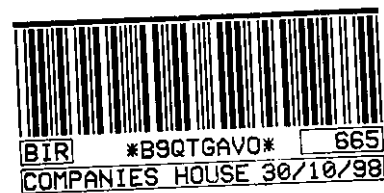


SPENCER MESH LIMITED
(REGISTERED NUMBER 403085)

DIRECTORS' REPORT AND ACCOUNTS

31 December 1997



SPENCER MESH LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997

The Directors present their Report and the audited Accounts for the year ended 31 December 1997.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

During the year, the Company did not trade but was engaged in the construction of facilities on land acquired in 1996.

RESULTS AND DIVIDENDS

The Company was engaged solely in the construction of production facilities and therefore made neither a profit nor a loss (1996 - £Nil).

No dividend has been paid or proposed for the current year (1996 - £Nil).

FUTURE PROSPECTS

Subsequent to the year-end, the Company sold its facilities constructed during the year at book value to another Group company and then ceased all activity.

DIRECTORS AND DIRECTORS' INTERESTS

The following directors served during the year and up to the date of this report:

JD Sword
MLW Hughes

Neither of the directors had any beneficial interest in the shares of the Company at any time during the year.

The interests of both directors in the shares of the ultimate parent company, Hall Engineering (Holdings) PLC, of which they are also directors, are dealt with in the accounts of that company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing 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 Company will continue in business.

SPENCER MESH LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997 (CONTINUED)

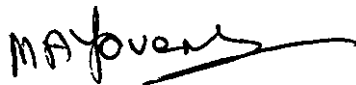
STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)

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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The auditors, Price Waterhouse, have expressed their willingness to be re-appointed.

By Order of the Board



MA Youens
COMPANY SECRETARY

9 March 1998

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF SPENCER MESH LIMITED

We have audited the financial statements on pages 4 to 8 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of Directors and Auditors

As described on pages 1 and 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 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 mis-statement, 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 the Company's affairs as at 31 December 1997 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Lia Waterhouse

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

9 March 1998

SPENCER MESH LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

	<u>Notes</u>	<u>1997</u>	<u>1996</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		-	-
Tax on profit on ordinary activities		-	154,701
PROFIT FOR THE FINANCIAL YEAR		-	154,701
Transfer from Revaluation Reserve		-	41,804
Balance brought forward		408,096	211,591
BALANCE CARRIED FORWARD		£408,096	£408,096

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	<u>1997</u>	<u>1996</u>
REPORTED PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	-	-
Realisation of property revaluation surplus of previous years	-	41,804
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	-	-
HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	£-	£41,804
HISTORICAL COST PROFIT FOR THE YEAR RETAINED AFTER TAXATION	£-	£196,505

SPENCER MESH LIMITED

BALANCE SHEET - 31 DECEMBER 1997

	Notes	1997	1996
TANGIBLE FIXED ASSETS	2	14,011,309	-
CURRENT ASSETS	4	286,995	1,860,445
Debtors			
CREDITORS (amounts falling due within one year)	5	(1,029,512)	-
Creditors		-	(151,849)
Amounts owed to ultimate parent undertaking			
		(1,029,512)	(151,849)
NET CURRENT (LIABILITIES)/ASSETS		(742,517)	1,708,596
TOTAL ASSETS LESS CURRENT LIABILITIES		13,268,792	1,708,596
CREDITORS (amounts falling due after more than one year)	6	(11,560,196)	-
Amounts owed to ultimate parent company			
		£1,708,596	£1,708,596
CAPITAL AND RESERVES	7	1,300,500	1,300,500
Called up equity share capital		408,096	408,096
Profit and loss account			
EQUITY SHAREHOLDERS' FUNDS		£1,708,596	£1,708,596

Approved by the Board on 9 March 1998

Signed on behalf of the Board

Mark W Hughes.
MLW Hughes

DIRECTOR

SPENCER MESH LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

1 ACCOUNTING POLICIES

(1) Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(2) Cash flow statement

At 31 December 1997 the Company was a wholly owned subsidiary of Hall Engineering (Holdings) PLC which prepared consolidated group financial statements including a group cash flow statement. In accordance with Financial Reporting Standard 1 (revised), no cash flow statement is therefore included in these accounts.

(3) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

No depreciation is provided on assets in the course of construction.

2 TANGIBLE FIXED ASSETS

	Assets in the course of construction	Total
<u>Cost</u>		
At 1 January 1997	-	-
Additions	14,011,309	14,011,309
At 31 December 1997	14,011,309	14,011,309
<u>Depreciation</u>		
At 1 January 1997 and 31 December 1997	-	-
<u>Net book amounts</u>		
At 31 December 1997	£14,011,309	£14,011,309
At 1 January 1997	£-	£-

SPENCER MESH LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

3 CAPITAL COMMITMENTS

	<u>1997</u>	<u>1996</u>
Contracted but not provided for	£355,120	£-
	<u> </u>	<u> </u>

4 DEBTORS

	<u>1997</u>	<u>1996</u>
Amounts owed by group undertakings	-	1,860,445
Other taxation recoverable	<u>286,995</u>	<u>-</u>
	<u>£286,995</u>	<u>£1,860,445</u>

5 CREDITORS (amounts falling due within one year)

	<u>1997</u>	<u>1996</u>
Trade creditors	1,015,412	-
Amounts owed to group undertakings	<u>14,100</u>	<u>-</u>
	<u>£1,029,512</u>	<u>£-</u>

6 AMOUNTS OWED TO ULTIMATE PARENT COMPANY

Although the amount owed to the ultimate parent company is legally repayable on demand, the ultimate parent company has stated its intention not to require repayment within one year of the balance sheet date.

7 CALLED UP SHARE CAPITAL

	<u>1997</u>	<u>1996</u>
Authorised, allotted and fully paid: 1,300,500 Ordinary shares of £1 each	£1,300,500	£1,300,500
	<u> </u>	<u> </u>

SPENCER MESH LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

8 RELATED PARTY TRANSACTIONS

The Company, being a wholly owned subsidiary of Hall Engineering (Holdings) PLC, has taken advantage of the exemptions within Financial Reporting Standard 8 (Related Party Transactions) and not included details of these accounts of transactions with other Group companies.

9 ULTIMATE PARENT COMPANY

The ultimate parent company is Hall Engineering (Holdings) PLC, a company incorporated in Great Britain. A copy of the Group Accounts can be obtained from that company's registered office at Harlescott Lane, Shrewsbury, S3Y1 3AS.