

PETROTECHNIK LIMITED
ABBREVIATED ACCOUNTS - FOR THE YEAR ENDED
31 OCTOBER 1995
TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

The company's registered number is 2631843.



PETROTECHNIK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 OCTOBER 1995

The directors present their report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 October 1995.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW:

The principal activity of the company is the sale of UPP polyethelyne pipework and associated fittings and equipment for use in petrol filling stations and other fuel distribution centres.

The directors expect the general level of activity to continue 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:

Preference shares (paid 31 March 1995)	£2,087
Preference shares (paid 31 October 1995)	1,485
"A" Ordinary shares (paid)	12,500
Ordinary shares (paid)	37,500
"A" Ordinary shares (proposed)	56,250
Ordinary shares (proposed)	<u>168,750</u>
	<u>£278,572</u>

The directors propose to transfer £372,780, the balance of profit for the year, to reserves

DIRECTORS AND THEIR INTERESTS:

The directors who served during the year were:

J.A. Boudry
J. Ageheim
J. Lee

The directors who held office at 31 October 1995 had no beneficial interests, other than those shown below, in the shares of the company.

	Ordinary Shares at 31 October		Preference Shares at 31 October	
	<u>1995</u>	<u>1994</u>	<u>1995</u>	<u>1994</u>
J.A. Boudry	10,000	10,000	Nil	Nil
J. Ageheim	1,765	1,765	Nil	Nil
J. Lee	2,941	2,941	7,000	10,500

FIXED ASSETS:

Information relating to tangible fixed assets is given in Note 10 to the accounts.

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.

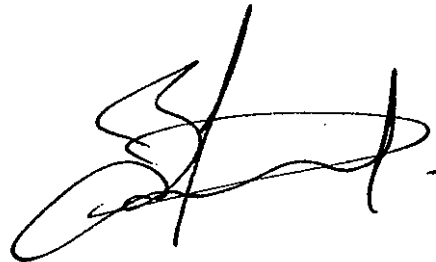
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the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

AUDITORS:

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

BY ORDER OF THE BOARD,

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



J.A. Boudry
Secretary

15th December 1995

AUDITORS' REPORT TO PETROTECHNIK LIMITED PURSUANT TO PARAGRAPH 24 OF SCHEDULE 8 TO THE COMPANIES ACT 1985

We have examined the abbreviated accounts on pages 4 to 15 together with the financial statements of PetroTechnik Limited prepared under section 226 of the Companies Act 1985 for the year ended 31 October 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 5 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 the events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled under sections 246 and 247 of the Companies Act 1985 to the exemptions conferred by Section B of Part III of Schedule 8 of that Act, in respect of the year ended 31 October 1995 and the abbreviated accounts on pages 4 to 15 have been properly prepared in accordance with that Schedule.

Other Information

On 15 December 1995 we reported as auditors of PetroTechnik Limited, to the members on the financial statements prepared under section 226 of the Companies Act 1985 for the year ended 31 October 1995 and our audit report was as follows:

"We have audited the accounts on pages 4 to 15 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 an examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 October 1995 and of its profit and cash flows for the year then ended, and have been properly prepared in accordance with the Companies Act 1985."



Arthur Andersen
Chartered Accountants and Registered Auditors

Betjeman House
104 Hills Road
Cambridge
CB2 1LH

15th December 1995

PETROTECHNIK LIMITED
ABBREVIATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 OCTOBER 1995

	<u>Notes</u>	Year ended 31 October 1995	Year ended 31 October 1994
GROSS PROFIT	1f,2	1,999,806	1,751,325
Other operating expenses (net)	3	<u>(995,214)</u>	<u>(588,254)</u>
OPERATING PROFIT		1,004,592	1,163,071
Interest payable	4	(20,194)	(19,872)
Interest receivable		<u>27,954</u>	<u>13,175</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	1,012,352	1,156,374
Tax on profit on ordinary activities	7	<u>(361,000)</u>	<u>(376,971)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		651,352	779,403
Dividends paid and proposed (including dividends on non- equity shares)	8	<u>(278,572)</u>	<u>(305,424)</u>
RETAINED PROFIT FOR THE YEAR		<u>£372,780</u>	<u>£473,979</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.

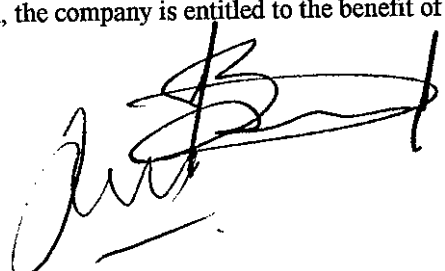
PETROTECHNIK LIMITED
BALANCE SHEET -- 31 OCTOBER 1995

	<u>Notes</u>	<u>1995</u>	<u>1994</u>
FIXED ASSETS			
Intangible assets	9	£25,474	£33,512
Tangible assets	10	<u>303,363</u>	<u>179,745</u>
		328,837	213,257
CURRENT ASSETS			
Stocks - goods for resale		301,088	324,384
Debtors	11	1,227,787	1,356,367
Cash at bank and in hand		<u>835,974</u>	<u>368,235</u>
		2,364,849	2,048,986
CREDITORS: Amounts falling due within one year	12	<u>1,678,138</u>	<u>1,587,323</u>
NET CURRENT ASSETS		<u>686,711</u>	<u>461,663</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,015,548	674,920
CREDITORS: Amounts falling due after more than one year	13	<u>59,948</u>	<u>78,600</u>
NET ASSETS		<u>£955,600</u>	<u>£596,320</u>
CAPITAL AND RESERVES			
Called-up share capital	14	£46,608	£60,108
Share premium account	16	9,994	9,994
Capital redemption reserve	16	33,400	19,900
Profit and loss account	16	<u>865,598</u>	<u>506,318</u>
TOTAL CAPITAL EMPLOYED	16	<u>£955,600</u>	<u>£596,320</u>
SHAREHOLDERS' FUNDS			
Equity Interests		£928,600	£555,820
Non -equity interests		<u>27,000</u>	<u>40,500</u>
		<u>£955,600</u>	<u>£596,320</u>

SIGNED ON BEHALF OF THE BOARD

Advantage has been taken of the exemptions conferred by Section 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 sized company.

J.A. Boudry - Director
J. Lee - Director



15th December 1995

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

PETROTECHNIK LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 OCTOBER 1995

	<u>Notes</u>	<u>1995</u>	<u>1994</u>
Net cash inflow from operating activities	18	<u>£1,485,447</u>	<u>£547,580</u>
Returns on investment and servicing of finance			
Interest received		27,247	12,278
Interest paid on hire purchase contracts		(8,969)	(5,926)
Interest paid		(10,591)	(17,571)
Dividends paid		<u>(353,572)</u>	<u>(79,533)</u>
Net cash outflow from returns on investment and servicing of finance		<u>(345,885)</u>	<u>(90,752)</u>
Taxation paid		(443,667)	(79,485)
Investing activities			
Purchase of tangible fixed assets		(113,377)	(97,730)
Proceeds of sale of tangible fixed assets		49	16,615
Purchase of intangible fixed assets		<u>(728)</u>	<u>(15,917)</u>
Net cash outflow from investing activities		<u>(114,056)</u>	<u>(97,032)</u>
Net cash inflow before financing		581,839	280,311
Financing			
Redemption of preference shares		(13,500)	(19,900)
Repayment of loans		(20,000)	(20,000)
Capital element of hire purchase contracts		<u>(80,600)</u>	<u>(42,211)</u>
Net cash outflow from financing	20	<u>(114,100)</u>	<u>(82,111)</u>
Increase in cash and cash equivalents	19	<u>£467,739</u>	<u>£198,200</u>

The accompanying notes are an integral part of this cash flow statement.

PETROTECHNIK LIMITED

NOTES TO THE ACCOUNTS -- 31 OCTOBER 1995

1. ACCOUNTING POLICIES:

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

a) Basis of accounting

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

b) Fixed assets

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

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%
Furniture and fittings	20%
Motor Vehicles	25%
Equipment	20% to 33%
Patents	20%
Trademarks	20%

c) 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.

d) 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.

e) Foreign currency

Normal trading activities denominated in foreign currencies are recorded in sterling at the actual exchange rate as of the date of the transaction. 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.

NOTES TO THE ACCOUNTS (Continued)

1. ACCOUNTING POLICIES (continued):

f) Gross Margin

Gross margin comprises the difference between turnover which comprises the value of sales (excluding VAT and trade discounts) of goods and services in the normal course of business, and the cost of these goods and services.

g) 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.

h) 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 year.

i) Development

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

2. GROSS MARGIN:

Advantage has been taken of the exemptions conferred by Section 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 sized company.

3. OTHER OPERATING EXPENSES (NET):

	<u>1995</u>	<u>1994</u>
Selling and marketing costs	£479,736	£291,735
Development overheads	103,116	74,106
Administrative overheads	<u>412,362</u>	<u>222,413</u>
	<u>£995,214</u>	<u>£588,254</u>

4. INTEREST PAYABLE:

	<u>1995</u>	<u>1994</u>
Interest payable on loans repayable within five years, by instalments	£10,940	£13,946
Interest payable on hire purchase contracts	<u>9,254</u>	<u>5,926</u>
	<u>£20,194</u>	<u>£19,87</u>

NOTES TO THE ACCOUNTS (Continued)

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION:

Profit on ordinary activities before taxation is stated after charging-

	<u>1995</u>	<u>1994</u>
a) Depreciation of tangible fixed assets:		
- owned	£45,155	£16,923
- held under hire purchase contracts	41,429	15,485
b) Amortisation of intangible fixed assets	8,766	6,928
c) Auditors' remuneration - audit fee	4,500	4,000
d) Staff costs (see Note 6)	422,036	261,225
e) Operating lease rentals:		
land and buildings	47,000	28,457
f) Loss/(profit) on disposal of fixed assets	49	(4,003)
g) Foreign exchange losses	<u>137,666</u>	<u>7,303</u>

6. STAFF COSTS:

Particulars of employee costs (including executive directors) are as shown below-

Employee costs during the year amounted to-

	<u>1995</u>	<u>1994</u>
Wages and salaries	£359,153	£222,235
Social security costs	34,220	21,394
Other pension costs and benefits	<u>28,663</u>	<u>17,596</u>
	<u>£422,036</u>	<u>£261,225</u>

The average weekly number of persons employed by the company during the year was as follows-

	<u>1995</u>	<u>1994</u>
	<u>Number</u>	<u>Number</u>
Sales and administration	13	9
Development	<u>2</u>	<u>1</u>
	<u>15</u>	<u>10</u>

Directors' remuneration-

The employee costs shown above include the following remuneration in respect of directors of the company-

Emoluments (including pension contributions)	<u>£211,916</u>	<u>£141,324</u>
Highest paid director and Chairman (including pension contributions)	<u>£98,508</u>	<u>£93,771</u>

NOTES TO THE ACCOUNTS (Continued)

6. STAFF COSTS (continued):

The directors received emoluments (excluding pensions and pension contributions) in the following ranges:

	<u>Number</u>	<u>Number</u>
£10,000 to £15,000	-	1
£20,000 to £25,000	1	-
£30,000 to £35,000	-	1
£80,000 to £85,000	-	1
£85,000 to £90,000	1	-
£90,000 to £95,000	1	-

Included in other director's emoluments are amounts paid to third parties making available the services of two directors. Further details of these payments are set out in Note 15.

7. TAX ON PROFIT ON ORDINARY ACTIVITIES:

	<u>1995</u>	<u>1994</u>
Corporation tax at 32.3% (1994 - 32.6%) on taxable profit for the year	<u>£361,000</u>	<u>£376,971</u>

8. DIVIDENDS PAID AND PROPOSED

	<u>1995</u>	<u>1994</u>
Preference shares (11%) net - paid	£3,572	£5,424
Ordinary and "A" Ordinary shares - Interim paid - (£2.55 per share)	50,000	-
"A" Ordinary shares - proposed - £11.47 per share (1994 - £15.30 per share)	56,250	75,000
Ordinary shares - proposed - £11.47 per share (1994 - £15.30 per share)	<u>168,750</u>	<u>225,000</u>
	<u>£278,572</u>	<u>£305,424</u>

9. INTANGIBLE FIXED ASSETS:

The movement in the year was as follows-

	<u>Patents and Trademarks</u>
COST-	
Beginning of year	£43,165
Additions	<u>728</u>
End of year	<u>43,893</u>
AMORTISATION	
Beginning of year	9,653
Charge	<u>8,766</u>
End of year	<u>18,419</u>
NET BOOK VALUE	
Beginning of year	<u>£33,512</u>
NET BOOK VALUE	
End of year	<u>£25,474</u>

NOTES TO THE ACCOUNTS (Continued)

10. TANGIBLE FIXED ASSETS:

The movement in the year was as follows-

	Short term leasehold improvements	Furniture, fittings & equipment	Total
COST-			
Beginning of year	£30,436	£196,143	£226,579
Additions	24,750	185,550	210,300
Disposals	-	(520)	(520)
End of year	<u>55,186</u>	<u>381,173</u>	<u>436,359</u>
DEPRECIATION			
Beginning of year	3,638	43,196	46,834
Charge	9,800	76,784	86,584
Depreciation on disposals	-	(422)	(422)
End of year	<u>13,438</u>	<u>119,558</u>	<u>132,996</u>
NET BOOK VALUE			
Beginning of year	<u>£26,798</u>	<u>£152,947</u>	<u>£179,745</u>
NET BOOK VALUE			
End of year	<u>£41,748</u>	<u>£261,615</u>	<u>£303,363</u>

The net book value of tangible fixed assets includes an amount of £117,827 (1994 - £62,807) in respect of assets held under hire purchase contracts.

11. DEBTORS:

The following are included in the net book value of debtors falling due within one year-

	<u>1995</u>	<u>1994</u>
Trade debtors	£1,108,185	£1,214,685
VAT recoverable	-	41,056
Other debtors	9,181	4,182
ACT recoverable	56,250	75,000
Prepayments and accrued income	<u>54,171</u>	<u>21,444</u>
	<u>£1,227,787</u>	<u>£1,356,367</u>

12. CREDITORS- AMOUNTS FALLING DUE WITHIN ONE YEAR:

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

	<u>1995</u>	<u>1994</u>
Trade creditors	£760,837	£568,557
Other creditors		
- VAT	46,605	-
- social security and PAYE	13,333	13,815
- accruals	236,740	180,723
- other creditors	1,921	44,084
Loan - secured	20,000	20,000
Dividends payable	225,000	300,000
Corporation tax	272,110	353,792
ACT payable	56,621	76,356
Obligations under hire purchase contracts	<u>44,971</u>	<u>29,996</u>
	<u>£1,678,138</u>	<u>£1,587,323</u>

NOTES TO THE ACCOUNTS (Continued)

12. CREDITORS- AMOUNTS FALLING DUE WITHIN ONE YEAR (Continued):

Creditors include hire purchase loans of £44,971 (1994 - £29,996), secured on certain fixed assets of the company.

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

	<u>1995</u>	<u>1994</u>
Loan - secured	£40,000	£60,000
Obligations under hire purchase contracts	<u>19,948</u>	<u>18,600</u>
	<u>£59,948</u>	<u>£78,600</u>

Analysis of borrowings and hire purchase contracts:

		<u>1995</u>	<u>1994</u>
Due within 1 year	- loan	£20,000	£20,000
	- hire purchase	44,971	29,996
- within 2-5 years	- loan	40,000	60,000
	- hire purchase	<u>19,948</u>	<u>18,600</u>
		124,919	128,596
Less included in Creditors - amounts falling due within one year		<u>(64,971)</u>	<u>(49,996)</u>
		<u>£59,948</u>	<u>£78,600</u>

On 29 May 1992 the company borrowed £100,000 under the Department of Trade and Industry loan guarantee scheme. The loan is secured by a second fixed and floating charge over the company's assets, and incurs interest at a fixed rate of 13.9% p.a. It is repayable in five equal annual instalments commencing on 31 March 1994.

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

14. CALLED-UP SHARE CAPITAL:

	<u>1995</u>	<u>1994</u>
Authorised:		
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	4,902	4,902
27,000 11 % cumulative redeemable preference shares of £1 each	<u>27,000</u>	<u>40,500</u>
	<u>£46,608</u>	<u>£60,108</u>

NOTES TO THE ACCOUNTS (Continued)

14. CALLED-UP SHARE CAPITAL (continued):

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.

Non-Equity

The holders of the redeemable preference shares are entitled to a fixed dividend (net) of 11% payable on 30th April and 31st October. The preference shares shall be redeemed at par in equal annual tranches of £13,500 on 31st March 1996 and 31st March 1997. During the year 13,500 preference shares were redeemed at par value.

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.

15. TRANSACTIONS WITH DIRECTORS:

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 £83,058 and expenses of £12,445 (1994 - fees and expenses £34,104).

Limit AB and PetroTechnik AB, of which J. Ageheim is a director and shareholder, supplied goods and consultancy services on an arms length basis during the year amounting to £113,185 (1994 - £170,222) and £22,450 (1994 - £13,369) respectively.

NOTES TO THE ACCOUNTS (Continued)

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

	Ordinary share <u>capital</u>	Preference share <u>capital</u>	Share premium <u>account</u>	Capital redemption <u>reserve</u>	Profit and loss <u>account</u>	Total shareholder <u>funds</u>
<u>1995</u>						
Beginning of year	£19,608	£40,500	£9,994	£19,900	£506,318	£596,320
Profit for year	-	-	-	-	651,352	651,352
Dividends paid and proposed	-	-	-	-	(278,572)	(278,572)
Redemption of preference shares	-	(13,500)	-	-	-	(13,500)
Transfer between reserves	-	-	-	13,500	(13,500)	-
End of year	<u>£19,608</u>	<u>£27,000</u>	<u>£9,994</u>	<u>£33,400</u>	<u>£865,598</u>	<u>£955,600</u>

	Ordinary share <u>capital</u>	Preference share <u>capital</u>	Share premium <u>account</u>	Capital redemption <u>reserve</u>	Profit and loss <u>account</u>	Total shareholder <u>funds</u>
<u>1994</u>						
Beginning of year	£19,608	£60,400	£9,994	£ -	£52,239	£142,241
Profit for year	-	-	-	-	779,403	779,403
Dividends paid and proposed	-	-	-	-	(305,424)	(305,424)
Redemption of preference shares	-	(19,900)	-	-	-	(19,900)
Transfer between reserves	-	-	-	19,900	(19,900)	-
End of year	<u>£19,608</u>	<u>£40,500</u>	<u>£9,994</u>	<u>£19,900</u>	<u>£506,318</u>	<u>£596,320</u>

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

	<u>1995</u>	<u>1994</u>
Distributable:		
- profit and loss account	£865,598	£506,318
Non-distributable:		
- share premium account	9,994	9,994
- capital redemption reserve	<u>33,400</u>	<u>19,900</u>
Total reserves	<u>£908,992</u>	<u>£536,212</u>

17. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

	<u>1995</u>	<u>1994</u>
a) Capital commitments		
At the end of the year, capital commitments were:		
Contracted for but not provided in the accounts	£2,381	£50,913
Authorised but not contracted	-	-
	<u>£ 2,381</u>	<u>£50,913</u>

NOTES TO THE ACCOUNTS (Continued)

17. GUARANTEES AND OTHER FINANCIAL COMMITMENTS (continued):

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>1995</u>	<u>1994</u>
Operating leases which expire:		
- within 5 years	£47,000	£ -
- after 5 years	-	47,000

c) Contingent liabilities

At 31 October 1995 the company had given a bond to H M Customs & Excise totalling £80,000 in the normal course of business.

18. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES:

	<u>1995</u>	<u>1994</u>
Operating profit	£1,004,592	£1,163,071
Depreciation charge	86,584	31,950
(Profit)/loss on disposal of fixed assets	49	(4,003)
Amortisation of intangible assets	8,766	6,928
Decrease/(Increase) in stocks	23,296	(264,458)
Decrease/(Increase) in debtors	110,537	(915,928)
Increase in creditors	<u>251,623</u>	<u>530,020</u>
Net cash inflow from operating activities	<u>£1,485,447</u>	<u>£547,580</u>

19. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR:

	<u>1995</u>	<u>1994</u>
Balance at beginning of year	£368,235	£170,035
Net cash inflow	<u>467,739</u>	<u>198,200</u>
Balance at end of year	<u>£835,974</u>	<u>£368,235</u>

20. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR:

	Share capital (including premium) <u>1995</u>	Loans & Hire purchase contracts <u>1995</u>	Share capital (including premium) <u>1994</u>	Loans & Hire purchase contracts <u>1994</u>
Balance at beginning of year	£70,102	£128,596	£90,002	£162,124
Cash inflow from inception of hire purchase contracts	-	96,923	-	28,683
Capital repayments under hire purchase contracts	-	(80,600)	-	(42,211)
Redemption of preference shares	(13,500)	-	(19,900)	-
Repayment of loans	<u>-</u>	<u>(20,000)</u>	<u>-</u>	<u>(20,000)</u>
Balance at end of year	<u>£56,602</u>	<u>£124,919</u>	<u>£70,102</u>	<u>£128,596</u>