

**Deloitte &
Touche**

Deloitte Touche
Tohmatsu
International



Company Registration No.557725

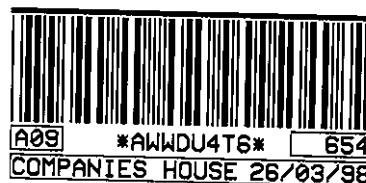
SCHMIDT UK LIMITED

Report and Financial Statements

31 May 1997

**Deloitte & Touche
Leda House
Station Road
Cambridge CB1 2RN**

(- 12/09/97)





REPORT AND FINANCIAL STATEMENTS 1997

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REPORT AND FINANCIAL STATEMENTS 1997

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J Atkinson
A F Jenkinson
I R McAllister

SECRETARY

I R McAllister

REGISTERED OFFICE

Southgate Way
Orton Southgate
Peterborough PE2 6GP

BANKERS

Lloyds Bank Plc
Minster Place
Ely
Cambs CB7 4EN

National Westminster Bank Plc
56 St Andrews Street
Cambridge CB2 3DA

AUDITORS

Deloitte & Touche
Chartered Accountants
Leda House
Station Road
Cambridge CB1 2RN

**DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 May 1997.

ACTIVITIES

The principal activity of the company is the manufacture, sale and supply of parts for special purpose surface cleansing vehicles and equipment.

REVIEW OF DEVELOPMENTS

Turnover fell by 5.2% from the 1995/96 level to £19.4 million. This fall is due to the effect of the strong pound compared to other European currencies.

The loss before tax at £263,355 compared to a profit of £390,543 achieved in 1995/96. The decline is due to a reduction in sales prices and margins necessary to remain competitive with overseas rivals.

DIVIDENDS AND TRANSFERS TO RESERVES

No interim dividends were paid during the year (1996 - £nil). The directors do not recommend the payment of a final dividend (1996 - £260,000).

FUTURE PROSPECTS

While some of the Company's markets may be depressed due to the strong pound, the directors will continue to seek our new opportunities for the sale of the Company's products. The directors are committed to the enhancement of its existing portfolio.

DIRECTORS AND THEIR INTERESTS

The present directors are shown on page 1.

The directors who served throughout the year were:

J Atkinson

A F Jenkinson

I R McAllister

F Seyfferth (resigned 31 December 1996)

No director had an interest in the shares of the company or any group company incorporated in Great Britain at any time during the year.

**DIRECTORS' REPORT****EMPLOYEE INVOLVEMENT**

Communication with employees is effected through company magazines, information bulletins and through Works Committee meetings which include representatives of all the company's workforce and senior management. The committee meetings enable senior management to update employees on company progress and discuss various matters of mutual interest.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board


Secretary

11 September 1997

**STATEMENT OF 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 as at the end of the financial year 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;
- 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. 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.



Chartered Accountants

Deloitte & Touche
Leda House
Station Road
Cambridge CB1 2RN

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DX 5812

SCHMIDT UK LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 6 to 19 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 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 May 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and
Registered Auditors

12 September 1997


PROFIT AND LOSS ACCOUNT
Year ended 31 May 1997

	Note	1997 £	1996 £
TURNOVER	1	19,350,760	20,422,869
Cost of sales		17,327,429	17,616,223
Gross profit		<u>2,023,331</u>	<u>2,806,646</u>
Sales and distribution costs		<u>940,498</u>	<u>915,295</u>
Administrative expenses		1,310,226	1,365,925
Profit on foreign exchange		(141,815)	(75,554)
Total administrative expenses		<u>1,168,411</u>	<u>1,290,371</u>
OPERATING (LOSS) PROFIT	3	<u>(85,578)</u>	<u>600,980</u>
Interest receivable	4	75,086	87,545
Interest payable and similar charges	5	(252,863)	(297,982)
		<u>(177,777)</u>	<u>(210,437)</u>
(LOSS) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(263,355)</u>	<u>390,543</u>
Tax on loss/profit on ordinary activities	6	100,510	(129,816)
(LOSS) PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(162,845)</u>	<u>260,727</u>
Dividends	7	-	260,000
RETAINED (LOSS) PROFIT FOR THE YEAR	17	<u>(162,845)</u>	<u>727</u>

There were no recognised gains or losses other than those included above.

The results are all derived from continuing activities.

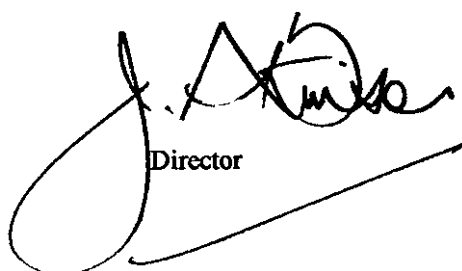


BALANCE SHEET
31 May 1997

	Note	1997 £	1996 £
FIXED ASSETS			
Intangible assets	8	274,203	-
Tangible assets	9	4,952,969	5,097,576
		<u>5,227,172</u>	<u>5,097,576</u>
CURRENT ASSETS			
Stocks	10	4,274,507	4,288,112
Debtors	11	4,166,085	3,034,582
Cash at bank and in hand		85,398	1,859,795
		<u>8,525,990</u>	<u>9,182,489</u>
CREDITORS: amounts falling due within one year	12	<u>(7,305,831)</u>	<u>(6,811,210)</u>
NET CURRENT ASSETS		<u>1,220,159</u>	<u>2,371,279</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,447,331	7,468,855
CREDITORS: amounts falling due after more than one year	13	(2,462,665)	(3,308,188)
PROVISIONS FOR LIABILITIES AND CHARGES	15	<u>(148,718)</u>	<u>(161,874)</u>
		<u>3,835,948</u>	<u>3,998,793</u>
CAPITAL AND RESERVES			
Called up share capital	16	2,426,137	2,426,137
Profit and loss account	17	1,409,811	1,572,656
EQUITY SHAREHOLDERS' FUNDS		<u>3,835,948</u>	<u>3,998,793</u>

These financial statements were approved by the Board of Directors on 11 September 1997

Signed on behalf of the Board of Directors


Director



RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
Year ended 31 May 1997

	1997 £	1996 £
(Loss) profit for the financial year	(162,845)	260,727
Dividends	-	(260,000)
	<hr/>	<hr/>
Net (reduction) addition to shareholders' funds	(162,845)	727
Opening shareholders' funds	3,998,793	3,998,066
	<hr/>	<hr/>
Closing shareholders' funds	3,835,948	3,998,793
	<hr/>	<hr/>

**ACCOUNTING POLICIES****Year ended 31 May 1997**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover is the total amount of sales invoiced by the company, less discounts and excluding value added tax.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

Foreign currency

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of entry in the accounting records. Monetary assets and liabilities at the balance sheet date are translated at the rate ruling at that date. The exchange differences arising are dealt with through the profit and loss account.

Intangible assets

Depreciation on intellectual property rights is provided to write down their cost to nil over five years by equal annual instalments.

Fixed assets and depreciation

No depreciation is provided on freehold land.

For all other fixed assets depreciation is calculated to write down their cost to their estimated residual value in equal annual amounts over their estimated useful lives as follows:

Freehold buildings	between 40 and 50 years
Plant and machinery	between 5 and 10 years
Jigs and tools	3 years
Motor cars	4 years
Commercial and sweeping vehicles	5 years
Computer equipment	between 4 and 5 years
Office equipment	5 years
Fixtures and fittings	10 years

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value.

Cost is calculated as follows:

Raw materials - invoice price on a first in first out basis.

Work in progress and finished goods - direct cost of production plus attributable overheads according to condition.

Demonstration vehicles are treated as stock and valued at the lower of direct cost of production plus attributable overheads and net realisable value.

Development expenditure

Development expenditure is written off as incurred.

**ACCOUNTING POLICIES**
Year ended 31 May 1997**Warranty costs**

Provision is made for the costs (including labour and travel costs) estimated to arise over the warranty period of repairs to, or replacement of, goods sold under warranty up to the year end.

Pensions

The company operates a defined benefit, funded pension scheme for managers and senior staff the costs of which are estimated on the basis of independent actuarial advice and are charged to the profit and loss account so as to spread the cost over the service lives of employees in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

The company also operates a money purchase pension plan for other employees, the costs of which are charged to the profit and loss account as incurred.

Leased assets

Fixed assets held under finance leases are capitalised and depreciated over the primary period of the lease or their expected useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. The costs of operating leases are charged to the profit and loss account as they accrue.


NOTES TO THE ACCOUNTS
Year ended 31 May 1997
1. ANALYSIS OF TURNOVER

 The turnover attributable to each of the company's
geographical markets is:

	1997	1996
	£	£
United Kingdom	5,133,780	6,678,551
Other E.C. countries	13,097,000	11,602,217
Other overseas countries	1,553,555	2,142,101
	<u>19,784,335</u>	<u>20,422,869</u>

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES
Directors' emoluments

Emoluments (excluding pension contributions)

1997	1996
£	£
55,058	58,433

No

No

Number of directors who:

- are members of a defined benefit pension scheme

3	3
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Average number of persons employed

Production staff

207

205

Sales and distribution staff

15

13

Administration staff

13

12

<u>235</u>	<u>230</u>
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£

£

Staff costs during the year

Wages and salaries

3,918,435

3,733,356

Social security costs

373,421

356,729

Other pension costs

140,911

132,924

<u>4,432,767</u>	<u>4,223,009</u>
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NOTES TO THE ACCOUNTS
Year ended 31 May 1997
3. OPERATING (LOSS) PROFIT

	1997	1996
	£	£
Operating (loss) profit is after charging:		
Development expenditure	1,153,639	956,924
Depreciation		
Owned assets	468,960	458,408
Leased assets	13,348	13,348
Provision for diminution in value of property	20,000	-
Rentals under operating leases		
Plant and machinery	260,792	280,147
Land and buildings	46,603	46,994
Auditors' remuneration	13,000	12,600
Fees paid to auditors for other services	23,750	64,550
	<u> </u>	<u> </u>

4. INTEREST RECEIVABLE

	1997	1996
	£	£
Charges for late payment	37,655	44,415
Interest on bank deposits	31,431	37,130
Group interest	6,000	6,000
	<u> </u>	<u> </u>
	75,086	87,545
	<u> </u>	<u> </u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	1997	1996
	£	£
On property loan	184,141	204,051
On bank loans, overdrafts and other loans	43,338	71,482
On finance leases	2,448	3,469
Other interest	22,936	18,980
	<u> </u>	<u> </u>
	252,863	297,982
	<u> </u>	<u> </u>


NOTES TO THE ACCOUNTS
Year ended 31 May 1997
6. TAX ON (LOSS) PROFIT ON ORDINARY ACTIVITIES

	1997 £	1996 £
Taxation is based on the results for the year and comprises:		
Corporation tax at 33% on the taxable profit	-	158,781
Group relief	(53,722)	756
Transfer from deferred taxation	(10,651)	(4,911)
	<u>(64,373)</u>	<u>154,626</u>
Adjustment in respect of prior years' provisions		
Corporation tax	(32,876)	(27,378)
Deferred tax	(2,505)	(886)
Group relief	(756)	3,454
	<u>(100,510)</u>	<u>129,816</u>

7. DIVIDENDS

	1997 £	1996 £
On equity shares:		
Proposed final dividend for the year	<u>-</u>	<u>260,000</u>

8. INTANGIBLE FIXED ASSETS

	Intellectual property rights £
Cost	
Additions	<u>274,203</u>
At 31 May 1997	<u>274,203</u>
Depreciation	
Provided for the year	<u>-</u>
At 31 May 1997	<u>-</u>
Net book value	
At 31 May 1997	<u>274,203</u>
At 31 May 1996	<u>-</u>

NOTES TO THE ACCOUNTS Year ended 31 May 1997

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant, machinery, jigs and tools £	Motor cars and commer- cial vehicles £	Sweeping vehicles £	Computer equipment and fittings £	Office equipment, fixtures and fittings £	Total £
Cost							
At 1 June 1996	3,489,330	1,410,169	323,940	230,733	765,983	1,738,863	7,959,018
Additions	-	143,160	-	985	204,790	15,766	364,701
Disposals	-	-	-	(6,784)	-	-	(6,784)
Transfer to stocks	-	-	-	(23,905)	-	-	(23,905)
At 31 May 1997	3,489,330	1,553,329	323,940	201,029	970,773	1,754,629	8,293,030
Depreciation							
At 1 June 1996	164,944	968,859	233,185	172,584	585,651	736,219	2,861,442
Provided for the year	62,533	126,214	54,564	20,512	86,706	151,779	502,308
Eliminated on disposals	-	-	-	(5,284)	-	-	(5,284)
Transfer to stocks	-	-	-	(18,405)	-	-	(18,405)
At 31 May 1997	227,477	1,095,073	287,749	169,407	672,357	887,998	3,340,061
Net book value							
At 31 May 1997	3,261,853	458,256	36,191	31,622	298,416	866,631	4,952,969
At 31 May 1996	3,324,386	441,310	90,755	58,149	180,332	1,002,644	5,097,576


NOTES TO THE ACCOUNTS
Year ended 31 May 1997
9. TANGIBLE FIXED ASSETS (continued)

The net book value of tangible fixed assets at 31 May 1997 includes £22,243 (1996 - £35,591) for assets held under finance leases.

Included in the freehold land and buildings accumulated depreciation figure is an amount of £60,000 relating to a provision for diminution in value of one of the company's properties.

10. STOCKS

	1997 £	1996 £
Raw materials and consumables	2,265,655	2,477,919
Work in progress	1,062,373	644,675
Finished goods	946,479	1,165,518
	<u>4,274,507</u>	<u>4,288,112</u>

11. DEBTORS

	1997 £	1996 £
Trade debtors	1,834,532	1,591,361
Amounts owed by group companies	1,786,936	950,841
Other debtors	153,624	274,829
Value added tax	116,191	125,788
Prepayments and accrued income	274,802	91,763
	<u>4,166,085</u>	<u>3,034,582</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 £	1996 £
Property loan (see note 14)	58,205	65,050
Bank loans (see note 14)	351,217	414,096
Other loans (see note 14)	176,916	-
Trade creditors	3,866,732	3,882,452
Amounts owed to group companies	2,132,578	1,360,198
Corporation tax	20,243	119,682
Obligations under finance leases	14,632	13,528
Other creditors	446,632	463,258
Other taxation and social security	128,767	123,073
Accruals and deferred income	109,909	109,873
Proposed dividend	-	260,000
	<u>7,305,831</u>	<u>6,811,210</u>



NOTES TO THE ACCOUNTS
Year ended 31 May 1997

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

	1997 £	1996 £
Property loan (see note 14)	2,454,908	2,511,746
Bank loans (see note 14)	-	774,053
Obligations under finance leases - due within five years	7,757	22,389
	<u>2,462,665</u>	<u>3,308,188</u>

14. BORROWINGS

	1997 £	1996 £
Property loan	2,513,113	2,576,796
Bank loans	351,217	1,188,149
Other loans	176,916	-
	<u>3,041,246</u>	<u>3,764,945</u>
Analysis of loan repayments:		
Within one year	586,338	479,146
Between one and two years	62,802	843,927
Between two and five years	219,762	242,279
After five years	2,172,344	2,199,593
	<u>3,041,246</u>	<u>3,764,945</u>

The property loan of £2,513,113 is secured by a first mortgage on the freehold property and interest is charged at base rate plus 1 3/8%. The loan is due for repayment by 25 December 2013.

The bank loan is unsecured and interest is charged at a rate equal to that offered on deposits in the London Interbank Market plus 1 1/8%. The loan is wholly repayable within five years.

The other loans are from Schmidt Holdings Europe GmbH. The loans are unsecured and interest is charged at 6%. The loans have no set repayment date.



NOTES TO THE ACCOUNTS
Year ended 31 May 1997

15. PROVISIONS FOR LIABILITIES AND CHARGES

	£
Deferred taxation	
Balance at 1 June 1996	161,874
Transfer to profit and loss account	<u>13,156</u>
Balance at 31 May 1997	<u>148,718</u>

The amounts of deferred taxation provided and unprovided in the accounts are as follows:

	Provided 1997 £	Provided 1996 £	Not provided 1997 £	Not provided 1996 £
Capital allowances in advance of depreciation	157,006	163,313	173,473	157,927
Short term timing differences	(8,288)	(1,439)	-	-
	<u>148,718</u>	<u>161,874</u>	<u>173,473</u>	<u>157,927</u>

16. CALLED UP SHARE CAPITAL

	1997 £	1996 £
Authorised		
3,000,000 ordinary shares of £1 each	<u>3,000,000</u>	<u>3,000,000</u>
Allotted and fully paid		
2,426,137 ordinary shares of £1 each	<u>2,426,137</u>	<u>2,426,137</u>

17. RESERVES

	Profit and loss account £
At 1 June 1996	1,572,656
Retained loss for the year	<u>(162,845)</u>
At 31 May 1997	<u>1,409,811</u>

**NOTES TO THE ACCOUNTS**
Year ended 31 May 1997**18. RELATED PARTY TRANSACTIONS AND ULTIMATE CONTROLLING PARTY**

The company is a subsidiary of Schmidt UK Group Limited, its immediate controlling party, which is itself a subsidiary of Schmidt Holdings Limited. Both companies are incorporated in Great Britain and registered in England and Wales. The company's ultimate parent company and controlling party is Schmidt Holdings Europe GmbH, incorporated in Germany.

In the ordinary course of business, the company has transacted with Schmidt Holdings Limited and its subsidiary companies. The company is exempt from disclosing details of these transactions because copies of Schmidt Holdings Limited's group accounts can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

During the year the company entered into the following transactions in the ordinary course of business with Schmidt Holdings Europe GmbH and its subsidiary companies:

- a) The company purchased £242,000 of goods and paid a management fee of £75,000 from Schmidt Holdings Europe GmbH during the year. At the end of the year a balance of £455,000 was due to Schmidt Holdings Europe GmbH.
- b) The company sold £6,554,000 of goods, purchased £235,000 of goods and made payments of £18,000 under warranty claims to Schmidt Winterdienst und Kommultechnik GmbH during the year. At the end of the year a balance of £1,040,000 was due from Schmidt Winterdienst und Kommultechnik GmbH.
- c) The company sold £1,086,000 of goods, purchased £4,000 of goods, and made payments of £371,000 under warranty claims to Schmidt Service Zentum GmbH during the year. At the end of the year a balance of £181,000 was due from Schmidt Service Zentum GmbH.
- d) The company sold £293,000 of goods and made payments of £2,000 under warranty claims to Schmidt Polska Sp.z.o.o. during the year. At the end of the year a balance of £97,000 was due from Schmidt Polska Sp.z.o.o.
- e) The company sold £886,000 of goods and made payments of £20,000 under warranty claims to Schmidt Italia s.r.l. during the year. At the end of the year a balance of £191,000 was due from Schmidt Italia s.r.l.
- f) The company sold £3,000 of goods to Schmidt France during the year with a year end balance due of £1,000.
- g) The company sold £588,000 of goods, purchased £72,000 of goods and made payments of £8,000 under warranty claims to Nido Universal Machines B.V. during the year. At the end of the year a balance of £119,000 was due from Nido Universal Machines B.V.
- h) The company sold £39,000 of goods to Schmidt Iberica SA during the year. At the end of the year a balance of £37,000 was due from Schmidt Iberica SA.

19. CONTINGENT LIABILITIES

The company has given a guarantee to National Westminster Bank plc to secure all monies from time to time owing to the bank by certain other group companies. At 31 May 1997, the amount owed by these other group companies totalled £nil (1996 - £nil).

The company has also provided an indemnity for the leasing obligations of a fellow subsidiary. At 31 May 1997, the capital amounts outstanding on the leases totalled £1,376,344 (1996 - £1,673,502).



NOTES TO THE ACCOUNTS
Year ended 31 May 1997

20. FINANCIAL COMMITMENTS

	1997 £	1996 £
Capital commitments		
Contracted for but not provided	18,675	7,859

Operating lease commitments

At 31 May 1997 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	1997 £	1996 £	1997 £	1996 £
Leases which expire:				
Within one year	29,333	-	59,431	58,073
Within two to five years	-	44,000	75,284	95,414
	<u>29,333</u>	<u>44,000</u>	<u>134,715</u>	<u>153,487</u>

Included in commitments for land and buildings are leases which expire on 31 January 1998.

The total commitments under leases are set out below:

	Land and buildings		Other	
	1997 £	1996 £	1997 £	1996 £
Leases which expire:				
Within one year	29,333	-	59,431	58,073
Within two to five years	-	73,333	237,765	238,860
	<u>29,333</u>	<u>73,333</u>	<u>297,196</u>	<u>296,933</u>

21. DEFINED BENEFIT PENSION SCHEME

Pension costs are assessed in accordance with the advice of professionally qualified actuaries using the attained age method. The funding rate of the defined benefit scheme is 15.4%.

The most recent valuation was made at 1 January 1994 and the assumptions which had the most significant effect on the results of the valuation were as follows:

Rate of return on investments	9% per annum compound
Rate of earnings growth	7.5% per annum compound
Price inflation	5% per annum compound

At the date of the valuation the scheme's assets were sufficient to fully cover the liabilities at that date. The calculated value of the scheme assets at 1 January 1994 was £688,000.

The total defined benefit pension cost for the year was £72,839 (1996 - £75,027).