

THE ENERGY SAVING TRUST LIMITED
Registered Number 2622374

DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 1999



The Energy Saving Trust Limited

Chairman's Report for the Year Ended 31 March 1999

1998/99 was a particularly busy year for the Trust, for both our own activities and for policy initiatives impinging on energy efficiency. Undoubtedly it was a year we can look back on with a great deal of satisfaction.

Our work programme financed by the Department of the Environment, Transport and the Regions (DETR) continued apace under the umbrella of the Energy Efficiency brand. The brand now extends across all the Trust's programmes, and the past year has seen more and more partners using it in their own marketing activities.

We also continued our work with the Public Electricity Suppliers (PESs), as the second phase of the electricity Standards of Performance on energy efficiency (SoP) commenced in April 1998. Through this, millions of electricity customers are benefiting from increased energy efficiency and improved comfort - to the value of over £4 for every £1 spent. Regrettably though, gas customers are missing out through the absence of regulatory funding. However, we have been encouraged by the Government's White Paper on Utility Regulation and welcome the proposal for a single energy regulator and the pledge to end the regulatory uncertainty which has curtailed energy efficiency for gas customers.

No overview of our work should overlook the central role which energy efficiency must play in meeting the Government's manifesto target of a 20% reduction of carbon dioxide emissions by 2010. In our submission to the DETR's consultation on the UK's Climate Change programme, we acknowledged the challenge presented by this target which will require policy development in all the major emitting sectors. But we also emphasised not only that it is achievable but that meeting it could mean, to quote the Deputy Prime Minister, "gain, not pain".

The year ahead will be challenging as we work with our partners to establish energy efficiency on a stronger and long-term financial footing. The further development of the Energy Efficiency Partnership for Homes, which will deliver a co-ordinated approach to energy efficiency by a wide range of stakeholders, is therefore crucial and I am convinced that with the continued support of the Government and all those involved in the Partnership, between us we will make a real and worthwhile difference.

Peter Lehmann
Chairman
22nd July 1999

The Energy Saving Trust Limited

Directors' Report for the Year Ended 31 March 1999

The Directors present their report and financial statements for the year ended 31 March 1999.

Principal Activity

The Trust was established as part of the Government's action plan in response to the 1992 Earth Summit in Rio de Janeiro, which addressed world-wide concerns on environmental issues such as climate change and global warming. It is the UK's leading organisation working to deliver energy efficiency for domestic consumers. The Trust has been operational since 1993.

The Trust's role is to:

Raise awareness of the advantages of energy efficiency and encourage the take-up of energy efficiency measures; effectively manage the DETR-funded programmes to ensure that the energy markets work in the interest of the customers by providing energy efficient goods and services which are commercially sustainable in the long-term; and effectively develop, manage and evaluate the Electricity Standards of Performance (SoP) schemes to enable the Public Electricity Suppliers to provide cost-effective energy efficient benefits for their customers' money.

Review of the Business

Programmes funded under the Standards of Performance

In operation since 1994, the Standards of Performance (SoP) programmes undertaken by the Public Electricity Suppliers (PES's) with support from the Trust are successfully established as an effective means of delivering energy efficiency to customers whilst tackling fuel poverty.

The first phase of SoP ran from 1994-1998. The second phase (SoP2) started in April 1998 and runs until March 2000. The Trust has negotiated individual electricity saving targets with PES's, taking into account the potential for electricity saving within each region. In aggregate the programme will lead to total energy savings over the next 15 years of 4,800 GWh resulting in a saving in carbon dioxide emissions of over 2 million tonnes of CO₂.

In addition to the Trust's role in developing the Standards and evaluating the PES's performance, the organisation also develops and implements national projects on behalf of the electricity companies. For SoP2, the PES's asked the Trust to focus its efforts on energy efficient domestic appliances. As a result the Trust has implemented three national schemes in the past year. The largest of these schemes, Fridgesavers, aims to replace 41,500 old and inefficient fridges in low-income households. The Trust is working closely with its retailer and manufacturer partners to develop further schemes for implementation in 1999/2000.

The Energy Saving Trust Limited

Directors' Report for the Year Ended 31 March 1999 (contd.)

Review of the Business (contd.)

Programmes funded by the Department of the Environment, Transport and the Regions ("DETR")

For 1998/1999 DETR provided the Trust with funding of £19 million. The activities continued to expand the Trust's five key areas:

- The Energy Efficiency marketing initiative;
- Providing energy efficiency advice through Energy Efficiency Advice Centres (EEACs)
- Stimulating energy efficiency markets;
- Devising and implementing innovative delivery mechanisms, and
- Powershift, the Trust's clean-fuelled vehicles programme.

In 1998/99 the Energy Efficiency campaign continued to gain momentum through high-profile coverage, including a national TV and media campaign. Perhaps the best indication of the campaign's success was that 88,500 calls were received to the energy efficiency hotline against a target of 50,000.

The year saw the re-organisation of the EEAC network into twelve regions. Work commenced on new software to improve the network's level of service and advice while new service level agreements should help to improve the network's quality overall.

The Trust's programmes to develop the condensing boiler market ("Raising the Standard") and the market for cavity wall insulation continued successfully this year with an increased emphasis on developing the overall market.

HECAction, a competition to encourage local authorities to meet their home energy Conservation Act obligations, received 100 bids for funding and the Trust awarded £3.5 million to 36 schemes.

Other programmes to develop innovative delivery mechanisms included the Pensioners Energy Plan, which helps pensioners to find funds from non-grant sources to improve the energy efficiency of their homes; Lightswitch, promoting the benefits of energy efficient lighting in the non-domestic sector; School Energy, providing rebates to participating schools to enable them to invest in a range of energy efficiency measures, and the Trust's Combined Heat and Power programme and Energy Service Companies programme.

The Powershift programme continued to have a significant effect in stimulating the sustainable market for clean fuelled vehicles (CFVs). The programme has met, and exceeded, its target to fund 1000 CFVs in its first 1000 days.

The Energy Saving Trust Limited

Directors' Report for the Year Ended 31 March 1999 (contd.)

Results and Dividends

The profit and loss account is set out on page 8.

As a company limited by guarantee, the company is prohibited from declaring or paying dividends to its members.

The loss for the year of £120,563 (1998: £117,860 loss) has been met from reserves.

Directors and the Interests

The Directors who have served during the year are as follows:

F. Gibb	(Chairman)
E. W. Lees	(Chief Executive)
J. Potter	
M. Alexander	
J. Kent	
E. Hyams	
J. Harman	
W. Landels	(Appointed 28 th May 1998)
H. Shovelton	(Appointed 28 th May 1998)

Being a company limited by guarantee, there were no issued shares in which any director had an interest at any time during the year.

On 1 April 1999, Sir Frank Gibb resigned as Chairman and Director and Mr Peter Lehmann was appointed in his place.

Dr E W Lees is the sole Executive Director.

Employment Policies

It is the policy of the Trust that there should be no unfair discrimination in considering applications for employment, including those from disabled persons. Should any employee become disabled every practical effort is made to provide continued employment.

The Directors are committed to maintain and develop communication and consultation procedures with employees, who in turn are encouraged to become aware of and involve themselves in the performance of their own company.

The Energy Saving Trust Limited

Directors' Report for the Year Ended 31 March 1999 (contd.)

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial period 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, 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 financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business (see below).

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 financial statements 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.

Going Concern Basis

The Directors have sought advice and considered recently issued guidance on the adoption of the going concern basis for the preparation of the Trust's financial statements for the year ended 31 March 1999.

In approving the adoption of the going concern basis, the directors assessed the cashflow projections prepared for the financial year 1999/00 and such projections as were available for the following financial year, allowing them to assess whether the Trust would continue to operate for a period of at least 12 months from the date of approval of the financial statements.

Having considered these projections and their knowledge of the current situation in connection with the Government and other contributors to the Trust's activities, they formed the opinion that there are reasonable grounds for drawing up the financial statements on a going concern basis.

Year 2000 Compliance

A programme has been carried out to address the impact of the Year 2000 on the company's business. The company's own computer systems are now fully Year 2000 compliant and the company has obtained assurances from key suppliers that their systems are also Year 2000 compliant. The database system used by the Energy Efficiency Advice Centres is currently being replaced so that it will be fully Year 2000 compliant before the end of 1999.

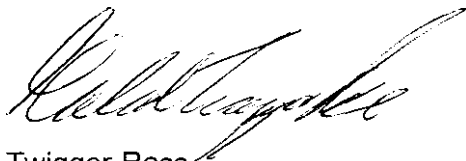
The Energy Saving Trust Limited

Directors' Report for the Year Ended 31 March 1999 (contd.)

Auditors

On 25 March 1999 PricewaterhouseCoopers resigned as auditors and the Board of Directors appointed BDO Stoy Hayward in their place. A resolution recommending their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board

A handwritten signature in cursive script, appearing to read 'M Twigger-Ross', written in dark ink.

M Twigger-Ross
Secretary

22 July 1999

Registered Office:

21 Dartmouth Street
London
SW1H 9BP

Auditors' Report to the Members of the Energy Saving Trust Limited

We have audited the financial statements on pages 8 to 19, which have been prepared under the historical cost convention and the accounting policies set out on pages 12 and 13.

Respective responsibilities of Directors and Auditors

As described on page 5 the company's Directors are responsible for the preparation of the 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.

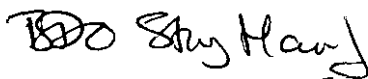
Basis of Opinion

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 31 March 1999 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO Stoy Hayward
*Chartered Accountants
and Registered Auditors*

Ewell, Epsom, Surrey

22 July 1999

The Energy Saving Trust Limited

Profit and Loss Account for the Year Ended 31 March 1999

	Note	1999 £	1998 (Restated) £
Turnover	1	24,982,303	23,051,608
Cost of Sales		(22,638,071)	(21,102,167)
Gross Profit		<u>2,344,232</u>	<u>1,949,441</u>
Administration expenses		(2,617,426)	(2,287,493)
Operating Loss		<u>(273,194)</u>	<u>(338,052)</u>
Interest receivable and similar income		152,631	220,192
Loss on Ordinary Activities before and after Taxation	2	<u>(120,563)</u>	<u>(117,860)</u>
Retained Loss Brought Forward	14	(1,450,434)	(1,332,574)
Retained Loss Carried Forward		<u>(1,570,997)</u>	<u>(1,450,434)</u>

The results shown above are stated under the historical cost convention and therefore represent the historical cost loss without the need for any adjustment.

All amounts relate to continuing activities.

The prior year figures have been restated to account for the changes in accounting policies set out in note 1. The impact on comparative figures of these changes is explained in note 14.

The notes on pages 12 - 19 form part of these financial statements.

The Energy Saving Trust Limited

Statement of Total Recognised Gains and Losses for the Year Ended 31 March 1999

	Note	1999	1998
		£	(Restated) £
Loss for the year		(120,563)	<u>(117,860)</u>
Prior year adjustment	14	40,000	
Total recognised gains and losses		<u>(80,563)</u>	

Statement of Movements in Members' Funds for the Year Ended 31 March 1999

	Note	1999	1998
		£	(Restated) £
Loss for the year		(120,563)	(117,860)
Introduction of members' capital	10	422,500	495,000
Net addition to members' funds		<u>301,937</u>	<u>377,140</u>
Opening members' funds (originally £1,390,349 before adding prior year adjustment of £40,000)		1,430,349	1,053,209
Closing members' funds		<u>1,732,286</u>	<u>1,430,349</u>

The notes on pages 12 - 19 form part of these financial statements.

The Energy Saving Trust Limited

Balance Sheet as at 31 March 1999

	Note	1999 £	1998 (Restated) £
Tangible Fixed Assets	6	<u>239,370</u>	<u>79,780</u>
Current Assets			
Stocks: Net Work in Progress	7	535,296	746,008
Debtors	8	3,004,322	2,599,172
Cash at bank and in hand		2,856,008	5,979,473
		<u>6,395,626</u>	<u>9,324,653</u>
Creditors - Amounts Falling due within One Year	9	(4,902,710)	(7,974,084)
Net Current Assets		<u>1,492,916</u>	<u>1,350,570</u>
Total Assets Less Current Liabilities		<u>1,732,286</u>	<u>1,430,349</u>
Capital & Reserves			
Members' Capital	10	3,303,283	2,880,783
Profit and Loss Account		(1,570,997)	(1,450,434)
Members' Funds	11	<u>1,732,286</u>	<u>1,430,349</u>

Approved by the Board
On 22 July 1999


Peter Lehmann


Eoin Lees

Directors

The notes on pages 12 to 19 form part of these financial statements.

The Energy Saving Trust Limited

Cashflow Statement for the Year Ended 31 March 1999

	Note	1999 £	1998 (Restated) £
Net Cash (Outflow)/Inflow from Operating Activities	15(1)	<u>(4,568,901)</u>	<u>1,873,195</u>
Returns on Investments and Servicing on Finance			
Interest received		<u>152,631</u>	<u>220,192</u>
Capital Expenditure			
Payments to acquire tangible fixed assets		(257,821)	(59,316)
Sale of tangible fixed assets		550	800
Net cash outflow for capital expenditure		<u>(257,271)</u>	<u>(58,516)</u>
Cash (outflow)/inflow before financing		(4,673,541)	2,034,871
Financing			
Members' capital introduced		422,500	495,000
(Decrease)/Increase in net cash		<u>(4,251,041)</u>	<u>2,529,871</u>
Reconciliation of net cash flow to Movement in Net Funds (Note 15)			
(Decrease)/Increase in net cash	15(2)	(4,251,041)	2,529,871
Net Funds at 1 April		5,979,473	3,449,602
Net Funds at 31 March	15(2)	<u>1,728,432</u>	<u>5,979,473</u>

The notes on pages 12 to 19 form part of these financial statements.

The Energy Saving Trust Limited

Notes to the Financial Statements - 31 March 1999

1. Accounting Policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The following accounting policies have been applied consistently during both the current and the previous years, except for the three changes explained below.

Changes in accounting policies

(a) Turnover and accounting for schemes

The Trust receives grants under Energy Efficiency Initiative schemes, sponsored by the Department of the Environment, Transport and the Regions, the Public Electricity Suppliers and other parties. All income and expenditure and related assets and liabilities are now included in the Trust's accounts. In previous years the net income only, being the reimbursable sums and consultancy fees in respect of services provided by the Trust, was recognised. The prior year figures have been restated accordingly as detailed in note 14.

(b) Members' capital contributions

Long-term capital funding contributions called up by the Trust from members are credited directly to reserves as members' capital. In previous years these included contributions from one member that have now been re-classified as revenue receipts. Other contributions remain as capital contributions. The prior year figures have been restated accordingly as detailed in notes 10 and 14.

(c) Provisions, contingent liabilities and contingent assets

The company has adopted new Financial Reporting Standards effective as at 31 March 1999. In previous years, a self-indemnity provision had been set up which is now contrary to FRS 12. The prior year figures have been restated accordingly as detailed in note 14.

Turnover

Turnover represents all grant income and invoiced services receivable in the period net of value added tax together with an appropriate proportion of income from long-term work-in-progress as described below.

Fixed Assets

Fixed assets are shown in the financial statements at cost less attributable depreciation. The rates of depreciation applied are estimated to reduce the cost of the asset to its residual value over its useful economic life and are as follows:

Leasehold Improvement	-	Minimum Lease Term
Computer Equipment	-	40% per annum straight line
Fixtures and Fittings	-	20% per annum straight line

The Energy Saving Trust Limited

Notes to the Financial Statements - 31 March 1999 (contd.)

1. Accounting policies (Continued)

Work in progress & long-term contracts

Work in progress is stated at the lower of cost, including all relevant overhead expenditure, and net realisable value.

Payments received on account of work in progress are shown as a deduction from gross work in progress; payments received on account in excess of the carrying value of the relevant work in progress are included in creditors.

Turnover derived from long-term contracts is stated at cost appropriate to the stage of completion plus attributable profits less amounts recognised in prior years. Profit attributable to the stage of completion of long-term contracts is recognised when the outcome of the work can be foreseen with reasonable certainty. Provision is made for any losses which are foreseen.

Long-term work in progress is stated at cost, after deducting foreseeable losses and attributable payments received on account. Payments received on account in excess of applicable work in progress are included in creditors.

Deferred Taxation

Deferred taxation arising from excess capital allowances, unrelieved losses and other timing differences is provided for to the extent that it is probable that an asset or liability will arise.

Pensions

The Trust makes contributions directly to the providers of employees' personal pension schemes. Contributions are charged in the profit and loss account when payable.

Operating Leases

Amounts payable in respect of operating leases are charged in the profit and loss account as they fall due for payment.

2. Loss on Ordinary Activities before and after Taxation

This is stated after charging/(crediting) the following amounts:

	1999 £	1998 £
Auditors' remuneration - audit services	20,000	17,300
- non audit services	-	31,200
Loss/(profit) on disposal of fixed assets	25,893	(800)
Depreciation	71,788	73,192
Rentals payable under property leases	112,839	144,057

The Energy Saving Trust Limited

Notes to the Financial Statements - 31 March 1999 (contd.)

3. Staff Costs (excluding Directors)

	1999 £	1998 £
Wages and Salaries	926,313	808,441
Social Security costs	92,073	90,024
Pension costs	72,744	69,566
	<u>1,091,130</u>	<u>968,031</u>

The average monthly number of employees, excluding Directors, in the year was 36 (1998: 29).

4. Directors' Emoluments

	1999 £	1998 £
Aggregate Emoluments	150,064	140,218
Company contributions to money purchase pension schemes	16,152	10,404
Total	<u>166,216</u>	<u>150,622</u>

Retirement benefits under money purchase pension schemes are accruing to one Director (1998: one).

Those Directors representing British Gas and the Public Electricity Suppliers receive no emoluments as Directors.

5. Taxation

No tax liability has been provided due to the availability of loss relief.

The Energy Saving Trust Limited

Notes to the Financial Statements - 31 March 1999 (contd.)

6. Tangible Fixed Assets

	Leasehold Improvements £	Computer Equipment £	Fixtures and Fittings £	Total £
Cost				
At 1 April 1998	-	196,130	78,874	275,004
Additions	91,784	84,047	81,990	257,821
Disposals	-	(150,567)	(37,381)	(187,948)
At 31 March 1999	91,784	129,610	123,483	344,877
Depreciation				
At 1 April 1998	-	155,874	39,350	195,224
Charge for year	13,768	35,381	22,639	71,788
Disposals	-	(139,035)	(22,470)	(161,505)
At 31 March 1999	13,768	52,220	39,519	105,507
Net Book Amount				
At 31 March 1999	78,016	77,390	83,964	239,370
At 31 March 1998	-	40,256	39,524	79,780

7. Stocks: Net Work in Progress

	1999 £	1998 (Restated) £
Gross work in progress	1,017,449	6,242,008
Payments received on account	(482,153)	(5,496,000)
	535,296	746,008

Work in progress includes the following amounts in respect of long-term contracts:

	1999 £	1998 (Restated) £
Net cost less foreseeable losses	764,949	6,242,008
Payments received on account	(482,153)	(5,496,000)
	282,796	746,008

The Energy Saving Trust Limited

Notes to the Financial Statements - 31 March 1999 (contd.)

8. Debtors

	1999	1998 (Restated)
	£	£
Falling due within one year:		
Loans	426,535	314,157
Trade debtors	1,333,305	1,144,397
Tax and social security	523,160	696,115
Other debtors and Prepayments	721,322	444,503
	<u>3,004,322</u>	<u>2,599,172</u>

9. Creditors: Amounts falling due within one year

	1999	1998 (Restated)
	£	£
Bank Overdrafts	1,127,576	-
Trade Creditors	1,854,197	4,242,181
Payments on account	156,970	2,173,811
Accruals and deferred income	1,037,119	850,606
Loan Fund	726,848	707,486
	<u>4,902,710</u>	<u>7,974,084</u>

10. Members' Capital

	£
Balance at 1 st April 1998 as previously reported	3,946,783
Prior Year Adjustment (transfer to retained reserves, note 14)	(1,066,000)
Balance at 1 st April 1998 as restated	<u>2,880,783</u>
Members' capital introduced in the year	422,500
Balance at 31 st March 1999	<u>3,946,783</u>

As explained in note 1, members' capital has been restated. Contributions received from the Department of the Environment, Transport and the Regions have been re-classified as revenue receipts so as to accord more closely with the terms of the funding agreement.

Each member of the Trust undertakes to contribute to the arrears of the company in the event of the company being wound up to a maximum of £1 per member. At 31 March 1999 there were 27 members (1998: 26).

The Energy Saving Trust Limited

Notes to the Financial Statements - 31 March 1999 (contd.)

11. Members' Funds

The Trust maintains separate funds in respect of funding from the Department of Environment, Transport and the Regions, from the Public Electricity Suppliers under the Standards of Performance and in respect of certain Energy Efficiency loan funds. An analysis of the balance sheet between these funds is as follows:

	General Funds £	DETR Funds £	SoP Funds £	Loan Funds £	Total £
Fixed Assets	239,370				239,370
Stocks		252,500	282,796		535,296
Debtors	259,012	1,642,190	676,585	426,535	3,004,322
Cash	2,057,191	870,146	(371,642)	300,313	2,856,008
Creditors	(823,287)	(2,764,836)	(587,739)	(726,848)	(4,902,710)
Net Assets	<u>1,732,286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,732,286</u>

12. Financial Commitments

	1999 £	1998 £
Annual commitments in respect of operating leases on office premises which expire:		
Between two and five years	<u>123,000</u>	<u>123,815</u>

13. Deferred Taxation

There is no deferred taxation provision owing to the availability of tax losses (see note 5).

The Energy Saving Trust Limited

Notes to the Financial Statements - 31 March 1999 (contd.)

14. Restatement of Prior Year Figures

The effects of the changes in accounting policy detailed in note 1 on the turnover, reported loss for the year ended 31 March 1998, together with the retained loss brought forward and carried forward for that year, have been as follows:

	Turnover £	Loss for the year £	Retained loss brought forward £	Retained loss carried forward £
As previously reported	1,649,441	(417,860)	(2,138,574)	(2,556,434)
Prior year adjustments:				
Turnover and schemes	21,402,167			
FRS 12		-	40,000	40,000
Members' capital (note 10)		300,000	766,000	1,066,000
As restated	<u>23,051,608</u>	<u>(117,860)</u>	<u>(1,332,574)</u>	<u>(1,450,434)</u>

The effects on the net assets at 31 March 1998 of these changes have been as follows:

	Fixed Assets £	Stocks £	Debtors £	Cash £	Liabilities £	Net Assets £
As previously reported	79,780		641,035	1,225,030	(555,496)	1,390,349
Prior year adjustments:						
FRS 12					40,000	40,000
Turnover & schemes		746,008	1,958,137	4,754,443	(7,458,588)	-
As restated	<u>79,780</u>	<u>746,008</u>	<u>2,599,172</u>	<u>5,979,473</u>	<u>(7,974,084)</u>	<u>1,430,349</u>

The Energy Saving Trust Limited

Notes to the Financial Statements - 31 March 1999 (contd.)

15. Notes to the Cashflow Statement

1) Reconciliation of Operating Loss to Net Cash Outflow/Inflow from Operating Activities

	1999	1998 (Restated)
	£	£
Operating loss	(273,194)	(338,052)
Depreciation charges and result of disposals	97,681	72,392
Decrease/(increase) in stocks	210,712	(370,852)
(Increase)/decrease in debtors	(405,150)	549,392
(Decrease)/increase in creditors	(4,198,950)	1,960,315
Net cash (outflow)/inflow from operating activities	<u>(4,568,901)</u>	<u>1,873,195</u>

2) Analysis of Changes in Net Funds

	At 1 April 1998 (Restated)	Cashflows	At 31 March 1999
	£	£	£
Cash in hand, at bank	5,979,473	(3,123,465)	2,856,008
Bank Overdrafts	-	(1,127,576)	(1,127,576)
Total	<u>5,979,473</u>	<u>(4,251,041)</u>	<u>1,728,432</u>

16. Going Concern Basis

The Directors have considered and approved the adoption of the going concern basis in the preparation of these financial statements. The adoption of this basis is dealt with in the Directors' report.