A. & E. BAINES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1996

Company no. 00502384

LITHGOW, PERKINS & CO.

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CHARTERED
ACCOUNTANTS

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The following reproduces the text of the report prepared for the purposes of section 249A(2) Companies Act 1985 in respect of the company's annual accounts, from which the abbreviated accounts (set out on pages 4 to 8) have been prepared.

ACCOUNTANTS' REPORT TO THE SHAREHOLDERS ON THE UNAUDITED ACCOUNTS OF

A. & E. BAINES LIMITED

We report on the accounts for the year ended 31st December 1996 set out on pages 5 to 11.

Respective responsibilities of directors and reporting accountant
As described on page 7 the company's directors are responsible for the preparation of the accounts, and they consider that the company is exempt from an audit. It is our responsibility to carry out procedures designed to enable us to report our opinion.

Basis of opinion
Our work was conducted in accordance with the Statement of Standards for Reporting Accountants, and so our procedures consisted of comparing the accounts with the accounting records kept by the company, and making such limited enquiries of the officers of the company as we considered necessary for the purposes of this report. These procedures provide only the assurance expressed in our opinion.

Opinion
In our opinion:

(a) the accounts are in agreement with the accounting records kept by the company under section 221 of the Companies Act 1985;

(b) having regard only to, and on the basis of, the information contained in those accounting records:

(i) the accounts have been drawn up in a manner consistent with the accounting requirements specified in section 249C(6) of the Companies Act 1985; and

ACCOUNTANTS REPORT TO THE SHAREHOLDERS ON THE UNAUDITED ACCOUNTS OF

A. & E. BAINES LIMITED (cont'd)

Opinion

(ii) the company satisfied the conditions for exemption from an audit of the accounts for the year specified in section 249A(4) of the Act and did not, at any time within that year, fall within any of the categories of companies not entitled to the exemption specified in section 249B(1).

Lithgow Perkins Co

Lithgow, Perkins & Co.

Reporting Accountants

11th March 1997

A. & E. BAINES LIMITED

BALANCE SHEET AS AT 31ST DECEMBER 1996

	Notes	1996	1996	1995	1995
		£	£	£	£
FIXED ASSETS					
Tangible assets	2		1,134,114		1,111,234
CURRENT ASSETS					
Stocks		49,471		46,150	
Debtors		20,976		25,802	
Cash at building society		32,600		5,780	
Cash at bank and in hand		48		50	
		103,095		77,782	
CREDITORS: Amounts falling due within one year		(54,653)		(64,538)	
NET CURRENT ASSETS			48,442		13,244
TOTAL ASSETS LESS CURRENT LIABILITIES			1,182,556		1,124,478
PROVISIONS FOR LIABILITIES AND CHARGES		(10,800)		(10,800)	
			(10,800)		(10,800)
			1,171,756		1,113,678
CAPITAL AND RESERVES					
Called-up share capital	3		33,000		30,000
Share premium account			63,000		-
Revaluation reserve			849,538		849,538
Profit and loss account			226,218		234,140
SHAREHOLDERS' FUNDS			1,171,756		1,113,678

The balance sheet is continued on page 5

The notes set out on pages 6 to 8 form an integral part of these accounts

A. & E. BAINES LIMITED

BALANCE SHEET AS AT 31ST DECEMBER 1996 (cont'd)

The directors consider that the company is entitled to exemption from the requirement to have an audit under the provisions of section 249A(2) of the Companies Act 1985. Shareholders holding 10% or more of the nominal value of the company's issued share capital have not issued a notice requiring an audit under Section 249B. The directors acknowledge their responsibilities for ensuring that the company keeps accounting records which comply with section 221 of the Companies Act 1985, and for preparing accounts which give a true and fair view of the state of affairs of the company as at 31st December 1996 and of its profit or loss for the year then ended in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Act relating to the accounts so far as applicable to the company.

In preparing these abbreviated accounts the directors have taken advantage of the exemptions conferred by Part I and Part III of Schedule 8 to the Companies Act 1985 and have done so on the grounds that the company is entitled to the benefits of those exemptions as a small company by virtue of section 247 of the Companies Act 1985.

Approved by the board:

S. Baines - Director

11th March 1997

The notes set out on pages 6 to 8 form an integral part of these accounts

A. & E. BAINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST DECEMBER 1996

1 ACCOUNTING POLICIES

(a) Basis of accounting

These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

(b) Depreciation

Depreciation is calculated to write off the cost or valuation, less estimated residual values, of tangible fixed assets over their estimated useful lives to the business. The annual depreciation rates and methods are as follows:

Motor vehicles	- 25% on the reducing balance method
Fixtures & equipment	- 15% on the reducing balance method
Freehold property	- not provided in accordance with SSAP 19

(c) Stock

Stock is valued at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. Net realisable value is based on estimated selling price, less any further costs of realisation.

(d) Deferred taxation

Provisions are made so that the deferred taxation account represents Corporation Tax, calculated on the liability method, in respect of surpluses on disposals of fixed assets subject to roll-over relief and excess of tax allowances given for fixed assets over the depreciation provided, except to the extent that the directors are able to foresee that no liability is likely to arise from a reversal of the above timing differences in relation to tax allowances given for fixed assets, for some condsiderable period.

(e) Assets leased

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged on a straight-line basis over the term of the lease.

A. & E. BAINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST DECEMBER 1996

(f) Pensions

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees' services. The difference between the charge to the profit and loss account and the contributions paid to the scheme is shown as an asset or liability in the balance sheet.

(g) Turnover

Turnover is the total amount, excluding value added tax, receivable by the company in the ordinary course of business for goods supplied and for services provided as a principal.

2 TANGIBLE FIXED ASSETS

	Motor vehicles	Fixtures & equipment	Freehold property	Total
COST	£	£	£	£
At 1st January 1996	14,798	21,418	250,462	286,678
Additions at cost	-	-	25,033	25,033
Surplus on revaluation	-	-	849,538	849,538
At 31st December 1996	14,798	21,418	1,125,033	1,161,249
DEPRECIATION				
At 1st January 1996	10,116	14,866	-	24,982
Charge for the year	1,170	983	-	2,153
At 31st December 1996	11,286	15,849	-	27,135
NET BOOK VALUE				
At 31st December 1996	3,512	5,569	1,125,033	1,134,114
At 31st December 1995	4,682	6,552	1,100,000	1,111,234

The freehold properties were revalued by the directors at open market value as at 31st December 1996 in accordance with Statement of Standard Accounting Practice No 19.

3 SHARE CAPITAL

	Number 1996	Value 1996	Number 1995	Value 1995
Authorised:		£		£
Ordinary shares of £1 each	35,000	35,000	35,000	35,000
Issued and fully paid:				
Ordinary shares of £1 each	33,000	33,000	30,000	30,000

A. & E. BAINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AT 31ST DECEMBER 1996

The following allotment of shares was made during the year :

Class of share	Number	Consideration Received £
Ordinary shares of £1 each	3,000	66,000

The above issue of shares was to provide the company with further working capital.

4 CAPITAL AND OTHER COMMITMENTS

	1996 £	1995 £
Capital and other commitments:		
Contracted for but not provided for	45,000	-
	45,000	-