

SOUTH WEST INVESTMENT GROUP SERVICES LIMITED

FINANCIAL STATEMENTS

for the year ended 31 March 1998

Registered Number 2688108



South West Investment Group Services Limited

Directors Report and Financial Statements for the year ended 31 March 1998

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South West Investment Group Services Limited

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 March 1998.

Principal Activity

The principal activities of the company during the year continued to be those of investment management and providing advice and consultancies to businesses in South West England

Business Review

The Company, a wholly owned Subsidiary of South West Investment Group Limited, undertakes fund management, consultancy and project management. Its income is derived from fees from companies and contracts with the public and private sector.

Results

The results for the year are set out in the profit and loss account on page 5.

Proposed Dividends

The directors do not recommend the payment of a dividend for the year (1997 : Nil).

Fixed Assets

Changes in fixed assets during the year are summarised in note 8 to the financial statements.

Directors

The directors who held office during the year were as follows :

Mr DTA Kitley
Mr JR Berry
Mr CH Williams
Mr DM Pattison
Mr A Quinnell
Mr J Sharpe
Mr C Kerkin

None of the directors who held office during the year had any disclosable interest in the shares of the company.

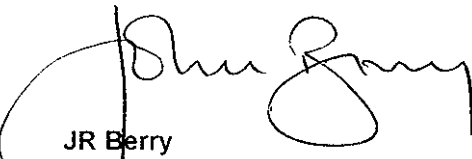
South West Investment Group Services Limited

Directors' Report (*continued*)

Auditors

In accordance with Section 385 of the Companies Act, a resolution for the re-appointment of Kelsall Steele as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



JR Berry
Director

Trevint House
Strangways Villas
TRURO
Cornwall

23 July 1998

South West Investment Group Services Limited

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 of the profit or loss for the period. In preparing those financial statements, the directors are required to :

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- 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 the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and irregularities.

Report of the Auditors to the Shareholders of
South West Investment Group Services Limited

We have audited the financial statements on pages 5 to 14.

Respective responsibilities of directors and auditors

As described on page 3 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.

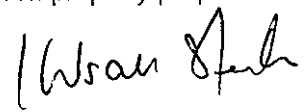
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 March 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Kelsall Steele
Chartered Accountants
Registered Auditors

20 Chapel Street
CAMBORNE
Cornwall


23 July 1998

South West Investment Group Services Limited

Profit and Loss Account

for the year ended 31 March 1998

	Note	1998	1997
Turnover	2	430,180	523,793
Administrative Expenses		(387,269)	(543,161)
Other Operating Income		8,124	10,145
		<hr/> 51,035	(9,223)
Interest receivable and similar income		997	
Interest payable and similar charges	3	<hr/> (601)	396
			(165)
Profit/(loss) on Ordinary Activities before Taxation		<hr/> 51,431	(9,388)
Tax on Profit/(loss) on Ordinary Activities		-	-
Profit/(loss) on Ordinary Activities after Taxation		<hr/> 51,431	(9,388)
Retained Profit Brought Forward		3,175	12,563
Retained Profit Carried Forward		<hr/> 54,606	3,175

There were no acquisitions or discontinued operations during the year (1997 : Nil).

There are no recognised gains or losses other than the profit for the year.

The reported profit for the year does not differ materially from the profit on an unmodified historical cost basis.

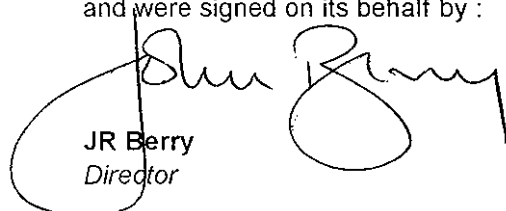
South West Investment Group Services Limited

Balance Sheet

as at 31 March 1998

	Note	1998	1997
		£	£
Fixed Assets			
Tangible Assets	8	26,861	37,833
Current Assets			
Stocks	9	7,229	12,904
Debtors	10	272,402	274,361
Cash at Bank and in Hand		64,137	45,773
		<u>343,768</u>	<u>333,038</u>
Creditors : Amounts Falling Due Within One Year	11	210,445	254,574
Net Current Assets		<u>133,323</u>	<u>78,464</u>
Total Assets Less Current Liabilities		<u>160,184</u>	<u>116,297</u>
Creditors : Amounts Falling Due After More Than One Year	12	(52,369)	(59,277)
Accruals And Deferred Income	14	(3,209)	(3,845)
Net Assets		<u>104,606</u>	<u>53,175</u>
Capital And Reserves			
Called Up Share Capital	15	50,000	50,000
Profit and Loss Account		54,606	3,175
Equity Shareholders' Funds	16	<u>104,606</u>	<u>53,175</u>

These financial statements were approved by the board of directors on 23 July 1998 and were signed on its behalf by :


JR Berry
Director

South West Investment Group Services Limited

Cash flow statement

for the year ended 31 March 1998

	Note	1998	1997
		£	£
Cash flow from operating activities	19	28,714	(5,284)
Returns on investments and servicing of finance			
Interest received		997	378
Interest paid		(601)	(543)
Net cash inflow/(outflows) from returns on investments and servicing of finance		396	(165)
Tax paid		-	-
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(2,607)	(6,982)
Receipts from sales of tangible fixed assets		-	6,500
Capital based grants received		1,213	4,129
Net cash (outflow) for capital expenditure and financial investment		(1,394)	3,647
Cash inflow/(outflow) before financing		27,716	(1,802)
Financing			
Capital element of finance lease rental payments		(9,352)	(6,984)
Net cash inflow from financing		(9,352)	(6,984)
Increase in cash		18,364	(8,786)

Reconciliation of net cash flow to movement in net debt (note 20)

Increase in cash in the period	18,364	(8,786)
Cash outflow from decrease in debt and lease financing	9,352	6,984
Change in net debt resulting from cash flows	27,716	(1,802)
New finance leases	-	(17,058)
Net debt at 1 April 1997	27,144	46,004
Net funds at 31 March 1998	54,860	27,144

South West Investment Group Services Limited

Notes

(forming part of the financial statement)

1 Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of Preparation

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

Depreciation

Depreciation is provided by the company to write off the cost less estimated residual value of tangible fixed assets by equal instalments over the estimated useful lives as follows :

Fixtures and fittings	15% per annum
Motor Vehicles	25% per annum
Computer Equipment	33% per annum

Taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made only to the extent that it is probable that an actual liability will crystallize.

Leasing Commitments

Assets held under finance leases are capitalized in the balance sheet and are depreciated over their useful lives. The capital element of future obligations under the leases are included as liabilities in the balance sheet.

The interest element of the rental obligations are charged to the profit and loss account over the period of the lease and represent a constant proportion of the balance of capital repayments outstanding.

Expenditure on operating leases is charged to the profit and loss account as rentals arise.

Stocks

Stocks, including work in progress is stated at the lower of cost and net realisable value. Cost includes a proportion of attributable overheads.

South West Investment Group Services Limited

Notes (continued)

1 Accounting Policies (continued)

Government Grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to trading profit over the estimated useful lives of the assets to which they relate.

Pension And Other Post-retirement Benefits

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Foreign Currency Translation

All transactions denominated in a foreign currency are translated at the exchange rate in operation on the date on which the transaction occurred. All monetary assets and liabilities at the balance sheet date are retranslated at the closing rate. Any exchange rate losses or gains arising are written off to the profit and loss account immediately.

2 Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year and can be classified as follows :

	1998 £	1997 £
Fees/grants	430,180	523,793
	<u>430,180</u>	<u>523,793</u>

3 Interest payable and similar charges

	1998 £	1997 £
Finance charges in respect of finance leases	<u>601</u>	<u>543</u>

South West Investment Group Services Limited

Notes (continued)

4 Profit/(loss) on ordinary activities before taxation

This is stated after charging :

	1998 £	1997 £
(Profit) on disposal of fixed assets	(50)	(1,568)
Depreciation - owned assets	6,633	10,580
Depreciation - leased assets	6,946	4,126
Exchange loss	680	5,692
Auditors' remuneration	1,600	1,550
Hire of plant and equipment	2,558	2,350
Directors' emoluments		
Remuneration as executives	46,987	41,341
Pension Contributions	6,931	4,302

5 Staff costs

Total staff costs, including directors, are as follows :

	1998 £	1997 £
Wages and salaries	110,882	96,767
Social security costs	10,742	9,508
Other pension costs	10,932	8,249
	132,556	114,524

The average weekly number of employees, excluding non executive directors during the year was made up as follows :

	1998	1997
Managerial	3	3
Secretarial	2	1
	5	4

6 Directors' emoluments

Excluding pension contributions, the emoluments of directors were as follows :

	Nos	£	Nos	£
Chairman	1	-	1	-
Highest paid director	1	46,987	1	41,341
Others £0 - £5000	5	-	6	-
		46,987		41,341

South West Investment Group Services Limited

Notes (continued)

7 Taxation

	1998 £	1997 £
Based on the profit for the year		
UK corporation tax at 23%	-	-

The Company has approximately £100,000 of tax losses available to carry forward or offset against profits of the same trade.

8 Tangible fixed assets

	Fixtures & Fittings £	Motor Vehicles £	Total £
<i>Cost</i>			
At 1 April 1997	51,639	27,783	79,422
Additions	2,607		2,607
Disposals	(1,700)		(1,700)
	<u>52,546</u>	<u>27,783</u>	<u>80,329</u>
<i>Depreciation</i>			
At 1 April 1997	36,105	5,484	41,589
Charge for the year	6,633	6,946	13,579
Eliminated on disposal	(1,700)		(1,700)
	<u>41,038</u>	<u>12,430</u>	<u>53,468</u>
<i>Net book value</i>			
At 31 March 1998	<u>11,508</u>	<u>15,353</u>	<u>26,861</u>
At 31 March 1997	<u>15,534</u>	<u>22,299</u>	<u>37,833</u>

Included in motor vehicles above are leased assets with a net book value of £15,353 (1997 - £22,299).

9 Stock

	1998 £	1997 £
Work In Progress	7,229	12,904
	<u>7,229</u>	<u>12,904</u>

South West Investment Group Services Limited

Notes (continued)

10	Debtors		
	<i>Amounts falling due within one year</i>		
		1998	1997
		£	£
	Trade debtors	246,555	230,986
	Amount owed by fellow subsidiary	8,605	20,547
	Other debtors	10,122	16,033
	Prepayments and accrued income	7,120	6,795
		<u>272,402</u>	<u>274,361</u>

11	Creditors : amounts falling due within one year		
		1998	1997
		£	£
	Trade creditors	157,708	187,994
	Amount owed to fellow subsidiary	26,213	36,204
	Accruals and deferred income	8,579	11,370
	Other creditors	7,265	6,600
	Taxation and social security	3,772	3,054
	Finance Leases	6,908	9,352
		<u>210,445</u>	<u>254,574</u>

12	Creditors : amounts falling due after more than one year		
		£	£
	Loan due to fellow subsidiary	50,000	50,000
	Finance leases	2,369	9,277
		<u>52,369</u>	<u>59,277</u>

The above loan is interest free and is due for repayment after more than five years.

13	Finance Leases		
	Future commitments under finance lease agreements are as follows :		
		£	£
	Repayable within one year	6,908	9,352
	Repayable in years two to five	2,369	9,277
		<u>9,277</u>	<u>18,629</u>

South West Investment Group Services Limited

Notes (continued)

14 Accruals and deferred income

	1998 £	1997 £
Grants		
At 31 March 1997	3,845	2,335
Receivable in year	1,213	4,129
Credited to profit and loss account	(1,849)	(2,619)
At 31 March 1998	3,209	3,845

15 Share Capital

	1998 £	1997 £
<i>Authorised</i>		
Ordinary shares of £1 each	50,000	50,000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	50,000	50,000

16 Reconciliation of movement in shareholders' funds

	1998 £	1997 £
Profit/(loss) for the financial year	51,431	(9,388)
Opening shareholders' funds	53,175	62,563
Closing shareholders' funds	104,606	53,175

17 Commitments

Annual commitments under non-cancellable operating leases are as follows :

	Land and Buildings £	1998 Other £	Land and Buildings £	1997 Other £
Operating leases which expire				
Within two to five years	-	2,558	-	2,558
Over five years	14,000	-	14,000	-

South West Investment Group Services Limited

Notes (continued)

18 Holding company

The company is a wholly owned subsidiary of South West Investment Group Limited, a company limited by guarantee and incorporated in Great Britain, registered in England and Wales.

19 Reconciliation of operating profit/(loss) to operating cash flows

	1998 £	1997 £
Operating profit/(loss)	51,035	(9,223)
Profit on disposal of fixed assets	-	(1,568)
Depreciation	13,579	14,706
Decrease/(increase) in work in progress	5,675	(12,904)
Decrease/(increase) in debtors	1,959	(59,555)
(Decrease)/Increase in creditors falling due within one year	(41,685)	65,879
Release of capital grant	(1,849)	(2,619)
Net cash inflow/outflow from operating activities	28,714	(5,284)

20 Analysis of changes in debt

	At 1 April 1997 £	Cash flows £	Other non cash changes £	At 31 March 1998 £
Cash at Bank and in hand	45,773	18,364	-	64,137
Finance leases	(18,629)	9,352		(9,277)
	27,144	27,716	0	54,860

21 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund amounted to £10,932

There were outstanding premiums payable to the fund at the year end totalling £665.