

**Edward Williams Holdings Limited and
subsidiary companies**

Directors' report and financial statements

For the year ended 30 June 1999

Registered number 98606



Directors' report and financial statements

Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the auditors to the members of Edward Williams Holdings Limited	4
Consolidated profit and loss account	5
Consolidated balance sheet	6
Company balance sheet	7
Consolidated statement of total recognised gains and losses	8
Consolidated cash flow statement	9
Notes	10

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 1999.

Principal activity

The company acts as a holding company for the companies listed in note 13 to the financial statements.

Business review

The results for the year are shown on page 5 of the financial statements.

On 8 October 1998, the company's interest in the shares of Edward Williams Manufacturing Co Limited was disposed of for a total consideration of £926,000, including £235,000 as settlement of an outstanding loan. Control of this company was passed to the new owners on 30 June 1998. This company, therefore, does not contribute to consolidated operating profits for the current year.

Purchase of own shares

On 13 April 1999, 214,205 ordinary shares of 25p each were repurchased by the company for a consideration of £3.10 each. In addition, £10,000 was incurred in connection with the purchase, making a total cost of £674,036. The shares repurchased represented 14.3% of the called up share capital at that time. These shares were repurchased in anticipation of the group re-organisation which happened on 15 July 1999 and were cancelled immediately after purchase.

On 15 July 1999, the remaining share capital was purchased by Brian Williams Holdings Limited.

Dividends and transfers to reserves

The dividend paid during the year was £44,831 (1998: £Nil).

Post balance sheet events

On 30 September 1999, the company's investment in Heat-Win Limited was disposed of. Prior to the disposal, the company held shares with a cost of £10,000 and had made loans of £176,550 to Heat-Win Limited. Upon disposal, a new loan agreement was entered into in the sum £184,050. This loan was secured by a legal charge over all Heat-Win patents.

Also on 30 September 1999, Mr FB Williams and Mr RT Stokes resigned as directors of Heat-Win Limited.

Year 2000

During 1999, the company carried out reviews to identify areas where the year 2000 could potentially have significant financial and operational consequences. Where problems were identified, rectification work was carried out. Up to now, the company has encountered no significant problems in relation to this issue. However, the company does acknowledge that it is impossible to know whether there are any problems yet to arise. The company is, therefore, continuing to monitor the situation in order that problems can be identified, investigated and rectified quickly and efficiently.

Notes (continued)

Directors and directors' interests

The directors of the company who served during the year were as follows:

FB Williams (chairman)
 RT Stokes

The director retiring by rotation is FB Williams who, being eligible, offers himself for re-election.

The interests of the directors in the 25p ordinary shares of the company were as follows:

	At 30 June 1999		At 30 June 1998	
	Beneficial	Trustee	Beneficial	Trustee
FB Williams	35,194	246,987	35,194	246,987

No director is beneficially interested in the share capital of any subsidiary undertaking.

According to the register of directors' interests, no director had any right to subscribe for shares or debentures of the company or of any group undertaking at any time during the financial year.

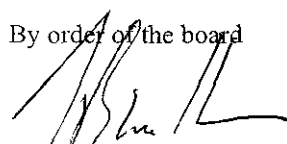
After the purchase of the share capital of the company by Brian Williams Holdings Limited on 15 July 1999, the interests of the directors in the £1 ordinary share capital of Brian Williams Holdings Limited were as follows:

	At 15 July 1999	
	Beneficial	Trustee
FB Williams	35	-

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company, is to be proposed at the forthcoming annual general meeting.

By order of the board



FB Williams
 Chairman

Foundry Lane
 Smethwick
 Warley
 West Midlands
 B66 2LQ

3 April 2000

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 group and of the profit or loss 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 group 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 enable them to ensure that 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 group and to prevent and detect fraud and other irregularities.



2 Cornwall Street
Birmingham
B3 2DL

Report of the auditors to the members of Edward Williams Holdings Limited

We have audited the financial statements on pages 5 to 24.

Respective responsibilities of the directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. We also report to you if, in our opinion, the directors' 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 directors' remuneration and transactions with the company is not disclosed.

Basis of audit 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 group'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 and the group as at 30 June 1999 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

3 April 2000

Consolidated profit and loss account
for the year ended 30 June 1999

	Note	1999 Total £	Continued operations £	1998 Discontinued operations £	Total £
Turnover	2	-	1,783,825	20,768	1,804,593
Cost of sales		-	(1,430,264)	(12,260)	(1,442,524)
Gross profit		-	353,561	8,508	362,069
Other operating expenses	3	(95,206)	(469,924)	(45,807)	(515,731)
Exceptional item: provision for doubtful debt - discontinued operations	23(iii)	(806,000)	-	-	-
Operating loss		(901,206)	(116,363)	(37,299)	(153,662)
Profit on sale of subsidiary - discontinued operations	23(iii)	250,294			-
Profit on sale of fixed assets		239			-
Profit on sale of other assets		-			106,690
Income from other fixed asset investments		128,392			31,147
Other interest receivable and similar income		163,178			109,415
Interest payable and similar charges	5	-			(3,117)
(Loss)/profit on ordinary activities before taxation	6	(359,103)			90,473
Tax on (loss)/profit on ordinary activities	8	(53,391)			1,976
(Loss)/profit on ordinary activities after taxation and for the financial year	9	(412,494)			92,449
Equity dividends paid	10	(44,831)			-
Retained (loss)/profit	20(d)	(457,325)			92,449

A statement of movements on reserves is given in note 20.

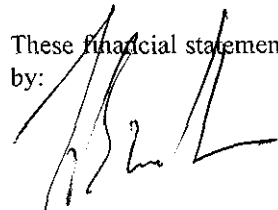
In both the current and preceding years there was no material difference between the profit reported in the consolidated profit and loss account and the profit on an unmodified historical cost basis.

All operating results for the year ended 30 June 1999 relate to continuing activities, except where specifically stated.

Consolidated balance sheet
 as at 30 June 1999

	Note	1999	1998
		£	£
Fixed assets			
Tangible assets	11	487,639	1,168,877
Investment property	12	400,000	400,000
Investments	13	1,061,007	1,030,753
		<hr/>	<hr/>
		1,948,646	2,599,630
Current assets			
Stocks	14	-	430,254
Debtors	15	60,278	303,033
Cash at bank and in hand		1,978,896	1,986,740
		<hr/>	<hr/>
		2,039,174	2,720,027
Creditors: amounts falling due within one year	16	(115,629)	(307,820)
		<hr/>	<hr/>
Net current assets		1,923,545	2,412,207
		<hr/>	<hr/>
Total assets less current liabilities		3,872,191	5,011,837
Creditors: amounts falling due after more than one year	17	-	(585)
Provisions for liabilities and charges	18	-	(7,700)
		<hr/>	<hr/>
Net assets		3,872,191	5,003,552
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	19	320,044	373,595
Revaluation reserve	20	573,243	573,243
Capital reserve	20	307,382	307,382
Capital redemption reserve	20	80,639	27,088
Profit and loss account	20	2,590,883	3,722,244
		<hr/>	<hr/>
Equity shareholders' funds	21	3,872,191	5,003,552
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 3 April 2000 and were signed on its behalf by:



FB Williams
 Chairman

Company balance sheet
as at 30 June 1999

	Note	1999	1998
		£	£
Fixed assets			
Tangible assets	11	487,639	1,146,634
Investment property	12	400,000	400,000
Investments	13	1,061,007	1,265,754
		<u>1,948,646</u>	<u>2,812,388</u>
Current assets			
Debtors	15	60,278	59,945
Cash at bank and in hand		1,978,896	1,817,347
		<u>2,039,174</u>	<u>1,877,292</u>
Creditors: amounts falling due within one year	16	(115,629)	(654,792)
		<u>1,923,545</u>	<u>1,222,500</u>
Net current assets			
		<u>3,872,191</u>	<u>4,034,888</u>
Total assets less current liabilities			
Provisions for liabilities and charges	18	-	(7,700)
		<u>3,872,191</u>	<u>4,027,188</u>
Net assets			
		<u>3,872,191</u>	<u>4,027,188</u>
Capital and reserves			
Called up share capital	19	320,044	373,595
Capital redemption reserve	20	80,639	27,088
Profit and loss account	20	3,471,508	3,626,505
		<u>3,872,191</u>	<u>4,027,188</u>
Equity shareholders' funds	21		
		<u>3,872,191</u>	<u>4,027,188</u>

These financial statements were approved by the board of directors on 3 April 2000 and were signed on its behalf by:


FB Williams
Chairman

Consolidated statement of total recognised gains and losses
for the year ended 30 June 1999

	1999 £	1998 £
(Loss)/profit for the financial year	(412,494)	92,449
Equity dividends paid	(44,831)	-
	<hr/>	<hr/>
Total gains and losses recognised since last annual report	(457,325)	92,449
	<hr/>	<hr/>

Consolidated cash flow statement
 for the year ended 30 June 1999

	Note	1999 £	1998 £
Reconciliation of operating loss to net cash inflow from operating activities			
Operating loss		(901,206)	(153,662)
Depreciation charges and provisions for diminution in value of investments		60,380	69,626
Provision re sale of subsidiary		806,000	-
(Increase)/decrease in stocks		-	(40,758)
Decrease/(increase) in debtors		(55,421)	600,639
(Decrease)/increase in creditors		(37,577)	(470,284)
Net cash (outflow)/inflow from operating activities		(127,824)	5,561

Cash flow statement

Net cash (outflow)/inflow from operating activities		(127,824)	5,561
Returns on investments and servicing of finance	23(i)	291,570	132,172
Taxation (paid)/recovered		(4,674)	7,703
Capital expenditure and financial investment	23(ii)	568,600	(91,990)
Equity dividends paid		(44,831)	-
Acquisitions and disposals	23(iii)	(16,649)	-
		666,192	53,446
Financing	23(i)	(674,036)	(10,625)
(Decrease)/increase in cash		(7,844)	42,821

Reconciliation of net cash flow to movement in net funds

(Decrease)/increase in cash in the year	23(ii)	(7,844)	42,821
Cash outflow from decrease in debt: lease financing	23(ii)	3,823	10,625
Change in net funds resulting from cash flows		(4,021)	53,446
Net funds at beginning of year		1,982,917	1,929,471
Net funds at end of year		1,978,896	1,982,917

Notes

(forming part of the financial statements)

1 Accounting policies

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

(a) Basis of preparation

The financial statements are prepared in accordance with applicable accounting standards and under the historical cost convention, modified to include the revaluation of freehold land and buildings and the inclusion of investment properties at open market value.

(b) Basis of consolidation

The consolidated financial statements incorporate those of the parent and subsidiary undertakings. The financial statements are all made up to 30 June each year.

A separate profit and loss account, dealing with the results of the company only, has not been presented under the exemption provided in section 230(4) of the Companies Act 1985.

(c) Depreciation and amortisation

Subject to retaining a nominal value, the annual rates of depreciation applied to cost or valuation less estimated residual value on a straight line basis are as follows:

Freehold buildings	-	2%
Plant and machinery	-	10% to 100%

No depreciation or amortisation is charged in respect of leasehold investment properties in accordance with Statement of Standard Accounting Practice No. 19. This treatment may be a departure from the requirements of the Companies Act 1985 concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view.

(d) Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Work in progress is valued at cost, plus direct production overheads, less progress payments received.

(e) Foreign exchange

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Balances denominated in a foreign currency are translated into sterling at the exchange rate ruling on the balance sheet date.

(g) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.

Notes (continued)

1 Accounting policies (continued)

(h) Leasing and hire purchase

Where plant and machinery is acquired under finance lease or hire purchase arrangements which give rights approximating to ownership, the fair value of such assets is included in tangible assets. Depreciation is provided at the rates set out in 1(c). The capital element of the future obligation to the finance companies is treated as a liability and the interest element is charged to the profit and loss account over the period of the finance lease or hire purchase agreement.

Operating lease rental costs are charged to the profit and loss account as incurred.

2 Turnover

Turnover represents amounts invoiced by the group in respect of goods and services provided during the year, less returns and allowances, excluding value added tax.

All turnover in 1998 arises from the UK market.

3 Operating expenses

	1999 Continued operations £	Continued operations £	1998 Discontinued operations £	Total £
Distribution costs	-	80,274	-	80,274
Administration expenses	242,286	486,154	45,807	531,961
Other operating income	(147,080)	(96,504)	-	(96,504)
	<u>95,206</u>	<u>469,924</u>	<u>45,807</u>	<u>515,731</u>

Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	1999	1998
Production	-	28
Selling and distribution	-	2
Management and administration	2	9
	<u>2</u>	<u>39</u>

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	118,500	506,710
Social security	12,238	46,411
Other pension costs	-	14,390
	<u>130,738</u>	<u>567,511</u>

Notes (continued)

5 Interest payable and similar charges

	1999	1998
	£	£
Hire purchase and finance lease interest	-	3,117
	<u> </u>	<u> </u>

6 (Loss)/profit on ordinary activities before taxation

	1999	1998
	£	£
<i>(Loss)/profit on ordinary activities before taxation is stated</i>		
<i>after charging/(crediting)</i>		
Depreciation of tangible fixed assets	29,234	52,262
Diminution/(increase) in value of listed investments	(5,154)	(6,636)
Auditors' remuneration and expenses:		
Audit (including £10,500 (1998: £9,500) for parent company)	10,500	29,185
Other services	16,300	7,950
Operating lease rentals in respect of:		
Plant and machinery	-	1,816
Rents receivable	(147,080)	(96,504)
	<u> </u>	<u> </u>

7 Emoluments of directors

	1999	1998
	£	£
Aggregate directors' remuneration		
Emoluments	118,500	138,445
	<u> </u>	<u> </u>

Tax on profit/(loss) on ordinary activities

	1999	1998
	£	£
United Kingdom corporation tax at 30% (1998: 31%)	61,091	5,750
Tax attributable to franked investment income	-	5,273
Deferred tax	(7,700)	(4,300)
Adjustment from previous year	-	(8,699)
	<u> </u>	<u> </u>
	53,391	(1,976)
	<u> </u>	<u> </u>

The exceptional item does not affect the tax charge for the year due to the capital losses already available at 30 June 1998.

Loss for the financial year

Of the group loss for the financial year amounting to £457,325 (1998: profit of £92,499), a profit of £519,039 (1998 profit of £249,229) has been dealt with in the financial statements of the holding company.

Notes (continued)

10 Dividends paid

	1999	1998
	£	£
Final	44,831	-
	<u> </u>	<u> </u>

11 Tangible fixed assets

(a) The group

	Freehold land and buildings	Plant and machinery	Total
	£	£	£
<i>Cost or valuation</i>			
At beginning of year	1,288,183	481,300	1,769,483
Disposals	(665,000)	(313,610)	(978,610)
	<u> </u>	<u> </u>	<u> </u>
At end of year	623,183	167,690	790,873
	<u> </u>	<u> </u>	<u> </u>
<i>Depreciation</i>			
At beginning of year	174,193	426,413	600,606
Charge for the year	7,512	21,722	29,234
Disposals	(35,239)	(291,367)	(326,606)
	<u> </u>	<u> </u>	<u> </u>
At end of year	146,466	156,768	303,234
	<u> </u>	<u> </u>	<u> </u>
<i>Net book value</i>			
At 30 June 1999	476,717	10,922	487,639
	<u> </u>	<u> </u>	<u> </u>
At 30 June 1998	1,113,990	54,887	1,168,877
	<u> </u>	<u> </u>	<u> </u>

Freehold land amounting to £247,580 (1998: £817,324) has not been depreciated.

The net book value of land and buildings, determined according to the historical cost accounting rules, is £864,535 (1998: £869,490).

Included in plant and machinery above are assets held under finance leases and hire purchase agreements. These amount to £Nil net book value at the year end (1998: £7,096) after depreciation charged of £Nil for the year (1998: £9,711).

The land and buildings were revalued in 1984.

Notes (continued)

11 Tangible fixed assets (continued)

(b) The company

	Freehold land and buildings £	Plant and machinery £	Total £
<i>Cost</i>			
At beginning of year	1,288,183	167,690	1,455,873
Disposals	(665,000)	-	(665,000)
	<hr/>	<hr/>	<hr/>
At end of year	623,183	167,690	790,873
	<hr/>	<hr/>	<hr/>
<i>Depreciation and amortisation</i>			
At beginning of year	174,193	135,046	309,239
Charge for the year	7,512	21,722	29,234
Disposals	(35,239)	-	(35,239)
	<hr/>	<hr/>	<hr/>
At end of year	146,466	156,768	303,234
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 30 June 1999	476,717	10,922	487,639
	<hr/>	<hr/>	<hr/>
At 30 June 1998	1,113,990	32,644	1,146,634
	<hr/>	<hr/>	<hr/>

The gross book value of tangible fixed assets on which depreciation has been provided amounts to £543,293 (1998: £638,549).

2 Investment property

	Group and Company £
<i>Leasehold land and buildings at valuation:</i>	
At beginning and end of year	400,000
	<hr/>

The investment property was valued by the directors at open market value on 30 June 1989.

Notes (continued)

13 Investments

Group

	Loans to related undertakings £	Shares in related undertakings £	Listed investments £	Total £
<i>Cost or valuation</i>				
At beginning of year	140,250	10,000	1,050,292	1,200,542
Additions	36,300	-	25,100	61,400
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	176,550	10,000	1,075,392	1,261,942
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Provisions</i>				
At beginning of year	140,250	10,000	19,539	169,789
Movement during the year	36,300	-	(5,154)	31,146
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	176,550	10,000	14,385	200,935
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 30 June 1999	-	-	1,061,007	1,061,007
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 1998	-	-	1,030,753	1,030,753
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

13 Investments (continued)

Company

	Investment in group undertakings £	Investment in related undertakings £	Listed investments £	Total £
Cost				
At beginning of year	235,001	150,250	1,050,292	1,435,543
Additions	-	-	25,100	25,100
Disposals	(235,000)	-	-	(235,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Loan to related undertaking (1998: £140,250)	1	150,250	1,075,392	1,225,643
	-	36,300	-	36,300
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	1	186,550	1,075,392	1,261,943
	<hr/>	<hr/>	<hr/>	<hr/>
Provisions				
At beginning of year	-	150,250	19,539	169,789
Movement during the year	-	36,300	(5,153)	31,147
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	-	186,550	14,386	200,936
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 30 June 1999	1	-	1,061,007	1,061,007
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 1998	235,001	-	1,030,753	1,265,754
	<hr/>	<hr/>	<hr/>	<hr/>

Listed investments

At 30 June 1999, investments with a cost of £1,070,392 (1998: £1,050,292) were listed on The Stock Exchange. The market value of these listed investments at 30 June 1999 was £1,225,172 (1998: £1,171,672).

Shares in group and related undertakings

Company	Country of registration	Principal activity	Class and % of shares held
Souter Shipyard Limited	England	Building and repair of ships and other marine craft	100% ordinary
Heatwin Limited	England	Development of heat retaining equipment	40% ordinary

In addition, Souter Shipyard Limited owns 100% of the ordinary share capital of Souter Copland Composites Limited, a company registered in England.

Notes (continued)

14 Stocks and work in progress

	Group	
	1999	1998
	£	£
Raw materials and consumables	-	217,204
Work in progress	-	28,431
Finished goods and goods for resale	-	184,619
	<hr/>	<hr/>
Payments on account	-	430,254
	<hr/>	<hr/>
	-	430,254
	<hr/>	<hr/>

15 Debtors

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Trade debtors	50,176	283,473	50,176	-
Amounts owed by group undertakings	-	-	-	35,568
Other debtors	-	9,261	-	7,911
Prepayments and accrued income	460	10,299	460	230
Taxation recoverable	9,642	-	9,642	16,236
	<hr/>	<hr/>	<hr/>	<hr/>
	60,278	303,033	60,278	59,945
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

16 Creditors: amounts falling due within one year

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Trade creditors	13,990	163,671	13,990	-
Amounts owed to group undertaking	-	-	-	578,919
Other creditors including taxation and social security	89,639	50,559	89,639	5,080
Accruals and deferred income	12,000	93,590	12,000	70,793
	<u>115,629</u>	<u>307,820</u>	<u>115,629</u>	<u>654,792</u>
Other creditors including taxation and social security comprises:				
	£	£	£	£
Corporation tax	59,455	4,063	59,455	-
Other taxes	24,586	9,420	24,586	-
Social security	5,598	17,703	5,598	5,080
	<u>89,639</u>	<u>31,186</u>	<u>89,639</u>	<u>5,080</u>
Obligations under finance leases and hire purchase agreements	-	3,238	-	-
Other creditors	-	16,135	-	-
	<u>89,639</u>	<u>50,559</u>	<u>89,639</u>	<u>5,080</u>

7 Creditors: amounts falling due after more than one year

	Group	
	1999	1998
	£	£
Obligations under finance leases and hire purchase agreements (all falling due within five years)	-	585
	<u>-</u>	<u>585</u>

Notes (continued)

18 Provisions for liabilities and charges

Group and company

	Deferred tax £
At beginning of year	7,700
Profit and loss account	(7,700)
	<hr/>
At end of year	-
	<hr/> <hr/>

The full potential liability for deferred taxation calculated at 30% (1998: 30%) is set out below:

Group and company

	1999		1998
	Full potential liability £	Amount unprovided £	Full potential liability £
Accelerated capital allowances and other timing differences	-	-	7,700
	<hr/>	<hr/>	<hr/>

9 Called up share capital

	1999 £	1998 £
Authorised:		
1,680,000 ordinary shares of 25p each	420,000	420,000
	<hr/>	<hr/>
Allotted, called up and fully paid:		
1,280,177 ordinary shares of 25p each	320,044	373,595
	<hr/>	<hr/>

On 13 April 1999, 214,205 ordinary shares of 25p each were repurchased by the company for £3.10 each. In addition, £10,000 was incurred in connection with the purchase, making a total cost of £674,036.

Notes (continued)

20 Reserves

(a) Revaluation reserve

	Investment properties £
Group	
At beginning and end of year	573,243
	<u> </u>

(b) Capital reserve

	Group £
At beginning and end of year	307,382
	<u> </u>

(c) Capital redemption reserve

	Group and company £
At beginning of year	27,088
Premium on repurchase of own shares (see note 19)	53,551
	<u> </u>
At end of year	80,639
	<u> </u>

(d) Profit and loss account

	Group £	Company £
At beginning of year	3,722,244	3,626,505
Retained (loss)/profit for the financial year	(457,325)	519,039
Repurchase of own shares (see note 19)	(674,036)	(674,036)
	<u> </u>	<u> </u>
At end of year	2,590,883	3,471,508
	<u> </u>	<u> </u>

Notes (continued)

21 Reconciliation of movements in shareholders' funds

	Group		Company	
	1999 £	1998 £	1999 £	1998 £
At beginning of year	5,003,552	4,911,103	4,027,188	3,777,959
Retained (loss)/profit for the year	(457,325)	92,449	519,039	249,229
Repurchase of own shares (see note 19)	(674,036)	-	(674,036)	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	3,872,191	5,003,552	3,872,191	4,027,188
	<hr/>	<hr/>	<hr/>	<hr/>

22 Lease commitments

The group's annual commitments in respect of operating leases are as follows:

	Plant and machinery	
	1999 £	1998 £
Lease expires:		
Between one and five years	-	1,625
Over five years	-	191
	<hr/>	<hr/>
	-	1,816
	<hr/>	<hr/>

The obligation of the group under finance leases is as follows:

	£	£
Within one year	-	3,238
Between one and five years	-	585
	<hr/>	<hr/>
	-	3,823
	<hr/>	<hr/>

Notes (continued)

23 Notes to the consolidated cash flow statement

(i) Gross cash flows

	1999 £	1998 £
Returns on investments and servicing of finance		
Interest received	163,178	109,415
Finance lease interest paid	-	(3,117)
Income from fixed asset investments	128,392	25,874
	<u>291,570</u>	<u>132,172</u>
Capital expenditure and financial investments		
Payments to acquire tangible fixed assets and listed investments	(25,100)	(812,166)
Receipts from sales of tangible fixed assets and listed investments	630,000	744,176
Increase in loans to related undertaking	(36,300)	(24,000)
	<u>568,600</u>	<u>(91,990)</u>
Financing		
Capital element of finance lease rental payments	-	(10,625)
Repurchase of own shares	(674,036)	-
	<u>(674,036)</u>	<u>(10,625)</u>

(ii) Analysis of changes in net funds

	At beginning of year £	Cash flows £	At end of year £
Cash in hand, at bank	1,986,740	(7,844)	1,978,896
Finance leases	(3,823)	3,823	-
	<u>1,982,917</u>	<u>(4,021)</u>	<u>1,978,896</u>

Notes (continued)

23 Notes to the consolidated cash flow statement (continued)

(iii) Disposal of business

	£	Cash movement £
Net assets disposed of:		
Fixed assets	22,243	
Stocks	430,254	
Debtors	307,532	
Cash	136,649	(136,649)
Creditors due within one year	(220,387)	
Creditors due after one year	(585)	
	<hr/>	
	675,706	
Profit on disposal	250,294	
	<hr/>	
Consideration	926,000	
	<hr/>	
Satisfied by:		
Cash		
Received	120,000	120,000
Receivable (fully provided)	806,000	
	<hr/>	
	926,000	(16,649)
	<hr/>	

The subsidiary undertaking sold during the year contributed £Nil to the group's cash flow for the year. All assets were disposed of as stated at 30 June 1998.

The business sold during the year contributed £16,879 to the group's net operating cash flows, received £7,193 in respect of net returns on investments, and paid £197 in respect of capital expenditure.

4 Post balance sheet events

On 15 July 1999, the entire share capital of the company was purchased by Brian Williams Holdings Limited, a company incorporated in Great Britain and registered in England.

On 30 September 1999, the company's investment in Heat-Win Limited was disposed of. Prior to the disposal, the company held shares with a cost of £10,000 and had made loans of £176,550 to Heat-Win Limited. Upon disposal, a new loan agreement was entered into in the sum £184,050. This loan was secured by a legal charge over all Heat-Win patents.

Also on 30 September 1999, Mr FB Williams and Mr RT Stokes resigned as directors of Heat-Win Limited.

Notes *(continued)*

25 Related party transactions

During the year Edward Williams Holdings Limited undertook the following transactions and held the following balances with Heat Win Limited, a company in which Edward Williams Holdings Limited holds a 40% interest.

	1999 £	1998 £
Transactions		
Paid to Heat Win Limited as consultancy	13,214	25,057
	<u> </u>	<u> </u>
Balance		
Debtor	176,550	140,250
Provision	(176,550)	(140,250)
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>