

SOUTH WEST INVESTMENT GROUP SERVICES LIMITED

FINANCIAL STATEMENTS

for the year ended 31 March 1999

Registered Number 2688108



South West Investment Group Services Limited

Directors Report and Financial Statements for the year ended 31 March 1999

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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 1999.

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 (1998 : 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
Mr R Hichens (appointed 28 May 1998)

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

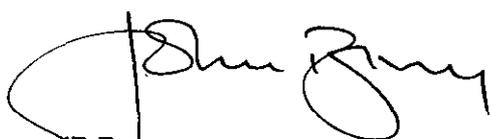
South West Investment Group Services Limited

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 Bejry
Director

Trevint House
Strangways Villas
TRURO
Cornwall

24 June 1999

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 1999 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


20 July 1999

South West Investment Group Services Limited

Profit and Loss Account

for the year ended 31 March 1999

	Note	1999	1998
Turnover	2	446,809	430,180
Administrative Expenses		(444,155)	(387,269)
Other Operating Income		5,754	8,124
		<u>8,408</u>	<u>51,035</u>
Interest receivable and similar income		934	
Interest payable and similar charges	3	<u>(1,245)</u>	396
Profit on Ordinary Activities before Taxation		<u>8,097</u>	<u>51,431</u>
Tax on profit on Ordinary Activities		-	-
Profit on Ordinary Activities after Taxation		<u>8,097</u>	<u>51,431</u>
Retained Profit Brought Forward		54,606	3,175
Retained Profit Carried Forward		<u>62,703</u>	<u>54,606</u>

There were no acquisitions or discontinued operations during the year (1998 : 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.

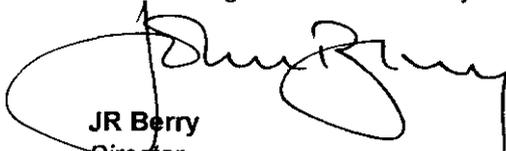
South West Investment Group Services Limited

Balance Sheet

as at 31 March 1999

	Note	1999	1998
		£	£
Fixed Assets			
Tangible Assets	8	51,683	26,861
Current Assets			
Stocks	9	9,170	7,229
Debtors	10	310,335	272,402
Cash at Bank and in Hand		32,197	64,137
		<u>351,702</u>	<u>343,768</u>
Creditors : Amounts Falling Due Within One Year	11	223,112	210,445
Net Current Assets		<u>128,590</u>	133,323
Total Assets Less Current Liabilities		<u>180,273</u>	<u>160,184</u>
Creditors : Amounts Falling Due After More Than One Year	12	(66,069)	(52,369)
Accruals And Deferred Income	14	(1,501)	(3,209)
Net Assets		<u>112,703</u>	<u>104,606</u>
Capital And Reserves			
Called Up Share Capital	15	50,000	50,000
Profit and Loss Account		62,703	54,606
Equity Shareholders' Funds	16	<u>112,703</u>	<u>104,606</u>

These financial statements were approved by the board of directors on 24 June 1999 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 1999

	Note	1998	
		£	£
Cash flow from operating activities	19	(37,527)	28,714
Returns on investments and servicing of finance			
Interest received		934	997
Interest paid		(1,245)	(601)
Net cash inflow/(outflows) from returns on investments and servicing of finance		(311)	396
Tax paid		-	-
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(50,580)	(2,607)
Receipts from sales of tangible fixed assets		13,883	-
Capital based grants received		248	1,213
Net cash (outflow) for capital expenditure and financial investment		(36,449)	(1,394)
Cash (outflow)/inflow before financing		(74,287)	27,716
Financing			
New finance leases		31,705	-
Capital element of finance lease rental payments		(14,378)	(9,352)
Net cash inflow from financing		17,327	(9,352)
(Decrease)/Increase in cash		(56,960)	18,364
Reconciliation of net cash flow to movement in net debt (note 20)			
Increase in cash in the period		(56,960)	18,364
Cash outflow from decrease in debt and lease financing		14,378	9,352
Change in net debt resulting from cash flows		(42,582)	27,716
New finance leases		(31,705)	-
Net debt at 1 April 1998		54,860	27,144
Net funds at 31 March 1999		(19,427)	54,860

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.

Assets held under hire purchase agreements are capitalized and in the balance sheet and depreciated over their useful lives. The capital element of the future payments is treated as a liability and interest is charged to the profit and loss account.

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.

Related party transactions

Exemption has been taken under the provisions of FRS 8 not to disclose inter-group transactions on the basis that the Company is a 100% subsidiary.

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 :

	1999 £	1998 £
Fees/grants	434,593	430,180
	<u>434,593</u>	<u>430,180</u>

3 Interest payable and similar charges

	1999 £	1998 £
Finance charges in respect of finance leases	1,245	601
	<u>1,245</u>	<u>601</u>

South West Investment Group Services Limited

Notes (continued)

4 Profit on ordinary activities before taxation

<i>This is stated after charging :</i>	1999	1998
	£	£
(Profit) on disposal of fixed assets	(2,502)	(50)
Depreciation - owned assets	5,296	6,633
Depreciation - leased assets	9,081	6,946
Exchange loss	-	680
Auditors' remuneration	1,600	1,600
Hire of plant and equipment	2,460	2,558
Managing Directors' emoluments		
Remuneration as executive	53,500	46,987
Pension Contributions	6,612	6,931
	<u>53,500</u>	<u>46,987</u>
	<u>6,612</u>	<u>6,931</u>

5 Staff costs

Total staff costs, including directors, are as follows :

	1999	1998
	£	£
Wages and salaries	155,010	110,882
Social security costs	14,671	10,742
Other pension costs	11,922	10,932
	<u>181,603</u>	<u>132,556</u>

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

	1999	1998
Managerial	3	3
Administration/project	4	2
	<u>7</u>	<u>5</u>

6 Directors' emoluments

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

	Nos	£	Nos	£
Chairman	1	-	1	-
Highest paid director	1	57,613	1	46,987
Others £0 - £5000	5	-	5	-
		<u>57,613</u>		<u>46,987</u>

South West Investment Group Services Limited

Notes (continued)

7 Taxation

	1999 £	1998 £
Based on the loss for the year UK corporation tax at 23%	-	-

The Company has approximately £116,000 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 1998	52,546	27,783	80,329
Additions	4,376	46,204	50,580
Disposals	(16,552)	(27,783)	(44,335)
	<u>40,370</u>	<u>46,204</u>	<u>86,574</u>
<i>Depreciation</i>			
At 1 April 1998	41,038	12,430	53,468
Charge for the year	5,296	9,081	14,377
Eliminated on disposal	(16,249)	(16,705)	(32,954)
	<u>30,085</u>	<u>4,806</u>	<u>34,891</u>
<i>Net book value</i>			
At 31 March 1999	<u>10,285</u>	<u>41,398</u>	<u>51,683</u>
At 31 March 1998	<u>11,508</u>	<u>15,353</u>	<u>26,861</u>

Included in motor vehicles above are leased assets with a net book value of £41,398 (1998 - £15,353).

9 Stock

	1999 £	1998 £
Work In Progress	9,170	7,229
	<u>9,170</u>	<u>7,229</u>

South West Investment Group Services Limited

Notes (continued)

10	Debtors <i>Amounts falling due within one year</i>	1999 £	1998 £
	Trade debtors	284,562	246,555
	Amount owed by fellow subsidiary	14,858	8,605
	Other debtors	2,721	10,122
	Prepayments and accrued income	8,194	7,120
		<u>310,335</u>	<u>272,402</u>

11	Creditors : amounts falling due within one year	1999 £	1998 £
	Bank Overdraft	25,020	-
	Trade creditors	123,608	157,708
	Amount owed to fellow subsidiary	20,072	26,213
	Accruals and deferred income	32,706	8,579
	Other creditors	49	7,265
	Taxation and social security	11,122	3,772
	Finance Leases	10,535	6,908
		<u>223,112</u>	<u>210,445</u>

12	Creditors : amounts falling due after more than one year	£	£
	Loan due to fellow subsidiary	50,000	50,000
	Finance leases	16,069	2,369
		<u>66,069</u>	<u>52,369</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	10,535	6,908
	Repayable in years two to five	16,069	2,369
		<u>26,604</u>	<u>9,277</u>

South West Investment Group Services Limited

Notes (continued)

14	Accruals and deferred income	1999	1998
		£	£
	Grants		
	At 31 March 1998	3,209	3,845
	Receivable in year	248	1,213
	Credited to profit and loss account	(1,956)	(1,849)
	At 31 March 1999	1,501	3,209
		1,501	3,209
15	Share Capital	1999	1998
		£	£
	<i>Authorised</i>		
	Ordinary shares of £1 each	50,000	50,000
		50,000	50,000
	<i>Allotted, called up and fully paid</i>		
	Ordinary shares of £1 each	50,000	50,000
		50,000	50,000
		50,000	50,000
16	Reconciliation of movement in shareholders' funds	1999	1998
		£	£
	Profit for the financial year	8,097	51,431
	Opening shareholders' funds	104,606	53,175
	Closing shareholders' funds	112,703	104,606
		112,703	104,606
17	Commitments		
	Annual commitments under non-cancellable operating leases are as follows :		
		Land and	1999
		Buildings	Land and
		£	Buildings
			Other
			Other
		£	£
	Operating leases which expire		
	Within two to five years	-	2,558
	Over five years	14,000	-
		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 to operating cash flows

	1999 £	1998 £
Operating profit	8,453	51,035
Profit on disposal of fixed assets	(2,502)	-
Depreciation	14,377	13,579
Decrease/(increase) in work in progress	(1,941)	5,675
Decrease/(increase) in debtors	(37,933)	1,959
(Decrease)/Increase in creditors falling due within one year	(16,025)	(41,685)
Release of capital grant	(1,956)	(1,849)

Net cash inflow/outflow from operating activities	(37,527)	28,714
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20 Analysis of changes in debt

	At 1 April 1998	Cash flows	Other non cash changes	At 31 March 1999
	£	£	£	£
Cash at Bank and in hand	64,137	(56,960)	-	7,177
Finance leases	(9,277)	(17,327)	-	(26,604)
	54,860	(74,287)	-	(19,427)

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 £11,922.

South West Investment Group Services Limited

Trading and profit and loss account

for the year ended 31 March 1999

	1999		1998	
	£	£	£	£
Income				
Fees/Grants Receivable		344,561		300,104
Service income		5,754		6,794
Rental income		-		1,330
Project income		102,248		130,076
Bank Interest		934		997
		<u>453,497</u>		<u>439,301</u>
Less direct expenditure				
Project expenditure	91568		110686	
Wages	181603		132556	
Consultants fees	59759		49460	
Rent and rates	-		2549	
		<u>332,930</u>		<u>295,251</u>
		120,567		144,050
Less overheads				
Rent	14000		12968	
Advertising and marketing	13468		11422	
Motor and travel expenses	12596		10587	
Printing, postage and stationery	14512		12329	
Legal and professional fees	1559		586	
Bad debts (recovered)/written off	-		(11,784)	
Computer expenses	3121		2430	
Telephone charges	6189		5709	
Magazines and periodicals	1059		1099	
Membership and subscriptions	2644		6206	
Cleaning	2306		2204	
Sundry expenses	2482		2200	
Rates and water	7181		6561	
Light and heat	1512		1148	
Repairs and renewals	1056		981	
Insurance	3355		2848	
Interest	1245		601	
Bank/finance charges	923		582	
Equipment rental	2460		3505	
Accountancy	5960		4208	
Auditors' remuneration	3015		2780	
Training and seminars	1906		795	
Depreciation	12423		12024	
(Profit) on disposal of fixed assets	(2,502)		(50)	
Exchange losses	-		680	
		<u>112,470</u>		<u>92,619</u>
Net profit for the year		<u>8,097</u>		<u>51,431</u>