

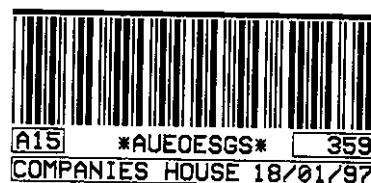
COMPANY NUMBER: 207655

LINREAD PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 JULY 1996

COMPANY NUMBER: 207655



## LINREAD PLC

### DIRECTORS' REPORT

The Directors present their Annual Report and the Financial Statements for the year ended 31 July 1996.

#### REVIEW OF THE BUSINESS

The Company's principal activities during the year were the manufacture and marketing of a wide range of forged and machined special fasteners and other precision components for industrial use. The automotive business of the company was transferred to a fellow subsidiary of McKechnie Group during the year.

#### RESULTS AND DIVIDENDS

The trading profit for the period, after taxation, amounted to £3,455,352 (1995: profit of £4,083,000). Dividends of £2,285,000 (1995: £1,349,000) have been paid and the Directors recommend that no further dividend be paid. An amount of £1,170,000 (1995: £2,734,000) has been transferred to/from reserves.

#### REVIEW OF THE YEAR AND FUTURE DEVELOPMENTS

Work will continue to invest in research into new products and activities as well as introducing new technology to improve service to customers and reduce manufacturing costs.

#### FIXED ASSETS

The movement in fixed assets is disclosed in notes 10 and 11 on pages 14-15.

#### EMPLOYEE INVOLVEMENT

The Directors attach great importance to the maintenance and development of good labour relations and employee involvement and training. Employees everywhere are encouraged to be aware of the performance of their Company. The responsibility for such matters lies with local management who keep employees informed in a manner appropriate to the particular circumstances of each company.

#### EMPLOYEES

The Company recognises its responsibilities for the employment of disabled persons. Having regard to their aptitudes and abilities the company gives full and fair consideration to applications for employment received from disabled persons, and so far as particular disabilities permit, will give employees disabled during their period of employment continued employment in the same job or, if this is not practicable, a suitable alternative job. Equal opportunities for appropriate training, career development and promotion are available for all employees regardless of any physical disability or their sex, religion, colour or nationality.

#### PAYMENTS TO SUPPLIERS

It is the McKechnie Group's general policy to abide by the terms of payment agreed with its suppliers.

#### DIRECTORS

The names of the persons who were Directors of the Company during the year are as follows:-

Mr M S Ost  
Mr S G Moberley  
Mr D K W Hanratty

The current Directors are Directors of the ultimate parent undertaking, McKechnie plc. Their interests in the shares of that company are disclosed in the accounts of McKechnie plc.

LINREAD PLC

DIRECTORS' REPORT

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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 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;
- to make judgements and estimates that are reasonable and prudent;
- to take account of expenses and income relating to the period being reported on, whether or not they have been paid or received in that period; and
- to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that the financial statements comply with the above requirements. The Directors are also responsible for maintaining adequate accounting records so as to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985, for safeguarding the assets of the Company, and for taking reasonable steps to prevent and detect fraud and other irregularities.

AUDITORS

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

On behalf of the Board



R E McDonald  
Secretary

19 September 1996

Leighswood Road  
Aldridge  
Walsall  
West Midlands  
WS9 8DS

LINREAD PLC

REPORT OF THE AUDITORS TO THE MEMBERS OF LINREAD PLC

We have audited the financial statements on pages 5 to 20 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 8 and 9.

**Respective responsibilities of Directors and Auditors**

As described on page 3 the Company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

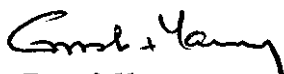
**Basis of opinion**

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 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.

**Opinion**

In our opinion the financial statements give a true and fair view of the Company's affairs as at 31 July 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young  
Chartered Accountants  
Registered Auditor  
Birmingham

19 September 1996

LINREAD PLC  
PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 JULY 1996

|  | <u>NOTES</u> | Continuing Operations<br>31 July<br><u>1996</u><br>£000 | 31 July<br><u>1995</u><br>£000 |
|--|--------------|---|--------------------------------|
| <b>Turnover</b>                                      | 2            |   |                                |
| Continuing operations                                |              | 19,015  | 17,498                         |
| Discontinued operations                              |              | 11,877  | 23,634                         |
|  |              | <hr/>   | <hr/>                          |
|  |              | 30,892  | 41,132                         |
| <br>Cost of sales                                    | <br>3        | <br>(23,645)  | <br>(30,640)                   |
|  |              | <hr/>   | <hr/>                          |
| <b>Gross Profit</b>                                  |              | 7,247   | 10,492                         |
| Distribution costs                                   | 3            | (1,638)   | (2,092)                        |
| Administrative expenses                              | 3            | (1,728)   | (4,027)                        |
|  |              | <hr/>   | <hr/>                          |
| <b>Operating profit</b>                              | 3            | 3,881   | 4,373                          |
| Interest receivable                                  |              | 71  | 92                             |
| Interest payable                                     | 4            | (97)  | (121)                          |
|  |              | <hr/>   | <hr/>                          |
| <b>Profit on ordinary activities before taxation</b> | 5            | 3,855   | 4,344                          |
| Tax on ordinary activities                           | 8            | (400)   | (261)                          |
|  |              | <hr/>   | <hr/>                          |
| <b>Profit for the financial period</b>               |              | 3,455   | 4,083                          |
| Dividends  | 9            | (2,285)   | (1,349)                        |
|  |              | <hr/>   | <hr/>                          |
| <b>Retained profit for the period</b>                | 18           | <u>1,170</u>  | <u>2,734</u>                   |

The notes on pages 8 to 20 form an integral part of these financial statements.

There are no recognised gains or losses in either year other than the profit for the year.

There is no material difference between the reported profit and the historical cost profit in either year.

LINREAD PLC

BALANCE SHEET AT 31 JULY 1996

|  | <u>NOTES</u> | <u>1996</u><br>£000 | <u>1995</u><br>£000 |
|--|--------------|---------------------|---------------------|
| <b>Fixed assets</b>  |              |                     |                     |
| Tangible assets  | 10           | 2,881               | 7,320               |
| Investments  | 11           | 714                 | 714                 |
|  |              | <hr/>               | <hr/>               |
|  |              | 3,595               | 8,034               |
| <b>Current assets</b>  |              |                     |                     |
| Stocks   | 12           | 2,972               | 4,250               |
| Debtors: amounts falling due within one year                   | 13           | 8,101               | 7,601               |
| Cash at bank and in hand                                       |              | 2,677               | 3,410               |
|  |              | <hr/>               | <hr/>               |
|  |              | 13,750              | 15,261              |
| <b>Creditors: amounts falling due within one year</b>          | 14           | (11,228)            | (15,817)            |
|  |              | <hr/>               | <hr/>               |
| <b>Net current assets/(liabilities)</b>                        |              | 2,522               | (556)               |
|  |              | <hr/>               | <hr/>               |
| <b>Total assets less current liabilities</b>                   |              | 6,117               | 7,478               |
| <b>Creditors: amounts falling due after more than one year</b> | 15           | (105)               | (960)               |
| <b>Provisions for liabilities and charges</b>                  | 16           | (111)               | (1,759)             |
|  |              | <hr/>               | <hr/>               |
| <b>Net assets</b>  |              | 5,901               | 4,759               |
|  |              | <hr/>               | <hr/>               |
| <b>Capital and reserves</b>                                    |              |                     |                     |
| Called up share capital  | 17           | 3,096               | 3,108               |
| Share premium account  | 18           | 789                 | 819                 |
| Revaluation reserve  | 18           | -                   | 305                 |
| Other reserves   | 18           | 232                 | 232                 |
| Profit and loss account  | 18           | 1,784               | 295                 |
|  |              | <hr/>               | <hr/>               |
| <b>Equity shareholders' funds</b>                              |              | 5,901               | 4,759               |
|  |              | <hr/>               | <hr/>               |

The notes on pages 8 to 20 form an integral part of these financial statements.

Approved by the Board of Directors on 19 September 1996.

  
S G MOBERLEY  
Director

LINREAD PLC  
SUPPLEMENTARY STATEMENT  
YEAR ENDED 31 JULY 1996

|  | <u>1996</u><br>£000 | <u>1995</u><br>£000 |
|--|---------------------|---------------------|
| <b>Reconciliation of movement in shareholders' funds</b>   |                     |                     |
| Profit for the financial period  | 3,455               | 4,083               |
| Dividends  | (2,285)             | (1,349)             |
|  | <hr/> 1,170         | <hr/> 2,734         |
| Exchange gain  | 14                  | -                   |
| New share capital subscribed   | 67                  | 209                 |
| Conversion of Company shares to parent company shares in accordance with the offer document dated 19 May 1994, on the basis of 17 new McKechnie plc shares for every 36 existing Linread PLC shares. | (109)               | -                   |
|  | <hr/> 1,142         | <hr/> 2,943         |
| Net increase in shareholders' funds  | 1,142               | 2,943               |
| Opening shareholders' funds  | 4,759               | 1,816               |
|  | <hr/> 5,901         | <hr/> 4,759         |
| Closing shareholders' funds  | 5,901               | 4,759               |

## LINREAD PLC

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 1996

#### 1. ACCOUNTING POLICIES

##### 1.1 Basis of Accounting

The Financial Statements have been prepared under the historical cost convention, modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards. As permitted under section 228 of the Companies Act 1985 no group accounts have been prepared.

##### 1.2 Tangible Fixed Assets and Depreciation

Depreciation is being charged by equal annual instalments so as to write off each asset's cost or valuation less any residual value, over its anticipated useful economic life. The following rates of depreciation have been used:-

|   |   |
|---|---|
| Freehold land                           | - Nil   |
| Freehold buildings                      | - Over expected economic life<br>not exceeding 50 years |
| Plant and machinery                     | - 4% to 33.3%   |
| Fixtures, fittings, tools and equipment | - 4% to 33.3%   |
| Short leasehold buildings               | - Over the term of the lease                            |

##### 1.3 Stocks and Work-in-Progress

Stocks and work-in-progress have been valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis and is based on purchase price or production cost including related fixed and variable production overheads and depreciation. Net realisable value is based on estimated selling price less the costs of disposal. Provision has been made for obsolescence and other losses where necessary.

##### 1.4 Deferred Taxation

Deferred taxation is provided on the liability method on all timing differences to the extent that they are expected to reverse in the future calculated at the rate at which it is estimated that tax will be payable.

##### 1.5 Foreign Currencies

Transactions expressed in foreign currencies have been translated into sterling at rates of exchange approximating to those ruling at the date of the transaction. Monetary assets and liabilities have been translated at rates ruling on 31 July 1996 or contracted rates. Where the translation of overseas subsidiary and undertakings, and any foreign currency borrowings used to finance them, give rise to an exchange difference, this is taken direct to reserves. All other exchange differences have been dealt with through the profit and loss account.



LINREAD PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 1996

1.6 Research and Development

Research and development expenditure is being charged against operating profits as it is incurred.

1.7 Leasing

Finance leases are capitalised at the estimated fair value at the date of inception of each lease. The total finance charges are allocated over the period of the lease so as to give an approximately constant annual rate of charge on the balance of each obligation. Rentals paid under operating leases are charged to income evenly over the term of the lease.

1.8 Pension Costs

The Company participates in the pension schemes operated by McKechnie plc for the benefit of its UK employees. Contributions to the schemes are paid in accordance with the Group's funding policy and are charged to the profit and loss account as incurred.

1.9 Government Grants

Grants received are treated as deferred credits and are transferred to profit and loss account over the expected useful life of the asset or the duration of the project.

1.10 Investments in Subsidiaries

Investments in subsidiaries are stated at cost less provision for any permanent diminution in value.

1.11 Turnover

Turnover is the aggregate of the invoiced values of sales (less returns and allowances) charged to customers excluding value added tax.

LINREAD PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 1996

2. SEGMENTAL ANALYSIS

All of the Company's trade originates within the United Kingdom.

Turnover may be analysed by geographical destination as follows:-

|                | <u>1996</u><br>£000 | <u>1995</u><br>£000 |
|----------------|---------------------|---------------------|
| United Kingdom | 19,297              | 26,380              |
| EEC            | 4,080               | 6,584               |
| North America  | 7,191               | 7,809               |
| Other          | 324                 | 359                 |
|                | <hr/>               | <hr/>               |
|                | 30,892              | 41,132              |
|                | <hr/>               | <hr/>               |

Turnover and net assets may be analysed by main market as follows:-

|            | <u>1996</u>     |                | <u>1995</u>     |                |
|------------|-----------------|----------------|-----------------|----------------|
|            | <u>Turnover</u> | Net            | <u>Turnover</u> | Net            |
|            | £000            | Assets<br>£000 | £000            | Assets<br>£000 |
| Aerospace  | 19,015          | 8,242          | 17,498          | 7,342          |
| Automotive | 11,877          | 4,135          | 23,634          | 4,135          |
| Other      | -               | (6,476)        | -               | (6,718)        |
|            | <hr/>           | <hr/>          | <hr/>           | <hr/>          |
|            | 30,892          | 5,901          | 41,132          | 4,759          |
|            | <hr/>           | <hr/>          | <hr/>           | <hr/>          |

In the opinion of the directors, disclosure of profit by main market would be commercially sensitive and not in the Company's best interest. Such analysis has therefore not been disclosed.

LINREAD PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 1996

3. OPERATING EXPENSES

|                         | <u>Continuing Discontinued</u> |             | <u>1996</u>     | <u>Continuing Discontinued</u> |             | <u>1995</u>     |
|-------------------------|--------------------------------|-------------|-----------------|--------------------------------|-------------|-----------------|
|                         | <u>£000</u>                    | <u>£000</u> | <u>Total</u>    | <u>£000</u>                    | <u>£000</u> | <u>Total</u>    |
|                         |                                |             | <u>£000</u>     |                                |             | <u>£000</u>     |
| Turnover                | 19,015                         | 11,877      | <b>30,892</b>   | 17,498                         | 23,634      | <b>41,132</b>   |
| Cost of sales           | (13,997)                       | (9,648)     | <b>(23,645)</b> | (11,907)                       | (18,733)    | <b>(30,640)</b> |
|                         | <hr/>                          | <hr/>       | <hr/>           | <hr/>                          | <hr/>       | <hr/>           |
| Gross profit            | 5,018                          | 2,229       | <b>7,247</b>    | 5,591                          | 4,901       | <b>10,492</b>   |
| Net operating expenses: |                                |             |                 |                                |             |                 |
| Distribution costs      | (1,070)                        | (568)       | <b>(1,638)</b>  | (1,025)                        | (1,067)     | <b>(2,092)</b>  |
| Administrative expenses | (921)                          | (807)       | <b>(1,728)</b>  | (2,433)                        | (1,594)     | <b>(4,027)</b>  |
|                         | <hr/>                          | <hr/>       | <hr/>           | <hr/>                          | <hr/>       | <hr/>           |
| Operating profit        | 3,027                          | 854         | <b>3,881</b>    | 2,133                          | 2,240       | <b>4,373</b>    |
|                         | <hr/>                          | <hr/>       | <hr/>           | <hr/>                          | <hr/>       | <hr/>           |

4. INTEREST PAYABLE

|   | <u>1996</u> | <u>1995</u> |
|---|-------------|-------------|
|   | <u>£000</u> | <u>£000</u> |
| <b>On bank loans, overdrafts and other loans:</b> |             |             |
| Repayable within 5 years, not by instalments      | 81          | 13          |
| Repayable wholly or partly in more than 5 years   | -           | 77          |
|   | <hr/>       | <hr/>       |
|   | 81          | 90          |
| On finance leases                                 | 16          | 31          |
|   | <hr/>       | <hr/>       |
|   | 97          | 121         |
|   | <hr/>       | <hr/>       |

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION IS STATED AFTER CHARGING:

|  | <u>1996</u> | <u>1995</u> |
|--|-------------|-------------|
|  | <u>£000</u> | <u>£000</u> |
| Depreciation of owned assets                   | 777         | 915         |
| Depreciation of leased assets                  | 56          | 52          |
| Profit on disposals of fixed tangible assets   | 13          | 59          |
| Hire of plant and machinery - operating leases | 53          | 79          |
| Rent of buildings - operating leases           | 460         | 510         |
| Auditors' remuneration including expenses      | 34          | 49          |
|  | <hr/>       | <hr/>       |

Total fees for non-audit services provided by the Auditors and excluded from the above remuneration amount to £20,261 (1995: £1,200).

LINREAD PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 1996

6. ANNUAL COMMITMENTS UNDER OPERATING LEASES:

|  | Plant and machinery |             | Land and buildings |             |
|--|---------------------|-------------|--------------------|-------------|
|  | <u>1996</u>         | <u>1995</u> | <u>1996</u>        | <u>1995</u> |
| Expiring:                              | £000                | £000        | £000               | £000        |
| In one year                            | -                   | 25          | -                  | -           |
| In the second to fifth years inclusive | 16                  | 99          | -                  | -           |
| Over five years                        | 2                   | -           | 323                | 772         |
|  | <hr/>               | <hr/>       | <hr/>              | <hr/>       |
|  | 18                  | 124         | 323                | 772         |
|  | <hr/>               | <hr/>       | <hr/>              | <hr/>       |

7. STAFF COSTS AND DIRECTORS' EMOLUMENTS

Average number of employees by activity:

|                               | <u>1996</u> | <u>1995</u> |
|-------------------------------|-------------|-------------|
|                               | No.         | No.         |
| Staff                         | 127         | 178         |
| Hourly paid                   | 398         | 511         |
|                               | <hr/>       | <hr/>       |
|                               | 525         | 689         |
|                               | <hr/>       | <hr/>       |
|                               | £000        | £000        |
| Wages and salaries            | 8,270       | 10,139      |
| Social security costs         | 684         | 872         |
| Other pension costs (note 19) | 110         | 324         |
|                               | <hr/>       | <hr/>       |
|                               | 9,064       | 11,335      |
|                               | <hr/>       | <hr/>       |

LINREAD PLC  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 JULY 1996

7. STAFF COSTS AND DIRECTORS' EMOLUMENTS (Continued)

The total of directors emoluments amounted to £Nil (1995: £Nil).

The emoluments, excluding pension contributions, of the chairman amounted to £Nil (1995: £Nil).

The emoluments of the highest paid director, excluding pension contributions, amounted to £Nil (1995: £Nil).

The emoluments of the directors (including the chairman and the highest paid director), excluding pension contributions fell into the following bands:

|               | <u>1996</u> | <u>1995</u> |
|---------------|-------------|-------------|
| £ 0 - £ 5,000 | 3           | 3           |

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

|   | <u>1996</u><br>£000 | <u>1995</u><br>£000 |
|---|---------------------|---------------------|
| UK corporation tax charge at 33% (1995:33%) | 695                 | 261                 |
| Over provision in prior years               | (295)               | -                   |
|   | <hr/> 400           | <hr/> 261           |

The current year taxation charge on profit on ordinary activities would have been increased by £634,000 (1995: increased by £1,932,000) if full deferred tax had been provided in respect of accelerated capital allowances and other timing differences.

9. DIVIDENDS

|                  | <u>1996</u><br>£000 | <u>1995</u><br>£000 |
|------------------|---------------------|---------------------|
| Ordinary shares: |                     |                     |
| Interim paid     | 2,285               | 1,349               |
|                  | <hr/>               | <hr/>               |

LINREAD PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 1996

10. TANGIBLE FIXED ASSETS

|   | <u>Land and<br/>buildings</u><br>£000 | <u>Plant and<br/>machinery</u><br>£000 | <u>Total</u><br>£000 |
|---|---------------------------------------|--|----------------------|
| <b>Cost or valuation</b>  |                                       |  |                      |
| At 1 August 1995  | 2,623                                 | 15,995                                 | 18,618               |
| Additions   | 84                                    | 2,215                                  | 2,299                |
| Transfer to fellow subsidiaries   | (2,391)                               | (10,717)                               | (13,108)             |
|   | <hr/>                                 | <hr/>                                  | <hr/>                |
| At 31 July 1996   | 316                                   | 7,493                                  | 7,809                |
|   | <hr/>                                 | <hr/>                                  | <hr/>                |
| <b>Depreciation</b>   |                                       |  |                      |
| At 1 August 1995  | 548                                   | 10,750                                 | 11,298               |
| Depreciation for year   | 45                                    | 788                                    | 833                  |
| Transfer to fellow subsidiaries   | (516)                                 | (6,686)                                | (7,202)              |
|   | <hr/>                                 | <hr/>                                  | <hr/>                |
| At 31 July 1996   | 76                                    | 4,852                                  | 4,928                |
|   | <hr/>                                 | <hr/>                                  | <hr/>                |
| <b>Net book value</b>   |                                       |  |                      |
| At 31 July 1996   | 240                                   | 2,641                                  | 2,881                |
|   | <hr/>                                 | <hr/>                                  | <hr/>                |
| At 1 August 1995  | 2,075                                 | 5,245                                  | 7,320                |
|   | <hr/>                                 | <hr/>                                  | <hr/>                |
|   |                                       | <u>1996</u>                            | <u>1995</u>          |
|   |                                       | £000                                   | £000                 |
| Included in plant and machinery above is the net book value of assets held under finance leases |                                       | 212                                    | 400                  |
|   |                                       | <hr/>                                  | <hr/>                |
| The net book value of land and buildings comprises:   |                                       |  |                      |
| Freehold  |                                       | -                                      | 1,642                |
| Short leasehold   |                                       | 240                                    | 434                  |
|   |                                       | <hr/>                                  | <hr/>                |
|   |                                       | 240                                    | 2,076                |
|   |                                       | <hr/>                                  | <hr/>                |

LINREAD PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 1996

10. TANGIBLE FIXED ASSETS (Continued)

**Disposals**

Net assets disposed of:

|                               | <u>£'000</u> |
|-------------------------------|--------------|
| Fixed assets                  | 4,251        |
| Stocks                        | 1,780        |
| Debtors                       | 3,908        |
| Creditors                     | (5,804)      |
|                               | <hr/>        |
| Book value of assets disposed | 4,135        |
|                               | <hr/>        |

The proceeds of £4,135,000 were satisfied by inter company indebtedness giving rise to a profit/(loss) on disposal of £Nil.

11. FIXED ASSET INVESTMENTS

|                                    | <u>1996</u><br><u>£000</u> | <u>1995</u><br><u>£000</u> |
|------------------------------------|----------------------------|----------------------------|
| <b>Investments in subsidiaries</b> |                            |                            |
| At cost                            | 1,682                      | 1,682                      |
| Provisions                         | (968)                      | (968)                      |
|                                    | <hr/>                      | <hr/>                      |
|                                    | 714                        | 714                        |
|                                    | <hr/>                      | <hr/>                      |

The subsidiary undertakings are:

|   | <u>Proportion of</u><br><u>equity capital held</u> | <u>Country of</u><br><u>incorporation and operation</u> |
|---|--|---|
| North Bridge Hassall Inc                              | 100%   | USA   |
| Linread Guernsey Limited (investment holding company) | 100%   | Guernsey  |

None of the companies traded during the year.

12. STOCKS

|                               | <u>1996</u><br><u>£000</u> | <u>1995</u><br><u>£000</u> |
|-------------------------------|----------------------------|----------------------------|
| Raw materials and consumables | 1,251                      | 889                        |
| Work-in-progress              | 863                        | 2,106                      |
| Finished goods                | 858                        | 1,255                      |
|                               | <hr/>                      | <hr/>                      |
|                               | 2,972                      | 4,250                      |
|                               | <hr/>                      | <hr/>                      |

The replacement cost of stock is not materially different from the carrying value.

LINREAD PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 1996

13. DEBTORS

|  | <u>1996</u><br>£000 | <u>1995</u><br>£000 |
|--|---------------------|---------------------|
| <b>Amounts falling due within one year</b>     |                     |                     |
| Trade debtors                                  | 3,470               | 6,111               |
| Amounts owed by fellow subsidiary undertakings | 3,727               | 274                 |
| Amounts owed by subsidiary undertakings        | 726                 | 713                 |
| Other debtors                                  | 1                   | 254                 |
| Prepayments and accrued income                 | 177                 | 249                 |
|  | <hr/>               | <hr/>               |
|  | 8,101               | 7,601               |
|  | <hr/>               | <hr/>               |

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

|  | <u>1996</u><br>£000 | <u>1995</u><br>£000 |
|--|---------------------|---------------------|
| Bank and other loans                           | -                   | 80                  |
| Trade creditors                                | 2,528               | 6,654               |
| Obligations under finance leases               | 65                  | 109                 |
| Amounts owed to parent undertaking             | 3,071               | 2,434               |
| Amounts owed to fellow subsidiary undertakings | 1,118               | 1,082               |
| Amounts owed to subsidiary undertakings        | 1,429               | 1,481               |
| Corporation tax                                | 1,273               | 873                 |
| Other tax and social security                  | 520                 | 497                 |
| Other creditors                                | 939                 | 1,568               |
| Accruals and deferred income                   | 285                 | 1,039               |
|  | <hr/>               | <hr/>               |
|  | 11,228              | 15,817              |
|  | <hr/>               | <hr/>               |



LINREAD PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 1996

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

|   | <u>1996</u><br>£000 | <u>1995</u><br>£000 |
|---|---------------------|---------------------|
| Bank and other loans  | -                   | 740                 |
| Obligations under finance leases (due in two to five years) | 75                  | 175                 |
| Regional development grants and deferred income             | 30                  | 45                  |
|   | <hr/>               | <hr/>               |
|   | 105                 | 960                 |
|   | <hr/>               | <hr/>               |
|   | £000                | £000                |
| Bank and other loans are:                                   |                     |                     |
| Medium term (due in two to five years)                      |                     |                     |
| Secured loans   | -                   | 320                 |
| Long term (due after more than five years)                  |                     |                     |
| Secured loans   | -                   | 420                 |
|   | <hr/>               | <hr/>               |
|   | -                   | 740                 |
|   | <hr/>               | <hr/>               |

16. PROVISION FOR LIABILITIES AND CHARGES

|                  | <u>Other</u><br><u>Provisions</u><br>£000 | <u>Total</u><br>£000 |
|------------------|---|----------------------|
| At 1 August 1995 | 1,759                                     | 1,759                |
| Expenditure      | (1,648)                                   | (1,648)              |
|                  | <hr/>                                     | <hr/>                |
| At 31 July 1996  | 111                                       | 111                  |
|                  | <hr/>                                     | <hr/>                |

LINREAD PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 1996

16. PROVISION FOR LIABILITIES AND CHARGES (Continued)

The full potential deferred tax is:

|   | <u>Full potential</u> |             |
|---|-----------------------|-------------|
|   | <u>1996</u>           | <u>1995</u> |
|   | <u>£000</u>           | <u>£000</u> |
| Taxation allowances in excess of depreciation | 78                    | 318         |
| Other timing differences                      | (33)                  | (867)       |
|   | <hr/>                 | <hr/>       |
|   | 45                    | (549)       |
|   | <hr/>                 | <hr/>       |

In the directors' view the revaluation of properties does not constitute a timing difference as the Company's policy is of continued ownership.

17. SHARE CAPITAL ORDINARY SHARES OF 25p EACH

|   | <u>£000</u> | <u>Authorised<br/>Shares</u> | <u>Allotted, called up<br/>and fully paid</u> |               |
|---|-------------|------------------------------|---|---------------|
|   | <u>£000</u> | <u>Shares</u>                | <u>£000</u>                                   | <u>Shares</u> |
| At 1 August 1995  | 5,000       | 20,000,000                   | 3,108   | 12,432,224    |
| Allotted under rules of the Savings-related<br>Share Option Scheme at values between<br>123p and 136p per share | -           | -                            | 17  | 66,156        |
| Conversion of Company shares to parent<br>company shares  | -           | -                            | (29)  | (114,344)     |
|   | <hr/>       | <hr/>                        | <hr/>   | <hr/>         |
| At 31 July 1996   | 5,000       | 20,000,000                   | 3,096   | 12,384,036    |
|   | <hr/>       | <hr/>                        | <hr/>   | <hr/>         |

LINREAD PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 1996

18. RESERVES

|  | Share<br>premium<br><u>account</u><br>£000 | Revaluation<br><u>reserve</u><br>£000 | Other<br><u>reserves</u><br>£000 | Profit<br>and loss<br><u>account</u><br>£000 |
|--|--|---------------------------------------|----------------------------------|--|
| At 1 August 1995   | 819  | 305                                   | 232                              | 295  |
| Issue of shares under the Savings-related<br>Share Option Scheme | 50   | -                                     | -                                | -  |
| Profit for the period  | -  | -                                     | -                                | 1,170  |
| Realisation of revaluation reserve                               | -  | (305)                                 | -                                | 305  |
| Conversion of company shares to parent<br>company shares         | (80)                                       | -                                     | -                                | -  |
| Exchange gain  | -  | -                                     | -                                | 14   |
|  | <hr/>                                      | <hr/>                                 | <hr/>                            | <hr/>  |
| At 31 July 1996  | 789  | -                                     | 232                              | 1,784  |
|  | <hr/>                                      | <hr/>                                 | <hr/>                            | <hr/>  |

19. PENSIONS

The Group pension costs relating to the McKechnie Pension Plan have been assessed in accordance with the advice of qualified actuaries. The most recent actuarial valuation of this scheme took place on 6 April 1995, details of which have been disclosed in the annual financial statements of McKechnie plc for the year ended 31 July 1996.

The charge to the profit and loss account for pension costs for the year is £110,000 (1995: £324,000).

An amount of £Nil (1995: £284,000) is included in accruals and deferred income which represents the excess of accumulated pension costs over the payment of contributions to the schemes.

20 CAPITAL COMMITMENTS INCLUDING ITEMS TO BE LEASED

|  | <u>1996</u><br>£'000 | <u>1995</u><br>£'000 |
|--|----------------------|----------------------|
| There are capital commitments not provided for in the<br>financial statements: |                      |                      |
| In respect of contracts placed and agreements made                             | 254                  | 1,786                |

LINREAD PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 1996

21. ULTIMATE PARENT UNDERTAKING

The Company is a wholly owned subsidiary of McKechnie UK Limited, registered in England, and the ultimate parent undertaking is McKechnie plc., registered in England.

The only Group accounts prepared which this Company is included are those of McKechnie plc. Copies of the group accounts can be obtained from the following address:-

Leighswood Road, Aldridge, Walsall, West Midlands WS9 8DS