

AUDITORS' REPORT TO THE SHAREHOLDERS OF
MINEHEAD GLASS LIMITED

We have audited the financial statements on pages 2 to 8 which have been prepared under the historical cost convention and the accounting policies set out on page 4.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1 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 these 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 judgments 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 mis-statement, 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 30 June 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Registered Auditors

Date: 29 September 1997

Spence, Houghton & Co

Mansfield House
26-28 Silver Street
TAUNTON
Somerset
TA1 3DJ



DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1997

The directors present their sixth report on the affairs of the company, together with the financial statements and Auditors' Report for the year ended 30 June 1997.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW:

The principal activity of the company is the sale and distribution of glass, double-glazing and related products.

RESULTS:

The results of the company are shown in the Profit and Loss Account on page 2 of the Financial Statements. No dividend is proposed.

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 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;

state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

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 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.

DIRECTORS AND THEIR INTERESTS:

The directors who served during the year and their beneficial interests in the shares of the company are shown below:

	At 30 June 1997 Ordinary £1 Shares	At 30 June 1996 Ordinary £1 Shares
D R Williams	50	50
A D Williams <i>A Williams</i>	50	50

APPROVED BY THE BOARD OF DIRECTORS AND SIGNED ON BEHALF OF THE BOARD

A D WILLIAMS

Secretary

A Williams

Date: 27 September 1997

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1997

	Note	1997 £	1996 £
TURNOVER	9	350992	372107
Cost of Sales		263463	274567
GROSS PROFIT		87529	97540
Distribution Costs		25141	17871
Administration Expenses		41210	43154
OPERATING PROFIT		21178	36515
Investment Income	10	2119	101
Interest payable and similar charges	11	[14970]	[13852]
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	12	8327	22764
Tax on profit on ordinary activities	14	495	23
RETAINED PROFIT FOR THE PERIOD		7832	22741
RETAINED PROFIT/(LOSS) at beginning of period		[1473]	[24214]
RETAINED PROFIT/(LOSS) at end of period		6359	[1473]

There are no recognised gains or losses other than as disclosed above and there have been no discontinued activities or acquisition in the current or preceding period.

The accompanying notes are an integral part of this Profit and Loss Account.

BALANCE SHEET - 30 JUNE 1997

	Notes	1997 £	1996 £
FIXED ASSETS:			
Tangible Assets	2	181065	172398
CURRENT ASSETS:			
Stocks	3	20171	18492
Debtors	4	56483	58738
Cash at Bank and in Hand		8382	11244
		85036	88474
CREDITORS: Amounts falling due within one year	5	90766	95304
NET CURRENT ASSETS/(LIABILITIES)		[5730]	[6830]
TOTAL ASSETS LESS CURRENT LIABILITIES		175335	165568
CREDITORS: Amounts falling due after one year	6	98083	96148
NET ASSETS		77252	69420
CAPITAL AND RESERVES			
Called-up share capital	8	100	100
Share premium		70793	70793
Profit and loss account		6359	[1473]
CAPITAL EMPLOYED		77252	69420

The financial statements were approved by the Board on 27 September 1997.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS


D R WILLIAMS - DIRECTOR


A D WILLIAMS - DIRECTOR

The accompanying notes are an integral part of this balance sheet.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1997

1. ACCOUNTING POLICIES

The principal accounting policies, all of which have been applied consistently throughout the period are as follows:-

a. Basis of Accounting -

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

b. Tangible Fixed Assets -

Fixed assets are shown at cost less accumulated depreciation.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Leasehold Buildings	2% per annum (straight line)
Motor Vehicles	25% per annum (reducing balance)
Tools & Equipment	20% per annum (reducing balance)
Leased Assets	over term of lease (straight line)
Property Improvements	10% per annum (straight line)

c. Stocks -

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

d. Taxation -

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax authorities) has been calculated on the liability method. Deferred tax is provided on timing differences, which will probably reverse at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

e. Pension Costs -

The company operates a defined contribution pension scheme. The assets of the scheme are held independently of the company by insurance companies. The amount charged, to the profit and loss account, represents the contributions payable in the year and is shown in Note 13.

f. Turnover -

Turnover comprises the value of sales (net of discounts given and VAT) of goods and services in the normal course of business.

g. Leases -

Rentals under operating leases are charged on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1997

2. TANGIBLE FIXED ASSETS

The movement in the year was as follows:

	Leasehold Property	Leased Assets	Motor Vehicles	Tools and Equipment	Total
COST -					
Beginning of Year	178449	-	8600	13015	200064
Additions	-	11912	10003	140	22055
Disposals	-	-	[8600]	[3000]	[11600]
End of Year	178449	11912	10003	10155	210519
DEPRECIATION -					
Beginning of Year	13985	-	6164	7517	27666
Charge	2829	3971	2501	997	10298
Disposals	-	-	[6164]	[2346]	[8510]
End of Year	16814	3971	2501	6168	29454
NET BOOK VALUE -					
Beginning of Year	164464	-	2436	5498	172398
End of Year	161635	7941	7502	3987	181065

3. STOCKS

	1997 £	1996 £
Raw Materials and Consumables	17266	12102
Work in Progress	2905	6390
	20171	18492

4. DEBTORS

Amounts falling due within one year -

	1997 £	1996 £
Trade Debtors	52906	55125
Other Debtors	267	90
Prepayments	3310	3523
	56483	58738

5. CREDITORS

Amounts falling due within one year -

	1997 £	1996 £
Mortgage	7737	6688
Bank Overdraft	26160	27047
Hire Purchase Account	4155	-
Lease Account	1880	-
Trade Creditors	20819	21698
Other Creditors - Loans from Directors	16042	19120
Taxation and Social Security	10354	17103
Accruals	3619	3648
	90766	95304

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1997

5. CREDITORS (continued)

The Bank overdraft is secured by a second scheduled mortgage debenture incorporating a charge over the assets of the company and a legal charge over the factory.

6. CREDITORS

Amounts falling due after one year -

	1997 £	1996 £
Mortgage	89560	96148
Hire Purchase Account	3041	-
Lease Account	5482	-
	<u>98083</u>	<u>96148</u>

7. CREDITORS

Amounts falling due after five years -

The company has a 15 year mortgage which was taken out in order to purchase the leasehold factory. The mortgage is repayable in instalments of £1500 per month consisting of capital and interest.

The rate of interest charged is 3% above bank base rates with a minimum of 11% and will therefore vary over the period of the mortgage.

It is estimated that the aggregate amount of capital and interest falling due for repayment after five years is £72000 (1996 - £90000).

The mortgagor has first legal charge over the factory.

8. SHARE CAPITAL

	1997 £	1996 £
Authorised		
100 Ordinary Shares of £1 each	100	100
Allotted, called-up and fully paid		
100 Ordinary Shares of £1 each	100	100

9. SEGMENT INFORMATION

	1997 £	1996 £
Turnover:		
United Kingdom	350992	372107

10. OTHER INCOME

	1997 £	1996 £
Rent	1980	-
Interest receivable and similar income	139	101
	<u>2119</u>	<u>101</u>

NOTES TO FINANCIAL STATEMENTS - 30 JUNE 1997

11. INTEREST PAYABLE AND SIMILAR CHARGES

	1997 £	1996 £
Bank loans and overdraft repayable within five years	1970	2134
Loans repayable after five years	12461	11718
Hire purchase interest	370	-
Lease interest	169	-
	<u>14970</u>	<u>13852</u>

12. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is after charging -

	1997 £	1996 £
Depreciation of leased assets	3971	-
Depreciation of tangible fixed assets	6327	5014
Hire of plant and machinery and vehicles	11568	6055
Operating lease rentals	430	1133
Auditor's remuneration	1000	1000
	<u>10000</u>	<u>13102</u>

13. STAFF COSTS

Particulars of employees (including executive directors) are as shown below:

	1997 £	1996 £
Employee costs during the period amounted to -		
Wages and salaries	102076	86788
Social security costs	10424	8931
Other pension costs - defined contribution scheme	3055	4033
Other costs	500	-
	<u>116055</u>	<u>99752</u>

The average weekly number of persons employed by the company during the year was - 7 (1996 - 7).

Directors' remuneration:

Directors of the company received the following remuneration -

	1997 £	1996 £
Emoluments (including pension contributions)	29616	26349
Benefits in kind	850	3741
	<u>30466</u>	<u>30090</u>

14. TAXATION AND DEFERRED TAX

The tax charge shown in the Accounts is made up as follows -

	1997 £	1996 £
Tax due on investment income	493	23
Tax underprovided in previous year	2	-
	<u>495</u>	<u>23</u>

NOTES TO FINANCIAL STATEMENTS - 30 JUNE 1997

14. TAXATION AND DEFERRED TAX (continued)

Deferred Tax -

	1997 Provided £	1997 Potential £	1996 Provided £	1996 Potential £
Accelerated Capital Allowances	-	6255	-	5353

The company has unused tax losses of £18632.