

REGISTRAR OF
COMPANIES

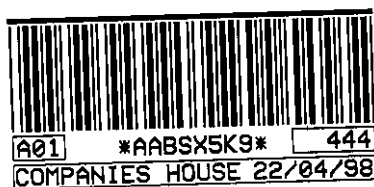
269400

Pyrotek Engineering Materials Limited

Report and Financial Statements

Year Ended

30 June 1997



BDO

BDO Stoy Hayward
Chartered Accountants

PYROTEK ENGINEERING MATERIALS LIMITED

Annual report and financial statements for the year ended 30 June 1997

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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)
Mr A G Roy (USA)
Mrs D C Swanson (USA)

Secretary and registered office

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

Company number

269400

Auditors

BDO Stoy Hayward, 8 Baker Street, London, W1M 1DA.

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 1997

The directors present their report together with the audited financial statements for the year ended 30 June 1997.

Results and dividends

The company made a profit for the year after taxation of £122,646 (1996 - £160,565). 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.

During the year the company acquired 100% of the outstanding share capital of ISO-AL Limited.

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 A G Roy (USA)
Mrs D C Swanson (USA)

In accordance with the Articles of Association, P D K Cameron, Mrs A G Roy and G Ballinger 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 1997 (*Continued*)

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.

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


P K Cameron

Director

Date **30 October 1997**

PYROTEK ENGINEERING MATERIALS LIMITED

Report of the auditors

To the shareholders of Pyrotek Engineering Materials Limited

We have audited the financial statements on pages 4 to 20 which have been prepared under the accounting policies set out on pages 8 and 9 .

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 1997 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
London

30 October 1997

PYROTEK ENGINEERING MATERIALS LIMITED**Profit and loss account for the year ended 30 June 1997**

	Note	1997 £	1996 £
Turnover	2	8,500,689	8,281,401
Cost of sales		(6,230,307)	(5,935,193)
		<hr/>	<hr/>
Gross profit		2,270,382	2,346,208
Distribution costs		(219,704)	(209,477)
Administrative expenses		(1,686,688)	(1,675,532)
		<hr/>	<hr/>
Operating profit		363,990	461,199
Interest receivable and similar income		1,086	1,174
Interest payable and similar charges	5	(215,220)	(243,421)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	6	149,856	218,952
Taxation on profit from ordinary activities	7	(27,210)	(58,387)
		<hr/>	<hr/>
Retained profit for the year	18	122,646	160,565
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing activities.

The notes on pages 8 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 1997

	1997 £	1996 £
Statement of total recognised gains and losses		
Profit for the financial year and total gains and losses for the year before currency adjustments	122,646	160,565
Currency translation differences	(120,989)	-
	<hr/>	<hr/>
Total recognised gains and losses for the year	1,657	160,565
	<hr/>	<hr/>
Reconciliation of movement in shareholders' funds		
Profit for the financial period	122,646	160,565
Differences on exchange translation	(120,989)	-
Opening shareholders' funds	2,042,985	1,882,420
	<hr/>	<hr/>
Closing shareholders' funds	2,044,642	2,042,985
	<hr/>	<hr/>

The notes on pages 8 to 20 form part of these financial statements.

PYROTEK ENGINEERING MATERIALS LIMITED

Balance sheet at 30 June 1997

	Note	1997		1996	
		£	£	£	£
Fixed assets					
Tangible assets	8		2,892,237		1,817,163
Investment in subsidiary	9		67,066		-
Current assets					
Stocks	10	1,635,077		1,656,196	
Debtors	11	2,045,472		1,838,171	
Cash at bank and in hand		80,909		77,870	
			3,761,458		3,572,237
Creditors: amounts falling due within one year	12	(2,777,810)		(2,098,654)	
Net current assets			983,648		1,473,583
Total assets less current liabilities			3,942,951		3,290,746
Creditors: amounts falling due after more than one year	13		(1,877,670)		(1,247,761)
Provisions for liabilities and changes	15		(20,639)		-
			2,044,642		2,042,985
Capital and reserves					
Called up share capital	17		50,000		50,000
Profit and loss account	18		1,994,642		1,992,985
Equity shareholders' funds			2,044,642		2,042,985

The financial statements were approved by the Board on

P K Cameron
Director

P K Cameron

30th October 1997

The notes on pages 8 to 20 form part of these financial statements.

PYROTEK ENGINEERING MATERIALS LIMITED

Cash flow statement for the year ended 30 June 1997

	Note	1996	1995
		£	£
Net cash inflow from operating activities	19	453,828	419,611
Returns on investments and servicing of finance			
Interest received		1,086	1,174
Interest paid		(198,579)	(243,421)
Interest element of finance lease rentals		(2,145)	-
		<u>(199,638)</u>	<u>(242,247)</u>
Taxation		(67,188)	(62,770)
Capital expenditure			
Purchase of tangible fixed assets		(1,287,371)	(313,185)
		<u>(1,287,371)</u>	<u>(262,899)</u>
Acquisitions and disposals			
Purchase of subsidiary		(67,066)	-
		<u>(67,066)</u>	<u>-</u>
Cash outflow before financing		(1,167,435)	(148,305)
Financing			
Repayment of loan to parent undertaking		(1,217,368)	-
New bank loans		2,068,947	-
Capital element of finance lease rentals		(19,703)	(29,463)
		<u>831,876</u>	<u>(29,463)</u>
Net cash inflow/(outflow) from financing		831,876	(29,463)
(Decrease) in cash	21	<u>(335,559)</u>	<u>(177,768)</u>

The notes on pages 8 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 1997

1 Accounting policies

The financial statements have been prepared under the historical cost convention, and 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

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 of 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 1997 (*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, 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:

	1997 £	1996 £
Geographical segments:		
Great Britain	2,419,628	2,133,333
Rest of Europe	4,545,457	4,072,221
North America	229,707	546,454
Other	1,305,897	1,529,393
	<hr/>	<hr/>
	8,500,689	8,281,401
	<hr/>	<hr/>

The company holds net current assets in the German branch which amount to £682,786 (1996 - £502,107).

PYROTEK ENGINEERING MATERIALS LIMITED

Notes forming part of the financial statements for the year ended 30 June 1997 (*Continued*)

3 Employees

a) *Number of employees*

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

	1997 £	1996 £
Management and administration	34	36
Production	53	51
	<u>87</u>	<u>87</u>

b) *Employment costs*

Wages and salaries	1,686,829	1,504,749
Social security costs	121,201	135,649
Other pension costs	91,861	94,926
	<u>1,899,891</u>	<u>1,735,324</u>

4 Directors

Emoluments

The emoluments of the directors of the company were:

Remuneration (including benefits in kind but excluding pension contributions)

238,685	229,684
<u>238,685</u>	<u>229,684</u>

There are four directors who are members of the company's defined benefit pension scheme (note 16).

The emoluments of the highest paid director amounted to £86,626 (1996 - £79,773).

The accrued pension of the highest paid director at year end was £22,192. The accrued lump sum of the highest paid director at year end was £71,603.

PYROTEK ENGINEERING MATERIALS LIMITED

Notes forming part of the financial statements for the year ended 30 June 1997 (*Continued*)

5 Interest payable

	1997 £	1996 £
On loans and overdrafts repayable	213,075	232,814
On finance leases	2,145	10,607
	<u>215,220</u>	<u>243,421</u>

Interest payable to the parent undertaking of £108,715 (1996 - £170,129) is included within the figure of £213,075 shown above.

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

	1997 £	1996 £
Depreciation - owned fixed assets	202,331	201,190
- assets under finance leases	9,966	7,039
Auditors' remuneration	12,000	16,000
Operating lease rentals - plant and machinery	32,804	12,695
Operating lease rentals - land and buildings	1,753	-
Realised losses on exchange	24,497	46,061
	<u>272,341</u>	<u>283,985</u>

7 Taxation

UK current year taxation

Corporation tax	-	60,000
Prior year adjustment	6,571	(1,613)
Deferred tax	20,639	-
	<u>27,210</u>	<u>58,387</u>

PYROTEK ENGINEERING MATERIALS LIMITED

Notes forming part of the financial statements for the year ended 30 June 1997 (*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 1996	930,289	38,257	2,296,631	192,684	3,457,861
Additions	828,644	-	428,379	30,348	1,287,371
Disposals	-	-	(1,000)	-	(1,000)
At 30 June 1997	1,758,933	38,257	2,724,010	223,032	4,744,232
<i>Depreciation</i>					
At 1 July 1996	66,289	37,631	1,479,704	57,074	1,640,698
Charge for the year	17,676	626	158,718	35,277	212,297
Disposals	-	-	(1,000)	-	(1,000)
At 30 June 1997	83,965	38,257	1,637,422	92,351	1,851,995
<i>Net book value</i>					
Owned assets	1,674,968	-	1,057,261	118,189	2,850,418
Leased assets	-	-	29,327	12,492	41,819
At 30 June 1997	1,674,968	-	1,086,588	130,681	2,892,237
Owned assets	864,000	-	780,966	118,954	1,763,920
Leased assets	-	626	35,961	16,656	53,243
At 30 June 1996	864,000	626	816,927	135,610	1,817,163

Analysis of freehold land and buildings

	Land £	Buildings £	Total £
Net book value at 30 June 1997	104,461	1,570,507	1,674,968

PYROTEK ENGINEERING MATERIALS LIMITED

Notes forming part of the financial statements for the year ended 30 June 1997 (Continued)

9 Investments

On 28 February 1997, the company acquired 100% of the outstanding share capital of ISO-AL Limited, a company registered in England and Wales for a total consideration of £67,066. The principal business activity of ISO-AL Limited is the manufacture and supply of refractor systems to the aluminium smelting industry.

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.

10 Stocks

	1997 £	1996 £
Raw materials and consumables	1,030,414	1,212,546
Work in progress	54,300	40,773
Finished goods and goods for resale	550,363	402,877
	<hr/>	<hr/>
	1,635,077	1,656,196
	<hr/>	<hr/>

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

11 Debtors

	1997 £	1996 £
Trade debtors	1,478,749	1,300,480
Amounts owing from fellow subsidiaries (note 24)	399,969	385,425
Due from subsidiary	46,773	-
Other debtors	72,203	83,890
Prepayments	47,778	68,376
	<hr/>	<hr/>
	2,045,472	1,838,171
	<hr/>	<hr/>

PYROTEK ENGINEERING MATERIALS LIMITED

Notes forming part of the financial statements for the year ended 30 June 1997 (*Continued*)

12 Creditors: amounts falling due within one year

	1997 £	1996 £
Bank overdraft	889,805	430,218
Current portion of bank loans (note 13)	218,963	-
Trade creditors	1,154,882	802,295
Amounts owed to fellow subsidiaries (note 24)	219,485	511,374
Obligations under finance lease and hire purchase contracts	2,159	19,155
Corporation tax	-	60,617
Other taxes and social security	35,661	31,723
Other creditors	32,546	20,265
Accruals	224,309	223,007
	<hr/>	<hr/>
	2,777,810	2,098,654
	<hr/>	<hr/>

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

13 Creditors: amounts falling due after more than one year

	1997 £	1996 £
Bank loans	1,849,984	-
Loan from parent undertaking	-	1,217,368
Obligations under finance leases and hire purchase contracts	27,686	30,393
	<hr/>	<hr/>
	1,877,670	1,247,761
	<hr/>	<hr/>

A bank loan in the amount of £1,500,000 (1996 - £Nil) 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 £568,947 (1996 - £Nil) 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.

The bank loans are due as follows:

Within two to five years	875,852
After five years	974,132
	<hr/>
	1,849,984
	<hr/>

PYROTEK ENGINEERING MATERIALS LIMITED

Notes forming part of the financial statements for the year ended 30 June 1997 (*Continued*)

14 Obligations under finance leases and hire purchase contracts

	1997 £	1996 £
Net obligations under finance leases repayable:		
Within one year	2,159	19,155
Between one and two years	27,686	30,393
	<u>29,845</u>	<u>49,548</u>

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

15 Provisions for liabilities and changes

	1997 £	1996 £
Deferred taxation (see below)	20,639	-
	<u>20,639</u>	<u>-</u>

	1997		1996	
	Provided £	Unprovided £	Provided £	Unprovided £
Accelerated capital allowances	140,420	204,036	53,682	299,237
Other timing differences	(119,781)	-	(53,682)	(94,546)
	<u>20,639</u>	<u>204,036</u>	<u>-</u>	<u>204,691</u>

16 Pension costs

The company operates a pension scheme providing benefits based on final pensionable pay. 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 are 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 are 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.

PYROTEK ENGINEERING MATERIALS LIMITED

Notes forming part of the financial statements for the year ended 30 June 1997 (*Continued*)

16 Pension costs

The pension charge for the year is as stated in note 3. The contributions outstanding at 30 June 1997 amounted to £7,472 (1996 - £7,733).

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 7.7% and 4% of earnings respectively.

17 Called up share capital

	Authorised, allotted, issued and fully paid 1997 and 1996	
	Number	£
£1 ordinary shares	50,000	50,000

18 Reserves

	Profit and loss account £
At 1 July 1996	1,992,985
Profit for the year	122,646
Exchange losses on consolidation of German branch	(120,989)
	<hr/>
At 30 June 1997	1,994,642

PYROTEK ENGINEERING MATERIALS LIMITEDNotes forming part of the financial statements for the year ended 30 June 1997 (*Continued*)**19 Reconciliation of operating profit to net cash inflow from operating activities**

	1997 £	1996 £
Operating profit	363,990	461,199
Depreciation	212,297	208,229
Loss on disposal of fixed assets	-	3,226
Decrease/(increase) in stocks	21,119	(428,883)
(Increase) in debtors	(207,301)	(63,215)
Increase in creditors	63,723	239,055
	<hr/>	<hr/>
Net cash inflow from operating activities	453,828	419,611
	<hr/>	<hr/>

20 Reconciliation of net cash inflow to movement in net debt

	£
(Decrease) in cash in the year	(335,559)
Cash inflow from increase in debt and lease financing	(831,876)
	<hr/>
Change in net debt resulting from cash flows	(1,167,435)
Exchange movements	(120,989)
	<hr/>
Movement in net debt in the year	(1,288,424)
Opening net debt	(1,619,264)
	<hr/>
Closing net debt	(2,907,688)
	<hr/>

PYROTEK ENGINEERING MATERIALS LIMITED

Notes forming part of the financial statements for the year ended 30 June 1997 (*Continued*)

21 Analysis of net debt

	At 1 July 1996 £	Cash flow £	Exchange movements £	At 30 June 1997 £
Cash in hand and at bank	77,870	124,028	(120,989)	80,909
Overdrafts	(430,218)	(459,587)	-	(889,805)
	<u>(352,348)</u>	<u>(335,559)</u>	<u>(120,989)</u>	<u>(808,896)</u>
Debt due after 1 year	(1,217,368)	(632,616)	-	(1,849,984)
Debt due within 1 year	-	(218,963)	-	(218,963)
Finance leases	(49,548)	19,703	-	(29,845)
	<u>(1,266,916)</u>	<u>(831,876)</u>	<u>-</u>	<u>(2,098,792)</u>
Total	<u>(1,619,264)</u>	<u>(1,167,435)</u>	<u>(120,989)</u>	<u>(2,907,688)</u>

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 £3,227 for the year (1996 - £3,453).

The company has given guarantees to HM Customs and Excise on duty deferment amounting to £101,017 at 30 June 1997 and 1996.

The company has given Bond Guarantees of Indemnities amounting to: £550 (1996 - £17,356); DM40,000 (1996 - DM40,000); and US\$82,808 (1996 - US\$273,467).

PYROTEK ENGINEERING MATERIALS LIMITED

Notes forming part of the financial statements for the year ended 30 June 1997 (*Continued*)

23 Financial commitments

Operating leases

At 30 June 1997 the company had annual commitments under non-cancellable operating leases as follows:

	1997		1996	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiry date:				
Within one year	-	1,586	84,051	4,692
Between two and five years	-	20,648	-	26,544
In over five years	80,000	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	80,000	22,234	84,051	31,236
	<hr/>	<hr/>	<hr/>	<hr/>

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 £420,033. Purchases during the year from fellow subsidiaries are £694,606. Amounts owing from fellow subsidiaries amounted to £399,969 at 30 June 1997. Amounts due to fellow subsidiaries amounted to £219,485.

Pyrotek Inc. USA charged the company a management fee in the amount of £224,597 for the year ended 30 June 1997, of which £101,687 remains payable at 30 June 1997.

PYROTEK ENGINEERING MATERIALS LIMITED

Notes forming part of the financial statements for the year ended 30 June 1997 (*Continued*)

25 Parent undertaking

At 30 June 1997, the ultimate parent company is Rads Inc., which is incorporated in the state of Washington, United States of America. Rads Inc. is the parent undertaking of the largest group for which group accounts are drawn up. On 1 July 1997 the ultimate parent company became Pyrotek Inc. USA.