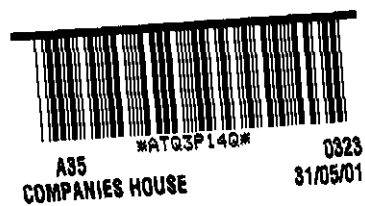


PREMIUM WING LIMITED
COMPANY NUMBER 3637521
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 JULY 2000



PREMIUM WING LIMITED
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
31 JULY 2000

DIRECTORS

D J MEDLOCK
P PHIPPS

SECRETARY

P PHIPPS

REGISTERED OFFICE

ST GEORGES LODGE
33 OLDFIELD ROAD
BATH
SOMERSET
BA2 3NE

AUDITORS

ROBSON TAYLOR
CHARTER HOUSE
THE SQUARE
LOWER BRISTOL ROAD
BATH
BA2 3BH

BANKERS

LLOYDS BANK PLC
47 MILSOM STREET
BATH

PREMIUM WING LIMITED
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
31 JULY 2000

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PREMIUM WING LIMITED
REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report, together with the consolidated financial statements for the year ended 31 July 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 of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

1. Select suitable accounting policies and then apply them consistently;
2. Make judgements and estimates that are reasonable and prudent;
3. Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES

The principal activities of the group were those of the provision of design and manufacturing services to the engineering industry.

The company was incorporated on 18 September 1998 and acts as a holding company to its subsidiary undertakings, whose activities are described in note 11 to the financial statements.

RESULTS AND APPROPRIATIONS

The group results show an operating profit of £804,000 and a loss for the financial year of £483,000.

FIXED ASSETS

Details of the movement in tangible fixed assets are set out in note 10 to the financial statements.

DISABLED EMPLOYEES

The company has given every encouragement to the employment and development of disabled persons wherever possible, within the constraint of business requirements.

EMPLOYEE CONSULTATION

Consultation with and involvement of employees continued throughout the period.

PREMIUM WING LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTOR AND DIRECTOR'S INTERESTS

The director and his beneficial interests in the share capital of the company at 31 July 2000 were:-

	Ordinary shares of 1p each
D J Medlock - in his own right	191,600
- other interests	<u>400</u>
	<u>192,000</u>

P Phipps was appointed a director of the company with effect from 26 May 2001.

YEAR 2000 ISSUES

The directors have considered the risks and uncertainties associated with the year 2000 issue and have taken steps to ensure that the group's systems will be subjected to a minimum level of disruption. The total estimated costs of this project is not expected to be significant.

INTRODUCTION OF THE EURO

The directors do not consider that the group's affairs will be significantly affected by the introduction of the Euro.

DONATIONS

The group made donations to charities of £3,225 (1999 £5,640) during the year.

AUDITORS

The auditors, Robson Taylor, have indicated their willingness to continue in office and a resolution for their reappointment will be submitted to the annual general meeting.

By order of the Board



P Phipps
Secretary

St Georges Lodge
33 Oldfield Road
Bath
Somerset

PREMIUM WING LIMITED
REPORT OF THE AUDITORS
TO THE MEMBERS

We have audited the financial statements on pages 4 to 17 which have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and the accounting policies set out on pages 9 to 10.

Respective responsibilities of director and auditors

As described on page 1, the company's director is responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material 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 the company and the groups affairs at 31 July 2000 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Robson Taylor

Registered Auditors
Bath,

29 May 2001

PREMIUM WING LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 JULY 2000

	Note	2000 £'000	Period Ended 31 July 1999 £'000
TURNOVER FROM CONTINUING OPERATIONS	2	8,448	8,581
Cost of sales		<u>(5,702)</u>	<u>(6,577)</u>
GROSS PROFIT		2,747	2,004
Administrative expenses		(2,295)	(1,991)
Other operating income		<u>352</u>	<u>124</u>
OPERATING PROFIT FROM CONTINUING OPERATIONS		804	137
Profit / (loss) on disposal of fixed assets		<u>-</u>	<u>261</u>
		804	398
EXCEPTIONAL ITEMS FROM CONTINUING OPERATIONS	3	<u>(47)</u>	<u>(30)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		757	368
Write off of fixed asset investment	11	(1,100)	(503)
Interest receivable and similar income	4	18	63
Interest payable and similar charges	5	<u>(10)</u>	<u>(8)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	(335)	(80)
Taxation	8	<u>(148)</u>	<u>(8)</u>
PROFIT / (LOSS) FOR THE FINANCIAL YEAR		(483)	(88)
Dividends		<u>-</u>	<u>-</u>
RETAINED PROFIT / (LOSS) FOR THE FINANCIAL YEAR	16	<u>(483)</u>	<u>(88)</u>

The notes on pages 8 to 17 form part of these financial statements.

PREMIUM WING LIMITED

BALANCE SHEETS

31 JULY 2000

	Note	Group		Company	
		2000	1999	2000	1999
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets	9	-	45	-	-
Tangible assets	10	695	845	-	-
Investments	11	-	-	3	3
		<u>695</u>	<u>890</u>	<u>3</u>	<u>3</u>
CURRENT ASSETS					
Work in progress		1,793	1,380	-	-
Debtors	12	2,679	4,688	-	-
Cash at bank and in hand		<u>483</u>	<u>5</u>	-	-
		<u>4,955</u>	<u>6,092</u>	-	-
CREDITORS: amounts falling due within one period	13	<u>(1,360)</u>	<u>(2,209)</u>	-	-
NET CURRENT ASSETS		<u>3,595</u>	<u>3,883</u>	-	-
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,290</u>	<u>4,773</u>	<u>3</u>	<u>3</u>
CAPITAL AND RESERVES					
Called up share capital	15	3	3	3	3
Profit and loss account	16	<u>4,287</u>	<u>4,770</u>	-	-
SHAREHOLDERS' FUNDS ATTRIBUTABLE TO EQUITY INTERESTS	17	<u>4,290</u>	<u>4,773</u>	<u>3</u>	<u>3</u>

Approved by the board on 29/5/01.

DIRECTORS



P PHIPPS

The notes on pages 8 to 17 form part of these financial statements.

PREMIUM WING LIMITED
CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 JULY 2000

	Note	2000 £'000	1999 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	1	1,201	64
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	2	8	55
TAXATION PAID - UK Corporation tax		(154)	(294)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	2	(164)	831
ACQUISITIONS AND DISPOSALS	2	_____	(1,213)
CASH INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		853	(557)
ISSUE OF SHARES - Ordinary share capital		_____	3
INCREASE/(DECREASE) IN CASH IN THE PERIOD		853	(554)
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (NOTE 3)			
INCREASE/(DECREASE) IN CASH IN THE PERIOD		853	(554)

The notes to the cash flow statements are on page 7 of these financial statements.

PREMIUM WING LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 JULY 2000

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000	1999
	£'000	£'000
Operating profit	804	137
Depreciation	359	384
Decrease/(Increase) in work in progress	(414)	(671)
Decrease/(Increase) in debtors	909	4,747
(Decrease)/Increase in creditors	(410)	1,932
Cash outflow resulting from exceptional items	(47)	(30)
Merger acquisition adjustment	<u>-</u>	<u>3,059</u>
Net cash outflow from operating activities	<u>1,201</u>	<u>64</u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2000	1999
	£'000	£'000
Returns on Investment and Servicing of Finance		
Interest received	18	63
Interest paid	<u>(10)</u>	<u>(8)</u>
	<u>8</u>	<u>55</u>

CASH FLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2000	1999
	£'000	£'000
Payments to acquire tangible assets	(321)	(273)
Receipts from the sale of tangible fixed assets	<u>157</u>	<u>1,104</u>
	<u>(164)</u>	<u>831</u>

ACQUISITIONS AND DISPOSALS

	2000	1999
	£'000	£'000
Acquisition of subsidiary undertakings (see note 11)	<u>-</u>	<u>(1,213)</u>

PREMIUM WING LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

YEAR ENDED 31 JULY 2000

3. ANALYSIS OF NET FUNDS

	Cashflow	At 31 July
	£'000	1999
	£'000	£'000
Cash in hand and at bank	24	24
Bank overdraft	<u>(578)</u>	<u>(578)</u>
	<u>(554)</u>	<u>(554)</u>

	At 31 July 1999	Cashflow	At 31 July 2000
	£'000	£'000	£'000
Cash in hand and at bank	24	459	483
Bank overdraft	<u>(578)</u>	<u>394</u>	<u>(184)</u>
	<u>(554)</u>	<u>853</u>	<u>299</u>

PREMIUM WING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 JULY 2000

1. ACCOUNTING POLICIES

A summary of the principal group accounting policies are set out below.

(a) BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with relevant accounting and financial reporting standards with the exception of the disclosure of the exceptional items which is not in accordance with Financial Reporting Standard 3.

(b) GROUP FINANCIAL STATEMENTS AND BASIS OF CONSOLIDATION

The group financial statements consolidate the financial statements of Premium Wing Limited and its subsidiary undertakings prepared to 31 July 2000.

The transfer of Hebron and Medlock (Holdings) Limited to Premium Wing Limited with effect from 22 October 1998 has been accounted for in accordance with the principles of merger accounting for "group reconstruction's" as defined in Financial Reporting Standard 6. The financial statements are therefore presented as if Premium Wing Limited had owned and controlled the company throughout.

The results of the Hebron and Medlock (Holdings) Limited group for the period to 22 October 1998 are dealt with as a movement in the consolidated reserves and therefore the consolidated profit and loss account and supplementary notes are based on the results of the group for the year ended 31 July 1999 adjusted on a pro rata basis, except for when an item specifically relates to a period either before or after the date of acquisition.

All assets and liabilities of the group companies have been combined except for the share capital of the subsidiary undertaking which is eliminated against the investment as stated in the company's balance sheet. Under Financial Reporting Standard 6, any difference on elimination of these items has been shown as a further movement in consolidated reserves.

No profit and loss account is presented for Premium Wing Limited in view of the exemptions provided by S.228 of the Companies Act 1985. Of the consolidated profit for the financial year attributable to the shareholders of Premium Wing Limited a profit of £NIL has been dealt with in the financial statements of the company.

(c) INVESTMENTS

Investments are shown at cost less amounts written off. Provisions for temporary fluctuations in value are not made. Income is included (together with the related tax credit) in the financial statements of the period in which it is received.

(d) WORK IN PROGRESS

Work in progress is valued at prime cost plus attributable overheads based on a normal level of activity.

PREMIUM WING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 JULY 2000

1. ACCOUNTING POLICIES (Continued)

(e) FIXED ASSETS

(i) TANGIBLE ASSETS

Depreciation is provided at rates calculated to write off the excess of cost less estimated residual value of fixed assets over their expected useful lives at the following rates per annum:

Leasehold improvements	by instalment over 12 years
Plant and equipment - computers	25% straight line
- other	15% reducing balance
Motor vehicles	25% reducing balance

No depreciation is provided in respect of freehold and leasehold property. In the opinion of the directors such properties are maintained in such a way that realisable value is in excess of the amount at which they are shown in the financial statements and this accounting policy is necessary in order for the financial statements to show a true and fair view.

(ii) INVESTMENTS

In accordance with SSAP 19, no depreciation is provided in respect of investment properties as the directors are of the opinion that to do so would not give a true and fair view. These properties are included at a market valuation by the directors.

(f) TAXATION

Provision for deferred taxation is made at the appropriate rates in respect of all material timing differences only to the extent that, in the opinion of the directors, there is a reasonable probability that an asset or liability will crystallise in the foreseeable future.

(g) LEASES

Operating leases are not reported in the balance sheet, the rentals being charged to the profit and loss account as incurred.

Assets held under hire purchase contracts are initially reported at the fair value of the asset with an equivalent liability categorised as appropriate under creditors due within or after one period. The asset is depreciated over its useful economic life. The interest element of the hire purchase obligations is charged to the profit and loss account over the period of the agreement and represents a constant proportion of the balance of the capital repayments outstanding.

(h) PENSION COSTS

The pension cost charge represents amounts payable by the group to employees' personal pension schemes.

PREMIUM WING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 JULY 2000

2. TURNOVER

Turnover is derived from the engineering design and manufacturing and is stated net of VAT and similar taxes, trade discounts and intra group transactions. An analysis of the group's turnover by class of business is set out below:-

	2000	1999
	£'000	£'000
Property development	186	114
Design agency	-	2,261
Engineering design	7,195	9,517
Engineering manufacture	<u>1,067</u>	<u>1,590</u>
	<u><u>8,448</u></u>	<u><u>13,482</u></u>

3. EXCEPTIONAL ITEMS

	2000	1999
	£'000	£'000
Redundancy costs	<u>47</u>	<u>30</u>

4. INTEREST RECEIVABLE

	2000	1999
	£'000	£'000
Bank interest	17	52
Other interest	<u>1</u>	<u>11</u>
	<u><u>18</u></u>	<u><u>63</u></u>

5. INTEREST PAYABLE

	2000	1999
	£'000	£'000
Interest on bank overdraft	9	3
Other interest	<u>1</u>	<u>5</u>
	<u><u>10</u></u>	<u><u>8</u></u>

PREMIUM WING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 JULY 2000

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging the following:-

	2000	1999
	£'000	£'000
Directors' remuneration	250	619
Depreciation and amortisation of owned assets	328	384
Auditors remuneration	21	22
Hire of plant and machinery	<u>3</u>	<u>4</u>
Directors' emoluments		
Fees, salaries and pension contributions	150	426
Benefits in kind	<u>100</u>	<u>193</u>
	<u>250</u>	<u>619</u>
Further details:		
Chairman	<u>-</u>	<u>-</u>
Highest paid director	<u>250</u>	<u>619</u>

7. EMPLOYEES

No. No.

The average weekly number of employees of the group during the year were:-

Recruitment, administration and management	64	64
Engineering design	101	138
Engineering manufacture	<u>20</u>	<u>47</u>
	<u>185</u>	<u>249</u>

Staff costs including directors consist of:-

	£'000	£'000
Wages and salaries	4,117	3,912
Social security costs	446	392
Other pension costs	270	275
Benefits in kind	<u>100</u>	<u>193</u>
	<u>4,933</u>	<u>4,772</u>

PREMIUM WING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 JULY 2000

8. TAXATION	2000	1999
	£'000	£'000
Based on results for the period:		
UK corporation tax at 21%	-	(14)
Adjustments in respect of previous years	<u>148</u>	<u>6</u>
	<u><u>148</u></u>	<u><u>(8)</u></u>

9. INTANGIBLE FIXED ASSETS	Goodwill	
	2000	1999
	£'000	£'000
Cost at 1 August 1999	45	-
Additions	-	45
Amortisation for the year	<u>(45)</u>	<u>-</u>
Net book value carried forward	<u><u>-</u></u>	<u><u>45</u></u>

10. TANGIBLE FIXED ASSETS

	Leasehold Property £'000	Plant and Equipment £'000	Motor Vehicles £'000	Total £'000
THE GROUP				
Cost or valuation:				
At 1 August 1999	29	759	441	1,229
Additions in the year	-	34	287	321
Disposals	<u>-</u>	<u>(24)</u>	<u>(119)</u>	<u>(143)</u>
As at 31 July 2000	<u><u>29</u></u>	<u><u>769</u></u>	<u><u>609</u></u>	<u><u>1,407</u></u>
Depreciation				
At 1 August 1999	8	286	90	384
Charge for year	<u>9</u>	<u>188</u>	<u>131</u>	<u>328</u>
As at 31 July 2000	<u><u>17</u></u>	<u><u>474</u></u>	<u><u>221</u></u>	<u><u>712</u></u>
Net book value as at 31 July 1999	<u><u>21</u></u>	<u><u>473</u></u>	<u><u>351</u></u>	<u><u>845</u></u>
As at 31 July 2000	<u><u>12</u></u>	<u><u>295</u></u>	<u><u>388</u></u>	<u><u>695</u></u>

PREMIUM WING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 JULY 2000

11. FIXED ASSET INVESTMENTS

COMPANY	Group Undertakings	
	2000 £'000	1999 £'000
Cost or valuation		
At 1 August 1999	3	-
Additions	<u>-</u>	<u>3</u>
At 31 July 2000	<u><u>3</u></u>	<u><u>3</u></u>
 GROUP	 2000 £'000	 1999 £'000
At 1 August 1999	-	-
Additions - subsidiary undertakings not consolidated (see below)	-	503
Amounts written off in the year	<u>-</u>	<u>(503)</u>
At 31 July 2000	<u><u>-</u></u>	<u><u>NIL</u></u>

The following were subsidiary undertakings at the end of the year and have all been included in the consolidated financial statements (except for as noted below). All companies are incorporated in England.

Name	Proportion of Share Capital held	Nature of Business
Hebron and Medlock (Holdings) Limited	100%	Holding Company
Hebron and Medlock (Holdings) Limited has the following subsidiary undertakings:-		
Hebron and Medlock Ltd	100%	Engineering design
John A Smith Design Consultants Ltd	100%	Dormant (ii)
H & M Engineering Projects Ltd	100%	Dormant (ii)
Techwork (Southampton) Ltd	100%	Engineering design
Hebron & Medlock Engineering Ltd	100%	Engineering manufacturing
GED (BBK Designs) Ltd	100%	Engineering design
GED (Southampton) Ltd	100%	Engineering design
OTS Services Ltd	100%	Dormant (ii)
Bennett Engineering (Petro Chemical) Co. Ltd	100%	Dormant (iii)
Bennett Technical Services (Southampton) Ltd	100%	Dormant (iii)
Senior Design Services Limited	100%	Dormant
West Bromwich Spring Company Limited	100%	Engineering manufacturing (i)
Beeley Wood Properties Limited	100%	Property development

- (i) This company was acquired on 21 April 1999 and was sold on 6 October 2000 and has been excluded from the consolidated financial statements on the grounds that it was held for resale only. (See note 19 also).
- (ii) These companies were dissolved on 12 September 2000.
- (iii) These companies were dissolved on 29 August 2000.

PREMIUM WING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 JULY 2000

12. DEBTORS	Group	Group
	2000	1999
	£'000	£'000
Trade debtors	1,782	2,696
Other debtors	4	180
Prepayments	143	212
Amounts owed by group undertakings (see note 19)	<u>750</u>	<u>1,600</u>
	<u>2,679</u>	<u>4,688</u>
13. CREDITORS: Amounts falling due within one period	Group	Group
	2000	1999
	£'000	£'000
Bank overdrafts	241	578
Trade creditors	255	312
Taxes and social security costs	389	516
Accruals and deferred income	361	684
Other creditors	114	113
Corporation tax	<u>-</u>	<u>6</u>
	<u>1,360</u>	<u>2,209</u>
14. DEFERRED TAXATION	Provided & Unprovided	Provided & Unprovided
	2000	1999
	£'000	£'000
Group and company		
Accelerated capital allowances	-	-
Revaluation surplus	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

PREMIUM WING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 JULY 2000

15. SHARE CAPITAL	2000	1999
	£	£
Authorised		
1,000,000 ordinary shares of 1p each	<u>10,000</u>	<u>10,000</u>
	<u>10,000</u>	<u>10,000</u>
Allotted, issued and fully paid		
261,682 ordinary shares of 1p each	<u>2,617</u>	<u>2,617</u>
	<u>2,617</u>	<u>2,617</u>

261,678 1p ordinary shares were issued on 22 October 1998 (in addition to the 4 subscriber shares) for the consideration of 261,682 25p ordinary shares in Hebron & Medlock (Holdings) Limited.

16. PROFIT AND LOSS ACCOUNT

	2000	1999	1999 & 2000
	Group	Group	Company
	£'000	£'000	£'000
At 1 August 1999	4,770	-	-
On acquisition under merger accounting	-	4,760	-
Profit / (loss) for the financial year	(483)	(88)	-
Merger accounting adjustment (see below)	<u>-</u>	<u>98</u>	<u>-</u>
At 31 July 2000	<u>4,287</u>	<u>4,770</u>	<u>-</u>

The merger accounting adjustment relates to the difference between the normal value of the share capital of Hebron and Medlock (Holdings) Limited and the cost of the investment in the same company by Premium Wing Limited.

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000	1999
	£'000	£'000
<u>Group</u>		
Opening shareholders' funds	4,773	-
Group reserves on acquisition under merger accounting	-	4,760
Profit / (loss) for the financial year	(483)	(88)
Issue of shares at par	-	3
Merger accounting adjustment (see below)	<u>-</u>	<u>98</u>
Closing shareholders' funds	<u>4,290</u>	<u>4,773</u>

The merger accounting adjustment relates to the difference between the normal value of the share capital of Hebron and Medlock (Holdings) Limited and the cost of the investment in the same company by Premium Wing Limited.

PREMIUM WING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 JULY 2000

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS (continued)

<u>Company</u>	2000 £'000	1999 £'000
Profit / (loss) for the financial year	-	-
Dividends	-	-
Issue of shares	<u>-</u>	<u>3</u>
Net additions / (reductions) to shareholders' funds	-	3
Opening shareholders' funds	<u>3</u>	<u>-</u>
Closing shareholders' funds	<u><u>3</u></u>	<u><u>3</u></u>

18. CAPITAL COMMITMENTS

There were no capital commitments at the balance sheet date.

19. RELATED PARTY TRANSACTIONS

19.1 Rent was paid to L Medlock of £80,000 in respect of property used by the group.

19.2 Rent was paid to D J Medlock of £159,012 in respect of property used by the group.

19.3 Rent was paid to the Medlock Charitable Trust of £2,083 in respect of property used by the group. The Trust is a registered charity to which L Medlock and D J Medlock are trustees.

19.4 Included in amounts owed from group undertakings are the following balances:-

	2000 £'000	1999 £'000
West Bromwich Spring Company Limited	<u>750</u>	<u>1,600</u>

D J Medlock was a director of the company named above for the period from 21 April 1999 to 28 September 2000.

During the year, the debtor was reduced by £1,100,000 to its recoverable amount following the disposal of the subsidiary to a third party.