

ARTHUR ANDERSEN

PETROTECHNIK LIMITED
ABBREVIATED ACCOUNTS - FOR THE 17 MONTHS TO
31 MARCH 1998
TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

The company's registered number is 2631843.



PETROTECHNIK LIMITED

DIRECTORS' REPORT

FOR THE 17 MONTHS TO 31 MARCH 1998

The directors present their report on the affairs of the company, together with the accounts and auditors' report, for the 17 months to 31 March 1998.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW:

The principal activity of the company is the sale of UPP polyethelyne pipework and associated fittings and equipment for use in petrol filling stations and other fuel distribution centres. During the period the UK market for the company's products remained depressed.

The directors, however, expect the general level of activity, particularly in export markets, to increase significantly during the next twelve months.

RESULTS AND DIVIDENDS:

The results for the period are set out in the profit and loss account on page 4.

The directors recommend the payment of the following dividends:

	£
Preference shares (paid 31 March 1997)	619
Preference shares (paid 31 March 1998)	NIL
"A" Ordinary shares (paid)	25,000
Ordinary shares (paid)	75,000
"A" Ordinary shares (proposed)	39,086
Ordinary shares (proposed)	<u>106,500</u>
	<u>246,205</u>

The directors propose to transfer £274,523 the balance of profit for the period, to reserves

DIRECTORS AND THEIR INTERESTS:

The directors who served during the period were:

J.A. Boudry
J. Ageheim
J. Lee

The directors who held office at 31 March 1998 had no beneficial interests, other than those shown below, in the shares of the company.

	Ordinary Shares at 31 March		Preference Shares at 31 March	
	1998	1996	1998	1996
J.A. Boudry	10,000	10,000	Nil	Nil
J. Ageheim	1,765	1,765	Nil	Nil
J. Lee	2,941	2,941	Nil	3,500

DIRECTORS' REPORT (Continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each year which give a true and fair view of the state of affairs of the company and of the profit of the company for the year. In preparing those accounts, the directors are required to:

- i. select suitable accounting policies and then apply them consistently;
- ii. make judgements and estimates that are reasonable and prudent;
- iii. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- iv. prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

AUDITORS:

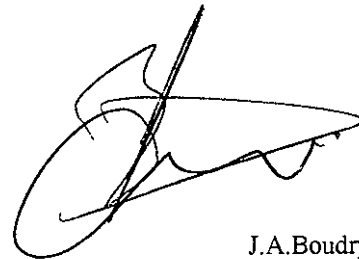
The directors will place a resolution before the Annual General Meeting to reappoint Arthur Andersen as auditors for the ensuing year.

EXEMPTIONS


In the directors' opinion the company is entitled, for the 17 months to 31 March 1998, to the exemptions conferred by Section 248 of the Companies Act 1985 from the requirements to prepare group accounts.

BY ORDER OF THE BOARD,

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



J.A. Boudry
Secretary

November 1998
3 December


ARTHUR ANDERSEN

AUDITORS' REPORT

Cambridge

AUDITORS' REPORT TO PETROTECHNIK LIMITED UNDER SECTION 247B OF THE COMPANIES ACT 1985.

We have audited the abbreviated accounts on pages 4 to 15, together with the financial statements of the company for the period ended 31 March 1998 prepared under section 226 of the Companies Act 1985.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Act to the Registrar of Companies and whether the abbreviated accounts to be delivered have been properly prepared in accordance with those relevant provisions and to report our opinion to you.

Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered have been properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Companies Act 1985 in respect of the period ended 31 March 1998, and the abbreviated accounts on pages 4 to 15 have been properly prepared in accordance with that provision.



Arthur Andersen
Chartered Accountants and Registered Auditors

Betjeman House
104 Hills Road
Cambridge
CB2 1LH



~~November~~ 1998

PETROTECHNIK LIMITED
ABBREVIATED AND LOSS ACCOUNT
FOR THE 17 MONTHS TO 31 MARCH 1998

	<u>Notes</u>	17 months to 31 March <u>1998</u> £	Year Ended 31 October <u>1996</u> £
GROSS PROFIT		2,938,540	2,264,382
Other operating expenses (net)	3	<u>(2,065,428)</u>	<u>(1,263,217)</u>
OPERATING PROFIT		873,112	1,001,165
Interest payable	4	(12,981)	(12,118)
Interest receivable		<u>46,092</u>	<u>44,313</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	906,223	1,033,360
Tax on profit on ordinary activities	7	<u>(385,495)</u>	<u>(323,690)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		520,728	709,670
Dividends paid and proposed (including dividends on non- equity shares)	8	<u>(246,205)</u>	<u>(287,107)</u>
RETAINED PROFIT FOR THE PERIOD		<u>274,523</u>	<u>422,563</u>

There are no recognised gains or losses, other than the profit for the period after taxation, and therefore a statement of total recognised gains and losses has not been included in these accounts.

All amounts shown relate to continuing operations.

The accompanying notes are an integral part of this profit and loss account.

PETROTECHNIK LIMITED
BALANCE SHEET -- 31 MARCH 1998

	<u>Notes</u>	<u>1998</u> £	<u>1996</u> £
FIXED ASSETS			
Intangible assets	9	4,259	16,696
Tangible assets	10 (a)	309,643	295,415
Investments	10 (b)	<u>6,504</u>	<u>6,504</u>
		320,406	318,615
CURRENT ASSETS			
Stocks - goods for resale		381,318	235,541
Debtors	11	2,307,939	2,521,501
Cash at bank and in hand		<u>586,318</u>	<u>869,613</u>
		3,275,575	3,626,655
CREDITORS: Amounts falling due within one year	12	<u>(1,926,174)</u>	<u>(2,551,318)</u>
NET CURRENT ASSETS		<u>1,349,401</u>	<u>1,075,337</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,669,807	1,393,952
CREDITORS: Amounts falling due after more than one year	13	<u>(44,121)</u>	<u>(29,289)</u>
NET ASSETS		<u>1,625,686</u>	<u>1,364,663</u>
CAPITAL AND RESERVES			
Called-up share capital	14	19,608	33,108
Share premium account	16	9,994	9,994
Capital redemption reserve	16	60,400	46,900
Profit and loss account	16	<u>1,535,684</u>	<u>1,274,661</u>
TOTAL CAPITAL EMPLOYED	16	<u>1,625,686</u>	<u>1,364,663</u>
SHAREHOLDERS' FUNDS			
Equity Interests		1,625,686	1,351,163
Non -equity interests		<u>-</u>	<u>13,500</u>
		<u>1,625,686</u>	<u>1,364,663</u>

Advantage has been taken of the exemptions conferred by Part B of Part III of Schedule 8 to the Companies Act 1985 on the grounds that, in the directors' opinion, the company is entitled to the benefit of those exemptions as a medium company.

SIGNED ON BEHALF OF THE BOARD

J.A. Boudry

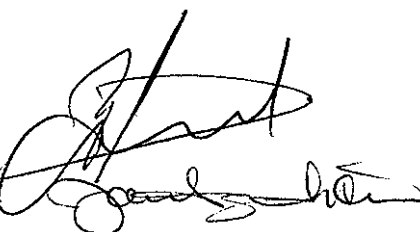
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Director

J. Ageheim

-

Director



November 1998

3 December



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

PETROTECHNIK LIMITED

CASH FLOW STATEMENT

FOR THE 17 MONTHS TO 31 MARCH 1998

	<u>Notes</u>	<u>1998</u> £	<u>1996</u> £
Reconciliation of operating profit to net cash inflow from operating			
Operating Profit		873,112	1,001,165
Depreciation Charges		181,185	108,503
(Profit) on Disposal of Fixed Assets		(6,600)	(540)
Amortisation		12,437	8,778
Decrease/(Increase) in stock		(145,777)	65,547
Decrease/(Increase) in debtors		112,263	(1,288,802)
(Decrease)/Increase in creditors		<u>(454,764)</u>	<u>862,053</u>
Net cash inflow from operating activities		571,856	756,704
Cashflow Statement			
Net cash inflow from operating activities		571,856	756,704
Returns on investment and service of finance	18	37,785	28,974
Taxation		(362,909)	(302,757)
Capital Expenditure	18	(71,383)	(75,195)
Acquisitions & Disposals	18	-	(6,504)
		175,349	401,222
Equity Dividend paid		(335,000)	(275,000)
Non-equity Dividend paid		<u>(619)</u>	<u>(2,107)</u>
		(160,270)	124,115
Financing	18	<u>(123,025)</u>	<u>(90,476)</u>
		<u>(283,295)</u>	<u>33,639</u>
Reconciliation of net cashflow to movement in net debt			
	19		
(Decrease)/Increase in cash in the period		(283,295)	33,639
New finance leases		(117,430)	(24,821)
Cash outflow from decrease in debt and lease financing		<u>109,525</u>	<u>76,976</u>
Change in Net Debt		(291,200)	85,794
Net debt at 1 November 1996		796,849	711,055
Net debt at 31 March 1998		<u>505,649</u>	<u>796,849</u>

PETROTECHNIK LIMITED

NOTES TO THE ACCOUNTS -- 31 MARCH 1998

1. ACCOUNTING POLICIES:

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

a) Basis of accounting

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

Advantage has been taken of the exemptions conferred by Part 1 of Schedule 8 to the Companies Act 1985 on the grounds that, in the directors' opinion, the company is entitled to the benefit of those exemptions as a medium sized company. Accordingly the company's subsidiary company has not been consolidated and is treated as an investment in these financial statements.

b) Fixed assets

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

Depreciation or amortisation is provided at rates calculated to write off the cost, less estimated residual value of each asset on a straight-line basis over its expected useful life, as follows:

Short term leasehold	20%
Fixtures and fittings	20%
Motor Vehicles	25%
Equipment	20% to 33%
Patents	20%
Trademarks	20%

c) Investments

Fixed asset investments are shown at cost less provision for permanent diminution in value.

d) Stocks

Stocks are stated at the lower of first-in, first-out cost and net realisable value. Cost includes all expenditure incurred in bringing each product to its present location and condition.

Net realisable value is based on estimated normal selling price less further costs expected to be incurred on disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

e) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax authorities) is provided, if material, using the liability method on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which in the opinion of the directors will probably not reverse.

Advance corporation tax payable on dividends paid or provided for in the year is written off, except when recoverability against corporation tax payable is considered to be reasonably assured.

NOTES TO THE ACCOUNTS (Continued)

1. ACCOUNTING POLICIES (continued):

f) Foreign currency

Normal trading activities denominated in foreign currencies are recorded in sterling at the actual exchange rate as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the profit and loss account.

g) Turnover

Turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services in the normal course of business.

h) Leases

The company enters into operating and finance leases.

Assets held under finance leases and hire purchase contracts are initially reported at the fair value of the asset, with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the period of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease or hire purchase contract to produce a constant rate of return on the outstanding balance. Rentals are apportioned between finance charges and reduction of the liability, and allocated to cost of sales or other operating expenses as appropriate. Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Further information on charges in the year and future commitments is given in note 17.

i) Pension costs

The company provides pensions to its employees through a funded defined contribution pension scheme. The assets of the scheme are held independently of the company by insurance companies. The amount charged to the profit and loss account is the contributions payable during the period.

j) Development costs

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

2. TURNOVER:

No segmental analysis is given as in the opinion of the directors, a disclosure of this information would be seriously prejudicial to the interests of the company.

3. OTHER OPERATING EXPENSES (NET):

	<u>1998</u>	<u>1996</u>
	£	£
Selling and marketing costs	931,765	653,902
Development overheads	253,907	97,134
Administrative overheads	<u>879,756</u>	<u>512,181</u>
	<u>2,065,428</u>	<u>1,263,217</u>

NOTES TO THE ACCOUNTS (Continued)

4. INTEREST PAYABLE:

	<u>1998</u>	<u>1996</u>
	£	£
Interest payable on loans repayable within five years, by instalments	6,145	7,830
Interest payable on hire purchase contracts	<u>6,836</u>	<u>4,288</u>
	<u>12,981</u>	<u>12,118</u>

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION:

Profit on ordinary activities before taxation is stated after charging-

	<u>1998</u>	<u>1996</u>
	£	£
a) Depreciation of tangible fixed assets:		
- owned	132,355	87,655
- held under hire purchase contracts	48,830	20,838
b) Amortisation of intangible fixed assets	12,437	8,778
c) Auditors' remuneration - audit fee	6,500	5,500
d) Staff costs (see Note 6)	912,072	449,187
e) Operating lease rentals: land and buildings	47,000	47,000
f) (Profit) on disposal of fixed assets	(6,600)	(540)
g) Foreign exchange (gains)	<u>(184,145)</u>	<u>(36,138)</u>

6. STAFF COSTS:

The average weekly number of persons employed (including executive directors) by the company during the year was as follows :-

	<u>1998</u>	<u>1996</u>
	Number	Number
Sales and administration	17	15
Development	<u>3</u>	<u>2</u>
	<u>20</u>	<u>17</u>

Their aggregate remuneration comprised :-

	<u>1998</u>	<u>1996</u>
	£	£
Wages and salaries	781,071	378,959
Social security costs	81,980	44,547
Other pension costs and benefits	<u>49,021</u>	<u>25,681</u>
	<u>912,072</u>	<u>449,187</u>
Directors' remuneration- Emoluments	150,797	93,891
Company contributions to money purchase pension schemes	<u>18,819</u>	<u>12,663</u>
	<u>169,616</u>	<u>106,554</u>
Fees paid to third parties in respect of directors' services	<u>105,960</u>	<u>129,225</u>
Number of directors who were members of pension schemes was as follows:		
Money Purchase Schemes	<u>1</u>	<u>1</u>

NOTES TO THE ACCOUNTS (Continued)

7. TAX ON PROFIT ON ORDINARY ACTIVITIES:

	<u>1998</u>	<u>1996</u>
	£	£
Corporation tax at the current rate on taxable profit for the period	374,904	350,000
(Over)/Under Provision in respect of previous year	<u>10,591</u>	<u>(26,310)</u>
	<u>385,495</u>	<u>323,690</u>

8. DIVIDENDS PAID AND PROPOSED

	<u>1998</u>	<u>1996</u>
Preference shares (11%) net – paid	£619	£2,107
Ordinary and "A" Ordinary shares - Interim paid (£5.10 per share) - (1996 - £2.55 per share)	100,000	50,000
"A" Ordinary shares - proposed - £7.24 per share (1996 - £11.98 per share, £0.73 adjustment)	39,086	58,750
Ordinary shares - proposed - £7.24 per share (1996 - £11.98 per share)	<u>106,500</u>	<u>176,250</u>
	<u>£246,205</u>	<u>£287,107</u>

9. INTANGIBLE FIXED ASSETS:

The movement in the period was as follows-

	<u>Patents and Trademarks</u>
COST-	
Beginning of period	£43,893
Additions	=
End of period	<u>£43,893</u>
AMORTISATION	
Beginning of period	27,197
Charge	<u>12,437</u>
End of period	<u>39,634</u>
NET BOOK VALUE	
Beginning of period	<u>£16,696</u>
NET BOOK VALUE	
End of period	<u>£4,259</u>

NOTES TO THE ACCOUNTS (Continued)

10 (a) TANGIBLE FIXED ASSETS:

The movement in the period was as follows-

	Short term leasehold Improvements	Furniture, fittings & equipment	Total
	£	£	£
COST-			
Beginning of period	55,186	470,979	526,165
Additions	-	196,415	196,415
Disposals	-	(30,002)	(30,002)
End of period	<u>55,186</u>	<u>637,392</u>	<u>692,578</u>
DEPRECIATION			
Beginning of period	24,475	206,275	230,750
Charge	15,536	165,649	181,185
Depreciation on disposals	-	(29,000)	(29,000)
End of period	<u>40,011</u>	<u>342,924</u>	<u>382,935</u>
NET BOOK VALUE			
Beginning of period	<u>30,711</u>	<u>264,704</u>	<u>295,415</u>
NET BOOK VALUE			
End of period	<u>15,175</u>	<u>294,468</u>	<u>309,643</u>

The net book value of tangible fixed assets includes an amount of £121,997 (1996 - £58,508) in respect of assets held under hire purchase contracts.

10 (b) TANGIBLE FIXED ASSETS - INVESTMENT IN SUBSIDIARY COMPANY:

<u>Name of Subsidiary Undertaking</u>	<u>Country of Incorporation</u>	<u>Principal activity and Country of operation</u>	<u>Holding</u>
PetroTechnik France S.A.R.L.	France	Agency company for the sale of UPP pipe and fittings in France.	100%
COST-			
Beginning of period		£6,504	
Investment during the period		-	
End of period		<u>£6,504</u>	
NET BOOK VALUE			
End of period		<u>£6,504</u>	

No amounts were written off the investment during the period.

PetroTechnik France S.A.R.L. has been treated as a subsidiary undertaking because PetroTechnik Limited exercises dominant influence over this investment, directing its financial and operating policies. Advantage has been taken of the exemptions conferred by Section 248 of the Companies Act 1985 on the grounds that, in the directors' opinion, the company is entitled to the benefit of those exemptions as medium company. Accordingly PetroTechnik France S.A.R.L. has not been consolidated and is treated as an investment.

NOTES TO THE ACCOUNTS (Continued)

11. DEBTORS:

The following are included in debtors falling due within one year-

	<u>1998</u>	<u>1996</u>
	£	£
Trade debtors	1,544,294	1,757,013
Amount due from subsidiary company	531,087	543,780
VAT recoverable	69,222	103,974
ACT recoverable	61,397	58,750
Other debtors	27,302	8,368
Prepayments and accrued income	<u>74,637</u>	<u>49,616</u>
	<u>2,307,939</u>	<u>2,521,501</u>

12. CREDITORS- AMOUNTS FALLING DUE WITHIN ONE YEAR:

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

	<u>1998</u>	<u>1996</u>
	£	£
Obligations under hire purchase contracts	36,548	23,475
Loan – secured	-	20,000
Trade creditors	786,159	1,581,911
Corporation tax	316,000	280,728
ACT payable	61,397	71,436
Other creditors:		
- VAT	-	-
- social security and PAYE	20,108	13,365
- accruals	553,268	321,766
- other creditors	7,108	3,637
Dividends payable	<u>145,586</u>	<u>235,000</u>
	<u>1,926,174</u>	<u>2,551,318</u>

Creditors include hire purchase loans of £36,548 (1996 - £23,475), secured on certain fixed assets of the company.

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

	<u>1998</u>	<u>1996</u>
	£	£
Loan – secured	-	20,000
Obligations under hire purchase contracts	<u>44,121</u>	<u>9,289</u>
	<u>44,121</u>	<u>29,289</u>

Analysis of borrowings and hire purchase contracts:

	<u>1998</u>	<u>1996</u>
	£	£
Due within 1 year - loan	-	20,000
- hire purchase	36,548	23,475
Due within 2-5 years		
- loan	-	20,000
- hire purchase	<u>44,121</u>	<u>9,289</u>
	80,669	72,764
Less included in Creditors – amounts falling due within one year	<u>(36,548)</u>	<u>(43,475)</u>
	<u>44,121</u>	<u>29,289</u>

NOTES TO THE ACCOUNTS (Continued)

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

On 29 May 1992 the company borrowed £100,000 under the Department of Trade and Industry loan guarantee scheme. The loan is secured by a second fixed and floating charge over the company's assets, and incurs interest at a fixed rate of 13.9% p.a. It is repayable in five equal annual instalments commencing on 31 March 1994; the final repayment was made on 31 March 1998.

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

14. CALLED-UP SHARE CAPITAL:

Authorised:

	<u>1998</u>	<u>1996</u>
	£	£
14,706 ordinary shares of £1 each	14,706	14,706
4,902 'A' ordinary shares of £1 each	4,902	4,902
60,400 11 % cumulative redeemable preference shares of £1 each	<u>60,400</u>	<u>60,400</u>
	<u>80,008</u>	<u>80,008</u>
Allotted, called-up and fully paid:		
14,706 ordinary shares of £1 each	14,706	14,706
4,902 'A' ordinary shares of £1 each	4,902	4,902
13,500 11 % cumulative redeemable preference shares of £1 each	<u>-</u>	<u>13,500</u>
	<u>19,608</u>	<u>33,108</u>

Distribution of Profits:

Equity

'A' ordinary shareholders have a preferential right to 8% of the first £500,000 of profit before taxation of the company, and 5% of the excess over £500,000, in each financial year, as well as to participate equally with ordinary shareholders. No ordinary dividends shall be paid in any financial year unless any Preference dividend in respect of the Preference shares, or preferential dividend in respect of the 'A' ordinary shares have been paid or until all preference shares which have fallen due for redemption have been redeemed. Any ordinary dividend shall not exceed the dividend paid on each 'A' ordinary share.

Non-Equity

The holders of the redeemable preference shares are entitled to a fixed dividend (net) of 11% payable on 30th April and 31st October. During the year 13,500 preference shares were redeemed at par. All of the company's redeemable preference shares have now been redeemed.

Allocation of Capital:

On a return of capital on a winding up, or a capital reduction or otherwise:

- a) The holders of the preference shares shall receive (provided sufficient assets exist) £1 per share together with any arrears of preference dividend.
- b) The holders of the 'A' ordinary shares shall receive (provided sufficient assets exist) £1 per share together with any arrears of dividend.
- c) Any surplus assets arising after, first, the repayment of (a) and (b) above and, second, the repayment of £1 per share to the holders of each of the ordinary shares shall be distributed amongst the holders of the 'A' ordinary shares and the ordinary shares (pari passu as if the same constituted one class of share) in proportion to the amounts paid up or credited as paid up on these shares.

Other rights:

The holders of 'A' ordinary shares may at any time convert the whole of their 'A' ordinary shares into a like number of ordinary shares. Each of the 'A' ordinary, and ordinary shares carry one vote. The preference shares do not carry a vote. Details of dividends paid and proposed appear in Note 8.

NOTES TO THE ACCOUNTS (Continued)

15. RELATED PARTY TRANSACTIONS:

Beaufort Lee Limited, of which J. Lee is a director and shareholder, provided arm's length financial management services to the company, during the year, consisting of fees of £66,460 and expenses of £18,425 (1996 - fees and expenses £120,068).

Limit AB and PetroTechnik AB, of which J. Ageheim is a director and shareholder, supplied goods and consultancy services on an arms length basis during the year amounting to £15,559 (1996 - £52,286) and £151,393 (1996 - £133,231) respectively.

During the period, intercompany transactions occurred between PetroTechnik France SARL and PetroTechnik limited. The nature of these transactions were the provision of goods and services consisting of total sales of £1,329,973.

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

	Ordinary share capital	Preference Share Capital	Share premium account	Capital redemption reserve	Profit and loss account	Total Shareholder Funds
<u>1998</u>	£	£	£	£	£	£
Beginning of period	19,608	13,500	9,994	46,900	1,274,661	1,364,663
Profit for period	-	-	-	-	520,728	520,728
Dividends paid and Proposed	-	-	-	-	(246,205)	(246,205)
Redemption of Preference shares	-	(13,500)	-	-	-	(13,500)
Transfer between reserves	-	-	-	13,500	(13,500)	-
End of period	<u>19,608</u>	<u>-</u>	<u>9,994</u>	<u>60,400</u>	<u>1,535,684</u>	<u>1,535,686</u>

	Ordinary share capital	Preference Share Capital	Share premium account	Capital redemption reserve	Profit and loss account	Total Shareholder Funds
<u>1996</u>	£	£	£	£	£	£
Beginning of year	19,608	27,000	9,994	33,400	865,598	955,600
Profit for year	-	-	-	-	709,670	709,670
Dividends paid and Proposed	-	-	-	-	(287,107)	(287,107)
Redemption of Preference shares	-	(13,500)	-	-	-	(13,500)
Transfer between reserves	-	-	-	13,500	(13,500)	-
End of year	<u>19,608</u>	<u>13,500</u>	<u>9,994</u>	<u>46,900</u>	<u>1,274,661</u>	<u>1,364,663</u>

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

	<u>1998</u>	<u>1996</u>
	£	£
Distributable:		
- profit and loss account	1,535,684	1,274,661
Non-distributable:		
- share premium account	9,994	9,994
- capital redemption reserve	60,400	46,900
Total reserves	<u>1,606,078</u>	<u>1,331,555</u>

NOTES TO THE ACCOUNTS (Continued)

17. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

	<u>1998</u>	<u>1996</u>
	£	£

At the end of the year, capital commitments were:

Contracted for but not provided in the accounts	<u>71,049</u>	<u>-</u>
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b) Lease commitments

The company leases certain land and buildings on a short term lease. The annual rent payable under the lease is subject to re-negotiation in 2000. The company is responsible for the insurance of the building.

The minimum annual rental payable under the lease is as follows:

	<u>1998</u>	<u>1996</u>
	£	£
Operating leases which expire:		
- within 5 years	<u>47,000</u>	<u>47,000</u>

c) Contingent liabilities

At 31 March 1998 the company had given a bond to H M Customs & Excise totalling £40,000 (1996 - £40,000) in the normal course of business.

18. GROSS CASH FLOWS

	<u>1998</u>	<u>1996</u>
	£	£
Returns on Investment and Servicing of Finance		
Interest Received	50,037	41,901
Interest Paid	(5,416)	(8,638)
Finance lease interest paid	<u>(6,836)</u>	<u>(4,289)</u>
	<u>37,785</u>	<u>28,974</u>
 Capital Expenditure		
Payments to acquire Tangible Fixed Assets	(78,985)	(79,813)
Receipts from sale of Tangible Fixed Assets	<u>7,602</u>	<u>4,618</u>
	<u>(71,383)</u>	<u>(75,195)</u>
 Acquisition and Disposal		
Investment in subsidiary	<u>-</u>	<u>(6,504)</u>
 Financing		
Redemption of Preference Shares	(13,500)	(13,500)
Repayment of loans	(10,000)	(20,000)
Capital Element of Finance Leases	<u>(69,525)</u>	<u>(56,976)</u>
	<u>(123,025)</u>	<u>(90,476)</u>

NOTES TO THE ACCOUNTS (Continued)

19. ANALYSIS OF CHANGES IN NET DEBT

	<u>Beginning of period</u>	<u>Cash Flows</u>	<u>Other Changes</u>	<u>End of period</u>
	£	£	£	£
Cash in hand, at bank	869,613	<u>(283,295)</u> (283,295)	-	586,318
Debt due within one year	(20,000)	20,000	-	-
Debt due after one year	(20,000)	20,000	-	-
Finance Leases	<u>(32,764)</u>	<u>69,525</u>	<u>(117,430)</u>	<u>(80,669)</u>
	<u>796,849</u>	<u>(173,770)</u>	<u>(117,430)</u>	<u>505,649</u>