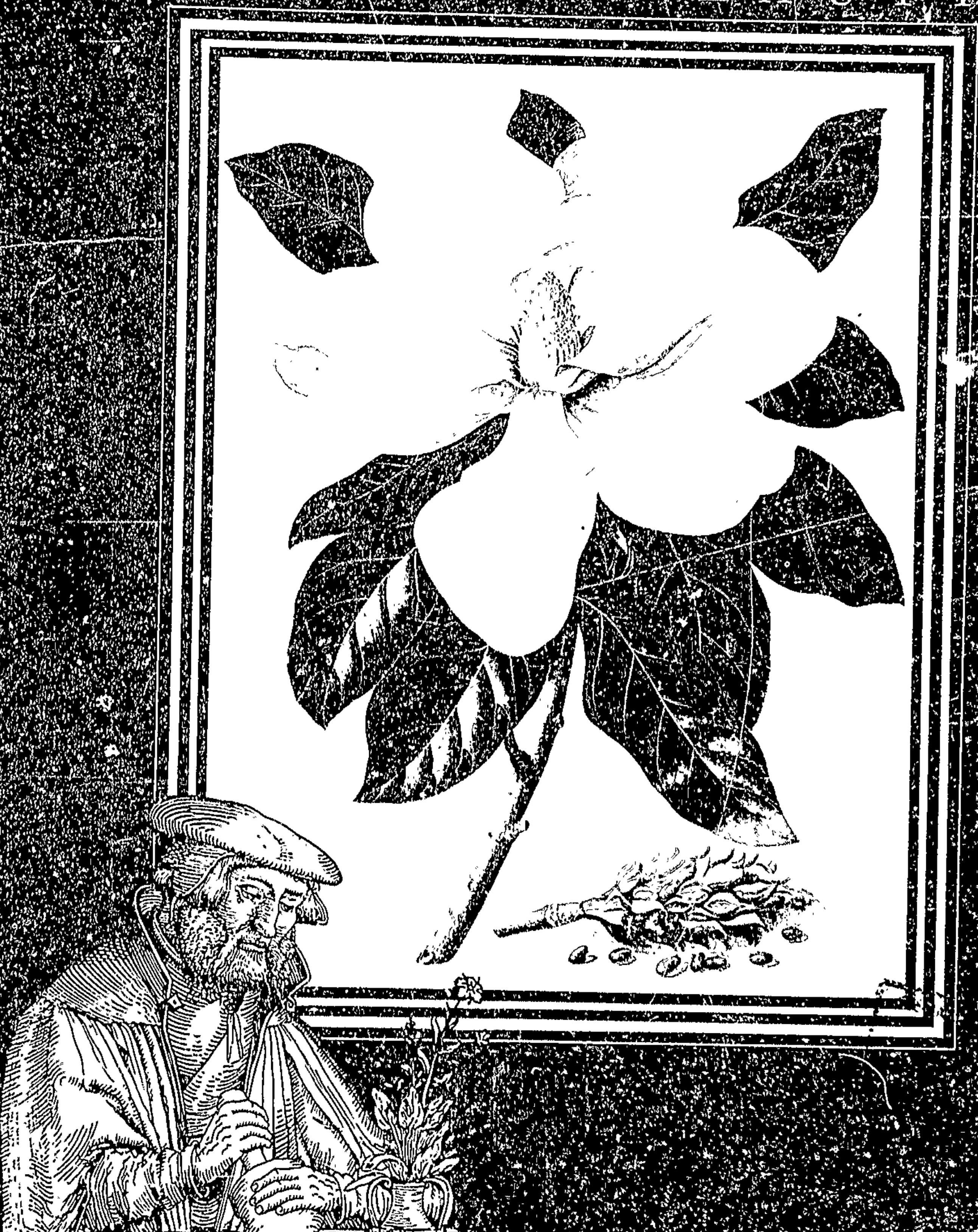
Creighton Laboratories plc

NATURAL BEAUTY



Report and Accounts 1987

Contents

Directors, Advisers and Bankers

Directors
Richard Collard, F.C.A.
Angela Nicholls, M.P.S.
Geoffrey Rowswell, F.C.A.
Patrick Hammond-Turner
Peter Jarvis, B.Sc.

Secretary and Registered Office
Geoffrey Rowswell, F.C.A.,
Water Lane,
Storrington,
Pulborough,
West Sussex RH20 3DP

Auditors
Peat Marwick McLintock,
Chartered Accountants,
Arlen House,
Salisbury Road,
Leicester LE1 7QS

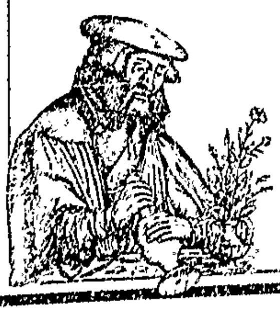
Registrars
Barclays Bank PLC,
Registration Department,
Radbroke Hall,
Knutsford,
Cheshire WA16 9EU

Bankers
Barclays Bank PLC,
Old Mill Square,
Storrington,
Pulborough,
West Sussex RH20 4NG

Solicitors
W. Davies & Son,
Westminster Bank Chambers,
Church Path,
Woking GU21 1EH

Stockbrokers
Stock Beech & Co. Limited,
Warnford Court,
Throgmorton Street,
London EC2N 2AY

Financial Advisers
Singer & Friedlander Limited,
21 New Street,
Bishopsgate,
London EC2M 4HR



Notice of Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Abingworth Hall, Storrington Road, Thakeham, Pulborough, West Sussex on 28 August 1987 at 11.30 a.m. for the following purposes:

Ordinary business

1. To receive and adopt the Directors' report and accounts for the year ended 31 March 1987.

2. To declare a final dividend.

3. To re-elect Mr R. D. Collard a Director.

4. To appoint Peat Marwick McLintock as auditors and to authorise the Directors to fix their remuneration.

5. To transact any other business of an Ordinary General Meeting.

By Order of the Board,

G. G. ROWSWELL, Secretary.

4 August 1987

Water Lane
Storrington
West Sussex

Registered in England No. 1227964

Notes:

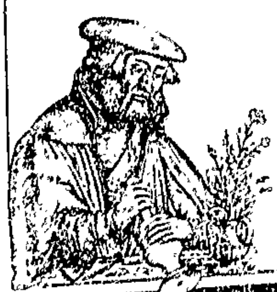
(a) Every member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the company. A proxy card for this purpose is enclosed with these financial statements and to be valid must be lodged with the Company's Registrars, Barclays Bank PLC not later than 24 hours before the time for holding the meeting.

(b) Copies of Directors service contracts will be open for inspection at the registered office of the Company during usual business hours from the date of this notice until the date of the Annual General Meeting and will be available for inspection 15 minutes prior to and throughout the Annual General Meeting.

Five Year Financial Summary

	1983 £'000	*1984 £'000*	*1985 £'000*	*1986 £'000*	*1987 £'000*	*Comparison 1986/1987*
Turnover	1,535	1,928	2,326	3,353	4,186	up 25%
Profit on ordinary activities before taxation	166	226	271	479	580	up 21%
Taxation on ordinary activities	(52)	(52)	(75)	(204)	(208)	—
Profit on ordinary activities after taxation	114	174	196	275	372	up 35%
Ordinary dividends paid and proposed	—	—	—	—	(136)	—
Earnings per 20p ordinary share	3.4p	5.2p	5.9p	8.2p	10.5p	up 28%
Net assets	414	819	997	1,273	1,761	up 38%

(Earnings per share for the year 1983 to 1986 have been calculated as if 3,334,500 shares had been in issue throughout the year. The 1987 figure has been calculated using a weighted average of the number of shares in issue during the period).



Chairman's Statement

I am pleased to present my first Annual Report and Accounts to shareholders since the Company was successfully launched on the Unlisted Securities Market in September 1986. Our first year on the USM has considerably heightened the Company's profile with customers, as well as providing an excellent capital base for the Company's development. This is a good opportunity for me to welcome new shareholders and we look forward to them sharing in the Company's increasing profitability. Our strategy continues to be that of manufacturing "Natural Beauty" products of outstanding high quality combined with strong and effective marketing.

Results

The Company has produced record pre-tax profits of £580,000 for the year ended 31 March 1987 against £479,000 for 1986, showing a profit increase of 21 per cent. This produced a record earnings per share of 10.5p, showing an increase of 28 per cent. The Company's growth is highlighted in the table opposite.

Dividend

As forecast in our prospectus prior to flotation, we have paid an interim dividend of 1.2p per share and the directors now recommend a final dividend of 2.5p per share to be paid on 4 September 1987 to shareholders registered on 6 August 1987.

The Present and the Future

These excellent results have met our expectations and show customer confidence in the Company and its products. I am pleased to report that the negotiations to commence manufacturing for two more household names, referred to in my Interim Report, have been successfully concluded.

The Company is becoming ever stronger in the export field with continuing success in the U.S.A. The Pacific Basin is increasing its potential as a fresh marketplace and our effort in Japan, in particular, is coming to fruition.

The current year has started on a sound footing with a full order book. We have acquired further premises in Storrington and have made substantial investment in new equipment to meet increased demand for our products. We continue to explore new product lines along the "Natural Beauty" theme and are well advanced in negotiations with further international retailers.

I hesitate to say the future looks rosy! We look forward to next year with great optimism based on an excellent first year on the USM.

I would like publicly to thank all our staff for their dedicated efforts in maintaining the highest standards of quality and service.

Richard Collard
Chairman

Directors' Report

The directors submit their report and financial statements for the year ended 31 March 1987.

Activity

'. he principal activity of the Company is the creation and manufacture of toiletries, soaps and fragrances.

Financial

Turnover has increased by 25 per cent compared to the previous year with all facets of the Company, including sales from the production of vegetable soaps, performing well. The bottle manufacturing division, which was transferred in 1986 from its London location to Storrington, made a greater contribution to the Company's results. The current year has started well. There is a full order book and the directors view the future with confidence. The profit for the year and appropriations are set out in the profit and loss account on page 10.

Dividends

An interim dividend of 1.2p per share was paid on 19 January 1987. The directors recommend that a final dividend of 2.5p per share be paid, resulting in a total dividend of 3.7p per share for the year. The final dividend will be paid on 4 September 1987 to shareholders on the register at 6 August 1987.

Fixed assets

Significant movements in fixed assets are shown in note 12 to the accounts.

Directors

The directors who are shown on page 2 have served throughout the year. The director retiring by rotation is Mr R. D. Collard and, being eligible, he offers himself for re-election. Mr Collard has a service contract which may be terminated by less than twelve months' notice.

Directors' interests

The interests of the directors in the shares of the Company at the beginning and end of the year were as follows:

	31 March 1987 Ordinary shares of 20p			*1 April 1986* Ordinary shares of £1	
	Beneficial	*Options*	*Trustee*	*Beneficial*	*Trustee*
R. D. Collard	1,643,575	—	—	174	—
Mrs A. M. Nicholls	3,946	37,500	—	—	—
G. G. Rowswell	3,846	37,500	—	—	—
P. A. Hammond-Turner	600,146	—	266,760	86	10
P. A. W. Jarvis	768	—	—	—	—

There is duplication in respect of 133,316 ordinary shares between the beneficial and trustee holdings of Mr P. A. Hammond-Turner.

Details of the Company's share option scheme are set out in note 24 to the accounts.

Between 31 March and 8 July 1987 there were no changes in directors' interests in ordinary shares.

Substantial Shareholdings

At 8 July 1987 the following substantial interest, being over 5 per cent of ordinary shares, had been notified to the Company.

S. J. G. Oxley and C. E. A. Jeffers	429,151 shares

Share Capital

The movements in share capital during the year are set out in note 18 to the accounts.

Charitable Donations

During the year donations made for charitable purposes in the United Kingdom amounted to £900.

Auditors

Our auditors, KMG Thomson McLintock, are merging with Peat, Marwick, Mitchell & Co. and are now practising under the name of Peat Marwick McLintock. Accordingly, they have signed the audit report in their new name. A resolution concerning the appointment of Peat Marwick McLintock as auditors and their remuneration will be submitted to the annual general meeting.

By order of the Board,
G. G. ROWSWELL, Secretary.

Water Lane
Storrington
West Sussex

8 July 1987

Report of the Auditors

KPMG Peat Marwick McLintock

To the Members of Creighton Laboratories plc

We have audited the financial statements on pages 9 to 22 in accordance with approved Auditing Standards.

In our opinion the financial statements, which have been prepared under the historical cost convention, as modified by the revaluation of certain assets, give a true and fair view of the state of affairs of the Company and the Group at 31 March 1987 and of the profit and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Peat Marwick McLintock

PEAT MARWICK McLINTOCK
Chartered Accountants
Leicester

9 July 1987

Accounting Policies

Financial statements

The effects of events relating to the year ended 31 March 1987 which occurred before 8 July 1987, the date of approval of the financial statements by the Board of Directors, have been included in the statements to the extent required to show a true and fair view of the state of affairs at 31 March 1987 and of the results for the year ended on that date.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of land and buildings, and in accordance with Section 228 of, and Schedule 4 to, the Companies Act 1985.

Consolidation

The Consolidated Profit and Loss Account and Balance Sheet include the accounts of the Company and its subsidiaries made up to 31 March each year. Goodwill on consolidation, which represents the excess of the investment in subsidiary companies over the fair value of their net assets at date of acquisition, is written off against reserves in full in the year of acquisition.

Fixed assets

Fixed assets are stated at cost to the Group with the exception that the freehold property is stated at an open market valuation with vacant possession made on 31 March 1984.

Depreciation, calculated on the cost or valuation of fixed assets, is provided on a straight line basis over their expected useful lives at the following rates: —

	% per annum
Freehold land	Nil
Freehold buildings	2
Leasehold properties	over the lease period
Plant and machinery	10
Fixtures and fittings	10
Computer	25
Motor vehicles	20

Stock

Stocks are valued at the lower of cost and net realisable value. Cost includes an appropriate proportion of manufacturing overheads.

Taxation

The charge for taxation is based upon the profits for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision for deferred taxation is only made if there is reasonable evidence that such deferred taxation will become payable in the foreseeable future.

Research and development

Research and development expenditure is written off as incurred.

Hire purchase

Assets purchased under hire purchase agreements have been included in the financial statements at their capital cost. Interest charges under the agreements are written off as incurred.

Leases

Rental income and charges arising from operating leases are taken to the profit and loss account on a straight line basis over the life of the lease.

Pensions

The Company operates insured pension schemes covering senior employees. Charges in respect of the insured schemes are made to profit and loss account in the year in which they fall due.

Consolidated Profit and Loss Account

For the year ended 31 March 1987

	Notes	1987 £'000	1987 £'000	1986 £'000	1986 £'000
Turnover	2		4,186		3,353
Cost of sales			(2,897)		(2,286)
Gross profit			1,289		1,067
Distribution costs		(27)		(36)	
Administrative expenses		(581)		(462)	
			(608)		(498)
Trading profit	3		681		569
Other operating income	6		20		22
			701		591
Interest payable	7		(121)		(112)
Profit on ordinary activities before taxation			580		479
Tax on profit on ordinary activities	8		(208)		(204)
Profit on ordinary activities after taxation			372		275
Extraordinary item	9		(8)		—
Profit for the year			364		275
Dividends	10		(136)		—
Retained profit for the year	20		228		275
Earnings per share	11		10.5p		8.2p

Consolidated Balance Sheet

As at 31 March 1987

	Notes	1987 £'000	1987 £'000	1986 £'000	1986 £'000
Fixed Assets					
Tangible assets	12		1,716		1,540
Current Assets					
Stocks	14	1,044		984	
Debtors	15	978		750	
Cash at bank and in hand		7		6	
		2,029		1,740	
Creditors: Amounts falling due within one year	16	(1,511)		(1,479)	
Net Current Assets			518		261
			2,234		1,801
Creditors: Amounts falling due after more than one year	16		(468)		(481)
Provisions for Liabilities and Charges:					
Deferred taxation	17		(5)		(47)
			1,761		1,273
Capital and Reserves					
Called-up share capital	18		733		1
Share premium	19		195		—
Capital reserves	20		229		233
Revenue reserves	20		604		1,039
			1,761		1,273

R. D. Collard, *Director*

G. G. Rowswell, *Director*

Balance Sheet of Creighton Laboratories plc

As at 31 March 1987

	Notes	1987 £'000	1987 £'000	1986 £'000	1986 £'000
Fixed Assets					
Tangible assets	12		1,716		—
Investments	13		6		22
Current Assets					
Stocks	14	1,044		—	
Debtors	15	978		366	
Cash at bank and in hand		7		—	
		2,029		366	
Creditors: Amounts falling due within one year	16	(1,534)		(374)	
Net Current Assets/(Liabilities)			495		(8)
Total Assets Less Current Liabilities			2,217		14
Creditors: Amounts falling due after more than one year	16		(468)		—
Provisions for Liabilities and Charges:					
Deferred taxation	17		(5)		—
			1,744		14
Capital and Reserves					
Called-up share capital	18		733		1
Share premium account	19		195		—
Revenue reserves	20		816		13
			1,744		14

R. D. Collard, *Director*

G. G. Rowswell, *Director*

Consolidated Statement of Source and Application of Funds

Year ended 31 March 1987

	1987 £'000	1987 £'000	1986 £'000	1986 £'000
Source of Funds				
Net profit on ordinary activities before taxation		580		479
Depreciation		154		126
(Profit)/loss on sale of tangible fixed assets		(1)		(5)
Extraordinary item		(12)		—
Total Generated from Operations		721		600
Funds from other sources				
Sale of tangible fixed assets		18		7
Loan received		—		65
Proceeds of new share issue		433		—
Creditors falling due after more than one year		35		—
		1,207		672
Application of Funds				
Purchase of tangible fixed assets	(348)		(319)	
Tax and group relief paid	(184)		(42)	
Expenses of new share issue and placing	(172)		—	
Loan repaid	(41)		(21)	
Dividend paid	(44)		—	
		(789)		(382)
Net Inflow of Funds		418		290
Increase/(decrease) in working capital				
Stocks	61		357	
Debtors	227		209	
Creditors	(16)		(205)	
Hire purchase liabilities	6		(4)	
		278		357
Movement in net liquid funds:				
Cash at bank and in hand		2		(3)
Bank overdraft		138		(64)
		418		290

Notes to the Accounts

1. Restructuring of the Company

On 1 April 1986 the Company changed its name from Hibavend Limited to Creighton Laboratories Limited. On the same date, by virtue of a special resolution dated 14 March 1986, the Company acquired the entire assets and undertaking of its subsidiary company, formerly called Creighton Laboratories Limited. On 22 May 1986 the Company was re-registered as a public limited company and changed its name to Creighton Laboratories plc.

2. Turnover

Turnover comprises one class of business and is net of value added tax.

3. Trading Profit

	1987 *£'000*	*1986* *£'000*
Trading profit is stated after charging:		
Directors' remuneration	130	161
Auditors' remuneration	14	12
Depreciation	154	126
Operating lease rentals — land and buildings	100	78
Hire of plant and machinery	7	5

4. Staff Costs

Average number of employees:—	*No.*	*No.*
Management	12	11
Administration	11	10
Production	93	69
	116	90

	1987 *£'000*	*1986* *£'000*
Wages and salaries	821	632
Social security costs	73	58
Pension contributions	26	32
	920	722

5. Directors' Remuneration

For management	107	130
Pension contributions	23	31
	130	161

Directors' emoluments excluding pension contributions:

Chairman	61	76

	No.	*No.*
Other directors whose remuneration is within the following bands:		
£ 0 — £ 5,000	2	2
£ 5,001 — £10,000	—	1
£10,001 — £15,000	—	1
£20,001 — £25,000	2	2

6. Other operating income

	1987 *£'000*	*1986* *£'000*
Rents receivable	20	20
Interest receivable	—	2
	20	22

7. Interest payable

Bank interest	51	34
Loan interest	56	61
Other interest	—	1
Hire purchase interest	14	16
	121	112

8. Tax on profit on ordinary activities

	1987 £'000	1986 £'000
The taxation charge based on the profit of the year comprises at 35% (1986 — 40%):		
Corporation tax	217	175
(Over)/Under charge in respect of previous year	(1)	(1)
	216	174
Transfer (from)/to deferred tax account at 35%		
Current year	(8)	30
	208	204

9. Extraordinary item

	1987 £'000	1986 £'000
Unit closure costs (bottle manufacturing division)	12	—
Taxation thereon	(4)	—
	8	—

10. Dividends

	1987 £'000	1986 £'000
Ordinary shares:		
Interim dividend paid (1.2p per share)	44	—
Final dividend proposed (2.5p per share)	92	—
	136	—

11. Earnings per share

The Earnings per Share figure for 1986 has been calculated as if 3,334,500 ordinary shares of 20p had been in issue throughout the year. The 1987 figure has been calculated using a weighted average of the number of shares in issue during the period, taking into account the issue of 333,100 ordinary shares as part of the placing agreement.

12. Fixed Tangible Assets

The Group

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Plant equipment fixtures and motor vehicles £'000	Total £'000
Cost or valuation				
At 31 March 1986	812	85	975	1,872
Additions	3	12	333	348
Disposals	—	—	(29)	(29)
At 31 March 1987	815	97	1,279	2,191
Comprising:				
Valuation 31 March 1984	775	—	—	775
Cost	40	97	1,279	1,416
	815	97	1,279	2,191
Depreciation				
At 31 March 1986	(24)	(34)	(274)	(332)
Disposals	—	—	11	11
Charge for year	(13)	(14)	(127)	(154)
At 31 March 1987	(37)	(48)	(390)	(475)
Net book value				
At 31 March 1987	778	49	889	1,716
At 31 March 1986	788	51	701	1,540

Notes to the Accounts

12. Fixed Tangible Assets (continued)

Freehold land and buildings were valued on a vacant possession basis at 31 March 1984.

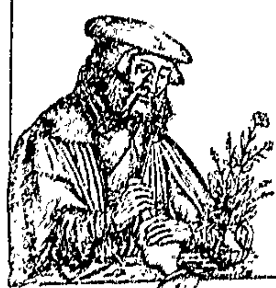
Historical cost
If the freehold land and buildings had not been revalued, their amounts would have been:

	£'000
At 31 March 1986	579
Additions at cost	3
At 31 March 1987	582
Depreciation based on cost	
At 31 March 1986	17
Charge for year	9
At 31 March 1987	26
Net historical book value	
At 31 March 1987	556
At 31 March 1986	562

The Company

	Freehold land and buildings £'000	*Short leasehold land and buildings £'000*	*Plant equipment fixtures and motor vehicles £'000*	*Total £'000*
Cost				
At 31 March 1986	—	—	—	—
Intra-group transfers	812	85	975	1,872
Additions	3	12	333	348
Disposals	—	—	(29)	(29)
At 31 March 1987	815	97	1,279	2,191
Depreciation				
At 31 March 1986	—	—	—	—
Intra-group transfers	(24)	(34)	(274)	(332)
Disposals	—	—	11	11
Charge for year	(13)	(14)	(127)	(154)
At 31 March 1987	(37)	(48)	(390)	(475)
Net book value				
At 31 March 1987	778	49	889	1,716
At 31 March 1986	—	—	—	—

Freehold land which is included above and amounts to £175,000 is not depreciated.



13. Fixed Asset Investments

The Company

Wholly owned subsidiaries

	Main activity		1987 £'000	1986 £'000
St James Perfumery Co Limited incorporated in the United Kingdom	Dormant	Shares at cost	1	—
		Loan	5	—
		Current account	19	—
			25	—
		Less provision	(25)	—
			—	—
GT Scientific Products Limited incorporated in the United Kingdom	Dormant	Shares at cost	5	—
			5	—
Hibavend Limited incorporated in the United Kingdom	Dormant	Shares at cost	22	22
		Less provision	(21)	—
			1	22

At 31 March 1986 St James Perfumery Co. Limited and GT Scientific Products Limited were subsidiaries of Creighton Laboratories Limited, which was renamed Hibavend Limited on 1 April 1986. Both these subsidiaries were acquired by the Company on 1 April 1986.

14. Stocks

The Group	1987 £'000	1986 £'000
Raw materials and containers	873	838
Bulk preparations	33	14
Finished goods	88	109
Sundry stocks	50	23
	1,044	984

The Company		
Raw materials and containers	873	—
Bulk preparations	33	—
Finished goods	88	—
Sundry stocks	50	—
	1,044	—

15. Debtors

The Group		
Trade debtors	950	696
Prepayments and accrued income	28	54
	978	750

The Company		
Trade debtors	950	—
Amounts owed by subsidiary company	—	366
Prepayments and accrued income	28	—
	978	366

Notes to the Accounts

16. Creditors

The Group

	1987 Due within one year £'000	1987 Due after one year £'000	1986 Due within one year £'000	1986 Due after one year £'000
Bank overdraft	238	—	374	—
Bank loans	50	377	42	427
Payments received on account	25	—		—
Trade creditors	553	—	588	—
Other creditors	5	—	5	—
Tax and social security	343	—	294	—
Hire purchase liabilities	63	56	71	54
Accruals	142	35	105	—
Proposed dividend	92	—	—	—
	1,511	468	1,479	481

Analysis of borrowing

	Bank loans repayable by instalments 1987 £'000	Bank loans repayable by instalments 1986 £'000	Hire purchase liabilities 1987 £'000	Hire purchase liabilities 1986 £'000
Repayments due:				
Within 1 year	52	42	63	71
In 1-2 years	52	52	37	14
In 2-5 years	159	158	19	40
After 5 years	164	217	—	—
	427	469	119	125

The Company

	1987 Due within one year £'000	1987 Due after one year £'000	1986 Due within one year £'000	1986 Due after one year £'000
Bank overdraft	238	—	374	—
Bank loans	50	377	—	—
Payments received on account	25	—	—	—
Trade creditors	553	—	—	—
Other creditors	5	—	—	—
Amounts owed to group companies: subsidiary	23	—	—	—
Tax and social security	343	—	—	—
Hire purchase liabilities	63	56	—	—
Accruals	142	35	—	—
Proposed dividend	92	—	—	—
	1,534	468	374	—

Bank loans secured by mortgages on the freehold property:

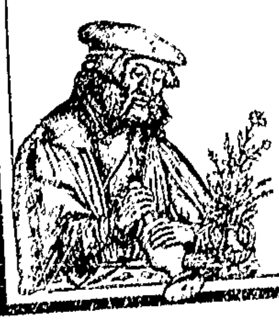
(i) £187,501 repayable in nine bi-annual instalments of £20,833 bearing interest at 11.5%.

(ii) £175,000 repayable in eight bi-annual instalments of £21,875 commencing 31 January 1992, bearing interest at 2.5% above the higher of the three month LIBOR rate or 8%.

Bank loan secured by fixed charge on plant and machinery:

(iii) £65,000 repayable in twelve bi-annual instalments of varying amounts commencing 20 July 1987. Interest is payable half yearly at a rate of 12%.

The bank overdraft is secured by a floating charge over the assets of the Company.



17. Deferred Taxation

The Group

	1987 £'000	1986 £'000
Deferred taxation represents Corporation tax at 35% on:		
Accelerated capital allowances	39	47
Less: advance corporation tax recoverable	(34)	—
	5	47
Movement during the year:		
Balance at 31 March 1986	47	17
Transfer (to)/from Profit and Loss	(8)	30
Balance at 31 March 1987	39	47
Total potential deferred tax:		
Accelerated capital allowances	201	183
Capital gains tax payable if the freehold property were disposed of at a surplus	70	70
	271	253

The Company

	1987 £'000	1986 £'000
Deferred tax represents Corporation tax at 35% on:		
Accelerated capital allowances	39	—
Less: advance corporation tax recoverable	(34)	—
	5	—
Total potential deferred tax:		
Accelerated capital allowances	201	—
Capital gains tax payable if the freehold property were disposed of at a surplus	70	—
	271	—

Notes to the Accounts

18. Called Up Share Capital

	Authorised			
	1987		1986	
	£'000	No.	£'000	No.
Ordinary shares of 20p each	1,000	5,000,000	—	—
Ordinary shares of £1 each	—	—	1	1,000

	Allotted, called-up and fully paid			
	1987		1986	
	£'000	No.	£'000	No.
Ordinary shares of 20p each	733	3,667,600	—	—
Ordinary shares of £1 each	—	—	1	300

The following movements in share capital took place during the year: —

Date		Authorised		Allotted, called up and fully paid	
		£'000	No.	£'000	No.
1 April 1986	Ordinary shares of £1 each (balance)	1	1,000	1	300
6 May 1986	(i) Increase in authorised share capital	51	50,300	—	—
	(ii) Capitalisation of reserves	—	—	51	51,000
		52	51,300	52	51,300
1 September 1986	(i) Conversion to 20p shares	—	205,200	—	205,200
	(ii) Increase in authorised share capital	948	4,743,500	—	—
	(iii) Capitalisation of reserves	—	—	615	3,078,000
		1,000	5,000,000	667	3,334,500
5 September 1986	Issue of 333,100 new shares as part of the placing agreement	—	—	66	333,100
		1,000	5,000,000	733	3,667,600

19. Share premium

	£'000
Balance at 31 March 1986	—
Share premium arising on new issue	367
Less: Expenses of placing	(172)
Balance at 31 March 1987	195

20. Reserves

The Group	*Capital Reserve £'000*	*Revaluation Reserve £'000*	*Revenue Reserve £'000*
At 31 March 1986	8	225	1,039
Revaluation surpluses realised	—	(4)	4
Capitalisation of reserves	—	—	(667)
Profit and Loss Account	—	—	228
At 31 March 1987	8	221	604
The Company			
At 31 March 1986	—	—	13
Revenue reserves arising from transfer of undertaking from subsidiary	—	—	1,242
Capitalisation of reserves	—	—	(667)
Profit and Loss Account	—	—	228
At 31 March 1987	—	—	816

21. Capital Commitments

	1987 £'000	*1986 £'000*
Capital expenditure approved by the directors but not provided for in the accounts		
Contracted	57	20
Authorised but not contracted	175	8
	232	28

22. Operating Lease Commitments

At 31 March 1987 there were commitments under non cancellable operating leases payable during the next financial year as follows:

	1987		*1986*	
	Land and buildings £'000	*Other £'000*	*Land and buildings £'000*	*Other £'000*
For leases which expire:				
Within one year	—	—	—	—
From two to five years	33	8	34	6
Over five years	67	—	62	—
	100	8	96	6

Notes to the Accounts

23. Close Company

The Company is a close company as defined in the Income and Corporation Taxes Act 1970 The directors are of the opinion that no apportionment will arise.

24. Share Option Scheme

On 13 August 1986, the Company adopted an Executive Share Option scheme which has been approved by the Board of Inland Revenue pursuant to Schedule 10 to the Finance Act 1984. Participation is open to all full-time employees, including executive directors, except for persons holding more than 10 per cent of the issued ordinary share capital.

Not more than 5 per cent of the issued ordinary share capital may be placed under option over any 10 year period, subject to an overall maximum of 375,000 ordinary shares.

On 22 September 1986 options were granted to directors and senior executives in respect of 92,500 ordinary shares at the placing price of 130p per share. These options are exercisable no earlier than 23 September 1989.

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