000
Net cash inflow from operating activities	26(a)	2,629	2,480
Returns on investments and servicing of finance			
Interest paid		(884)	(992)
Tax paid		(404)	(347)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(231)	(323)
Proceeds on disposal of tangible fixed assets		275	122
Costs incurred in sale of tangible fixed assets		(165)	-
		(121)	(201)
Net cash inflow before financing		1,220	940
Financing			
Issue of share capital		-	2
Long term bank loan repayments		(1,100)	(955)
Net cash outflow from financing		(1,100)	(953)
Decrease in cash for the period	26(b)	120	(13)

The proceeds on disposal of fixed assets (£275,000) and cost incurred as a result of the sale of these assets (£165,000) are directly related to the exceptional item disclosed in the consolidated profit and loss account.

Notes to the accounts

at 31 March 2004

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 2004

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:

	2004 £'000	2003 £'000
United Kingdom	19,766	21,358
Rest of Europe	1,063	1,194
Other	690	392
	<u>21,519</u>	<u>22,944</u>

Notes to the accounts

at 31 March 2004

3. Operating profit

	2004 £'000	2003 £'000
Operating profit is stated after charging/(crediting)		
Auditors' remuneration: Audit	18	17
Other	7	7
Depreciation – owned assets	457	479
Amortisation of goodwill	518	518
Operating lease rentals- in respect of plant & machinery	301	437
Research and development	429	398
(Profit)/loss on foreign exchange transactions	(12)	6
Investment grants	(9)	(10)
Profit on sale of fixed asset	-	(62)
	<u> </u>	<u> </u>

4. Directors and employees

Directors' remuneration

Directors' emoluments during the period were as follows:

	2004 £'000	2003 £'000
Emoluments	332	324
Pension fund contributions	32	31
Fees	20	20
	<u> </u>	<u> </u>
	384	375
	<u> </u>	<u> </u>

The number of directors to whom net retirement benefits are accruing under defined contribution pension schemes is 5 (2003: 5).

The emoluments of the highest paid director were as follows:

	2004 £'000	2003 £'000
Remuneration including benefits in kind	75	78
Company contributions to defined contribution pension schemes	9	8
	<u> </u>	<u> </u>
	84	86
	<u> </u>	<u> </u>

Notes to the accounts

at 31 March 2004

4. Directors and employees (continued)

Employees

Total employee costs were:

	2004 £'000	2003 £'000
Salaries and wages	3,051	3,201
Social security costs	310	293
Pension costs	211	274
	<u>3,572</u>	<u>3,768</u>

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

	2004 No	2003 No
Administration	25	26
Other	112	121
	<u>137</u>	<u>147</u>

5. Exceptional Item

	2004 £'000	2003 £'000
Loss on disposal of land and buildings	226	-
	<u>226</u>	<u>-</u>

The tax effect of the above item is a capital loss of £61,000.

6. Interest payable and similar charges

	2004 £'000	2003 £'000
Bank overdraft	-	5
Bank loans	400	497
Other loans	490	490
Amortisation of loan issue costs	42	-
	<u>932</u>	<u>992</u>

Notes to the accounts

at 31 March 2004

7. Tax on profit on ordinary activities

(a) Current year tax charge

	2004 £'000	2003 £'000
Corporation tax – current year charge	257	340
Corporation tax – prior year	14	1
Deferred tax (note 18)	(48)	8
	<u>223</u>	<u>349</u>

(b) Factors affecting the tax charge for the year

	2004 £'000	2003 £'000
(Loss)/profit before tax	(12)	589
Expected tax credit / (charge) at 30%	4	(177)
Actual tax charge	(271)	(341)
Difference	<u>275</u>	<u>164</u>
Explained by:		
Permanent differences	213	173
Capital allowances in advance of depreciation	43	(10)
Adjustments in respect of previous periods	14	1
Other short term timing differences	5	-
	<u>275</u>	<u>164</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 capital losses £61,000 (2003: £nil) in Laybond Products Limited as no chargeable gains are expected to arise in the foreseeable future which would enable these losses to reverse.

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 2004

8. Loss 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 loss for the year dealt with in the accounts of the parent company, was £986,000 (2003: £1,116,000).

9. Intangible fixed assets

<i>Group</i>	<i>Goodwill £'000</i>	<i>Know how £'000</i>	<i>Total £'000</i>
Cost:			
At 1 April 2003 and 31 March 2004	10,369	41	10,410
Amortisation:			
At 1 April 2003	1,307	-	1,307
Provided during the year	518	-	518
At 31 March 2004	1,825	-	1,825
Net book value:			
At 31 March 2004	8,544	41	8,585
At 31 March 2003	9,062	41	9,103

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

Notes to the accounts

at 31 March 2004

10. Tangible fixed assets

<i>Group</i>	<i>Freehold land and buildings £'000</i>	<i>Assets under construction £'000</i>	<i>Plant, machinery and motor vehicles £'000</i>	<i>Fixtures, fittings, tools and equipment £'000</i>	<i>Total £'000</i>
Cost or valuation:					
At 1 April 2003	2,321	108	9,323	967	12,719
Additions	-	62	137	32	231
Disposals	(336)	-	-	-	(336)
Reclassifications	33	(107)	63	11	-
Surplus on revaluation	182	-	-	-	182
At 31 March 2004	2,200	63	9,523	1,010	12,796
Depreciation:					
At 1 April 2003	89	-	7,681	692	8,462
Charge for the year	16	-	350	91	457
Surplus on revaluation	(105)	-	-	-	(105)
At 31 March 2004	-	-	8,031	783	8,814
Net book value:					
At 31 March 2004	2,200	63	1,492	227	3,982
At 31 March 2003	2,232	108	1,642	276	4,258

Freehold land and buildings were revalued on an existing use basis on 31 March 2004. the valuation was carried out by external consultant surveyors Edward Symmons & Partners.

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

	<i>2004 £'000</i>	<i>2003 £'000</i>
Cost	1,818	2,008
Accumulated depreciation	(1,378)	(1,342)
	440	666

Notes to the accounts

at 31 March 2004

11. Fixed asset investments

Company

Shares in
subsidiary
undertakings
£'000

Cost:

At 1 April 2003 and 31 March 2004

19,257

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

	<i>Principal activities</i>	<i>Country of registration</i>	<i>Class of shares held</i>	<i>Proportion held</i>
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

	<i>Group 2004 £'000</i>	<i>Company 2004 £'000</i>	<i>Group 2003 £'000</i>	<i>Company 2003 £'000</i>
Raw materials and consumables	874	-	881	-
Finished goods and goods for resale	1,098	-	913	-
	<u>1,972</u>	<u>-</u>	<u>1,794</u>	<u>-</u>

13. Debtors

	<i>Group 2004 £'000</i>	<i>Company 2004 £'000</i>	<i>Group 2003 £'000</i>	<i>Company 2003 £'000</i>
Trade debtors	2,810	-	3,192	-
Other debtors	20	-	141	2
Prepayments and accrued income	117	-	129	-
	<u>2,947</u>	<u>-</u>	<u>3,462</u>	<u>2</u>

Notes to the accounts

at 31 March 2004

14. Creditors: amounts falling due within one year

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>2004</i>	<i>2004</i>	<i>2003</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade creditors	3,386	-	3,070	-
Amounts owed to group undertakings	-	10,035	-	7,999
Corporation tax	71	-	195	-
Other taxation and social security costs	485	-	429	-
Accruals and deferred income	603	258	749	252
Other creditors	51	-	83	-
Bank loans (note 15)	1,867	1,867	1,558	1,558
	<u>6,463</u>	<u>12,160</u>	<u>6,084</u>	<u>9,809</u>

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

	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>2004</i>	<i>2004</i>	<i>2003</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Banks loans	3,961	3,961	5,328	5,328
Other loans	7,000	7,000	7,000	7,000
	<u>10,961</u>	<u>10,961</u>	<u>12,328</u>	<u>12,328</u>

The maturity of these amounts is as follows:

		<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
		<i>2004</i>	<i>2004</i>	<i>2003</i>	<i>2003</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Amounts payable:					
within one year	- bank loans	1,867	1,867	1,558	1,558
within one to two years	- bank loans	1,474	1,474	1,366	1,366
within two to five years	- bank loans	2,487	2,487	3,962	3,962
	- other loans	7,000	7,000	7,000	7,000
		<u>12,828</u>	<u>12,828</u>	<u>13,886</u>	<u>13,886</u>
Less: included in creditors:					
amounts falling due within one year		(1,867)	(1,867)	(1,558)	(1,558)
		<u>10,961</u>	<u>10,961</u>	<u>12,328</u>	<u>12,328</u>

Notes to the accounts

at 31 March 2004

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 rate of 1.5%.

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

16. Deferred income

	<i>Group</i> £000	<i>Company</i> £000
Investment grants		
At 1 April 2003	205	-
Transferred to profit and loss account	(9)	-
At 31 March 2004	196	-

17. Provisions for liabilities and charges

	<i>Operating</i> <i>provisions</i> £'000	<i>Deferred</i> <i>taxation</i> £'000	<i>Total</i> £'000
At 1 April 2003	24	566	590
Transferred to profit and loss account (note 7)	(9)	(48)	(57)
At 31 March 2004	15	518	533

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

Deferred taxation provided in the accounts is as follows:

	<i>2004</i> £'000	<i>2003</i> £'000
Accelerated capital allowances	527	570
Other short term timing differences	(9)	(4)
	518	566

Notes to the accounts

at 31 March 2004

18. Called up share capital

	2004 No.	Authorised 2003 No.
Ordinary shares of 1p each	236,968	236,968
A shares of 1p each	1,342,824	1,342,824
	<u>1,579,792</u>	<u>1,579,792</u>

	No 2004	£'000 2004	Allotted, called up and fully paid No. 2003	£'000 2003
Ordinary shares of 1p each	235,773	2	235,773	2
A shares of 1p each	1,342,824	13	1,342,824	13
	<u>1,578,597</u>	<u>15</u>	<u>1,578,597</u>	<u>15</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.

Notes to the accounts

at 31 March 2004

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>Total shareholders' funds £'000</i>
At 1 April 2002	15	239	148	(756)	(354)
Profit for the year	-	-	-	240	240
Proceeds from issue of ordinary shares	-	2	-	-	2
At 31 March 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)

<i>Company</i>	<i>Share Capital £'000</i>	<i>Share premium £'000</i>	<i>Profit & loss account £'000</i>	<i>Total shareholders' funds £'000</i>
At 1 April 2002	15	239	(2,017)	(1,763)
Loss for the year	-	-	(1,116)	(1,116)
Proceeds from issue of ordinary shares	-	2	-	2
At 31 March 2003	15	241	(3,133)	(2,877)
Loss for the year	-	-	(986)	(986)
At 31 March 2004	15	241	(4,119)	(3,863)

20. Capital commitments

At 31 March 2004 the Board had authorised capital commitments of £26,000 (2003: £107,000).

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

at 31 March 2004

22. Financial commitments

At 31 March 2004 the group had annual commitments under non-cancellable operating leases as follows, none of which relate to land and buildings:

	2004 £'000	2003 £'000
Expiring within one year	17	328
Expiring between two and five years inclusive	195	453
	<u>212</u>	<u>781</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 on other creditors are £24,454 (2003: £24,354).

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 2004 £'000	31 March 2003 £'000
Operating profit	1,146	1,581
Depreciation and amortisation charges	975	998
Profit on sale of tangible fixed assets	-	(62)
(Increase)/decrease in stocks	(178)	171
Decrease in debtors	515	23
Increase/(decrease) in creditors	189	(236)
(Decrease)/increase in deferred income and other provisions	(18)	5
Net cash inflow from operating activities	<u>2,629</u>	<u>2,480</u>

Notes to the accounts

At 31 March 2004

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

(b) Analysis of changes in net debt

	<i>At 1 April 2003 £000</i>	<i>Cash flow £000</i>	<i>Non-cash movement £000</i>	<i>At 31 March 2004 £000</i>
Cash at bank and in hand	478	120	-	598
	<u>478</u>	<u>120</u>	<u>-</u>	<u>598</u>
Bank loan & other loans due within one year	(1,558)	(309)	-	(1,867)
Bank loan & other loans due after more than one year	(12,328)	1,409	(42)	(10,961)
	<u>(13,408)</u>	<u>1,220</u>	<u>(42)</u>	<u>(12,230)</u>
Total	(13,408)	1,220	(42)	(12,230)

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

	<i>2004 £000</i>	<i>2003 £000</i>
Increase in cash in the year	120	(13)
Cash outflow from decrease in debt	1,100	955
Changes in debt resulting from cashflows	<u>1,220</u>	<u>942</u>
Other non cash movements	(42)	-
Changes in net debt	<u>1,178</u>	<u>942</u>
Net debt at 1 April 2003	(13,408)	(14,350)
Net debt at 31 March 2004	<u>(12,230)</u>	<u>(13,408)</u>

The non-cash movement relates to amortisation of deferred finance costs.

27. Post Balance Sheet Event

On 8 April 2004, the group sold the "Wolff" trademark.