

**SUTHERLAND TRADING COMPANY LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR**  
**31 MARCH 2002**

**Company Registration Number 4112976**



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# **SUTHERLAND TRADING COMPANY LIMITED**

## **FINANCIAL STATEMENTS**

**PERIOD FROM 23 NOVEMBER 2000 TO 31 MARCH 2002**

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# **SUTHERLAND TRADING COMPANY LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **THE BOARD OF DIRECTORS**

Mr G D Jones

### **COMPANY SECRETARY**

Mr P McKenna

### **REGISTERED OFFICE**

Bedwas House Industrial Estate  
Bedwas  
Caerphilly  
CF83 8XQ

### **AUDITORS**

Menzies  
Chartered Accountants  
& Registered Auditors  
Bridge House  
Bridge Street  
Staines  
Middlesex  
TW18 4TW

### **BANKERS**

National Westminster Bank Plc  
Smith House  
Elmwood  
Feltham  
TW13 7QD

### **SOLICITORS**

Cartwright, Adams and Black  
36 West Bute Street  
Cardiff  
CF10 5UA

# **SUTHERLAND TRADING COMPANY LIMITED**

## **THE DIRECTOR'S REPORT**

### **PERIOD FROM 23 NOVEMBER 2000 TO 31 MARCH 2002**

The director has pleasure in presenting his report and the financial statements of the company for the period from 23 November 2000 to 31 March 2002.

#### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activity of the company during the year comprised the import and wholesale selling of musical instruments and accessories.

The company began trading on 2 April 2001 after the trade of its wholly owned subsidiary Southern Union Trading Company Limited was transferred as part of a group reconstruction, for a consideration of £1.

#### **FUTURE DEVELOPMENTS**

The company aims to continue its current operations and achieve a further trading profit.

#### **RESULTS AND DIVIDENDS**

The trading results for the period, and the company's financial position at the end of the period are shown in the attached financial statements.

The director has recommended the following dividends:

	£
Dividends paid on ordinary shares	<u>154,302</u>

A breakdown of the dividends paid by class of share can be seen in note 7.

#### **THE DIRECTOR AND HIS INTERESTS IN SHARES OF THE COMPANY**

The director who served the company during the period together with his beneficial interests in the shares of the company was as follows:

	Class of share	At 31 March 2002	At 23 November 2000
Mr G D Jones	Ordinary Shares of £1 each	<u>47,997</u>	<u>-</u>

#### **THE INTRODUCTION OF THE EURO**

The impact of the introduction of the Euro has been considered by the director and no adverse impact on the business is anticipated.

#### **DIRECTOR'S RESPONSIBILITIES**

Company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the period and of the profit or loss for the period then ended.

In preparing those financial statements, the director is required to select suitable accounting policies, as described on pages 11 to 12, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The director must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. The director is 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.

**SUTHERLAND TRADING COMPANY LIMITED**

**THE DIRECTOR'S REPORT** *(continued)*

**PERIOD FROM 23 NOVEMBER 2000 TO 31 MARCH 2002**

**AUDITORS**

A resolution to re-appoint Menzies as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:  
Bedwas House Industrial Estate  
Bedwas  
Caerphilly  
CF83 8XQ

Signed by order of the director



Mr P McKenna  
Company Secretary

Approved by the director on 28.6.02

# **SUTHERLAND TRADING COMPANY LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS**

**PERIOD FROM 23 NOVEMBER 2000 TO 31 MARCH 2002**

We have audited the financial statements on pages 5 to 15 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

### **RESPECTIVE RESPONSIBILITIES OF THE DIRECTOR AND THE AUDITORS**

As described on page 2, the company's director is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

It is our responsibility 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 director's 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 director's remuneration and transactions with the company is not disclosed.

We read the director's 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, except that the scope of our work was limited as explained below.

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 director 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 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. However the evidence available to us was limited in relation to assets and liabilities transferred to this company under the terms of a hive up agreement effective 30 March 2001. Assets and liabilities at this time included various substantial provisions which as at 31 March 2002 have been reassessed and substantially released to the profit and loss account. We were unable to carry out auditing procedures necessary to obtain adequate assurance regarding the value of these provisions.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **QUALIFIED OPINION ARISING FROM LIMITATION IN AUDIT SCOPE**

Because of the possible effect of the limitation in evidence available to us, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of the company's profits for the period ended 31 March 2002.. In all other respects, in our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2002 and have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to these provisions:

- we have not obtained all the information and explanations that we consider necessary for the purposes of our audit; and
- we were unable to determine whether proper accounting records have been maintained.

Bridge House  
Bridge Street  
Staines  
Middlesex  
TW18 4TW

*Menzies*

MENZIES  
Chartered Accountants  
& Registered Auditors

*1 August 2002*

**SUTHERLAND TRADING COMPANY LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**PERIOD FROM 23 NOVEMBER 2000 TO 31 MARCH 2002**

	Note	Period from 23 Nov 00 to 31 Mar 02 £
<b>TURNOVER</b>	2	5,445,188
Cost of sales		3,836,666
<b>GROSS PROFIT</b>		<u>1,608,522</u>
Administrative expenses		1,088,540
<b>OPERATING PROFIT</b>	3	<u>519,982</u>
Interest receivable		273
Interest payable	6	(62,546)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>457,709</u>
Tax on profit on ordinary activities		-
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u>457,709</u>
Dividends	7	154,302
<b>RETAINED PROFIT FOR THE FINANCIAL PERIOD</b>		<u><u>303,407</u></u>

The company has no recognised gains or losses other than the results for the period as set out above.

All of the activities of the company are classed as continuing.

The notes on pages 9 to 15 form part of these financial statements.

# SUTHERLAND TRADING COMPANY LIMITED

## BALANCE SHEET

31 MARCH 2002

	Note	£
<b>FIXED ASSETS</b>		
Intangible assets	8	87,193
Tangible assets	9	467,379
Investments	10	<u>1</u>
		554,573
<b>CURRENT ASSETS</b>		
Stocks	11	465,973
Debtors	12	672,333
Cash at bank and in hand		236,734
		<u>1,375,040</u>
<b>CREDITORS: Amounts falling due within one year</b>	13	<u>(1,150,680)</u>
<b>NET CURRENT ASSETS</b>		224,360
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>778,933</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	14	(404,707)
		<u>374,226</u>
<b>CAPITAL AND RESERVES</b>		
Called-up equity share capital	17	70,819
Profit and Loss Account	18	303,407
<b>SHAREHOLDERS' FUNDS</b>	19	<u>374,226</u>

These financial statements were approved and signed by the director on 28.6.02.

  
.....  
Mr G D Jones

The notes on pages 9 to 15 form part of these financial statements.



**SUTHERLAND TRADING COMPANY LIMITED****CASH FLOW STATEMENT****PERIOD FROM 23 NOVEMBER 2000 TO 31 MARCH 2002**

	£
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	<b>(47,242)</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	
Interest received	273
Interest paid	(21,141)
Interest element of hire purchase	(41,405)
	<hr/>
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	<b>(62,273)</b>
<b>CAPITAL EXPENDITURE</b>	
Payments to acquire intangible fixed assets	(92,320)
Payments to acquire tangible fixed assets	(490,552)
Receipts from sale of fixed assets	8,000
	<hr/>
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE</b>	<b>(574,872)</b>
<b>ACQUISITIONS AND DISPOSALS</b>	
Acquisition of shares in group undertakings	(1)
	<hr/>
<b>NET CASH OUTFLOW FROM ACQUISITIONS AND DISPOSALS</b>	<b>(1)</b>
<b>CASH OUTFLOW BEFORE FINANCING</b>	<b>(684,388)</b>
<b>FINANCING</b>	
Issue of equity share capital	70,819
Repayment of bank loans	383,266
Capital element of hire purchase	39,244
Net inflow from other long-term creditors	36,167
	<hr/>
<b>NET CASH INFLOW FROM FINANCING</b>	<b>529,496</b>
<b>DECREASE IN CASH</b>	<b>(154,892)</b>

**RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	Period from 23 Nov 00 to 31 Mar 02 £
Operating profit	519,982
Amortisation	5,127
Depreciation	15,850
Profit on disposal of fixed assets	(677)
Increase in stocks	(465,973)
Increase in debtors	(672,333)
Increase in creditors	550,782
	<hr/>
<b>Net cash outflow from operating activities</b>	<b>(47,242)</b>

The notes on pages 9 to 15 form part of these financial statements.

# SUTHERLAND TRADING COMPANY LIMITED

## CASH FLOW STATEMENT *(continued)*

PERIOD FROM 23 NOVEMBER 2000 TO 31 MARCH 2002

### RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	£	£
Decrease in cash in the period	(154,892)	
Net cash inflow from bank loans	(383,266)	
Cash outflow in respect of hire purchase	(39,244)	
Net cash inflow from other long-term creditors	<u>(36,167)</u>	
		(613,569)
<b>Change in net debt</b>		<u>(613,569)</u>
<b>Net debt at 31 March 2002</b>		<u><u>(613,569)</u></u>

### ANALYSIS OF CHANGES IN NET DEBT

	At 23 Nov 2000 £	Cash flows £	At 31 Mar 2002 £
<b>Net cash:</b>			
Cash in hand and at bank	-	236,734	236,734
Overdrafts	-	(391,626)	(391,626)
	<u>-</u>	<u>(154,892)</u>	<u>(154,892)</u>
<b>Debt:</b>			
Debt due within 1 year	-	(20,000)	(20,000)
Debt due after 1 year	-	(399,433)	(399,433)
Hire purchase agreements	-	(39,244)	(39,244)
	<u>-</u>	<u>(458,677)</u>	<u>(458,677)</u>
<b>Net debt</b>	<u>-</u>	<u><u>(613,569)</u></u>	<u><u>(613,569)</u></u>

The notes on pages 9 to 15 form part of these financial statements.

# **SUTHERLAND TRADING COMPANY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**PERIOD FROM 23 NOVEMBER 2000 TO 31 MARCH 2002**

### **1. ACCOUNTING POLICIES**

#### **Basis of accounting**

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

#### **Consolidation**

In the opinion of the director, the company and its subsidiary undertakings comprise a medium-sized group. The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts.

#### **Turnover**

The turnover shown in the profit and loss account represents amounts invoiced during the period, exclusive of Value Added Tax.

#### **Amortisation**

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Goodwill - Over 18 years

#### **Depreciation**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold Property	- 1% straight line on original cost
Fixtures, plant and machinery	- 10% - 30% reducing balance
Motor Vehicles	- 25% reducing balance

#### **Stocks**

Stock is stated at the lower of cost and net realisable value. In the case of raw materials and consumable stores, cost means purchase price calculated on a first in, first out basis. Net realisable value means the estimated selling price less all further costs to completion and all costs to be incurred in marketing, selling and distribution.

#### **Hire purchase agreements**

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the Profit and Loss Account on a straight line basis.

#### **Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

#### **Deferred taxation**

Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may arise.

#### **Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

# SUTHERLAND TRADING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 23 NOVEMBER 2000 TO 31 MARCH 2002

### 1. ACCOUNTING POLICIES *(continued)*

#### Trade fairs

Expenditure with regard to trade fairs is spread over the beneficial period, which is considered to be one year from the date of the fair.

### 2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	Period from 23 Nov 00 to 31 Mar 02 £
United Kingdom	5,158,182
Republic of Ireland	287,006
	<u>5,445,188</u>

### 3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	Period from 23 Nov 00 to 31 Mar 02 £
Amortisation	5,127
Depreciation	15,850
Profit on disposal of fixed assets	(677)
Auditors' remuneration	
- as auditors	6,500
Operating lease costs:	
Plant and equipment	3,407
Net loss on foreign currency translation	22,465
Exceptional items - write back of bad debt and credit note provision	<u>(119,683)</u>

### 4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial period amounted to:

	Period from 23 Nov 00 to 31 Mar 02 No.
Sales	13
Administrative	10
Warehouse	5
	<u>28</u>

**SUTHERLAND TRADING COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD FROM 23 NOVEMBER 2000 TO 31 MARCH 2002**

**4. PARTICULARS OF EMPLOYEES** *(continued)*

The aggregate payroll costs of the above were:

	Period from 23 Nov 00 to 31 Mar 02 £
Wages and salaries	617,622
Social security costs	58,010
	<u>675,632</u>

**5. DIRECTOR'S EMOLUMENTS**

The director's aggregate emoluments in respect of qualifying services were:

	Period from 23 Nov 00 to 31 Mar 02 £
Emoluments receivable	<u>72,032</u>

**6. INTEREST PAYABLE**

	Period from 23 Nov 00 to 31 Mar 02 £
Interest payable on bank borrowing	15,718
Finance charges	41,405
Other similar charges payable	5,423
	<u>62,546</u>

**7. DIVIDENDS**

The following dividends have been paid in respect of the period:

	Period from 23 Nov 00 to 31 Mar 02 £
Dividend paid on ordinary shares	92,606
Dividends paid on ordinary 'A' shares	23,136
Dividends paid on ordinary 'B' shares	38,560
	<u>154,302</u>

**SUTHERLAND TRADING COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD FROM 23 NOVEMBER 2000 TO 31 MARCH 2002**

**8. INTANGIBLE FIXED ASSETS**

	<b>Goodwill £</b>
<b>COST</b>	
Additions	92,320
<b>At 31 March 2002</b>	<u>92,320</u>
<b>AMORTISATION</b>	
Charge for the period	5,127
<b>At 31 March 2002</b>	<u>5,127</u>
<b>NET BOOK VALUE</b>	
<b>At 31 March 2002</b>	<u>87,193</u>

The goodwill relates to the transfer of the trade of Southern Union Trading Limited, the company's wholly owned subsidiary, on the 30 March 2001.

**9. TANGIBLE FIXED ASSETS**

	<b>Freehold Property £</b>	<b>Plant &amp; Machinery £</b>	<b>Motor Vehicles £</b>	<b>Total £</b>
<b>COST</b>				
Additions	-	2,959	31,983	34,942
Disposals	-	-	(8,000)	(8,000)
Transfers	440,011	6,000	40,000	486,011
<b>At 31 March 2002</b>	<u>440,011</u>	<u>8,959</u>	<u>63,983</u>	<u>512,953</u>
<b>DEPRECIATION</b>				
Charge for the period	2,598	1,974	11,278	15,850
On disposals	-	-	(677)	(677)
Transfer	30,401	-	-	30,401
<b>At 31 March 2002</b>	<u>32,999</u>	<u>1,974</u>	<u>10,601</u>	<u>45,574</u>
<b>NET BOOK VALUE</b>				
<b>At 31 March 2002</b>	<u>407,012</u>	<u>6,985</u>	<u>53,382</u>	<u>467,379</u>

**Hire purchase agreements**

Included within the net book value of £467,379 is £41,188 relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the period in respect of such assets amounted to £10,601.

**10. INVESTMENTS**

**Subsidiary undertaking**

	<b>£</b>
<b>COST</b>	
Additions	1
<b>At 31 March 2002</b>	<u>1</u>
<b>NET BOOK VALUE</b>	
<b>At 31 March 2002</b>	<u>1</u>

# SUTHERLAND TRADING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 23 NOVEMBER 2000 TO 31 MARCH 2002

### 10. INVESTMENTS (continued)

The company owns 100% of the issued share capital of Southern Union Trading Limited a company incorporated in England and Wales. The company no longer trades and the most recent set of financial statements to 31 March 2001 had reserves of £1 and a loss for the year of £360,571.

Under the provision of section 248 of the Companies Act 1985 the company is exempt from preparing consolidated accounts and has not done so, therefore the accounts show information about the company as an individual entity.

### 11. STOCKS

	31 Mar 02 £
Stock	465,973

There were no significant differences between the replacement cost and the values disclosed for all categories of stock.

### 12. DEBTORS

	31 Mar 02 £
Trade debtors	658,399
Other debtors	795
Prepayments and accrued income	13,139
	<u>672,333</u>

All amounts included above are considered receivable within one year of the balance sheet date.

### 13. CREDITORS: Amounts falling due within one year

	31 Mar 02 £
Bank loans and overdrafts	411,626
Trade creditors	195,382
Amounts owed to group undertakings	53,188
Hire purchase agreements	33,970
Dividends payable	154,302
Other taxation and social security	88,495
Other creditors	30,643
Accruals and deferred income	183,074
	<u>1,150,680</u>

The bank loan and mortgage are secured by way of a debenture and legal mortgage over the company's freehold property.

Interest is applied on these borrowings at 3% above the base rate.

# SUTHERLAND TRADING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 23 NOVEMBER 2000 TO 31 MARCH 2002

### 14. CREDITORS: Amounts falling due after more than one year

	31 Mar 02 £
Bank loans and overdrafts	363,266
Hire purchase agreements	5,274
Other creditors	36,167
	<u>404,707</u>

The bank loan and mortgage are secured by way of a debenture and legal mortgage over the company's freehold property.

Interest is applied on these borrowings at 3% above the base rate.

The following aggregate liabilities disclosed under creditors falling due after more than one year are due for repayment after more than five years from the balance sheet date:

	31 Mar 02 £
Bank loans and overdrafts	<u>283,162</u>

### 15. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	31 Mar 02 £
Amounts payable within 1 year	39,244
	<u>39,244</u>

### 16. RELATED PARTY TRANSACTIONS

Included in other creditors is an amount £53,188 is owed to Southern Union Trading Company Limited, a wholly owned subsidiary of Sutherland Trading Company Limited..

### 17. SHARE CAPITAL

Authorised share capital:

	31 Mar 02 £
84,883 Ordinary shares of £1.00 each	84,883.00
14,117 Ordinary 'A' shares of £1.00 each	14,117.00
100,000 Ordinary 'B' shares of £0.01 each	1,000.00
	<u>100,000.00</u>

Allotted, called up and fully paid:

	No.	£
Ordinary shares	56,467.00	56,467.00
Ordinary 'A' shares	14,117.00	14,117.00
Ordinary 'B' shares	23,528.00	235.28
	<u>94,112.00</u>	<u>70,819.28</u>

The share capital was issued during the year as part of the transfer of trade from Southern Union Trading Limited to its parent undertaking, Sutherland Trading Company Limited.

All shares are ranked equally.



**SUTHERLAND TRADING COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD FROM 23 NOVEMBER 2000 TO 31 MARCH 2002**

**18. PROFIT AND LOSS ACCOUNT**

**Period from  
23 Nov 00 to  
31 Mar 02  
£**

Retained profit for the financial period	303,407
Balance carried forward	<u>303,407</u>

**19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

**31 Mar 02  
£**

Profit for the financial period	457,709
Dividends	(154,302)
	<u>303,407</u>
New equity share capital subscribed	70,819
	<u>374,226</u>
Net addition to funds	374,226
Closing shareholders' equity funds	<u>374,226</u>

**20. CAPITAL COMMITMENTS**

As at 31 March 2002 there were no capital commitments.

**21. CONTINGENT LIABILITIES**

As at 31 March 2002 there were no contingent liabilities.

**22. ULTIMATE CONTROLLING PARTY**

Mr G. D. Jones is considered the ultimate controlling party by virtue of his shareholding.