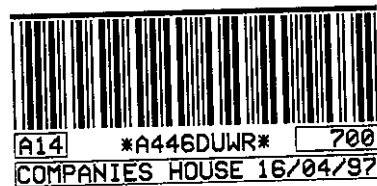


COMPANY NUMBER : 1443880

P C SHANN MANAGEMENT & RESEARCH LIMITED
DIRECTORS' REPORT AND ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 31 AUGUST 1995



P C SHANN MANAGEMENT & RESEARCH LIMITED

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P C SHANN MANAGEMENT & RESEARCH LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the abbreviated accounts for the year ended 31 August 1995.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activities of the company during the year were those of the general provision of management services and research consultancy and of general dealers.

The directors are satisfied with the results of the company for the year and view the future with optimism. During the year 140,000 ordinary shares were issued at a premium of £558,651 as part of a re-structuring of the group's finances.

The directors are pleased to announce the sale of one of the company's freehold properties for £330,000 subsequent to the year end. Accordingly this property has been written down in these accounts to its realisable value. The provision made amounts to £497,137.

RESULTS AND DIVIDENDS

The results for the year are set out on page 5.

The directors do not recommend payment of a dividend.

It is proposed that the Loss of £423,853 is transferred to reserves.

FIXED ASSETS

Details of movements in fixed assets during the year are set out in notes 8 and 9 to the accounts.

RESEARCH AND DEVELOPMENT

Further research and development was carried out during the year to benefit the activities of the group. Expenditure amounted to £10,790 (1994: £50,342).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and their interests in the company were as stated below.

		Number of shares	
		1995	1994
P C Shann	Ordinary shares	7,599	7,599
W Reipold	Ordinary shares	-	-
(appointed 1 September 1994)			

AUDITORS

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Garbutt & Elliott be reappointed as auditors of the company will be put to the Annual General Meeting.

P C SHANN MANAGEMENT & RESEARCH LIMITED

REPORT OF THE DIRECTORS (continued)

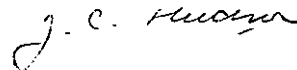
DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- 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.

By Order of the Board



**J C Hudson
Secretary
12 March 1997**

AUDITORS' REPORT TO P C SHANN MANAGEMENT & RESEARCH LIMITED
PURSUANT TO PARAGRAPH 24 OF SCHEDULE 8 TO THE COMPANIES ACT 1985

We have examined the abbreviated accounts on pages 5 to 15 together with the financial statements of P C Shann Management & Research Limited prepared under section 226 of the Companies Act 1985 for the year ended 31 August 1995.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with Schedule 8 to the Companies Act 1985. It is our responsibility to form an independent opinion as to the company's entitlement to the exemptions claimed in the directors' statement on page 6 and whether the abbreviated accounts have been properly prepared in accordance with that Schedule.

Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the audited financial statements, that the company is entitled to the exemptions and that the abbreviated accounts have been properly prepared from those financial statements. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled under sections 246, 247 and 249 of the Companies Act 1985 to the exemptions conferred by Section B of Part III of Schedule 8 to that Act, in respect of the year ended 31 August 1995, and the abbreviated accounts on pages 5 to 15 have been properly prepared in accordance with that Schedule.

Other information

On 7 March 1997 we reported, as auditors of P C Shann Management & Research Limited, to the members on the financial statements prepared under section 226 of the Companies Act 1985 for the year ended 31 August 1995, and our audit report was as follows:

'We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**AUDITORS' REPORT TO P C SHANN MANAGEMENT & RESEARCH LIMITED
PURSUANT TO PARAGRAPH 24 OF SCHEDULE 8 TO THE COMPANIES ACT 1985 (CONTINUED)**

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's affairs as at 31 August 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.'

Garbutt & Elliott

**GARBUTT & ELLIOTT
Chartered Accountants
Registered Auditors**

YORK

12 March 1997

P C SHANN MANAGEMENT & RESEARCH LIMITED

ABBREVIATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 1995

	Notes	1995 £	1994 £
GROSS PROFIT		260,000	301,850
ADMINISTRATIVE EXPENSES		(146,397)	(244,822)
PROFIT ON SALE OF FIXED ASSETS		6,076	45,518
OPERATING PROFIT	3	119,679	102,546
Other interest receivable and similar income	4	-	65
Amount written off freehold property	5	(497,137)	-
Interest payable and similar charges	6	(46,395)	(29,479)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(423,853)	73,132
Tax on loss on ordinary activities	7	-	-
RETAINED LOSS FOR THE FINANCIAL YEAR	18	£(423,853)	£ 73,132

There are no recognised gains and losses other than those passing through the profit and loss account and there were no acquisitions or discontinued operations during the year or the preceding year.

The above profit is stated after charging £17,925 (1994 : £17,925) of depreciation on the revalued element of the property.

P C SHANN MANAGEMENT & RESEARCH LIMITED
ABBREVIATED BALANCE SHEET
AS AT 31 AUGUST 1995

	Notes	£	1995 £	£	1994 £
FIXED ASSETS					
Tangible assets	8		882,548		1,436,007
Investments	9		141,703		160,487
			<u>1,024,251</u>		<u>1,596,494</u>
CURRENT ASSETS					
Stocks	10	18,058		25,282	
Debtors	11	262,697		75,000	
Cash at bank and in hand		-		6,364	
			<u>280,755</u>	<u>106,646</u>	
CREDITORS: amounts falling due within one year	12	(433,815)		(1,404,249)	
NET CURRENT LIABILITIES			<u>(153,060)</u>	<u>(1,297,603)</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES			871,191		298,891
CREDITORS: amounts falling due after more than one year	13		(297,502)		-
			<u>£ 573,689</u>	<u>£ 298,891</u>	
CAPITAL AND RESERVES					
Called up share capital	15		150,000		10,000
Share premium account	16		1,016,251		457,600
Revaluation reserve	17		398,262		416,187
Other reserves			99,100		99,100
Profit and loss account	18		(1,089,924)		(683,996)
SHAREHOLDERS' FUNDS	19		<u>£ 573,689</u>	<u>£ 298,891</u>	

In preparing these abbreviated accounts:

- (a) Advantage has been taken of the exemptions conferred by Section B of Part III of Schedule 8 to the Companies Act 1985, and
- (b) In the directors' opinion the company is entitled to these exemptions as a medium-sized company.

The financial statements were approved by the Board on 12 March 1997.

P C Shann
Director



P C SHANN MANAGEMENT & RESEARCH LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 1995

1. ACCOUNTING POLICIES

1.1 ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention modified to include the revaluation of certain freehold land and buildings and include the results of the company's operations as indicated in the directors' report, all of which are continuing.

1.2 COMPLIANCE WITH ACCOUNTING STANDARDS

The directors consider that the company is not required to produce a cash flow statement under Financial Reporting Standard Number One.

1.3 CONSOLIDATION

The company and its subsidiaries comprise a medium-sized group as defined by section 249 of the Companies Act 1985. The company has therefore taken advantage of the exemption provided by section 248 of the Companies Act 1985 and has not prepared consolidated accounts. Accordingly, these financial statements present information about the company as an individual undertaking and not about its group.

1.4 RESEARCH AND DEVELOPMENT

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

1.5 TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Buildings	-	4% Straight line
Research equipment	-	15% Straight line
Fixtures, fittings and equipment	-	15% Reducing balance
Motor vehicles	-	25% Reducing balance

No depreciation is provided in respect of freehold land.

1.6 INVESTMENTS

Fixed asset investments are stated at cost less provision for diminution in value.

1.7 STOCK

Stock is valued at the lower of cost and net realisable value.

P C SHANN MANAGEMENT & RESEARCH LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 1995

2. TURNOVER

The total turnover of the company for the year has been derived from its principal activity of management services which were wholly performed in the U.K. In 1994 turnover included £14,350 of consultancy work performed in Africa.

3. OPERATING PROFIT

	1995 £	1994 £
Operating profit is stated after charging:		
Depreciation of tangible assets	62,790	64,381
Research and development		
- current year's expenditure	10,790	50,342
Auditors' remuneration	5,000	4,500

4. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	1995 £	1994 £
Bank interest receivable	£ -	£ 65

5. AMOUNTS WRITTEN OFF FREEHOLD PROPERTY

	1995 £	1994 £
Permanent diminution in value	497,137	-

6. INTEREST PAYABLE AND SIMILAR CHARGES

	1995 £	1994 £
Bank loan and overdraft	46,395	16,721
Other loans wholly repayable within 5 years	-	12,758
	£ 46,395	£ 29,479

7. TAXATION

There are losses for taxation purposes available of £185,000 (1994:£305,000) at the balance sheet date together with capital losses of £95,000 (1994:£95,000).

P C SHANN MANAGEMENT & RESEARCH LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 1995

8. TANGIBLE ASSETS

	Freehold land and buildings	Research equipment	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost or valuation					
At 1 September 1994	1,519,666	139,622	24,075	98,368	1,781,731
Additions	-	6,468	-	-	6,468
Provision for permanent diminution in value	(497,137)	-	-	-	(497,137)
At 31 August 1995	<u>1,022,529</u>	<u>146,090</u>	<u>24,075</u>	<u>98,368</u>	<u>1,291,062</u>
Depreciation					
At 1 September 1994	167,769	87,639	18,225	72,091	345,724
Charge for year	41,200	14,143	878	6,569	62,790
At 31 August 1995	<u>208,969</u>	<u>101,782</u>	<u>19,103</u>	<u>78,660</u>	<u>408,514</u>
Net book values					
At 31 August 1995	<u>£ 813,560</u>	<u>£ 44,308</u>	<u>£ 4,972</u>	<u>£ 19,708</u>	<u>£ 882,548</u>
At 31 August 1994	<u>£1,351,897</u>	<u>£ 51,983</u>	<u>£ 5,850</u>	<u>£ 26,277</u>	<u>£1,436,007</u>

The valuation of the works complex at Sanquhar was carried out by Fuller Peiser, Chartered Surveyors, as at 20 December 1988. The open market value was determined by reference to the Depreciated Replacement cost of the property.

Cost or valuation of buildings comprises:-

Cost	515,222
Revaluation	507,307
	<u>£1,022,529</u>

Accumulated depreciation comprises:-

On cost	104,539
On revaluation	104,430
	<u>£ 208,969</u>

The historical cost element of the depreciation charge for this year on property amounts to £23,275.

The amount of land included above not being depreciated amounts to £477,137 (1994:£477,137).

P C SHANN MANAGEMENT & RESEARCH LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 1995

9. FIXED ASSET INVESTMENTS	1995 £	1994 £
Subsidiary undertakings	110,177	110,177
Other investments	31,526	50,310
	<u>£ 141,703</u>	<u>£ 160,487</u>

Investment in subsidiary undertakings

Cost

At 1 September 1994 &
at 31 August 1995

**Shares
£**

110,177

Net Book Values

At 31 August 1995

£ 110,177

At 31 August 1994

£ 110,177

In the opinion of the directors the aggregate value of the company's investment in subsidiary undertakings and in other investments is not less than the amount included in the balance sheet.

	Capital and reserves	(Loss)/ Profit for the year
Explosive Developments Limited	£ (697,557)	£(208,924)
Chemical Equipment Development Limited	£ 30,823	Dormant
Explosive Developments (Scotland) Limited	£ 1,658	Dormant
Stepney Shann Chemical Products Limited	£ 189,058	Dormant
Brocks Explosives Limited	£1,098,127	£ 268,726

Other investments

Cost

At 1 September 1994
Disposals

**Other
£**

50,310
(18,784)

At 31 August 1995

31,526

Net Book Values

At 31 August 1995

£ 31,526

At 31 August 1994

£ 50,310

P C SHANN MANAGEMENT & RESEARCH LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 1995

10. STOCKS	1995	1994
	£	£
Raw materials and consumables	£ 18,058	£ 25,282
	<hr/>	<hr/>
11. DEBTORS	1995	1994
	£	£
Amounts owed by group undertaking	114,572	-
Amounts owed by related undertakings	148,125	75,000
	<hr/>	<hr/>
	£ 262,697	£ 75,000
	<hr/>	<hr/>
12. CREDITORS: amounts falling due within one year	1995	1994
	£	£
Bank loan and overdraft	51,981	126,564
Amounts owed to group undertakings	315,303	1,216,260
Taxes and social security costs	18,590	27,719
Directors' current accounts	9,754	-
Other creditors	-	23,276
Accruals and deferred income	38,187	10,430
	<hr/>	<hr/>
	£ 433,815	£1,404,249
	<hr/>	<hr/>

The Royal Bank of Scotland plc holds a debenture over the assets of the company as security for the bank loan and overdraft. The bank also holds legal charges over certain of the company's freehold property.

P C SHANN MANAGEMENT & RESEARCH LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 1995

13. CREDITORS: amounts falling due
after more than one year

	1995 £	1994 £
Bank loan	£ 297,502	£ -

Analysed as follows:

Repayable in less than one year	42,498	126,564
Repayable in one to two years	56,664	-
Repayable in two to five years	240,838	-
	<u>340,000</u>	<u>126,564</u>
Included in current liabilities	(42,498)	(126,564)
	<u>£ 297,502</u>	<u>£ -</u>

The bank loan which is repayable wholly within five years is secured on the same basis as the bank overdraft.

14. PENSION COSTS

The company operates pension arrangements for the benefit of senior employees which are in the nature of defined contribution schemes.

The assets of the scheme are held separately from those of the company, being invested with an insurance company and in a small self-administered pension fund.

The charge to the profit and loss account represents contributions payable by the company as follows.

	1995 £	1994 £
Defined contribution scheme		
- insured	-	730
- small self-administered	-	-
	<u>£ -</u>	<u>£ 730</u>

P C SHANN MANAGEMENT & RESEARCH LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 1995

15. SHARE CAPITAL	1995 £	1994 £
Authorised		
150,000 Ordinary shares of £1 each	<u>£ 150,000</u>	<u>£ 10,000</u>
Allotted, called up and fully paid		
150,000 Ordinary shares of £1 each	<u>£ 150,000</u>	<u>£ 10,000</u>

During the year the company increased its authorised share capital and issued 140,000 ordinary shares by way of capitalising part of the group's borrowings. The shares were issued at a premium of £558,651.

16. SHARE PREMIUM ACCOUNT	1995 £	1994 £
Balance brought forward at 1 September 1994	457,600	457,600
Premium on shares issued during the year	558,651	-
Balance carried forward at 31 August 1995	<u>£1,016,251</u>	<u>£ 457,600</u>

17. REVALUATION RESERVE	1995 £	1994 £
Balance brought forward at 1 September 1994	416,187	434,112
Depreciation written back	(17,925)	(17,925)
Balance carried forward at 31 August 1995	<u>£ 398,262</u>	<u>£ 416,187</u>

18. PROFIT AND LOSS ACCOUNT	1995 £	1994 £
Accumulated losses at 1 September 1994	(683,996)	(775,053)
Loss for the financial year	(423,853)	73,132
Transfer from reserves	17,925	17,925
Accumulated losses at 31 August 1995	<u>£(1,089,924)</u>	<u>£(683,996)</u>

P C SHANN MANAGEMENT & RESEARCH LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 1995

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1995 £	1994 £
Loss for the financial year	(423,853)	73,132
Proceeds of issue of equity shares	698,651	-
Net increase in shareholders' funds	274,798	73,132
Opening shareholders' funds	298,891	225,759
Closing shareholders' funds	<u>£ 573,689</u>	<u>£ 298,891</u>

20. CONTINGENT LIABILITIES

There is an unlimited cross guarantee in respect of group borrowings, in favour of The Royal Bank of Scotland plc, between the company and its subsidiary undertakings, which amounted to £464,976 (1994 £975,519) at the balance sheet date.

21. DIRECTORS

	1995 £	1994 £
Remuneration		
Emoluments	<u>£ 59,445</u>	<u>£ 72,250</u>

The emoluments are all in respect of Mr Shann.

P C SHANN MANAGEMENT & RESEARCH LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 1995

22. EMPLOYEES

Number of employees

The average weekly number of employees (including directors) during the year was:

	1995 Number	1994 Number
Management and research	1	1
Administration	1	1
	<u>2</u>	<u>2</u>

Employment costs

	£	£
Wages and salaries	52,445	72,317
Social security costs	5,182	7,710
Other pension costs	-	730
	<u>£ 57,627</u>	<u>£ 80,757</u>

23. ULTIMATE PARENT COMPANY

The directors regard Explohandels AG, a company based in Switzerland, as this company's parent company.

24. POST BALANCE SHEET EVENT

A freehold property has been sold subsequent to the year end, for £330,000 and accordingly a provision has been made in the accounts to reflect the diminution in value.