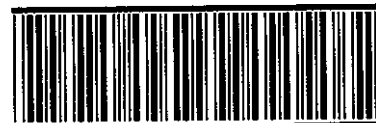


Drexel Equipment (UK) Limited

Directors' report and financial statements

31 March 1996

Registered number 873028



A28 *AED08REE* 477
COMPANIES HOUSE 11/12/96

Drexel Equipment (UK) Limited

Directors' report and financial statements

<i>Contents</i>	<i>Page</i>
Directors' report	1
Statement of directors' responsibilities	2
Auditors' report	3
Consolidated profit and loss account	4
Consolidated balance sheet	5
Company balance sheet	6
Consolidated cash flow statement	7
Notes	8 - 21

Drexel Equipment (UK) Limited

Directors' report

The directors present their annual report and audited financial statements for the year ended 31 March 1996.

Principal activities

The principal activities of the company and its subsidiary undertakings are that of manufacturing, wholesaling and servicing of equipment and accessories to the oil and gas industry.

Business review

Turnover rose to £10,659,813 (1994: £8,635,410) and profit on ordinary activities before tax rose to £1,589,296 (1994: £660,344).

The company increased turnover and profits before taxation during the year and strengthened its position in the market, through sales of diversified product lines. The company looks forward to continued growth in the coming year as a result of buoyant market conditions.

On 31 January 1996 the Group acquired the entire share capital of Environmental Procedures (UK) Limited. The post acquisition results have been consolidated in the Group financial statements.

On 24 April 1996 the entire share capital of Drexel Oilfield Services Limited and its subsidiary companies was acquired by Tuboscope Vetco International Inc.

Proposed dividend and transfer to reserves

The directors recommend that no dividend be paid. The retained profit for the financial year is £1,109,138.

Directors and directors' interests

The directors who held office during the year were as follows:

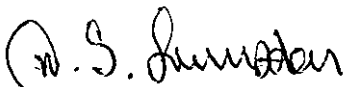
LY Loh (Chairman)
D Barrett
JE McAnally
CD Harriman
PJ Stuart
HM Murray
FB McCafferty
DS Lumsden

None of the directors who held office at the end of the financial year had any disclosable interests in the shares of the company and its subsidiary undertakings.

Auditors

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

By order of the board


DS Lumsden
Secretary

5A Furze Hill
Purley
Surrey
CR8 3LB

28 June 1996

Drexel Equipment (UK) Limited

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 and group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that 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 to enable them to ensure that the 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 group and to prevent and detect fraud and other irregularities.



37 Albyn Place
Aberdeen AB10 1JB

Report of the auditors to the members of Drexel Equipment (UK) Limited

We have audited the financial statements on pages 4 to 21.

Respective responsibilities of directors and auditors

As described on page 2, 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 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 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 affairs of the company and the group as at 31 March 1996 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants
Registered Auditors

7 August 1996

Drexel Equipment (UK) Limited

Consolidated profit and loss account for the year ended 31 March 1996

	<i>Note</i>	1996 £	1995 £
Turnover	2	10,659,813	8,635,410
Cost of sales		(7,687,826)	(6,566,629)
		<hr/>	<hr/>
Gross profit		2,971,987	2,068,781
Distribution costs		(690,214)	(768,146)
Administrative expenses		(658,150)	(593,788)
		<hr/>	<hr/>
Operating profit		1,623,623	706,847
Interest receivable and similar income		10,749	6,194
Interest payable and similar charges	6	(45,076)	(52,697)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	3-5	1,589,296	660,344
Tax on profit on ordinary activities	7	(480,158)	(257,756)
		<hr/>	<hr/>
Profit for the financial year		1,109,138	402,588
		<hr/>	<hr/>
Profit retained in			
The holding company		1,060,523	402,588
Subsidiary company		48,615	-
		<hr/>	<hr/>
		1,109,138	402,588
		<hr/>	<hr/>

A statement of movements on reserves is given in note 17.

Turnover and profit on ordinary activities before interest arise wholly from continuing operations.

There are no other recognised gains and losses other than the profit for the financial year.

Drexel Equipment (UK) Limited

Consolidated balance sheet at 31 March 1996

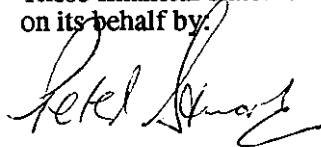
	Note	£	1996	£	£	1995	£
Fixed assets							
Tangible assets	8		2,557,023			2,047,179	
Current assets							
Stocks	10	2,882,371			1,521,407		
Debtors	11	3,257,280			2,483,625		
Cash at bank and in hand		199,471			121,165		
		<hr/>			<hr/>		
		6,339,122			4,126,197		
Creditors: amounts falling due within one year	12	(3,864,219)			(2,076,763)		
		<hr/>			<hr/>		
Net current assets			2,474,903			2,049,434	
			<hr/>			<hr/>	
Total assets less current liabilities			5,031,926			4,096,613	
Creditors: amounts falling due after more than one year	13		(281,560)			(371,844)	
Provisions for liabilities and charges	14		(62,500)			-	
			<hr/>			<hr/>	
Net assets			4,687,866			3,724,769	
			<hr/>			<hr/>	
Capital and reserves							
Called up share capital	15		1,258,421			1,258,421	
Share premium account	17		202,167			202,167	
Revaluation reserve	17		202,116			206,516	
Profit and loss account	17		3,025,162			2,057,665	
			<hr/>			<hr/>	
Equity shareholders' funds	16		4,687,866			3,724,769	
			<hr/>			<hr/>	

Drexel Equipment (UK) Limited

Balance sheet at 31 March 1996

	Note	1996		1995	
		£	£	£	£
Fixed assets					
Tangible assets	8		2,628,734		2,047,179
Investments	9		32,895		-
			<hr/>		<hr/>
			2,661,629		2,047,179
Current assets					
Stocks	10	2,882,371		1,521,407	
Debtors	11	2,892,204		2,483,625	
Cash at bank and in hand		122,032		121,165	
		<hr/>		<hr/>	
			5,896,607		4,126,197
Creditors: amounts falling due within one year	12	(3,428,884)		(2,076,763)	
		<hr/>		<hr/>	
Net current assets			2,467,723		2,049,434
			<hr/>		<hr/>
Total assets less current liabilities			5,129,352		4,096,613
Creditors: amounts falling due after more than one year	13	(281,560)		(371,844)	
Provisions for liabilities and charges	14	(62,500)		-	
		<hr/>		<hr/>	
Net assets			4,785,292		3,724,769
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	15		1,258,421		1,258,421
Share premium account	17		202,167		202,167
Revaluation reserve	17		202,116		206,516
Profit and loss account	17		3,122,588		2,057,665
			<hr/>		<hr/>
Equity shareholders' funds	16		4,785,292		3,724,769
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 28 June 1996 and were signed on its behalf by:



PJ Stuart
Director

Drexel Equipment (UK) Limited

Consolidated cash flow statement for the year ended 31 March 1996

	Note	1996		1995	
		£	£	£	£
Net cash inflow from operating activities	18		1,037,993		654,905
Return on investments and servicing of finance					
Interest paid		(45,076)		(52,697)	
Interest received		10,749		6,194	
Net cash outflow from returns on investments and servicing of finance			(34,327)		(46,503)
Taxation					
UK corporation tax paid			(267,000)		(214,755)
Investing activities					
Payments to acquire tangible fixed assets		(668,302)		(475,729)	
Receipts from sales of tangible fixed assets		103,187		66,273	
Purchase of subsidiary undertaking	20	32,283		-	
Net cash outflow from investing activities			(532,832)		(409,456)
Net cash (outflow) inflow before financing			203,834		(15,809)
Financing					
Loans advanced		-		310,000	
Repayment of amounts borrowed		(98,337)		(106,908)	
Capital element of finance lease rental payments		(27,191)		(24,613)	
Net cash (outflow) inflow from financing	22		(125,528)		178,479
Increase in cash and cash equivalents	19		78,306		162,670

Drexel Equipment (UK) Limited

Notes

(forming part of the 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 company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain land and buildings.

Basis of consolidation

The group accounts consolidate the financial statements of Drexel Equipment (UK) Limited and its subsidiary undertakings made up to 31 March 1996.

Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is written off against reserves on acquisition.

In the company's accounts, investments in subsidiary undertakings are stated as cost less amounts written off.

In accordance with Section 230(4) of the Companies Act 1985, Drexel Equipment (UK) Limited is exempt from the requirement to present its own profit and loss account.

The amount of the profit for the financial year dealt with in the financial statements of Drexel Equipment (UK) Limited is disclosed in note 17 to these accounts.

Tangible fixed assets

Depreciation is provided by the group to write off the cost or valuation less estimated residual value of tangible fixed assets by equal instalments over their expected useful economic lives as follows:

Freehold buildings	-	50 years
Plant and machinery	-	5 to 7 years
Rental equipment	-	10 years
Motor vehicles	-	4 years
Fixtures and fittings	-	5 to 10 years

No depreciation is provided on freehold land.

During the year the depreciation policy on lease fleet assets changed. These assets are now depreciated over 10 years with a residual value of 25% of original cost (1995: 4-8 years with nil residual value). The change in policy has resulted in a £200,000 fall in the depreciation charge in the year.

Drexel Equipment (UK) Limited

Notes (continued)

1 Accounting policies (continued)

Gains or losses on disposals of rental equipment

The trading activities of offshore rental equipment in which the company trades, are an integral part of the company's business. Gains or losses on disposals of these assets, which are a recurring feature of the company's business are considered to be operating items and accordingly are included within operating profit and are separately disclosed within the company's financial statements.

Stocks and work in progress

Stocks are valued at the lower of cost or net realisable value. Cost includes direct materials, labour and works overheads and excludes cost of selling and administration. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the cost of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition. Provision is made where necessary for obsolete, slow moving and defective stocks.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Pension costs

The group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group in an independently administered fund. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group.

Turnover

Turnover represents the invoiced value of goods and services supplied, excluding value added tax, together with commission received from principals for whom the group acts as agents.

Development expenditure

Development expenditure relating to specific projects intended for commercial exploitation is carried forward when its recoverability can be foreseen with reasonable assurance. Such expenditure is amortised over the periods expected to benefit from it, commencing with the period in which related sales are first made. Expenditure on pure and applied research is written off as incurred.

Drexel Equipment (UK) Limited

Notes (continued)

1 Accounting policies (continued)

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

2 Analysis of turnover

By geographical market

	1996 £	1995 £
United Kingdom	4,445,313	4,199,675
Rest of Europe	2,870,248	1,561,133
United States of America	2,009,068	1,844,583
Asia	742,411	484,877
Africa	592,773	534,271
Australia	-	10,871
	<hr/>	<hr/>
	10,659,813	8,635,410
	<hr/>	<hr/>

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging (crediting):

	1996 £	1995 £
Depreciation of tangible fixed assets	390,247	586,428
Operating lease rentals - plant and machinery	65,692	6,447
- other assets	61,000	49,500
Auditors' remuneration	16,000	12,500
Research and development expenditure	84,526	66,210
Gains on disposals of fixed assets	(1,726)	(23,961)
	<hr/>	<hr/>

Drexel Equipment (UK) Limited

Notes (continued)

4 Remuneration of directors

	1996 £	1995 £
Directors' emoluments:		
Remuneration as executives	267,921	246,049

The emoluments, excluding pension contributions, of the chairman were £nil (1995: £nil) and those of the highest paid director were £56,611 (1995: £52,928).

The emoluments, excluding pension contributions, of the directors were within the following ranges:

	Number of directors	
	1996	1995
£0 - £ 5,000	3	3
£35,001 - £40,000	-	1
£40,001 - £45,000	2	2
£45,001 - £50,000	1	-
£50,001 - £55,000	-	2
£55,001 - £60,000	2	-

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	
	1996	1995
Production	65	63
Sales	11	12
Research and development	2	2
Administration	21	20
	99	97

Drexel Equipment (UK) Limited

Notes (continued)

5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	1996 £	1995 £
Wages and salaries	2,134,326	1,848,720
Social security costs	169,700	164,320
Other pension costs (see note 25)	122,280	91,200
	<hr/> 2,426,306 <hr/>	<hr/> 2,104,240 <hr/>

6 Interest payable and similar charges

Interest payable on bank loans and overdrafts:

	1996 £	1995 £
Repayable within 5 years, by instalments	30,967	34,939
Repayable within 5 years, not by instalments	8,215	8,706
Interest on finance leases	5,894	9,052
	<hr/> 45,076 <hr/>	<hr/> 52,697 <hr/>

7 Taxation

UK corporation tax at 33% (1995: 33%)
Deferred taxation
Adjustment relating to an earlier year

	1996 £	1995 £
UK corporation tax at 33% (1995: 33%)	441,799	282,500
Deferred taxation	53,859	(25,000)
Adjustment relating to an earlier year	(15,500)	256
	<hr/> 480,158 <hr/>	<hr/> 257,756 <hr/>

Drexel Equipment (UK) Limited

Notes (continued)

8 Tangible fixed assets

Group

	Freehold land and buildings	Plant and machinery (Including rental equipment)	Motor vehicles	Fixtures and fittings	Total
	£	£	£	£	£
Cost or valuation					
At beginning of year	851,174	4,174,996	255,110	373,168	5,654,448
Arising on acquisition	-	425,161	9,672	17,093	451,926
Additions	29,918	727,094	45,594	83,696	886,302
Disposals	-	(433,477)	(75,843)	(7,989)	(517,309)
At end of year	881,092	4,893,774	234,533	465,968	6,475,367
Depreciation					
At beginning of year	65,137	3,159,605	152,304	230,223	3,607,269
Arising on acquisition	-	319,837	7,859	8,980	336,676
Charge for year	22,496	262,329	36,374	69,048	390,247
Disposals	-	(339,666)	(71,511)	(4,671)	(415,848)
At end of year	87,633	3,402,105	125,026	303,580	3,918,344
Net book value					
At 31 March 1996	793,459	1,491,669	109,507	162,388	2,557,023
At 31 March 1995	786,037	1,015,391	102,806	142,945	2,047,179

Drexel Equipment (UK) Limited

Notes (continued)

8 Tangible fixed assets (continued)

<i>Company</i>	Freehold land and buildings	Plant and machinery (Including rental equipment)	Motor vehicles	Fixtures and fittings	Total
	£	£	£	£	£
Cost or valuation					
At beginning of year	851,174	4,174,996	255,110	373,168	5,654,448
Additions	29,918	727,094	45,594	83,696	886,302
Disposals	-	(92,559)	(66,171)	-	(158,730)
Inter-company transfers	-	97,516	-	4,793	102,309
At end of year	881,092	4,907,047	234,533	461,657	6,484,329
Depreciation					
At beginning of year	65,137	3,159,605	152,304	230,223	3,607,269
Charge for year	22,496	255,638	36,173	69,048	383,355
Disposals	-	(71,577)	(63,451)	-	(135,028)
At end of year	87,633	3,343,666	125,026	299,271	3,855,596
Net book value					
At 31 March 1996	793,459	1,563,381	109,507	162,386	2,628,733
At 31 March 1995	786,037	1,015,391	102,806	142,945	2,047,179

The group's freehold land and buildings were revalued at 31 March 1994 on an open market basis as follows:

	Revalued amount £	Historical cost £
Noble Road, Dundee	325,000	271,980
Waldron Road, Montrose	375,000	316,447
	700,000	588,427

Drexel Equipment (UK) Limited

Notes (continued)

8 Tangible fixed assets (continued)

Particulars relating to revalued assets are given below:

	1996 £	1995 £
<i>Land and buildings</i>		
At 31 March 1994 open market value	700,000	700,000
Aggregate depreciation thereon	(29,140)	(14,570)
	<hr/>	<hr/>
Net book value	670,860	685,430
	<hr/>	<hr/>
Historical cost of revalued assets	588,427	588,427
Aggregate depreciation based on historical cost	(99,171)	(89,000)
	<hr/>	<hr/>
Historical cost net book value	489,256	499,427
	<hr/>	<hr/>

If these properties were sold at revalued amounts, a taxation charge of approximately £10,300 would arise.

The cost or valuation of land and buildings includes £786,092 (1995: £756,174) of depreciable assets.

Included in the total net book value of fixtures and fittings is £51,649 (1995: £66,041) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £14,392 (1995: £22,013).

9 Fixed asset investments

	Shares in group undertaking £
<i>Cost</i>	
At beginning of year	11,768
Additions	32,895
	<hr/>
At end of year	44,663
	<hr/>
<i>Provisions</i>	
At beginning and end of year	(11,768)
	<hr/>
At 31 March 1996	32,895
	<hr/>
At 31 March 1995	-
	<hr/>

The company holds 100% of the ordinary share capital of the Brandt Company (UK) Limited, a dormant company, which is incorporated in Great Britain.

During the year the company acquired the entire share capital of Environmental Procedures (UK) Limited.

Drexel Equipment (UK) Limited

Notes (continued)

10 Stocks

	Group		Company	
	1996 £	1995 £	1996 £	1995 £
Raw materials and consumables	49,122	106,272	49,122	106,272
Work in progress	1,102,018	458,755	1,102,018	458,755
Finished goods and goods for resale	1,731,231	956,380	1,731,231	956,380
	<u>2,882,371</u>	<u>1,521,407</u>	<u>2,882,371</u>	<u>1,521,407</u>

11 Debtors

	Group		Company	
	1996 £	1995 £	1996 £	1995 £
Trade debtors	1,560,972	1,798,683	1,447,065	1,798,683
Amounts owed by other group undertakings	1,546,934	622,951	1,359,577	622,951
Prepayments and accrued income	53,051	39,505	53,051	39,505
Other debtors	96,323	22,486	32,511	22,486
	<u>3,257,280</u>	<u>2,483,625</u>	<u>2,892,204</u>	<u>2,483,625</u>

12 Creditors: amounts falling due within one year

	Group		Company	
	1996 £	1995 £	1996 £	1995 £
Term loans (see note 13)	74,100	112,877	74,100	112,877
Trade creditors	604,843	425,955	587,672	425,955
Amounts owed to group undertakings	1,441,639	455,499	1,152,243	455,499
Obligations under finance leases	31,294	27,761	30,910	27,761
Taxation and social security	103,798	50,545	63,166	50,545
Corporation tax	441,799	282,500	441,799	282,500
Accruals and deferred income	1,083,969	614,522	996,217	614,522
Pension scheme (Note 25)	82,777	107,104	82,777	107,104
	<u>3,864,219</u>	<u>2,076,763</u>	<u>3,428,884</u>	<u>2,076,763</u>

The group has provided to its bankers a standard security over its freehold property and a floating charge over all other assets in respect of all overdrafts and term loans.

Drexel Equipment (UK) Limited

Notes (continued)

13 Creditors: amounts falling due after more than one year

Group and company

	1996 £	1995 £
Obligations under finance leases	8,154	38,878
Term loans	273,406	332,966
	<hr/>	<hr/>
	281,560	371,844
	<hr/>	<hr/>

There are two term loans repayable in monthly instalments over periods ranging from one year to nine years. The rate of interest applied is 1.5% and 1.75% over bank base rate. The term loans are repayable as follows:

	1996 £	1995 £
Within one year	74,100	112,877
Between one and two years	74,100	74,100
Between two and five years	199,306	258,866
	<hr/>	<hr/>
	347,506	445,843
	<hr/>	<hr/>

14 Provisions for liabilities and charges

Deferred taxation

	Group		Company	
	1996 £	1995 £	1996 £	1995 £
At beginning of year	-	25,000	-	25,000
Arising on acquisition	8,641	-	-	-
Provided in year	62,500	-	62,500	-
Utilised during the year	(8,641)	(25,000)	-	(25,000)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	62,500	-	62,500	-
	<hr/>	<hr/>	<hr/>	<hr/>

The amounts provided for deferred taxation and amounts not provided are set out below:

Group and company	1996 Provided £	1995 Unprovided £
Difference between accumulated depreciation and capital allowances	138,500	71,700
Other timing differences	(76,000)	(95,200)
	<hr/>	<hr/>
	62,500	(23,500)
	<hr/>	<hr/>

Drexel Equipment (UK) Limited

Notes (continued)

15	Called up share capital	1996	1995
		£	£
	<i>Authorised</i>		
	Ordinary shares of £1 each	2,000,000	2,000,000
		<hr/>	<hr/>
	<i>Issued, called up and fully paid</i>		
	Ordinary shares of £1 each	1,258,421	1,258,421
		<hr/>	<hr/>

16 Reconciliation of movements in shareholders' funds

	Group		Company	
	1996	1995	1996	1995
	£	£	£	£
Profit for the financial year	1,109,138	402,588	1,060,523	402,588
Goodwill arising on acquisition written off to reserves	(146,041)	-	-	-
Opening shareholders' funds	3,724,769	3,322,181	3,724,769	3,322,181
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	4,687,866	3,724,769	4,785,292	3,724,769
	<hr/>	<hr/>	<hr/>	<hr/>

17 Share premium and reserves

	Group and company		Group	Company
	Share premium account	Revaluation reserve	Profit and loss account	Profit and loss account
	£	£	£	£
At beginning of year	202,167	206,516	2,057,665	2,057,665
Retained profit for year	-	-	1,109,138	1,060,523
Release of revaluation reserve	-	(4,400)	4,400	4,400
Goodwill arising on acquisition written off to reserves	-	-	(146,041)	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	202,167	202,116	3,025,162	3,122,588
	<hr/>	<hr/>	<hr/>	<hr/>

The cumulative amount of goodwill resulting from acquisitions which has been written off is £221,935 (1995: £75,894).

Drexel Equipment (UK) Limited

Notes (continued)

18 Reconciliation of operating profit to net cash inflow from operating activities

	1996 £	1995 £
Operating profit	1,623,623	706,847
Depreciation charges	390,247	586,428
Pension adjustment	(24,327)	(38,940)
Gain on sale of tangible fixed assets	(1,726)	(23,961)
(Increase) in stocks	(1,109,874)	(89,489)
(Increase) in debtors	(585,778)	(817,243)
Increase in creditors	745,828	331,263
	<hr/>	<hr/>
Net cash inflow from operating activities	1,037,993	654,905
	<hr/>	<hr/>

19 Analysis of changes in cash and cash equivalents during the year

<i>Cash at bank</i>	1996 £	1995 £
Balance at beginning of year	121,165	(41,505)
Net cash inflow	78,306	162,670
	<hr/>	<hr/>
Balance at end of year	199,471	121,165
	<hr/>	<hr/>

20 Acquisition of subsidiary undertakings

	1996 Fair value of net assets acquired £
Fixed assets	115,250
Stocks	251,090
Debtors	187,877
Cash at bank and in hand	65,178
Creditors	(723,900)
Provision for liabilities and charges	(8,641)
	<hr/>
Goodwill	(113,146)
	146,041
	<hr/>
Consideration given	32,895
	<hr/>
Satisfied by cash	32,895
	<hr/>

Drexel Equipment (UK) Limited

Notes (continued)

21 Analysis of the net outflow of cash and cash equivalents in respect of the purchase of subsidiary undertakings

	1996 £
Cash consideration	(32,895)
Cash at bank and in hand acquired	65,178
	<hr/>
	32,283
	<hr/>

22 Analysis of changes in financing during the year

<i>Loans and finance lease obligations</i>	1996		1995	
	£	£	£	£
Balance at beginning of year		512,482		334,003
Loans advanced	-		310,000	
Loans repaid	(125,528)		(131,521)	
		<hr/>		<hr/>
Cash (outflow) inflow from financing		(125,528)		178,479
		<hr/>		<hr/>
Balance at end of year		386,954		512,482
		<hr/>		<hr/>

23 Contingent liabilities

At 31 March 1996, the Group had contingent liabilities in respect of outstanding guarantees given for performance bonds and contracting agreements entered into in the normal course of business which amounted to £554,000 (1995: £567,000).

24 Commitments

- (i) There were no capital commitments at the end of the financial year (1995: £nil).
- (ii) Annual commitments under non-cancellable operating leases are as follows:

Group and company

Land and buildings

	1996 £	1995 £
Operating leases which expire:		
Within one year	-	-
In the second to fifth year inclusive	-	-
After five years	73,000	49,500
	<hr/>	<hr/>
	73,000	49,500
	<hr/>	<hr/>

Drexel Equipment (UK) Limited

Notes (continued)

25 Pension scheme

The pension cost charge for the year was £122,280 (1995: £91,200) made up of a regular cost of £146,607 (1995: £130,140) less variations from regular cost of £24,327 (1995: £38,940).

The pension cost and related provision are assessed in accordance with the advice of a professionally qualified actuary. The latest actuarial valuation was at 6 April 1992 and used the attained age method. The main actuarial assumptions were that pensionable salaries would increase by 7% per annum, pensions in payment by 3% per annum, and return on scheme investments would be 9% per annum.

At the date of the latest actuarial valuation, the actuarial value of the assets of the scheme was £1,240,000 and this was sufficient to cover 117% of the benefits that had accrued to members after allowing for expected future increases in earnings. This surplus should be eliminated by 1996 as a result of the current employer's pension contribution holiday. As a result of this contribution holiday, an amount of £82,777 (1995: £107,104) is included in creditors (see Note 12) representing the excess of the cumulative pension cost over the contributions due to the scheme.

The actuarial surplus of £177,000 is being spread over 13 years, the estimated average remaining service lives of the relevant employees.

26 Ultimate parent company

The ultimate parent company is DOS Limited, a company incorporated in Bermuda whose principal place of business is at 23rd Floor, St Georges Building, Hong Kong.