

BAYTOR LIMITED

DIRECTORS' REPORT AND GROUP ACCOUNTS

FOR THE

YEAR ENDED 30 NOVEMBER 1997

REGISTERED NUMBER 2582519



BAYTOR LIMITED

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited accounts of the Company and the group for the financial year ended 30 November 1997.

Principal Activities

The principal activities of the group are the manufacture, marketing and distribution of electrical and electronic testing and measuring instruments.

Review of Activities

The consolidated profit and loss account for the year is set out on page 4 and shows a group profit before tax of £1,748,000 (1996: £506,000).

Whilst the market situation has improved compared to last year the future remains unpredictable and strenuous efforts will be made to contain costs within the business in order to continue a profitable trading situation.

An amount of £2,004,000 was transferred from reserves (1996: £201,000 transferred to reserves).

Dividends

The dividend declared and paid for the year was £2,992,000, (prior year - £nil).

Directors

Directors who held office during the year were:

Mr A R Bach (USA)		
Mr T B Evans (USA)	Resigned	28 th May 1997
Mr J E Haegele (USA)	Appointed	28 th May 1997

Statement of Directors' Responsibilities

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the group and of the profit or loss of the group for that period. In preparing those accounts, 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 accounts; and
- * prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company and the group 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 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.

BAYTOR LIMITED

REPORT OF THE DIRECTORS (Continued)

Directors' Interests in Shares or Debentures

No Director at any time during the year ended 30 November 1997 was beneficially interested in any shares or debentures of the Company or any Group Company according to the register required to be kept under Section 325 of the Companies Act 1985.

Group Research and Development Activities

The group is heavily committed to research and development activities so as to secure its position as a market leader in its addressed markets.

U.K. Employees

The group's policy is to consult and discuss with employees, through Unions and at meetings, matters likely to affect employees' interests.

It is the policy of the group to maintain the employment of disabled persons wherever practicable and to ensure appropriate opportunities for their training, career development and promotion.

Policy on Payment of Creditors

It is the policy of the company to agree terms of settlement with its suppliers, which are appropriate for the markets in which they operate, and to abide by those terms where suppliers have also met their obligations. Trade creditors at the year end represented 53 days (1996 – 46 days) of average annual purchases.

Auditors

A resolution to reappoint Price Waterhouse as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

Registered Office:
Archcliffe Road
Dover
Kent

BY ORDER OF THE BOARD



A R. Hardie
Secretary

30th June 1998

BAYTOR LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF BAYTOR LIMITED

We have audited the accounts on pages 4 to 19 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective Responsibilities of Directors and Auditors

As described on page 1 the Company's Directors are responsible for the preparation of accounts. It is our responsibility 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 company's and group'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 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 30 November 1997 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse
Chartered Accountants
and Registered Auditors

Thames Court
1 Victoria Street
Windsor, Berks SL4 1HB

30th June 1998

BAYTOR LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 NOVEMBER 1997

	Note	1997 £'000	1996 £'000
Turnover	1	22,126	18,504
Cost of sales		-14,790	-13,311
Gross Profit		<u>7,336</u>	<u>5,193</u>
Distribution costs		-3,474	-2,956
Administrative expenses		-1,153	-945
Other operating expenditure	2	-537	-399
Operating Profit	3	<u>2,172</u>	<u>893</u>
Interest receivable and similar income	6	16	6
Interest payable and similar charges	7	-404	-393
Profit on Ordinary Activities Before Tax		<u>1,784</u>	<u>506</u>
Tax on profit on ordinary activities	8	-796	-305
Profit for the financial year		<u>988</u>	<u>201</u>
Dividends paid and payable		-2,992	-
Amount transferred (from)/to reserves		<u>-2,004</u>	<u>201</u>
 Statement of total recognised gains and losses			
		1997 £'000	1996 £'000
Retained profit for the year		-2,004	201
Currency translation differences on foreign currency net investments		-69	-76
Total recognised gains and losses relating to the year		<u>-2,073</u>	<u>125</u>

The Notes on pages 8 to 19 form part of these accounts.

BAYTOR LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

<u>Group</u>	Called up share capital	Profit & loss account	Total shareholders' funds	Total shareholders' funds
	1997 £'000	1997 £'000	1997 £'000	1996 £'000
At start of year	8,785	2,510	11,295	11,170
Profit for the financial year	-	988	988	201
Dividends paid and payable	-	-2,992	-2,992	-
Currency transaction differences on foreign currency net investments	-	-69	-69	-76
At end of year	<u>8,785</u>	<u>437</u>	<u>9,222</u>	<u>11,295</u>

<u>Company</u>	Called up share capital	Profit & loss account	Total shareholders' funds	Total shareholders' funds
	1997 £'000	1997 £'000	1997 £'000	1996 £'000
At start of year	8,785	3,951	12,736	11,887
Profit for the financial year	-	2,754	2,754	849
Dividends paid and payable	-	-2,992	-2,992	-
At end of year	<u>8,785</u>	<u>3,713</u>	<u>12,498</u>	<u>12,736</u>


The Notes on pages 8 to 18 form part of these accounts.

BAYTOR LIMITED

BALANCE SHEETS - 30 NOVEMBER 1997

	Note	Group 1997 £'000	1996 £'000	Company 1997 £'000	1996 £'000
Fixed Assets					
Intangible asset	10	3,087	3,461	-	-
Investment in group undertakings	11	-	-	16,238	16,238
Tangible assets	12	9,209	9,695	-	-
		<u>12,296</u>	<u>13,156</u>	<u>16,238</u>	<u>16,238</u>
Current Assets					
Stocks and work in progress	14	2,573	2,684	-	-
Debtors	15	5,985	5,636	723	961
Cash at bank and in hand		462	112	-	-
		<u>9,020</u>	<u>8,432</u>	<u>723</u>	<u>961</u>
Creditors					
Amounts falling due within one year	16	-5,355	-2,877	-453	-3
Net Current Assets		<u>3,665</u>	<u>5,555</u>	<u>270</u>	<u>958</u>
Total Assets less Current Liabilities		15,961	18,711	16,508	17,196
Creditors					
Amounts falling due after more than one year	17	-4,307	-4,911	-4,010	-4,460
Deferred Income	18	-2,171	-2,271	-	-
Provisions for Liabilities and Charges					
Deferred tax	19	-261	-210	-	-
Other provisions	19	-	-24	-	-
		<u>9,222</u>	<u>11,295</u>	<u>12,498</u>	<u>12,736</u>
Capital and Reserves					
Called up share capital	21	8,785	8,785	8,785	8,785
Profit and loss account		437	2,510	3,713	3,951
Shareholders' Funds		<u>9,222</u>	<u>11,295</u>	<u>12,498</u>	<u>12,736</u>

The Accounts were approved by the Board on 30th June 1998


C. P. Burns
Director

The Notes on pages 8 to 19 form part of these accounts.

BAYTOR LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 NOVEMBER 1997

	Note	<u>1997</u>		<u>1996</u>	
		£'000	£'000	£'000	£'000
Cash Flow From Operating Activities	22		4,784		1,646
Returns on Investments and Servicing of Finance					
Interest received		16		6	
Interest paid		-357		-340	
Interest element of finance lease rentals		<u>-47</u>		<u>-53</u>	
Net cash outflow from returns on investments and servicing of finance			-388		-387
Taxation			-212		-579
Capital Expenditure					
Payments to acquire tangible fixed assets		-663		-719	
Receipts from sales of tangible fixed assets		<u>12</u>		<u>159</u>	
			-651		-560
Net Cash Inflow Before Dividends and Financing			<u>3,533</u>		<u>120</u>
Dividends paid			-2,992		-
Financing					
Repayment of bank borrowings	25	-		-130	
Payments of the capital element of finance leases	25	<u>-174</u>		<u>-192</u>	
Net cash outflow from financing			-174		-322
Increase/(Decrease) in Cash	23		<u>367</u>		<u>-202</u>

The Notes on pages 8 to 19 form part of these accounts.

BAYTOR LIMITED
NOTES TO THE ACCOUNTS
PRINCIPAL ACCOUNTING POLICIES

Accounting Convention

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

Basis of Consolidation

The consolidated accounts include the accounts of the company and all its subsidiaries. Intra group sales and profits are eliminated on consolidation and all sales and profit figures relate to external transactions only.

Turnover

Turnover, which excludes value added tax, sales between group companies and trade discount, represents the invoiced value of goods and services supplied.

Fixed Assets (Excluding Goodwill)

The cost of fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The principal time periods in use are:

Freehold buildings	30 years
Plant and equipment	7-10 years
Office equipment	5-8 years
Motor vehicles	4 years
Product Tooling	7 years

Freehold land is not depreciated.

Goodwill

Goodwill arising on consolidation, being the excess of the purchase price over the fair values of the underlying net assets of subsidiary companies acquired, is capitalised and amortised against profits over its useful economic life (15 years).

Stocks and Work in Progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport, handling costs and duty on imported goods. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a saleable condition. Provision is made where necessary for obsolete, slow moving and defective stocks.

BAYTOR LIMITED

NOTES TO THE ACCOUNTS (Continued) **PRINCIPAL ACCOUNTING POLICIES (Continued)**

Foreign Currencies

Assets and liabilities of subsidiaries expressed in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial period. Trading results of overseas subsidiaries are also translated at rates of exchange ruling at the end of the financial period. Differences on exchange arising from the re-translation into sterling of the opening balance sheets of overseas subsidiary companies are taken to reserves. All other exchange differences are dealt with in arriving at operating profit.

Taxation

The charge for taxation is based on the profit for the period as adjusted for disallowable items. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that in the opinion of the directors a liability or asset will crystallise. Timing differences arise as a result of dealing with items of income and expenditure for tax purposes in periods different from those in which the same income or expenditure is dealt with in the financial accounts. Provision is made at the rate which is expected to be applied when the liability or asset is expected to crystallise. Where this is not known the latest estimate of the long term tax rate applicable has been adopted.

No provision is made for tax which may become payable in the event of distribution of retained profits of overseas subsidiaries.

Research and Development Expenditure

Development expenditure is written off as incurred.

Warranties for Products

Provision is made for the estimated liability on all products still under warranty, including claims already received.

Leased Assets

Assets held under finance leases are treated as tangible fixed assets and depreciation provided thereon. The deemed capital element of future rentals is treated as a liability and deemed interest calculated at a rate based on the capital value outstanding is charged over the period of the lease against operating profit.

Rentals in respect of operating leases are charged against operating profit as incurred.

Pensions

The company's main pension fund is a contributory, defined benefit, externally funded scheme which is contracted out of the UK state scheme. The fund is valued regularly by professionally qualified independent actuaries. Contributions to the fund are charged to the profit and loss account in accordance with the long-term funding rate as advised by the actuaries.

Deferred Income

Deferred income is being released to operating profit over the period of the expected economic lives of the assets to which it relates.

BAYTOR LIMITED

NOTES TO THE ACCOUNTS (Continued)

1. Principal Activity and Analysis of Results

The principal activity of the group is the design, manufacture, marketing and selling of a range of electrical and electronic testing and measurement instruments. In the opinion of the Directors this represents one class of business. The turnover and profit before tax of this activity is set out in the Consolidated Profit and Loss Account on page 4.

	1997 £'000	1996 £'000
Geographical Analysis of Turnover		
United Kingdom	7,719	6,927
Europe (excluding the U.K.)	4,502	4,158
The Americas	3,365	2,419
Rest of World	6,540	5,000
	<u>22,126</u>	<u>18,504</u>

2 Other Operating Expenditure

Redundancy and re-organisation costs	163	25
Amortisation of goodwill	<u>374</u>	<u>374</u>
	<u>537</u>	<u>399</u>

3 Operating Profit

Operating profit is stated after charging/(crediting):

Depreciation of tangible fixed assets	1,109	1,100
Hire of plant and equipment	24	18
Auditors' remuneration:		
audit services	29	30
non-audit services	46	17
Release of deferred income	-100	-100
Loss on sale of tangible fixed assets	20	2
Research and development expenditure	1,033	956

4. Emoluments of Directors

The Directors are employed in a managerial capacity by AVO International Inc (the immediate parent) and are remunerated by that company. No charge is made to the company as the amounts involved would be insignificant.

BAYTOR LIMITED

NOTES TO THE ACCOUNTS (Continued)

5. Employees

(a) The average number of employees of the group during the period is analysed below:

	1997	1996
	Number	Number
United Kingdom	256	247
Overseas	10	11
	<u>266</u>	<u>258</u>

(b) Staff costs:

	£'000	£'000
Wages and salaries	4,347	4,035
Social security costs	413	448
Pension costs	218	191
	<u>4,978</u>	<u>4,674</u>

6. Interest Receivable and Similar Income

	£'000	£'000
Bank interest receivable	<u>16</u>	<u>6</u>

7. Interest Payable and Similar Charges

	£'000	£'000
Charges on finance leases	54	53
Interest payable on bank loans and overdrafts	350	340
	<u>404</u>	<u>393</u>

8. Tax on Profit on Ordinary Activities

	£'000	£'000
United Kingdom corporation tax based on the profit for the year at 32% (prior year 33%)	759	342
Adjustment in respect of prior years	-59	-37
Overseas tax	45	50
Deferred tax	51	-50
	<u>796</u>	<u>305</u>

9. Profit of Baytor Limited (Company)

Baytor Limited has taken advantage of the legal dispensation under Section 230 of the Companies Act 1985 allowing it not to publish a separate profit and loss account. The profit for the period attributable to shareholders of the company dealt with in these accounts is £2,754,000 (1996 - £849,000).

BAYTOR LIMITED

NOTES TO THE ACCOUNTS (Continued)

10. Intangible Asset

	Group	
	1997	1996
	£'000	£'000
<u>Goodwill</u>		
Balance at beginning of year	3,461	3,835
Amortisation for period	-374	-374
Balance at end of year	3,087	3,461

The goodwill arising on the acquisition of AVO Limited (formerly AVO International Ltd) and its subsidiary undertakings is being amortised over 15 years.

11. Investment in Group Undertakings

	Company	
	1997	1996
	£'000	£'000
Shares in group undertakings, at cost	16,238	16,238

The following is a list of trading subsidiaries included in the group accounts.

<u>Name of company and country of incorporation and operation</u>	<u>Description of shares held</u>	Proportion of nominal value of shares and voting rights held directly by:	
		<u>Company</u> %	<u>Subsidiaries</u> %
AVO Ltd (England)	Ordinary (£1)	100	-
	Preference (£1)	100	-
AVO International Ltd (England)	Ordinary (£1)	-	100
Megger SA (France)	Ordinary (F100)	-	100

The principal trading activities of the above companies are:-

AVO Limited - investment holding company.

AVO International Limited - manufacturers of electrical and electronic measurement instruments.

Megger SA - distributors of test and measurement equipment in France.

The company has other wholly owned non-trading subsidiary undertakings.

In the opinion of the Directors, the value of the company's interests in its subsidiary undertakings is not less than the amount at which they are stated in the balance sheet.

BAYTOR LIMITED

NOTES TO THE ACCOUNTS (Continued)

12. Tangible Fixed Assets

<u>Group</u>	Freehold Land and Buildings	Plant, Equipment and Motor Vehicles	Total
	£'000	£'000	£'000
<u>Cost</u>			
At 1 December 1996	7,206	5,851	13,057
Exchange rate adjustments	-14	-10	-24
Additions	14	649	663
Disposals	-	-128	-128
At 30 November 1997	<u>7,206</u>	<u>6,362</u>	<u>13,568</u>
<u>Depreciation</u>			
At 1 December 1996	1,064	2,298	3,362
Exchange rate adjustments	-10	-6	-16
Charge for the period	210	899	1,109
Disposals	-	-96	-96
At 30 November 1997	<u>1,264</u>	<u>3,095</u>	<u>4,359</u>
<u>Net Book Amount - 30 November 1997</u>	<u>5,942</u>	<u>3,267</u>	<u>9,209</u>
<u>Net Book Amount - 30 November 1996</u>	<u>6,142</u>	<u>3,353</u>	<u>9,695</u>

Included within Plant, Equipment and Motor Vehicles are assets with a net book value of £404,000 (1996 £582,000) held under finance leases. The depreciation charge for the year on these assets was £178,000 (1996 £175,000).

Company

The Company does not own any tangible fixed assets.

13. Capital Expenditure Outstanding

<u>Group</u>	1997 £'000	1996 £'000
Approved expenditure outstanding	<u>403</u>	<u>142</u>

Company

There is no capital expenditure outstanding in respect of the company.

BAYTOR LIMITED

NOTES TO THE ACCOUNTS (Continued)

	Group		Company	
	1997	1996	1997	1996
	£'000	£'000	£'000	£'000
14 <u>Stocks and Work in Progress</u>				
The amounts attributable to the different categories are as follows:				
Raw materials and consumables	1,144	1,234	-	-
Work in progress	154	395	-	-
Finished goods and goods for resale	1,275	1,055	-	-
	<u>2,573</u>	<u>2,684</u>	<u>-</u>	<u>-</u>
15 <u>Debtors</u>				
<u>Amounts Falling Due Within One Year</u>				
Trade debtors	3,627	4,170	-	-
Amounts owed by other group undertakings	1,856	1,230	616	851
Prepayments and other debtors	395	235	-	-
Corporation tax recoverable	107	-	107	110
	<u>5,985</u>	<u>5,636</u>	<u>723</u>	<u>961</u>
16 <u>Creditors</u>				
<u>Amounts Falling Due Within One Year</u>				
Bank loans and overdrafts	450	-	450	-
Trade creditors	1,949	1,341	-	-
Amounts owed to subsidiary undertakings	-	-	3	3
Amounts owed to other group undertakings	1,236	530	-	-
Obligations under finance leases	150	170	-	-
Corporation tax	886	353	-	-
Social security and other taxes	165	147	-	-
Other creditors and accruals	519	336	-	-
	<u>5,355</u>	<u>2,877</u>	<u>453</u>	<u>3</u>
17 <u>Creditors</u>				
<u>Amounts Falling Due After More Than One Year</u>				
Bank term loan	4,010	4,460	4,010	4,460
Obligations under finance leases	297	451	-	-
	<u>4,307</u>	<u>4,911</u>	<u>4,010</u>	<u>4,460</u>

The bank term loan was refinanced during the year and has been drawn down under an optional multi-currency term loan facility which together with a revolving credit line amounting to US\$10.0m gives an overall facility of US\$25.0 million (1996 - US\$25.0 million) which is available to the Company and other companies within the AVO International Inc. (the Company's immediate parent) group. The Company, together with other AVO International Inc companies, has guaranteed repayment of the overall borrowings under the facility which at 30 November 1997 amounted to US\$ 15.0 million (1996 - US\$17.3 million). As security for the facility, the Company has entered into a Memorandum of Deposit whereby it has granted a first equitable charge over its shares in AVO Limited. In addition, its wholly owned subsidiaries, AVO Limited and AVO International Limited, have both guaranteed the obligations under the facility including the repayment of borrowings together with accrued interest thereon and AVO Limited has entered into a Memorandum of Deposit whereby it has granted to the bank a first equitable charge over its shares in AVO International Limited.

BAYTOR LIMITED

NOTES TO THE ACCOUNTS (continued)

17. Creditors (continued)

Other AVO International Inc. group companies have provided similar guarantees in relation to any liability which may arise under the facility and the Directors are of the opinion that no loss will arise as a result of the above arrangements.

At 30 November 1997 the total of the term loan facility had been drawn down by the group. This loan is repayable in 21 quarterly payments of US\$833,333 commencing 1 February 1998.

Bank loans and overdrafts fall due for repayment as follows:

	<u>Group</u>		<u>Company</u>	
	1997	1996	1997	1996
	£'000	£'000	£'000	£'000
Within one year or on demand	450	-	450	-
Between one and two years	900	470	900	470
Between two and five years	2,700	2,820	2,700	2820
After five years	410	1,170	410	1,170
	<u>4,460</u>	<u>4,460</u>	<u>4,460</u>	<u>4,460</u>

18. Deferred Income

Group

	1997	1996
	£'000	£'000
Balance brought forward	2,271	2,371
Credit to profit and loss account	-100	-100
Balance carried forward	<u>2,171</u>	<u>2,271</u>

This amount predominantly represents compensation money received from the Department of Transport relating to the group's Dover site as a result of the trunking of the A20 Road.

Company

There was no deferred income in respect of the company.

BAYTOR LIMITED

NOTES TO THE ACCOUNTS (continued)

19. Provisions for Liabilities and Charges

<u>Group</u>	Deferred Tax (See Note 20)	Other Provisions	Total
	£'000	£'000	£'000
At 1 December 1996	210	24	234
Charged/(credited) to profit & loss account	51	-24	27
At 30 November 1997	<u>261</u>	<u>-</u>	<u>261</u>

Company

There were no provisions for liabilities and charges in respect of the company.

20. Deferred Tax

Analysis of provision and potential liability

<u>Group</u>	<u>30 November 1997</u>		<u>30 November 1996</u>	
	Full Potential Liability	Provision Made	Full Potential Liability	Provision Made
	£'000	£'000	£'000	£'000
Fixed assets	599	231	883	210
Other timing differences	231	30	-8	-
	<u>830</u>	<u>261</u>	<u>875</u>	<u>210</u>

There was no provision or potential liability to deferred tax in respect of the company.

Due to the group policy of continued ownership of properties, it would be necessary to replace major properties by purchasing similar properties and, in the UK, rollover relief would be available. Accordingly, the potential amount of tax which might arise on the property if it were disposed of at its balance sheet value has not been quantified.

BAYTOR LIMITED

NOTES TO THE ACCOUNTS (Continued)

21. Share Capital (Group and Company)

	Authorised		Alloted, Called Up & Fully Paid	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
	£000	£000	£000	£000
10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>	<u>8,785</u>	<u>8,785</u>

22. Reconciliation of Operating Profit to Cash Flow from Operating Activities

	1997	1996
	£'000	£'000
Operating profit	2,172	893
Amortisation of goodwill	374	374
Depreciation	1,109	1,100
Movement on deferred income	-100	-100
Loss on sale of tangible fixed assets	20	2
Decrease in stocks	102	442
Increase in debtors	-412	-1,000
Increase/(decrease) in creditors	1,543	-65
Release of provisions for liabilities and charges	-24	-
Net cash inflow from operating activities	<u>4,784</u>	<u>1,646</u>

23. Analysis of Changes in Cash and Cash Equivalents During the Year

	1997	1996
	£'000	£'000
Balance at beginning of year	112	348
Exchange movements	-17	-34
Net cash (outflow)/inflow	<u>367</u>	<u>-202</u>
Balance at end of year	<u>462</u>	<u>112</u>

BAYTOR LIMITED

NOTES TO THE ACCOUNTS (continued)

24 Analysis of Changes in Financing During the Year

	Loans (excluding overdrafts)	Finance lease obligations
	£'000	£'000
Balance at 1 December 1996	4,460	621
Cash outflows from financing	-	-174
Balance at 30 November 1997	<u>4,460</u>	<u>447</u>

25 Finance Lease Commitments

1997	1996
£'000	£'000

Group

The Group has the following obligations under finance leases:

Within one year	186	205
Between one and five years inclusive	<u>326</u>	<u>494</u>
	512	699
Finance charges allocated to future periods	<u>-65</u>	<u>-78</u>
	<u>447</u>	<u>621</u>

Company

There were no finance lease commitments in respect of the company.

26 Operating Lease Commitments

1997	1996
£'000	£'000

The Group has the following obligations within one year under operating leases which expire:

Within one year	10	24
Between one and five years inclusive	<u>77</u>	<u>40</u>
	<u>87</u>	<u>64</u>

These leases relate to the company's fleet of motor cars.

BAYTOR LIMITED

NOTES TO THE ACCOUNTS (continued)

27. Pensions

An independent actuarial valuation of the U.K. pension scheme was carried out as at 6 April 1996 using the Projected Unit Method. The valuation assumed that the investment return would be 2% p.a. more than the rate of increase in salaries and that present future pensions would increase at the rate of 3% p.a. The market value of the scheme investments at the valuation date was £5,180,000 and the valuation showed that the actuarial value of these assets represented a surplus of £86,000 over the benefits that had accrued to members at the valuation date after allowing for expected future increases in salaries. The actuaries recommended that the current rates of contribution both by the employers (10%) and the employees (6%) be continued until the next valuation date of 6 April 1999.

Following the changes to ACT announced in the Government's Budget of July 2nd, the Company in consultation with the Trustees and the Fund's Actuary decided it was necessary to increase the rates of contribution both by the employer (by 1.5% to 11.5%) and by the employee (by 0.5% to 6.5%)

28. Related Party Transactions

The Company has taken advantage of the 90% owned subsidiary exemption available under Financial Reporting Standard 8 not to disclose related party transactions with any members of the TBG Holdings NV groups.

29. Ultimate Holding Company

The Directors regard TBG Holdings NV, a company incorporated in the Netherlands Antilles, as the company's ultimate holding company, and the only company in the group for which group accounts, including those of the company, are prepared.