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Report and Accounts

H J Enthoven Limited

31 December 1996



H J Enthoven Limited

Registered No. 2821551

DIRECTORS

P M King (Chairman)

G I Cummins

W M Albury

A B Suttie

M C Boddy

T Boon

J D R Campbell

M N Toyn

SECRETARY

G I Cummins

AUDITORS

Ernst & Young

City Gate

Toll House Hill

Nottingham

NG1 5FY

REGISTERED OFFICE

Darley Dale Smelter

South Darley

Matlock

Derbyshire

DE4 2LP

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1996.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £5,704,000 (1995 - £4,828,000). The directors recommend a payment of a dividend of 87.44 pence per ordinary US dollar share (1995 - 10 pence), amounting to £9,512,000 (1995 - £1,087,900), leaving £3,808,000 (1995 profit - £3,740,000) to be transferred from reserves.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company trades on a divisional basis under the names H J Enthoven & Sons and British Lead Mills, as smelters, refiners, manufacturers and marketers of lead products.

RESEARCH DEVELOPMENT

Research and development in the lead smelting business is concentrated on the development of new technologies to improve production efficiencies. All costs involved are charged immediately against profit.

FIXED ASSETS

Principal changes in fixed assets are shown in note 12 of the accounts.

DIRECTORS AND THEIR INTERESTS

The directors at 31 December 1996 were as follows:

P M King (Chairman)
G I Cummins
W M Albury
A B Suttie
M C Boddy
T Boon
J D R Campbell
M N Toyn

The directors have no beneficial interest in the shares of the company which are required to be disclosed, or in any contracts entered into by the company for the year.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year, the company made charitable donations amounting to £2,283 (1995 - £2,500). There were no political donations (1995 - £Nil).

EMPLOYEES

It is company policy to encourage, at each location, systems of communication and consultation between management and employees.

Company policy is one of equal opportunity in the selection, terms and conditions of employment, training and promotion for all employees (whether disabled or otherwise) at all job levels. Personnel managers advise on the provision of any reasonable facility required by disabled employees.

DIRECTORS' REPORT

COMPANY STATUS

The company is a close company within the provisions of the Income and Corporation Taxes Act 1988.

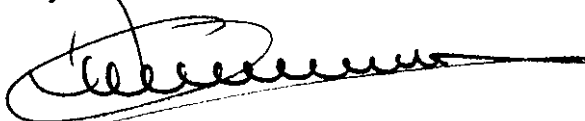
LIABILITY INSURANCE FOR COMPANY OFFICERS

As permitted by the Companies Act 1985 (as amended), the company has purchased insurance cover for the directors and other officers against liabilities in relation to their actions as directors or officers.

AUDITORS

The auditors, Messrs Ernst & Young, are willing to continue in office and a resolution concerning their reappointment will be submitted to the Annual General Meeting.

By order of the board

A handwritten signature in black ink, appearing to be 'J. Enthoven', written over a horizontal line.

Secretary

Date

27.1.98

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

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

REPORT OF THE AUDITORS
to the members of H J Enthoven Limited

We have audited the accounts on pages 6 to 19, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4 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 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 which 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 affairs of the company as at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'Ernst & Young', written in a cursive style.

Ernst & Young
Chartered Accountants
Registered Auditor
Nottingham

30 January 1998

H J Enthoven Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1996

| | <i>Notes</i> | <i>1996</i> £000 | <i>1995</i> £000 |
|--|--------------|---------------------|---------------------|
| TURNOVER | 2 | 75,185 | 65,161 |
| Cost of sales | 3 | 60,961 | 51,225 |
| | | <hr/> | <hr/> |
| GROSS PROFIT | | 14,224 | 13,936 |
| Other operating costs | 4 | 4,639 | 5,643 |
| | | <hr/> | <hr/> |
| OPERATING PROFIT | 5 | 9,585 | 8,293 |
| Profit on sale of discontinued operations | | - | 275 |
| Interest receivable | 8 | 138 | 186 |
| Interest payable | 9 | (1,191) | (1,404) |
| | | <hr/> | <hr/> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 8,532 | 7,350 |
| Tax on profit on ordinary activities | 10 | (2,828) | (2,522) |
| | | <hr/> | <hr/> |
| PROFIT FOR THE FINANCIAL YEAR | | 5,704 | 4,828 |
| Dividends | 11 | (9,512) | (1,088) |
| | | <hr/> | <hr/> |
| TRANSFER (FROM)/TO RESERVES | | (3,808) | 3,740 |
| | | <hr/> | <hr/> |

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses for the year or the preceding year other than the profit reported above.

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year and the preceding year reported above and their respective historical cost equivalents.

H J Enthoven Limited

BALANCE SHEET at 31 December 1996

| | <i>Notes</i> | <i>1996 £000</i> | <i>1995 £000</i> |
|---|--------------|----------------------|----------------------|
| FIXED ASSETS | | | |
| Tangible assets | 12 | 21,388 | 21,173 |
| CURRENT ASSETS | | | |
| Stocks | 13 | 7,719 | 10,803 |
| Debtors | 14 | 13,201 | 14,618 |
| Cash at bank and in hand | | 4,670 | 2 |
| | | 25,590 | 25,423 |
| CREDITORS: amounts falling due within one year | 15 | (24,013) | (14,348) |
| | | 1,577 | 11,075 |
| NET CURRENT ASSETS | | | |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 22,965 | 32,248 |
| CREDITORS: amounts falling due after more than one year | 16 | (9,654) | (15,169) |
| PROVISIONS FOR LIABILITIES AND CHARGES | 17 | (3,656) | (3,616) |
| | | 9,655 | 13,463 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 18 | 7,019 | 7,019 |
| Share premium account | 19 | 3,860 | 3,860 |
| Goodwill write off reserve | 19 | (1,224) | (1,764) |
| Profit and loss account | 19 | - | 4,348 |
| SHAREHOLDERS' FUNDS (ALL ATTRIBUTABLE TO EQUITY INTERESTS) | | 9,655 | 13,463 |

Director

Pat McK
27/1/98

Date

NOTES TO THE ACCOUNTS
at 31 December 1996

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently, in dealing with items which are considered material in relation to the company's accounts.

Basis of preparation

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

Depreciation

Depreciation is provided on all tangible fixed assets other than freehold land at rates calculated to write off the cost or valuation of each asset on a straight line basis over its expected useful life as follows:

| | | |
|------------------------------|---|---|
| Freehold buildings | - | 2% of original cost per annum |
| Short leasehold improvements | - | 20% of original cost per annum |
| Plant and machinery | - | 6.67% to 25% of original cost per annum |

No depreciation is provided on plant and buildings during the course of construction.

Goodwill

Goodwill arising on acquisitions has been charged to a goodwill write-off reserve. This goodwill reserve is being reduced by a transfer from distributable reserves over a period of five years.

Stocks

Stocks and work-in-progress are valued at the lower of cost and net realisable value. Cost of metal stocks comprises the material value at the time of purchase. To this is added direct processing costs and appropriate overhead expenses required to bring the stocks and work-in-progress to their present location and stage of production reached. Provision is made for obsolete, slow-moving or defective items where appropriate.

Foreign currency

Transactions denominated in foreign currencies are recorded using the actual rates of exchange as of the date of the transaction (or, where appropriate, at the rate of exchange in a related forward contract). Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date (or, where appropriate, at the rate of exchange in a related forward exchange contract). Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Research and development

Expenditure on research and development has been written off against results in the year as incurred.

Taxation

Corporation tax payable is provided on taxable profits at the current rate. The charge also includes amounts payable to the parent company for the purchase of tax losses and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Full provision is made for deferred tax to the extent that it is expected that the liability will crystallise in the foreseeable future.

NOTES TO THE ACCOUNTS
at 31 December 1996

1. ACCOUNTING POLICIES (continued)

Cash flow statement

The company has not submitted a cash flow as it is a wholly owned subsidiary undertaking of a company incorporated in Great Britain which has presented a consolidated cash flow statement of the group.

Operating leases

All rental payments under operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

Pension costs

The company provides pensions to its employees through a defined benefit, funded pension scheme. The amount charged to the profit and loss account represents the estimated regular cost of providing the benefits accrued in the year and is calculated so that it represents a substantially level percentage of current and future pensionable payroll.

The current actuarial surplus is shown as a prepayment in the balance sheet.

2. TURNOVER AND SEGMENTAL ANALYSIS

Company turnover comprises the value of sales (excluding VAT and similar taxes, trade discounts and inter-divisional transactions) of goods and services invoiced to customers in the normal course of business.

The company has chosen not to submit a segmental analysis of turnover, net assets and attributable profits as required by SSAP 25 and the Companies Act 1985, as in the opinion of the Directors, the disclosure of this information would be seriously prejudicial to the interests of the reporting entity.

An analysis of turnover by geographical market is given below:

| | 1996 £000 | 1995 £000 |
|----------------|--------------------|--------------------|
| United Kingdom | 68,446 | 60,413 |
| Other Europe | 5,595 | 3,753 |
| Australia | 801 | 662 |
| Other | 343 | 333 |
| | <hr/> 75,185 <hr/> | <hr/> 65,161 <hr/> |

Comparisons of sales values are affected by fluctuations in the price of metals and are not necessarily a true reflection of the volume of sales.

NOTES TO THE ACCOUNTS
at 31 December 1996

3. **COST OF SALES**

The price of metal processed by the company is subject to fluctuations which can result in profits and losses unrelated to normal trading activities of the company.

To reduce the effect of such fluctuations, it is the policy of the company to hedge part of its purchase and sale commitments on the London Metal Exchange. The minimum stocks regarded as essential to maintain a normal level of activity are, however, not subject to hedging transactions. Profits and losses arising from fluctuations in the value of such essential stocks are included in cost of sales.

4. **OPERATING EXPENSES**

| | <i>1996</i> | <i>1995</i> |
|--------------------------------|-------------------|-------------------|
| | <i>£000</i> | <i>£000</i> |
| Distribution costs | 2,178 | 2,283 |
| Administration expenses | 2,461 | 3,360 |
| Other operating expenses (net) | 4,639 | 5,643 |
| | <u> </u> | <u> </u> |

5. **OPERATING PROFIT**

| | | | |
|--|-----------------------|-------------------|-------------------|
| This is stated after charging/(crediting): | | <i>1996</i> | <i>1995</i> |
| | | <i>£000</i> | <i>£000</i> |
| Auditors' remuneration | - audit fees | 30 | 50 |
| | - other | 6 | 35 |
| Depreciation | | 1,740 | 1,692 |
| Operating lease rentals | - plant and machinery | 130 | 140 |
| | - land and buildings | 73 | 82 |
| Hire of plant and machinery | | 124 | 32 |
| Research and development | | - | 29 |
| | | <u> </u> | <u> </u> |

H J Enthoven Limited

NOTES TO THE ACCOUNTS at 31 December 1996

6. DIRECTORS' EMOLUMENTS

| | <i>1996</i> | <i>1995</i> |
|--|-------------|-------------|
| | <i>£000</i> | <i>£000</i> |
| Emoluments (including pension contributions) | 859 | 691 |

Directors' emoluments, excluding pension contributions, fell within the following ranges:

| | <i>1996</i> | <i>1995</i> |
|---------------------|-------------|-------------|
| | <i>No.</i> | <i>No.</i> |
| £nil - £5,000 | - | 3 |
| £50,001 - £55,000 | - | 1 |
| £55,001 - £60,000 | - | 2 |
| £60,001 - £65,000 | - | 1 |
| £65,001 - £70,000 | 1 | - |
| £70,001 - £75,000 | 2 | 1 |
| £75,001 - £80,000 | 1 | - |
| £85,001 - £90,000 | 2 | 2 |
| £90,001 - £95,000 | 1 | - |
| £185,001 - £190,000 | - | 1 |
| £245,001 - £250,000 | 1 | - |

The emoluments, excluding pension contributions, of the chairman, who was also the highest paid director, were £248,886 (1995 - £188,000).

7. STAFF COSTS

| | <i>1996</i> | <i>1995</i> |
|-----------------------|--------------|--------------|
| | <i>£000</i> | <i>£000</i> |
| Wages and salaries | 6,401 | 6,321 |
| Social security costs | 497 | 477 |
| Other pension costs | 718 | 708 |
| | <u>7,616</u> | <u>7,506</u> |

The average weekly number of employees during the year was as follows:

| | <i>1996</i> | <i>1995</i> |
|----------------|-------------|-------------|
| | <i>No.</i> | <i>No.</i> |
| Operations | 223 | 238 |
| Marketing | 52 | 53 |
| Administration | 32 | 29 |
| | <u>307</u> | <u>320</u> |

H J Enthoven Limited

NOTES TO THE ACCOUNTS at 31 December 1996

8. INTEREST RECEIVABLE

| | <i>1996</i> | <i>1995</i> |
|-------------------------------|-------------|-------------|
| | <i>£000</i> | <i>£000</i> |
| On loan to parent undertaking | 100 | - |
| Interest on bank deposits | 38 | 186 |
| | <u>138</u> | <u>186</u> |

9. INTEREST PAYABLE

| | <i>1996</i> | <i>1995</i> |
|--|--------------|--------------|
| | <i>£000</i> | <i>£000</i> |
| On bank loans, overdrafts and other loans repayable within five years, not by instalments | 128 | 67 |
| On loan from parent undertaking | 1,063 | 1,337 |
| | <u>1,191</u> | <u>1,404</u> |

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | <i>1996</i> | <i>1995</i> |
|--|--------------|--------------|
| | <i>£000</i> | <i>£000</i> |
| Based on the profit for the year: | | |
| Corporation tax at 33% | 2,784 | 1,663 |
| Group relief from parent company | 167 | 309 |
| Deferred taxation (note 17) | 41 | 414 |
| | <u>2,992</u> | <u>2,386</u> |
| Corporation tax (overprovided)/underprovided in previous years | (164) | 136 |
| | <u>2,828</u> | <u>2,522</u> |

11. DIVIDENDS

| | <i>1996</i> | <i>1995</i> |
|--|--------------|--------------|
| | <i>£000</i> | <i>£000</i> |
| Dividend on US Dollar ordinary shares | | |
| Final proposed - 87.44 pence per share (1995 - 10 pence) | 9,512 | 1,088 |
| | <u>9,512</u> | <u>1,088</u> |

H J Enthoven Limited

NOTES TO THE ACCOUNTS at 31 December 1996

12. TANGIBLE FIXED ASSETS

| | <i>Land and buildings</i> | | <i>Plant and</i> | <i>Assets in</i> | |
|--------------------------|---------------------------|------------------|------------------|---------------------|--------------|
| | <i>Freehold</i> | <i>Short</i> | <i>machinery</i> | <i>course of</i> | <i>Total</i> |
| | <i>£000</i> | <i>leasehold</i> | <i>£000</i> | <i>construction</i> | <i>£000</i> |
| Cost or valuation: | | | | | |
| At 1 January 1996 | 8,771 | 72 | 12,555 | 2,791 | 24,189 |
| Additions | - | - | 242 | 1,804 | 2,046 |
| Reclassifications | 1,324 | - | 2,927 | (4,251) | - |
| Disposals | - | - | (214) | (14) | (228) |
| At 31 December 1996 | 10,095 | 72 | 15,510 | 330 | 26,007 |
| Depreciation: | | | | | |
| At 1 January 1996 | 303 | 3 | 2,710 | - | 3,016 |
| Provided during the year | 189 | 18 | 1,533 | - | 1,740 |
| Disposals | - | - | (137) | - | (137) |
| At 31 December 1996 | 492 | 21 | 4,106 | - | 4,619 |
| Net book value: | | | | | |
| At 31 December 1996 | 9,603 | 51 | 11,404 | 330 | 21,388 |
| At 1 January 1996 | 8,468 | 69 | 9,845 | 2,791 | 21,173 |

Included in freehold land and buildings is land valued at £1,594,000 (1995 - £1,594,000) which is not depreciated.

Plant and machinery includes fixtures and fittings. Assets in the course of construction includes payments made on account.

13. STOCKS

| | <i>1996</i> | <i>1995</i> |
|---------------------------------------|-------------|-------------|
| | <i>£000</i> | <i>£000</i> |
| Raw materials and consumables | 2,584 | 5,634 |
| Work in progress | 1,361 | 1,436 |
| Finished goods and goods for resale | 2,719 | 2,909 |
| Spares, tooling and consumable stores | 1,055 | 824 |
| | 7,719 | 10,803 |

The difference between the above values of stocks and their replacement cost is not material.

H J Enthoven Limited

NOTES TO THE ACCOUNTS at 31 December 1996

14. DEBTORS

| | 1996 £000 | 1995 £000 |
|--|---------------|---------------|
| Trade debtors | 11,312 | 12,635 |
| Other debtors | - | 221 |
| Prepayments and accrued income | - | - |
| - pensions | 631 | 903 |
| - other | 402 | 235 |
| Amounts owed by other group undertakings | 247 | 214 |
| Fixed assets held for resale | 609 | 410 |
| | <u>13,201</u> | <u>14,618</u> |

Included in pension prepayments is an amount of £336,000 which is due after more than one year (1995 - £621,000).

Loan to director

As permitted by the Companies Act 1985, an unsecured 6% fixed rate loan made to Mr W M Albury was outstanding during the year. The amount of his liability including interest to the company at the beginning of the year was £4,775, the maximum during the year was £4,799 and at the end of the year was £4,775. All interest has been paid to date.

15. CREDITORS: amounts falling due within one year

| | 1996 £000 | 1995 £000 |
|--|---------------|---------------|
| Bank overdraft | - | 3,919 |
| Trade creditors | 1,317 | 1,820 |
| Amounts owed to other group undertakings | 4,216 | 1,982 |
| UK corporation tax | 2,968 | 1,379 |
| Other taxes and social security costs | 1,167 | 536 |
| Other creditors | 178 | 73 |
| Accruals and deferred income | 2,479 | 2,463 |
| Proposed final dividend | 11,688 | 2,176 |
| | <u>24,013</u> | <u>14,348</u> |

Included within other creditors is £2,000 (1995 - £21,000) relating to outstanding contributions payable to the pension scheme.

On 14 March 1996, the company granted a fixed and floating charge to secure the bank overdraft.

H J Enthoven Limited

NOTES TO THE ACCOUNTS at 31 December 1996

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

| | <i>1996</i> | <i>1995</i> |
|------------------------------|-------------------|-------------------|
| | <i>£000</i> | <i>£000</i> |
| Loan from parent undertaking | 9,654 | 15,169 |
| | <u> </u> | <u> </u> |

The parent undertaking has indicated that it will not call for repayment of the loan if to do so would leave the company in such a position that it was not able to meet its other liabilities as they fall due.

17. PROVISIONS FOR LIABILITIES AND CHARGES

| | <i>1996</i> | <i>1995</i> |
|-------------------|-------------------|-------------------|
| | <i>£000</i> | <i>£000</i> |
| Deferred taxation | 3,588 | 3,547 |
| Other provisions | 68 | 69 |
| | <u> </u> | <u> </u> |
| | <u>3,656</u> | <u>3,616</u> |

Deferred taxation

The movements in deferred taxation during the current and previous years are as follows:

| | <i>1996</i> | <i>1995</i> |
|-------------------------------|-------------------|-------------------|
| | <i>£000</i> | <i>£000</i> |
| At 1 January | 3,547 | 3,133 |
| Charge for the year (note 10) | 41 | 414 |
| | <u> </u> | <u> </u> |
| At 31 December | <u>3,588</u> | <u>3,547</u> |

NOTES TO THE ACCOUNTS

at 31 December 1996

17. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

Deferred taxation provided in the accounts and the amounts not provided are as follows:

| | <i>Provided</i> | | <i>Not provided</i> | |
|---|-----------------|--------------|---------------------|-------------|
| | <i>1996</i> | <i>1995</i> | <i>1996</i> | <i>1995</i> |
| | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> |
| Capital allowances in advance of depreciation | 3,479 | 3,404 | - | - |
| Other timing differences | 109 | 143 | - | - |
| | <u>3,588</u> | <u>3,547</u> | <u>-</u> | <u>-</u> |

Other provisions

The movements on other provisions were as follows:

| | <i>1996</i> | <i>1995</i> |
|----------------------------|-------------|-------------|
| | <i>£000</i> | <i>£000</i> |
| At 1 January | 69 | 89 |
| Amounts used during period | (1) | (20) |
| At 31 December | <u>68</u> | <u>69</u> |

18. SHARE CAPITAL

| | <i>1996</i> | <i>1995</i> | <i>1996</i> | <i>Authorised</i> |
|--------------------------------|-------------------|-------------------|--------------|-------------------|
| | <i>No.</i> | <i>No.</i> | <i>£000</i> | <i>1995</i> |
| | | | | <i>£000</i> |
| Ordinary shares of £1 each | 100 | 100 | - | - |
| Ordinary shares of US \$1 each | 10,879,000 | 10,879,000 | 7,019 | 7,019 |
| | <u>10,879,100</u> | <u>10,879,100</u> | <u>7,019</u> | <u>7,019</u> |

H J Enthoven Limited

NOTES TO THE ACCOUNTS at 31 December 1996

18. SHARE CAPITAL (continued)

| | | | <i>Allotted, called up and fully paid</i> | |
|--------------------------------|-------------------|-------------------|---|--------------|
| | <i>1996</i> | <i>1995</i> | <i>1996</i> | <i>1995</i> |
| | <i>No.</i> | <i>No.</i> | <i>£000</i> | <i>£000</i> |
| Ordinary shares of £1 each | 1 | 1 | - | - |
| Ordinary shares of US \$1 each | 10,879,000 | 10,879,000 | 7,019 | 7,019 |
| | <u>10,879,001</u> | <u>10,879,001</u> | <u>7,019</u> | <u>7,019</u> |

19. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

| | <i>Share capital</i> | <i>Share premium account</i> | <i>Goodwill write-off reserve</i> | <i>Profit and loss account</i> | <i>Total</i> |
|--|--------------------------|--------------------------------------|---|------------------------------------|---------------|
| | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> |
| At 1 January 1995 | 7,019 | 3,860 | (2,304) | 1,148 | 9,723 |
| Profit for the year | | | | 4,828 | 4,828 |
| Dividends | | | | (1,088) | (1,088) |
| Transfer to goodwill write-off reserve | | | 540 | (540) | - |
| At 1 January 1996 | <u>7,019</u> | <u>3,860</u> | <u>(1,764)</u> | <u>4,348</u> | <u>13,463</u> |
| Profit for the year | | | | 5,704 | 5,704 |
| Dividends | | | | (9,512) | (9,512) |
| Transfer to goodwill write-off reserve | | | 540 | (540) | - |
| At 31 December 1996 | <u>7,019</u> | <u>3,860</u> | <u>(1,224)</u> | <u>-</u> | <u>9,655</u> |

20. CAPITAL COMMITMENTS

| | <i>1996</i> | <i>1995</i> |
|---------------------------------|--------------|-------------|
| | <i>£000</i> | <i>£000</i> |
| Contracted but not provided for | <u>1,503</u> | <u>150</u> |

NOTES TO THE ACCOUNTS

at 31 December 1996

21. PENSION COMMITMENTS

During the year, the company operated a defined benefit pension scheme for its UK employees. The scheme is based on final pensionable pay and the assets of the scheme are held separately from those of the company, its parent and subsidiaries, being invested in independently administered, pooled funds.

The pension cost and related prepayment are assessed in accordance with the advice of a professionally qualified actuary. The latest actuarial valuation was at 6 April 1994 using the projected unit method. In this valuation it was assumed that the investment returns would be 8.5% per annum, that salary increases would average 7% per annum and that present and future pensions would increase at the rate of 4% per annum. The valuation showed that the value of the scheme's assets was £25,764,000 and that the actuarial value of those assets represented 106% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The company is currently paying a reduced employer's contribution which should have the effect of eliminating this surplus, although it is expected that some surplus will exist at least until 1998.

Pension costs have been accounted for in accordance with SSAP24, Accounting for Pension Costs. The actuarial surplus at 6 April 1994 was £1,405,000 and this has been debited to a prepayment account. As described above, this surplus is being reduced by lower employer's contributions. The prepayment is being reduced and the profit and loss account charged with the regular pension costs.

The pension charge for the period was £718,000 (1995 - £708,000) made up of contributions of £435,000 (1995 - 427,000) and a reduction of the actuarial surplus of £283,000 (1995 - £281,000).

Total prepayments of £631,000 (1995 - £903,000) are included in debtors (note 14) being the excess of the amount funded over the accumulated pension cost at 31 December 1996.

There were no outstanding contributions at either the beginning or end of the financial period.

22. OTHER FINANCIAL COMMITMENTS

At 31 December the company had annual commitments under non-cancellable operating leases as set out below:

| | <i>Land and buildings</i> | | <i>Plant and machinery</i> | |
|--------------------------------|-------------------------------|-------------|--------------------------------|-------------|
| | <i>1996</i> | <i>1995</i> | <i>1996</i> | <i>1995</i> |
| | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> |
| Operating leases which expire: | | | | |
| within one year | - | 8 | 34 | 24 |
| within two to five years | 82 | 67 | 71 | 73 |
| | <u>82</u> | <u>75</u> | <u>105</u> | <u>97</u> |

NOTES TO THE ACCOUNTS
at 31 December 1996

23. CONTINGENT LIABILITY

The company, along with its parent company and other subsidiary undertakings, has guaranteed and secured by a fixed and floating charge on its own assets, bank loans and overdrafts for itself and certain other group companies. The total amount outstanding at 31 December 1996 was £46,263,000 (1995 - £13,183,000).

24. ULTIMATE PARENT UNDERTAKING

The results of the company have been consolidated in the group accounts of Eco-Bat Technologies PLC (formerly Quexco Limited), a company registered in England and Wales, copies of which are available from:

The Company Secretary
Eco-Bat Technologies PLC
Cowley Lodge
Warren Carr
Matlock
Derbyshire
DE4 2LE

The ultimate holding company is Quexco Incorporated (Incorporated and registered in the State of Delaware, USA) a company having 50.1% voting control of Eco-Bat Technologies PLC. Quexco Incorporated includes its 33% economic interests in the results of Eco-Bat Technologies PLC in its own accounts under the equity method. The results of Eco-Bat Technologies PLC are not included in the results of any other company on a fully consolidated basis.