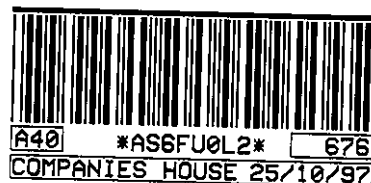


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Stellram Limited
(formerly Stellram
Cuttech Limited)

Report and Accounts

31 December 1996



Stellram Limited (formerly Stellram Cuttech Limited)

REGISTERED NO. 1506705

DIRECTORS

D Hogan
G Riley
R Benson
P Glasson

SECRETARY

P J Viccaro

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 Pague
12th Floor
Buckiersbury House
3 Queen Victoria Street
London EC4N 8NA

REGISTERED OFFICE

Hercules Way
Bowerhill Industrial Estate
Melksham
Wiltshire
SN12 6TS

Stellram Limited (formerly Stellram Cuttech Limited)

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1996.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £344,964. The directors do not recommend a dividend for the year.

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. On 23 January 1997, the company changed its name from Stellram Cuttech Limited to Stellram Limited.

FIXED ASSETS

Details of the company's fixed assets are in note 9 of the accounts.

DIRECTORS AND THEIR INTERESTS

The directors during the year were:

D Hogan	
G Riley	
J Baillie	- resigned 25.3.96
R Benson	
P Glasson	
B Kieffer	- deceased 26.12.96

No director was interested in the issued shares during the year.

AUDITORS

During the year, Calder & Co resigned and the directors appointed Ernst & Young. A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board •



P J Viccaro
Secretary

Date:

Oct. 17, 1997

Stellram Limited (formerly Stellram Cuttech Limited)

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 members of Stellram Limited (formerly Stellram Cuttech Limited)**

We have audited the accounts on pages 6 to 15, 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 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 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 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
Swindon

Date: 23 Oct '97

Stellram Limited (formerly Stellram Cuttech Limited)

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1996

	Notes	1996 £	1995 £
TURNOVER	2	9,807,398	9,215,606
Cost of sales		5,886,732	5,346,802
GROSS PROFIT		3,920,666	3,868,804
Administrative expenses		3,760,686	3,474,619
OPERATING PROFIT	3	159,980	394,185
Income receivable from group companies		275,000	-
Interest payable	5	(86,377)	(90,936)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		348,603	303,249
Tax on profit on ordinary activities	6	3,639	63,357
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		344,964	239,892
Dividends	7	-	425,000
RETAINED PROFIT/(LOSS)	17	344,964	(185,108)

Recognised Gains and Losses

There are no recognised gains and losses other than the profits and losses dealt with in the above account.

Stellram Limited (formerly Stellram Cuttech Limited)

BALANCE SHEET at 31 December 1996

	Notes	1996 £	1995 £
FIXED ASSETS			
Intangible assets	8	1	1
Tangible assets	9	724,087	381,975
Investments	10	270,704	270,704
		<u>994,792</u>	<u>652,680</u>
CURRENT ASSETS			
Stocks	11	2,205,863	2,029,517
Debtors	12	3,484,905	2,679,778
Cash at bank and in hand		73	-
		<u>5,690,841</u>	<u>4,709,295</u>
CREDITORS: amounts falling due within one year	13	5,689,761	3,425,337
NET CURRENT ASSETS		<u>1,080</u>	<u>1,283,958</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>995,872</u>	<u>1,936,638</u>
CREDITORS: amounts falling due after more than one year			
Bank loans	14	-	798,884
Obligations under finance leases and hire purchase contracts	15	41,097	236,128
		<u>41,097</u>	<u>1,326,827</u>
		<u>954,775</u>	<u>609,811</u>
CAPITAL AND RESERVES			
Called up share capital	16	180,000	180,000
Profit and loss account	17	774,775	429,811
		<u>954,775</u>	<u>609,811</u>
Equity shareholders' funds		<u>954,775</u>	<u>609,811</u>

D Hogan
Director

Date:

David M. Hogan
20 October 1997

Stellram Limited (formerly Stellram Cuttech Limited)

NOTES TO THE ACCOUNTS

at 31 December 1996

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention.

Goodwill

Goodwill in the difference between the amount paid on the acquisition of a business and the aggregate fair value of its separable net assets. It is being written off in equal annual instalments over its estimated economic life.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows:

Motor vehicles	-	over 4 years
Fixtures, fittings, tools and equipment	-	over 2 to 10 years
Plant and machinery	-	over 2 to 10 years

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition as follows:

Raw materials, consumables and goods for resale	-	purchase cost on an average cost basis.
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse. Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred taxation balance.

Deferred tax assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

Stellram Limited (formerly Stellram Cuttech Limited)

NOTES TO THE ACCOUNTS

at 31 December 1996

1. ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, 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 to income on a straight line basis over the lease term.

Group Accounts

The financial statements present information about the company as an individual undertaking, and not about its group.

The company is exempt from the preparation of group accounts by virtue of S228 of the Companies Act as it is a subsidiary undertaking of an EC parent. The consolidated results are shown in the financial statements of Teledyne Limited.

Cashflow statement

The company has taken advantage of the wholly owned subsidiary exemption of Financial Reporting Standard 1 and thus a cash flow statement has not been published. A consolidated cash flow statement is included in the consolidated financial statements of Teledyne Limited.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties.

Turnover is attributable to the distribution of specialised hard metal cutting tools to the engineering industry. An analysis of turnover by geographical market is given below:

	1996 £000	1995 £000
United Kingdom	8,774	8,245
Europe	572	538
United States of America	378	355
Other	83	78
	<u>9,807</u>	<u>9,216</u>

Stellram Limited (formerly Stellram Cuttech Limited)

NOTES TO THE ACCOUNTS

at 31 December 1996

3. OPERATING PROFIT

This is stated after charging/(crediting):

	1996 £	1995 £
Auditors' remuneration	18,400	17,400
Depreciation of owned fixed assets	146,237	140,432
Profit on sale of tangible assets	(567)	(5,200)
Amortisation of goodwill	-	114,058
Directors' remuneration	14,782	26,600
Hire of equipment	204,945	179,069
(Profit)/Loss on exchange	(133,758)	198,514
	<u> </u>	<u> </u>

4. STAFF COSTS

	1996 £	1995 £
Wages and salaries	1,879,488	1,918,396
Social security costs	154,761	155,595
Other pension costs	51,859	52,730
	<u>2,086,108</u>	<u>2,126,721</u>

The average weekly number of employees during the year was as follows:

	1996 No.	1995 No.
Selling	27	27
Administration	58	40
Manufacturing	24	18
	<u>109</u>	<u>85</u>

5. INTEREST PAYABLE

	1996 £	1995 £
Bank loans and overdrafts	52,447	70,558
Other loans	15,851	12,570
Finance charges payable under finance leases and hire purchase contracts	18,079	7,808
	<u>86,377</u>	<u>90,936</u>

Stellram Limited (formerly Stellram Cuttech Limited)

NOTES TO THE ACCOUNTS

at 31 December 1996

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1996 £	1995 £
Based on the profit for the year:		
Corporation tax at 33%	-	50,000
Corporation tax underprovided in previous years	3,639	13,357
	<u>3,639</u>	<u>63,357</u>

No provision is required for deferred taxation. The amounts unprovided are as follows:

Capital allowances in advance of depreciation	(22,377)	15,387
Other timing differences	(3,236)	(16,631)
	<u>(47,284)</u>	<u>(1,244)</u>

7. DIVIDENDS

	1996 £	1995 £
Ordinary - paid	-	425,000
	<u>-</u>	<u>425,000</u>

8. INTANGIBLE FIXED ASSETS

	Patent Rights £	Goodwill £	Total £
Cost:			
At 1 January and 31 December 1996	79,796	239,895	319,691
Amortisation			
At 1 January 1996 and 31 December 1996	79,795	239,895	319,690
Net book value:			
At 31 December 1996	1	-	1
At 1 January 1996	1	-	1

Goodwill is being written off in equal annual instalments over its estimated economic life of 15 years.

Stellram Limited (formerly Stellram Cuttech Limited)

NOTES TO THE ACCOUNTS at 31 December 1996

9. TANGIBLE FIXED ASSETS

	Computers £	Motor vehicles £	Fixtures, fittings, plant and machinery £	Total £
Cost:				
At 1 January 1996	353,395	100,632	287,651	741,678
Additions	88,432	-	66,052	154,484
Transfers from subsidiary	25,515	4,821	702,965	733,301
Disposals	-	(25,279)	-	(25,279)
At 31 December 1996	467,342	80,174	1,056,668	1,604,184
Depreciation:				
At 1 January 1996	92,403	17,856	249,442	359,701
Provided during the year	112,955	16,636	16,646	146,237
Transfers from subsidiary	23,512	4,821	352,672	381,005
Disposals	-	(6,846)	-	(6,846)
At 31 December 1996	228,870	32,467	618,760	880,097
Net book value:				
At 31 December 1996	238,472	47,707	437,908	724,087
At 1 January 1996	260,992	82,774	38,209	381,975

10. INVESTMENTS

	1996 £	1995 £
Cost:		
At 1 January 1995 and 31 December 1996	270,704	270,704

Subsidiary undertaking

The company has 100% interest in the Ordinary Share Capital of Stellram Cuttech Manufacturing Limited. This company, incorporated in England and Wales, is involved in the cutting tool manufacture.

11. STOCKS

	1996 £	1995 £
Finished goods and goods for resale	2,205,863	2,029,517

Stellram Limited (formerly Stellram Cuttech Limited)

NOTES TO THE ACCOUNTS at 31 December 1996

12. DEBTORS

	1996 £	1995 £
Trade debtors	2,521,785	2,548,119
Advance Corporation Tax recoverable	60,920	106,250
Other debtors	-	15,848
Prepayments and accrued income	37,513	2,913
Amounts owed by group companies	864,687	6,648
	<u>3,484,905</u>	<u>2,679,778</u>

13. CREDITORS: amounts falling due within one year

	1996 £	1995 £
Bank loans and overdrafts	7,427	418,649
Obligations under finance leases and hire purchase contracts (note 15)	185,352	175,061
Amounts owed to group company	4,301,686	1,036,715
Trade creditors	639,457	1,152,335
Current corporation tax	-	63,400
Other taxes and social security costs	241,060	240,306
Other creditors	-	32,322
Accruals	314,779	200,299
Advance corporation tax payable	-	106,250
	<u>5,689,761</u>	<u>3,425,337</u>

14. BANK LOANS AND OVERDRAFTS

The aggregate amount of bank loans was as follows:

	1996 £	1995 £
Falling due within one year	-	156,265
within two to five years	-	653,157
After more than five years	-	145,727
	-	<u>798,884</u>

The loans consisted of a 10 year loan taken out on 31 August 1989 carrying an interest rate of 2% over base, a 10 year loan taken out in May 1994 carrying an interest rate of 2 ¾ % over base and a five year loan commencing on 9 August 1995 and carrying an interest rate of 9.38%. The loans were secured by a fixed and floating charge over the company's assets and were fully repaid during the year.

Stellram Limited (formerly Stellram Cuttech Limited)

NOTES TO THE ACCOUNTS

at 31 December 1996

15. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	1996 £	1995 £
Amounts payable:		
within one year	217,355	199,769
within two to five years	48,193	279,962
	<u>265,548</u>	<u>479,731</u>
Less: finance charges allocated to future periods	39,099	68,542
	<u>226,449</u>	<u>411,189</u>
Finance leases and hire purchase contracts are analysed as follows:		
Current obligations (note 14)	185,352	175,061
Non-current obligations	41,097	236,128
	<u>226,449</u>	<u>411,189</u>

16. SHARE CAPITAL

	Authorised	
	1996	1995
Ordinary shares of £1 each	<u>180,000</u>	<u>180,000</u>
	Allotted, called up and fully paid	
	1996 No.	1995 No.
Ordinary shares of £1 each	<u>180,000</u>	<u>180,000</u>

Stellram Limited (formerly Stellram Cuttech Limited)

NOTES TO THE ACCOUNTS

at 31 December 1996

17. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital £</i>	<i>Profit and loss account £</i>	<i>Total £</i>
At 1 January 1995	180,000	614,919	794,919
Profit for the year	-	239,892	239,892
Dividend	-	(425,000)	(425,000)
At 1 January 1996	180,000	429,811	609,811
Profit for the year	-	344,964	344,964
At 31 December 1996	180,000	774,775	954,775

18. CAPITAL COMMITMENTS

	<i>1996 £000</i>	<i>1995 £000</i>
Contracted	-	-

19. OTHER FINANCIAL COMMITMENTS

At 31 December 1996 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Other 1996 £</i>	<i>1995 £</i>
Operating leases which expire: within two to five years	163,572	163,572

20. PARENT COMPANY

The directors consider the parent company to be Teledyne Limited, a company incorporated in Great Britain.

The ultimate parent company is Teledyne Incorporated, a company incorporated in the state of Delaware, United States of America.

21. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in Financial Reporting Standard No 8 from disclosing transactions with related parties that are part of the Teledyne Group or investees of the group.