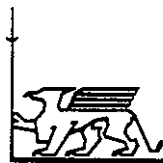


A. SMITH GT. BENTLEY LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 1997

Registered number: 01112118



GRIFFIN KNEILL & CO
CHARTERED ACCOUNTANTS

BLACKBURN HOUSE
32A CROUCH STREET
COLCHESTER ESSEX CO3 3HH

A. SMITH GT. BENTLEY LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 1997

CONTENTS

| | Pages |
|-------------------------|---------|
| Company information | 1 |
| Directors' report | 2 |
| Auditors' report | 3 |
| Profit and loss account | 4 |
| Balance sheet | 5 |
| Cash flow statement | 6 |
| Notes | 7 to 17 |

The following pages are for information of the directors only
and do not form part of the statutory accounts

| | |
|---|------------|
| Detailed trading and profit and loss account | Appendix 1 |
| Schedule to the detailed trading and profit and loss account | Appendix 2 |

A. SMITH GT. BENTLEY LIMITEDCOMPANY INFORMATIONAS AT 31ST MARCH 1997

| | |
|-------------------|---|
| CHAIRMAN | A Smith |
| OTHER DIRECTORS | Mrs J Smith I C Smith |
| SECRETARY | I C Smith |
| REGISTERED OFFICE | Centre Park Frating Colchester C07 7DL |
| BANKERS | Barclays Bank Plc |
| AUDITORS | Griffin Kneill & Co Chartered Accountants |

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST MARCH 1997

The directors present their report and the financial statements for the year ended 31st March 1997.

Directors responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

We are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable us to ensure that the financial statements comply with the Companies Act 1985. We 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 activity

The principal activity of the company was that of coachbuilding and acoustic engineering.

Business review

The company's balance sheet as detailed on page 5 shows a satisfactory position, shareholders' funds amounting to £767,190.

Results and dividends

The results for the year are shown in the profit and loss account on page 4. The directors do not propose payment of an ordinary dividend.

Fixed assets

Changes in fixed assets during the year are as set out in note 8 to the accounts. In the opinion of the directors there is no significant difference between the present market value of the company's properties and the amounts at which they are stated in the accounts. Details are set out in note 8.

continued

A. SMITH GT. BENTLEY LIMITEDDIRECTORS' REPORT
(continued)FOR THE YEAR ENDED 31ST MARCH 1997**Directors**

The directors of the company during the year and their interests in the shares of the company as recorded in the register of directors' interests were as follows

| | 31st March 1997 Ordinary shares | 1st April 1996 Ordinary shares |
|-------------|---------------------------------------|--------------------------------------|
| A Smith | 1 | 1 |
| Mrs J Smith | 1 | 1 |
| I C Smith | 120,712 | 119,998 |

In accordance with the Articles of Association, A Smith retires by rotation and offers himself for re-election.

Charitable and political donations

Payments of a charitable nature made during the year amounted to £1,379.

Auditors

Griffin Kneill & Co have indicated their willingness to accept re-appointment as auditors of the company under Section 385(2) of the Companies Act 1985.

On behalf of the board

 I C Smith
Secretary

17th October. 1997

AUDITORS' REPORT TO THE MEMBERS OF

A. SMITH GT. BENTLEY LIMITED

We have audited the financial statements on pages 4 to 17 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

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

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st March 1997 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Griffin Kneill & Co.
 Registered Auditors
 Chartered Accountants

17th October, 1997

A. SMITH GT. BENTLEY LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31ST MARCH 1997**

| | Note | 1997 £ | 1996 £ |
|--|------|-------------|-------------|
| Turnover | 2 | 3,431,787 | 3,319,138 |
| Cost of sales | | (2,667,039) | (2,337,771) |
| Gross profit | | 764,748 | 981,367 |
| Net operating expenses | | | |
| Administrative expenses | | (602,190) | (700,037) |
| Operating profit | 3 | 162,558 | 281,330 |
| Interest receivable | | 5,237 | 1,596 |
| Interest payable | 5 | (63,147) | (78,330) |
| Profit on ordinary activities before taxation | | 104,648 | 204,596 |
| Tax on profit on ordinary activities | 7 | (10,401) | (399) |
| Retained profit for the year | 19 | 94,247 | 204,197 |

Other movements in reserves are shown in notes 17 to 19.

None of the company's activities were acquired or discontinued during the above two financial years.

The company has no recognised gains or losses for the above financial years other than those reflected in the profit and loss account above.

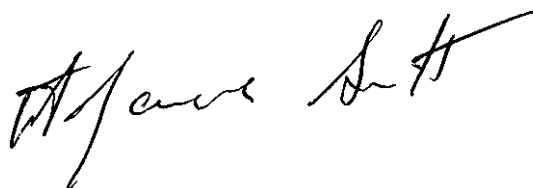
BALANCE SHEETAT 31ST MARCH 1997

| | Note | £ | 1997 £ | £ | 1996 £ |
|---|------|-----------|-----------------------|----------------|-----------------------|
| Fixed assets | | | | | |
| Tangible assets | 8 | | 855,473 | | 833,080 |
| Investments | 9 | | 84,941 | | - |
| Insurance policy endowment funds | 10 | | 88,778 | | 79,004 |
| | | | <u>1,029,192</u> | | <u>912,084</u> |
| Current assets | | | | | |
| Stocks | 11 | 221,793 | | 331,010 | |
| Debtors | 12 | 462,726 | | 274,416 | |
| Cash at bank and in hand | | 225,467 | | 308,211 | |
| | | | <u>909,986</u> | <u>913,637</u> | |
| Creditors: amounts falling due within one year | 13 | (597,520) | | (561,489) | |
| Net current assets | | | <u>312,466</u> | | <u>352,148</u> |
| Total assets less current liabilities | | | <u>1,341,658</u> | | <u>1,264,232</u> |
| Creditors: amounts falling due after more than one year | 14 | | (574,468) | | (591,289) |
| Net assets | | | <u><u>767,190</u></u> | | <u><u>672,943</u></u> |
| Capital and reserves | | | | | |
| Called up share capital | 16 | | 6,097 | | 6,097 |
| Share premium account | 17 | | 5,249 | | 5,249 |
| Other reserves | 18 | | 10,965 | | 10,965 |
| Profit and loss account | 19 | | 744,879 | | 650,632 |
| Total shareholders' funds - equity interests | 20 | | <u><u>767,190</u></u> | | <u><u>672,943</u></u> |

These accounts were approved by the board on 17th October, 1997.

On behalf of the board

A Smith (Director)



A. SMITH GT. BENTLEY LIMITEDCASH FLOW STATEMENTFOR THE YEAR ENDED 31ST MARCH 1997

| | Note | £ | 1997 £ | £ | 1996 £ |
|---|------|----------|-----------|----------|-----------|
| Net cash inflow from operating activities | 23 | | 142,454 | | 447,351 |
| Returns on investments and servicing of finance | | | | | |
| Interest received | | 5,237 | | 1,596 | |
| Interest paid | | (62,825) | | (74,963) | |
| Interest element of finance lease rental payments | | (322) | | (700) | |
| | | | (57,910) | | (74,067) |
| Taxation | | | | | |
| Corporation tax received | | | - | | 39,395 |
| Capital expenditure | | | | | |
| Payments to acquire tangible fixed assets | | (59,778) | | (6,827) | |
| Payments to acquire fixed asset investments | | (84,941) | | - | |
| Payments to insurance policy endowment funds | | (9,774) | | (9,774) | |
| Receipts from sales of tangible fixed assets | | 3,843 | | - | |
| | | | (150,650) | | (16,601) |
| | | | (66,106) | | 396,078 |
| Financing | | | | | |
| Debt due beyond a year: | | | | | |
| Bank loan repayments | | (13,740) | | - | |
| Capital element of finance lease rental payments | | (2,897) | | (2,518) | |
| | | | (16,637) | | (2,518) |
| (Decrease)/increase in cash | | | (82,743) | | 393,560 |

A. SMITH GT. BENTLEY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31ST MARCH 1997****1 Accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below and have remained unchanged from the previous year and have been consistently applied within the same accounts.

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost accounting rules.

The effect of events relating to the year ended 31st March 1997 which occurred before the date of approval of the financial statements by the Board of Directors, have been included in the statements to the extent required to show a true and fair view of the state of affairs at 31st March 1997 and of the results for the year ended on that date.

Depreciation

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

| | |
|-----------------------|-----------------------------------|
| Freehold land | nil |
| Freehold buildings | 1% per annum on cost |
| Plant and machinery | 15% per annum on reducing balance |
| Motor vehicles | 25% per annum on reducing balance |
| Fixtures and fittings | 15% per annum on reducing balance |
| Furniture | 20% per annum on cost |

Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. The cost of work in progress and finished goods includes all production overheads and depreciation and the attributable proportion of indirect overheads based on the normal level of activity. Net realisable value is based on estimated selling price less the estimated cost of disposal.

Deferred taxation

Deferred taxation is provided on the liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that a liability may crystallise.

A. SMITH GT. BENTLEY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 1997

1 Accounting policies (continued)

Pensions

Defined contribution scheme

Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

2 Analysis of results

Turnover represents the amount derived from the provision of goods and services which fall within the company's ordinary activities stated net of value added tax.

The analysis of turnover by geographical area is as follows:

| | 1997 £ | 1996 £ |
|----------------------|------------------|------------------|
| United Kingdom | 2,351,381 | 2,856,120 |
| Other E.C. countries | 139,100 | 431,386 |
| Other | 941,306 | 31,632 |
| | <u>3,431,787</u> | <u>3,319,138</u> |

3 Operating profit

| | 1997 £ | 1996 £ |
|---|-----------|-----------|
| Operating profit is stated after crediting:- | | |
| Profit on sale of assets | 2,467 | - |
| and after charging:- | | |
| Directors emoluments | 98,950 | 74,750 |
| Exceptional item (note 6) | - | 92,249 |
| Auditors' remuneration | 5,000 | 6,000 |
| Operating leases | | |
| Hire of plant and machinery | 1,353 | 758 |
| Hire of assets other than plant & machinery | 394 | 3,798 |
| Loss on sale of assets | 880 | - |
| Depreciation of tangible fixed assets (note 8) | | |
| owned assets | 34,195 | 30,228 |
| leased assets | 934 | 1,099 |

A. SMITH GT. BENTLEY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 1997

4 Directors and employees

| | 1997 £ | 1996 £ |
|--|------------------|------------------|
| Staff costs including directors' remuneration | | |
| Wages and salaries | 1,275,947 | 1,160,354 |
| Social security costs | 121,826 | 110,924 |
| Pension costs | 45,208 | 34,401 |
| | <u>1,442,981</u> | <u>1,305,679</u> |
| | Number | Number |
| Average number employed including executive directors | | |
| Production staff | 56 | 54 |
| Office and management | 16 | 16 |
| | <u>72</u> | <u>70</u> |
| | £ | £ |
| Directors | | |
| Directors' emoluments | | |
| Emoluments | <u>98,950</u> | <u>74,750</u> |
| Emoluments excluding pension scheme contributions | | |
| Chairman | <u>-</u> | <u>-</u> |
| Highest paid director | <u>92,950</u> | <u>72,750</u> |
| | Number | Number |
| Other directors | | |
| Up to £5,000 | 2 | 2 |
| £70,001 - £75,000 | - | 1 |
| £90,001 - £95,000 | 1 | - |

Pension costs

Defined contribution scheme

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £45,208 (1996 £34,401). No contributions were payable to the fund at 31st March 1997.

A. SMITH GT. BENTLEY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 1997

5 Interest payable

| | 1997 £ | 1996 £ |
|---|---------------|---------------|
| Interest payable - bank loans and overdraft | 56,957 | 66,042 |
| all other loans | 5,868 | 11,588 |
| Finance charges payable - finance leases and hire purchase contracts | 322 | 700 |
| | <u>63,147</u> | <u>78,330</u> |

6 Exceptional items

| | 1997 £ | 1996 £ |
|--------------------------------------|-----------|---------------|
| Included in administrative expenses: | | |
| Compensation payable on a contract | - | 92,249 |
| | <u>-</u> | <u>92,249</u> |

7 Tax on profit on ordinary activities

| | 1997 £ | 1996 £ |
|---|---------------|------------|
| Corporation tax on profit on ordinary activities at 24% (1996 25%) | 10,800 | 399 |
| Over provision in earlier years | (399) | - |
| | <u>10,401</u> | <u>399</u> |

The increase on unprovided deferred taxation for the year was as follows:-

| | 1997 £ | 1996 £ |
|---|---------------|---------------|
| Accelerated capital allowances over corresponding depreciation | 1,471 | 411 |
| Losses available to carry forward against future trading profits | 19,326 | 23,475 |
| Accrued interest receivable | 27 | - |
| | <u>17,882</u> | <u>23,886</u> |

A. SMITH GT. BENTLEY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31ST MARCH 1997****8 Tangible fixed assets**

| | Motor Vehicles £ | Plant and Machinery £ | Furniture, Fixtures and Fittings £ | Land and Buildings £ | Total £ |
|----------------------------|------------------------|--------------------------------|--|-------------------------------|------------------|
| Cost | | | | | |
| 1st April 1996 | 46,187 | 268,586 | 133,087 | 707,694 | 1,155,554 |
| Additions | 40,050 | 16,658 | 3,070 | - | 59,778 |
| Disposals | (3,750) | (3,000) | - | - | (6,750) |
| 31st March 1997 | <u>82,487</u> | <u>282,244</u> | <u>136,157</u> | <u>707,694</u> | <u>1,208,582</u> |
| Depreciation | | | | | |
| 1st April 1996 | 29,744 | 188,241 | 97,972 | 6,517 | 322,474 |
| Charge for year | 8,420 | 14,349 | 5,843 | 6,517 | 35,129 |
| Eliminated on disposals | (2,827) | (1,667) | - | - | (4,494) |
| 31st March 1997 | <u>35,337</u> | <u>200,923</u> | <u>103,815</u> | <u>13,034</u> | <u>353,109</u> |
| Net book amount | | | | | |
| 31st March 1997 | <u>47,150</u> | <u>81,321</u> | <u>32,342</u> | <u>694,660</u> | <u>855,473</u> |
| 1st April 1996 | <u>16,443</u> | <u>80,345</u> | <u>35,115</u> | <u>701,177</u> | <u>833,080</u> |

The net book value of land and buildings at 31st March 1997 comprised:

| | 1997 £ | 1996 £ |
|----------|----------------|----------------|
| Freehold | <u>694,660</u> | <u>701,177</u> |

The cost of depreciable assets included in land and buildings at 31st March 1997 was £651,694.

The freehold property was valued by Fenn Wright Spurlings, surveyors, at £620,000 on 19th October 1995. The directors however believe that the actual market value to be closer to the value shown above.

The net book value of fixed assets includes £5,291 (1996 £6,225) in respect of assets held under finance leases and hire purchase contracts, the depreciation of which is shown in note 3.

A. SMITH GT. BENTLEY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 1997

9 Fixed asset investments

| | | Investments other than loans £ |
|--|---------------|---|
| Cost | | |
| Additions | | 84,941 |
| 31st March 1997 | | <u>84,941</u> |
| Net book amount | | |
| 31st March 1997 | | <u>84,941</u> |
| 1st April 1996 | | <u>-</u> |
| | 1997 £ | 1996 £ |
| Listed investments included above | <u>-</u> | <u>-</u> |
| Fixed asset investments - cost | <u>84,941</u> | <u>-</u> |
| Fixed asset investments - directors opinion of market value | <u>88,000</u> | <u>-</u> |

10 Insurance policy endowment funds

| | £ |
|---|---------------|
| Balance brought forward at 1st April 1996 | 79,004 |
| Premiums paid in year | <u>9,774</u> |
| Cost at 31st March 1997 | <u>88,778</u> |

The market value of these funds was £103,000 as at 31st March 1997.

11 Stocks

| | 1997 £ | 1996 £ |
|------------------|----------------|----------------|
| Work in progress | 69,594 | 172,067 |
| Raw materials | 152,199 | 158,943 |
| | <u>221,793</u> | <u>331,010</u> |

A. SMITH GT. BENTLEY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 1997

12 Debtors

| | 1997 £ | 1996 £ |
|--|----------------|----------------|
| Amounts falling due within one year | | |
| Trade debtors | 458,068 | 271,391 |
| Other debtors | 372 | - |
| Prepayments and accrued income | 4,286 | 3,025 |
| | <u>462,726</u> | <u>274,416</u> |

13 Creditors: amounts falling due within one year

| | 1997 £ | 1996 £ |
|--|----------------|----------------|
| Bank loans | 21,292 | 19,000 |
| Payments on account | 133,840 | - |
| Trade creditors | 225,213 | 267,368 |
| Corporation tax | 10,800 | 399 |
| Other taxation and social security | 112,302 | 158,492 |
| Other creditors - see note below | 56,927 | 100,804 |
| Accruals and deferred income | 36,357 | 12,529 |
| Obligations under finance leases - note 14 | 789 | 2,897 |
| | <u>597,520</u> | <u>561,489</u> |

The bank loans are secured by a fixed charge on the freehold property and a debenture giving a floating charge over the company's assets.

Other creditors totalling £56,927 are secured by a debenture giving a floating charge over the company's assets.

A. SMITH GT. BENTLEY LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31ST MARCH 1997**14 Creditors:** amounts falling due after more than one year

| | 1997 £ | 1996 £ |
|----------------------------------|----------------|----------------|
| Bank loans | 564,968 | 581,000 |
| Other loans | 9,500 | 9,500 |
| Obligations under finance leases | - | 789 |
| | <u>574,468</u> | <u>591,289</u> |

The bank loans are secured by a fixed charge on the freehold property and a debenture giving a floating charge over the company's assets.

Borrowings

Analysis of maturity of debt:

| | | |
|----------------------------|----------------|----------------|
| Bank loans: | | |
| Within one year | 21,292 | 19,000 |
| Between one and two years | 23,500 | 22,000 |
| Between two and five years | 73,500 | 66,000 |
| After five years | <u>467,968</u> | <u>493,000</u> |
| Other loans: | | |
| Between two and five years | <u>9,500</u> | <u>9,500</u> |

Analysis of creditors falling due after more than five years:

Aggregate of instalments which fall due for payment after five years:

| | | |
|------------|----------------|----------------|
| Bank loans | <u>467,968</u> | <u>493,000</u> |
|------------|----------------|----------------|

The payment terms and interest rates of the loans are:

1. £927.29 per month with interest calculated on a floating rate basis at 2.5% per annum above the bank base rate.
2. £16,340 per quarter with interest calculated on a fixed rate basis at 10% per annum.

A. SMITH GT. BENTLEY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31ST MARCH 1997****15 Deferred taxation**

The amount provided and the potential liability for deferred taxation is as follows:

| | Potential liability £ | 1997 Provision made £ | Potential liability £ | 1996 Provision made £ |
|---|-----------------------------|--------------------------------|-----------------------------|--------------------------------|
| Corporation tax deferred by | | | | |
| Capital allowances in excess of depreciation | 41,741 | - | 43,212 | - |
| Accrued interest receivable | 27 | - | - | - |
| Available taxation losses | - | - | (19,326) | - |
| | <u>41,768</u> | <u>-</u> | <u>23,886</u> | <u>-</u> |

The potential liability and provision are based on a corporation tax rate of 21% (1996 24%).

16 Called up share capital

| | Number of shares | 1997 £ | Number of shares | 1996 £ |
|--|---------------------|---------------|---------------------|---------------|
| Authorised | | | | |
| Equity shares | | | | |
| - Ordinary shares of 5p each | <u>1,000,000</u> | <u>50,000</u> | <u>1,000,000</u> | <u>50,000</u> |
| Allotted called up and fully paid | | | | |
| Equity shares | | | | |
| - Ordinary shares of 5p each | <u>121,944</u> | <u>6,097</u> | <u>121,944</u> | <u>6,097</u> |

17 Share premium account

| | 1997 £ |
|--|--------------|
| 1st April 1996 and 31st March 1997 | <u>5,249</u> |

A. SMITH GT. BENTLEY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 1997

18 Other reserves

| | 1997 £ |
|---------------------|-----------|
| Revaluation reserve | 10,965 |

19 Profit and loss account

| | 1997 £ |
|---|-----------|
| 1st April 1996 - as previously reported | 571,628 |
| - prior year adjustment re insurance policy endowment funds | 79,004 |
| - as restated | 650,632 |
| Retained profit for the year | 94,247 |
| 31st March 1997 | 744,879 |

20 Reconciliation of movements in shareholders' funds

| | 1997 £ | 1996 £ |
|---|-----------|-----------|
| Profit for the financial year | 94,247 | 204,197 |
| Net addition to shareholders' funds | 94,247 | 204,197 |
| Opening shareholders' funds (as restated) | 672,943 | 468,746 |
| Closing shareholders' funds | 767,190 | 672,943 |

21 Capital commitments

Amounts contracted for but not provided in the accounts amounted to Nil (1996 £80,000).

22 Control relationships

The company is under the control of Mr. I. C. Smith who owns 98.98% of the issued share capital.

A. SMITH GT. BENTLEY LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31ST MARCH 1997**23 Notes to the cash flow statement****Reconciliation of operating profit to net cash inflow from operating activities**

| | 1997 £ | 1996 £ |
|--|----------------|----------------|
| Operating profit | 162,558 | 281,330 |
| Depreciation charges | 35,129 | 31,327 |
| Profit on sale of fixed assets | (1,587) | - |
| Decrease/(Increase) in stocks | 109,217 | (145,081) |
| (Increase)/Decrease in debtors | (188,309) | 113,798 |
| Increase in creditors | 25,446 | 165,977 |
| Net cash inflow from operating activities | <u>142,454</u> | <u>447,351</u> |

24 Notes to the cash flow statement**Analysis of changes in net debt**

| | At start of year £ | Cash flows £ | At end of year £ |
|------------------------|--------------------------|--------------------|------------------------|
| Cash in hand, at bank | 308,210 | (82,743) | 225,467 |
| Overdrafts | - | - | - |
| | | <u>(82,743)</u> | |
| Debt due within 1 year | (19,000) | (2,292) | (21,292) |
| Debt due after 1 year | (590,500) | 16,032 | (574,468) |
| Finance leases | (3,686) | 2,897 | (789) |
| | | <u>16,637</u> | |
| Total | <u>(304,976)</u> | <u>(66,106)</u> | <u>(371,082)</u> |

Reconciliation of net cash flow to movement in net debt

| | 1997 £ | 1996 £ |
|---|------------------|------------------|
| (Decrease)/increase in cash in the year | (82,743) | 393,560 |
| Cash outflow from decrease in debt and lease financing | 16,637 | 2,518 |
| Change in net debt resulting from cash flows | <u>(66,106)</u> | <u>396,078</u> |
| Net debt at 1st April 1996 | <u>(304,976)</u> | <u>(701,054)</u> |
| Net debt at 31st March 1997 | <u>(371,082)</u> | <u>(304,976)</u> |