

Financial Management for Improved Performance

Introduction

Welcome to this workshop entitled, “Financial management for Improved Performance”, in it we will look at a number of different aspects of finance.

- Where does money originate in a business
- How is it used
- Financial Reports
- Planning and Budgeting
- Using Financial Information

The objective of this session is not to turn you into accountants - rather it is hoped that you will be confident enough to look at financial information in more detail, and use it to monitor and then improve performance.

Source of Funds

It is necessary to have funds (known as **capital**) in order to run business. This is because the business will need to provide for initial set up expenditure, such as renting or purchasing premises, buying equipment, paying for raw materials and wages, and so on.

In most businesses, additional funds are required from other sources. So, where does the money to finance a business come from?

The answer is that it flows in from five main sources:

- From the Owners/shareholders
- Through loans from banks and other financial institutions
- From Suppliers (Creditors)
- From retained profits
- From Grant aid

In fact, it is similar to the way we would fund a personal project. When replacing a car, for example, we usually have three potential sources of finance:

- From our own savings
- From loans
- From money retained from sale of old car

Let us now look at the sources of business finance in more detail.

Share Capital or Owner's Equity

Most business these days are set up as limited companies (Ltd) or as public Limited companies (PLC). The owners of these businesses are the **shareholders**.

The word "limited" means that the owners of the company are liable only for the debts of the company **up to the value of their share investment**. In other words, the most a shareholder can lose, if a venture or business fails, is the share capital they have invested in the business. This is not the case for sole traders or for businesses set up as partnerships, in which the partners are personally liable for the debts run up by the business. However if a business is not run in line with the requirements of company legislation then directors can become personally liable.

People can invest in business by buying shares in a company thus becoming shareholders. Investors with more than a certain percentage of the shares in a company often have a say in the running of the organisation. The total value of capital subscribed by shareholders in a company is known as the **share capital**. **Owner's equity** refers to the **TOTAL** investment of the shareholders in a company i.e. it includes "ploughed back" profits.

Loan capital or long-term liabilities

A company may require funding in addition to share capital. If the owners do not wish to issue further shares and divide the ownership further they can arrange commercial loans. These loans may be from banks, from mortgages on properties, debentures, leasing, or from hire purchase.

Because they have no say in the running of the business, the providers of the loan will normally require some kind of guarantee. In a new company, the owners may be required to provide a personal guarantee (which in fact extends their liability beyond that of their share investment). In a mature company, the loans are normally given against the security of company assets. These so-called **charges on assets** give the lender priority in terms of recovering his loan should the business fail.

Reserves

Once a company is established the funding of continued growth will mostly be derived internally, that is, out of retained profits or cash surpluses. Once the trading profit is produced and any tax and interest paid, the remaining profit belongs to the shareholders. This remaining profit may be either paid out to shareholders as **dividends** - their equivalent of interest - or kept in the business to fund future growth. Usually, some is paid out and some retained. The amount retained is known as a **revenue reserve** if voluntarily retained, or a **capital reserve** if it arises because of a legal restriction on the amount paid out. The amounts retained, as reserves remain part of the shareholder's equity, i.e. they are still the property of the shareholders.

The term **reserves** is one of the most misunderstood terms in accounting as it is often assumed that reserves are effectively a cash sum held available for emergencies. However, it is usually the case that the reserves have been reinvested in the assets of the business, and do not, therefore, exist as cash.

Grant Aid

A number of sources of grant aid may be available for different aspects of the business. The availability of grant aid depends on the specific circumstances of any business at any one point in time therefore it is not possible to talk generally about grant aid. Grants may be available for research and development, staff training, exporting etc.

Uses of Finance

Having financed the business we must now see what the finance is used for. Usually the funds are used in three ways:

- To purchase fixed assets
- To be used as working capital
- For investment in financial assets or other businesses

Fixed Assets

Fixed Assets are purchased and owned by the business. They represent the means by which the company earns its profits. The term **fixed** is used because they are not for sale in the normal course of the business. They include items such as land, buildings, plant and machinery, office equipment, motor vehicles and computers. There are called **tangible** fixed assets of the company because they can be seen and touched. Another other type of fixed asset is called **intangible** fixed assets. The most common intangible fixed asset is **goodwill**. In the case of a limited company this arises when a business is purchased for more than its book value. In addition to the tangible assets purchased, a further sum may be paid out for the goodwill generated by the previous owner. In other words, a value is put on the efforts of the previous owner to build up trade and encourage custom, which obviously has a value to the new owner.

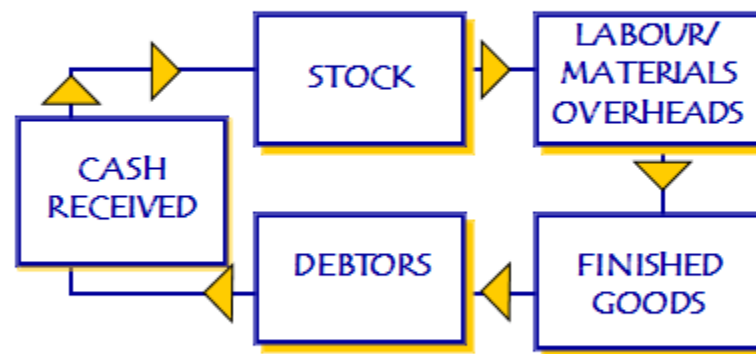
Expenditure on fixed assets is known as **capital expenditure**.

Current Assets or Working Capital

The second use of company finance is to provide funds for the everyday operation of the business in terms of:

- Raw materials, components and packaging for the production process
- Goods and services purchased to maintain the fixed assets and allow the process to run
- Labour and overheads to operate the process and run the business

Working Capital Cycle



In order to operate a company efficiently and effectively, some of the finance will also be spent on making the operations and processes of the business better. For example, we may wish to invest in bulk purchases of raw materials to obtain discounts, and hold reasonable raw material stocks to ensure smooth production.

Other finance will be used to provide stocks of finished goods, so that immediate deliveries can be made to customers. We will also need to fund credit sales when it is the custom to do so. If we stop our company at any moment in time, we are likely to have working capital invested in:

- Stocks
 - Raw materials
 - Work in progress
 - Finished goods
- Trade Debtors
- Bank and cash

The more money we have tied up in these areas (apart from cash) the less we have available to invest in growth of fixed assets. It is important therefore to keep stocks and debtors as low as possible - a subject we will be returning to later.

At the same time as discussing current assets, it is convenient to consider **current liabilities**. This is because, in the course of everyday operations, we not only invest funds as shown above, but we also create **liabilities** - sums of money that we owe. For example, if we buy goods and services on credit, we owe our suppliers or **trade creditors**. Other creditors may include sums owed to the taxman and the shareholders. When we stop our company at a moment in time, the total of current liabilities, as money owing, is deducted from the current assets held at that time to give **net current assets**.

Current assets –current liabilities= net current assets

Current liabilities represent a reduction in the need for working capital.

Investments

Once a company is established, it may be in a position where it cannot profitably invest more money within the business as it stands. The directors of the business will then look outside the business to invest funds generated within the business.

If the money surplus is likely to be short term (that is, the money will be required by the business again in the near future) short-term investments will be made which can be reconverted easily to cash as the need arises. If the surplus is continuing and long term, the directors will want to invest for the long term to get the most profitable return on investment. Investments considered might include:

- Buying shares
- Purchasing other business outright
- Investing in property
- Making long term loans

Financial Reports

Having looked at the way in which money flows in and out of a business we will now look at how the transactions are reported.

The two main reports which are produced are:

Balance Sheet
Profit & Loss Account

Balance Sheet

A balance sheet is a picture of a company's investments, and their funding, taken at a particular moment in time. It reflects how much has been spent on/invested in assets rather than their "value" in market terms.

It is called a **balance sheet** because it is a measure of money flowing into and out of "closed system". The money flowing into the system must equal the money possessed or flowing out.

A Balance Sheet is a closed system.

- Inflows must always equal outflows and value of assets owned.

The balance sheet outlined is typical of that for a small engineering company.

Balance sheet of Light Manufacturing Ltd		
31 December 2016		
	£'000	£'000
Fixed assets		
Land and buildings	75	
Plant and Machinery	85	
Office equipment	20	
Motor vehicles	30	210
	<hr/>	
Long-term investments		15
Current assets		
Stock and WIP	200	
Debtors	120	
Cash	5	
	<hr/>	
	325	
Less; Current Liabilities		
Creditors	120	
Bank Overdraft	20	
	<hr/>	
	140	
Net current assets		185
Total net assets employed:		<hr/> <hr/>
		410
Financed by:		
Owner's equity		
Share capital	200	
Reserves	50	
	<hr/>	
		250
Long-term loans		160
		<hr/>
		410
		<hr/> <hr/>

Exercise

Look at the balance sheet outlined above.

What aspects of it would give you cause for concern?

The key elements of the Balance Sheet are:-

- Fixed assets
- Current assets
- Current liabilities
- Long term liabilities

Fixed Assets

Fixed assets are shown in the balance sheet at cost less depreciation provision.

The cost of a fixed asset includes what was paid for the asset, plus the cost of installation, and the cost of any improvement. The cost of repairs and maintenance of a fixed asset is now shown in the balance sheet, but is deducted from profits. This is because repairs and maintenance add nothing to the original value of the asset - they simply restore the asset to its original condition.

Money spent on acquiring fixed assets is called **capital expenditure**.

Money spent on maintenance, as well as all other expenditure deducted from profits, like wages, rent, interest, etc, is called **revenue expenditure**.

Depreciation and Revaluation

Depreciation is an allowance for the reduction in value of an asset as a result of age, use, wear and tear or obsolescence. Essentially it involves writing down the asset and charging the amount written off as one of the expenses of running the business for the period.

Several different methods of providing for depreciation exists but the most commonly used is the straight line method in which the asset is written off in equal amounts over the asset's life.

Buildings sometimes wear our, or become obsolete or old fashioned. But because of inflation or because the building is in a good trading position, the value of a building often **increases**. This increase in value is called **appreciation**, and the asset is frequently revalued in the balance sheet to reflect this appreciation.

Current Assets

Current assets are assets which will become cash or be used up within the normal trading cycle of the business. The current assets include stocks of finished goods, partly manufactured goods called **work in progress**, raw materials, spare parts and so on. Stock (also called "inventory") is valued at cost (or cost of production) or market value, whichever is the less. Market value is the amount a stock item could be sold for in the ordinary course of business, less any selling costs. Market value is also called **net realisable value**.

The way stock is valued has a direct effect on profit. For example, if the value of stock in the balance sheet is overstated by £100, the profit for the year will be overstated by £100.

Debtors

Debtors represent money owed to the business. **Bad debts** will already have been removed from the total debtors. A provision may have been made for doubtful debts. Doubtful debts are not bad, but the debtors are slow in paying, and may eventually fail to pay.

Bills Receivable

In some lines of business it is common for debtors to sign (“accept”) a **bill of exchange** in respect of the amount they owe. A bill of exchange is like a post-dated cheque, and is payable by the debtor in three months six months or whatever time span is agreed. The amount of the bill is then deducted from the debtors and shown separately as a **bill receivable**. Bills receivable are often sold to a bank or finance house before due date. This is called **discounting a bill**. The bill then disappears from the balance sheet, and becomes cash at bank.

Prepayments

Some expenses are normally paid in advance (prepaid): insurance premia, rates etc. The amount prepaid at the date of the balance sheet is at 30 June, and insurance has been paid up to 30 September next, three months of insurance premium is prepaid at 30 June and appears as a current asset. From a bookkeeping point of view, the three months premium is being carried forward to the new financial year starting July, where it will become an expense.

Cash at bank, in hand, short-term deposits, loans and investments

Where money is temporarily invested in shares quoted on a stock exchange, the investment will be shown in the balance sheet as a current asset, at cost. But a note must be added stating the market value of the shares at the date of the balance sheet. **Long-term** investments will be shown with the fixed assets.

Medium/Long-term liabilities

Medium/Long-term liabilities are repayable in more than one year from the balance sheet date. They include loans from banks and finance houses, mortgage loans, amounts owing under hire purchase contracts and so on.

Usually these liabilities include instalments payable **within** one year, and the remaining instalments payable **after** a year. For example, a loan from TG Finance Ltd of £36,000 is payable by 36 monthly instalments of £1,000. We split the liability into two parts.

	£
Current portion - 12 instalments	12,000
Medium/Long-term liability - 24 instalments	24,000
Total	36,000

The current portion of £12,000 appears in the balance sheet under current liabilities, described as current portion of long-term liability. The £24,000 payable in more than one year is included under medium/long-term liabilities.

Notes to the balance sheet will state the repayment terms of the medium/long-term liabilities. Normally the finance to meet the repayments has to be found by earning profits. We therefore check whether the business is retaining **enough profit** i.e. at least equal to the repayment commitment.

Interest on loans is charged against profits. Only interest accrued to the date of the balance sheet but not yet paid will appear, as a current liability, in the balance sheet.

Current Liabilities

Creditors - *Also called "Accounts Payable".*

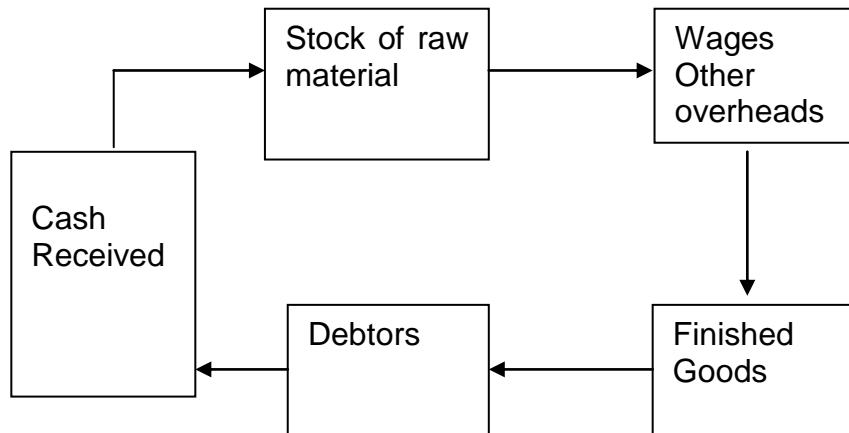
Accruals- *These are liabilities which have built up to the date of the balance sheet, but are not actually payable at that date - like interest accrued up to 30 November, but not payable until the end of the quarter, 31 December.*

Bills Payable - *Where the company has accepted a bill to clear a Liability to a trade creditor.*

Provisions - *For income tax, dividends leave pay, etc. The provision for doubtful debts is usually shown as a deduction from debtors.*

Overdraft- *Some overdrafts go on for years, but virtually all overdrafts are subject to recall by the bank "on demand". Ideally, an overdraft should be self-adjusting and be represented by good current assets. For example, a toy manufacturer might arrange an overdraft during the middle months of the year when he is building up stock. The overdraft will automatically clear itself when the stock is sold in November/ December. Overdrafts which are **not** represented by current assets, are not self-adjusting, might best be converted into medium-term loans. It is not a good plan to finance long-term assets with short-term borrowing*

Working capital is the funds required to meet the shortfall between income being received and costs being paid out by the business on an ongoing basis. These costs can include stock, wages and other overheads. The working capital cycle needs to be managed to ensure that the working capital requirements are minimised.



Profit and Loss Account

The Balance sheet gives a picture of the business's financial position at one point in time. The Profit and Loss Account measures activity over a given period of time. It provides information on income and expenditure and the result of different transactions.

Profit Defined

Profit is the excess of the proceeds from the sales of goods or services over their cost and after deducting the expenses incurred in running the business (i.e. selling, distribution, administration etc). It can be seen as:-

$$\text{Turnover} - \text{cost of sales} = \text{Gross Profit} - \text{overheads} = \text{net profit}$$

A typical profit and loss account format is outlined as follows:

	£000	£000	NOTES
Turnover		100	<i>Sometimes called sales</i>
Cost of Sales		60	
Gross Profit (or Loss)		40	
Distribution Costs	10		
Administrative Costs	18	(28)	<i>This line could be called total operating expenses</i>
Operating Profit		12	<i>This line is also called trading profit</i>
Other Income		3	
Total Income		15	<i>This line could be called total profit</i>
Interest Payable		(5)	
Net Profit before Tax		10	<i>This is net profit before tax</i>
Tax on profit of ordinary activities		(5)	
Profit (or Loss) on ordinary activities		5	
Extraordinary items		1	<i>These can give more or less profit</i>
Profit (or loss) for the financial year		6	

Points to note about the Profit and Loss Account

Other income refers to such things as interest on investments, dividends from associated companies, and any other source not connected with the trading activities of the firm.

Other income is always added to trading profit (sometimes called “operating profit”) to arrive at a total profit figure. From this figure interest is deducted - that is, all interest payments on borrowed capital (mortgages, debentures, overdrafts, etc).

Tax is calculated on profit **after** interest payments have been deducted. This is an important point: the more interest a company pays out, the less tax it has to pay.

Extraordinary items can be income or expenditure and are included as a separate item if they are sufficiently unusual. If you find a line like this in a profit and loss account you will also find a note explaining what it refers to.

The last item on the profit and loss account “profit for the financial year” is often referred to as “earnings” or “net income”. Even the expression “profit attributable to ordinary shareholders” will be found as will “attributable to ordinary capital”. These all mean the same thing! The amount on the bottom line is what is left for the shareholders (if they are lucky).



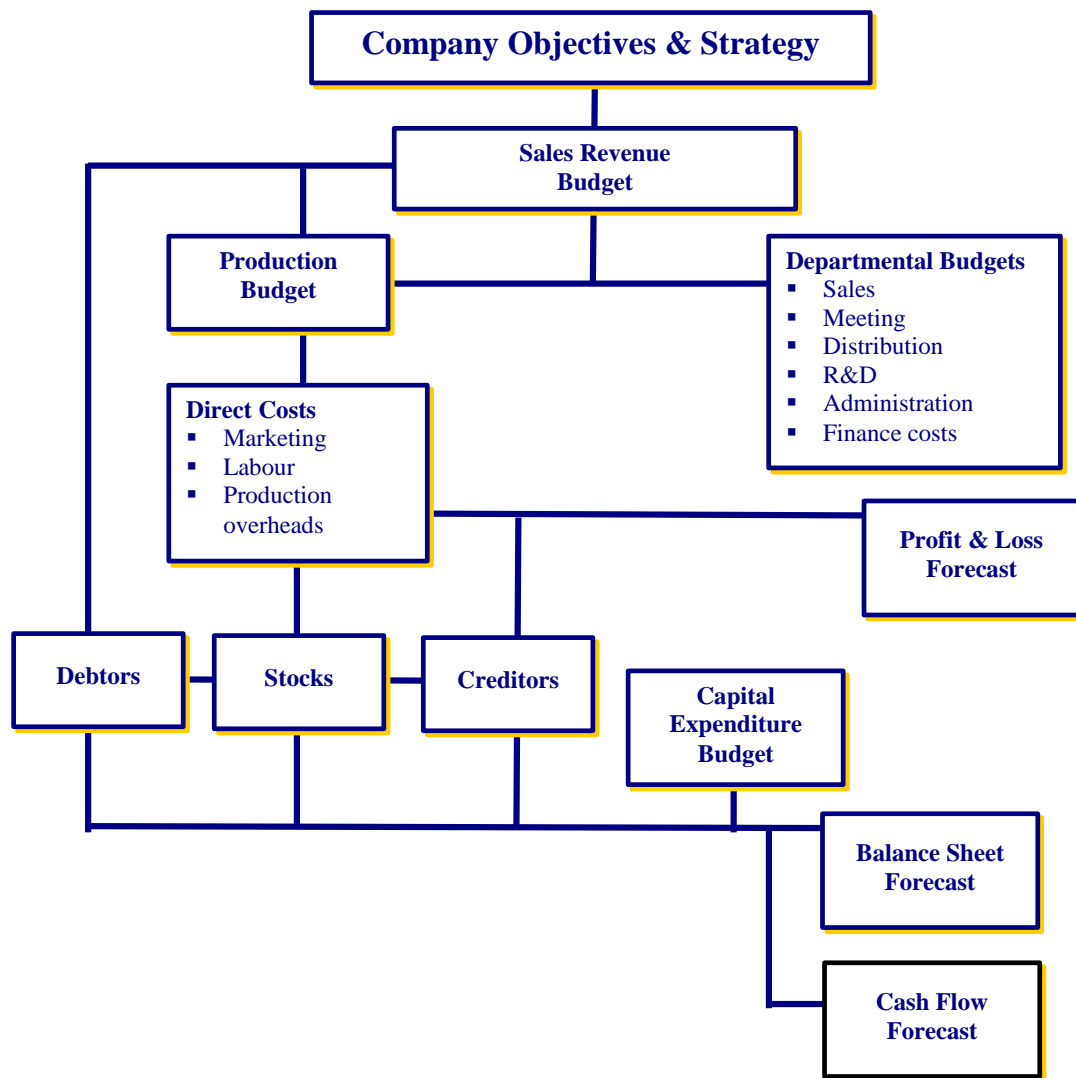
Exercise

Calculate the impact of the following changes on the Net Profit before tax.

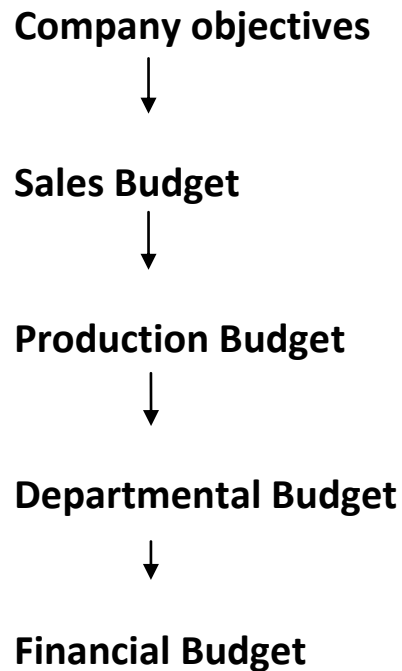
- Sales drop by 10%
- Distribution cost increase by 3%
- Administration cost increase by £3000
- Price increases by 2%

Planning & Budgeting

A budget is a plan expressed in financial terms. In most cases the budgeting process consist of a series of departmental or functional budgets being brought together to create the overall company or master budget. In some cases this means a projected set of accounts. The process of budgeting can be explained in the following chart.



Budgeting Process



SALES BUDGET

Product/Service	Unit Sales	Unit Price (£)	Revenue (£000)
A	11,000	6.00	660
B	25,000	5.00	125
C	90,000	5.00	450
Total			1235
Less 2% for Returns			25
Total Sales Revenue			1210

The Sales Budget can be broken down by month, week, territory or sales person. It is important that:

- The sales budgets are consistent with business objectives
- Production can cope with sales volumes
- Promotional and marketing expenditure can support sales

Production Budget

The Production budget can usually be broken down into the following steps:

- Standard times for each operation/process
- Plant utilisation budget
- Direct labour budget
- Direct materials budget



Using Financial Information to Management

Certain tools are available to you in accomplishing the function needed in the financial management of your firm. These tools are as follows:

1 Accounting Records

Account records are the basis of financial management.

2 Financial records and reports

These records and reports are also of great help in financial management. They include the balance sheet and the profit and loss statement. These two financial statements are the basis for all financial analysis and are used by bankers in making loan evaluations and investment decisions. For this reason, you must understand these two documents and be able to explain each item that may appear in them.

Ratio Analysis

Ratio analyses are indicators that have been developed to help determine the state of health of various financial aspects of a business. They provide indications as to weaknesses and strengths in the financial operation as well as clues as to where and how to develop better financial performance. Such ratios also permit you to compare how you are doing with the performance of other similar business in the industry.

However, even with their importance and the considerable insight they provide, there are limitations to the use of ratio analysis. You must also consider the following limitations during your analysis:

- 1 The ratios are based on past performance. Therefore, you must balance their indications with what is happening now and what is likely to happen in the business in the future.
- 2 Ratios are frequently calculated for specific dates. If a business is seasonal, this factor must be considered.
- 3 Business are not perfectly comparable. Different items may be stated in different ways on financial statements. As a result, the financial ratios computed for a business may differ from those of the average in an industry for reasons other than performance.

Despite these limitations, financial ratios and ratio analyses may be of great help.

Let's look at some of those available

Gross Profit Margin

This is the percentage profitability after direct process costs have been covered

$$\text{(Sales} \div \text{Gross Profit)\%}$$

Net Profit Margin

This is the percentage profitability after all other costs have been met.

$$\text{(Sales} \div \text{Net Profit)\%}$$

Return on Capital Employed (ROCE)

The ROCE identifies the contribution of net profit against the amount of capital invested in the business.

$$\text{Net Profit} \div \text{Capital Employed}$$

Gearing Ratio

The gearing ratio identifies how much of the companies assets are bought with equity capital and how much with borrowed money.

$$\text{Debt} \div \text{Equity}$$

High Gearing is good for Shareholders in times of high levels of activity but is bad when things are not going well.

Interest Cover Ratio

The interest cover ratio assesses the ability of the business to pay interest on the money it has borrowed. It is used by banks when deciding whether or not they should make facilities available. The ratio is calculated as:

$$\text{Total Profit} \div \text{Interest paid}$$

(Total profit = Trading Profit and Other Income)

Debtors Days Ratio

The average number of day's customers take to pay

$$\text{(Debtors} \div \text{Sales)} \times 365$$

Creditors Days Ratio

The average number of days taken to pay suppliers

$$\text{(Creditors} \div \text{Purchases)} \times 365$$

Stock Turnover

The average number of times per annum that the stock is sold

$$\text{Cost of Sales} \div \text{Average stock}$$

The Current Ratio (Working Capital Ratio)

The current ratio relates a firms current liabilities to its current assets to indicate its ability at a point in time to pay off its immediate debts. It is calculated as:

$$\text{Current assets} \div \text{Current Liabilities}$$

It is generally accepted that the ratio should be more than 1:1 but this is not true for all businesses and the ideal ratio will be determined by the industrial norm fro a particular business.

Acid Test Ratio

One of the problems with using the current ratio is that all if the current assets may not be easily converted to money. Therefore stock is deducted from current assets.

$$\text{(Current assets} - \text{stock)} \div \text{current liabilities}$$

Breakeven

The point at which sales are adequate to meet costs

$$\text{Overheads} \div \text{Gross Profit } \%$$

Financial Projections

Accurate Financial Projections will help in managing the business and in securing the necessary investment, it is important to have realistic financial projections incorporated into the business plan. Projections can be a tricky business as it involves trying to anticipate expenses while trying to predict how quickly the business will grow.

What Is a Financial Projection?

In its simplest form, a financial projection is a forecast of future income and expenses. Typically, the projection will account for internal or historical data and will include a prediction of external market factors.

A business should have both short- and mid-term financial projections. A short-term projection accounts for the first (Next) year of the business, normally outlined month by month. A mid-term financial projection typically accounts for the coming three years of business, outlined year by year.

Formatting Financial Projection

There are many online templates for financial projections that are a good place to start when preparing to draft of the projections. It is also recommended that charts and tables are included when explaining significant amounts of numerical data; it is a much cleaner and engaging presentation than just paragraphs of numbers and figures.

Key Elements of Financial Projection

All financial projections should include three types of financial statements:

Income Statement: An Income Statement shows revenues, expenses and profit for a particular period. When forecasting for a new business there will need to be significant thought and research put into this section. The key sections of an income statement are:

- **Revenue** – This is the money earned from whatever goods or services will be provided.
- **Other Income**- This will include loans, grants or cash invested by the owner and others.
- **Expenses** – All expenses should be included;
 - **Direct Costs** (i.e. materials, equipment rentals, employee wages, your salary, etc.)
 - **General and Administrative Costs**(i.e. accounting and legal fees, advertising, bank charges, insurance, office rent, telecommunications, etc.).

- **Total Income** – Your revenue minus your expenses, before income taxes.
- **Income Taxes**
- **Net Income** – Total income without income taxes.

Cash Flow Projection: A Cash Flow Projection will demonstrate to a Financial Institution or other investor that the business is a good credit risk and can pay back a loan if it's granted. The three sections of a Cash Flow Projection are:

- **Cash Revenues** – This is an overview of your estimated sales for a given time period. Be sure that only cash sales are accounted for in the month that they are received and credit sales are dealt with in the same way.
- **Cash Disbursements** – Look through the ledger and list all of the cash expenditures that are due for payment in that month.
- **Reconciliation of Cash Revenues to Cash Disbursements** – This one is pretty easy: take the amount of cash disbursements and subtract it from your total cash revenue. If there is a balance from the previous month carry this amount over and add it to cash revenue total.



Exercise

Using the set of accounts provided and taking account of the information covered in today's session. Complete the following task.

- (1) Summarise the finance performance of the business over the past two years
- (2) Work out the following ratios for the two years
 - Debtors Ratio
 - Current Ratio
 - Acid test Ratio

Sample set of Accounts For a Sole Trading Company

Mr Sole Trader**PROFIT AND LOSS FOR THE YEAR ENDED 30TH SEPTEMBER**

		2016		2015
	£	£	£	£
SALES		251,792		128,698
COST OF SALES				
Opening Stock & WIP	6,180		6,800	
Purchases	180,918		85,417	
Sub Contractors	13,795		11,524	
Wages & NIC	16,817		2,763	
Closing Stock & WIP	(11,980)	205,730	(6,180)	100,324
GROSS PROFIT		46,062		28,374
EXPENSES				
Insurance	1,328		799	
Salary to Wife	-		440	
Casual Wages	2,900		1,655	
Light & heat	521		578	
Telephone	1,107		978	
Motor & Machinery	5,602		4,154	
Repairs	1,073		-	
Equipment Hire	1,306		1,401	
Fees & Subscriptions	1,062		-	
Post, Stat & Adv	114		31	
Accountancy	858		773	
H P Interest	28		-	
Bank Int & Charges	1,577		1,441	
Sundry Expenses	330		833	
Loss on Disposal	2,056		-	
Deprecation	5,658	25,520	1,763	14,846
NET PROFIT FOR THE YEAR		20,342		13,528

Mr Sole Trader

BALANCE SHEET AS AT 30TH SEPTEMBER

	NOTES	2016 £	2015 £
FIXED ASSETS			
Tangible Assets	1	22,632	7,053
		22,632	7,053
CURRENT ASSETS			
Stocks & WIP		11,980	6,180
Debtors		3,000	9,073
Cash at bank and in hand		50	50
		15,030	15,303
CURRENT LIABILITIES			
Bank Overdraft		13,755	21,862
Other Creditors		35,329	15,626
		(49,084)	(37,488)
NET CURRENT ASSETS		(34,054)	(22,185)
TOTAL ASSETS LESS CURRENT LIABILITIES		(11,422)	(15,132)
REPRESENTED BY:- CAPITAL ACCOUNT			
Opening Balance		(15,132)	(15,114)
Profit For year		20,342	13,528
Capital Introduced		6,400	-
		11,610	(1,586)
Less Drawings		(23,032)	(13,546)
		(11,422)	(15,132)

Mr Sole Trader

NOTES TO THE FINANCIAL STATEMENTS

1. TANGIBLE ASSETS	Plant & Machinery £	Motor Vehicle £	
COST			
30 th SEPTEMBER 1999	4,334	7,700	
Additions	5,393	19,300	
Disposals	-	(5,400)	
30 SEPTEMBER 2016	9,727	21,600	
ACCUMULATED DEPRECIATION			
30 SEPTEMBER 1999	1,915	3,066	
Charge for the Year	1,562	4,096	
Disposals	-	(1,944)	
30 SEPTEMBER 2016	3,477	5,218	
NET BOOK VALUES			
30 SEPTEMBER 2016	6,250	16,382	
30 SEPTEMBER 2015	2,419	4,634	
SUMMARY			
	Cost	Accumulated Depreciation	Net Book Value
30 September 2015		4,981	7,053
12,034			
Additions/Charge		5,658	19,035
24,693			
Disposals		(1,944)	(3,456)
(5,400)			
30 SEPTEMBER 2016		8,695	22,632
31,327			

The rates and basis of depreciation used in these accounts are as follows:-

Plant & Equipment	20% Reducing Balance
Motor Vehicles	20% Reducing Balance