
WHITEHEAD & WOOD LIMITED

Report and Financial Statements

◆ *Year ended 31 October 1997* ◆



COMPANY NO: 2229365

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COMPANY INFORMATION

| | |
|-------------------|--|
| Directors | N Clarke J Durham W Gill A McEvoy |
| Secretary | A McEvoy |
| Registered office | Metcalf Drive Altham Near Accrington Lancashire BB5 5XE |
| Registered number | 2229365 |
| Auditors | Robson Rhodes Chartered Accountants Colwyn Chambers 19 York Street Manchester M2 3BA |
| Bankers | Barclays Bank PLC PO Box 357 51 Mosley Street Manchester M60 2AU |

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 October 1997.

Principal activities

The principal activities of the company are that of printing and design.

Review of business and future developments

The profit and loss account is set out on page 5.

The directors are extremely pleased with the performance of the company in the first full year of trading since the management buy out. Despite the continuing difficult trading conditions in the industry the company achieved a 31% increase in turnover at enhanced margins resulting in a significant improvement in operating profit.

The directors are confident that growth can be sustained and are looking to invest in major capital equipment to meet the ever more demanding needs of the company's discerning clients.

Dividends

The directors do not recommend the payment of a dividend (1996 : £Nil).

Directors

The directors of the company at 31 October 1997 are listed on page 1. All the directors served throughout the year. None of the directors owns any shares in the company.

The directors are all directors of Whitehead & Wood (Holdings) Limited, the ultimate parent company, and their interests in the share capital of that company are shown in its financial statements.

REPORT OF THE DIRECTORS
(Continued)

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 the group and of the profit or loss of the group for the period. In preparing these financial statements, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards; and
- prepared the financial statements on the going concern basis.

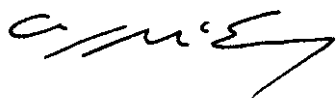
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The auditors, Robson Rhodes have indicated their willingness to continue in office, and a resolution to reappoint them will be proposed at the Annual General Meeting.

Approval

The report of the directors was approved by the Board on 24 February 1998 and signed on its behalf by:



A McEvoy
Company Secretary

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
WHITEHEAD & WOOD LIMITED**

We have audited the financial statements on pages 5 to 20 which have been prepared on the basis of the accounting policies set out on pages 8 & 9.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of 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 affairs of the company as at 31 October 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Robson Rhodes

Robson Rhodes

Chartered Accountants and Registered Auditor

Manchester

24 February 1998

WHITEHEAD & WOOD LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 October 1997

| | Note | 1997 £ | 1996 £ |
|--|------|-------------|-------------|
| Turnover: continuing operations | 2 | 4,086,390 | 3,109,849 |
| Cost of sales | | (2,768,412) | (2,263,908) |
| | | <hr/> | <hr/> |
| Gross profit | | 1,317,978 | 845,941 |
| Distribution costs | | (182,330) | (154,110) |
| Administrative expenses | | (932,580) | (764,828) |
| Other income | 6 | - | 118,700 |
| | | <hr/> | <hr/> |
| Operating profit: continuing operations | 3 | 203,068 | 45,703 |
| Exceptional profit on disposal of fixed assets | | - | 102,751 |
| | | <hr/> | <hr/> |
| Profit on ordinary activities before interest | | 203,068 | 148,454 |
| Interest payable and similar charges | 7 | (59,196) | (125,533) |
| | | <hr/> | <hr/> |
| Profit on ordinary activities before taxation | | 143,872 | 22,921 |
| Tax on profit on ordinary activities | 8 | (11,992) | 90,153 |
| | | <hr/> | <hr/> |
| Retained profit for the year | 18 | 131,880 | 113,074 |
| | | <hr/> | <hr/> |

The company has no recognised gains and losses other than those shown above.

WHITEHEAD & WOOD LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 October 1997**

| | 1997 £ | 1996 £ |
|---|-----------|-----------|
| Profit for the financial year | 131,880 | 22,921 |
| Unrealised surplus on asset revaluation | - | 351,962 |
| | <hr/> | <hr/> |
| | 131,880 | 374,883 |
| | <hr/> | <hr/> |

**NOTE OF HISTORICAL COST PROFITS AND LOSSES
for the year ended 31 October 1997**

| | 1997 £ | 1996 £ |
|--|-----------|-----------|
| Reported profit on ordinary activities before taxation | 143,872 | 22,921 |
| Excess/(deficit) of actual depreciation charge over historical cost depreciation | 12,907 | (774) |
| Realisation of revaluation gain | 13,000 | - |
| | <hr/> | <hr/> |
| Historical cost profit on ordinary activities before taxation | 169,779 | 22,147 |
| | <hr/> | <hr/> |
| Historical cost retained profit | 157,787 | 112,300 |
| | <hr/> | <hr/> |

**RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
for the year ended 31 October 1997**

| | 1997 £ | 1996 £ |
|-------------------------------|-----------|-----------|
| Profit for the financial year | 131,880 | 113,074 |
| Revaluation in year | - | 351,962 |
| Opening shareholders' funds | 322,705 | (142,331) |
| | <hr/> | <hr/> |
| Closing shareholders' funds | 454,585 | 322,705 |
| | <hr/> | <hr/> |

WHITEHEAD & WOOD LIMITED**BALANCE SHEET**
at 31 October 1997

| | Notes | 1997 £ | 1996 £ |
|--|-------|-------------|-------------|
| Fixed assets | | | |
| Tangible assets | 9 | 2,013,817 | 2,003,417 |
| Investments | 10 | 239,414 | 239,414 |
| | | <hr/> | <hr/> |
| | | 2,253,231 | 2,242,831 |
| | | <hr/> | <hr/> |
| Current assets | | | |
| Stocks | 11 | 365,216 | 510,408 |
| Debtors | 12 | 995,995 | 779,560 |
| Cash in hand | | 61,849 | 286,168 |
| | | <hr/> | <hr/> |
| | | 1,423,060 | 1,576,136 |
| Creditors: amounts falling due within one year | 13 | (1,232,570) | (2,328,121) |
| | | <hr/> | <hr/> |
| Net current assets/(liabilities) | | 190,490 | (751,985) |
| | | <hr/> | <hr/> |
| Total assets less current liabilities | | 2,443,721 | 1,490,846 |
| Creditors: amounts falling due after more than one year | 14 | (1,868,303) | (1,036,300) |
| Provisions for liabilities and charges | 16 | (120,833) | (131,841) |
| | | <hr/> | <hr/> |
| Net assets | | 454,585 | 322,705 |
| | | <hr/> | <hr/> |
| Capital and reserves | | | |
| Called up share capital | 17 | 590,000 | 590,000 |
| Share premium account | 18 | 10,000 | 10,000 |
| Revaluation reserve | 18 | 338,962 | 351,962 |
| Profit and loss account | 18 | (484,377) | (629,257) |
| | | <hr/> | <hr/> |
| Shareholders' funds (including non-equity) | | 454,585 | 322,705 |
| | | <hr/> | <hr/> |

The financial statements were approved by the Board on 24 February 1998 and were signed on its behalf by:



N Clarke
Director

NOTES TO THE FINANCIAL STATEMENTS**31 October 1997****1. ACCOUNTING POLICIES****Basis of accounting**

The financial statements are prepared in accordance with applicable accounting standards under the historical cost convention modified by the revaluation of certain fixed assets.

The company has not prepared consolidated accounts or a cash flow statement as it is a wholly owned subsidiary of Whitehead & Wood (Holdings) Limited which has prepared such statements.

Tangible fixed assets

Depreciation is calculated so as to write off the cost, or valuation, of fixed assets less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

| | % |
|-----------------------------|---------|
| Freehold land and buildings | 1 |
| Plant and machinery | 10 |
| Motor vehicles | 25 |
| Fixtures and fittings | 20 |
| Computer hardware | 20 - 33 |

Freehold land is not depreciated.

Leased assets

Cost in respect of operating leases are charged on a straight line basis over the lease term.

Where fixed assets are financed by leasing agreements, which transfer to the group substantially all the benefits and risks of ownership, the assets are treated as if they had been purchased outright and are included in tangible fixed assets. The capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

NOTES TO THE FINANCIAL STATEMENTS**31 October 1997****1. ACCOUNTING POLICIES (Continued)****Stocks and work in progress**

Stocks and works in progress are valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis and includes transport and handling costs; in the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Provision is made where necessary for obsolescent, slow moving and defective stocks.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

Deferred taxation

Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that liability or asset will crystallise.

Pension costs

The company operates a defined contribution pension scheme. Contributions are charged against profits of the period in which they are paid. The assets of the scheme are invested separately with insurance companies on a money-purchase basis.

2. TURNOVER

Turnover is derived from sales which have all been made in the United Kingdom.

3. OPERATING PROFIT

Operating profit is arrived at after charging/(crediting):

| | 1997 £ | 1996 £ |
|---|-----------|-----------|
| Depreciation charge for the year: | | |
| Tangible fixed assets owned | 196,371 | 101,060 |
| Tangible fixed assets held under finance leases | 57,919 | 166,247 |
| Auditors' remuneration | 7,500 | 6,000 |
| Profit on disposal of fixed assets | (4,098) | - |
| Exceptional profit on disposal of fixed assets | - | (102,751) |
| Operating leases | 80,030 | 8,916 |
| | <hr/> | <hr/> |

NOTES TO THE FINANCIAL STATEMENTS**31 October 1997****4. DIRECTORS' EMOLUMENTS**

| | 1997 £ | 1996 £ |
|---|-----------|-----------|
| Total emoluments (including pension contributions and benefits in kind) | 194,403 | 168,374 |

Contributions have been paid to defined contribution pension schemes on behalf of four directors (1996: four).

5. EMPLOYEES

The average weekly number of persons (including executive directors) employed by the company during the year was:

| | 1997 Number | 1996 Number |
|--------------------------|----------------|----------------|
| Production | 32 | 40 |
| Selling and distribution | 13 | 10 |
| Administration | 8 | 10 |
| | 53 | 60 |

| | 1997 £ | 1996 £ |
|-----------------------|-----------|-----------|
| Staff costs | | |
| Wages and salaries | 1,136,896 | 915,030 |
| Social security costs | 107,238 | 87,247 |
| Other pension costs | 35,015 | 48,236 |
| | 1,279,149 | 1,050,513 |

The company operates a defined contribution pension scheme. The assets of the scheme are invested separately with insurance companies on a money purchase basis. The pension cost for the year was £35,015 (1996: £48,236) and there were no outstanding or prepaid contributions at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS**31 October 1997****6. OTHER INCOME**

| | 1997 £ | 1996 £ |
|--------------|-----------|-----------|
| Group income | - | 118,700 |

7. INTEREST PAYABLE

| | 1997 £ | 1996 £ |
|--|-----------|-----------|
| On bank loans, overdrafts and other loans: | | |
| Repayable in less than 5 years, by instalments | 7,226 | - |
| Repayable in less than 5 years, not by instalments | 16,947 | 26,211 |
| Repayable in more than 5 years, by instalments | - | 46,615 |
| On finance leases and hire purchase agreements | 35,023 | 52,707 |
| | 59,196 | 125,533 |

8. TAXATION**Taxation charge/(credit) for the year**

| | 1997 £ | 1996 £ |
|-------------------------------------|-----------|-----------|
| Corporation tax at 22 % (1996: 24%) | 32,000 | 9,000 |
| Deferred tax | (18,527) | (26,120) |
| | 13,473 | (17,120) |
| Prior year adjustments | | |
| Corporation tax | (9,000) | (994) |
| Deferred tax | 7,519 | (72,039) |
| | 11,992 | (90,153) |

NOTES TO THE FINANCIAL STATEMENTS

31 October 1997

9. TANGIBLE ASSETS

| | Land and buildings £ | Plant, machinery and equipment £ | Motor Vehicles £ | Fixtures and fittings £ | Total £ |
|---|----------------------------|--|------------------------|-------------------------------|------------|
| Cost or valuation | | | | | |
| At 1 November 1996 | 1,000,000 | 1,343,408 | 131,462 | 15,000 | 2,489,870 |
| Additions | - | 275,109 | - | 11,133 | 286,242 |
| Disposals | - | (32,442) | (24,639) | - | (57,081) |
| | | | | | |
| At 31 October 1997 | 1,000,000 | 1,586,075 | 106,823 | 26,133 | 2,719,031 |
| | | | | | |
| Depreciation | | | | | |
| At 1 November 1996 | - | 412,320 | 74,133 | - | 486,453 |
| Charge for the year | 10,000 | 212,921 | 277,733 | 3,636 | 254,290 |
| Disposals | - | (20,442) | (15,087) | - | (35,529) |
| | | | | | |
| At 31 October 1997 | 10,000 | 604,799 | 86,779 | 3,636 | 705,214 |
| | | | | | |
| Net book value | | | | | |
| At 31 October 1997 | 990,000 | 981,276 | 20,044 | 22,497 | 2,013,817 |
| | | | | | |
| At 31 October 1996 | 1,000,000 | 931,088 | 57,329 | 15,000 | 2,003,417 |
| | | | | | |
| Cost or valuation at 31 October 1997 is represented by: | | | | | |
| Valuation | 1,000,000 | 696,500 | - | 15,000 | 1,711,500 |
| Cost | - | 889,575 | 106,823 | 11,133 | 1,007,531 |
| | | | | | |
| | 1,000,000 | 1,586,075 | 106,823 | 26,133 | 2,719,031 |

NOTES TO THE FINANCIAL STATEMENTS**31 October 1997****9. TANGIBLE ASSETS (Continued)**

If assets had not been revalued they would have been included in the following amounts:

| | Land and buildings £ | Plant, machinery and equipment £ | Motor Vehicles £ | Fixtures and fittings £ | Total £ |
|--------------------|----------------------------|--|------------------------|-------------------------------|------------|
| Cost | 849,119 | 2,243,826 | 106,823 | 36,487 | 3,256,255 |
| Depreciation | 98,279 | 1,382,234 | 86,779 | 43,644 | 1,610,936 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 October 1997 | 750,840 | 861,592 | 20,044 | 12,843 | 1,645,319 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 October 1996 | 759,331 | 789,694 | 57,329 | 3,660 | 1,610,014 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

The freehold property and plant and machinery was valued by independent external valuers Salisbury Hamer Aspden & Johnson, as at 31 October 1996 on the basis of estimated realisation price.

The net book value of tangible fixed assets includes an amount of £631,701 (1996: £490,594) in respect of assets held under finance leases and hire purchase contracts. Depreciation charged in respect of these assets was £57,919 (1996: £166,247).

NOTES TO THE FINANCIAL STATEMENTS**31 October 1997****10. FIXED ASSET INVESTMENTS****Investment in subsidiary undertakings**

| | |
|--|----------|
| | £ |
| Cost | |
| At 1 November 1996 and 31 October 1997 | 239,414 |
| | <hr/> |
| Provisions | |
| At 1 November 1996 and 31 October 1997 | - |
| | <hr/> |
| Net book value | |
| At 31 October 1997 and 31 October 1996 | 239,414 |
| | <hr/> |

The subsidiary undertakings, all of which are incorporated in England and Wales, comprise:

| Name of undertaking | Activity | Percentage of equity shares held by | |
|---------------------------------------|-----------------|-------------------------------------|-----------|
| | | Group % | Company % |
| Graphic Industries (Holdings) Limited | Holding company | 100 | 100 |
| Brucegate Limited | Non-trading | 100 | - |
| Bullfinch Advertising Limited | Design agency | 100 | 100 |

Financial information relating to subsidiary undertakings:

| | Aggregate of capital and reserves at 31 October 1997 £ | Profit/(loss) for the year ended 31 October 1997 £ |
|---------------------------------------|---|---|
| Graphic Industries (Holdings) Limited | 862,347 | Nil |
| Brucegate Limited | 60,600 | Nil |
| Bullfinch Advertising Limited | 11,464 | (10,421) |
| | <hr/> | <hr/> |

NOTES TO THE FINANCIAL STATEMENTS**31 October 1997****11. STOCKS**

| | 1997 £ | 1996 £ |
|-------------------------------|-----------|-----------|
| Raw materials and consumables | 117,863 | 106,319 |
| Work in progress | 149,894 | 154,320 |
| Finished goods | 97,459 | 249,769 |
| | <hr/> | <hr/> |
| | 365,216 | 510,408 |
| | <hr/> | <hr/> |

12. DEBTORS

| | 1997 £ | 1996 £ |
|--|-----------|-----------|
| Trade debtors | 812,926 | 620,255 |
| Other debtors | 24,793 | 5,956 |
| Prepayments | 10,834 | 5,907 |
| Amounts owed by subsidiary undertaking | 147,442 | 147,442 |
| | <hr/> | <hr/> |
| | 995,995 | 779,560 |
| | <hr/> | <hr/> |

Trade debtors for the company include debts of £720,774 (1996: £593,113) which are subject to factoring arrangements.

NOTES TO THE FINANCIAL STATEMENTS**31 October 1997****13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

| | 1997 £ | 1996 £ |
|--|-----------|-----------|
| Other loans | 47,000 | 31,024 |
| Obligations under finance leases | 180,201 | 109,078 |
| Amounts owed to factoring company | 149,668 | 390,254 |
| | <hr/> | <hr/> |
| Borrowings | 376,869 | 530,356 |
| Trade creditors | 605,064 | 639,911 |
| Corporation tax | 32,000 | 9,000 |
| Other taxation and social security | 61,848 | 82,858 |
| Amounts owed to subsidiary undertaking | - | 1,009,789 |
| Amounts owed to parent undertaking | 77,916 | - |
| Accruals | 78,873 | 56,207 |
| | <hr/> | <hr/> |
| | 1,232,570 | 2,328,121 |
| | <hr/> | <hr/> |

Other loans represent amounts advanced under a "charge and loan" agreement with Close Brothers Limited. The loan is secured by a fixed charge over items of plant and machinery, and is repayable over 5 years.

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 1997 £ | 1996 £ |
|--|-----------|-----------|
| Other loans | 141,000 | 203,976 |
| Obligations under finance leases | 298,016 | 249,795 |
| Amounts owed to subsidiary undertaking | 1,021,045 | 5,357 |
| Amounts owed to parent undertaking | 408,239 | 577,172 |
| | <hr/> | <hr/> |
| | 1,868,300 | 1,036,300 |
| | <hr/> | <hr/> |

Other loans represent amounts advanced under a "charge and loan" agreement with Close Brothers Limited. The loan is secured by a fixed charge over items of plant and machinery, and is repayable over 5 years.

NOTES TO THE FINANCIAL STATEMENTS**31 October 1997****15. DEBT ANALYSIS****Finance leases**

The finance lease obligations to which the group is committed are repayable as follows:

| | 1997 £ | 1996 £ |
|----------------|-----------|-----------|
| Within 1 year | 180,201 | 109,078 |
| In 2 - 5 years | 298,016 | 249,795 |
| | <hr/> | <hr/> |
| | 478,217 | 358,873 |
| | <hr/> | <hr/> |

16. PROVISIONS FOR LIABILITIES AND CHARGES**Deferred taxation**

| | 1996 £ |
|---------------------------------------|-----------|
| At 1 November 1996 | 131,841 |
| Transfer from profit and loss account | (11,008) |
| | <hr/> |
| At 31 October 1997 | 120,833 |
| | <hr/> |

Deferred taxation provided in the financial statements, and the total potential liability, are as follows:

| | Amount provided | | Total potential liability | |
|--------------------------|-----------------|-----------|---------------------------|-----------|
| | 1997 £ | 1996 £ | 1997 £ | 1996 £ |
| Capital allowances | 127,323 | 141,380 | 288,323 | 306,380 |
| Other timing differences | (6,490) | (9,539) | (6,490) | (9,539) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 120,833 | 131,841 | 281,833 | 296,841 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

NOTES TO THE FINANCIAL STATEMENTS**31 October 1997****17. CALLED UP SHARE CAPITAL**

| | 1997 £ | 1996 £ |
|---|-----------|-----------|
| Authorised Equity | | |
| 202,857 ordinary shares of £1 each | 202,857 | 202,857 |
| Non equity | | |
| 440,000 9% cumulative redeemable preference shares of £1 each | 440,000 | 440,000 |
| | <hr/> | <hr/> |
| | 642,857 | 642,857 |
| | <hr/> | <hr/> |
| Allotted, called up and fully paid Equity | | |
| 200,000 ordinary shares of £1 each | 200,000 | 200,000 |
| Non-equity | | |
| 390,000 9% cumulative redeemable preference shares of £1 each | 390,000 | 390,000 |
| | <hr/> | <hr/> |
| | 590,000 | 590,000 |
| | <hr/> | <hr/> |

The cumulative redeemable preference shares attracts a fixed dividend of 9% per annum payable half yearly on 30 April and 31 October. Arrears of dividends at 31 October 1997 in respect of the cumulative redeemable preference shares amounted to £210,600 (1996 : £175,500).

Subject to the availability of adequate reserves, the preference shares were redeemable at par in tranches, all of which fell due prior to 31 October 1997. As soon as the company has available distributable reserves, the shares shall become redeemable.

The cumulative redeemable preference shares convey the right to receive notice of all general meetings of the company, but convey not rights to attend or vote. All other shares convey the right to one vote for each share held.

NOTES TO THE FINANCIAL STATEMENTS**31 October 1997****18. RESERVES**

| | Revaluation reserve £ | Share premium account £ | Profit and loss account £ |
|------------------------------|-----------------------------|----------------------------------|------------------------------------|
| At 1 November 1996 | 351,962 | 10,000 | (629,257) |
| Retained profit for the year | - | - | 131,880 |
| Sale of revalued asset | (13,000) | - | 13,000 |
| | <hr/> | <hr/> | <hr/> |
| At 31 October 1997 | 338,962 | 10,000 | (484,377) |
| | <hr/> | <hr/> | <hr/> |

Reserves includes an amount of £242,838 (1996: £207,738) in respect of arrears of dividends attributable to non-equity shareholders. The balance of reserves is attributable to equity shareholders.

19. FINANCIAL COMMITMENTS**Operating lease commitments**

The payments which the company is committed to make in the next year under operating leases are as follows:

| | 1997 £ | 1996 £ |
|--|-----------|-----------|
| Fixtures, fittings & motor vehicles, lease expiring: | | |
| Within one year | - | 7,064 |
| Two to five years | 73,195 | 17,588 |
| | <hr/> | <hr/> |
| | 73,195 | 24,652 |
| | <hr/> | <hr/> |

20. CONTINGENT LIABILITY

The company and its subsidiary undertakings have given an unlimited gross guarantee in respect of the indebtedness of the ultimate parent undertaking to Barclays Bank Plc. As at 31 October 1997 the indebtedness totalled £665,000 (1996 : £687,075).

NOTES TO THE FINANCIAL STATEMENTS

31 October 1997

21. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Whitehead & Wood (Holdings) Limited, a company incorporated in England and Wales. A copy of its accounts may be obtained, on payment of the appropriate fee, by writing to Companies Registration Office, Companies House, Maindy, Cardiff, CF4 3UZ.