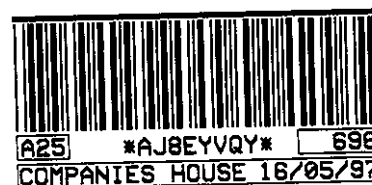


# I. Hennig & Co Limited

Accounts 31 December 1996  
together with directors' and auditors' reports

Registered number: 646001




## Notice of meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of the company for 1996 will be held at 1 Charterhouse Street, London, EC1P 1BL, on 6 May 1997 for the following purposes:-

1. To receive and adopt the directors' report and statement of accounts for the year ended 31 December 1996 together with the report of the auditors.
2. To elect directors.
3. To re-appoint the auditors.
4. To transact any other ordinary business of the company.

By order of the board



JM Shrimpton  
Secretary

1, Charterhouse Street,  
London, EC1P 1BL

## Directors and Officers

### Directors

RA Hambro  
GD MacRae  
CG Hine  
FJA Howard  
DS Shein  
JA O'Cock  
JM Shrimpton

### Secretary

JM Shrimpton

### Registered office

1 Charterhouse Street  
London  
EC1P 1BL

### Auditors

Binder Hamlyn  
20 Old Bailey  
London  
EC4M 7BH

### Bankers

Hambros Bank Limited  
41 Tower Hill  
London  
EC3N 4HA

National Westminster Bank Plc

Holborn Circus Branch  
1 Hatton Garden  
London  
EC1P 1DU

Barclays Bank Plc  
99 Hatton Garden  
London  
EC1P 8DN

## Directors and Officers (continued)

### Solicitors

Denton Hall  
5 Chancery Lane  
London  
WC2A 1EU

## Directors' report

For the year ended 31 December 1996

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

### 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 or loss of the company for that year. 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- 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.

### Principal activities and review of the business

The group's principal activities continue to be diamond broking and merchanting. The directors consider the company's position to be satisfactory.

### Results and dividends

The profit for the year after taxation and minority interests amounted to £1,930,884 (1995: £1,300,310). The directors recommend that this amount be dealt with as follows:

	1996 £	1995 £
Ordinary dividends		
- Interim paid £ 7 per share (1995: £ 7)	476,000	476,000
- Second interim £9.75 per share (1995: £ 8)	663,000	544,000
Transfer to reserves	791,884	280,310
	<u>1,930,884</u>	<u>1,300,310</u>

## Directors' report (continued)

### Directors and directors' interests in shares

The directors during the year were as follows:

RA Hambro	(Chairman)
D Shein	(Managing Director)
GD MacRae	
CG Hine	
FJA Howard	
JA O'Cock	
JM Shrimpton	
CJ Dundas	

J Shrimpton was appointed a director with effect from 12 December 1996.

CJ Dundas retired as an executive director on 2 September 1996 and was appointed as non executive director on that date. CJ Dundas retired as non executive director on 31 March 1997.

FJA Howard is a director of Howard Perry Associates Ltd which receives a fee for his services.

### Fixed assets

Details of movements in fixed assets are set out in notes 11 and 12 to the accounts.

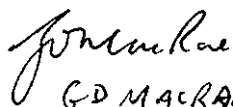
### Charitable and political donations

During the year the group contributed £6,284 (1995: £15,034) to charities. There were no political donations during the year (1995: £Nil).

### Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Binder Hamlyn be re-appointed as auditors of the company will be put to the Annual General Meeting.

This report was approved by the Board on 11 APRIL 1997

  
GD MACRAE

# BINDER HAMLYN

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Andersen Worldwide

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20 Old Bailey  
London EC4M 7BH

## Auditors' report

To the shareholders of I. Hennig & Co Limited

We have audited the accounts on pages 6 to 22 which have been prepared under the historical cost convention and the accounting policies set out on pages 10 and 11.

### Respective responsibilities of directors and auditors

As described on page 3, 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.

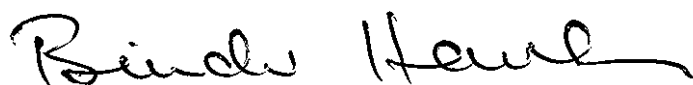
### Basis of opinion

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 and of the group at 31 December 1996 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors

11th April, 1997

## Group profit and loss account

31 December 1996

	Notes	1996 £	1995 £
Turnover	2	195,179,186	57,646,017
Cost of sales		<u>(188,242,688)</u>	<u>(51,668,298)</u>
Gross profit		6,936,498	5,977,719
Administrative expenses		<u>(4,251,493)</u>	<u>(4,146,462)</u>
Other operating income		<u>66,722</u>	<u>34,616</u>
Operating profit	2,3	<u>2,751,727</u>	<u>1,865,873</u>
Amounts written off investments		<u>(25,075)</u>	-
Interest receivable and similar income	4	375,571	319,759
Interest payable and similar charges	4	<u>(193,894)</u>	<u>(168,052)</u>
Profit on ordinary activities before taxation		2,908,329	2,017,580
Tax on profit on ordinary activities	8	<u>(971,305)</u>	<u>(712,042)</u>
Profit on ordinary activities after taxation		1,937,024	1,305,538
Equity minority interests		<u>(6,140)</u>	<u>(5,228)</u>
Profit attributable to members of the company	9	1,930,884	1,300,310
Dividends on equity shares	10	<u>(1,139,000)</u>	<u>(1,020,000)</u>
Retained profit for the year	18	<u>791,884</u>	<u>280,310</u>

All operations of the group continued throughout the periods. Turnover relating to the acquisition during the year amounted to £47,816 (1995: £Nil) and its operating profit amounted to £887 (1995: £Nil).

### Statement of total recognised gains and losses

	Notes	1996 £	1995 £
Profit for the year		1,930,884	1,300,310
Currency translation differences on foreign currency net investments	19	<u>65,060</u>	<u>(91,495)</u>
Total recognised gains and losses		<u>1,995,944</u>	<u>1,208,815</u>

The accompanying notes are an integral part of the accounts



# Group balance sheet

31 December 1996

	Notes	1996 £	1995 £
<b>Fixed Assets</b>			
Tangible assets	11	454,325	499,371
Investments	12	80,317	128,440
		<u>534,642</u>	<u>627,811</u>
<b>Current assets</b>			
Stocks	13	1,013,914	326,912
Debtors	14	4,676,505	4,606,108
Cash at banks and in hand		5,912,579	5,519,563
		<u>11,602,998</u>	<u>10,452,583</u>
<b>Creditors: amount falling due within one year</b>	15	<u>(6,841,868)</u>	<u>(6,622,277)</u>
<b>Net current assets</b>		<u>4,761,130</u>	<u>3,830,306</u>
<b>Total assets less current liabilities</b>		<u>5,295,772</u>	<u>4,458,117</u>
<b>Provisions for liabilities and charges</b>	16	<u>(244,598)</u>	<u>(291,611)</u>
<b>Net assets</b>		<u>5,051,174</u>	<u>4,166,506</u>
<b>Capital and reserves</b>			
Called up share capital	17	68,000	68,000
Capital reserve	18	23,759	-
Other reserves	18	135,723	153,288
Profit and loss account	18	4,817,888	3,943,379
<b>Equity shareholders' funds</b>	19	<u>5,045,370</u>	<u>4,164,667</u>
Minority interests		<u>5,804</u>	<u>1,839</u>
<b>Total capital and reserves</b>		<u>5,051,174</u>	<u>4,166,506</u>

The accompanying notes are an integral part of the accounts


# Company Balance sheet

31 December 1996

	Notes	1996 £	1995 £
<b>Fixed assets</b>			
Tangible assets	11	375,774	406,605
Investments	12	239,411	334,460
		<u>615,185</u>	<u>741,065</u>
<b>Current assets</b>			
Debtors	14	2,679,905	3,259,920
Cash at banks and in hand		5,121,194	4,829,123
		<u>7,801,099</u>	<u>8,089,043</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(3,487,326)</u>	<u>(4,113,329)</u>
<b>Net current assets</b>		<u>4,313,773</u>	<u>3,975,714</u>
<b>Total assets less current liabilities</b>		4,928,958	4,716,779
<b>Provisions for liabilities and charges</b>	16	<u>(244,598)</u>	<u>(291,611)</u>
<b>Net assets</b>		<u>4,684,360</u>	<u>4,425,168</u>
<b>Capital and Reserves</b>			
Called up share capital	17	68,000	68,000
Profit and loss account	18	4,616,360	4,357,168
<b>Equity shareholders' funds</b>		<u>4,684,360</u>	<u>4,425,168</u>

The accompanying notes are an integral part of the accounts

The accounts on pages 6 to 22 were approved by the Board on 11 APRIL 1997

  
D S SHAW

# Group Cash flow statement

31 December 1996

	Notes	1996 £	1995 £
Net cash inflow from operating activities	20	<u>3,562,280</u>	<u>142,976</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		375,571	319,698
Interest paid		(193,954)	(168,052)
Dividends paid		(1,020,000)	(884,000)
Minority interest drawings		<u>(2,177)</u>	<u>(9,714)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(840,560)</u>	<u>(742,068)</u>
<b>Taxation</b>			
UK taxation paid		<u>(1,147,945)</u>	<u>(385,965)</u>
<b>Investing activities</b>			
Purchase of tangible fixed assets		(146,874)	(331,646)
Purchase of fixed asset investments		-	(16,544)
Sale of tangible fixed assets		-	38,422
Net cash inflow on consolidation of new subsidiary		<u>23,759</u>	<u>-</u>
Net cash outflow from investing activities		<u>(123,115)</u>	<u>(309,768)</u>
Net cash inflow/(outflow)		<u>1,450,660</u>	<u>(1,294,825)</u>
Increase/(decrease) in cash and cash equivalents	21	<u>1,450,660</u>	<u>(1,294,825)</u>

The accompanying notes are an integral part of the accounts

## Notes to the accounts

31 December 1996

### 1 Accounting policies

#### Accounting convention and compliance with accounting standards

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

#### Turnover

Turnover represents amounts receivable, less value added tax, by the group in the ordinary course of business for goods sold or supplied by it as principal and for services provided by it as brokers. In accordance with section 55(5) of Schedule 4 to the Companies Act 1985, particulars of geographical markets supplied are not disclosed.

Credit is taken for dividends when received, for valuation fees and brokerage commission when earned, and merchanting sales when effected.

#### Tangible fixed assets and depreciation

Short leasehold improvements are being depreciated on a straight line basis over their estimated useful lives of between five and ten years. Freehold and long leasehold property overseas is depreciated over five years on a straight line basis.

Depreciation of other tangible fixed assets is provided in equal annual instalments over the expected useful life of the different classes of assets at rates ranging between 10% and 25% per annum with the exception of computer equipment, which is written off in the year of purchase.

#### Stocks

Stocks are valued at the lower of cost and net realisable value. Purchases and sales are principally made in United States Dollars and the net realisable value of stock is determined by reference to values in that currency at the balance sheet date.

#### Deferred taxation

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced, except that the deferred tax effects of timing differences arising from pensions and other post retirement benefits are always recognised in full. In accordance with SSAP 15 (revised) a deferred taxation asset is included in respect of pension provisions recognised under SSAP 24.

#### Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of transaction.

## Notes to the accounts (continued)

### 1 Accounting Policies (continued)

#### Foreign currency translation (continued)

Monetary assets and liabilities denominated in foreign currencies are retranslated at the following rates of exchange ruling at 31 December 1996:-

Belgian francs	Bfr	53.7067	= £1
US dollars	US\$	1.6908	= £1
Thai Bahts	Bahts	43.317	= £1
Hong Kong dollars	HK\$	13.0768	= £1
Indian Rupees	Rps	60.7402	= £1

All differences are taken to the profit and loss account.

The accounts of overseas subsidiaries are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising from the re-translation of opening net assets are taken directly to reserves.

#### Client bank balances

Amounts held by the company on behalf of clients in separately designated bank accounts are not included in the balance sheet.

#### Group accounts

The group accounts consolidate the accounts of the company and all of its subsidiaries made up to 31 December 1996 and also include the accounts of John Abrahams (a limited partnership) incorporating its results for the year ended 31 December 1996 and its net assets at that date. Goodwill arising on consolidation and representing the excess of the purchase price over the fair value of the net assets acquired is written off immediately to reserves.

#### Pension costs

The regular cost of providing retirement pensions and related benefits under the group's defined benefit scheme is charged to the profit and loss account over the employees' service lives on the basis of a constant percentage of earnings. Variations from regular cost, arising from periodic actuarial valuations, are allocated over the expected remaining service lives of current employees on the basis of a constant percentage of current and estimated future earnings. The difference between the charge to the profit and loss account and the contributions paid to the scheme is shown in provisions for liabilities and charges. Pension contributions due to defined contribution schemes are charged to the profit and loss account as incurred.

## Notes to the accounts (continued)

### 2 Turnover and operating profit

Class of business	Turnover		Operating profit/(loss)	
	1996	1995	1996	1995
	£	£	£	£
Diamond broking	5,838,125	5,579,389	2,136,985	1,954,725
Diamond merchanting	<u>189,341,061</u>	<u>52,066,628</u>	<u>614,742</u>	<u>(88,852)</u>
	<u>195,179,186</u>	<u>57,646,017</u>	<u>2,751,727</u>	<u>1,865,873</u>

### 3 Operating profit is stated after charging or (crediting):

	1996	1995
	£	£
Depreciation of tangible fixed assets	163,431	233,808
Exchange losses	103,651	66,839
Auditors' remuneration		
- Audit work	28,313	29,303
- Non audit work	74,552	43,131
Rent payable	323,910	327,543
Rent receivable	<u>(118,298)</u>	<u>(93,481)</u>

### 4 Interest

	1996	1995
	£	£
Interest receivable and similar income		
From banks	305,207	319,759
Other interest receivable	<u>70,364</u>	<u>-</u>
	<u>375,571</u>	<u>319,759</u>
Interest payable and similar charges on borrowings wholly repayable within five years		
To banks	124,058	86,187
To fellow subsidiary undertakings	<u>69,836</u>	<u>81,865</u>
	<u>193,894</u>	<u>168,052</u>

## Notes to the accounts (continued)

### 5 Directors

	1996 £	1995 £
Emoluments		
The emoluments of the directors of the company were:		
Fees	6,500	6,500
Fees paid to third parties for the services of directors	10,000	47,960
Management remuneration (including pension contributions and benefits-in-kind)	<u>884,398</u>	<u>815,152</u>
	<u>900,898</u>	<u>869,612</u>

### Bandings

Fees and other emoluments disclosed above (excluding pension contributions but including amounts paid to third parties for the services of directors) include amounts paid in respect of:

The chairman	66,410	72,210
The highest paid director	<u>219,594</u>	<u>195,466</u>

Other directors' emoluments (excluding pension contributions) were in the following ranges:

	Number	Number
£5,001 - £10,000	2	1
£85,001 - £90,000	-	2
£100,001 - £105,000	-	1
£110,001 - £115,000	1	-
£135,001 - £140,000	1	-
£140,001 - £145,000	-	1
£165,001 - £170,000	1	1
£180,001 - £185,000	<u>1</u>	<u>-</u>

## Notes to the accounts (continued)

### 6 Employees

#### Number of employees

The average weekly number of persons (including directors) employed by the group during the year was 50 (1995: 56).

Employment costs	1996 £	1995 £
Wages and salaries	1,592,197	1,524,561
Social security costs	181,003	170,967
Other pension costs	(47,013)	(36,170)
Secondment charges, annuities and fees	25,000	72,960
	<u>1,751,187</u>	<u>1,732,318</u>

### 7 Pension costs

The group operates a defined benefit pension scheme in the UK. The assets of the scheme are held in a separate trustee administered fund.

The group pension cost credit in respect of this pension scheme was £47,013 (1995: £36,962). The remainder of the group pension cost represents payments made under the arrangement described in note 23.

The cost of the defined benefit scheme was assessed in accordance with the advice of a professionally qualified actuary using the projected unit method. The most recent full actuarial valuation of the scheme was at 1 January 1994.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 9% per annum, that salary increases would be 8.5% per annum and that pensions would increase as stated in the rules of the scheme (5% per annum or increase in the Retail Prices Index if lower).

The market value of the assets of the scheme at 1 January 1994 was £11,654,900 and the level of funding was 146% at that date.

As a consequence of the surplus, the group has taken a contribution holiday. This holiday is currently expected to last for a further 5 years.



# Notes to the accounts (continued)

## 8 Taxation

	1996 £	1995 £
<b>UK current year taxation</b>		
UK Corporation Tax at 33%	955,153	688,900
(Receipt)/payment for group relief	(10,669)	1,817
Double tax relief	(68,643)	(22,560)
Deferred tax	15,106	12,193
	<u>890,947</u>	<u>680,350</u>
<b>Overseas current year taxation</b>	80,358	34,115
	<u>971,305</u>	<u>714,465</u>
<b>Prior years</b>		
UK Corporation tax	-	(2,570)
Group relief	-	147
<b>Tax on profit on ordinary activities</b>	<u>971,305</u>	<u>712,042</u>

## 9 Profit attributable to members of the company

	1996 £	1995 £
Dealt with in the accounts of the company	1,398,192	1,449,497
Profit/(loss) in subsidiary undertakings	<u>532,692</u>	<u>(149,187)</u>
	<u>1,930,884</u>	<u>1,300,310</u>

## 10 Dividends

	1996 £	1995 £
<b>Ordinary:</b>		
Interim paid of £7 (1995: £7) per share	476,000	476,000
Second interim of £9.75 (1995: £8) per share	<u>663,000</u>	<u>544,000</u>
	<u>1,139,000</u>	<u>1,020,000</u>

## Notes to the accounts (continued)

### 11 Tangible fixed assets

(a) Group	Freehold property overseas (including equipment) £	Long leasehold property £	Short leasehold improvements £	Motor cars and equipment £	Total £
<b>Cost</b>					
1 January 1996	165,916	195,412	993,958	880,098	2,235,384
Exchange adjustment	-	-	-	(54,608)	(54,608)
Additions	-	-	-	146,875	146,875
Disposals	-	-	-	(90,026)	(90,026)
<b>31 December 1996</b>	<b>165,916</b>	<b>195,412</b>	<b>993,958</b>	<b>882,339</b>	<b>2,237,625</b>
<b>Depreciation</b>					
1 January 1996	165,915	156,029	777,251	636,818	1,736,013
Exchange adjustment	-	-	-	(44,414)	(44,414)
Charge for the year	-	1,170	67,607	94,654	163,431
Disposals	-	-	-	(71,730)	(71,730)
<b>31 December 1996</b>	<b>165,915</b>	<b>157,199</b>	<b>844,858</b>	<b>615,328</b>	<b>1,783,300</b>
<b>Net book value</b>					
<b>31 December 1996</b>	<b>1</b>	<b>38,213</b>	<b>149,100</b>	<b>267,011</b>	<b>454,325</b>
31 December 1995	1	39,383	216,707	243,280	499,371
<b>(b) Company</b>					
<b>Cost</b>					
1 January 1996	165,916	36,349	993,958	429,727	1,625,950
Additions	-	-	-	117,200	117,200
Disposals	-	-	-	(88,215)	(88,215)
<b>31 December 1996</b>	<b>165,916</b>	<b>36,349</b>	<b>993,958</b>	<b>458,712</b>	<b>1,654,935</b>
<b>Depreciation</b>					
1 January 1996	165,915	-	777,251	276,179	1,219,345
Charge for the year	-	-	67,607	62,926	130,533
Disposals	-	-	-	(70,717)	(70,717)
<b>31 December 1996</b>	<b>165,915</b>	<b>-</b>	<b>844,858</b>	<b>268,388</b>	<b>1,279,161</b>
<b>Net book value</b>					
<b>31 December 1996</b>	<b>1</b>	<b>36,349</b>	<b>149,100</b>	<b>190,324</b>	<b>375,774</b>
31 December 1995	1	36,349	216,707	153,548	406,605

## Notes to the accounts (continued)

### 12 Fixed asset investments

#### Group

£

#### Unlisted investments at cost:

1 January 1996	128,440
Reclassification as subsidiary	(9,443)
Exchange adjustments	(13,605)
Amounts written off in the year	(25,075)
31 December 1996	<u>80,317</u>

1996

£

#### Company

#### Shares in subsidiary undertakings

##### Cost

1 January 1996 and 31 December 1996	324,989
-------------------------------------	---------

##### Provision for diminution in value

1 January 1996	92,184
Amounts written off in the year	69,974
31 December 1996	<u>162,158</u>

##### Net book value

31 December 1996	<u>162,831</u>
31 December 1995	232,805

#### Other unlisted investments

##### Cost

1 January 1996	101,655
----------------	---------

Amounts written off in the year	<u>25,075</u>
---------------------------------	---------------

##### Net book value

31 December 1996	<u>76,580</u>
31 December 1995	101,655

#### Total investments net book value

31 December 1996	<u>239,411</u>
31 December 1995	<u>334,460</u>

## Notes to the accounts (continued)

### 12 Fixed asset investments (continued)

I. Hennig & Co Limited holds 100% of the equity share capital of the following companies which, unless otherwise stated, are incorporated in England:

	Nature of business
I. Hennig & Co. (U.S.A.) Limited (incorporated in the United States of America)	Agency company
I. Hennig & Co. (Belgium) N.V. (incorporated in Belgium)	Agency company
I. Hennig & Co. (Thailand) Limited (incorporated in Thailand)	Agency company
I. Hennig & Co. (Hong Kong) Limited (incorporated in Hong Kong)	Agency company
Diamond Realisations Limited (registered in England and Wales) and its subsidiaries	Diamond Merchants
Diamond Realisations (Belgium) N.V. (incorporated in Belgium)	Diamond Merchants
Diamond Realisations (Overseas) Limited (incorporated in Israel)	Diamond Merchants
Diamond Realisations (Hong Kong) Limited (incorporated in Hong Kong)	Diamond Merchants
Diamond Realisations India (Private) Limited	Diamond Merchants

The group increased its holding in Diamond Realisations India (Private) Limited to 100% during the year (1995:51%), and the company has been consolidated into the group accounts. In prior years, by virtue of section 229 of the Companies Act 1985, the company had been excluded on the basis that it was not material.

The company is also a 98% profit sharing partner in the business of John Abrahams.

The company also holds 11.8% of the issued ordinary share capital of The London Diamond Club Limited, which is registered in England.

### 13 Stocks

	1996 £	1995 £
Goods for resale	<u>1,013,914</u>	<u>326,912</u>

## Notes to the accounts (continued)

### 14 Debtors

	Group		Company	
	1996	1995	1996	1995
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	3,384,397	2,768,866	227,876	242,793
Amounts owed by subsidiary undertakings	-	-	223,885	238,249
Amounts owed by fellow subsidiary undertakings	18,489	11,415	18,487	11,415
Other debtors	1,068,788	1,544,800	1,016,294	1,528,666
Prepayments	39,064	165,991	28,774	28,823
	<u>4,510,738</u>	<u>4,491,072</u>	<u>1,515,316</u>	<u>2,049,946</u>
Amounts falling due after more than one year:				
Amounts owed by subsidiary undertakings	-	-	1,005,441	1,094,938
Other debtors	84,637	18,800	78,018	18,800
Deferred taxation on pension provisions	81,130	96,236	81,130	96,236
	<u>4,676,505</u>	<u>4,606,108</u>	<u>2,679,905</u>	<u>3,259,920</u>

### 15 Creditors: amounts falling due within one year

	Group		Company	
	1996	1995	1996	1995
	£	£	£	£
Bank overdraft	925,479	2,010,715	925,479	2,010,433
Trade creditors	2,100,749	2,269,952	40,286	-
Amounts owed to subsidiary undertakings	-	-	3,276	4,209
Amounts owed to parent undertaking	507,254	354,210	507,254	353,622
Amounts owed to fellow subsidiary undertakings	1,405,891	383,869	10,515	20,000
Corporation tax	892,086	622,863	1,066,586	905,219
Other taxation and social security	98,340	85,859	94,891	85,393
Other creditors	70,283	146,431	53,749	68,554
Accruals	178,786	204,378	122,290	121,899
Dividend payable	663,000	544,000	663,000	544,000
	<u>6,841,868</u>	<u>6,622,277</u>	<u>3,487,326</u>	<u>4,113,329</u>

Bank balances of £1,650,000 (1995: £1,650,000) are separately designated as fixed security for an overdraft of \$1,559,602 (1995: \$1,770,674).

## Notes to the accounts (continued)

### 16 Provisions for liabilities and charges

	Pension costs £
<b>Group and Company</b>	
1 January 1996	291,611
Pension cost credit for the year	(47,013)
	<u>244,598</u>

### 17 Share capital

	1996 £	1995 £
<b>Authorised</b>		
75,000 ordinary shares of £1 each	<u>75,000</u>	<u>75,000</u>
<b>Allotted, called up and fully paid</b>		
68,000 ordinary shares of £1 each	<u>68,000</u>	<u>68,000</u>

### 18 Reserves

	Group capital reserve £	Group other reserves £	Group Profit and loss account £	Company Profit and loss account £
1 January 1996	-	153,288	3,943,379	4,357,168
Retained profit for the year	-	-	791,884	259,192
Exchange gain	-	-	65,060	-
Arising during the year	23,759	-	-	-
Transfer	<u>-</u>	<u>(17,565)</u>	<u>17,565</u>	<u>-</u>
<b>31 December 1996</b>	<u>23,759</u>	<u>135,723</u>	<u>4,817,888</u>	<u>4,616,360</u>

The cumulative goodwill written off is a credit of £76,572 (1995: £76,572).

## Notes to the accounts (continued)

### 19 Reconciliation of movements in group shareholders' funds

	1996 £	1995 £
Profit for the financial year	1,930,884	1,300,310
Other recognised gains and losses relating to the year	65,060	(91,495)
	<u>1,995,944</u>	<u>1,208,815</u>
Dividends	(1,139,000)	(1,020,000)
Capital reserve arising on consolidation	23,759	-
	<u>880,703</u>	<u>188,815</u>
Net addition to shareholders' funds	4,164,667	3,975,852
Opening shareholders' funds	<u>5,045,370</u>	<u>4,164,667</u>
Closing shareholders' funds		

### 20 Reconciliation of operating profit to net cash inflow from operating activities

	1996 £	1995 £
Operating profit	2,751,727	1,865,873
Depreciation	163,431	233,808
Loss/(profit) on sale of tangible fixed assets	18,296	(7,452)
(Increase)/decrease in stocks	(638,214)	1,102,920
Decrease/(increase) in debtors	219,748	(1,508,829)
Increase/(decrease) in creditors	1,094,305	(1,506,382)
Decrease in provisions	(47,013)	(36,962)
	<u>3,562,280</u>	<u>142,976</u>
Net cash inflow from operating activities		

### 21 Analysis of changes in cash and cash equivalents during the year

	1996 £	1995 £
Balance at 1 January	3,508,848	4,769,214
Net cash inflow/(outflow)	1,450,660	(1,294,825)
Foreign exchange	27,592	34,459
	<u>4,987,100</u>	<u>3,508,848</u>
Balance at 31 December		

## Notes to the accounts (continued)

### 22 Analysis of the balance of cash and cash equivalents as shown in the balance sheet

	1996	1995	Changes in the year	
	£	£	1996	1995
			£	£
Cash at banks and in hand	5,912,579	5,519,563	393,016	(379,674)
Bank overdrafts	(925,479)	(2,010,715)	1,085,236	(880,692)
	<u>4,987,100</u>	<u>3,508,848</u>	<u>1,478,252</u>	<u>(1,260,366)</u>

### 23 Financial commitments

#### Operating leases

At 31 December 1996 the group had annual commitments to pay rents under property leases as follows:

	1996	1995
	£	£
Expiring between two and five years	46,643	46,643
Expiring after more than five years	<u>230,000</u>	<u>230,000</u>
	<u>276,643</u>	<u>276,643</u>

#### Commitments

No provision has been made in these accounts for the future pension and annuity commitments currently amounting to £14,286 and £25,000 per annum respectively made by John Abrahams.

### 24 Ultimate parent undertaking

The directors regard Hattron Limited, a company registered in England and Wales, as the company's ultimate parent undertaking. Hattron Limited is the only group of which the company is a member for which group accounts are drawn up. Copies of those accounts are available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.

### 25 Profit and loss account

The company has taken advantage of the exemption from presenting its own profit and loss account.