

FTL Seals Technology Limited

**Directors' report and consolidated
financial statements**

Registered number 3493017

31 December 2005



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Company information

Directors

MJ Harwood (appointed as non-executive director 1 May 2005, resigned 30 January 2006)

P Todd

A Snowdon

SG Smith

B Wilkinson

Secretary

B Wilkinson

Registered office

Bruntcliffe Avenue
Leeds 27 Business Park
Morley
Leeds
LS27 0TG

Bankers

Barclays Bank Plc
Minerva House
East Parade
Leeds
LS1 5TW

Solicitors

Hammonds
2 Park Lane
Leeds
LS3 1ES

Auditors

KPMG LLP
1 The Embankment
Neville Street
Leeds
LS1 4DW

Directors' report

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2005.

Principal activity

The principal activity of the company is the design, manufacture and distribution of engineered products and fluid seals.

Business review

The directors are pleased to report another record year with strong customer demand based on the company's reputation for its level of service, technical competence and engineering expertise.

Investment in new products and new markets has continued and this is reflected in the strategic development plans of the company, and the directors' commitment to provide sealing and engineering solutions to a wide range of industries.

The directors have confidence in the business prospects for 2006 knowing the business plan in place is soundly made and is fully supported by the determination and competences of staff at all levels.

Dividends

The directors declared a final dividend in December 2005 of £75,000 (2004: £60,000) on the equity shares.

Directors and directors' interests

The members of the board who served throughout the year, together with their interests in the share capital of the company at the beginning and the end of the year, were as follows:

	At start of the year Equity shares Ordinary shares of 1p	At end of the year Ordinary shares 1p
MJ Harwood (non-exec director from 1 May 2005, resigned 30 January 2006)	35,000	-
SG Smith	22,500	22,500
P Todd	22,500	22,500
A Snowdon	22,500	22,500
B Wilkinson	22,500	22,500
C I McBride (resigned 2 January 2005)	-	-

Directors' report

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



B Wilkinson
Secretary

Bruntcliffe Avenue
Leeds 27 Business Park
Morley
Leeds
LS27 0TG

25 April 2006

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 these financial statements, the directors are required to:

select suitable accounting policies and then apply them consistently;

make judgments and estimates that are reasonable and prudent;

state whether applicable UK 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

1 The Embankment
Neville Street
Leeds
LS1 4DW

Independent auditors' report to the members of FTL Seals Technology Limited

We have audited the financial statements of FTL Seals Technology Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 4, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

Independent auditors' report to the members of FTL Seals Technology Limited
(continued)

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



KPMG LLP
Chartered Accountants
Registered Auditor

25 April 2006

Consolidated profit and loss account
for the year ended 31 December 2005

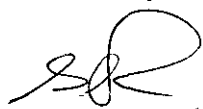
	Note	Continuing operations	
		2005 £	2004 £
Turnover		5,649,624	5,698,069
Cost of sales		(4,236,071)	(4,325,709)
Gross profit		1,413,553	1,372,360
Distribution costs		(56,542)	(75,103)
Administrative expenses		(484,389)	(482,194)
Operating profit	2-5	872,622	815,063
Interest receivable	6	12,732	15,039
Interest payable	7	(40,852)	(46,517)
Profit on ordinary activities before taxation		844,502	783,585
Tax on profit on ordinary activities	8	(255,515)	(253,115)
Profit for the financial year		588,987	530,470

The group has no recognised gains or losses for the financial year other than the profit for the year as shown above.

Consolidated balance sheet
at 31 December 2005

	Note	£	2005 £	£	2004 £
Fixed assets					
Intangible assets	10		1,046,438		1,131,860
Tangible assets	11		50,904		68,680
			<u>1,097,342</u>		<u>1,200,540</u>
Current assets					
Stocks	13	800,038		749,038	
Debtors	14	1,230,323		1,199,540	
Cash at bank and in hand		200,844		378,806	
			<u>2,231,205</u>	<u>2,327,374</u>	
Creditors: amounts falling due within one year	16	(1,518,342)		(1,268,706)	
			<u>712,863</u>	<u>1,058,678</u>	
Net current assets					
			<u>1,810,205</u>	<u>2,259,218</u>	
Total assets less current liabilities					
Creditors: amounts falling due after more than one year	17		(211,000)		(324,000)
			<u>1,599,205</u>	<u>1,935,218</u>	
Net assets					
			<u>1,599,205</u>	<u>1,935,218</u>	
Capital and reserves					
Called up share capital	18		900		1,250
Share premium account	20		84,060		116,750
Capital redemption reserve	20		92,040		59,000
Profit and loss account	20		1,422,205		1,758,218
			<u>1,599,205</u>	<u>1,935,218</u>	
Shareholders' funds – equity					
			<u>1,599,205</u>	<u>1,935,218</u>	

These consolidated financial statements were approved by the board of directors on 25 April 2006 and were signed on its behalf by:



SG Smith

Director

Company balance sheet
at 31 December 2005

	Note	2005		2004	
		£	£	£	£
Fixed assets					
Intangible assets	10		1,046,438		1,131,860
Tangible assets	11		50,904		68,680
Investments	12		1,000		1,000
			<u>1,098,342</u>		<u>1,201,540</u>
Current assets					
Stock	13	800,038		749,038	
Debtors	14	1,230,323		1,199,540	
Cash at bank and in hand		200,844		378,806	
		<u>2,231,205</u>		<u>2,327,384</u>	
Creditors: amounts falling due within one year	16	<u>(1,519,342)</u>		<u>(1,269,706)</u>	
Net current assets			<u>711,863</u>		<u>1,057,678</u>
Total assets less current liabilities			<u>1,810,205</u>		<u>2,259,218</u>
Creditors: amounts falling due after more than one year	17		<u>(211,000)</u>		<u>(324,000)</u>
Net assets			<u>1,599,205</u>		<u>1,935,218</u>
Capital and reserves					
Called up share capital	18		900		1,250
Share premium account	20		84,060		116,750
Capital redemption reserve	20		92,040		59,000
Profit and loss account	20		1,422,205		1,758,218
			<u>1,599,205</u>		<u>1,935,218</u>
Shareholders' funds			<u>1,599,205</u>		<u>1,935,218</u>
Shareholders' funds					
Equity			1,599,205		1,935,218
Non-equity			-		-
			<u>1,599,205</u>		<u>1,935,218</u>

These financial statements were approved by the board of directors on 25 April 2006, and were signed on its behalf by:



SG Smith
Director

Consolidated cash flow statement
for the year ended 31 December 2005

	<i>Note</i>	2005 £	2004 £
Net cash inflow from operating activities	23	1,064,213	775,566
Returns on investments and servicing of finance	23	(90,980)	(116,301)
Taxation		(228,171)	(231,890)
Capital expenditure	23	(20,024)	(10,959)
		<hr/>	<hr/>
		725,038	416,416
Financing	23	(903,000)	(213,000)
		<hr/>	<hr/>
(Decrease)/increase in cash for the year	24	(177,962)	203,416
		<hr/>	<hr/>

Reconciliation of net cash flow to movement in net debt
for the year ended 31 December 2005

	<i>Note</i>	2005 £	2004 £
(Decrease)/increase in cash for the year	24	(177,962)	203,416
Net cash inflow from decrease in debt financing	24	53,000	213,000
		<hr/>	<hr/>
Change in net debt resulting from cash flows	24	(124,962)	416,416
Net debt at beginning of year	24	(158,193)	(574,609)
		<hr/>	<hr/>
Net debt at end of year	24	(283,155)	(158,193)
		<hr/>	<hr/>

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2005

	2005 £	2004 £
Profit for the financial year	844,502	530,470
Purchase of own shares	(850,000)	-
Dividends	(75,000)	(60,000)
	<hr/>	<hr/>
Net (reduction)/addition to shareholders' funds	(80,498)	470,470
Opening shareholders' funds	1,935,218	1,464,748
	<hr/>	<hr/>
Closing shareholders' funds	1,854,720	1,935,218
	<hr/>	<hr/>

Notes

(forming part of the consolidated financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements, except as noted below.

In these financial statements the following new standards have been adopted for the first time:

- FRS 21 'Events after the balance sheet date';
- the presentation requirements of FRS 25 'Financial instruments: presentation and disclosure'; and
- FRS 28 'Corresponding amounts'.

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

The application of these new policies has not required the restatement of corresponding amounts.

Basis of preparation

The consolidated financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules, except as noted within the accounting policy for goodwill.

Basis of consolidation

The group accounts consolidate the accounts of FTL Seals Technology Limited and its non-trading subsidiary undertaking.

The acquisition method has been adopted in accounting for subsidiary undertakings. Under this method the results of the subsidiary are included in the consolidated profit and loss account from the date of acquisition.

In accordance with section 230 (4) of the Companies Act 1985, FTL Seals Technology Limited is exempt from the requirement to present its own profit and loss account. The company's retained profit for the financial year was £513,987 (2004: £470,470).

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is amortised over a period of 20 years, as this is the period over which the directors believe they will derive direct economic benefit.

On 30 June 1998 the trade and net assets of the subsidiary undertaking, Sigma Epsilon Limited (formerly known as FTL Seals Technology Limited) were transferred to the company at their fair value. The cost of the company's investment in that subsidiary undertaking reflected the underlying fair value of its net assets and goodwill at the time of acquisition. As a result of this transfer, the value of the company's investment in that subsidiary undertaking fell below the amount at which it was stated in the company's accounting records. Schedule 4 to the Companies Act 1985 requires that the investment be written down accordingly and that the amount be charged as a loss in the company's profit and loss account. However, the directors consider that, as there has been no overall loss to the company, it would fail to give a true and fair view to charge that diminution to the company's profit and loss account for the period and it should instead be allocated to goodwill and the identifiable net assets transferred, so as to recognise in the company's individual balance sheet the effective cost to the company of those net assets and goodwill.

The effect of this departure is to reduce the holding company's profit for the financial year by £85,423 (2004: £85,424), and to reduce the value of intangible fixed assets by the same amount in the holding company's balance sheet.

The group accounts are not affected by this transfer.

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of tangible fixed assets. The estimated useful lives are as follows:

Motor vehicles	4 years
Plant and machinery	4 - 5 years

Research and development

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise stated by FRS 19.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs

The company participates in a group personal pension scheme. Contributions are charged to the profit and loss account as they become payable.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Translation differences are dealt with in the profit and loss account as and when they arise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

2 Analysis of turnover

	2005	2004
<i>By geographical market</i>	£	£
UK	5,024,971	5,126,887
Europe	186,613	211,324
Rest of World	438,040	359,858
	<hr/>	<hr/>
	5,649,624	5,698,069
	<hr/>	<hr/>

Notes (continued)

3 Operating profit

	2005 £	2004 £
Operating profit is stated after charging:		
Depreciation	37,800	37,604
Amortisation of goodwill	85,423	85,424
Rentals under operating leases:		
Land and buildings	49,785	48,785
Hire of motor vehicles	57,802	72,929
Auditors' remuneration - audit	10,455	9,000
- non-audit	2,925	9,900
Research and development expenditure	70,590	46,323
	<hr/>	<hr/>

4 Directors' remuneration

	2005 £	2004 £
Directors' emoluments	321,111	376,765
Pension contributions	39,293	45,380
	<hr/>	<hr/>

The emoluments of the highest paid director were £76,776 (2004: £93,618), and company pension contributions of £8,472 (2004: £16,219) were made to a group personal pension scheme on his behalf.

	Number of directors	
	2005	2004
Retirement benefits are accruing to the following number of directors under:		
Defined contribution group personal pension schemes	4	5
	<hr/>	<hr/>

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2005	2004
Production, sales and distribution	26	26
Administration	6	6
	<u>32</u>	<u>32</u>

The aggregate payroll costs of these persons were as follows:

	2005 £	2004 £
Wages and salaries	938,006	946,720
Social security costs	99,076	100,466
Other pension costs (see note 22)	72,738	75,656
	<u>1,109,820</u>	<u>1,122,842</u>

6 Interest receivable

	2005 £	2004 £
Bank interest	<u>12,732</u>	<u>15,039</u>

7 Interest payable

	2005 £	2004 £
On bank loans	<u>40,852</u>	<u>46,517</u>

Notes (continued)

8 Tax on profit on ordinary activities

	2005 £	2004 £
UK corporation tax		
Current tax on income for the period	275,177	252,538
Adjustments in respect of prior periods	(17,458)	1,669
	<hr/>	<hr/>
Total current tax	257,719	254,207
Deferred tax	(2,204)	(1,092)
	<hr/>	<hr/>
Tax on profit on ordinary activities	255,515	253,115
	<hr/>	<hr/>

Factors affecting the tax charge for the current period.

The current tax charge for the period is higher (2004: *higher*) than the standard rate of corporation tax in the UK (30%, 2004: 30%). The differences are explained below:

	2005 £	2004 £
Current tax reconciliation		
Profit on ordinary activities before tax	844,502	783,585
	<hr/>	<hr/>
Current tax at 30% (2004: 30%)	253,351	235,075
	<hr/>	<hr/>
<i>Effects of:</i>		
Expenses not deductible for tax purposes (largely goodwill amortisation)	35,045	34,480
Fixed asset timing differences	1,805	46
Other short-term timing differences	(344)	(482)
Adjustments to tax charge in respect of previous periods	(17,458)	1,669
Small companies relief	(14,680)	(16,581)
	<hr/>	<hr/>
Total current tax charge (see above)	257,719	254,207
	<hr/>	<hr/>

In calculating the corporation tax charge for the year, amortisation of £85,423 (2004: £85,424) is treated as disallowable.

Notes (continued)

9 Dividends

	2005 £	2004 £
Equity shares:		
Final dividend declared	75,000	60,000

10 Intangible fixed assets

	Goodwill £
Group	
<i>Cost</i>	
At beginning and end of year	1,708,468
<i>Amortisation</i>	
At beginning of year	576,608
Charge for year	85,423
At end of year	662,031
<i>Net book value</i>	
At 31 December 2005	1,046,437
At 31 December 2004	1,131,860
Company	
<i>Cost</i>	
At beginning and end of year	1,687,112
<i>Amortisation</i>	
At beginning of year	555,252
Charge for year	85,423
At end of year	640,675
<i>Net book value</i>	
At 31 December 2005	1,046,437
At 31 December 2004	1,131,860

Notes (continued)

11 Tangible fixed assets

Group and company	Motor vehicles £	Plant and machinery £	Total £
Cost			
At beginning of year	6,200	476,037	482,237
Additions	-	20,024	20,024
Disposals	-	(26,524)	(26,524)
	<hr/>	<hr/>	<hr/>
At end of year	6,200	469,537	475,737
	<hr/>	<hr/>	<hr/>
Depreciation			
At beginning of year	6,200	407,357	413,557
Charge for year	-	37,800	37,800
On disposals	-	(26,524)	(26,524)
	<hr/>	<hr/>	<hr/>
At end of year	6,200	418,633	424,833
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2005	-	50,904	50,904
	<hr/>	<hr/>	<hr/>
At 31 December 2004	-	68,680	68,680
	<hr/>	<hr/>	<hr/>

12 Investments

Company	Shares in group undertakings £
Cost	
At beginning and end of year	1,900,000
	<hr/>
Provisions	
At beginning and end of year	1,899,000
	<hr/>
Net book value	
At 31 December 2005	1,000
	<hr/>
At 31 December 2004	1,000
	<hr/>

The principal company in which the company's interest at the year end is more than 20% is the wholly owned non-trading subsidiary undertaking of Sigma Epsilon Limited, a company registered in England.

Notes (continued)

13 Stock

	Group and company 2005 £	Group and company 2004 £
Goods for resale	800,038	749,038

14 Debtors

	Group and Company 2005 £	Group and Company 2004 £
Trade debtors	1,159,454	1,131,376
Other debtors	1,800	2,000
Prepayments	53,915	53,214
Deferred tax asset (see note 15)	15,154	12,950
	<u>1,230,323</u>	<u>1,199,540</u>

15 Deferred taxation

	2005 £	2004 £
At beginning of year	12,950	11,858
Credit to profit and loss for the year	2,204	1,092
At end of year	<u>15,154</u>	<u>12,950</u>

The deferred tax asset relates to differences between depreciation and capital allowances and other short timing differences.

16 Creditors: amounts falling due within one year

	2005 Group £	2005 Company £	2004 Group £	2004 Company £
Bank loans (see note 17)	273,000	273,000	213,000	213,000
Trade creditors	511,527	511,527	444,722	444,722
Amounts owed to group undertakings	-	1,000	-	1,000
Mainstream corporation tax	282,086	282,086	252,538	252,538
Taxation and social security	197,159	197,159	165,630	165,630
Other creditors	13,024	13,024	9,869	9,869
Accruals and deferred income	166,546	166,546	122,947	122,947
Declared dividend	75,000	75,000	60,000	60,000
	<u>1,518,342</u>	<u>1,519,342</u>	<u>1,268,706</u>	<u>1,269,706</u>

Notes (continued)

17 Creditors: amounts falling due after more than one year

	Group and company 2005 £	Group and company 2004 £
Bank loans	211,000	324,000
<i>Analysis of debt</i>		
Debt can be analysed as falling due:		
In one year or less	273,000	213,000
Between one and two years	171,000	213,000
Between two and five years	40,000	111,000
	<u>484,000</u>	<u>537,000</u>

Within bank loans are two loans, whose terms at the year end are set out below:

- i) A loan with capital of £324,000 (2004: £537,000) outstanding, with the following capital repayments:
- | | |
|--|---------|
| 6 Quarterly payments commencing January 2006 | £53,250 |
|--|---------|
- ii) A loan with capital of £160,000 (taken out in May 2005) outstanding on which the following capital repayments have been made during the year.
- | | |
|---|----------|
| 8 monthly payments commencing May 2005 | £5,000 |
| 1 unscheduled payment on 28 December 2005 | £100,000 |
- and on which the following repayments are due
- | | |
|--|--------|
| 32 monthly payments from January 2006 to August 2008 | £5,000 |
|--|--------|

The loans are subject to variable interest set at 2.75% above LIBOR.

The loans are secured by way of a fixed and floating charge over the assets of the group.

Notes (continued)

18 Called up share capital

	2005 £	2004 £
Authorised		
Equity:		
90,000 Ordinary shares of £0.01 each	900	900
97,500 'A' Ordinary shares of £0.01 each	975	975
	<hr/> 1,875	<hr/> 1,875
Allotted, called up and fully paid		
Equity:		
90,000 Ordinary shares of £0.01 each	900	900
35,000 'A' Ordinary shares of £0.01 each	-	350
	<hr/> 900	<hr/> 1,250

19 Rights attaching to shares

Redemption

All shares may be subject to a compulsory sale notice. This may be issued when a shareholder ceases to hold office as a director or employee of the company.

The price for the sale share, the subject of a compulsory sale notice will be between the price paid for the shares and the fair value at the time of the sale. The price paid will be dependant on the circumstances surrounding the termination of office of the director.

20 Reserves

	Group and company		
	Share premium £	Capital redemption reserve £	Profit and loss account £
At beginning of year	116,750	59,000	1,758,218
Profit for the financial year	-	-	588,987
Dividends declared	-	-	(75,000)
Purchase of own shares	(32,690)	33,040	(850,000)
	<hr/> 84,060	<hr/> 92,040	<hr/> 1,422,205

Notes (continued)

21 Commitments

Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	2005 £	2004 £
Contracted	<u>4,052</u>	<u>9,200</u>

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings 2005 £	Other 2005 £	Land and buildings 2004 £	Other 2004 £
Operating leases which expire:				
In one year	-	20,488	-	13,075
In the second to fifth year inclusive	-	35,437	-	44,727
Over five years	50,785	-	49,785	-
	<u>50,785</u>	<u>55,925</u>	<u>49,785</u>	<u>57,802</u>

22 Pension scheme

The company pays contributions to a defined contribution group personal pension scheme, which are all charged to the profit and loss account as they accrue. The charge for the period was £72,738 (2004: £75,656), and £8,678 (2004: £9,568) was payable to the pension scheme at the year end.

Notes (continued)

23 Analysis of cash flows

	2005 £	2004 £
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	872,622	815,063
Depreciation charge	37,800	37,604
Amortisation of goodwill	85,423	85,424
(Increase) in stocks	(51,000)	(72,628)
(Increase) in debtors	(28,580)	(188,549)
Increase in creditors	147,948	98,652
	<u>1,064,213</u>	<u>775,566</u>
Returns on investment and servicing of finance		
Interest received	12,732	15,039
Interest paid	(43,712)	(48,007)
Equity dividends paid	(60,000)	(83,333)
	<u>(90,980)</u>	<u>(116,301)</u>
	<u>2005</u>	<u>2004</u>
	<u>£</u>	<u>£</u>
Capital expenditure		
Payments to acquire tangible fixed assets	(20,024)	(10,959)
Net cash outflow from acquisitions	<u>(20,024)</u>	<u>(10,959)</u>
Financing		
New bank loan in the year	300,000	-
Repayment of long term loans and loan notes	(353,000)	(213,000)
Release of long term debt issue costs	-	-
Repurchase of 'A' ordinary shares	(850,000)	-
Net cash outflow from financing	<u>(903,000)</u>	<u>(213,000)</u>

Notes *(continued)*

24 Analysis of net debt

	At beginning of year £	Cash flow £	At end of year £
Cash in hand and at bank	378,807	(177,962)	200,845
Debt due within one year	(213,000)	(60,000)	(273,000)
Debt due after one year	(324,000)	113,000	(211,000)
	(537,000)	53,000	(484,000)
Total	(158,193)	(124,962)	(283,155)

25 Contingent liabilities

There is a guarantee in place with Barclays Bank in favour of HMRC for £40,000 (2004: £40,000).