

REGISTRAR OF COMPANIES

***H Bronnley & Co Limited
Directors' Report and Accounts
Year Ended 31 December 1997***

Company Number : 46883



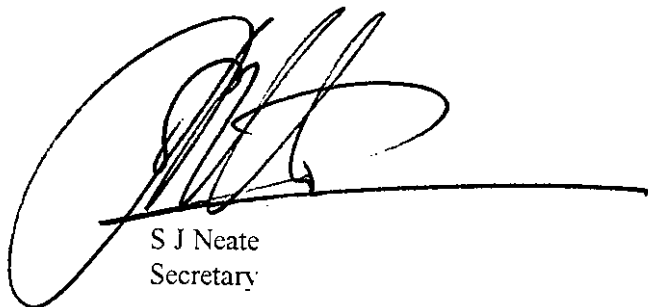
H Bronnley & Co. Limited

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the members of the Company will be held at the registered office of the Company at Radstone Road, Brackley, on 3 September 1998 at 2.30pm to transact the following business.

1. To receive and consider the Directors' Report and Audited Accounts for the year ended 31 December 1997.
2. To confirm the Dividends as set out in the Audited Accounts.
3. To re-elect Mr A.R. Smith as a Director.
4. To resolve that the amount of Directors' fees to be paid to each Director pursuant to Article 94 of the Articles of Association shall be £4,000 per annum as from 1 January 1998.
5. To reappoint auditors and authorise the Directors to determine their remuneration.
6. To transact any other business which may be properly transacted at an Annual General Meeting of the Company.

By Order of the Board



S J Neate
Secretary

3/8/ 1998

A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and, on a poll, to vote on his/her behalf. A proxy need not be a member of the Company. Any instrument appointing a proxy, to be valid, must be lodged with the Company Secretary at the registered office not later than forty eight hours before the time fixed for the meeting.

H Bronnley & Co. Limited

Directors' Report

The directors submit their report and the accounts for the year ended 31 December 1997.

Principal Activities and Business Review

The principal activity of the group during the year continued to be the production and wholesale distribution of quality soap and toiletries.

Turnover has increased over the previous year but profits have fallen due to competitive pressures. The directors regard the position of the company at the end of the year as satisfactory.

Statement of Directors' Responsibilities

Company law requires the directors to prepare accounts that give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for its financial year. In doing so the directors are required to:

- select suitable accounting policies and 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 accounts
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and Dividends

The profit of the group for the year after taxation amounted to £115,153 (1996 £235,005).

Dividends have been paid on the preference shares for 1997. The directors recommend that a dividend be declared on the ordinary shares of £12,514 (3%) (1996 £20,857 (5%)). The remaining profit for the financial year of £100,733 (1996 £212,242) has been carried forward.

Directors and Interests in Shares

The names of the present directors, all of whom served throughout the year, and the number of shares in the company in which they had an interest is defined by the Companies Act 1985 is as follows:

H Bronnley & Co. Limited

Directors' Report (continued)

At beginning and end of year:

	Beneficial Interest				Other Interest			
	Ordinary Voting	Non Voting	Preference 6%B	5%	Ordinary Voting	Non Voting	Preference 6%B	5%
Miss A Rossiter * (Chairman)	17,365	141,556	15,797	125	-	-	-	-
A R Smith CA	-	-	100	-	-	-	-	-
H G Blank FCA	-	-	-	-	-	-	-	-
F J Sheppard * (Managing Director)	500	-	-	-	-	-	-	-
F J Morris (Sales Director) (appointed 1 January 1997)	-	-	-	-	-	-	-	-
* Directors Joint Interests -					4,181	15,985	4,096	4,625

Directors' Insurance

An insurance policy is maintained for the directors of the company to be indemnified in respect of liabilities incurred in the execution of their duties.

Market Value of Land and Buildings

The directors are of the opinion that the market value of land and buildings is in excess of the book value, but since there is no intention of selling the property, they do not consider the cost of obtaining a professional valuation is justified.

Environmental Statement

The company continues to monitor its impact on the environment to ensure that no deterioration of its established environmentally friendly systems of working can occur. A recent inspection by Anglia Water of the water supply and internal systems confirmed the integrity of our system and full compliance with water supply bye laws.

During 1997 the company decided to purchase ultra low sulphur fuels for its internal fleet of vehicles. It is expected that this new fuel will reduce emissions of particulates, unburnt hydrocarbons, nitrous oxides and carbon monoxide by up to 85 percent.

Staff

The directors wish to thank the staff for their loyalty and co-operation during the year.

H Bronnley & Co. Limited

Directors' Report (continued)

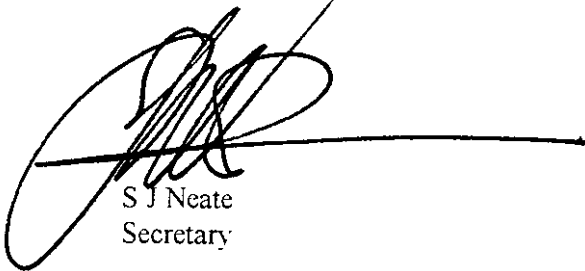
Year 2000 Compliance

Progress is well advanced to ensure that the company is Year 2000 compliant.

Auditors

A resolution will be proposed at the Annual General Meeting to reappoint Moores Rowland as auditors to the company for the ensuing year.

On behalf of the Board



S J Neate
Secretary

3/8/ 1998

Radstone Road
Brackley
Northamptonshire
NN13 5AU

Auditors' Report to the Members of H Bronnley & Co. Limited

We have audited the accounts on pages 6 to 21.

Respective responsibilities of directors and auditors

As described in the directors' report, the company's directors are responsible for the preparation of the accounts. It is our responsibility as auditors to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group as at 31 December 1997 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Moores Rowland

Moores Rowland
Chartered Accountants
Registered Auditors

London

5th Aug 1998

H Bronnley & Co. Limited

Consolidated Profit and Loss Account Year Ended 31 December 1997

	Note	1997 £	1996 £
Turnover	2	6,828,006	6,330,084
Cost of sales		(4,241,640)	(3,693,069)
Gross profit		<u>2,586,366</u>	<u>2,637,015</u>
Selling and distribution costs		(1,398,497)	(1,367,121)
Administrative expenses		(1,013,401)	(915,416)
Operating profit		<u>174,468</u>	<u>354,478</u>
Other operating expenses	3	(29,207)	(59,786)
Interest payable	4	<u>145,261</u> <u>(32,573)</u>	<u>294,692</u> <u>(46,988)</u>
Profit on ordinary activities before taxation	2	<u>112,688</u>	<u>247,704</u>
Tax thereon	6	2,465	(12,699)
Profit on ordinary activities after taxation		<u>115,153</u>	<u>235,005</u>
(including parent company £132,062 1996 £258,709)			
Dividends	7	(14,420)	(22,763)
Retained profit for the financial year		<u>100,733</u>	<u>212,242</u>
Retained profits brought forward		<u>1,050,841</u>	<u>838,599</u>
Retained profits carried forward		<u><u>1,151,574</u></u>	<u><u>1,050,841</u></u>

As there were no acquisitions or discontinued activities in the year, all disclosures relate only to continuing operations.

The group has no recognised gains or losses other than the profit for the year.

H Bronnley & Co. Limited

Consolidated Balance Sheet As at 31 December 1997

	Note	£	1997 £	£	1996 £
Fixed Assets					
Tangible assets	8		1,863,192		1,944,341
Current Assets					
Stocks	10	1,504,787		1,205,345	
Debtors	11	1,773,663		1,563,849	
Cash at bank and in hand		104,049		164,499	
		3,382,499		2,933,693	
Creditors - amounts falling due within one year	12	(1,446,597)		(1,167,605)	
Net Current Assets			1,935,902		1,766,088
Total Assets Less Current Liabilities					
			3,799,094		3,710,429
Creditors - amounts falling due after more than one year	13	(100,000)		(107,163)	
Provisions for liabilities and charges	14	(191,529)		(196,434)	
			(291,529)		(303,597)
Total Net Assets					
			3,507,565		3,406,832
Capital and Reserves					
Called up share capital	15		450,991		450,991
Reserve			1,905,000		1,905,000
Profit and loss account			1,151,574		1,050,841
Shareholders' funds (including non equity interests)	16		3,507,565		3,406,832

Approved by the board on

3/8/

1998

Miss A Rossiter

Chairman

Ann Rossiter

H Bronnley & Co. Limited

Company Balance Sheet As at 31 December 1997

	Note	1997 £	1996 £
Fixed Assets			
Tangible assets	8	1,861,492	1,941,835
Investments	9	202	202
		<u>1,861,694</u>	<u>1,942,037</u>
Current Assets			
Stocks	10	1,504,787	1,205,345
Debtors	11	1,786,228	1,579,314
Cash at bank and in hand		65,178	110,863
		<u>3,356,193</u>	<u>2,895,522</u>
Creditors - amounts falling due within one year	12	(1,442,642)	(1,167,888)
Net Current Assets		<u>1,913,551</u>	<u>1,727,634</u>
Total Assets Less Current Liabilities		<u>3,775,245</u>	<u>3,669,671</u>
Creditors - amounts falling due after more than one year	13	(100,000)	(107,163)
Provisions for liabilities and charges	14	(191,529)	(196,434)
		<u>(291,529)</u>	<u>(303,597)</u>
Total Net Assets		<u>3,483,716</u>	<u>3,366,074</u>
Capital and Reserves			
Called up share capital	15	450,991	450,991
Reserve		1,905,000	1,905,000
Profit and loss account		1,127,725	1,010,083
Shareholders' funds (including non equity interests)	16	<u>3,483,716</u>	<u>3,366,074</u>

Approved by the board on **3/8/** 1998

Miss A Rossiter

Chairman

Ann Rossiter

H Bronnley & Co. Limited

Consolidated Cash Flow Statement Year Ended 31 December 1997

	Note	1997 £	1996 £
Net cash (outflow)/ inflow from operating activities	17	(28,006)	491,612
Servicing of finance	18	(52,916)	(61,006)
Taxation paid		(6,618)	(75,090)
Capital expenditure and financial investment	18	(53,544)	(23,178)
Net cash (outflow)/ inflow before financing		(141,084)	332,338
Financing	18	(13,334)	(16,234)
(Decrease) / Increase in Cash		(154,418)	316,104
Reconciliation of Net Cash Flow to Movement in Net Debt Year ended 31 December 1997			
(Decrease) / Increase in cash in the year		(154,418)	316,104
Cash inflow in debt and lease financing		13,334	16,234
Change in net debt resulting from cash flows		(141,084)	332,338
Translation differences		(232)	-
Movement in net debt in the year		(141,316)	332,338
Net debt as at 1 January 1997	19	(264,973)	(597,311)
Net Debt as at 31 December 1997	19	(406,289)	(264,973)

H Bronnley & Co. Limited

Notes to the Accounts

1. Accounting Policies

Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation

The group accounts consolidate the accounts of the parent company and the accounts of its subsidiary undertakings made up to 31 December 1997. No profit and loss account is presented for the parent company as permitted by Section 230 of the Companies Act 1985.

Turnover

Group turnover comprises amounts invoiced, excluding value added tax, in respect of goods and services provided by the companies.

Depreciation of tangible fixed assets

Depreciation is provided on all tangible fixed assets other than freehold land so as to write them off over their anticipated useful lives at the following annual rates and methods:

Freehold buildings		2% - 5% straight line
Plant and machinery	plant and fixtures	10% straight line
	computers and vehicles	20% straight line

Stocks

Stocks are valued at the lower of cost, including appropriate overhead expenses, and estimated net realisable value.

Lease and hire purchase contracts

Rentals under operating leases are charged to the profit and loss account as incurred.

Assets being acquired under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated on the same basis as tangible fixed assets. The obligation to make future rental payments, net of future finance charges, is recognised as a liability in the balance sheet.

Foreign currencies

In the accounts of the individual companies, assets and liabilities expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated at the rate ruling at the date of the transaction and ensuing differences are taken to profit and loss account.

The difference arising on restatement of the accumulated losses of foreign subsidiary undertakings is also taken to profit and loss account, because the losses have been financed by the holding company.

H Bronnley & Co. Limited

Notes to the Accounts (continued)

1. Accounting Policies (continued)

Deferred taxation

Deferred taxation is calculated using the liability method and provision is made to the extent that it is likely that such tax will become payable in the foreseeable future.

Pension costs

Contributions to the defined benefit pension scheme are charged to the profit and loss account on a systematic and rational basis so as to spread the cost of providing pensions over the employees' working lives within the group.

2. Turnover and Profit on Ordinary Activities Before Taxation

	1997 £	1996 £
Turnover by geographical area		
United Kingdom	4,416,209	3,863,494
Rest of Europe	1,138,439	1,190,671
North and South America	425,192	370,284
Africa, Asia and Australia	848,166	905,635
	<hr/>	<hr/>
	6,828,006	6,330,084
	<hr/>	<hr/>
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of fixed assets	132,880	133,048
Auditors remuneration		
Audit fee (parent company)	25,000	23,750
Non-audit services	11,000	11,375
Hire of equipment	70,694	73,872
Rent of property	8,776	7,958
Directors' emoluments	216,842	151,799
	<hr/>	<hr/>

Depreciation of fixed assets includes £4,018 (1996 £5,310) in respect of assets acquired under hire purchase contracts.

H Bronnley & Co. Limited
Notes to the Accounts (continued)

3. Other Operating (Expenses) / Income	1997	1996
	£	£
(Loss) on exchange	(28,327)	(61,756)
interest receivable	681	402
(Loss)/Profit on disposal of fixed assets	(1,561)	1,568
	<hr/>	<hr/>
	(29,207)	(59,786)
	<hr/>	<hr/>
4. Interest Payable	1997	1996
	£	£
On bank and other borrowings:		
Repayable within five years	30,504	44,524
On hire purchase contracts	2,069	2,464
	<hr/>	<hr/>
	32,573	46,988
	<hr/>	<hr/>
5. Directors and Other Employees	1997	1996
	£	£
Staff costs include:		
Wages and salaries	1,988,231	1,973,480
Social security costs	176,985	174,570
Other pension costs	85,551	80,482
	<hr/>	<hr/>
	2,250,767	2,228,532
	<hr/>	<hr/>
Average number of persons employed by the group:	1997	1996
	Number	Number
Production	74	75
Selling and distribution	33	32
Administration	26	26
	<hr/>	<hr/>
	133	133
	<hr/>	<hr/>
Emoluments of the directors:	£	£
For services as executives	197,717	136,959
For services as directors	19,125	14,840
	<hr/>	<hr/>
	216,842	151,799
	<hr/>	<hr/>
Number of directors	5	4
	<hr/>	<hr/>

H Bronnley & Co. Limited
Notes to the Accounts (continued)

5. Directors and Other Employees (continued)

Two directors had benefits accruing under a defined benefit pension scheme.

The emoluments of the highest paid director were as follows:

	1997	1996
	£	£
For services as executive	63,115	61,234

At the balance sheet date the highest paid director had accrued pension rights amounting to £25,689 per annum.

6. Taxation

	1997	1996
	£	£
Based on the profit for the year:		
UK Corporation tax at 21.74 % (1996 24.25%)	182	1,430
Overseas taxation	-	676
Transfer of deferred taxation at 31% (1996 33%)	(4905)	10,511
UK Corporation tax under provided in prior years	-	82
Irrecoverable ACT	2258	-
	(2,465)	12,699

The tax charge for the year is comparatively low due to non-taxable foreign exchange profits arising on consolidation.

7. Dividends

	1997	1996
	£	£
5% Preference shares	250	250
6% 'B' Preference shares	1,656	1,656
Ordinary shares - proposed dividend of 3 % (1996 5%)	12,514	20,857
	14,420	22,763

H Bronnley & Co. Limited

Notes to the Accounts (continued)

8. Tangible Fixed Assets

Group	Freehold land and buildings £	Plant and machinery £	Total £
Cost			
At 1 January 1997	2,042,914	938,720	2,981,634
Additions	-	53,795	53,795
Disposals	-	(13,534)	(13,534)
Exchange adjustment	-	(252)	(252)
	<hr/>	<hr/>	<hr/>
At 31 December 1997	2,042,914	978,729	3,021,643
Depreciation			
At 1 January 1997	414,173	623,120	1,037,293
Charge for year	50,920	81,960	132,880
Disposals	-	(11,722)	(11,722)
	<hr/>	<hr/>	<hr/>
At 31 December 1997	465,093	693,358	1,158,451
	<hr/>	<hr/>	<hr/>
Net Book Value at 31 December 1997	1,577,821	285,371	1,863,192
	<hr/>	<hr/>	<hr/>
Net Book Value at 31 December 1996	1,628,741	315,600	1,944,341
	<hr/>	<hr/>	<hr/>
Parent Company			
Cost			
At 1 January 1997	2,042,914	918,961	2,961,875
Additions	-	53,795	53,795
Disposals	-	(13,534)	(13,534)
	<hr/>	<hr/>	<hr/>
At 31 December 1997	2,042,914	959,222	3,002,136
Depreciation			
At 1 January 1997	414,173	605,867	1,020,040
Charge for year	50,920	81,406	132,326
Disposals	-	(11,722)	(11,722)
	<hr/>	<hr/>	<hr/>
At 31 December 1997	465,093	675,551	1,140,644
	<hr/>	<hr/>	<hr/>
Net Book Value at 31 December 1997	1,577,821	283,671	1,861,492
	<hr/>	<hr/>	<hr/>
Net Book Value at 31 December 1996	1,628,741	313,094	1,941,835
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H Bronnley & Co. Limited

Notes to the Accounts (continued)

8. Tangible Fixed Assets (continued)

Included in the net book values of plant and machinery are the following amounts in respect of assets being acquired under hire purchase contracts.

	Group and Parent Company £
Net book value at 31 December 1997	30,256
Net book value at 31 December 1996	43,590

9. Fixed Asset Investments

Subsidiary undertakings

	1997 £
Shares at cost:	
At 1 January 1997 and 31 December 1997	6,503
Less provision for diminution in value	(6,301)
Net book value at 31 December 1997 and 31 December 1996	202

The group has the following wholly owned subsidiary undertakings, who are all involved in the sale of the products of the holding company:

	Country of Incorporation
H Bronnley (Africa) (Proprietary) Limited	South Africa
Bronnley of London Inc., USA	USA
Bronnley of France SARL	France
Bronnley of London, Inc. *	USA
Bronnley of London Limited *	Great Britain
A R Sales Limited *	Great Britain

* These companies have not traded in the year.

H Bronnley & Co. Limited

Notes to the Accounts (continued)

10. Stocks

	Group		Parent Company	
	1997	1996	1997	1996
	£	£	£	£
Raw materials and consumables	631,446	477,791	631,446	477,791
Work in progress	448,826	297,797	448,826	297,797
Finished goods	424,515	429,757	424,515	429,757
	<u>1,504,787</u>	<u>1,205,345</u>	<u>1,504,787</u>	<u>1,205,345</u>

11. Debtors

	Group		Parent Company	
	1997	1996	1997	1996
	£	£	£	£
Trade debtors	1,624,742	1,427,693	1,572,292	1,407,664
Owed by subsidiary undertakings less provisions	-	-	88,308	59,384
Other debtors	56,803	56,659	46,785	44,207
Prepayments and accrued income	83,271	71,857	70,023	60,419
Taxation recoverable	8,847	7,640	8,820	7,640
	<u>1,773,663</u>	<u>1,563,849</u>	<u>1,786,228</u>	<u>1,579,314</u>

Taxation recoverable includes Advance Corporation Tax of £3,128 (1996 £5,214) recoverable in more than more year.

12. Creditors - amounts falling due within one year

	Group		Parent Company	
	1997	1996	1997	1996
	£	£	£	£
Bank overdraft (secured on property)	303,174	208,974	302,899	208,654
Pension fund loan	100,000	100,000	100,000	100,000
Trade creditors	658,225	526,539	638,066	504,167
Owed to subsidiary undertakings	-	-	55,194	55,194
Hire purchase obligations	7,164	13,335	7,164	13,335
Taxation and social security	156,724	131,155	124,692	104,554
Other creditors	12,081	26,329	10,895	22,666
Proposed dividend	12,514	20,857	12,514	20,857
Accruals and deferred income	193,572	134,302	188,075	132,997
Corporation tax	3,143	6,114	3,143	5,464
	<u>1,446,597</u>	<u>1,167,605</u>	<u>1,442,642</u>	<u>1,167,888</u>

Hire purchase liabilities are secured by charges over the assets purchased.

H Bronnley & Co. Limited

Notes to the Accounts (continued)

13. Creditors - amounts falling due after more than one year

	Group		Parent Company	
	1997	1996	1997	1996
	£	£	£	£
Bank loan *				
(secured on property & due in 1999)	100,000	100,000	100,000	100,000
Hire purchase obligations	-	7,163	-	7,163
	<u>100,000</u>	<u>107,163</u>	<u>100,000</u>	<u>107,163</u>

* Interest payable at 1.5% above bank base rate.

Hire purchase liabilities are secured by charges over the assets purchased.

14. Provisions for Liabilities and Charges

	Group		Parent Company	
	1997	1996	1997	1996
	£	£	£	£
Deferred taxation:				
Balance at 1 January 1997	196,434	185,923	196,434	185,923
Transfer from profit and loss account (4,905)		10,511	(4,905)	10,511
	<u>191,529</u>	<u>196,434</u>	<u>191,529</u>	<u>196,434</u>
Balance at 31 December 1997	191,529	196,434	191,529	196,434
The deferred taxation provision comprises:				
Accelerated capital allowances	177,300	182,112	177,300	182,112
Other short term timing differences	14,229	14,322	14,229	14,322
	<u>191,529</u>	<u>196,434</u>	<u>191,529</u>	<u>196,434</u>

There is a potential deferred taxation liability, estimated at £62,240 (1996 £80,543) after rebasing at 1982 values where appropriate and indexation allowance, not provided in the accounts, in respect of the capital gain on the sale of property rolled over onto new capital expenditure.

H Bronnley & Co. Limited

Notes to the Accounts (continued)

15. Called Up Share Capital

	1997 and 1996	
	Authorised £	Allotted and Fully Paid £
5% Preference shares of £1 each	5,000	5,000
6% 'B' Preference shares of £1 each	68,000	28,859
Ordinary shares of £1 each	47,000	34,761
Ordinary non voting shares of £1 each	400,000	382,371
	<hr/>	<hr/>
	520,000	450,991
	<hr/>	<hr/>

All the shares have voting rights except the non-voting shares. The 5% Preference shares confer a right to priority in the return of capital and dividends over all other shares. The 6% 'B' Preference shares confer a right to priority in the return of capital and dividends over voting and non-voting Ordinary shares.

16. Reconciliation of Movement in Shareholders' Funds

	Group		Parent Company	
	1997 £	1996 £	1997 £	1996 £
Profit for the year	115,153	235,005	132,062	258,709
Dividends	(14,420)	(22,763)	(14,420)	(22,763)
	<hr/>	<hr/>	<hr/>	<hr/>
Net addition to shareholders' funds	100,733	212,242	117,642	235,946
Opening shareholders' funds	3,406,832	3,194,590	3,366,074	3,130,128
	<hr/>	<hr/>	<hr/>	<hr/>
	3,507,565	3,406,832	3,483,716	3,366,074
	<hr/>	<hr/>	<hr/>	<hr/>
Comprising:				
Equity interests	3,473,706	3,372,973	3,449,857	3,332,215
Non equity interests	33,859	33,859	33,859	33,859
	<hr/>	<hr/>	<hr/>	<hr/>
	3,507,565	3,406,832	3,483,716	3,366,074
	<hr/>	<hr/>	<hr/>	<hr/>

H Bronnley & Co. Limited

Notes to the Accounts (continued)

17. Reconciliation of Operating Profit to Net Cash (Outflow)/Inflow from Operating Activities

	1997 £	1996 £
Operating profit	174,468	354,478
Depreciation charges	132,880	133,048
Exchange adjustment	(29,404)	(61,357)
Loss on disposal of fixed assets	1,561	-
Increase in stocks	(299,442)	(130,989)
(Increase)/Decrease in debtors	(208,608)	171,530
Increase in creditors	200,539	24,902
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(28,006)	491,612
	<hr/>	<hr/>

18. Analysis of Cash Flows During the Year

	1997 £	1996 £
Servicing of finance		
Dividend paid	(22,763)	(14,420)
Interest received	681	402
Interest paid	(28,765)	(44,524)
Interest element of lease payments	(2,069)	(2,464)
	<hr/>	<hr/>
Net cash outflow for returns on investments and financing	(52,916)	(61,006)
	<hr/>	<hr/>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(53,795)	(25,228)
Sale of fixed assets	251	2,050
	<hr/>	<hr/>
Net cash outflow for capital expenditure and financial investment	(53,544)	(23,178)
	<hr/>	<hr/>
Financing		
Capital element of lease payments	(13,334)	(16,234)
	<hr/>	<hr/>

H Bronnley & Co. Limited

Notes to the Accounts (continued)

19. Analysis of Change in Net Debt

	1 January 1997 £	Cashflow £	Exchange movements £	31 December 1997 £
Cash at bank	164,499	(60,186)	(264)	104,049
Bank overdrafts	(208,974)	(94,232)	32	(303,174)
	<u>(44,475)</u>	<u>(154,418)</u>	<u>(232)</u>	<u>(199,125)</u>
Pension scheme loan:				
Due within one year	(100,000)	-	-	(100,000)
Bank loan:				
Due after one year	(100,000)	-	-	(100,000)
Hire purchase and finance leases	(20,498)	13,334	-	(7,164)
	<u>(264,973)</u>	<u>(141,084)</u>	<u>(232)</u>	<u>(406,289)</u>

20. Operating Lease Commitments

Annual amounts not provided:

Group	Property Leases		Plant and Equipment	
	1997 £	1996 £	1997 £	1996 £
Expiring within:				
1 year	-	-	12,516	36,658
2 - 5 years	-	-	52,879	25,980
Over 5 years	8,776	7,958	-	-
	<u>8,776</u>	<u>7,958</u>	<u>65,395</u>	<u>62,638</u>
Parent company				
Expiring within:				
1 year	-	-	5,449	28,797
2 - 5 years	-	-	52,879	25,980
	<u>-</u>	<u>-</u>	<u>58,328</u>	<u>54,777</u>

H Bronnley & Co. Limited

Notes to the Accounts (continued)

21. Pensions

The company operates a defined benefit pension scheme, the assets of which are held in a separate trustee administered fund. This is a funded scheme.

The pension cost is assessed triennially by a professional qualified actuary using the "Attained Age" method of valuation. The principle assumptions used for the most recent valuation at 1 December 1994 were that the average investment return would be 9% per annum, that salary increases would average 7% per annum (previously 7.5% per annum) and that present and future pensions would increase at 3% per annum.

The valuation showed that the market value of the scheme's assets was £2,364,830 which represented 101% of the benefits that had accrued to members, allowing for future salary increases to retirement.

The pension cost for the period amounted to £78,500 (1996 £72,700) after allowing for interest on the prepayment. The excess of contributions paid over pensions cost has increased the prepayment in the accounts to £45,900 (1996 £43,400).

22. Controlling Party and Related Parties

Miss Ann Rossiter is the controlling party of the company.

At the balance sheet date, the company had a loan due to H Bronnley & Co Limited 1976 Retirement Fund of £100,000 (1996:£100,000). This loan is repayable on demand. Interest is charged at base rate plus 1.5%, payable monthly.