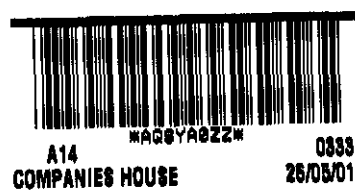


STELLRAM LIMITED

Report and Accounts

31 December 2000



Stellram Limited

Registered No. 1506705

DIRECTORS

D Hogan
C Parker
J Walton

SECRETARY

J Tishok

AUDITORS

Ernst & Young
Old Town Court
10-14 High Street
Swindon
SN1 3EP

BANKERS

National Westminster Bank
Chippenham Branch
30 High Street
Chippenham
SN15 3HB

SOLICITORS

Jones Day Reavis and Pogue
12th Floor
Bucklersbury House
3 Queen Victoria Street
London
EC4N 8NA

REGISTERED OFFICE

Hercules Way
Bowerhill Industrial Estate
Melksham
Wiltshire
SN12 6TS

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2000.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £364,768 (1999 - £475,858). The directors do not recommend a dividend for the year (1999 - £NIL).

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity during the year continued to be the distribution of specialised hard metal cutting tools to the engineering industry.

DIRECTORS AND THEIR INTERESTS

The directors during the year were:

D Hogan
C Parker
J Walton

No director had an interest in the issued shares during the year.

AUDITORS

A resolution to re-appoint Ernst & Young as auditors will be put to the shareholders at the Annual General Meeting.

Ernst & Young has stated that it is intending to transfer its business to a limited liability partnership during 2001. If this happens, it is the current intention of the directors to use their statutory powers to treat the appointment of Ernst & Young as extending to Ernst & Young LLP.

By order of the board

David M. Hogan

Secretary/Director

Date: 16/5/01

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts 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.

REPORT OF THE AUDITORS to the shareholders of Stellram Limited

We have audited the accounts on pages 6 to 14, which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom statute, the Auditing Practices Board and by our professional's ethical guidance.

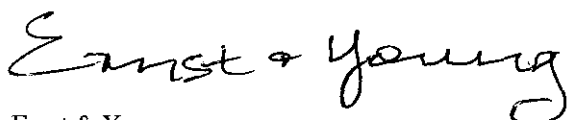
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
Swindon

23 May 2001

Stellram Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2000

	Notes	2000 £	1999 £
TURNOVER	2	9,262,801	9,650,418
Cost of sales		5,275,075	5,443,369
GROSS PROFIT		3,987,726	4,207,049
Administrative expenses		3,433,077	3,504,883
OPERATING PROFIT	3	554,649	702,166
Interest receivable		1,253	1,905
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		555,902	704,071
Tax on profit on ordinary activities	5	191,134	228,213
PROFIT FOR THE FINANCIAL YEAR		364,768	475,858

RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses, other than the profit attributable to the shareholders of £364,768 (1999: £475,858).