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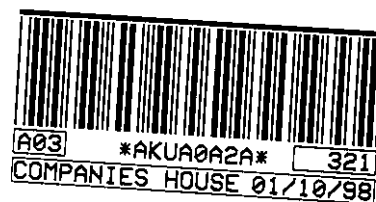
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**Pyrotek Engineering Materials Limited**

Report and Financial Statements

Year Ended

30 June 1998



**IBDO**

BDO Stoy Hayward  
Chartered Accountants

# **PYROTEK ENGINEERING MATERIALS LIMITED**

**Annual report and financial statements for the year ended 30 June 1998**

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## **Directors**

P D K Cameron (General Manager)  
E P Keohane  
B L Smith  
G Ballinger (Controller)  
A G Roy (USA)  
D C Swanson (USA)  
Mrs M Roy (USA)  
Mrs D Swanson (USA)

## **Secretary and registered office**

G Ballinger, Garamonde Drive, Wymbush, Milton Keynes, MK8 8LN.

## **Company number**

269400

## **Auditors**

BDO Stoy Hayward, Everett House, 19 Baldock Street, Ware, Herts SG12 9DH

## **Bankers**

Barclays Bank PLC, Acorn House, 36/38 Park Royal Road, London, NW10 7JA.

## **Solicitors**

Lawrence Graham, 190 Strand, London, EC2R 1JN.

# **PYROTEK ENGINEERING MATERIALS LIMITED**

## **Report of the directors for the year ended 30 June 1998**

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The directors present their report together with the audited financial statements for the year ended 30 June 1998.

### **Results and dividends**

The company made a profit for the year after taxation of £50,445 (1997 - £122,646). The directors do not recommend the payment of a dividend.

### **Principal activities, trading review and future developments**

The principal activity of the company continued to be the manufacture and supply of insulation, filtration, and fire protection products for the engineering and aluminium industries. The directors consider the performance of the company during the year to be satisfactory.

The company operated a branch in Germany throughout the year.

### **Future developments**

The company continues to seek new opportunities, markets and products.

### **Fixed assets**

Details of movements in fixed assets during the year are set out in note 8 to the financial statements.

### **Market value of land and buildings**

In the opinion of the directors the market value of freehold and leasehold land and buildings is not materially different from their book value.

### **Directors**

The directors of the company during the year were:

P D K Cameron  
E P Keohane  
B L Smith  
G Ballinger  
A G Roy (USA)  
D C Swanson (USA)  
Mrs M Roy (USA)  
Mrs D Swanson (USA)

In accordance with the Articles of Association, E P Keohane, Mrs D Swanson and D C Swanson retire by rotation and, being eligible, offer themselves for re-election.

None of the directors hold any interests in the shares of the company.

# **PYROTEK ENGINEERING MATERIALS LIMITED**

## **Report of the directors for the year ended 30 June 1998 (*Continued*)**

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### **Directors (*Continued*)**

D C Swanson and A G Roy hold beneficial interests in the shares of the ultimate parent company, and these interests are disclosed in the financial statements of that company.

### **Directors' responsibilities**

Company law requires the 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, 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.

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.

### **Year 2000 compliance**

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting commercial disruption.

The company has assessed the impact of the Year 2000 on the business and is planning to update computer hardware and software in the next financial year.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain, because at least some failure may still occur. However, the board believes that it will achieve an acceptable level of readiness.

The costs of obtaining Year 2000 compliance are expected to be approximately £82,000 to be borne in the next financial year.

**PYROTEK ENGINEERING MATERIALS LIMITED**

**Report of the directors for the year ended 30 June 1998 (*Continued*)**

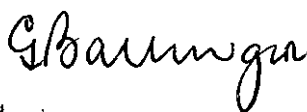
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**Auditors**

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

**By order of the Board**

G Ballinger



Date:

29/9/1998

# **PYROTEK ENGINEERING MATERIALS LIMITED**

## **Report of the auditors**

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### **To the shareholders of Pyrotek Engineering Materials Limited**

We have audited the financial statements on pages 5 to 20 which have been prepared under the accounting policies set out on pages 9 and 10 .

#### *Respective responsibilities of directors and auditors*

As described on page 2 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.

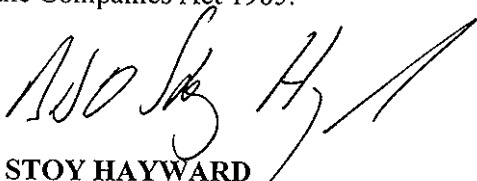
#### *Basis of opinion*

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 30 June 1998 and of its profit 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*

Ware

Date: 29 September 1998

**PYROTEK ENGINEERING MATERIALS LIMITED****Profit and loss account for the year ended 30 June 1998**

	Note	1998 £	1997 £
Turnover	2	9,296,729	8,500,689
Cost of sales		(6,996,652)	(6,230,307)
		<hr/>	<hr/>
Gross profit		2,300,077	2,270,382
Distribution costs		(220,109)	(219,704)
Administrative expenses		(1,761,961)	(1,686,688)
		<hr/>	<hr/>
Operating profit		318,007	363,990
Interest receivable and similar income		1,076	1,086
Interest payable and similar charges	5	(220,351)	(215,220)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	6	98,732	149,856
Taxation on profit from ordinary activities	7	(48,287)	(27,210)
		<hr/>	<hr/>
Retained profit for the year	18	50,445	122,646
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing activities.

The notes on pages 9 to 20 form part of these financial statements.

## **PYROTEK ENGINEERING MATERIALS LIMITED**

### **Statement of total recognised gains and losses and reconciliation in shareholders' funds for the year ended 30 June 1998**

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
<b>Statement of total recognised gains and losses</b>		
Profit for the financial year being total gains and losses for the year before currency adjustments	50,445	122,646
Currency translation differences	63,554	(120,989)
	<hr/>	<hr/>
Total recognised gains and losses for the year	113,999	1,657
	<hr/>	<hr/>
<b>Reconciliation of movement in shareholders' funds</b>		
Profit for the financial year	50,445	122,646
Differences on exchange translation	63,554	(120,989)
Opening shareholders' funds	2,044,642	2,042,985
	<hr/>	<hr/>
Closing shareholders' funds	2,158,641	2,044,642
	<hr/>	<hr/>

The notes on pages 9 to 20 form part of these financial statements.



# **PYROTEK ENGINEERING MATERIALS LIMITED**

## **Balance sheet at 30 June 1998**

	Note	1998	1997
		£	£
<b>Fixed assets</b>			
Tangible assets	8	2,944,522	2,892,237
Investment in subsidiary	9	66,647	67,066
<b>Current assets</b>			
Stocks	10	1,823,825	1,635,077
Debtors	11	2,350,299	2,045,472
Cash at bank and in hand		72,073	80,909
		<u>4,246,197</u>	<u>3,761,458</u>
<b>Creditors: amounts falling due within one year</b>	12	(3,004,558)	(2,777,810)
		<u>1,241,639</u>	<u>983,648</u>
<b>Net current assets</b>			
		<u>4,252,808</u>	<u>3,942,951</u>
<b>Total assets less current liabilities</b>			
<b>Creditors: amounts falling due after more than one year</b>	13	(1,933,216)	(1,877,670)
<b>Provisions for liabilities and charges</b>	15	(160,951)	(20,639)
		<u>2,158,641</u>	<u>2,044,642</u>
<b>Capital and reserves</b>			
Called up share capital	17	50,000	50,000
Profit and loss account	18	2,108,641	1,994,642
		<u>2,158,641</u>	<u>2,044,642</u>
<b>Equity shareholders' funds</b>			
		<u>2,158,641</u>	<u>2,044,642</u>

The financial statements were approved by the Board on 29 September 1998

P D K Cameron  
Director



The notes on pages 9 to 20 form part of these financial statements.

# **PYROTEK ENGINEERING MATERIALS LIMITED**

## **Cash flow statement for the year ended 30 June 1998**

	Note	1998	1997
		£	£
<b>Net cash inflow from operating activities</b>	19	500,872	453,828
<b>Returns on investments and servicing of finance</b>			
Interest received		1,076	1,086
Interest paid		(219,721)	(198,579)
Interest element of finance lease rentals		(630)	(2,145)
		<u>(219,275)</u>	<u>(199,638)</u>
<b>Taxation</b>		(10)	(67,188)
<b>Capital expenditure</b>			
Purchase of tangible fixed assets		(349,822)	(1,287,371)
		<u>(349,822)</u>	<u>(1,287,371)</u>
<b>Acquisitions and disposals</b>			
Purchase of subsidiary		(2,659)	(67,066)
		<u>(2,659)</u>	<u>(67,066)</u>
<b>Cash outflow before financing</b>		(70,894)	(1,167,435)
<b>Financing</b>			
Repayment of loan to parent undertaking		-	(1,217,368)
New bank loans		60,217	2,068,947
Capital element of finance lease rentals		(13,225)	(19,703)
		<u>46,992</u>	<u>831,876</u>
<b>Net cash inflow from financing</b>		46,992	831,876
<b>Decrease in cash</b>	21	<u>(23,902)</u>	<u>(335,559)</u>

The notes on pages 9 to 20 form part of these financial statements.

# PYROTEK ENGINEERING MATERIALS LIMITED

## Notes forming part of the financial statements for the year ended 30 June 1998

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### 1 Accounting policies

The financial statements have been prepared under the historical cost convention, and are in accordance with applicable accounting standards.

#### *Turnover*

Turnover represents the amounts receivable for goods and services provided in the UK and overseas net of trade discounts, value added tax and other sales related taxes.

#### *Tangible fixed assets and depreciation*

Tangible fixed assets are stated at cost or valuation, less depreciation. Depreciation is provided on all tangible fixed assets, other than freehold land at rates calculated to write off the cost or valuation, less estimated residual value of each asset on a reducing balance and straight line basis over its expected useful life as follows:

Freehold buildings	-	over 50 years straight line
Leasehold improvements	-	over the period of the lease
Plant and equipment	-	15-25% reducing balance
Motor vehicles	-	25% reducing balance
Investment in subsidiary	-	Over 6 years straight line

#### *Leasing and hire purchase*

Assets obtained under leases and hire purchase contracts which result in the transfer to the company of substantially all the risks and rewards of ownership (finance leases) are capitalised as tangible fixed assets at the estimated present value of underlying lease payments and are depreciated in accordance with the above policy. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The finance element of the rental payments is charged to the profit and loss account over the period of the lease or hire purchase contract so as to produce a constant periodic rate of charge on the outstanding balance of the net obligation in each period.

Rentals paid under other leases (operating leases) are charged against income on a straight line basis over the lease term.

#### *Stocks and work in progress*

Stocks are stated at the lower of cost and net realisable value. Cost is calculated using the first-in first-out method and consists of material and direct labour costs, together with an appropriate proportion of production overheads. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

#### *Pension costs*

Contributions payable to the company's pension scheme are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the scheme. The pension charge is calculated on the basis of advice from professionally qualified actuaries.

# PYROTEK ENGINEERING MATERIALS LIMITED

Notes forming part of the financial statements for the year ended 30 June 1998 (Continued)

## 1 Accounting policies (Continued)

### *Deferred taxation*

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes to the extent that it is probable that a liability or asset will crystallise.

### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Assets and liabilities in foreign currencies are translated into sterling at the balance sheet exchange rate. Differences arising on the translation of such items are dealt with in the profit and loss account.

The profit and loss accounts and assets and liabilities of foreign branches are translated into sterling at the rates of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net investment in foreign branches are taken to reserves.

## 2 Segmental information

The continuing turnover, profit before taxation and net assets are attributable to the principal activity, being that of the manufacture and supply of insulation, filtration, and fire protection products for the engineering and aluminium industries. This turnover by destination is analysed as follows:

	1998 £	1997 £
Geographical segments:		
Great Britain	2,546,681	2,419,628
Rest of Europe	5,499,399	4,545,457
North America	234,009	229,707
Other	1,016,640	1,305,897
	<hr/>	<hr/>
	9,296,729	8,500,689
	<hr/>	<hr/>

The company holds net current assets in the German branch which amount to £558,237 (1997 - £682,786).

## PYROTEK ENGINEERING MATERIALS LIMITED

Notes forming part of the financial statements for the year ended 30 June 1998 (*Continued*)

### 3 Employees

#### a) *Number of employees*

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

	1998 £	1997 £
Management and administration	41	34
Production	59	53
	<u>100</u>	<u>87</u>

#### b) *Employment costs*

Wages and salaries	1,741,786	1,686,829
Social security costs	178,901	121,201
Other pension costs	122,300	91,861
	<u>2,042,987</u>	<u>1,899,891</u>

### 4 Directors

#### *Emoluments*

The emoluments of the directors of the company were:

Remuneration (including benefits in kind but excluding pension contributions)	251,175	238,685
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There are four directors who are members of the company's defined benefits pension scheme (note 16).

The emoluments of the highest paid director amounted to £89,028 (1997 - £ 86,626).

The accrued pension of the highest paid director at the year end was £25,817. The accrued lump sum of the highest paid director at the year end was £75,492 .

# PYROTEK ENGINEERING MATERIALS LIMITED

Notes forming part of the financial statements for the year ended 30 June 1998 (Continued)

## 5 Interest payable

	1998 £	1997 £
On loans and overdrafts	219,721	213,075
On finance leases	630	2,145
	<u>220,351</u>	<u>215,220</u>

Interest payable to the parent undertaking of £nil (1997 - £108,715) is included within the figure of £219,721 shown above.

## 6 Profit on ordinary activities before taxation is stated after charging:

	1998 £	1997 £
Depreciation - owned fixed assets	254,824	202,331
- assets under finance leases	10,539	9,966
Amortisation	3,078	-
Auditors' remuneration	14,400	12,000
Operating lease rentals - plant and machinery	33,152	32,804
Operating lease rentals - land and buildings	80,000	1,753
Realised losses on exchange	21,879	24,497
	<u>448,672</u>	<u>383,351</u>

## 7 Taxation

UK current year taxation

Corporation tax	98	-
Under provision in prior year	10	6,571
Deferred tax	48,179	20,639
	<u>48,287</u>	<u>27,210</u>

# **PYROTEK ENGINEERING MATERIALS LIMITED**

Notes forming part of the financial statements for the year ended 30 June 1998 (*Continued*)

## **8 Tangible fixed assets**

	Freehold land and buildings £	Leasehold property and improvements £	Plant and equipment £	Motor vehicles £	Total £
<i>Cost</i>					
At 1 July 1997	1,758,933	38,257	2,724,010	223,032	4,744,232
Difference on exchange	(26,325)	(814)	(15,612)	(11,559)	(54,310)
Additions	94,231	-	219,917	35,674	349,822
Disposals	-	(37,443)	(1,407)	(17,598)	(56,448)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 1998	1,826,839	-	2,926,908	229,549	4,983,296
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At 1 July 1997	83,965	38,257	1,637,422	92,351	1,851,995
Difference on exchange	-	(814)	(10,871)	(10,451)	(22,136)
Charge for year	33,633	-	196,153	35,577	265,363
Disposals	-	(37,443)	(1,407)	(17,598)	(56,448)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 1998	117,598	-	1,821,297	99,879	2,038,774
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
Owned assets	1,709,241	-	1,075,463	120,664	2,905,368
Leased assets	-	-	30,148	9,006	39,154
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 1998	1,709,241	-	1,105,611	129,670	2,944,522
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Owned assets	1,674,968	-	1,057,261	118,189	2,850,418
Leased assets	-	-	29,327	12,492	41,819
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 1997	1,674,968	-	1,086,588	130,681	2,892,237
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

### Analysis of freehold land and buildings

	Land £	Buildings £	Total £
Net book value at 30 June 1998	104,641	1,604,601	1,709,242
	<hr/>	<hr/>	<hr/>

## PYROTEK ENGINEERING MATERIALS LIMITED

Notes forming part of the financial statements for the year ended 30 June 1998 (*Continued*)

### 9 Investments

The company holds 100% of the share capital of ISO-AL Limited, a company registered in England & Wales.

The directors are of the opinion that the value of the company's investment is not less than the carrying value.

The company has taken advantage of the exemption conferred by S248 of the Companies Act 1985 not to prepare group accounts as the group it heads qualifies as a medium-sized group. Therefore, the financial statements present information about the company as an individual undertaking and not about its group.

<i>Cost</i>	£
1 July 1997	67,066
Additions	2,659
	<hr/>
	69,725
<i>Amortisation</i>	
Charge for year	(3,078)
	<hr/>
Net book value at 30 June 1998	66,647
	<hr/> <hr/>

### 10 Stocks

	1998 £	1997 £
Raw materials and consumables	1,162,193	1,030,414
Work in progress	53,680	54,300
Finished goods and goods for resale	607,952	550,363
	<hr/>	<hr/>
	1,823,825	1,635,077
	<hr/> <hr/>	<hr/> <hr/>

The difference between purchase price or production cost of stocks and their replacement cost is not material.



**PYROTEK ENGINEERING MATERIALS LIMITED**Notes forming part of the financial statements for the year ended 30 June 1998 *(Continued)***11 Debtors**

	1998 £	1997 £
Trade debtors	1,668,335	1,478,749
Amounts owing from fellow subsidiaries (note 24)	496,249	399,969
Due from subsidiary	-	46,773
Other debtors	121,703	72,203
Prepayments	64,012	47,778
	<hr/>	<hr/>
	2,350,299	2,045,472
	<hr/> <hr/>	<hr/> <hr/>

**12 Creditors: amounts falling due within one year**

	1998 £	1997 £
Bank overdraft	904,871	889,805
Current portion of bank loans (note 13)	199,806	218,963
Trade creditors	1,063,921	1,154,882
Due to subsidiary	1,397	-
Amounts owed to fellow subsidiaries (note 24)	239,382	219,485
Obligations under finance lease and hire purchase contracts	12,762	2,159
Corporation tax	98	-
Other taxes and social security	43,932	35,661
Other creditors	57,403	32,546
Accruals	480,986	224,309
	<hr/>	<hr/>
	3,004,558	2,777,810
	<hr/> <hr/>	<hr/> <hr/>

The bank overdraft is secured by a guarantee from the company's parent undertaking.

# **PYROTEK ENGINEERING MATERIALS LIMITED**

Notes forming part of the financial statements for the year ended 30 June 1998 *(Continued)*

## **13 Creditors: amounts falling due after more than one year**

	1998 £	1997 £
Bank loans	1,929,358	1,849,984
Obligations under finance leases and hire purchase contracts	3,858	27,686
	<u>1,933,216</u>	<u>1,877,670</u>

A bank loan in the amount of £1,313,140 (1997 - £1,500,000) is secured by a charge over the company's corporate offices in Milton Keynes and by a guarantee from Pyrotek Inc. USA in the amount of £780,000. The loan bears interest at 1.85% over LIBOR and is repayable in annual instalments.

A bank loan in the amount of £816,024 (1997 - £568,947) is secured by a guarantee by Pyrotek Inc. USA in the amount of the loan. The loan bears interest at 1.00% over LIBOR and is repayable in quarterly instalments.

	1998 £
The bank loans are due as follows:	
Within two to five years	-
After five years	2,129,164
	<u>2,129,164</u>

## **14 Obligations under finance leases and hire purchase contracts**

	1998 £	1997 £
Net obligations under finance leases repayable:		
Within one year	12,762	2,159
Between one and two years	3,858	27,686
	<u>16,620</u>	<u>29,845</u>

Obligations under finance leases and hire purchase contracts are secured by related assets and bear finance charges at approximately 12% per annum.

# PYROTEK ENGINEERING MATERIALS LIMITED

Notes forming part of the financial statements for the year ended 30 June 1998 *(Continued)*

## 15 Provisions for liabilities and charges

	1998 £	1997 £
Deferred taxation (see below)	160,951	20,639

	1998		1997	
	Provided £	Unprovided £	Provided £	Unprovided £
Accelerated capital allowances	160,951	204,665	140,420	204,036
Other timing differences	-	-	(119,781)	-
	<u>160,951</u>	<u>204,665</u>	<u>20,639</u>	<u>204,036</u>

## 16 Pension costs

The company has been operating a pension scheme providing benefits based on final pensionable pay up until 31 May 1998. On 1 June 1998 the scheme was changed to a money purchase plan. The assets of the scheme are held separately from those of the company, being invested with insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions were determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 20 March 1996 with an effective date of 6 April 1995. The assumptions which have the most significant effect on the results of the valuation were those relating to the rate of return of investments, and the rates of increase in salaries. It was assumed that the investment returns would be 9% per annum, and that salary increases would average 8% per annum.

The pension charge for the year is as stated in note 3. The contributions outstanding at 30 June 1998 amounted to £16,551 (1997 - £7,472).

The most recent actuarial valuation showed that the market value of the scheme's assets was £1,229,000 and that the actuarial value of those assets represented 132% of the benefits that had accrued to members after allowing for expected future increases in earnings. The employer's contribution rate over the average remaining service lives of employees in the scheme takes account of the surplus disclosed by the valuation. The contributions of the company and employees are 6.4% and 4% of earnings respectively.

**PYROTEK ENGINEERING MATERIALS LIMITED**

Notes forming part of the financial statements for the year ended 30 June 1998 (*Continued*)

**17 Called up share capital**

	Authorised, allotted, issued and fully paid 1997 and 1998	
	Number	£
£1 ordinary shares	50,000	50,000

**18 Reserves**

	Profit and loss account £
At 1 July 1997	1,994,642
Profit for the year	50,445
Exchange profit on consolidation of German branch	63,554
	<hr/>
At 30 June 1998	2,108,641

**19 Reconciliation of operating profit to net cash inflow from operating activities**

	1998 £	1997 £
Operating profit	318,007	363,990
Depreciation	265,362	212,297
Amortisation	3,078	-
(Increase)/decrease in stocks	(188,748)	21,119
Increase in debtors	(212,694)	(207,301)
Increase in creditors	220,138	63,723
Exchange difference	95,729	-
	<hr/>	<hr/>
Net cash inflow from operating activities	500,872	453,828

# **PYROTEK ENGINEERING MATERIALS LIMITED**

Notes forming part of the financial statements for the year ended 30 June 1998 *(Continued)*

## **20 Reconciliation of net cash inflow to movement in net debt**

	1998 £
Decrease in cash in the year	(23,902)
Cash outflow from decrease in debt and lease financing	(46,992)
	<hr/>
Change in net debt resulting from cash flows	(70,894)
	<hr/>
Movement in net debt in the year	(70,894)
Opening net debt	(2,907,688)
	<hr/>
Closing net debt	(2,978,582)
	<hr/> <hr/>

## **21 Analysis of net debt**

	At 1 July 1997 £	Cash flow £	At 30 June 1998 £
Cash in hand and at bank	80,909	(8,836)	72,073
Overdrafts	(889,805)	(15,066)	(904,871)
	<hr/>	<hr/>	<hr/>
	(808,896)	(23,902)	(832,798)
	<hr/>	<hr/>	<hr/>
Debt due after 1 year	(1,849,984)	(79,374)	(1,929,358)
Debt due within 1 year	(218,963)	19,157	(199,806)
Finance leases	(29,845)	13,225	(16,620)
	<hr/>	<hr/>	<hr/>
	(2,098,792)	(46,992)	(2,145,784)
	<hr/>	<hr/>	<hr/>
Total	(2,907,688)	(70,894)	(2,978,582)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## PYROTEK ENGINEERING MATERIALS LIMITED

### Notes forming part of the financial statements for the year ended 30 June 1998 (*Continued*)

#### 22 Contingent liability

The company has given guarantees in the normal course of its business for work done by its Corian division, which was disposed of in 1992. These guarantees last for ten years, experience to date shows that claims totalling £12,000 per annum since 1992 have been agreed. This cost has been expensed as it is incurred and amounted to £nil for the year (1997 - £3,227).

The company has given guarantees to HM Customs and Excise on duty deferment amounting to £100,000 at 30 June 1998 and 1997.

The company has given Bond Guarantees of Indemnities amounting to: £8,122 (1997 - £550); DM nil (1997 - DM40,000); and US\$11,449 (1997 - US\$82,808).

#### 23 Financial commitments

##### *Operating leases*

At 30 June 1998 the company had annual commitments under non-cancellable operating leases as follows:

	1998		1997	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiry date:				
Within one year	-	21,235	-	1,586
Between two and five years	-	25,062	-	20,648
In over five years	80,000	-	80,000	-
	<u>80,000</u>	<u>46,297</u>	<u>80,000</u>	<u>22,234</u>

#### 24 Related party transactions

The company sells and purchases various products from fellow subsidiaries of the ultimate parent undertaking.

Sales during the year to fellow subsidiaries are £723,152. Purchases during the year from fellow subsidiaries are £938,656. Amounts owing from fellow subsidiaries amounted to £496,249 at 30 June 1998. Amounts due to fellow subsidiaries amounted to £240,779.

Pyrotek Inc. USA charged the company a management fee in the amount of £187,281 for the year ended 30 June 1998, of which £187,281 remains payable at 30 June 1998.

#### 25 Parent undertaking

At 30 June 1998, the ultimate parent company was Pyrotek Inc, which is incorporated in the state of Washington, United States of America. Pyrotek Inc. is the parent undertaking of the largest group for which group accounts are drawn up.