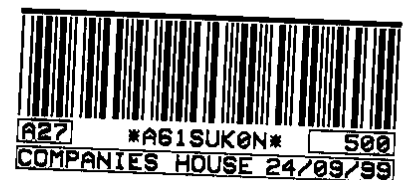


PETROTECHNIK LIMITED
ABBREVIATED ACCOUNTS - FOR THE YEAR ENDED
31 MARCH 1999
TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

The company's registered number is 2631843.



PETROTECHNIK LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 1999

The directors' present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 March 1999.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW:

The principal activity of the company is the sale of UPP polyethylene pipework and associated fittings and equipment for use in petrol filling stations and other fuel distribution centres. During the year the UK market for the company's products remained depressed.

The directors, however, expect the general level of activity, particularly in export markets, to increase significantly during the next twelve months.

RESULTS AND DIVIDENDS:

The results for the year are set out in the profit and loss account on page 4.

The directors recommend the payment of the following dividends:

	£
"A" Ordinary shares (proposed)	66,422
Ordinary shares (proposed)	<u>199,268</u>
	<u>265,690</u>

The directors propose to transfer £431,915 the balance of profit for the year, to reserves

DIRECTORS AND THEIR INTERESTS:

The directors who served during the year were:

J.A. Boudry	L.Humphrey (Appointed 7/4/98)	S.DeWild (Appointed 3/12/98)
J. Ageheim	W.Wright (Appointed 7/4/98)	
J. Lee	M.Duguid (Appointed 3/12/98)	

The directors who held office at 31 March 1999 had no beneficial interests, other than those shown below, in the shares of the company.

	Ordinary Shares at 31 March		Preference Shares at 31 March	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
J.A. Boudry	10,000	10,000	Nil	Nil
J. Ageheim	1,765	1,765	Nil	Nil
J. Lee	2,941	2,941	Nil	Nil

DIRECTORS' REPORT (Continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- i. select suitable accounting policies and then apply them consistently;
- ii. make judgements and estimates that are reasonable and prudent;
- iii. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- iv. prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

AUDITORS:

The directors will place a resolution before the Annual General Meeting to reappoint Arthur Andersen as auditors for the ensuing year.

YEAR 2000:

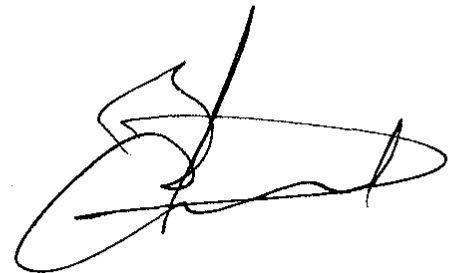
The company has in place a detailed action plan to ensure its systems will be able to function effectively in the year 2000. Work detailed in the plan is well underway and the directors are confident it will be completed on time.

EXEMPTIONS

In the directors' opinion the company is entitled, for the year ended 31 March 1999, to the exemptions conferred by Section 248 of the Companies Act 1985 from the requirements to prepare group accounts.

BY ORDER OF THE BOARD,

Maitland Road
Lion Barn Business Park
Needham Market
Ipswich
Suffolk IP6 8NZ.



J.A. Boudry
Secretary

1 SEPTEMBER 1999

AUDITORS' REPORT

AUDITORS' REPORT TO PETROTECHNIK LIMITED UNDER SECTION 247B OF THE COMPANIES ACT 1985.

We have audited the abbreviated accounts on pages 4 to 16, together with the financial statements of the company for the year ended 31 March 1999 prepared under section 226 of the Companies Act 1985.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Act to the Registrar of Companies and whether the abbreviated accounts to be delivered have been properly prepared in accordance with those relevant provisions and to report our opinion to you.

Basis of opinion

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

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Companies Act 1985 in respect of the period ended 31 March 1999, and the abbreviated accounts on pages 4 to 16 have been properly prepared in accordance with that provision.



Arthur Andersen
Chartered Accountants and Registered Auditors

Betjeman House
104 Hills Road
Cambridge
CB2 1LH

1 September 1999

PETROTECHNIK LIMITED
ABBREVIATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1999

	<u>Notes</u>	Year Ended 31 March <u>1999</u> £	17 months to 31 March <u>1998</u> £
GROSS PROFIT		2,676,533	2,938,540
Other operating expenses (net)	3	<u>(1,661,414)</u>	<u>(2,065,428)</u>
OPERATING PROFIT		1,015,119	873,112
Interest payable	4	(11,278)	(12,981)
Interest receivable		<u>25,415</u>	<u>46,092</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	1,029,256	906,223
Tax on profit on ordinary activities	7	<u>(331,651)</u>	<u>(385,495)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		697,605	520,728
Dividends paid and proposed (including dividends on non- equity shares)	8	<u>(265,690)</u>	<u>(246,205)</u>
RETAINED PROFIT FOR THE YEAR		<u><u>431,915</u></u>	<u><u>274,523</u></u>

There are no recognised gains or losses, other than the profit for the year after taxation, and therefore a statement of total recognised gains and losses has not been included in these accounts.

All amounts shown relate to continuing operations.

The accompanying notes are an integral part of this profit and loss account.

PETROTECHNIK LIMITED
BALANCE SHEET -- 31 MARCH 1999

	<u>Notes</u>	<u>1999</u> £	<u>1998</u> £
FIXED ASSETS			
Intangible assets	9	-	4,259
Tangible assets	10 (a)	390,466	309,643
Investments	10 (b)	<u>6,504</u>	<u>6,504</u>
		396,970	320,406
CURRENT ASSETS			
Stocks - goods for resale		894,099	381,318
Debtors	11	2,665,936	2,307,939
Cash at bank and in hand		<u>599,227</u>	<u>586,318</u>
		4,159,262	3,275,575
CREDITORS: Amounts falling due within one year	12	<u>(2,400,713)</u>	<u>(1,926,174)</u>
NET CURRENT ASSETS		<u>1,758,549</u>	<u>1,349,401</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,155,519	1,669,807
CREDITORS: Amounts falling due after more than one year	13	<u>(97,918)</u>	<u>(44,121)</u>
NET ASSETS		<u>2,057,601</u>	<u>1,625,686</u>
CAPITAL AND RESERVES			
Called-up share capital	14	19,608	19,608
Share premium account	16	9,994	9,994
Capital redemption reserve	16	60,400	60,400
Profit and loss account	16	<u>1,967,599</u>	<u>1,535,684</u>
EQUITY SHAREHOLDERS FUNDS	16	<u>2,057,601</u>	<u>1,625,686</u>

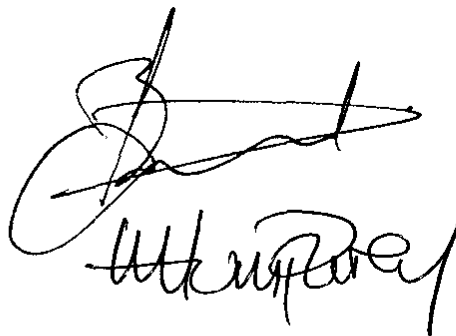
Advantage has been taken of the exemption conferred by Part B of Part III of Schedule 8 to the Companies Act 1985 on the grounds that, in the directors' opinion, the company is entitled to the benefit of those exemptions as a medium company.

SIGNED ON BEHALF OF THE BOARD

J.A. Boudry - Director

L.Humphrey - Director

1st Sept. 1999



The accompanying notes are an integral part of this balance sheet.

PETROTECHNIK LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 1999

	<u>Notes</u>	<u>1999</u> £	<u>1998</u> £
Reconciliation of operating profit to net cash inflow from operating			
Operating Profit		1,015,119	873,112
Depreciation Charges		157,977	181,185
(Profit) on Disposal of Fixed Assets		3,049	(6,600)
Amortisation		4,259	12,437
Decrease/(Increase) in stock		(512,779)	(145,777)
Decrease/(Increase) in debtors		(383,153)	112,263
(Decrease)/Increase in creditors		<u>359,942</u>	<u>(454,764)</u>
Net cash inflow from operating activities		644,414	571,856
Cashflow Statement			
Net cash inflow from operating activities		644,414	571,856
Returns on investment and service of finance	18	14,292	37,785
Taxation		(370,017)	(362,909)
Capital Expenditure	18	<u>(63,154)</u>	<u>(71,383)</u>
		225,535	175,349
Equity Dividend paid		(145,586)	(335,000)
Non-equity Dividend paid		<u>-</u>	<u>(619)</u>
		79,949	(160,270)
Financing	18	<u>(67,040)</u>	<u>(123,025)</u>
		<u>12,909</u>	<u>(283,295)</u>
Reconciliation of net cashflow to movement in net debt			
	19		
(Decrease)/Increase in cash in the year		12,909	(283,295)
New finance leases		(178,696)	(117,430)
Cash outflow from decrease in debt and lease financing		<u>67,040</u>	<u>109,525</u>
Change in Net Debt		(98,747)	(291,200)
Net debt at 1 April 1998		505,649	796,849
Net debt at 31 March 1999		<u>406,902</u>	<u>505,649</u>

PETROTECHNIK LIMITED

NOTES TO THE ACCOUNTS – 31 MARCH 1999

1. ACCOUNTING POLICIES:

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding period, are set out below.

a) Basis of accounting

The accounts are prepared under the historical cost convention in accordance with applicable accounting standards.

Advantage has been taken of the exemptions conferred by Part 1 of Schedule 8 to the Companies Act 1985 on the grounds that, in the directors' opinion, the company is entitled to the benefit of those exemptions as a medium sized company. Accordingly the company's subsidiary company has not been consolidated and is treated as an investment in these financial statements.

b) Fixed assets

Tangible and intangible fixed assets are stated at cost, less accumulated depreciation or amortisation and any provision for impairment.

Depreciation or amortisation is provided at rates calculated to write off the cost, less estimated residual value of each asset on a straight-line basis over its expected useful life, as follows:

Short term leasehold	20%
Fixtures and fittings	20%
Motor Vehicles	25%
Equipment	20% to 33%
Patents	20%
Trademarks	20%

c) Investments

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

d) Stocks

Stocks are stated at the lower of first-in, first-out cost and net realisable value. Cost includes all expenditure incurred in bringing each product to its present location and condition.

Net realisable value is based on estimated normal selling price less further costs expected to be incurred on disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

e) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax authorities) is provided, if material, using the liability method on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which in the opinion of the directors will probably not reverse.

Advance corporation tax payable on dividends paid or provided for in the year is written off, except when recoverability against corporation tax payable is considered to be reasonably assured.

NOTES TO THE ACCOUNTS (Continued)

1. ACCOUNTING POLICIES (continued):

f) Foreign currency

Normal trading activities denominated in foreign currencies are recorded in sterling at an average exchange rate for the period. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the profit and loss account.

g) Turnover

Turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services in the normal course of business.

h) Leases

The company enters into operating and finance leases.

Assets held under finance leases and 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 year. The asset is depreciated over the shorter of the period of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease or hire purchase contract to produce a constant rate of return on the outstanding balance. Rentals are apportioned between finance charges and reduction of the liability, and allocated to cost of sales or other operating expenses as appropriate. Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Further information on charges in the year and future commitments is given in note 17.

i) Pension costs

The company provides pensions to its employees through a funded defined contribution pension scheme. The assets of the scheme are held independently of the company by insurance companies. The amount charged to the profit and loss account is the contributions payable during the period.

j) Development costs

Development costs are charged to the profit and loss account in the year of expenditure

2. TURNOVER:

No segmental analysis is given as in the opinion of the directors, a disclosure of this information would be seriously prejudicial to the interests of the company.

3. OTHER OPERATING EXPENSES (NET):

	<u>1999</u>	<u>1998</u>
	£	£
Selling and marketing costs	565,919	931,765
Development overheads	138,230	253,907
Administrative overheads	<u>957,265</u>	<u>879,756</u>
	<u>1,661,414</u>	<u>2,065,428</u>

NOTES TO THE ACCOUNTS (Continued)

4. INTEREST PAYABLE:

	<u>1999</u>	<u>1998</u>
	£	£
Interest payable on loans repayable within five years, by instalments	-	6,145
Interest payable on hire purchase contracts	<u>11,278</u>	<u>6,836</u>
	<u>11,278</u>	<u>12,981</u>

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION:

Profit on ordinary activities before taxation is stated after charging-

	<u>1999</u>	<u>1998</u>
	£	£
a) Depreciation of tangible fixed assets:		
- owned	113,114	132,355
- held under hire purchase contracts	44,863	48,830
b) Amortisation of intangible fixed assets	4,259	12,437
c) Auditors' remuneration - audit fee	5,500	6,500
d) Staff costs (see Note 6)	818,677	912,072
e) Operating lease rentals:		
Land and buildings	47,783	47,000
f) Loss/(Profit) on disposal of fixed assets	3,049	(6,600)
g) Foreign exchange losses/ (gains)	<u>15,819</u>	<u>(184,145)</u>

6. STAFF COSTS:

The average weekly number of persons employed (including executive directors) by the company during the year was as follows :-

	<u>1999</u>	<u>1998</u>
	Number	Number
Sales and administration	21	17
Development	<u>3</u>	<u>3</u>
	<u>24</u>	<u>20</u>

Their aggregate remuneration comprised :-

	<u>1999</u>	<u>1998</u>
	£	£
Wages and salaries	704,540	781,071
Social security costs	73,000	81,980
Other pension costs and benefits	<u>41,137</u>	<u>49,021</u>
	<u>818,677</u>	<u>912,072</u>
Directors' remuneration-		
Emoluments	254,088	150,797
Company contributions to money purchase pension schemes	<u>20,469</u>	<u>18,819</u>
	<u>274,557</u>	<u>169,616</u>
Highest paid director (including pension contributions)	<u>140,530</u>	<u>169,616</u>

NOTES TO THE ACCOUNTS (Continued)

6. STAFF COSTS (Continued):

	<u>1999</u>	<u>1998</u>
Fees paid to third parties in respect of directors' services	<u>12,734</u>	<u>105,960</u>
Number of directors who were members of pension schemes was as follows:		
Money Purchase Schemes	<u>4</u>	<u>1</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES:

	<u>1999</u>	<u>1998</u>
	£	£
Corporation tax at the current rate on taxable profit for the year	331,651	374,904
(Over)/Under Provision in respect of previous year	<u>-</u>	<u>10,591</u>
	<u>331,651</u>	<u>385,495</u>

8. DIVIDENDS PAID AND PROPOSED

	<u>1999</u>	<u>1998</u>
	£	£
Preference shares (11%) net – paid	-	619
Ordinary and "A" Ordinary shares - Interim paid (£nil per share) - (1998 - £5.10 per share)	-	100,000
"A" Ordinary shares – proposed - £13.55 per share (1998 - £7.24 per share)	66,422	39,086
Ordinary shares – proposed - £13.55 per share (1998 - £7.24 per share)	<u>199,268</u>	<u>106,500</u>
	<u>265,690</u>	<u>246,205</u>

9. INTANGIBLE FIXED ASSETS:

The movement in the year was as follows-

	<u>Patents and Trademarks</u>
COST-	
Beginning of year	£43,893
Additions	-
End of year	<u>£43,893</u>
AMORTISATION	
Beginning of year	39,634
Charge	<u>4,259</u>
End of year	<u>43,893</u>
NET BOOK VALUE	
Beginning of year	<u>£4,259</u>
NET BOOK VALUE	
End of year	<u>£nil</u>

NOTES TO THE ACCOUNTS (Continued)

10 (a) TANGIBLE FIXED ASSETS:

The movement in the year was as follows-

	Short term leasehold <u>Improvements</u>	Plant & <u>Machinery</u>	<u>Total</u>
	£	£	£
COST-			
Beginning of year	55,186	637,392	692,578
Additions	-	247,400	247,400
Disposals	-	(61,095)	(61,095)
End of year	<u>55,186</u>	<u>823,697</u>	<u>878,883</u>
DEPRECIATION			
Beginning of year	40,011	342,924	382,935
Charge	9,586	148,391	157,977
Depreciation on disposals	-	(52,495)	(52,495)
End of year	<u>49,597</u>	<u>438,820</u>	<u>488,417</u>
NET BOOK VALUE			
Beginning of year	<u>15,175</u>	<u>294,468</u>	<u>309,643</u>
NET BOOK VALUE			
End of year	<u>5,589</u>	<u>384,877</u>	<u>390,466</u>

The net book value of plant and machinery includes an amount of £217,765 (1998 - £121,997) in respect of assets held under hire purchase contracts.

10 (b) TANGIBLE FIXED ASSETS - INVESTMENT IN SUBSIDIARY COMPANY:

<u>Name of Subsidiary Undertaking</u>	<u>Country of Incorporation</u>	<u>Principal activity and Country of operation</u>	<u>Holding</u>
PetroTechnik France S.A.R.L.	France	Agency company for the sale of UPP pipe and fittings in France and French territories.	100%
COST-			
Beginning of year		£6,504	
Investment during the year		-	
End of year		<u>£6,504</u>	
NET BOOK VALUE			
End of year		<u>£6,504</u>	

No amounts were written off the investment during the year.

PetroTechnik France S.A.R.L. has been treated as a subsidiary undertaking because PetroTechnik Limited exercises dominant influence over this investment, directing its financial and operating policies. Advantage has been taken of the exemptions conferred by Section 248 of the Companies Act 1985 on the grounds that, in the directors' opinion, the company is entitled to the benefit of those exemptions as medium company. Accordingly PetroTechnik France S.A.R.L. has not been consolidated and is treated as an investment.

NOTES TO THE ACCOUNTS (Continued)

11. DEBTORS:

The following are included in debtors falling due within one year-

	<u>1999</u>	<u>1998</u>
	£	£
Trade debtors	1,119,630	1,042,208
Amount due from subsidiary company	1,250,278	1,033,173
VAT recoverable	174,253	69,222
ACT recoverable	36,397	61,397
Other debtors	27,951	27,302
Prepayments and accrued income	<u>57,427</u>	<u>74,637</u>
	<u>2,665,936</u>	<u>2,307,939</u>

12. CREDITORS- AMOUNTS FALLING DUE WITHIN ONE YEAR:

The following amounts are included in creditors falling due within one year-

	<u>1999</u>	<u>1998</u>
	£	£
Obligations under hire purchase contracts	94,407	36,548
Trade creditors	1,103,065	786,159
Corporation tax	314,032	316,000
ACT payable	-	61,397
Other creditors:		
- social security and PAYE	23,743	20,108
- accruals	589,812	553,268
- other creditors	9,964	7,108
Dividends payable	<u>265,690</u>	<u>145,586</u>
	<u>2,400,713</u>	<u>1,926,174</u>

Creditors include hire purchase loans of £94,407 (1998 - £36,548), secured on certain fixed assets of the company.

13. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR:

	<u>1999</u>	<u>1998</u>
	£	£
Obligations under hire purchase contracts	<u>97,918</u>	<u>44,121</u>
Analysis of borrowings and hire purchase contracts:		
	<u>1999</u>	<u>1998</u>
	£	£
Due within 1 year - hire purchase	94,407	36,548
Due within 2-5 years		
- hire purchase	<u>97,918</u>	<u>44,121</u>
	192,325	80,669
Less included in Creditors – amounts falling due within one year	<u>(97,918)</u>	<u>(36,548)</u>
	<u>94,407</u>	<u>44,121</u>

NOTES TO THE ACCOUNTS (Continued)

13. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued):

The hire purchase obligations are secured on certain fixed assets of the company.

14. CALLED-UP SHARE CAPITAL:

Authorised:	<u>1999</u>	<u>1998</u>
	£	£
14,706 ordinary shares of £1 each	14,706	14,706
4,902 'A' ordinary shares of £1 each	4,902	4,902
60,400 11 % cumulative redeemable preference shares of £1 each	<u>60,400</u>	<u>60,400</u>
	<u>80,008</u>	<u>80,008</u>
Allotted, called-up and fully paid:		
14,706 ordinary shares of £1 each	14,706	14,706
4,902 'A' ordinary shares of £1 each	<u>4,902</u>	<u>4,902</u>
	<u>19,608</u>	<u>19,608</u>

Distribution of Profits:

Equity

'A' ordinary shareholders have a preferential right to 8% of the first £500,000 of profit before taxation of the company, and 5% of the excess over £500,000, in each financial year, as well as to participate equally with ordinary shareholders. No ordinary dividends shall be paid in any financial year unless any Preference dividend in respect of the Preference shares, or preferential dividend in respect of the 'A' ordinary shares have been paid or until all preference shares which have fallen due for redemption have been redeemed. Any ordinary dividend shall not exceed the dividend paid on each 'A' ordinary share.

Allocation of Capital:

On a return of capital on a winding up, or a capital reduction or otherwise:

- a) The holders of the preference shares shall receive (provided sufficient assets exist) £1 per share together with any arrears of preference dividend.
- b) The holders of the 'A' ordinary shares shall receive (provided sufficient assets exist) £1 per share together with any arrears of dividend.
- c) Any surplus assets arising after, first, the repayment of (a) and (b) above and, second, the repayment of £1 per share to the holders of each of the ordinary shares shall be distributed amongst the holders of the 'A' ordinary shares and the ordinary shares (pari passu as if the same constituted one class of share) in proportion to the amounts paid up or credited as paid up on these shares.

Other rights:

The holders of 'A' ordinary shares may at any time convert the whole of their 'A' ordinary shares into a like number of ordinary shares. Each of the 'A' ordinary, and ordinary shares carry one vote. The preference shares do not carry a vote. Details of dividends paid and proposed appear in Note 8.

NOTES TO THE ACCOUNTS (Continued)

15. RELATED PARTY TRANSACTIONS:

Beaufort Lee Limited, of which J. Lee is a director and shareholder, provided arm's length financial management services to the company, during the year, consisting of fees of £nil and expenses of £100 (1998 - fees and expenses £66,460).

Limit AB and PetroTeknik AB, of which J. Ageheim is a director and shareholder, supplied goods and consultancy services during the year amounting to £16,164 (1998 - £15,559) and £165,323 (1998 - £151,393) respectively. Included in trade creditors at the year end was £nil (1998: £3,545) due to Limit AB and £58,602 (1998: £13,248) due to PetroTeknik AB. Sale of goods to PetroTeknik AB in the normal course of business during the year amounted to £391,739 (1998: £515,865). Included in trade debtors at the year end was £111,446 (1998: £41,300) due from PetroTeknik AB.

During the year, intercompany transactions occurred between PetroTechnik France SARL and PetroTechnik Limited. The nature of these transactions was the provision of goods and services consisting of total sales of £1,325,326 (1998: £1,329,973).

MSD Solutions Limited, of which M.Duguid is a director and shareholder, provided consultancy services to the company during the year of £8,484 (1998: £nil). Included within trade creditors was £2,207 (1998: £nil) due to MSD Solutions Limited.

16. ANALYSIS OF RESERVES AND RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS:

	Ordinary share capital	Preference Share Capital	Share premium account	Capital Redemption Reserve	Profit and loss Account	Total Shareholder Funds
1998	£	£	£	£	£	£
Beginning of period	19,608	13,500	9,994	46,900	1,274,661	1,364,663
Profit for period	-	-	-	-	520,728	520,728
Dividends paid and Proposed	-	-	-	-	(246,205)	(246,205)
Redemption of Preference shares	-	(13,500)	-	-	-	(13,500)
Transfer between reserves	-	-	-	13,500	(13,500)	-
End of period	<u>19,608</u>	<u>-</u>	<u>9,994</u>	<u>60,400</u>	<u>1,535,684</u>	<u>1,625,686</u>

	Ordinary share capital	Preference Share Capital	Share premium account	Capital Redemption Reserve	Profit and loss Account	Total Shareholder Funds
1999	£	£	£	£	£	£
Beginning of year	19,608	-	9,994	60,400	1,535,684	1,625,686
Profit for year	-	-	-	-	697,605	697,605
Dividends paid and Proposed	-	-	-	-	(265,690)	(265,690)
End of year	<u>19,608</u>	<u>-</u>	<u>9,994</u>	<u>60,400</u>	<u>1,967,599</u>	<u>2,057,601</u>

Of the total reserves shown in the balance sheet, the following amounts are regarded as distributable or otherwise:

	1999 £	1998 £
Distributable:		
- profit and loss account	1,967,599	1,535,684
Non-distributable:		
- share premium account	9,994	9,994
- capital redemption reserve	60,400	60,400
Total reserves	<u>2,037,993</u>	<u>1,606,078</u>

NOTES TO THE ACCOUNTS (Continued)

17. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

	<u>1999</u>	<u>1998</u>
	£	£
a) Capital commitments		
At the end of the year, capital commitments were:		
Contracted for but not provided in the accounts	<u>10,067</u>	<u>71,049</u>

b) Lease commitments

The company leases certain land and buildings on a short term lease. The annual rent payable under the lease is subject to re-negotiation in 2000. The company is responsible for the insurance of the building.

The minimum annual rental payable under the lease is as follows:

	<u>1999</u>	<u>1998</u>
	£	£
Operating leases which expire:		
- within 5 years	<u>47,000</u>	<u>47,000</u>

c) Contingent liabilities

At 31 March 1999 the company had given a bond to H M Customs & Excise totalling £60,000 (1998 - £40,000) in the normal course of business.

18. GROSS CASH FLOWS

	<u>1999</u>	<u>1998</u>
	£	£
Returns on Investment and Servicing of Finance		
Interest Received	25,570	50,037
Interest Paid	-	(5,416)
Finance lease interest paid	<u>(11,278)</u>	<u>(6,836)</u>
	<u>14,292</u>	<u>37,785</u>
 Capital Expenditure		
Payments to acquire Tangible Fixed Assets	(68,704)	(78,985)
Receipts from sale of Tangible Fixed Assets	<u>5,550</u>	<u>7,602</u>
	<u>(63,154)</u>	<u>(71,383)</u>
 Financing		
Redemption of Preference Shares	-	(13,500)
Repayment of loans	-	(40,000)
Capital Element of Finance Leases	<u>(67,040)</u>	<u>(69,525)</u>
	<u>(67,040)</u>	<u>(123,025)</u>

NOTES TO THE ACCOUNTS (Continued)

19. ANALYSIS OF CHANGES IN NET DEBT

	<u>Beginning of period</u>	<u>Cash Flows</u>	<u>Other Changes</u>	<u>End of period</u>
	£	£	£	£
Cash in hand, at bank	586,318	<u>12,909</u> 12,909	-	599,227
Finance Leases	<u>(80,669)</u>	<u>67,040</u>	<u>(178,696)</u>	<u>(192,325)</u>
	<u>505,649</u>	<u>79,949</u>	<u>(178,696)</u>	<u>406,902</u>