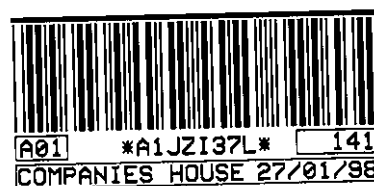


MANSAW MACHINE TOOLS LIMITED

COMPANY NUMBER: 1820802

31 JULY 1997



MANSAW MACHINE TOOLS LIMITED

INDEX TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 1997

	Page
Officers, advisors and registered office	1
Report of the Directors	2 - 3
Report of the auditor	4
Profit and loss account	5
Balance sheet	6
Notes to the Financial Statements	7 - 11

The following pages do not form part of the statutory accounts

Detailed trading and profit and loss account	12
Schedule to the detailed trading and profit and loss account	13

MANSAW MACHINE TOOLS LIMITED

1

OFFICERS, ADVISORS AND REGISTERED OFFICE

DIRECTORS

R J Mitchell
Mrs N Mitchell

SECRETARY

Mrs N Mitchell

REGISTERED OFFICE

Ward Street
Horseley Fields
Wolverhampton

AUDITOR

Culley Lifford Hall
Registered Auditor
6A Bird Street
Lichfield
WS13 6PR

BANKERS

Barclays Bank PLC
474 Stafford Road
Oxley
Wolverhampton

COMPANY NUMBER : 1820802

MANSAW MACHINE TOOLS LIMITED

2

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 JULY 1997

The Directors present their annual report on the affairs of the Company together with the Financial Statements for the year ended 31 July 1997.

PRINCIPAL ACTIVITY

The Company's principal activity which is unchanged since last year was the supply of machinery and accessories to the joinery and carpentry industry.

DIRECTORS

The directors of the company and their interests in the shares of the company are set out below:

	Ordinary shares of £1 each	
	31 July 1997	1 August 1996
R J Mitchell	5000	5000
Mrs N Mitchell	5000	5000

DIRECTORS RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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 of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue to operate.

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.

MANSAW MACHINE TOOLS LIMITED

3

REPORT OF THE DIRECTORS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 1997

AUDITOR

A resolution to re-appoint the auditor will be proposed at the Annual General Meeting.

BASIS OF PREPARATION

In the preparation of this report the directors have taken advantage of the special exemptions applicable to small companies.

Approved by the board of directors on 15 October 1997 and signed on their behalf by:

..... *N. Mitchell* Mrs N Mitchell - COMPANY SECRETARY

REPORT OF THE AUDITOR TO THE MEMBERS OF

4

MANSAW MACHINE TOOLS LIMITED

We have audited the Financial Statements on pages 5 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 7 and 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 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 judgments 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 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 state of the Company's affairs at 31 July 1997 and of its loss for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.

Culley Lifford Hall

CULLEY LIFFORD HALL

LICHFIELD

CERTIFIED ACCOUNTANT AND REGISTERED AUDITOR

15 October 1997

MANSAW MACHINE TOOLS LIMITED

5

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JULY 1997

		1997		1996	
	NOTES	£	£	£	£
TURNOVER	2		376159		361774
COST OF SALES			245557		236498
GROSS PROFIT			130602		125276
Administrative Expenses			112050		97322
OPERATING PROFIT			18552		27954
Interest Receivable	3	95		40	
Interest Payable and Similar Charges	4	(9063)		(5349)	
			(8968)		(5309)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2		9584		22645
TAX ON PROFIT ON ORDINARY ACTIVITIES	5		1600		1684
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			7984		20961
TRANSFERED TO RESERVES	12				

TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains and losses for 1997 other than those included in the profit and loss account.

MANSAW MACHINE TOOLS LIMITED

6

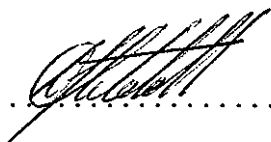
BALANCE SHEET

AS AT 31 JULY 1997

		1997		1996	
	NOTES	£	£	£	£
FIXED ASSETS					
Tangible Assets	6		23841		24677
CURRENT ASSETS					
Stocks	7	47036		56001	
Debtors	8	109245		102441	
Cash at Bank and in Hand		24049		4703	
		<u>180330</u>		<u>163145</u>	
CREDITORS: Amounts falling due within one year	9	113125		97164	
				<u>97164</u>	
NET CURRENT LIABILITIES			67205		65981
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>91046</u>		<u>90658</u>
CREDITORS: Amounts falling due after more than one year	10		65517		73113
			<u>25529</u>		<u>17545</u>
CAPITAL AND RESERVES					
Called up Share Capital	11		10000		10000
Profit and Loss Account	12		15529		7545
			<u>25529</u>		<u>17545</u>

In preparing these financial statements the directors have taken advantage of the special exemptions applicable to small companies under Schedule 8 Part 1 of the Companies Act 1985. In the directors opinion, the company qualifies as a small company and is entitled to make use of the special exemptions.

Approved by the board of directors on 15 OCTOBER 1997 and signed on their behalf by:

...  R J Mitchell - Director

The notes on pages 7 to 11 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 1997

1 ACCOUNTING POLICIES

(a) Cash Flow Statement

The company qualifies as a small company under the Companies Act 1985. The directors have elected to take advantage of the exemption under FRS1 not to prepare a cash flow statement.

(b) Turnover

Turnover represents the net invoiced value excluding VAT.

(c) Depreciation

Depreciation of tangible fixed assets is provided at the following annual rates in order to write off each asset over its estimated useful life.

The terms or rates generally applicable are :

Motor vehicles	25% p.a. reducing balance
Plant and machinery	15% p.a. reducing balance
Fixtures and fittings	15% p.a. reducing balance

(d) Pension contributions

Contributions in respect of pension schemes are charged to the profit and loss account as they are incurred.

(e) Leased assets

Fixed assets acquired under finance leases are included in the balance sheet at cost, appropriate provision being made for depreciation. The present value of the future rentals is shown as a liability. Interest payable in each period is charged to profit and loss account in proportion to the amount outstanding under the lease. Operating lease rentals are charged to profit and loss account as incurred.

(f) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value, after making allowance for obsolete and slow moving items. Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 1997

1 ACCOUNTING POLICIES continued

(g) Deferred Taxation

Provisions are made at appropriate rates for taxation deferred in respect of all material timing differences only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

2 OPERATING PROFIT

The operating profit is stated after charging :

	1997	1996
	£	£
Auditors' remuneration	4213	7766
Directors emoluments (including pension contributions)	31425	16620
Depreciation of tangible fixed assets	4285	5014
	<u>4285</u>	<u>5014</u>

3 INTEREST RECEIVABLE

	1997	1996
	£	£
Bank Deposit Interest	95	40
	<u>95</u>	<u>40</u>

4 INTEREST PAYABLE AND SIMILAR CHARGES

	1997	1996
	£	£
Bank Interest	-	15
Bank Loan Interest	9063	5334
	<u>9063</u>	<u>5349</u>

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997	1996
	£	£
Based on the profit for the year		
Corporation Taxation @ 25% and 24%	1600	1684
	<u>1600</u>	<u>1684</u>

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 1997

6 TANGIBLE FIXED ASSETS

	Motor vehicles	Fixtures & fittings	Plant & equipment	Total
	£	£	£	£
COST OR VALUATION				
At 1 August 1996	13080	12395	17195	42670
Additions	7445	33	971	8449
Disposals	(13080)	-	-	(13080)
At 31 July 1997	7445	12428	18166	38039
DEPRECIATION				
At 1 August 1996	8878	4344	4771	17993
Charge for the year	1861	1213	2009	5083
Disposals	(8878)	-	-	(8878)
At 31 July 1997	1861	5557	6780	14198
NET BOOK VALUE				
At 31 July 1997	5584	6871	11386	23841
At 31 July 1996	4202	8051	12424	24677

7 STOCKS

	1997	1996
	£	£
Raw materials and consumables	47036	56001

8 DEBTORS

	1997	1996
	£	£
Amounts due within one year		
Trade debtors	93987	92076
Directors loan account	7668	3731
Prepayments and accrued income	7570	6634
	109245	102441

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 1997

9 CREDITORS: Amounts falling due within one year

	1997	1996
	£	£
Bank loans	16412	16302
Trade creditors	53547	52522
Corporation tax	3287	1687
Other taxes and social security	36391	23987
Net wages control	826	-
Accruals and deferred income	2662	2666
	<u>113125</u>	<u>97164</u>

10 CREDITORS: Amounts falling due after more than one year

	1997	1996
	£	£
Bank loan	<u>65517</u>	<u>73113</u>

The bank loan of £79780 at 31 July 1997 is repayable over 9.75 years by monthly instalments of £1188 and half of the loan plus interest at 4% above bank base rate is payable after 5 years.

The bank loans are secured by a first floating charge over the assets of the business in accordance with a standard debenture deed and there is a second charge over directors' personal property.

11 CALLED UP SHARE CAPITAL

	1997	1996
	£	£
Ordinary shares of £1 each AUTHORISED	<u>10000</u>	<u>10000</u>
ALLOTTED, ISSUED AND FULLY PAID	<u>10000</u>	<u>10000</u>

NOTES TO THE FINANCIAL STATEMENTS

31 JULY 1997

12 RECONCILIATION IN MOVEMENTS IN SHAREHOLDERS FUNDS

	1997	1996
	£	£
Profit for the year	7984	20961
Opening shareholders funds	17545	(3416)
Balance at 31 July 1997	<u>25529</u>	<u>17545</u>

13 CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

There were no material contingent liabilities or financial commitments at 31 July 1997 or 31 July 1996.

14 RELATED PARTY TRANSACTIONS

The company rents the business premises in Ward Street, Wolverhampton from the directors Mr R J and Mrs N Mitchell on a normal commercial basis at a rent of £25000 p.a.

15 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Directors on 15 October 1997.