

**HOMAG U.K. LIMITED  
(FORMERLY JAYDEE  
(MACHINE SALES) LIMITED)**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 1998



Company no 1150111

**HOMAG U.K. LIMITED (FORMERLY JAYDEE (MACHINE SALES) LIMITED)**

**FINANCIAL STATEMENTS**

For the year ended 31 December 1998

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Company registration number:	1150111
Registered office:	The Old Exchange New Pond Road Holmer Green High Wycombe HP15 6SU
Directors:	Mr J D Wilkins Mr K Wilkins Mr H Oesterle
Secretary:	Mrs S Graely
Bankers:	Barclays Bank plc P O Box 39 St. Johns Court Easton Street High Wycombe HP11 2TS
Solicitors:	Morgan Cole Apex Plaza Forbury Road Reading RG1 1AX
Auditors:	Grant Thornton Registered Auditors Chartered Accountants Edinburgh House Windsor Road Slough SL1 2EE

**HOMAG U.K. LIMITED (FORMERLY JAYDEE (MACHINE SALES) LIMITED)**

**FINANCIAL STATEMENTS**

For the year ended 31 December 1998

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# **HOMAG U.K. LIMITED (FORMERLY JAYDEE (MACHINE SALES) LIMITED)**

## **REPORT OF THE DIRECTORS**

The directors present their report together with financial statements for the year ended 31 December 1998.

On 17 August 1998 the company changed its name from Jaydee (Machine Sales) Limited to Homag UK Limited.

### **Principal activities**

The company is principally engaged in buying, selling and repairing woodworking machinery.

### **Business review**

The directors are satisfied with the results for the year and look forward to an increased level of activity during 1999.

There was a profit for the year after taxation amounting to £292,409 (1997: profit £341,009). The cumulative redeemable preference shares are entitled to a payment of dividends of £22,847 (1997: £Nil). However due to the negative profit and loss of the company the company is unable to pay the dividend, it is therefore being accumulated and will be paid when the company is able to.

### **Directors**

The membership of the Board at the end of the year is set out below. All directors served throughout the year.

The interests of the directors and their families in the shares of the company as at 31 December 1998 and 1 January 1998, or the date of their appointment to the Board if later, were as follows:

	Ordinary shares		Preference shares	
	31 December 1998	1 January 1998	31 December 1998	1 January 1998
Mr J D Wilkins	6,900	6,900	-	25,000
Mr K Wilkins	1,500	1,500	-	-
Mr H Oesterle	-	-	-	-

No director had, during or at the end of the year, any material interest in a contract which was significant in relation to the company's business.

No rights exist for any of the directors to subscribe for shares in the company.

### **Acquisition of company's own shares**

1,827,778 Cumulative redeemable preference shares of £1 each, representing 99.5% of the company's called up share capital, were acquired during the year for a total consideration of £1,827,778 and cancelled. Cumulative redeemable preference shares were then issued for a consideration of £1,827,778 in order to restructure the group ownership of Homag UK Limited.

# **HOMAG U.K. LIMITED (FORMERLY JAYDEE (MACHINE SALES) LIMITED)**

## **REPORT OF THE DIRECTORS**

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### **The Year 2000**

Many computer systems which express dates using only the last two digits of the year may malfunction due to the date change to the Year 2000. The risk to the business relates not only to the company's computer systems, but also to some degree to those of our customers and suppliers.

The company have carried out extensive testing of the computer system to establish its level of Year 2000 compliance. The directors consider that all computer hardware will be compliant by 31 December 1999. The company is in the process of seeking information from its suppliers as to their level of Year 2000 compliance.

However given the inherent uncertainties implicit within the Year 2000 problem it is impossible to accurately determine the full impact of the Year 2000. The directors are of the opinion however that the going concern of the company is not in question.

### **The Euro**

The company has considered the impact of the Euro in both financial and operational terms, and does not consider that any disruption, or significant material costs are likely to be incurred by the company as a result of its introduction. Whilst the company already maintains multi currency capabilities, it does expect that the introduction of the Euro will have a diminishing effect on exchange differences.

### **Directors' responsibilities for 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
- 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 maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Auditors**

Grant Thornton having offered themselves for reappointment as auditors shall be deemed to be reappointed for the next financial year in accordance with section 386 of the Companies Act 1985.

**ON BEHALF OF THE BOARD**



Director

24 February 1999

## **REPORT OF THE AUDITORS TO THE MEMBERS OF**

### **HOMAG U.K. LIMITED (FORMERLY JAYDEE (MACHINE SALES) LIMITED)**

We have audited the financial statements on pages 4 to 18 which have been prepared under the accounting policies set out on pages 4 to 5.

#### **Respective responsibilities of directors and auditors**

As described on page 2 the company's directors are responsible for the preparation of the 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 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 the company's affairs as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS  
SLOUGH**

Date

25 February 1999

# **HOMAG U.K. LIMITED (FORMERLY JAYDEE (MACHINE SALES) LIMITED)**

## **PRINCIPAL ACCOUNTING POLICIES**

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### **BASIS OF PREPARATION**

The financial statements have been prepared under the historical cost convention.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

### **TURNOVER**

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts. Sales are recorded at the later of the delivery date and the invoice.

### **DEPRECIATION**

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives. The rates generally applicable are:

Freehold property	2%
Office and computer equipment	10% - 20%
Motor vehicles	20%

### **STOCKS**

Stocks are stated at the lower of cost and net realisable value.

Cost which is calculated on a first in first out basis comprises purchase price, transport and handling costs, less trade discounts.

Net realisable value means estimated selling price ( less trade discounts ) less all further costs to completion and all costs to be incurred in marketing, selling and distribution.

### **DEFERRED TAXATION**

Deferred tax is provided using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Debit balances arising in respect of advance corporation tax on dividends payable or proposed are carried forward to the extent that they are expected to be recoverable.

### **FOREIGN CURRENCIES**

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All other exchange differences are dealt with through the profit and loss account.

### **CONTRIBUTIONS TO PENSION FUNDS**

#### **Defined contribution scheme**

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

**HOMAG U.K. LIMITED (FORMERLY JAYDEE (MACHINE SALES) LIMITED)**

**PRINCIPAL ACCOUNTING POLICIES**

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**LEASED ASSETS**

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.



**HOMAG U.K. LIMITED (FORMERLY JAYDEE (MACHINE SALES) LIMITED)****PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 1998

	Note	1998 £	1997 £
<b>Turnover</b>	1	9,755,857	8,989,397
Cost of sales		(7,381,205)	(6,783,821)
Gross profit		2,374,652	2,205,576
Other charges		(890,787)	(815,103)
Administrative expenses		(1,142,506)	(1,044,505)
Other operating income		8,892	19,829
<b>Operating profit</b>		350,251	365,797
Net interest	2	(45,491)	(24,788)
<b>Profit on ordinary activities before taxation</b>	1	304,760	341,009
Tax on profit on ordinary activities	4	(12,351)	-
<b>Profit for the financial year</b>	13	292,409	341,009
Dividends (Non-equity)	5	(22,847)	-
<b>Profit transferred to reserves</b>		269,562	341,009

**STATEMENT OF RETAINED EARNINGS**

	1998 £	1997 £
At 1 January 1998	(1,265,962)	(1,606,971)
Retained profit for the year	269,562	341,009
Preference dividends not declared	22,847	-
At 31 December 1998	(973,553)	(1,265,962)

The accompanying accounting policies and notes form an integral part of these financial statements.

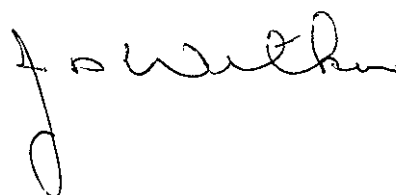
# HOMAG U.K. LIMITED (FORMERLY JAYDEE (MACHINE SALES) LIMITED)

BALANCE SHEET AT 31 DECEMBER 1998

	Note	1998 £	1998 £	1997 £	1997 £
<b>Fixed assets</b>					
Tangible assets	6		780,347		620,543
<b>Current assets</b>					
Stocks	7	1,302,451		1,186,045	
Debtors	8	1,104,085		933,869	
Cash at bank and in hand		809,463		408,871	
		<u>3,215,999</u>		<u>2,528,785</u>	
<b>Creditors: amounts falling due within one year</b>	9	<u>(2,735,149)</u>		<u>(2,108,739)</u>	
<b>Net current assets</b>			<u>480,850</u>		<u>420,046</u>
<b>Total assets less current liabilities</b>			<u>1,261,197</u>		<u>1,040,589</u>
<b>Creditors: amounts falling due after more than one year</b>	10		<u>(280,989)</u>		<u>(352,790)</u>
			<u>980,208</u>		<u>687,799</u>
<b>Capital and reserves</b>					
Called up share capital	11	1,837,778		1,837,778	
Revaluation reserve	12	115,983		115,983	
Profit and loss account		(973,553)		(1,265,962)	
<b>Shareholders' funds</b>	13	<u>980,208</u>		<u>687,799</u>	
Equity shareholders' funds			<u>(870,417)</u>		<u>(1,139,979)</u>
Non-equity shareholders' funds			<u>1,850,625</u>		<u>1,827,778</u>
			<u>980,208</u>		<u>687,799</u>

The financial statements were approved by the Board of Directors on 24 February 1999

Director



The accompanying accounting policies and notes form an integral part of these financial statements.

**HOMAG U.K. LIMITED (FORMERLY JAYDEE (MACHINE SALES) LIMITED)****CASH FLOW STATEMENT**

For the year ended 31 December 1998

	Note	1998 £	1997 £
Net cash inflow/(outflow) from operating activities	14	727,438	(277,695)
Returns on investments and servicing of finance			
Interest received		9,443	41,014
Interest paid		(52,631)	(71,327)
Finance lease interest paid		(2,303)	(4,914)
Net cash outflow from returns on investments and servicing of finance		(45,491)	(35,227)
Taxation		(10,087)	-
Investing activities			
Purchase of tangible fixed assets		(245,332)	(163,184)
Sale of tangible fixed assets		8,112	30,039
Net cash outflow from investing activities		(237,220)	(133,145)
Net cash inflow/(outflow) before financing		434,640	(446,067)
Financing			
Issue of shares		1,827,778	-
Repayment of borrowings		(23,350)	(24,050)
Purchase of own shares		(1,827,778)	-
Capital element of finance lease rentals		(10,698)	(31,055)
Net cash outflow from financing		(34,048)	(55,105)
Increase/(decrease) in cash and cash equivalents		400,592	(501,172)

The accompanying accounting policies and notes form an integral part of these financial statements.

**HOMAG U.K. LIMITED (FORMERLY JAYDEE (MACHINE SALES) LIMITED)**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

For the year ended 31 December 1998

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**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	1998 £	1997 £
<b>Profit for the financial year</b>	<b>292,409</b>	341,009
Unrealised deficit on revaluation of land and buildings	-	(173,018)
<b>Total recognised gains and losses for the year</b>	<b>292,409</b>	<b>167,991</b>

The accompanying accounting policies and notes form an integral part of these financial statements.

# HOMAG U.K. LIMITED (FORMERLY JAYDEE (MACHINE SALES) LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1998

### 1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and profit before taxation are attributable to one activity, which is carried out in a single geographical market.

The profit on ordinary activities is stated after:

	1998 £	1997 £
Auditors' remuneration	10,500	10,000
Depreciation and amortisation:		
Tangible fixed assets, owned	78,820	58,774
Tangible fixed assets, held under finance leases and hire purchase contracts	6,708	7,331
Other operating lease rentals	59,288	80,002

### 2 NET INTEREST

	1998 £	1997 £
On bank loans and overdrafts	52,631	60,929
Finance charges in respect of finance leases	2,303	4,914
	54,934	65,843
Other interest receivable and similar income	(9,443)	(41,055)
	45,491	24,788

### 3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	1998 £	1997 £
Wages and salaries	890,761	847,289
Social security costs	85,474	78,161
Other pension costs	17,792	17,085
	994,027	942,535

The average number of employees of the company during the year were as follows:

	1998 Number	1997 Number
Sales	15	15
Administration	5	4
Stores	3	3
Engineers	14	13
	37	35

# **HOMAG U.K. LIMITED (FORMERLY JAYDEE (MACHINE SALES) LIMITED)**

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1998

Remuneration in respect of directors was as follows:	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Emoluments	<b>133,020</b>	162,943
Pension contributions to money purchase pension schemes	<b>3,378</b>	1,628
	<b>136,398</b>	164,571
Compensation for loss of office	-	50,030
	<b>136,398</b>	214,601

During the year 2 directors (1997: 2) participated in money purchase pension schemes.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Emoluments	<b>70,162</b>	62,101

### **4 TAX ON PROFIT ON ORDINARY ACTIVITIES**

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
UK Corporation tax at 24% (1997: 25%)	<b>2,264</b>	-
Adjustment in respect of prior periods	<b>10,087</b>	-
	<b>12,351</b>	-

Unrelieved tax losses of approximately £900,000 (1997: £1,099,000) are available to offset against future taxable trading profits.

### **5 DIVIDENDS**

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Non-equity appropriations:		
5% cumulative redeemable preference shares	<b>22,847</b>	-

# **HOMAG U.K. LIMITED (FORMERLY JAYDEE (MACHINE SALES) LIMITED)**

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1998

### **6 TANGIBLE FIXED ASSETS**

	Freehold property £	Office and computer equipment £	Motor vehicles £	Total £
Cost or valuation				
At 1 January 1998	390,000	335,252	241,385	966,637
Additions	3,865	55,141	186,326	245,332
Disposals	-	(54,137)	(70,719)	(124,856)
At 31 December 1998	393,865	336,256	356,992	1,087,113
Depreciation				
At 1 January 1998	-	224,978	121,116	346,094
Provided in the year	3,977	34,228	47,323	85,528
Eliminated on disposals	-	(54,137)	(70,719)	(124,856)
At 31 December 1998	3,977	205,069	97,720	306,766
Net book amount at 31 December 1998	<u>389,888</u>	<u>131,187</u>	<u>259,272</u>	<u>780,347</u>
Net book amount at 31 December 1997	<u>390,000</u>	<u>110,274</u>	<u>120,269</u>	<u>620,543</u>

The figures stated above include assets held under finance leases and similar hire purchase contracts, as follows:

	Motor vehicles £
Net book amount at 31 December 1998	<u>17,561</u>
Net book amount at 31 December 1997	<u>24,269</u>

At 31 December 1997 the company's Freehold Property was revalued to £390,000.

# **HOMAG U.K. LIMITED (FORMERLY JAYDEE (MACHINE SALES) LIMITED)**

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1998

### **6 TANGIBLE FIXED ASSETS (continued)**

If the freehold property had not been revalued, it would have been included on the historical cost basis at the following amount:

	Freehold property £
Cost	342,583
Accumulated depreciation	78,343
Net book amount at 31 December 1998	<u>264,240</u>
Net book amount at 31 December 1997	<u>271,092</u>

No provision has been made in the deferred taxation account for the estimated corporation tax which would be payable on the disposal of the freehold property at this valuation because, in the opinion of the directors, this asset is unlikely to be disposed of in the foreseeable future.

### **7 STOCKS**

	1998 £	1997 £
Goods for resale	<u>1,302,451</u>	<u>1,186,045</u>

### **8 DEBTORS**

	1998 £	1997 £
Trade debtors	709,230	801,270
Amounts owed by group undertakings	92,834	-
Other debtors	18,846	5,000
Prepayments and accrued income	283,175	127,599
	<u>1,104,085</u>	<u>933,869</u>



**HOMAG U.K. LIMITED (FORMERLY JAYDEE (MACHINE SALES) LIMITED)****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1998

**9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1998 £	1997 £
Bank loan and overdrafts	65,377	23,164
Trade creditors	197,804	1,684,648
Amounts owed to group undertakings	1,979,792	-
Corporation tax	2,264	-
Social security and other taxes	401,776	331,970
Other creditors	45,889	30,841
Accruals and deferred income	36,009	27,418
Amounts due under finance leases	6,238	10,698
	<u>2,735,149</u>	<u>2,108,739</u>

**10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	1998 £	1997 £
Bank and other loans	280,989	346,552
Amounts due under finance leases	-	6,238
	<u>280,989</u>	<u>352,790</u>

**Bank loans**

The bank loan is secured by a fixed and floating charge over all the assets of the company. The bank loan is repayable by equal annual instalments over an 8 year period. Interest is payable at 3% over bank base rate.

**Borrowings are repayable as follows:**

	1998 £	1997 £
Within one year - Bank and other borrowings	65,377	23,164
Within one year - Finance leases	6,238	10,698
After one and within two years - Bank and other borrowings	260,043	346,552
After two and within five years - Bank and other borrowings	20,946	-
	<u>352,604</u>	<u>386,652</u>

# HOMAG U.K. LIMITED (FORMERLY JAYDEE (MACHINE SALES) LIMITED)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1998

### 11 SHARE CAPITAL

	1998 £	1997 £
Authorised		
10,000 Ordinary shares of £1 each	10,000	10,000
1,827,778 Cumulative redeemable preference shares of £1 each	1,827,778	1,827,778
	<u>1,837,778</u>	<u>1,837,778</u>
Allotted, called up and fully paid		
10,000 Ordinary shares of £1 each	10,000	10,000
1,827,778 Cumulative redeemable preference shares of £1 each	1,827,778	1,827,778
	<u>1,837,778</u>	<u>1,837,778</u>

#### Cumulative preference shares

The cumulative preference shares are non-equity shares which carry an entitlement to a fixed cumulative preferential dividend at the rate of 5% net per share per annum. They may be redeemed at any time after the company is deemed to have distributable reserves. Preference share shareholders have the right on a winding-up to receive, in priority to any other class of shares, the sum of the amounts paid up including any premium per share together with any arrears of dividends.

On 1 October 1998 the company repurchased the entire cumulative redeemable preference shares in issue at that date for par. These shares were then cancelled and further shares issued at par. This was done in order to restructure the group and bring ownership into line with that of other sales and service companies within the group.

### 12 RESERVES

	Revaluation reserve £
At 1 January 1998 and at 31 December 1998	<u>115,983</u>

**HOMAG U.K. LIMITED (FORMERLY JAYDEE (MACHINE SALES) LIMITED)****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1998

**13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1998 £	1997 £
Profit for the financial year	292,409	341,009
Dividends	(22,847)	-
	<u>269,562</u>	<u>341,009</u>
Preference dividend not declared (deficit on revaluation of freehold property)	22,847	(173,018)
Issue of shares	1,827,778	-
Purchase of shares	(1,827,778)	-
	<u>292,409</u>	<u>167,991</u>
Net increase in shareholders' funds	687,799	519,808
Shareholders' funds at 1 January 1998		
	<u>980,208</u>	<u>687,799</u>
Shareholders' funds at 31 December 1998		

**14 NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES**

	1998 £	1997 £
Operating profit	350,251	365,797
Depreciation	85,528	66,105
(Profit)/Loss on sale of tangible fixed assets	(8,112)	9,606
Increase in stocks	(116,406)	(100,602)
(Increase) in debtors	(170,216)	366,320
Increase/(Decrease) in creditors	586,393	(984,921)
	<u>727,438</u>	<u>(277,695)</u>
Net cash inflow/(outflow) from continuing operating activities		

**15 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	1998 £	1997 £
Increase/(decrease) in cash in the year	400,592	(501,172)
Cash outflow from financing in the year	23,350	24,050
Cash outflow from finance leases in the year	10,698	31,055
	<u>434,640</u>	<u>(446,067)</u>
Change in net funds resulting from cashflows		
Movement in net funds in the year	434,640	(446,067)
Net funds at 1 January 1998	22,219	468,286
	<u>456,859</u>	<u>22,219</u>
Net funds at 31 December 1998		

# **HOMAG U.K. LIMITED (FORMERLY JAYDEE (MACHINE SALES) LIMITED)**

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1998

### **16 ANALYSIS OF CHANGES IN NET FUNDS**

	At 1 January 1998 £	Cash flow £	At 31 December 1998 £
Cash in hand, at bank	408,871	400,592	809,463
Debt	(369,716)	23,350	(346,366)
Finance leases	(16,936)	10,698	(6,238)
	<u>22,219</u>	<u>434,640</u>	<u>456,859</u>

### **17 CAPITAL COMMITMENTS**

The company had no capital commitments at 31 December 1998 or 31 December 1997.

### **18 CONTINGENT LIABILITIES**

There was a forward exchange contract with Barclays Bank plc at 31 December 1998 for £3,420,044 (31 December 1997 : £2,443,738), and with Interlink at 31 December 1998 for £Nil (31 December 1997 : £211,049).

The company has a potential liability of £30,000 which has not been provided in the accounts and which the directors are of the opinion is unlikely to become payable. In addition the company is engaged in court proceedings in respect of a machine supplied. The directors are of the opinion that no liability will accrue to the company in respect of this loss.

### **19 PENSIONS**

#### **Defined Contribution Scheme**

The company operates two defined contribution pension schemes, one for the benefit of the directors and the other for the benefit of senior employees. The assets of the schemes are administered by trustees in separate funds independent from those of the company.

**HOMAG U.K. LIMITED (FORMERLY JAYDEE (MACHINE SALES) LIMITED)****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1998

**20 LEASING COMMITMENTS**

Operating lease payments amounting to £37,420 (1997: £53,414) are due within one year. The leases to which these amounts relate expire as follows:

	1998		1997	
	Land and buildings £	Other £	Land and buildings £	Other £
In one year or less	-	4,980	32,440	15,994
Between one and five years	32,440	-	-	4,980
	<u>32,440</u>	<u>4,980</u>	<u>32,440</u>	<u>20,974</u>

**21 ULTIMATE CONTROLLING PARTY / RELATED PARTY TRANSACTIONS**

The directors consider that the company's controlling party is Hornberger Vertriebsbeteiligungs GmbH, a company registered in Germany, and that its ultimate controlling party is Homag Maschinenbau AG, a company registered in Germany. The company is exempt under FRS 8 of the requirement to disclose transactions with group undertakings. During the year the company traded with various subsidiaries of Homag Maschinenbau AG. The main nature of these transactions were as follows:

	1998 Amount Outstanding (Trade Creditors) £	1997 Amount Outstanding (Trade Creditors) £	1998 Amount Outstanding (Trade Debtors) £	1997 Amount Outstanding (Trade Debtors) £
Balances due to companies within the Homag Maschinenbau AG group	1,979,792	2,103,528	92,834	7,090
Loan from Jaydee (Machine Sales) Pension Fund	<u>271,481</u>	<u>271,481</u>	<u>-</u>	<u>-</u>