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Lincoln House PLC

ANNUAL REPORT AND ACCOUNTS 1990

CONTENTS

Chairman's Statement

A number of severe difficulties affected Lincoln House in 1990 which resulted in a pre-tax loss of £2.[illegible]m on sales of £16.4m. These poor results were due almost entirely to extremely disappointing figures from the largest subsidiary Lincoln House (Furnishings). As I stated in my interim report, the heavy losses sustained in the early months of 1990 resulted in significant managerial changes becoming necessary. The entire subsidiary Board was replaced during the period from April to June. In particular, the operational problems included excessive product discounting to national account customers, overstocking of raw materials and levels of promotional expenditure which were far too high for the size of the operation.

The new management team set about rectifying the problem areas from the end of April. However, whilst significant improvements had been made, the legacy of discounted product deals and the consequent erosion of profit margin could not be completely eradicated by August when Lowndes Queensway went into receivership. This not only created a loss for the Group of £603,000, but also a significant turnover shortfall thereafter. Lowndes Queensway accounted for approximately 30% of Lincoln House (Furnishings) sales in 1989 but despite its well-publicised refinancing in early 1990 this share was in the process of being substantially reduced. As a result of the first half losses and this bad debt, the Group's bank facilities were reduced by £1 million, which put the Group in an extremely vulnerable position.

In addition to these difficulties all Group operations have been hampered by the downturn in demand in their respective sectors caused by high interest rates and general recessionary trading conditions.

Due to the severe cash constraints, your Board has, for the second half of the year, had to run the Group for survival rather than performance. Drastic cost cutting combined with stringent cash control enabled the Group to survive what would otherwise have been a series of fatal blows.

Significant progress has since been made in strengthening the principal problem area, Lincoln House (Furnishings). A new management team has shaped a leaner organisation structure and has pushed the business towards a better quality customer profile both in the UK and in Europe. The underlying business is now operationally in a stronger position and is well placed to take advantage of any upturn in trading conditions.

Mayers and Shaw, the subsidiary manufacturing occasional tables, has also had a difficult year but in the circumstances has achieved a reasonable profit before interest of £157,000 on sales of £1.79m.

Impala Displays, a manufacturer of point of sale display equipment, the trade of which was acquired from the receiver in May 1990, has had an acceptable, if unspectacular start within the Group. The difficulties in Impala's principal served market, the floorcoverings trade, resulted in only a small profit before interest of £11,000 being made on turnover of £729,000. The business has a well designed product range and a good management team has now been brought together.

Troika, a manufacturer and wholesaler of corporate giftware which was acquired in April 1990, started reasonably well but due to falling retail sales finished the year showing a small loss before interest of £33,000 on sales of £1.35m in 1990. However, a substantial decline in sales in the early months of 1991 resulted in Troika incurring severe losses. At the end of March, the Managing Director left and the Board was faced with a decision as to whether to recruit new management and refinance the operation, sell the company or place it in receivership. As already stated the Group did not have the resources to refinance and from initial discussions with interested parties it became clear that any sale would take longer than the Board should allow. In consequence, Troika was placed in

Chairman's Statement

administrative receivership on 16th April, 1991 following discussions and agreement with the Group's bankers and their advisers. This could result in a loss to the Group of £800,000 which has been included as an extraordinary item in the consolidated profit and loss account. The Board are in no doubt that this was the correct decision to ensure that the remainder of the Group has the opportunity to fulfil its true potential.

The arbitration case relating to the deferred consideration for the sale of the Morris Singer Foundry in 1987 was finally settled during 1990. The arbitrator awarded the total balance and costs to the purchaser and in consequence an extraordinary write-off of £340,000 has been made to reflect the irrecoverability of the £250,000 debtor first recognised in the 1987 accounts as well as the associated costs.

David Shaw, one of the original founders of Mayers and Shaw, and one of the key executives responsible for assisting in the rebuilding of Lincoln House (Furnishings) was appointed to the Board on 13th February, 1991. As already stated in the interim statement, E.M. Webster, formerly Managing Director of Lincoln House (Furnishings) resigned on 27th April, 1990.

1990 has obviously been an awful year for the Group. Since April, the Board has been on the defensive dealing with a variety of problems and ultimately fighting for survival. However, much has been achieved and, whilst nervous of expressing any optimism for the future, the Board believe that the remaining businesses are now healthy enough to be able to make reasonable profits as and when the UK moves out of recession. I would like to thank the Group's employees for their sacrifices, perseverance and loyalty in the face of all this, it is only through their efforts that the Group has been able to survive.

David Harland
Chairman

16th August, 1991.

DIRECTORS' REPORT

The directors submit herewith their report and audited accounts for the year ended 31st December 1990

ACTIVITIES AND BUSINESS REVIEW

The Group is engaged in the manufacture and distribution of home furnishing products. A review of the business trading year appears in the Chairman's Statement on pages 2 and 3.

RESULTS

The results for the year are set out on page 8 and an analysis of turnover is included as note 2 on page 12. The loss after taxation and extraordinary items attributable to shareholders is £3,491,000 (1989 - Profit. £233,000)

DIVIDEND

No dividend is proposed

WARRANTS TO SUBSCRIBE

As at the end of October 1990 those warrants to subscribe for ordinary shares, which were still outstanding at that date lapsed

IMPALA DISPLAYS

On 30th May, 1990 the company, through its wholly-owned subsidiary, Lincoln House (1988) Limited, acquired the business of Impala Displays Limited from its Administrative Receivers. The business of Impala, which manufactures point of sale display equipment for the floorcoverings industry, is based in Ipswich and was acquired for a cash payment of £300,000. The estimated value of the net assets acquired was £596,000.

POST BALANCE SHEET EVENT

Troika Limited, which was acquired on 19th April, 1990 for a consideration of £70,000 in cash and the issue of 80,000 ordinary shares of 50p each, was placed into administrative receivership on 16th April, 1991. The Company, which manufactured and distributed corporate giftware, had suffered from the difficult trading conditions experienced in the U.K.

FIXED ASSETS

The movements on fixed assets are shown in Note 12 to the Accounts on page 15

DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the year are set out below, together with their beneficial interests, including family interests, in the share capital and options to subscribe for ordinary shares.

	At 29th July,	At 31st December,	
	1991	1990	1989
	50p shares	50p shares	50p shares
D.W.R. Harland	496,106	274,000	75,000
I.M. Topping	321,106	100,000	42,000
C.J. Mayers	665,370	665,370	642,570
D.R. Shaw, (appointed 13th February, 1991)	642,570	642,570	642,570

In addition, Mr. I.M. Topping holds options to subscribe for 350,000 ordinary shares at par.

Mr. E.M. Webster resigned as a director on 27th April, 1990.

Mr. P.M. Hawksworth retired as a director on 18th May, 1990.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDINGS
The directors have been notified of the following shareholdings, representing 3% or more of the issued share capital as at 29th July, 1991.

	Number of Shares	Percentage
BMB-H Investment Co Limited	2,325,446	14 41
E M Webster	1,018,750	6 31
Mars UK Pension Fund	804,922	4.99
D.C Johnson	740,000	4 58
Bahrain Middle East Bank (E.C.)	631,578	3 91
Nutreco Nominees Limited	500,841	3 10

The directors are not aware of any other shareholdings representing 3% or more of the issued share capital as at 29th July, 1991.

EMPLOYEE INVOLVEMENT
The Group's policy is to give full and fair consideration to disabled persons who apply for employment having regard to their particular abilities and aptitudes If an employee becomes disabled, arrangements are made wherever possible to continue employment either in the same or an alternative position after appropriate training. Within the limitations of their aptitudes and skills, disabled persons enjoy the same opportunities for training and promotion that are available to all employees

The Group recognises the need to keep staff informed about its performance and progress and to provide information on matters of concern to them.

Consultative meetings are held on a regular basis between senior management, staff and shop floor personnel.

TAXATION
The Company is not a close company within the meaning of the Income & Corporation Taxes Act 1988 and there has been no change in this status since 31st December, 1990.

AUDITORS
In accordance with Section 385 of the Companies Act 1985, a resolution for the reappointment of KPMG Peat Marwick McLintock as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

30 Queen Anne's Gate
London SW1H 9AL
16th August, 1991

By Order of the Board
R.C.O. Hellyer
Secretary

REPORT OF THE AUDITORS, KPMG PEAT MARWICK McLINTOCK

To the members of Lincoln House PLC.

We have audited the accounts on pages 7 to 21 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 31st December, 1990 and of the loss 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.

KPMG Peat Marwick McLintock

KPMG Peat Marwick McLintock
Chartered Accountants

Derby

16th August, 1991.

Accounting Policies

1 Basis of Accounting

The accounts are prepared under the historical cost convention as modified by the revaluation of land and buildings, and in accordance with applicable accounting standards

2 Consolidation

The consolidated accounts reflect the state of affairs and results of Lincoln House PLC and its subsidiaries as at 31st December, 1990. In accordance with the exemption given by Section 230 of the Companies Act 1985, a separate profit and loss account for the Company is not presented. Each company in the Group prepared accounts to 31st December, 1990.

Goodwill arising on acquisition of subsidiaries is written off against reserves on consolidation in the year of acquisition.

In the case of mergers the company has recorded the cost of the investment at the nominal value of the shares issued. No account is taken of any premium on the shares issued and any goodwill arising on consolidation is taken directly against reserves.

Troika Limited, a subsidiary acquired during the year, was placed in administrative receivership on 16th April, 1991. The consolidated profit and loss account includes Troika's loss for the period of ownership. The consolidated balance sheet has been adjusted to exclude Troika and the net asset position of that Company as at 31st December, 1990 is disclosed in note 14.

3 Stocks

Stocks are valued at the lower of cost and net realisable value. In respect of work in progress and finished goods, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

4 Fixed Assets and Depreciation

Depreciation is calculated to write off the cost of fixed assets in equal annual instalments over their estimated useful lives as follows:

Freehold buildings	2% per annum
Leasehold property	Over the life of the lease
Plant and equipment	10% per annum
Motor vehicles	20-25% per annum

Freehold land is not depreciated

5 Leases

Certain items of plant, equipment and vehicles are financed by leasing arrangements which give rights that approximate to ownership. These are included in the balance sheet as fixed assets at cost less depreciation and the capital element of future rentals is treated as a liability. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments included in creditors. The cost of operating leases is charged in the profit and loss account as incurred.

6 Foreign Currencies

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Profits and losses on exchange arising in the normal course of trading are dealt with in the profit and loss account.

7 Deferred Taxation

Deferred taxation is provided using the liability method for the taxation effects arising from all timing differences only to the extent it is probable that liabilities will crystallise in the foreseeable future.

8 Pension Scheme

The Groups contributions are charged against profits in the period in which they become payable.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Year ended 31st December.	1990 £000	1989 £000
Note 2	TURNOVER	16,405	20,912
	Cost of sales	(11,991)	(14,970)
	GROSS PROFIT	4,414	5,942
	Distribution costs	(923)	(1,227)
	Administrative expenses	(4,726)	(3,801)
	OPERATING (LOSS)/PROFIT	(1,235)	914
Note 3	Interest payable and similar charges	(479)	(334)
	(LOSS)/PROFIT BEFORE EXCEPTIONAL ITEMS AND TAXATION	(1,714)	580
Note 4	Exceptional items	(637)	(16)
Note 6	(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	(2,351)	564
Note 8	Taxation on (loss)/profit on ordinary activities	–	(51)
	(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	(2,351)	513
Note 9	Extraordinary items	(1,140)	(180)
	(LOSS)/PROFIT FOR THE FINANCIAL YEAR	(3,491)	333
Note 11	(LOSS)/EARNINGS PER 50p SHARE	(14.59p)	4.23p

Movements in reserves are shown in Note 21

The notes on pages 12 to 21 form part of the accounts

Consolidated Balance Sheet

	At 31st December,	1990		1989	
		£000	£000	£000	£000
	Fixed Assets				
Note 12	Tangible assets		3,570		3,430
	Current Assets				
Note 15	Stocks	1,240		1,420	
Note 16	Debtors	2,057		5,316	
	Cash at bank and in hand	389		833	
		3,686		7,569	
Note 17	Creditors: amounts falling due within one year	4,282		4,138	
	Net Current (Liabilities)/Assets		(596)		3,431
	Total Assets Less Current Liabilities		2,974		6,861
Note 18	Creditors: amounts falling due after more than one year		1,765		1,885
			1,209		4,976
	Capital and Reserves				
Note 20	Called up share capital		8,071		8,031
Note 21	Share premium account		633		633
Note 21	Reserves		(7,495)		(3,688)
			1,209		4,976

Approved by the Board of Directors on 16th August, 1991
D. W. R. Harland, D. R. Shaw Directors

Ian Topping
under power of
attorney for
D. W. R. Harland

The notes on pages 12 to 21 form part of the accounts.

BALANCE SHEET

	At 31st December	1990 £000	1990 £000	1989 £000	1989 £000
	FIXED ASSETS				
Note 12	Tangible assets	2,181		2,178	
Note 13	Investments	2,891		5,909	
			5,072		8,087
	CURRENT ASSETS				
Note 16	Debtors	331		920	
	Cash at bank	84		1,475	
		415		2,395	
Note 17	CREDITORS: amounts falling due within one year	1,043		591	
	NET CURRENT (LIABILITIES)/ASSETS		(628)		1,804
	TOTAL ASSETS LESS CURRENT LIABILITIES		4,444		9,891
Note 18	CREDITORS: amounts falling due after more than one year		1,400		1,400
			3,044		8,491
	CAPITAL AND RESERVES				
Note 20	Called up share capital		8,071		8,031
Note 21	Share premium account		633		633
Note 21	Reserves		(5,660)		(173)
			3,044		8,491

Approved by the Board of Directors on 16th August, 1991
D W R Harland D R Shaw Directors

Ian [illegible]
under power of attorney for D.W.R. Harland.

The notes on pages 12 to 21 form part of the accounts.

Consolidated Statement of Source and Application of Funds

Year ended 31st December,	1990		1989	
	£000	£000	£000	£000
Source of Funds				
(Loss)/Profit on ordinary activities before taxation		(2,351)		564
Extraordinary items		(1,140)		(180)
		(3,491)		384
Adjustment for Items not Involving the Movement of Funds				
Loss/(Profit) on sale of fixed assets and subsidiaries*		36		(520)
Depreciation		531		421
Total (Absorbed by)/Generated from Operations		(2,924)		285
Funds from Other Sources				
Proceeds of sale of fixed assets and goodwill*		116		1,659
Shares issued		40		3,181
Increase in creditors due after more than one year		(120)		1,071
Deconsolidation of Troika Limited		876		–
		(2,012)		6,196
Application of Funds				
Provision for liabilities and charges*	–		7	
Purchase of fixed assets*	1,720		2,364	
Taxation paid	92		234	
Pre acquisition dividend paid by Mayers & Shaw Limited	–		9	
Purchase of goodwill*	295		242	
		2,107		2,856
Net (Outflow)/Inflow		(4,119)		3,340
Increase/(Decrease) in Working Capital				
Stocks*		(180)		(605)
Debtors*		(3,259)		1,813
Creditors*		1,247		(281)
		(2,192)		927
Movement in Net Liquid Funds				
Cash in hand and short-term deposit*		(444)		688
Bank overdraft		(1,483)		1,725
		(4,119)		3,340
***Analysis of Acquisition and Disposal of Trades**				
Tangible fixed assets		(1,038)		59
Stocks		(283)		363
Debtors		(399)		300
Cash		–		–
Overdraft		701		(80)
Creditors		1,157		(334)
Provision for liabilities and charges		–		(7)
Goodwill		(295)		(83)
		(157)		218
Net cash receivable/(payable)		(117)		218
Shares issued		(40)		–
		(157)		218

Notes

1 [illegible]

On 14th April 1990 the Group acquired Troika Limited. The Company was placed in administrative receivership on 16th April, 1991. The Company's loss of £155,000 for the period of ownership to 31st December 1990 has been consolidated using Acquisition accounting and a provision of £800,000 has been made for the residual liability of the Group. See Note 14

2 Analysis of Turnover and Profit/(Loss) on Ordinary Activities before Taxation

Turnover represents amounts invoiced in respect of goods sold after deducting rebates, commissions and discounts payable and is stated exclusive of Value Added Tax

	Turnover	Profit/(loss)	[illegible]	[illegible]
	1990	1990	[illegible]	[illegible]
	£000	£000	[illegible]	[illegible]
By activity				
Furniture Manufacturing	14,330	(1,160)	15,254	1,058
Display Equipment Manufacturing	729	11	–	–
Central Overheads	–	(53)	–	(131)
	15,059	(1,202)	[illegible]	927
Discontinued activities				
Corporate gifts manufacturing	1,346	(33)	–	–
Wallpaper manufacturing	–	–	[illegible]	(116)
Ceramics distribution	–	–	2,958	103
	16,405	(1,235)	20,912	914
Interest payable		(479)		(334)
Exceptional items		(637)		(16)
(Loss)/Profit on ordinary activities before taxation		(2,351)		564
By geographical market				
United Kingdom	14,848	(1,103)	20,048	872
Europe	1,527	(132)	846	41
Other	30	–	18	1
	16,405	(1,235)	20,912	914

Notes

		1990 £000	1989 £000
3	**Interest**		
	On bank loans, overdrafts and other loans repayable within five years	677	348
	On finance leases	61	57
	Interest receivable	(259)	(71)
		479	334
4	**Exceptional items**		
	Income		
	Sale of excess property	–	64
	Expenses		
	Write off of computer software	(34)	(80)
	Lowndes Queensway bad debt (including associated costs)	(603)	–
		(637)	(16)

		Number	Number
5	**Employees**		
	Average number of employees including directors by activity.		
	Furniture manufacturing	355	356
	Wallpaper manufacturing	–	42
	Ceramics distribution	–	27
	Head office	2	2
	Manufacture of corporate gifts	48	–
	Manufacture of display equipment	34	–
		439	427

	£000	£000
Employee costs (including directors):		
Wages and salaries	4,313	4 276
Social security costs	424	383
Other pension costs	86	44
	4,823	4,703

NOTES

	1990 £000	1989 £000
6 Loss/(Profit) on Ordinary Activities before Taxation		
Loss/Profit on ordinary activities is stated after		
Depreciation and amortisation	531	421
Operating lease rentals	179	195
Directors' emoluments (see note 7)	210	268
Auditors' remuneration	46	48
Loss/(Profit) on sale of fixed assets	36	(58)
7 Directors' Emoluments		
Fees (all paid to J. O. Hambro & Associates)	10	22
Emoluments		
(including £64,000 (1989: £60,000) paid to J O. Hambro & Associates)	169	237
Compensation for loss of office	31	9
	210	268

The emoluments of the highest paid director, including amounts paid to J. O. Hambro and Associates for executive services but excluding pension contributions, amounted to £80,725. In 1989 the emoluments of the then highest paid director amounted to £58,025.

The emoluments of the Chairman, including amounts paid to J. O. Hambro and Associates for executive services, amounted to £14,600 (1989: £26,350).

The number of other directors whose emoluments, excluding pension contributions, fell in each £5,000 bracket was as follows

	1990	1989
£ 0 - £ 5,000	1	–
£25,001 - £30,000	–	1
£35,001 - £40,000	–	2
£40,001 - £45,000	1	–
£50,001 - £55,000	1	–
£55,001 - £60,000	–	1

	1990 £000	1989 £000
8 Taxation		
UK Corporation Tax at 34.25% (1989: 35%)	–	55
Deferred taxation	–	(24)
Under provision in prior year	–	20
	–	51
9 Extraordinary Items		
Closure of Corporate Gift Operations (Note 14)	(800)	–
Write off of extraordinary income in relation to Morris Singer Foundry Limited	(250)	–
Costs in relation to Morris Singer Foundry Limited	(90)	(178)
Profit on sale of Ceramic Distribution assets	–	296
Closure of Wallpaper Operations	–	(298)
	(1,140)	(180)

There is no related taxation on the extraordinary items (1989: £Nil)

10 Loss Attributable to Members of the Holding Company

The loss dealt with in the financial statements of the Holding Company was £5,466,000 (1989: £327,000).

Notes

11 Earnings/(Loss) Per Share

The earnings/(loss) per share have been calculated by dividing the loss on ordinary activities after taxation and before extraordinary items of £2,351,000 (1989 profit £513,000) by 16,118,110 (1989 [illegible]) being the weighted average number of shares in issue during the year

12 Tangible Fixed Assets

(i) Group

	Freehold land and buildings £000	Long leasehold property £000	Short leasehold property £000	Plant and machinery £000	Total £000
Cost or valuation					
At beginning of year	2,000	177	566	1,636	4,379
Additions	92	–	31	817	940
Acquisitions	600	–	77	307	984
Disposals	–	–	(63)	(249)	(312)
Closure of Troika Limited	(627)	–	(77)	(421)	(1,125)
Revaluation adjustment	(21)	–	–	–	(21)
At end of year	2,044	177	534	2,090	4,845
Depreciation					
At beginning of year	–	1	199	749	949
Acquisitions	–	–	10	194	204
Charge for year	46	3	33	449	531
Disposals	–	–	(20)	(140)	(160)
Closure of Troika Limited	(9)	–	(13)	(227)	(249)
At end of year	37	4	209	1,025	1,275
Net book value					
At 31st December, 1990	2,007	173	325	1,065	3,570
At 31st December, 1989	2,000	176	367	887	3,430

Included in the above are assets with a net book value of £467,000 (1989: £348,000) which are subject to finance leases. Depreciation charged on these assets in the year amounted to £136,000 (1989: £86,000)

Notes

12 [illegible] (contd)

(ii) Company	[illegible] £000	[illegible] £000	[illegible] £000	[illegible] £000
Cost or valuation				
At beginning of year	2,000	177	4	2,181
Additions	44	-		44
At end of year	2,044	177	4	2,225
Depreciation				
At beginning of year	–	1	2	3
Charge for year	37	3	1	41
At end of year	37	4	3	44
Net book value				
At 31st December, 1990	2,007	173	1	2,181
At 31st December, 1989	2,000	176	2	2,178

(iii) Group and Company

The cost of freehold land included above is £200,000.

The freehold land and buildings were valued by David Hammond, Chartered Surveyors on an open market basis in 1989. The original cost of the revalued assets is £1,746,109, including capitalised interest in relation to the purchase of the property and its refurbishment of £60,000, creating a revaluation reserve of £300,206.

	Shares £000	Loans £000	Total £000
13 Investments in Subsidiary Companies (Unlisted)			
Company			
Cost			
At beginning of year	4,031	7,161	11,192
Additions	2,656	765	3,421
Disposals	–	(1,903)	(1,903)
At end of year	6,687	6,023	12,710
Provisions			
At beginning of year	(387)	(4,896)	(5,283)
Provisions made in year	(4,136)	(400)	(4,536)
At end of year	(4,523)	(5,296)	(9,819)
Net book value			
At 31st December 1990	2,164	727	2,891
At 31st December, 1989	3,644	2,265	5,909

NOTES

13 PRINCIPAL SUBSIDIARY COMPANIES (UNAUDITED) (cont.)

The principal trading subsidiaries, together with the Company's interests in the ordinary share capital of these companies are as follows

Company		Activity	Issued Share Held 1990	Issued Share Held 1989
Lincoln House (Furnishings) Limited		Furniture manufacturers	100%	100%
The Peterlee Wallpaper Company Limited	–	Wallpaper manufacturers	100%	100%
Mayers & Shaw Limited	–	Furniture manufacturers	100%	100%
Mayers & Shaw (International) Limited	–	Furniture manufacturers	100%	100%
K. Eatwell Occasional Tables Limited	–	Furniture manufacturers	100%	100%
Impala Displays Limited – formerly Lincoln House (1988) Limited	–	Display Equipment Manufacturers	97.5%	–
Troika Limited (Receivership 16.4.91)	–	Corporate Gift Manufacturers	100%	–

All the above are incorporated in England and traded mainly in the United Kingdom

14 SUBSIDIARY IN ADMINISTRATIVE RECEIVERSHIP

Troika Limited has not been included in the consolidated balance sheet at 31st December, 1990 as it was placed in receivership on 16th April, 1991. The Directors believe that a fair presentation of the Group's balance sheet is provided by including a provision for the anticipated shortfall arising from receivership. The trading results of Troika Limited for the period of ownership to 31st December, 1990 are included in the consolidated profit and loss account.

Anticipated shortfall arising from the closure of Troika Limited.

	£000
Non-Group Net Assets at 31st December, 1990	115
Provision for non-realisation of Net Assets above	685
Extraordinary Loss (note 9)	800

The company is pursuing claims against the vendors under the warranties given in the purchase and sale agreement.

The Non-Group assets and liabilities of Troika Limited on acquisition and at 31st December, 1990 were as follows:

	19th April, 1990 Book Value £000	19th April, 1990 Fair Value £000	Notes	31st December, 1990 £000
FIXED ASSETS	788	788	(a)	876
CURRENT ASSETS				
Stocks	486	233	(b)	366
Debtors	441	399	(c)	536
Cash at Bank	–	–		1
	927	632		903
CREDITORS: amounts falling due within one year	1,051	1,097	(d)	1,558
NET CURRENT LIABILITIES	(124)	(465)		(655)
TOTAL ASSETS LESS CURRENT LIABILITIES	664	323		221
CREDITORS: amounts falling due after more than one year	461	461	(e)	106
NET ASSETS/(LIABILITIES)	203	(138)		115

These amounts as at 31st December, 1990 are shown before provisions arising as a result of receivership

The difference between the book and fair value at 19th April, 1990 arises as a result of provisions made against the recoverability of current assets, and provision for unrecorded liabilities at the date of acquisition

Notes

14 [illegible] (cont)

	31st December 1990		
	Cost	Accum Depn	Net Book Value
	£000	£000	£000
(a) Fixed Assets			
Freehold property	627	9	618
Leasehold property	77	13	64
Plant & machinery	421	227	194
	1,125	249	876
(b) Stocks			
Raw materials			48
Work in progress			123
Finished goods			195
			366
(c) Debtors			
Trade debtors			450
Other debtors			51
Prepayments and accrued income			35
			536
(d) Creditors Amounts falling due within one year			
Bank overdraft (secured)			1,104
Trade creditors			339
Other creditors			24
Other taxes and social security			34
Accruals and deferred income			57
			1,558
(e) Creditors. Amounts falling due after more than one year			
Other creditors			55
Hire purchase			51
			106

	Group	
	1990	1989
	£000	£000
15 Stocks		
Raw materials and consumables	**845**	949
Work in progress	**103**	207
Finished goods and goods for resale	**292**	264
	1,240	1,420

	Group		Company	
	1990	1989	**1990**	1989
	£000	£000	**£000**	£000
16 Debtors				
Trade debtors	**1,813**	3,741	**–**	–
Amounts owed by group undertakings	**–**	–	**263**	106
Other debtors	**133**	559	**63**	413
Short term deposit	**–**	400	**–**	–
Prepayments and accrued income	**111**	616	**5**	401
	2,057	5,316	**331**	920

Included in other debtors for 1989, Group and Company, was £250,000 held in escrow following the sale of Morris Singer Foundry Limited against any shortfall in the profit performance of that Company in 1987 The release of those monies was disputed Legal action has been unsuccessful, and the resultant loss and costs have been treated as an extraordinary item (see Note 9).

NOTES

	Group 1990 £000	Group 1989 £000	Company 1990 £000	Company 1989 £000
17 Creditors: Amounts Falling Due Within One Year				
Bank overdraft	1,483	–	685	–
Term loans – secured	218	217	100	100
Other loans – unsecured	93	111	–	–
Trade creditors	1,558	2,080	106	103
Amounts due to group undertakings	–	–	53	53
Corporation tax	11	103	–	–
Other taxes and social security	150	430	4	–
Obligations under finance leases	228	145	–	–
Other creditors	541	1,052	95	335
	4,282	4,138	1,043	591

The bank overdraft is supported by multilateral guarantees given by the Company and certain of its operating subsidiaries and secured by fixed and floating charges over the assets of those companies, the fixed charges ranking behind those held by the mortgagee shown in note 18.

The Group is committed to make payments amounting to £132,337 (1989 £109,966) during the next year, £22,294 on agreements which expire within one year, £110,043 on agreements which expire in two to five years in respect of operating leases on vehicles, plant and machinery.

The bank overdraft includes £685,000 being the anticipated shortfall on the non-realisation of net assets in Troika Limited.

	Group 1990 £000	Group 1989 £000	Company 1990 £000	Company 1989 £000
18 Creditors: Amounts Falling Due After More Than One Year				
Term loans – secured	1,565	1,682	1,400	1,400
Obligations under finance leases	195	203	–	–
Other creditors	5	–	–	–
	1,765	1,885	1,400	1,400
Repayment analysis				
Between 1 and 2 years	370	318	100	100
Between 2 and 5 years	645	611	650	425
More than 5 years	750	956	650	875
	1,765	1,885	1,400	1,400

The term loans are secured by a mortgage on freehold property and by a charge over a cash deposit of £282,500. Details are as follows:

(i) A loan of £35,000 repayable in one instalment of £35,000 on 30th June, 1991, which bears interest at 10.25%

(ii) A loan of £187,500 repayable in three equal annual instalments of £62,500 on 31st May, 1991, 1992 and 1993, which bears interest at 10.25%

(iii) A loan of £60,000 repayable in three equal annual instalments of £20,000 on 31st May, 1991, 1992 and 1993 which bears interest at 10.25%

(iv) A loan of £500,000 repayable in sixteen equal quarterly instalments of £31,250 commencing on 2nd February, 1994, which bears interest at 10%

(v) A loan of £1,000,000 which bears interest at a rate related to the London Interbank Offer Rate repayable in 40 quarterly instalments of £25,000 commencing on 5th March, 1991

Notes

19 Provisions for Liabilities and Charges

There is no actual or potential liability to deferred taxation due to the availability of losses within the Group. The potential liability in 1989 was £61,000, relating to accelerated capital allowances.

	Authorised 50p Ordinary Number	Authorised 50p Ordinary £000	Issued and fully paid 50p Ordinary Number	Issued and fully paid 50p Ordinary £000
20 Share Capital				
On 1st January, 1990	23,900,000	11,950	16,061,526	8,031
Acquisition of Troika Limited			80,000	40
Conversion of warrants			432	–
At 31st December 1990.	23,900,000	11,950	16,141,958	8,071

In April 1990 80,000 ordinary shares were issued at par in part consideration of the acquisition of Troika Limited

	Other £000	Goodwill Elimination Reserve £000	Revaluation Reserve £000	Profit and Loss Account £000	**Total £000**	**Share Premium Account £000**
21 Reserves						
Group						
At 1st January, 1990	(2,224)	(1,972)	321	187	**(3,688)**	**633**
Adjustment re property alterations	–	–	(21)	–	**(21)**	**–**
Acquisition of Troika Limited	–	(274)	–	–	**(274)**	**–**
Purchased goodwill of Impala Displays Limited	–	(21)	–	–	**(21)**	**–**
(Loss) for the year	–	–	–	(3,491)	**(3,491)**	**–**
At 31st December, 1990	(2,224)	(2,267)	300	(3,304)	**(7,495)**	**633**

	Revaluation Reserve £000	Profit and Loss Account £000	**Total £000**	**Share Premium Account £000**
Company				
At 1st January, 1990	321	(494)	**(173)**	**633**
Adjustments re property alterations	(21)	–	**(21)**	**–**
(Loss) for the year	–	(5,466)	**(5,466)**	**–**
At 31st December, 1990	300	(5,960)	**(5,660)**	**633**

The Holding Company loss for the year includes the write off of investments in subsidiaries amounting to £4,535,000

Notes

22 Directors' Material Interest in Contracts

J O Hambro & Associates Limited, of which Mr Harland and Mr Topping were directors, received fees totalling £78,000 (1989 £90,000) for executive services and £49,000 (1989 £115,000) for corporate financial advisory, accounting and company secretarial services provided to the Group during the year

23 Capital Commitments

The Group has no capital commitments (1989 . £Nil).

24 Pension Schemes

The Group operates defined contribution pension schemes The assets of the schemes are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds and amounted to £86,000 (1989: £44,000) Contributions totalling £12,871 (1989. £45,042) were payable to the funds at the year end and are included in creditors.

NOTICE OF ANNUAL GENERAL MEETING

[illegible] the Annual General Meeting [illegible] will be held at [illegible]

Ordinary Business

1. To receive and adopt the report of the directors and the accounts for the year ended [illegible] with the [illegible] report

2. To re-elect Mr [illegible] as a director

3. To re-elect Mr D F [illegible] as a director

4. To re-appoint KPMG Peat Marwick McLintock as auditors and to authorise the directors to fix their remuneration

Special Business

To consider and if thought fit, to pass the following Resolutions which will be proposed as to Resolution No 5 as an Ordinary Resolution and as to Resolution No 6 as a Special Resolution

Ordinary Resolution

5. That the directors be and are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 to exercise all of the powers of the Company to allot relevant securities as defined in sub Section (2) of the said Section 80 up to an aggregate nominal amount of £3,878,978 provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 1992 save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired

Special Resolution

6. That pursuant to Section 95 of the Companies Act 1985 the directors be and are hereby empowered to allot securities (as defined by Section 94 of the Companies Act 1985) for cash pursuant to the authority conferred by Resolution 5 and Section 89(1) of the Companies Act 1985 did not apply to such allotment provided that this power shall be limited

   (a) to the allotment of equity securities in connection with a rights issue in favour of the holders of equity securities in proportion as nearly as may be reasonably practicable in the circumstances (having regard to fractional entitlements or legal or practical problems arising on the laws of or requirements of any regulatory body, stock exchange or similar authority in any territory) to their holdings and

   (b) to the allotment (otherwise than pursuant to sub paragraph (a) above) of equity securities up to an aggregate nominal amount of £403,565 and shall expire at the conclusion of the Annual General Meeting of the Company to be held in 1992 save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired

Registered Office
25 Queen Annes Gate
London SW1H 9AL

Dated 16th August 1991

By Order of the Board
R C O Hellyer
Secretary

R C O Hellyer

Notes

[illegible]

[illegible]

FORM OF PROXY

For use by the holders of the ordinary shares of 50p each at the Annual General Meeting to be held on 20th September 1991

I/We ....

being a member/members of the above named company hereby appoint the Chairman of the Meeting or (see Note 5)

....

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 20th September, 1991 and at any adjournment thereof

	FOR	AGAINST
ORDINARY RESOLUTION No. 1		
ORDINARY RESOLUTION No. 2		
ORDINARY RESOLUTION No. 3		
ORDINARY RESOLUTION No. 4		

SPECIAL BUSINESS

ORDINARY RESOLUTION No. 5		
SPECIAL RESOLUTION No. 6		

Signed this ____________ day of ______________________ 1991

Signature ______________________________

Notes

1. Please indicate with an X how you wish your vote to be cast in respect of each of the above resolutions. In the absence of any specific direction the proxy will vote or abstain at his discretion.
2. In the case of joint holders the vote of the first named holder on the Register of Members, whether voting in person or by proxy, shall be accepted to the exclusion of the vote of the other joint holders in respect of the joint holding.
3. Corporations should affix their common seal or have it signed by a duly authorised officer or attorney.
4. To be valid this form and the power of attorney or other authority (if any) under which it is signed must reach the Registrar at Barclays Registrars Limited (Proxy Department), Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the time of the meeting.
5. If you wish to appoint a person of your own choosing as your proxy you should enter his/her full name in the space provided and delete the words "the Chairman of the Meeting". Such proxy need not be a member of the Company.
6. Completion of this form will not preclude a member from attending and voting at the meeting in person if he/she so wishes.