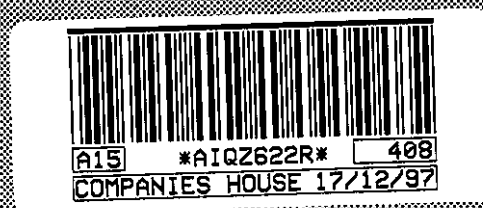
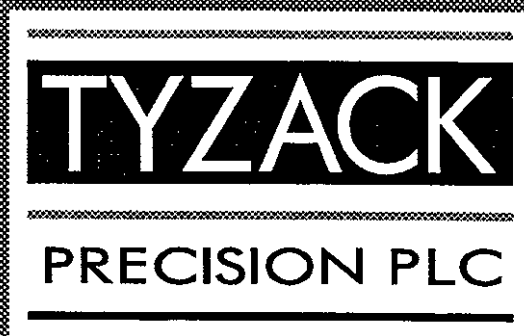


2473485



REPORT AND ACCOUNTS

31 JULY 1997

Group Contacts



Head Office

Chief Executive	Bill Eastwood	Tel +44 114 2560360
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Components Division

Tyzack Machine Knives Limited	Mike Bailey	Tel +44 114 2728158
Tyzack Maschinenmesser GmbH	Nico Rohm	Tel +49 93 17841141

Filtration Division

Eurofiltec SA	Alan Robinson	Tel +33 1 45120530
Eurofiltec Limited	Martin Burgess	Tel +44 1625 428388



(formerly Eurovein plc)

Registered office:

3 Meadow Court

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Sheffield S9 1BX

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<http://www.tyzackprecision.com>

Registered in England number 2973485

The Company's shares are listed on the London Stock Exchange and traded under the CREST system

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Directors

* Sir James McKinnon – *Chairman*
W. H. Eastwood – *Vice Chairman and Chief Executive*
M. J. Bailey
* M. F. G. Johnson
* S. Ingram
* J. M. May

** denotes non-executive director*

Company secretary

M. Johnson

Group chief accountant

P. Dennis

Auditors

KPMG Audit Plc, Sheffield

Solicitors

Shoosmiths & Harrison, Nottingham
Klein-Goddard Associés, Paris
Grützmacher Gravert Schemmel & Partner, Hamburg

Financial advisors

Hambros Bank Limited, Leeds
Albert E. Sharp, Birmingham

Stockbrokers

Albert E. Sharp, Birmingham

Bankers:

To the Group

Midland Bank Plc, Sheffield

To subsidiaries

BICS Banque Populaire
Credit du Nord
Natexis

Registrars

Lloyds Bank Registrars

Public relations consultants

Square Mile Communications Limited

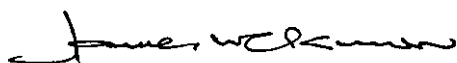
The continuing businesses achieved a profit before tax for the year of £0.6m, the Components Division contributing £0.8m compared to £1.0m last year and the Filtration Division returning to a marginal profit after a loss, after reorganisation costs, of £0.2m last year. In January 1997 we sold our Surface Treatment Division for £12.0m. This Division incurred a loss before tax of £0.9m in the first half. Whilst there was a surplus of £9.3m over the net assets sold, the previously written off goodwill of £9.8m resulted in a net book loss on the disposal of £0.5m. Earnings per share on the continuing businesses were 4.5p and the Directors propose a final dividend of 2.75p per share making a total of 4.0p for the year compared to 3.0p last year. This dividend is covered by the earnings of the continuing businesses and your Board believes that the increase is justified and reflects our confidence in the ongoing profitability and strong cash position of the Group.

The structure and stability of the Group have been fundamentally improved by the sale of the Surface Treatment Division with its fluctuating level of capital equipment sales and eroding spares margins. The sales proceeds and accompanying reduction in debt mean that the Group now has £11.0m cash on deposit and cash net of all debt of £10.1m.

Although the outcome for the year of the Components Division was below the exceptional performance achieved last year its profitability remains soundly based. The decline in the Filtration Division over the previous two years has been halted, sales are increasing, and we anticipate a return to an acceptable level of profitability.

The main focus of the Board following the disposal has been the maximisation of shareholder value in the light of the current structure of the Group and of the low ratings attracted by smaller quoted engineering businesses. We have considered a number of opportunities in areas related to our components activities none of which has however been sufficiently attractive to justify use of our cash resources. We are now conducting a more wide ranging review, without preconception, of all options available to us with the objective of increasing the value of shareholders' investment and shareholders will be informed of our conclusions at the earliest opportunity.

I would repeat the thanks that I expressed in the half year statement to the employees of the Surface Treatment Division for their hard work and support during some difficult times and particularly to Stuart Cole who was a valued member of the Board. In addition, I express my appreciation for the continued hard work and devotion of the managers and employees of our ongoing businesses.



Sir James McKinnon

Chairman

8th October 1997

Group trading summary – continuing operations

During the year, the UK engineering industry was materially affected by currency fluctuations. Compared to a year earlier, by the end of July 1997 sterling had gained some 30% against the main European currencies and 5% against the dollar. Approximately half of the Components Division's output is sold outside the UK and whilst our policy of forward cover protected us against the worst effects of this rise we did experience a decline in sales volume both in overseas markets and as a result of secondary exports by our UK customers. We did not see the anticipated recovery in continental European markets and both the French (home market of our filters business) and German markets remained difficult.

Sales of the continuing businesses were £12.5m compared to £12.8m in the previous year but if the translation effects of French Francs on our filtration business were excluded sales would have increased by 5%.

The divisional operating profit of the continuing businesses was £0.8m, the same as in the 1996 year after taking into account reorganisation costs. Central costs were similar to last year's £0.5m. However management charges of £0.3m were received from the Surface Treatment Division before its disposal, compared to £1.1m last year, and it is as a result of this lower divisional management charge that the reported continuing Group operating profit was reduced from £1.4m to £0.5m.

The cash proceeds and debt reduction resulting from the sale of the Surface Treatment Division were realised in February with the result that there was net positive interest of £0.1m from the continuing businesses compared to a charge of £0.2m last year. Profit before tax of £0.6m from continuing operations compares to £1.2m last year. The utilisation of brought forward tax losses and the effects of the investment programme in the UK resulted in a tax credit of £0.1m giving a post-tax profit from continuing activities of £0.7m equivalent to 4.5p per share.

Sale of Surface Treatment Division

The Surface Treatment Division was sold to US Filter Corporation in January 1997. The Division suffered from fluctuating levels of capital equipment sales and profitability and also a long term decline in spare parts margins. In the six months to 31st January 1997 the Division incurred a loss before management charges of £0.5m on sales of £12.6m and this compared to a profit for the twelve months to 31st July 1996 of £1.5m on sales of £26.7m.

The Division, which had net tangible assets of £1.9m, was sold for £12.0m plus repayment of £0.5m of inter-company indebtedness on or before completion and the assumption by the purchaser of £3.0m of borrowings. As reported at the time of sale the repayment of a further £0.6m of inter-company indebtedness was deferred and £0.45m of this was conditional on collection by the purchaser of a trade debt from the Ukrainian Development Corporation. As little progress has been made since January in collecting the debt it is considered prudent to provide at this stage for the whole £0.45m although efforts to collect this will continue. Because of this additional provision there was a loss on disposal of the businesses of £0.5m. This loss is a consequence of passing previously written off goodwill through the profit and loss account. Overall the net effect of the sale of the Division and its trading in the first half was to increase net assets of the Group by £8.4m compared to the position at the end of the last financial year.

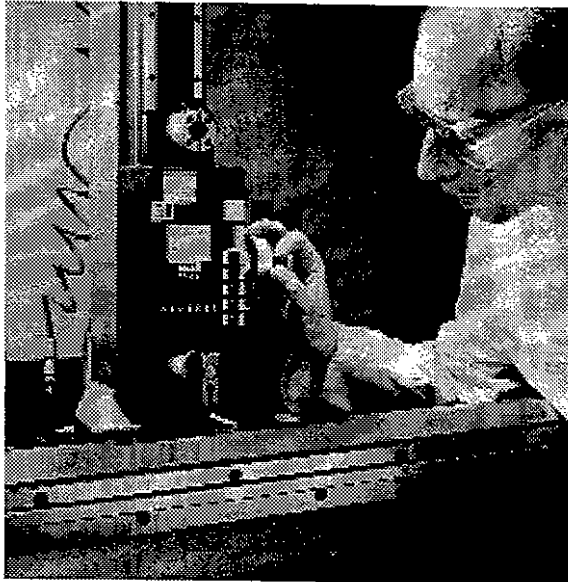
Divisional review

Components Division

Sales of the Division were £6.7m compared to £7.2m last year, the reduction being in both export and home market sales although the latter were also affected by the high level of secondary export of the Division's products. The reduction in sales was confined principally to machine tool slideways and shear blades. Whilst the strength of sterling had some direct effect the shortfall was primarily related to the fall-off from certain major OEM customers. Other product areas, particularly steel mill blades, showed an encouraging increase. The fall in operating profit from £1.0m, 14.0% to sales, last year to £0.8m, 11.6% to sales this year was entirely volume related. Underlying margins were maintained but the reduced throughput led to a lower level of recovery of manufacturing overheads compared to the very successful previous year when all product groups were being produced to capacity. The Division generated a trading cash flow of £0.8m.

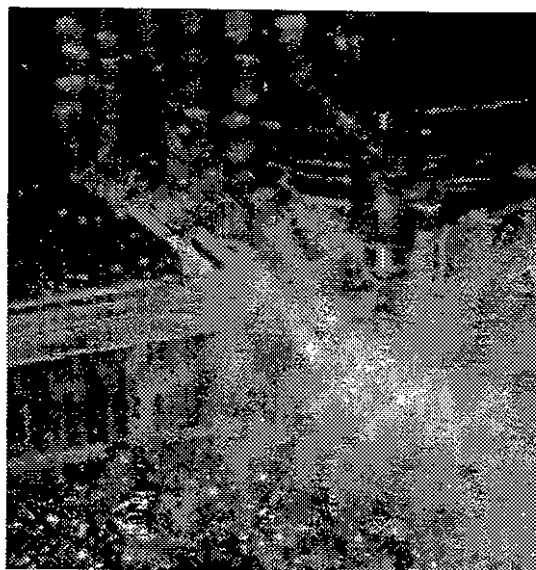
During the year investment continued with the installation of a new £0.3m machining centre which is increasing productivity and further extending product capability and progress was made on the development of two new products, marketing of which will commence in the first half of the new year.

Assets employed in the Division were £3.4m compared to £3.2m in the previous year as a result of capital investment during the year, and the operating return on capital was 22.7% compared to 31.8%.



Measuring accuracy on a machine tool slideway.

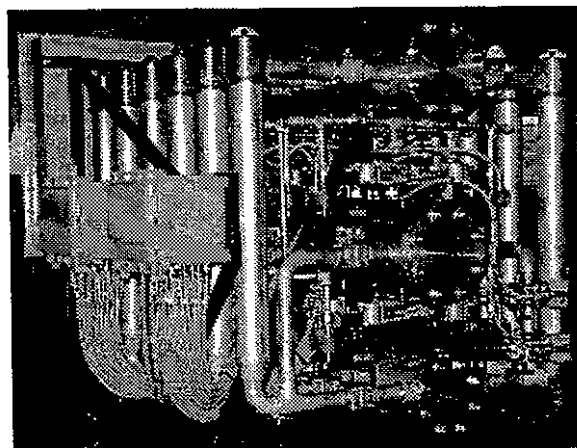
Tyzack Machine Knives is the UK market leader in the manufacture and supply of high precision machine tool slideways and a wide range of industrial machine knives and shear blades, together with specialist cutting and wearing edge components for the grasscare and construction industries. It is one of the largest manufacturers of machine knives in Europe and exports some 50% of its production throughout Western Europe and to the USA and Far East. 120 people are employed in two plants in Sheffield with sales staff in Germany. Most of the Division's machine knife products are accredited under ISO 9002.



Precision machining of a tenon.

Filtration Division

The recovery programme reported on last year, extending the product range, further improving quality, and reorganising and expanding the sales force, was implemented during the current year and results started to show through. Sales in sterling terms increased from £5.6m to £5.8m but in local currency terms there was an increase of 20% reversing a decline over the previous two years. The increase was entirely in export markets, particularly the UK and Far East. Underlying gross margins in both consumables and capital equipment were maintained and the Division achieved a small profit during the year compared to a loss after reorganisation costs of £0.2m last year.

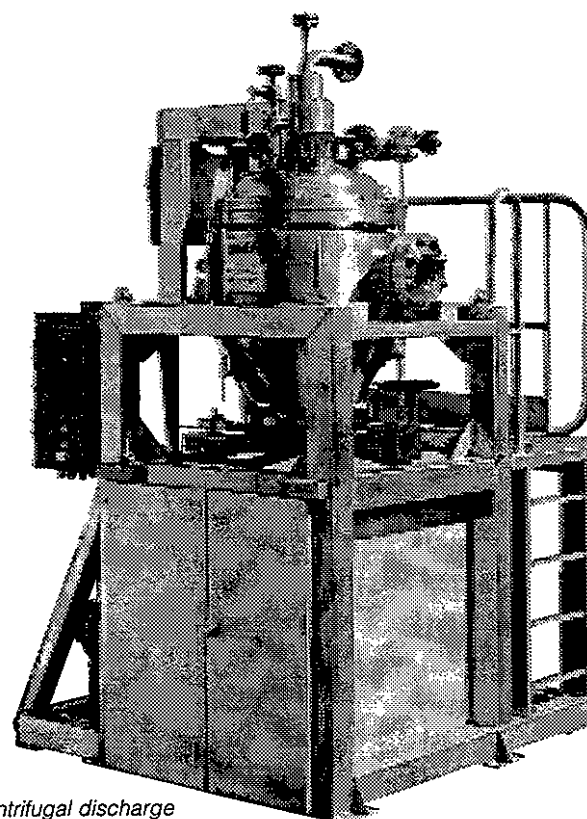


Filter system with backwash capability supplied to Elf Gabon.

An investment programme is under way at our Avignon filter sheet plant with a view to enhancing quality and manufacturing efficiency. This product range is now FDA approved which will extend our target customer base. There have been a number of new product developments during the year including an innovative patented filter for the nuclear power industry.

Net assets employed by the Division were unchanged during the year at £1.6m.

Paris based Eurofiltrec specialises in the supply of equipment to the European pharmaceutical, fine chemical, food and beverage, oil and power generation industries, and also manufactures and supplies disposable industrial filters to these and other sectors. The Avignon plant manufactures flat filter media and filter cartridges. Exports from France now account for 50% of sales, main markets being the UK, Middle and Far East. The Division employs 60 people in France and the UK and is accredited under ISO 9001 and 9002.



Centrifugal discharge filter supplied to Glaxo Wellcome in the UK.

Cash flow

There was a net cash inflow of £13.1m during the year after payment of £0.5m of net dividend. The sale of the Surface Treatment Division generated a total of £14.8m but there was a cash outflow of £1.0m from these businesses prior to disposal and thus the net cash effect of the sale was receipt of £13.8m. The continuing businesses generated £0.5m from operating activities and after capital expenditure of £0.2m, net interest payments of £0.1m and tax payments of £0.2m including ACT these activities were cash neutral.

Balance sheet

At 31st July 1997 the net asset value of the Group was £15.2m (92.3p per share) compared to £7.2m (43.6p per share) at the previous year end, the increase resulting from the sale of the Surface Treatment Division. At the year end there was £11.0m cash on deposit and total borrowings including finance leases and vendor loan were £1.0m. The cash position net of all borrowings was £10.1m compared to net debt of £2.9m at the end of last year.

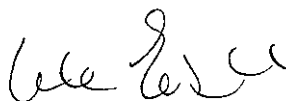
With reference to the continuing businesses, fixed assets increased by £0.1m with the Components Division investing at higher than the depreciation rate. In sterling terms, net working capital (stock plus debtors less creditors other than borrowings) increased over the year by £0.3m to £3.2m. Stocks were unchanged at £2.1m, a stock turn of 5.8 times. Debtor levels overall increased by £0.3m to £4.9m due to the deferred consideration from US Filter, and there was a £0.1m reduction in creditors due within one year to £3.8m.

At 31st July 1997 the Group had a profit and loss reserve of £0.5m compared to £0.2m at the end of the previous year, and the Company had a profit and loss reserve of £1.9m, the same as last year but of which £1.7m is now distributable compared to £1.4m last year.

Current trading

The continuing weakness of the continental European currencies is now affecting manufacturing activities in the UK engineering industry and this is influencing order intake levels in certain sectors of our Components Division whilst other areas continue to show growth. It is too early to say whether this will depress sales over the course of the current year but we have taken further measures to contain the cost base and are actively pursuing other markets, particularly in the Far East and USA where demand remains encouraging.

The lower level of the French Franc against both sterling and the US Dollar continues to help the activities of our French filtration business and we are seeing the first signs of increased activity in France.



W. H. Eastwood
Chief Executive

8th October 1997

The Directors present their report together with the audited accounts for the year ended 31st July 1997.

Change of name

On 27th January 1997 the Company changed its name from Eurovein plc to Tyzack Precision plc.

Activities

The Company and its subsidiaries are engaged in the manufacture and distribution of machine knives, machine slideways and grasscare products, filter vessels and consumables.

Sale of Surface Treatment Division

Details of the sale of the Surface Treatment Division are given in note 24. The business of the Division was the manufacture and distribution of surface treatment equipment and spare parts.

Business review

A detailed review of the business of the Group is given in the attached Chairman's statement and Chief Executive's review.

Results and dividends

The consolidated results for the year are shown in the profit and loss account on page 16. An interim dividend amounting to £205,000 (1.25p per share) was paid during the year, and the Directors recommend a final dividend amounting to £453,000 (2.75p per share) be paid, of which it is proposed that £123,000 (0.75p per share) will be paid as a Foreign Income Dividend.

Land and buildings

In the opinion of the Directors, there is no significant difference between the book value and the market value of land and buildings of the Company or any of its subsidiary undertakings.

Directors

The names of the present Directors are shown on page 2, brief details of whom are as follows:

1. **Sir James McKinnon** (68). Sir James spent 30 years in a variety of multi-national businesses including the period from 1974 to 1986 as a director of the Imperial Group plc. He worked closely with The World Bank in Eastern Europe, South America and in other parts of the world while he was economic regulator of the natural gas industry in Britain (OFGAS). He is currently Chairman of Cowie Group plc, Trafficmaster plc and Scotia Holdings plc, and Deputy Chairman of United News & Media plc.

W. H. Eastwood (51). Bill Eastwood graduated in biochemistry from Oxford University and, following post-graduate studies at the Technical University of Aachen, took an MBA at INSEAD, Fontainebleau. From 1971 to 1979 he was employed by the listed agribusiness company J.B. Eastwood Limited, latterly as Managing Director. In the early 1980s he was a director of various companies before being appointed executive Chairman of Tyzack plc in 1987 where he remained until 1989, resigning following its acquisition by GSM. He founded Tyzack Precision's predecessor Eurovein Limited in September 1989. He was non-executive Chairman of the listed company Continuous Stationery plc between 1986 and 1992.

M. J. Bailey (42). Mike Bailey graduated in mechanical engineering from Sheffield University in 1978. He spent the following years with a subsidiary of Dunlop before joining Tyzack plc in 1984. He was appointed Managing Director of Tyzack Machine Knives Limited in 1991 and a Tyzack Precision Director in May 1995.

2. M. F. G. Johnson (55). Michael Johnson, after qualifying as a chartered accountant and taking an MBA, was Managing Director of an engineering company in continental Europe for five years. Following this he formed, and currently runs, a management consultancy firm, is a director of a number of private companies and is Chairman of W. Notting Limited, a company in the engineering sector.
2. S. Ingram (48). Stephen Ingram, an economics graduate, was Managing Partner of Grant Thornton in Sheffield until 1986. He is Senior Partner of his own corporate finance and strategy consultancy, Ingram Forrest Associates. He is also a director of a number of private companies and Chairman of Billam plc and Candlelight Products Limited.
2. J. M. May (42). John May graduated with degrees in Law from Cambridge University in 1977. He is now Managing Director of Hambro Group Investments Limited and an executive director of Hambros Bank Limited, having worked in corporate finance in London and Australia for the Hambros Group. From 1988 to 1994 he was Joint Managing Director of Hambro Countrywide Plc and is currently a non-executive director of Hambro Countrywide as well as a number of private companies in which Hambros has an investment.
1. Chairman – Audit and Remuneration Committees.
2. Member – Audit and Remuneration Committees.

C. Fercocq resigned as a non-executive director on 8th October 1996.

J. M. May was appointed a non-executive director on 17th October 1996.

S. A. Cole resigned as a director on 14th February 1997.

Directors' interests in the Company are shown in notes 5 and 6 to the accounts, and in the Report of the Remuneration Committee on page 13.

Employees

The Group gives consideration to applications for employment from disabled persons where the requirements of the job and the individual disability make the offer of employment possible. If an employee becomes disabled during employment with the Group, every effort is made where practicable to retrain that employee for a position appropriate to his or her abilities.

The Directors attach great importance to the development of employee involvement throughout the Group, based on good communications and working relationships. The decentralised nature of the Group's business necessitates that detailed application of the policy is the responsibility of line management supported by regular visits by the Directors and senior executives to operating subsidiaries. Details of the Group's annual results are circulated to all employees.

Shareholders

As at 31st July 1997, the ordinary share capital of the Company was held as follows. Named shareholders are those who have informed the Company or of which the Company is aware of having holdings of 3% or more of the issued share capital. Between 31st July 1997 and 8th October 1997 the Company had not been notified of any changes in these holdings.

	Number of shares	Percentage of ordinary share capital
Villiers Group plc	2,925,000	17.76%
PDFM Limited	2,242,000	13.62%
Euro Synergies & Cie SCA	2,058,736	12.50%
FCPR Parvalind	1,801,394	10.94%
Hambro Group Investments Limited	1,464,682	8.90%
Mercury Asset Management Limited	975,000	5.92%
Nat West IM (Gartmore)	691,825	4.20%
South Yorkshire Pension Authority	576,671	3.50%
British Gas Corporation Pension Scheme	530,000	3.22%
3i Group plc	517,604	3.14%
Directors	184,494	1.12%
Employees' interests	100,524	0.61%
Other shareholders	2,397,796	14.57%
Total	16,465,726	100.00%

Options

There are in total 677,066 ordinary shares under option, equivalent to 4.11% of the existing issued share capital. Further details are given in note 20.

Corporate governance and going concern

Throughout the year the Group complied with all of the provisions of the Cadbury Committee's Code of Best Practice. The Directors confirm that, after making enquiries, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Internal financial control

The Board is responsible for the system of internal financial control of the Company and its subsidiaries. Such a system can provide only reasonable and not absolute assurance against material misstatement or loss.

Management authority is delegated to the operating subsidiaries with clear lines of communication and defined authority limits. The Board retains direct control over strategic and major financial and operational issues.

An annual budget is prepared by each subsidiary before the beginning of the financial year and is reviewed in detail by central and divisional management and then by the Board prior to approval. A system of weekly, monthly and semi-annual reporting is in place comparing actual performance against budget and highlighting financial and operational issues as well as legal and environmental matters, if any. All capital expenditure is subject to approval by the Chief Executive, or, in the case of items over a pre-determined limit, by the Board. Group policy is to cover the foreign exchange risk of all trading flows not in the currency of the relevant subsidiary, and this is controlled centrally. Derivative and speculative foreign exchange transactions are specifically prohibited.

The Audit Committee on behalf of the Board has reviewed the effectiveness of internal financial controls in the Group. This consisted of an internal review together with an analysis of risk factors by each subsidiary and subsequently by central management who prepared a report for consideration by the Committee.

Payments to suppliers

It is the Group's policy to agree payment terms with its suppliers, along with the other terms and conditions, when it enters into binding purchase contracts, and to abide by the agreed payment terms provided that the supplier has provided the goods or services in accordance with the terms and conditions of the contract.

The Company and the continuing operations of the Group had trade creditors outstanding as follows, as defined by Statutory Instrument 1997/571:

	31st July 1997 Days	31st July 1996 Days
Company	15	31
Group – continuing operations	86	87

Annual General Meeting

The Annual General Meeting of the Company is to be held at 3.00 pm on Thursday, 11th December 1997 at 3 Meadow Court, Amos Road, Sheffield S9 1BX. Resolutions 1 and 2 are to adopt the report and accounts, and to declare a final dividend of 2.75p per share, of which 0.75p will be paid as a Foreign Income Dividend.

Resolution Number 3 – Approval of the appointment of Mr. J. M. May as a Director

John May was appointed to the Board as a non-executive Director on 17th October 1996 and under the Company's Articles his appointment has to be ratified by shareholders in general meeting. He is a member of the Audit and Remuneration Committees.

Resolution Number 4 – Re-election of Sir James McKinnon as a Director

Sir James has been a Director and non-executive Chairman of the Company since its foundation and is Chairman of the Audit and Remuneration Committees. He retires by rotation under the Company's Articles and is seeking re-election.

Resolution Number 5 – Re-election of Mr. M. F. G. Johnson as a Director

Michael Johnson has been a non-executive Director since the Company's formation and is a member of the Audit and Remuneration Committees. He retires by rotation under the Company's Articles and is seeking re-election.

Resolution Number 6 – Reappointment of Auditor

The Company's auditor KPMG Audit Plc has indicated its willingness to continue in office and therefore, in accordance with section 385 of the Companies Act 1985, a resolution is to be proposed at the Annual General Meeting for its re-appointment as auditor of the Company.

Resolution Number 7 – Authority to allot unissued shares

Authority is sought from shareholders for the Directors to allot unissued shares up to a nominal amount of £548,857 equal to 5,488,570 ordinary shares, 33% of the current issued share capital. This is a renewal of the authority granted at the 1996 AGM and will expire on the date of the 1998 AGM or fifteen months from the passing of this resolution if earlier. This authority is within the guidelines of the Investment Committee of the Association of British Insurers. The Board has no present intention of issuing any part of the unissued share capital except pursuant to the exercise of options under employee share schemes. No issue of shares will be made which will alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution Number 8 – Authority to allot shares for cash – Special Resolution

Authority is sought from shareholders for the Directors to allot unissued shares for cash without the application of pre-emption rights up to a nominal amount of £82,328 equal to 823,280 ordinary shares, 5% of the current issued share capital. This is a renewal of the authority granted at the 1996 AGM and will expire on the date of the 1998 AGM or fifteen months from the passing of this resolution if earlier. This authority is within the guidelines of the Investment Committee of the Association of British Insurers. The Board has no present intention of issuing shares for cash except pursuant to the exercise of options under employee share schemes.

Resolution Number 9 – Purchase of own shares – Special Resolution

Authority is sought from shareholders for the Company to purchase in the market up to 1,646,572 ordinary shares being 10% of the present issued share capital. The minimum price payable is 10p per share and the maximum payable is 105% of the average of the middle market quotations per ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately preceding the day of purchase. These limits are in line with London Stock Exchange requirements and the guidelines of the Investment Committee of the Association of British Insurers.

The Board considers it prudent to seek this authority. However, the Directors have no present intention of using it and would only do so after careful consideration with a view to the enhancement of future earnings per share and only if the Directors considered that such exercise of the authority was in the best interests of shareholders generally and taking into account the Company's cash resources and borrowing levels.

By order of the Board



M. Johnson
Company Secretary

8th October 1997

The remuneration and emoluments of executive directors are determined by the Remuneration Committee, which is composed solely of non-executive directors of the Company. The remuneration of non-executive directors is determined by the full Board within the limits set in the Company's Articles of Association. The non-executive directors do not participate in the bonus, share option or long-term incentive schemes. A full table of individual Directors' salaries and benefits is given in note 5 to the accounts.

The Committee acknowledges the recommendations of the Greenbury Committee on Directors' Remuneration. The Remuneration Committee's composition, responsibilities and operation comply with the best practice provisions in Section A of the Annex to the Listing Rules of the London Stock Exchange, and in implementing its policy the Committee has given full consideration to the provisions of Section B to the Annex. The salaries of the executive directors are determined after a review of the performance of the individual. It is the aim of the Committee to reward directors competitively and on the principle that their remuneration should be similar to that paid to senior management of comparable engineering businesses, taking into account the European nature of the Group's operations. For guidance the Remuneration Committee uses published surveys of similar companies.

The Company operates an annual bonus scheme for directors which is related to the performance of the business area for which they are responsible and relates to the budget agreed by the Board for that business. The bonus starts to accrue when the budgeted profit is achieved and is paid pro-rata to profit above budget, with a maximum payable of 50% of salary. W. H. Eastwood is paid a bonus in relation to the post-tax profit of the Group. M. J. Bailey is paid a bonus in relation to the profit before interest and tax of the Components Division. No bonus was payable to either for the 1996/97 year. The bonus scheme is reviewed annually by the Remuneration Committee. The Company does not currently have a long-term incentive scheme.

Full details of directors' share options are given in note 6 to the accounts. Certain options were issued to directors prior to the Company's flotation which are not performance related. Options were issued to M. J. Bailey at flotation on 23rd November 1994 under the Eurovein plc Executive Share Option Scheme. These options carry a performance target in relation to the growth in earnings per share and cannot be exercised unless earnings per share have grown by more than 2% above inflation. In view of recent changes in taxation it is unlikely that further options will be issued to Directors under this scheme. M. J. Bailey subscribes to the Group ShareSave Scheme.

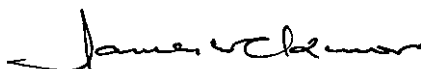
W. H. Eastwood has a personal pension to which the Group subscribes. The amount of the Group's contribution is detailed in note 5 and is related to basic salary only, not bonus payments. M. J. Bailey is a member of the Eurovein Pension Scheme. He is entitled to a pension on retirement of 1/50th of final salary for each year in the scheme. Under the established rules of the scheme, of which Mr. Bailey has been a member since 1984, salary is defined to include bonus payments. The contribution rates are determined from time to time by the trustees on advice from the actuary. During the year to 31st July 1997 the Company's contribution rate averaged 6.6% of basic salary plus bonus for directors, and the employees' contribution averaged 5.3%.

The executive directors have service contracts terminable by either party on twelve months' notice. Non-executive directors have letters of appointment and can be removed by the Board on three months' notice or under the Company's Articles at an Annual General Meeting, no compensation being payable.

Executive directors are prohibited under their contracts from accepting outside appointments without the permission of the Board, which is given in cases where it is considered that an outside non-executive directorship will not interfere with their executive duties. Fees paid in relation to outside non-executive directorships are retained by the director.

On behalf of the Remuneration Committee

Sir James McKinnon
Chairman



8th October 1997

**Review Report by KPMG Audit Plc to
Tyzack Precision plc on Corporate Governance Matters**



In addition to our audit of the accounts, we have reviewed the Directors' statements on pages 10 and 11 on the Company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the Listing Rules and their adoption of the going concern basis in preparing the accounts. The objective of our review is to draw attention to non-compliance with the disclosure requirements of the Listing Rules 12.43(j) and 12.43 (v).

Basis of opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform any additional work necessary to express a separate opinion on the effectiveness of either the Group's system of internal financial control or corporate governance procedures, or on the ability of the Group to continue in operational existence.

Opinion

With respect to the Directors' statements on internal financial control and going concern on pages 10 and 11, in our opinion the Directors have provided the disclosures required by the Listing Rules and such statements are not inconsistent with the information of which we are aware from our audit work on the accounts.

Based on enquiry of certain Directors and officers of the Company, and examination of relevant documents, in our opinion the Directors' statement on pages 10 and 11 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review by the Listing Rules.

A handwritten signature in black ink, appearing to read "KPMG Audit Plc", written in a cursive style.

KPMG Audit Plc
Chartered Accountants
Sheffield

8th October 1997

Company law requires the Directors to prepare accounts for each accounting period which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss for that period. In preparing those accounts the Directors are required to:

- (i) select suitable accounting policies and then apply them consistently;
- (ii) make judgements and estimates that are reasonable and prudent;
- (iii) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- (iv) prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the accounts comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Report of the Auditors to the Members of Tyzack Precision plc

We have audited the accounts on pages 16 to 42.

Respective responsibilities of directors and auditors

As described above, the Company's Directors are responsible for the preparation of 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 Group'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 and the Group as at 31st July 1997 and of the loss of the Group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

Chartered Accountants

Registered Auditor

Sheffield

8th October 1997

Consolidated Profit and Loss Account

TYZACK
PRECISION PLC

	Notes	Year ended 31st July 1997			Year ended 31st July 1996		
		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Turnover	2	12,517	12,573	25,090	12,763	26,663	39,426
Operating costs	3	(12,021)	(13,321)	(25,342)	(11,374)	(26,362)	(37,736)
Operating profit/(loss) before reorganisation costs	2	496	(748)	(252)	1,505	333	1,838
Reorganisation costs	7	–	–	–	(116)	(32)	(148)
Total operating profit/(loss)	2	496	(748)	(252)	1,389	301	1,690
Disposal of discontinued operations:							
Surplus over net tangible assets		–	9,311	9,311	–	–	–
Goodwill previously written off against reserves		–	(9,789)	(9,789)	–	–	–
Net loss on disposal of discontinued operations	24	–	(478)	(478)	–	–	–
Profit/(loss) on ordinary activities before interest		496	(1,226)	(730)	1,389	301	1,690
Net interest receivable/(payable) and similar charges	8	143	(119)	24	(236)	(97)	(333)
Profit/(loss) on ordinary activities before tax		639	(1,345)	(706)	1,153	204	1,357
Tax on profit/(loss) on ordinary activities	9	109	22	131	157	(32)	125
Profit/(loss) on ordinary activities after tax		748	(1,323)	(575)	1,310	172	1,482
Dividends	10	(658)	–	(658)	(493)	–	(493)
Retained profit/(loss)	21	90	(1,323)	(1,233)	817	172	989
Earnings/(loss) per share	11	4.5p	(8.0p)	(3.5p)	8.0p	1.0p	9.0p
Dividend per share (net)	10	4.0p	–	4.0p	3.0p	–	3.0p

There is no material difference between the result disclosed in the profit and loss account and the result as given on an unmodified historical cost basis.

Details of the disposal of the Surface Treatment Division are given in note 24.

Statement of Total Recognised Gains and Losses

	Group Year ended 31st July 1997 £'000	Group Year ended 31st July 1996 £'000	Company Year ended 31st July 1997 £'000	Company Year ended 31st July 1996 £'000
(Loss)/profit for the year	(575)	1,482	(1,354)	1,336
Exchange movements on foreign currency net investments	(532)	196	–	–
Total recognised gains and losses relating to the year	(1,107)	1,678	(1,354)	1,336

The notes on pages 19 to 42 form part of these accounts.

	Notes	Group 31st July 1997		Group 31st July 1996		Company 31st July 1997		Company 31st July 1996	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fixed assets									
Tangible assets	12		2,013		7,486		71		40
Investments	13		41		41		15,842		29,857
			2,054		7,527		15,913		29,897
Current assets									
Stocks	14		2,149		4,421		—		—
Debtors	15		4,852		13,572		6,724		5,330
Cash at bank			11,031		1,946		11,000		688
			18,032		19,939		17,724		6,018
Creditors due within one year									
Borrowings	18	(489)		(3,707)		(175)		(41)	
Other	16	(3,806)		(12,568)		(1,458)		(1,444)	
			(4,295)		(16,275)		(1,633)		(1,485)
Net current assets									
Due within one year		12,791		2,049		11,260		2,412	
Debtors due after more than one year	15	946		1,615		4,831		2,121	
Total net current assets		13,737		3,664		16,091		4,533	
Total assets less current liabilities		15,791		11,191		32,004		34,430	
Creditors due after more than one year									
Borrowings	18	(486)		(1,109)		(24)		—	
Other	17	(6)		(157)		(8,512)		(8,959)	
			(492)		(1,266)		(8,536)		(8,959)
Provisions for liabilities and charges	19		(97)		(2,756)		—		—
Net assets		15,202		7,169		23,468		25,471	
Capital and reserves									
Called up share capital	20	1,647		1,645		1,647		1,645	
Share premium account	21	13,323		13,316		13,323		13,316	
Acquisition reserve	21	(6,821)		(16,610)		—		—	
Merger reserve	21	954		2,953		954		2,953	
Capital redemption reserve	21	5,637		5,637		5,637		5,637	
Profit and loss account	21	462		228		1,907		1,920	
Equity shareholders' funds		15,202		7,169		23,468		25,471	

These accounts were approved by the Board of Directors on 8th October 1997 and were signed on its behalf by:

W. H. Eastwood
 Director



The notes on pages 19 to 42 form part of these accounts.

Consolidated Cash Flow Statement



	Notes	Year ended 31st July 1997			Year ended 31st July 1996		
		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Cash flow from operating activities	23(i)	523	(546)	(23)	949	530	1,479
Returns on investments and servicing of finance	23(ii)	(78)	39	(39)	(409)	34	(375)
Tax	23(ii)	(228)	(301)	(529)	8	(7)	1
Capital expenditure and financial investment	23(ii)	(184)	(192)	(376)	(96)	(200)	(296)
Acquisitions and disposals	23(ii)			14,634			(204)
Equity dividends paid	10			(534)			(164)
Cash inflow before use of liquid resources and financing				13,133			441
Management of liquid resources	23(ii)			(11,000)			-
Financing – issue of shares	20			9			-
decrease in debt	23(iii)			(1,331)			(541)
Increase/(decrease) in cash				811			(100)

Reconciliation of Net Cash Flow to Movement in Net Debt

	Year ended 31st July 1997 £'000	Year ended 31st July 1996 £'000
Increase/(decrease) in cash	811	(100)
Cash outflow from repayment of debt	1,331	541
Cash outflow from management of liquid resources	11,000	-
Change in net debt resulting from cash flows	13,142	441
Non-bank debt of companies disposed of/(acquired)	88	(60)
New finance leases	(328)	(91)
Exchange movements	24	55
Movement in net debt in the year	12,926	345
Opening net (debt)	(2,870)	(3,215)
Closing net funds/(debt)	10,056	(2,870)

The cash flow statement has been prepared in accordance with Financial Reporting Standard 1 (Revised 1996): Cash Flow Statements, and accordingly the comparative figures have been restated to comply with the new format.

The notes on pages 19 to 42 form part of these accounts

1. Accounting policies

Basis of accounting

The accounts have been prepared in accordance with applicable accounting standards and the requirements of the Companies Act 1985, except as explained under "foreign currencies: company accounts" on page 20.

Basis of consolidation

The acquisition method of accounting has been adopted, under which the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition and to the date of disposal.

Goodwill

Purchased goodwill and goodwill arising on consolidation are taken directly on acquisition to the acquisition reserve. On disposal of subsidiaries or businesses, attributable goodwill previously taken to the acquisition reserve is written back against the profit or loss on disposal.

Turnover

Turnover is the invoiced value of goods and services supplied during the period, excluding value added tax, less all returns, discounts and allowances.

Depreciation

The cost or subsequent valuation, less estimated residual value, of tangible fixed assets is depreciated on a straight line basis over the estimated remaining useful lives of the assets commencing from the time they become operational. In general, the annual rates used are as follows:

Freehold land	Nil
Freehold buildings	2% to 3%
Plant and machinery	10% to 25%
Vehicles	25%

Leases

Where a lease is entered into which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "lease purchase agreement". The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as "operating leases" and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Stocks

Stocks are stated at the lower of cost and estimated net realisable value. Cost is arrived at on the first in first out basis and includes a proportion of appropriate manufacturing overheads.

Bills of exchange

Bills of exchange received from customers are not deducted from debtors until honoured, and if discounted with recourse are included in creditors until honoured.

Employees' share trust

The Company is the sponsor of the Eurovein Employees' Share Trust. The Company carries the Trust's assets and liabilities on its balance sheet, and bears the Trust's expenses in its profit and loss account. Shares in Tyzack Precision plc owned by the Trust are carried in investments, at cost less provision for permanent diminution in value.

1. Accounting policies continued

Foreign currencies:

Consolidated accounts

Monetary assets and liabilities denominated in foreign currencies are recorded at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of the transaction. The trading results of foreign subsidiaries are translated into sterling at the average rate of exchange for the period. For the purposes of consolidation of the balance sheet, the closing rate method is used and translation gains or losses on the opening net assets are shown as a movement on reserves.

Company accounts

Monetary assets and liabilities denominated in foreign currencies are recorded at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of the transaction. Any gains or losses are included in the profit and loss account in accordance with Statement of Standard Accounting Practice 20: Foreign Currency Translation. To the extent that unrealised exchange profits arise on the retranslation of unsettled long-term monetary items, this treatment represents a departure from the Companies Act 1985 requirement to take to the profit and loss account only profits realised at the balance sheet date. However, as noted in SSAP 20, exchange gains on unsettled transactions can be determined no less objectively than exchange losses, and to defer the former whilst recognising the latter would both be illogical and inhibit fair measurement of the Company's performance in the period. Therefore, the Directors consider that recognition of such unrealised profits is necessary in order for the accounts to give a true and fair view. The effect of this departure is shown in note 21.

Exchange rates used at the balance sheet date included the following:

	31st July 1997	31st July 1996
£1 = US Dollar	1.64	1.56
French Franc	10.14	7.78
Deutschmark	3.01	2.29
Italian Lire	2,934	2,368

The average exchange rate for the year was:

	Year ended 31st July 1997	Year ended 31st July 1996
£1 = US Dollar	1.63	1.55
French Franc	8.92	7.76
Deutschmark	2.64	2.27
Italian Lire	2,622	2,438

Research and development expenditure

Expenditure on research and development is charged to operating costs as incurred, and is not separately identified as it was not material for the year or for the previous year.

Tax and deferred tax

The tax charge is calculated country by country. No tax credit is provided in respect of pre-tax losses except to the extent that the loss is expected to generate a tax refund regardless of future profitability. The tax charge takes into account tax deferred because of timing differences between the treatment of certain items for accounting and tax purposes. Full provision is made for deferred tax arising from the accounting treatment of pension costs. Provision is made for other deferred tax only to the extent that it is probable that an actual liability will crystallise.

Pensions

The expected cost of pensions in respect of the Group's defined benefit schemes is charged to the profit and loss account so as to spread the cost of pensions over the expected average remaining service lives of the employees in the schemes.

Certain UK employees have defined contribution schemes. The cost of employers' contributions to these schemes is charged as incurred.

Most overseas employees are members of state pension schemes, and contributions are charged to the profit and loss account as paid. In certain overseas subsidiaries provision is made for the cost of statutory leaving indemnities and guaranteed pension rights.

2. Segment information

	Year ended 31st July 1997			Year ended 31st July 1996		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
The analysis of turnover by class of business is as follows:						
Components	6,714	–	6,714	7,205	–	7,205
Filtration	5,803	–	5,803	5,558	–	5,558
Surface treatment	–	12,573	12,573	–	26,663	26,663
	12,517	12,573	25,090	12,763	26,663	39,426
The geographical analysis of turnover by destination is as follows:						
United Kingdom	4,122	2,571	6,693	4,033	4,320	8,353
France	3,103	864	3,967	4,195	1,109	5,304
Germany	454	2,720	3,174	504	5,229	5,733
Italy	54	878	932	38	2,237	2,275
Rest of Western Europe	1,186	1,439	2,625	948	4,245	5,193
	8,919	8,472	17,391	9,718	17,140	26,858
Eastern Europe	–	928	928	–	2,118	2,118
Far East	940	466	1,406	419	5,252	5,671
The Americas	1,732	1,893	3,625	1,750	1,649	3,399
Rest of the World	926	814	1,740	876	504	1,380
	12,517	12,573	25,090	12,763	26,663	39,426
The geographical analysis of turnover by origin is as follows:						
United Kingdom	6,714	5,840	12,554	7,223	12,094	19,317
France	5,803	229	6,032	5,540	297	5,837
Germany	–	4,231	4,231	–	8,472	8,472
Italy	–	2,273	2,273	–	5,800	5,800
	12,517	12,573	25,090	12,763	26,663	39,426
The analysis of operating profit by class of business before reorganisation costs and recharges of central costs is as follows:						
Components	780	–	780	1,012	–	1,012
Filtration	8	–	8	(121)	–	(121)
Surface treatment	–	(486)	(486)	–	1,458	1,458
	788	(486)	302	891	1,458	2,349
Group management charges	262	(262)	–	1,125	(1,125)	–
	1,050	(748)	302	2,016	333	2,349
Central costs	(554)	–	(554)	(511)	–	(511)
	496	(748)	(252)	1,505	333	1,838
Reorganisation costs	–	–	–	(116)	(32)	(148)
Total operating profit/(loss)	496	(748)	(252)	1,389	301	1,690

2. Segment information *continued*

	Year ended 31st July 1997			Year ended 31st July 1996		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
The geographical analysis of operating profit by origin before reorganisation costs and recharges of central costs is as follows:						
United Kingdom	780	(398)	382	961	840	1,801
France	8	11	19	(70)	(41)	(111)
Germany	–	(83)	(83)	–	265	265
Italy	–	(16)	(16)	–	394	394
	788	(486)	302	891	1,458	2,349
Group management charges	262	(262)	–	1,125	(1,125)	–
	1,050	(748)	302	2,016	333	2,349
Central costs	(554)	–	(554)	(511)	–	(511)
	496	(748)	(252)	1,505	333	1,838
Reorganisation costs	–	–	–	(116)	(32)	(148)
Total operating profit/(loss)	496	(748)	(252)	1,389	301	1,690

	31st July 1997			31st July 1996		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
The analysis of net assets by class of business is as follows:						
Components	3,433	–	3,433	3,187	–	3,187
Filtration	1,565	–	1,565	1,577	–	1,577
Surface treatment	–	–	–	–	5,520	5,520
	4,998	–	4,998	4,764	5,520	10,284
Unallocated net assets/(liabilities)	10,204	–	10,204	(363)	(2,752)	(3,115)
	15,202	–	15,202	4,401	2,768	7,169
The geographical analysis of net assets by origin is as follows:						
United Kingdom	3,421	–	3,421	3,179	4,543	7,722
France	1,549	–	1,549	1,508	203	1,711
Germany	28	–	28	77	(1,432)	(1,355)
Italy	–	–	–	–	2,206	2,206
	4,998	–	4,998	4,764	5,520	10,284
Unallocated net assets/(liabilities)	10,204	–	10,204	(363)	(2,752)	(3,115)
	15,202	–	15,202	4,401	2,768	7,169

Unallocated net assets/(liabilities) above comprise central assets and liabilities, plus all cash, financing and tax balances. The allocation of 1996 comparative assets and liabilities has been restated on this basis, as in the opinion of the Directors this gives a more representative analysis.

3. Operating costs

	Year ended 31st July 1997			Year ended 31st July 1996		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Raw materials and consumables	4,785	5,781	10,566	5,277	11,968	17,245
Other external charges	1,259	1,228	2,487	1,072	3,323	4,395
Staff costs (see note 4)	4,545	4,088	8,633	4,616	7,613	12,229
Depreciation:						
Owned assets	232	178	410	227	339	566
Leased assets	52	8	60	30	3	33
Profit on disposal of plant and machinery	(8)	—	(8)	(6)	(9)	(15)
Auditor's remuneration	34	—	34	39	61	100
Other fees paid to the auditor and its associates	35	5	40	50	17	67
Operating leases:						
Plant and machinery	82	111	193	83	232	315
Land and buildings	68	129	197	87	263	350
Other operating charges	1,066	1,413	2,479	1,202	1,633	2,835
Change in stocks of finished goods and work in progress	133	118	251	(294)	(238)	(532)
	12,283	13,059	25,342	12,383	25,205	37,588
Group management charges	(262)	262	—	(1,125)	1,125	—
Reorganisation costs	—	—	—	116	32	148
	12,021	13,321	25,342	11,374	26,362	37,736

In addition to the remuneration shown above, £27,000 (1996: £Nil) has been charged to loss on disposal of discontinued operations in respect of work performed by the Group's auditor and its associates. The statutory audit fee paid by the Company for the year was £6,000 (1996: £6,000).

4. Staff costs

	Year ended 31st July 1997			Year ended 31st July 1996		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	3,631	3,263	6,894	3,707	5,969	9,676
Social security costs	699	607	1,306	720	1,231	1,951
Other pension costs	215	218	433	189	413	602
	4,545	4,088	8,633	4,616	7,613	12,229
The average number of persons employed during the year was:	Number	Number	Number	Number	Number	Number
Sales	28	35	63	24	60	84
Production	134	84	218	140	146	286
Administration	24	16	40	23	29	52
	186	135	321	187	235	422
At 31st July the Group employed:						
Sales	28	—	28	24	65	89
Production	134	—	134	136	165	301
Administration	24	—	24	22	32	54
	186	—	186	182	262	444

5. Directors' remuneration

Directors' remuneration in total was as follows:

	Year ended 31st July 1997	Year ended 31st July 1996
	£'000	£'000
Chairman's remuneration	20	20
Fees to other non-executive Directors	35	26
Executive Directors:		
Salary	209	230
Performance related bonuses	10	17
Benefits in kind	21	22
	295	315
Pension contributions	21	25
	316	340

The Company's policy on the remuneration of Directors is set out in the Report of the Remuneration Committee on page 13, which explains the method of calculation of bonuses. Details of the remuneration of each Director who served during the year are as follows. Benefits in kind relate principally to the amounts chargeable to tax for private use of motor cars.

	Year ended 31st July 1997	Year ended 31st July 1996
	£'000	£'000
Sir James McKinnon: Chairman		
Fees	20	20

Sir James does not have a service contract. Details of the terms of his appointment are given in the Report of the Remuneration Committee on page 13.

	Year ended 31st July 1997	Year ended 31st July 1996
	£'000	£'000
W. H. Eastwood: Vice Chairman and Chief Executive		
Salary	118	110
Benefits in kind	10	7
	128	117
Pension contributions	13	11
	141	128

Mr. Eastwood's service contract is terminable on twelve months' notice. Mr. Eastwood is not a member of a company pension scheme. The Company makes contributions to his personal pension.

5. Directors' remuneration *continued*

	Year ended 31st July 1997	Year ended 31st July 1996
	£'000	£'000
M. J. Bailey		
Salary	54	50
Bonus	—	17
Benefits in kind	7	8
Pension contributions	61	75
	4	8
	65	83

Mr. Bailey's service contract is terminable on twelve months' notice. He is a member of the Eurovein Pension Scheme. His accrued pension entitlement at 31st July 1997 was £20,000, an increase in excess of inflation of £3,000 compared to 31st July 1996. The transfer value of this increase, excluding Mr. Bailey's contributions, was £7,000.

	Year ended 31st July 1997	Year ended 31st July 1996
	£'000	£'000
S. A. Cole		
Salary	37	70
Bonus	10	—
Benefits in kind	4	7
Pension contributions	51	77
	4	6
	55	83

Mr. Cole resigned as a Director on 14th February 1997, following the sale of the Surface Treatment Division detailed in note 24. He was paid an ex-gratia bonus of £10,000 in recognition of his contribution to the Division. He was not a member of a company pension scheme; the Group made contributions to his personal pension.

	Year ended 31st July 1997	Year ended 31st July 1996
	£'000	£'000
Fees to other non-executive Directors:		
M. F. G. Johnson	14	14
S. Ingram	12	12
J. M. May	9	—
C. Fercocq	—	—
	35	26

None of these Directors has a service contract; details of the terms of their appointment are given in the Report of the Remuneration Committee on page 13. Mr. Fercocq resigned as a non-executive Director on 8th October 1996. Mr. May was appointed a non-executive Director on 17th October 1996.

6. Directors' interests

No Director has had a material interest in any contract with the Company either during or at the end of the year.

J. M. May is a Director of Hambros Bank Limited with which the Group has a banking relationship and which is a Financial Advisor to the Group. He is not involved in any discussions relating to the Group's relationship with Hambros Bank.

During the year to 31st July 1997, the Group had the following transactions with Hambros Bank:

	£'000
Interest received	209
Interest paid	47
Corporate finance fees paid	126

The Directors had no interests other than those shown below in the shares of the Company or other Group companies.

(i) Shareholdings:

	At 31st July 1997 or earlier date of resignation Number of 10p ordinary shares	At 31st July 1996 or later date of appointment Number of 10p ordinary shares
Sir James McKinnon	10,638	10,638
W. H. Eastwood	117,046	117,046
M. J. Bailey	16,810	16,810
S. A. Cole	14,000	14,000
M. F. G. Johnson	10,000	10,000
S. Ingram	5,000	5,000
J. M. May	25,000	—

Mr. Eastwood has in addition a non-beneficial interest in 29,200 ordinary shares (1996: 29,200) as a trustee of the Eurovein Employees' Share Trust.

Mr. Bailey is a trustee of the Eurovein Pension Scheme. At 31st July 1997 the Scheme held 12,800 ordinary shares (1996: 12,800).

Mr. May is a Director of Hambro Group Investments Limited, holder of 1,464,682 shares (1996: 1,464,682).

Between 31st July 1997 and 8th October 1997 there were no changes in these shareholdings.

6. Directors' interests *continued*
(ii) Options to acquire 10p ordinary shares:

	Number of options	Exercise price	Expiry date	Date of original grant
W. H. Eastwood	10,000	£1.00	15th October 2003	15th October 1993
	10,000	£1.00	4th October 2004	4th October 1994
	200,000	£1.00	4th October 2001	4th October 1994
	<u>220,000</u>			
M. J. Bailey	4,000	£2.00	4th March 2002	4th March 1992
	5,000	£1.00	31st March 2003	31st March 1993
	10,000	£1.00	15th October 2003	15th October 1993
	3,000	£1.00	4th October 2004	4th October 1994
	15,000	£1.41	23rd November 2004	23rd November 1994
	23,938	£0.49	25th October 2001	26th April 1996
	<u>60,938</u>			

S. A. Cole held the following options as at the date of his resignation:

	Number of options	Exercise price	Expiry date	Date of original grant
S. A. Cole	1,500	£2.00	4th March 2002	4th March 1992
	5,500	£1.00	4th October 2004	4th October 1994
	20,000	£1.41	23rd November 2004	23rd November 1994
	23,938	£0.49	25th October 2001	26th April 1996
	<u>50,938</u>			

On 23rd July 1997 Mr. Cole exercised his option to purchase 4,936 shares at 49p each. His other options expired on that date.

No Directors' options lapsed or were exercised during the year other than those of Mr. Cole.

Further details of all options are given in note 20.

7. Reorganisation costs

Reorganisation costs for the year were £Nil (1996: £148,000).

8. Net interest receivable/(payable) and similar charges

	Year ended 31st July 1997			Year ended 31st July 1996		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Bank loans and overdrafts	(180)	(147)	(327)	(234)	(233)	(467)
Vendor loan notes	(24)	—	(24)	(28)	—	(28)
Lease purchase agreements	(20)	(4)	(24)	(14)	(2)	(16)
Other	(21)	—	(21)	—	(2)	(2)
	(245)	(151)	(396)	(276)	(237)	(513)
Bank interest receivable	365	32	397	40	140	180
Other interest receivable	23	—	23	—	—	—
	143	(119)	24	(236)	(97)	(333)

9. Tax

	Year ended 31st July 1997			Year ended 31st July 1996		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
UK corporation tax at 32.3% (1996: 33%)	78	—	78	—	—	—
Overseas tax	(95)	8	(87)	(146)	263	117
Deferred tax	(92)	—	(92)	—	—	—
Adjustments in respect of prior years:						
UK corporation tax	—	—	—	(11)	—	(11)
Overseas tax	—	(30)	(30)	—	(231)	(231)
	(109)	(22)	(131)	(157)	32	(125)

Tyzack Precision plc and certain UK subsidiaries have unutilised corporation tax losses of approximately £100,000 (*continuing businesses 1996: £500,000*) which are available to reduce corporation tax on their future trading profits.

The overseas tax credit for the year arose as a result of items treated differently for tax purposes than for accounts purposes.

The adjustment in 1996 in respect of prior years' overseas tax arose as a result of the resolution during that year, in the Group's favour, of tax issues relating to previous years.

10. Dividends

	Year ended 31st July 1997	Year ended 31st July 1996
	£'000	£'000
Interim of 1.25p per share (1996: 1.0p)	205	164
Proposed final of 2.75p per share (1996: 2.0p)	453	329
Total 4.0p per share (1996: 3.0p)	658	493

The Board declared an interim dividend of 1.25p net per share, which was paid on 14th May 1997 to shareholders on the register at the close of business on 18th April 1997. The Board is proposing a final dividend of 2.75p net per share, to be paid on 2nd January 1998 to shareholders on the register at the close of business on 7th November 1997. Of this final dividend, it is proposed that 0.75p per share, totalling £123,000, will be paid as a Foreign Income Dividend (1997 interim and 1996 total: £Nil).

11. Earnings/(loss) per share

Earnings/(loss) per share is calculated for each period by dividing the result after tax by the weighted average number of equity shares.

	Year ended 31st July 1997			Year ended 31st July 1996		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	Number	Number	Number	Number	Number	Number
Weighted average number of equity shares	16,449,231	16,449,231	16,449,231	16,448,674	16,448,674	16,448,674
	£'000	£'000	£'000	£'000	£'000	£'000
Profit/(loss) after tax	748	(1,323)	(575)	1,310	172	1,482
Earnings/(loss) per share	4.5p	(8.0p)	(3.5p)	8.0p	1.0p	9.0p

The number of shares in issue at 31st July 1997 was 16,465,726.

The exercise of outstanding share options would not materially dilute the earnings per share of the continuing operations.

12. Tangible fixed assets

The tangible fixed assets of the Group were as follows:

	Freehold land and buildings	Long leaseholds	Plant, machinery and motor vehicles	Total
	£'000	£'000	£'000	£'000
Cost:				
At 31st July 1996	5,476	328	6,308	12,112
Additions	14	—	708	722
Exchange movements	(250)	—	(400)	(650)
Transfer to current assets	—	—	(93)	(93)
Disposals:				
Surface Treatment Division (see note 24)	(4,621)	—	(3,316)	(7,937)
Other	—	—	(78)	(78)
At 31st July 1997	619	328	3,129	4,076
Depreciation:				
At 31st July 1996	510	9	4,107	4,626
Charge for the year	51	7	412	470
Exchange movements	(25)	—	(327)	(352)
Transfer to current assets	—	—	(39)	(39)
Disposals:				
Surface Treatment Division (see note 24)	(449)	—	(2,125)	(2,574)
Other	—	—	(68)	(68)
At 31st July 1997	87	16	1,960	2,063
Net book value:				
At 31st July 1997	532	312	1,169	2,013
At 31st July 1996	4,966	319	2,201	7,486
The net book value of leased assets included in the above was:				
At 31st July 1997	—	312	446	758
At 31st July 1996	—	319	238	557

Freehold land included above, which is not depreciated, amounted to £159,000 (1996: £1,203,000).

Notes to the Accounts

continued

TYZACK
PRECISION PLC

12. Tangible fixed assets continued

The tangible fixed assets of the Company were as follows:

	Office equipment and motor vehicles
	£'000
Cost:	81
At 31st July 1996	61
Additions	(30)
Disposals	
	112
At 31st July 1997	
Depreciation:	41
At 31st July 1996	22
Charge for the year	(22)
Disposals	
	41
At 31st July 1997	
Net book value:	71
At 31st July 1997	
At 31st July 1996	40

13. Investments

The investments of the Group were as follows:

	1997	1996
	£'000	£'000
Own shares held	41	41

These shares are held by the Eurovein Employees' Share Trust, which exists to facilitate the distribution of shares to employees of Tyzack Precision plc and its subsidiary companies. At 31st July 1997 and 31st July 1996 the Trust held 29,200 10p ordinary shares in Tyzack Precision plc having an aggregate nominal value of £2,920, none of which are under option to employees or have been conditionally gifted to them. These shares cost the Trust in total £113,000. The value of these shares has been written down to £1.41 per share, total £41,000, being the price of shares on the Company's flotation in November 1994, and the cost to Tyzack Precision plc on acquisition of the assets of Eurovein Limited. The Trust also has a bank loan of £Nil (1996: £41,000) taken out to finance the acquisition of shares, which is carried on the balance sheet of the Company. The Trust retains the dividends arising on these shares.

The investments of the Company were as follows:

	Shares in Group undertakings	Loans to Group undertakings	Own shares held	Total
	£'000	£'000	£'000	£'000
At 31st July 1996	26,607	3,209	41	29,857
Sale of the Surface Treatment Division (a)	(10,806)	(2,837)	—	(13,643)
Exchange movement on loans	—	(372)	—	(372)
At 31st July 1997	15,801	—	41	15,842

13. Investments continued

The principal subsidiaries of Tyzack Precision plc, all of which are directly or indirectly wholly owned, are as follows:

Name of company	Country of incorporation and principal country of operation	Description of shares held	Nature of business
Tyzack Machine Knives Limited	England	Ordinary	Manufacture of machine knives, slideways and grasscare products.
Tyzack Maschinenmesser GmbH	Germany	Ordinary	Distribution of machine knives and slideways.
Eurofiltec SA	France	Ordinary (b)	Manufacture and distribution of filter vessels and consumables.
Eurofiltec Limited	England	Ordinary	Manufacture and distribution of filter vessels.

- (a) The Surface Treatment Division was sold on 30th January 1997 as detailed in note 24. The principal companies sold were as follows:

Name of company	Country of incorporation and principal country of operation	Description of shares held	Nature of business
Spencer & Halstead Limited	England	Ordinary	Manufacture of surface treatment equipment and spares.
Alfred Gutmann GmbH	Germany	Ordinary	Manufacture of surface treatment equipment and spares.
Pangborn Europe SpA	Italy	Ordinary	Manufacture of surface treatment equipment and spares.
Européenne de Grenaillage SA	France	Ordinary	Distribution of surface treatment equipment and spares.
BCT Spares Limited	England	Ordinary	Manufacture and distribution of surface treatment spares.

- (b) This investment is held indirectly.

- (c) All Tyzack Precision plc's current subsidiaries have the same accounting reference date as Tyzack Precision plc, i.e. 31st July, with the exception of Eurovein Limited (formerly E.V.L. Limited) which has 30th June for reasons of cash flow associated with the date of payment of tax.

14. Stocks

	Group 1997 £'000	Group 1996 £'000
Raw materials and consumables		
Work in progress	857	2,129
Payments received on account of work in progress	591	1,641
Finished goods	(25)	(777)
	726	1,428
	2,149	4,421

15. Debtors

	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
Due within one year:				
Trade debtors	3,226	10,772	—	—
Amounts owed by subsidiary undertakings	—	—	1,563	3,177
Tax recoverable	247	133	238	—
Prepayments and accrued income	351	309	72	20
Other debtors	82	743	20	12
	3,906	11,957	1,893	3,209
Due after more than one year:				
Trade debtors	—	829	—	—
Amounts owed by subsidiary undertakings	—	—	4,624	1,928
Tax recoverable	464	441	57	154
Pension scheme prepayment (see note 27)	314	306	—	—
Other debtors	168	39	150	39
	946	1,615	4,831	2,121
Total debtors	4,852	13,572	6,724	5,330

Other debtors due after more than one year include £150,000 (1996: £Nil) due from United States Filter Corporation, as detailed in note 24.

16. Creditors due within one year

	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
Trade creditors	1,703	6,072	26	46
Amounts owed to subsidiary undertakings	—	—	701	903
Payments received on account	43	1,309	—	—
Bills of exchange payable	190	359	—	—
Deferred consideration	—	150	—	—
Dividends payable	453	329	453	329
UK corporation tax	78	—	68	—
UK advance corporation tax	113	82	113	82
Overseas tax	92	601	—	—
Other tax and social security	272	799	7	7
Accruals	709	2,782	90	77
Other creditors	153	85	—	—
	3,806	12,568	1,458	1,444
Borrowings (see note 18)	489	3,707	175	41
	4,295	16,275	1,633	1,485

The Company and its subsidiaries have granted charges over certain of their assets as security in respect of certain loans, overdrafts and guarantees, as described in note 18.

17. Creditors due after more than one year

	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
Deferred consideration	—	150	—	—
Amounts owed to subsidiary undertakings	—	—	8,512	8,959
Other creditors	6	7	—	—
Borrowings (see note 18)	6	157	8,512	8,959
	486	1,109	24	—
	492	1,266	8,536	8,959

18. Borrowings

Borrowings are repayable as follows:

	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
Within one year:				
Bank loans	—	241	—	41
Bank overdrafts	238	2,932	172	—
Vendor loan notes	80	80	—	—
Bills of exchange discounted with recourse	85	378	—	—
Obligations under lease purchase agreements	86	76	3	—
	489	3,707	175	41
Between one and two years:				
Bank loans	—	200	—	—
Vendor loan notes	80	80	—	—
Obligations under lease purchase agreements	98	46	24	—
	178	326	24	—
Between two and five years:				
Bank loans	—	500	—	—
Vendor loan notes	160	240	—	—
Obligations under lease purchase agreements	148	43	—	—
	308	783	—	—
Total borrowings due after more than one year	486	1,109	24	—
Total borrowings	975	4,816	199	41
Cash at bank	11,031	1,946	11,000	688
Total net cash/(borrowings)	10,056	(2,870)	10,801	647

(i) Bank loans and overdrafts

The Company and its UK subsidiaries have granted fixed and floating charges over their assets as security in respect of bank loans, overdrafts and guarantees. Interest is payable at a margin over LIBOR. The principal bank loan originally totalled £1,000,000 and was repayable in twenty equal quarterly instalments commencing 11th April 1996. The loan was repaid in full on 14th February 1997. Certain overseas subsidiaries have granted charges over certain of their assets as security in respect of their overdrafts.

(ii) Vendor loan notes

Deferred vendor loan notes totalling £400,000 were issued as part of the consideration for the acquisition of FBT (Shears) Limited on 12th April 1995. The vendor is entitled to require repayment in five equal annual instalments commencing 11th April 1997. The outstanding amount of the loan, totalling £320,000 at 31st July 1997, bears interest at a margin below LIBOR. The Group's bankers have provided a guarantee in respect of the outstanding amount of the vendor loan notes, and the Company and its UK subsidiaries have granted fixed and floating charges over their assets as security in respect of this guarantee.

19. Provisions for liabilities and charges

Provisions for liabilities and charges of the Group were as follows:

	Deferred tax £'000	Reorgani- sation (see note 7) £'000	Other provisions £'000	Total £'000
At 31st July 1996	41	49	2,666	2,756
Charge for the year	—	—	187	187
Released	(92)	—	—	(92)
Utilised	—	(43)	(225)	(268)
Advance corporation tax	84	—	—	84
Sale of the Surface Treatment Division (see note 24)	—	—	(2,255)	(2,255)
Exchange movements	—	(6)	(309)	(315)
At 31st July 1997	33	—	64	97

Other provisions consist mainly of leaving and retirement indemnity provisions, made by certain of the overseas undertakings in accordance with local statutory requirements.

Deferred tax in the Group comprises:

	1997 Provided £'000	1997 Unprovided £'000	1996 Provided £'000	1996 Unprovided £'000
Accelerated capital allowances	3	—	104	—
Other timing differences	91	—	82	126
Advance corporation tax	(61)	—	(145)	—
	33	—	41	126

No deferred tax has been provided in respect of future remittances to the UK of the accumulated reserves of overseas subsidiary undertakings as in the opinion of the Directors any remittance would not lead to an additional tax liability.

20. Share capital

(i) **Authorised and issued share capital during the year were as follows:**

	Issued and fully paid £	Authorised £
Ordinary shares of 10p each:		
At 31st July 1996	1,644,867	7,790,000
Issued 20th March 1997: 532 shares	54	—
Issued 24th July 1997: 16,520 shares	1,652	—
At 31st July 1997	1,646,573	7,790,000

The shares were issued at 49p on the exercise of share options, as detailed below.

20. Share capital *continued*

(ii) The following options have been granted to subscribe for ordinary shares of 10p each:

Date of original grant	Expiry date	Date from which exercisable	Exercise price	Number of options as at 31st July 1996	Number of options exercised	Number of options lapsed	Number of options as at 31st July 1997
4th March 1992	4th March 2002	4th March 1995	£2.00	31,000 (a)	–	11,500	19,500
31st March 1993	31st March 2003	31st March 1996	£1.00	17,000 (a)	–	6,000	11,000
15th October 1993	15th October 2003	15th October 1996	£1.00	48,500 (a)	–	10,000	38,500
4th October 1994	4th October 2004	4th October 1997	£1.00	38,500 (a)	–	16,500	22,000
4th October 1994	4th October 2001	4th October 1997	£1.00	250,000 (a)	–	–	250,000
23rd November 1994	23rd November 2004	23rd November 1997	£1.41	150,000	–	85,000	65,000
5th April 1996	5th April 2006	5th April 1999	£0.61	105,000	–	55,000	50,000
26th April 1996	25th October 2001	26th April 2001	£0.49	566,043 (b)	17,052	327,925	221,066
				1,206,043	17,052	511,925	677,066

(a) indicates options which were originally granted in respect of shares in Eurovein Limited. These were exchanged on 4th November 1994 for options in respect of shares in Tyzack Precision plc.

(b) indicates options granted under the Eurovein Group ShareSave Scheme 1995.

The options granted under the Eurovein Group ShareSave Scheme 1995 are normally first exercisable from 26th April 2001. As a consequence of the sale of the Surface Treatment Division, ShareSave Scheme options held by employees of Surface Treatment Division companies became exercisable on 24th January 1997 to the extent that savings had been accumulated, and lapsed on 23rd July 1997 if not exercised. Options were exercised over 17,052 shares.

The options granted on 23rd November 1994 can only be exercised if the Group's earnings per share exceed a target level. The target level is calculated by reference to the earnings per share of the Eurovein Limited Group for the year ended 31st July 1994, adjusted by the retail price index plus a margin.

The market price of the shares at 31st July 1997 was 67p, and the range during the year was 50.5p to 84.5p.

21. Reserves

The movements on the reserves of the Group were as follows:

	Share premium account	Acquisition reserve	Merger reserve	Capital redemption reserve	Profit and loss account
	£'000	£'000	£'000	£'000	£'000
At 31st July 1996	13,316	(16,610)	2,953	5,637	228 (1,233)
Retained loss for the year	-	-	-	-	-
Share premium arising on shares issued (see note 20)	7	-	-	-	-
Sale of Surface Treatment Division (see note 24)	-	9,789	-	-	-
Transfer from merger reserve to profit and loss account (see below)	-	-	(1,999)	-	1,999 (532)
Exchange movements	-	-	-	-	-
At 31st July 1997	13,323	(6,821)	954	5,637	462

The acquisition reserve represents the cumulative amount of goodwill written off against reserves resulting from acquisitions in earlier financial years.

Of the Group's merger reserve of £2,953,000 as at the date of the disposal of the Surface Treatment Division detailed in note 24, £1,999,000 arose on the acquisition of the Surface Treatment Division companies. The sale of these companies caused this part of the merger reserve to become realised, and hence £1,999,000 has been transferred from merger reserve to profit and loss account.

The movements on the reserves of the Company were as follows:

	Share premium account	Merger reserve	Capital redemption reserve	Profit and loss account
	£'000	£'000	£'000	£'000
At 31st July 1996	13,316	2,953	5,637	1,920 (2,012)
Retained loss for the year	-	-	-	-
Share premium arising on shares issued (see note 20)	7	-	-	-
Transfer from merger reserve to profit and loss account (see above)	-	(1,999)	-	1,999
At 31st July 1997	13,323	954	5,637	1,907

As permitted by section 230(4) of the Companies Act 1985, a separate profit and loss account dealing with the results of the Company only is not presented. The loss of the Company for the year was £1,354,000 (1996: profit £1,336,000) before dividends of £658,000 (1996: £493,000).

Unrealised exchange gains have been taken to the Company's profit and loss account, as referred to in note 1. The effect of this departure from the Companies Act 1985 is to increase the value of net assets by £194,000 (1996: £493,000), £299,000 of gains which were unrealised as at 31st July 1996 having been realised on the sale of the Surface Treatment Division. This reduces the distributable element of the Company's profit and loss account to £1,713,000 (1996: £1,427,000).

22. Reconciliation of movements in shareholders' funds

	Group Year ended 31st July 1997	Group Year ended 31st July 1996	Company Year ended 31st July 1997	Company Year ended 31st July 1996
	£'000	£'000	£'000	£'000
(Loss)/profit for the year	(575)	1,482	(1,354)	1,336
Dividends	(658)	(493)	(658)	(493)
Retained (loss)/profit for the year	(1,233)	989	(2,012)	843
New share capital and premium subscribed	9	—	9	—
Goodwill arising on acquisition of subsidiaries	—	97	—	—
Disposal of goodwill (see note 24)	9,789	—	—	—
Exchange movements	(532)	196	—	—
Net increase/(decrease) in shareholders' funds	8,033	1,282	(2,003)	843
Opening shareholders' funds	7,169	5,887	25,471	24,628
Closing shareholders' funds	15,202	7,169	23,468	25,471

23. Consolidated cash flow statement
(i) Reconciliation of operating profit to cash flow from operating activities

	Year ended 31st July 1997			Year ended 31st July 1996		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Operating profit/(loss)	496	(748)	(252)	1,389	301	1,690
Depreciation charge	284	186	470	257	342	599
Profit on disposal of plant and machinery	(8)	—	(8)	(6)	(9)	(15)
(Increase)/decrease in stocks	(91)	(146)	(237)	68	(203)	(135)
(Increase)/decrease in debtors	(337)	496	159	(346)	47	(299)
Increase/(decrease) in creditors	196	(410)	(214)	(82)	275	193
Movements on provisions	(17)	76	59	(331)	(223)	(554)
Cash inflow/(outflow) from operating activities	523	(546)	(23)	949	530	1,479

23. Consolidated cash flow statement *continued*

(ii) **Analysis of cash flow headings:**

	Year ended 31st July 1997			Year ended 31st July 1996		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Returns on investments and servicing of finance						
Interest received	266	67	333	41	104	145
Interest paid	(324)	(24)	(348)	(436)	(68)	(504)
Interest element of lease purchase payments	(20)	(4)	(24)	(14)	(2)	(16)
	(78)	39	(39)	(409)	34	(375)
Tax						
UK corporation tax paid	(133)	—	(133)	(62)	—	(62)
Overseas tax paid	(95)	(301)	(396)	(57)	(7)	(64)
Overseas tax received	—	—	—	127	—	127
	(228)	(301)	(529)	8	(7)	1
Capital expenditure and financial investment						
Purchase of tangible fixed assets	(202)	(192)	(394)	(107)	(209)	(316)
Sale of tangible fixed assets	18	—	18	11	9	20
	(184)	(192)	(376)	(96)	(200)	(296)
Acquisitions and disposals						
Surface Treatment Division (see note 24)			14,849			—
Payments in respect of prior year acquisitions and disposals			(215)			(204)
			14,634			(204)
Management of liquid resources						
Cash placed on money market deposit			(11,000)			—

23. Consolidated cash flow statement *continued*
(iii) Analysis of net debt

	At 31st July 1996	Cash flow	Disposal of Surface Treatment Division	Other non-cash changes	Exchange movements	At 31st July 1997
	£'000	£'000	£'000	£'000	£'000	£'000
Cash at bank	1,946	(1,854)	-	-	(61)	31
Bank overdrafts	(2,932)	2,665	-	-	29	(238)
	(986)	811	-	-	(32)	(207)
Bank loans	(941)	941	-	-	-	-
Vendor loan notes	(400)	80	-	-	-	(320)
Bills of exchange discounted with recourse	(378)	201	36	-	56	(85)
Obligations under lease purchase agreements	(165)	109	52	(328)	-	(332)
	(1,884)	1,331	88	(328)	56	(737)
Total net debt	(2,870)	2,142	88	(328)	24	(944)
Liquid resources	-	11,000	-	-	-	11,000
Net (borrowings)/cash per note 18	(2,870)	13,142	88	(328)	24	10,056

(iv) Major non-cash transactions

During the year the Group entered into lease purchase agreements in respect of assets with a total capital value at the inception of the leases of £328,000 (1996: £91,000).

24. Sale of the Surface Treatment Division

On 23rd December 1996 the Company announced that it had entered into a conditional agreement to sell its Surface Treatment Division to United States Filter Corporation. The agreement became unconditional on 30th January 1997 and consequently the Division has been treated as having left the Group with effect from that date. In accordance with Financial Reporting Standard 3: Reporting Financial Performance the operations disposed of have been classified as discontinued. The interest and tax attributed to the discontinued operations are the amounts borne by the companies sold.

Total consideration for the sale was £12,041,000, which was received in cash by the Company in February. US Filter also agreed to arrange for repayment of intragroup indebtedness, which at 31st January amounted to £869,000. £269,000 of this was repaid in February. The remaining balance is payable by US Filter as and when it collects amounts due to the Surface Treatment Division from the Ukrainian Development Corporation, up to a maximum amount of £600,000. If by 14th February 1999 the amounts collected by US Filter and paid over to Tyzack Precision total less than £150,000, US Filter will then pay the difference up to £150,000 to Tyzack Precision. As little progress has been made since January in collecting the Ukrainian debt, the Company has made full provision in respect of the £450,000 conditional balance.

24. Sale of the Surface Treatment Division *continued*

The Group's loss on disposal of the Surface Treatment Division arose as follows:

	£'000	£'000
Net tangible assets disposed of:		
Fixed assets		5,363
Stocks		2,129
Debtors		7,915
Cash	1,889	
Overdrafts	(4,781)	
Net overdrafts	(2,892)	
Bills of exchange discounted with recourse	(36)	
Obligations under lease purchase agreements	(52)	
Net borrowings		(2,980)
Other creditors due within one year		(8,170)
Other creditors due after more than one year		(75)
Provisions for liabilities and charges		(2,255)
Total net tangible assets		1,927
Goodwill transferred from acquisition reserve		9,789
		11,716
Costs of disposal		353
Provision for conditional debtor		450
		12,519
Cash consideration		12,041
Loss on disposal		478

The cash effect of the disposal was as follows:

	£'000
Cash consideration	12,041
Costs of disposal	(353)
Repayment of intragroup indebtedness	269
Net overdrafts of sold companies	2,892
	14,849

The Group's Interim Report for the six months to 31st January 1997 showed a profit of £40,000 on the sale of the Division. The £518,000 deterioration in this figure is due to provision of £450,000 for the conditional debtor and additional costs of disposal not accrued at the time.

In the opinion of the Directors any chargeable gains for tax purposes arising in respect of the disposal will be relieved in full by capital losses available within the continuing Group, and hence no taxation in respect of the disposal is expected to be payable.

The effect of the disposal on the Group's cash and debt is shown in the cash flow statement on page 18 and in note 23. The turnover and operating loss of the discontinued operations are shown in the profit and loss account on page 16 and in note 2.

Of the Group's merger reserve of £2,953,000 as at the date of disposal, £1,999,000 arose on the acquisition of its investments in the Surface Treatment Division companies. The sale of these investments caused this part of the merger reserve to become realised, and hence £1,999,000 has been transferred from merger reserve to profit and loss account, as shown in note 21.

25. Commitments

(i) Capital commitments

As at 31st July 1997 the Group had capital commitments contracted for but not provided for totalling £79,000 (1996: £299,000). The Company had no unprovided capital commitments (1996: £Nil).

(ii) Operating lease commitments

The Group had annual commitments under operating leases as follows:

	Land and buildings £'000	Plant, machinery and motor vehicles £'000	Total £'000
At 31st July 1997:			
Leases expiring:			
Within one year	—	26	26
Between one and two years	—	33	33
Between two and five years	—	52	52
After more than five years	79	—	79
	79	111	190
At 31st July 1996:			
Leases expiring:			
Within one year	—	46	46
Between one and two years	—	114	114
Between two and five years	260	93	353
After more than five years	65	—	65
	325	253	578

The Company had annual commitments under operating leases as follows:

At 31st July 1997:			
Leases expiring:			
Between two and five years	—	6	6
After more than five years	16	—	16
	16	6	22
At 31st July 1996:			
Leases expiring:			
Within one year	—	6	6
After more than five years	16	—	16
	16	6	22

26. Contingent liabilities

(i) Guarantees

At 31st July 1997 the Group had performance guarantees to customers amounting to £330,000 (1996: £1,809,000).

The Company has entered into cross guarantees in order to secure the banking, loan and guarantee facilities of fellow Group undertakings. The potential liability under these guarantees at 31st July 1997 was £442,000 (1996: £4,737,000).

The Company has also provided guarantees to bankers and suppliers of certain of its subsidiaries. The potential liability under these guarantees at 31st July 1997 was £753,000 (1996: £212,000).

(ii) Warranties in respect of the sale of the Surface Treatment Division

Under the terms of the sale of the Surface Treatment Division, detailed in note 24, the Company has given various warranties to US Filter Corporation. The warranties are subject to certain limitations. In particular, the Company will not be liable for any claim for breach of the warranties unless it exceeds £50,000, and unless the aggregate of all such claims exceeds £200,000, in which case liability under the warranties will be for the full amount of such claims and not just the excess over £200,000. The Company's liability under the warranties is limited to £12,000,000. Tax claims under the warranties must be brought by 14th February 2004, other claims by 14th February 1999.

27. Pensions

Certain of the Group's employees are members of the Eurovein Pension Scheme. The Scheme provides defined benefits, and costs are assessed with the advice of a qualified actuary using the projected unit method. A valuation was carried out at 6th April 1996, and for the purposes of assessing funding and contributions the actuarial assumptions used were that investment returns will be 2.5% higher than the growth in pensionable remuneration and that dividend growth will be 4.5% per annum. This showed assets to be £2,326,100, sufficient to cover 109% of the benefits that had accrued to members. This surplus was addressed in part by a decrease in the level of employers' contributions which were however increased in April 1997 to take into account the introduction of limited price indexation. For accounts purposes, the pension cost is determined on the assumptions that investment returns will be 3% higher than the growth in pensionable remuneration and that dividend growth will be 5% per annum. The net pension cost to the Group for the year ended 31st July 1997 was £78,000 (1996: £55,000). There is a prepayment of £314,000 (1996: £306,000) due to timing differences between the payment of contributions and the accounts charge. This prepayment has been included in debtors due after more than one year, as in the opinion of the Directors this reflects the nature of the prepayment.

Certain other Group employees were members of the Spencer & Halstead Limited Pension Scheme. These employees left the Group on the sale of the Surface Treatment Division, as detailed in note 24. The net pension cost to the Group in the period up to the sale was £65,000 (1996: £121,000).

Certain UK employees have defined contribution schemes. The net cost to the Group for the year ended 31st July 1997 was £71,000 (1996: £62,000) of which £16,000 (1996: £12,000) related to the Surface Treatment Division.

Most overseas employees are members of state pension schemes, and contributions are charged to the profit and loss account as paid. In certain overseas subsidiaries provision is made for the cost of statutory leaving indemnities and guaranteed pension rights. The net cost to the Group for the year ended 31st July 1997 was £219,000 (1996: £364,000) of which £137,000 (1996: £280,000) related to the Surface Treatment Division.

The results for the last five years ended 31st July have been as follows:

	1997 Actual £'000	1996 Actual £'000	1995 Illustrative £'000	1994 Illustrative £'000	1993 Illustrative £'000
Turnover:					
Continuing operations	12,517	12,763	11,787	12,681	11,397
Discontinued operations	12,573	26,663	20,807	23,026	17,687
	25,090	39,426	32,594	35,707	29,084
Operating costs	(25,342)	(37,736)	(33,254)	(33,115)	(27,509)
Operating profit/(loss):					
Continuing operations before reorganisation costs	496	1,505	929	1,852	1,017
Discontinued operations before reorganisation costs	(748)	333	(890)	740	558
Reorganisation costs	-	(148)	(699)	-	-
Total operating profit/(loss)	(252)	1,690	(660)	2,592	1,575
Loss on disposal of discontinued operations	(478)	-	-	-	-
Restructuring costs	-	-	-	-	(502)
Profit on disposal of fixed assets	-	-	126	-	96
(Loss)/profit on ordinary activities before interest	(730)	1,690	(534)	2,592	1,169
Net interest receivable/(payable) and similar charges	24	(333)	(644)	(1,520)	(1,952)
(Loss)/profit on ordinary activities before tax	(706)	1,357	(1,178)	1,072	(783)
Tax on (loss)/profit on ordinary activities	131	125	(21)	(243)	(180)
(Loss)/profit on ordinary activities after tax	(575)	1,482	(1,199)	829	(963)
Dividends	(658)	(493)	(84)	-	-
Retained (loss)/profit	(1,233)	989	(1,283)	829	(963)

The illustrative figures for the year to 31st July 1995 relate to the Eurovein Limited Group for the period from 1st August 1994 to 3rd November 1994, adjusted for the change in accounting policy on goodwill adopted by Tyzack Precision plc (then called Eurovein plc) on its flotation in November 1994, and the Tyzack Precision plc Group for the period from 4th November 1994 to 31st July 1995.

The illustrative figures for the two years to 31st July 1994 have been extracted from the statutory accounts of the Eurovein Limited Group for those years, restated in accordance with Financial Reporting Standard 3: Reporting Financial Performance, and to adjust for the different accounting policy on goodwill adopted by Tyzack Precision plc.

Prior to the Group's flotation, the policy on goodwill had been to capitalise and amortise purchased goodwill and goodwill arising on consolidation. The Tyzack Precision plc Group policy is that goodwill is taken directly on acquisition to the acquisition reserve, as described in note 1.

The interest charge in the illustrative profit and loss accounts is the actual expense incurred during those periods. No adjustment has been made to reflect the post-flotation capital structure of Tyzack Precision plc.

Notice of Annual General Meeting

TYZACK
PRECISION PLC

Notice is hereby given that the third Annual General Meeting of the Company will be held at 3.00 pm on Thursday, 11th December 1997 at 3 Meadow Court, Amos Road, Sheffield S9 1BX, to consider as Ordinary Business and, if thought fit, pass the following Resolutions numbered 1 to 7, which will be proposed as Ordinary Resolutions and to consider as Special Business and, if thought fit, pass the following Resolutions numbered 8 and 9 which will be proposed as Special Resolutions.

Ordinary Resolutions:

1. To receive and adopt the Reports of the Directors and the Auditors and to adopt the accounts for the year ended 31st July 1997.
2. To declare a final dividend.
- 3.* To approve the appointment of Mr. J. M. May as a Director.
- 4.* To re-elect Sir James McKinnon as a Director, who retires in accordance with Article 73.
- 5.* To re-elect Mr. M. F. G. Johnson as a Director, who retires in accordance with Article 73.
6. To re-appoint KPMG Audit Plc as auditor of the Company and to authorise the Directors to fix its remuneration.
7. That for the purposes of Article 4(B) of the Articles of Association of the Company the Section 80 amount shall be £548,857 and the prescribed period shall be the period commencing on the date of the passing of this Resolution and expiring on whichever is the earlier of fifteen months from the passing of this Resolution and the conclusion of the next Annual General Meeting of the Company.

Special Resolutions:

8. That for the purposes of Article 4(C) of the Articles of Association of the Company the Section 89 amount shall be £82,328 and the prescribed period shall be the period commencing on the date of the passing of this Resolution and expiring on whichever is the earlier of fifteen months from the passing of this Resolution and the conclusion of the next Annual General Meeting of the Company.
9. That in accordance with Article 38 of the Articles of Association of the Company and Section 166 of the Companies Act 1985 ("the Act"), the Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Act) of ordinary shares of 10p each in the capital of the Company ("Ordinary Shares") provided that:
 - (i) the maximum number of Ordinary Shares hereby authorised to be purchased is 1,646,572;
 - (ii) the minimum price which may be paid by the Company for the purchase of Ordinary Shares purchased pursuant to this authority is 10p per Ordinary Share and the maximum price which may be paid by the Company for an Ordinary Share purchased pursuant to this authority is an amount equal to 105% of the average of the middle market quotations per Ordinary Share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the relevant Ordinary Share is purchased, in both cases exclusive of expenses; and
 - (iii) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company unless such authority is varied, renewed or revoked prior to such time save that the Company may, before such expiry, enter into a contract to purchase Ordinary Shares under the authority hereby conferred which will or may be executed wholly or partly after the expiry of such authority.

* Mr. May, Sir James McKinnon and Mr. Johnson are members of the Audit Committee and of the Remuneration Committee.

By order of the Board
M. Johnson
Company Secretary

5th November 1997

Registered office:
3 Meadow Court
Amos Road
Sheffield S9 1BX

Notes:

1. The Company, pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, specifies that only those shareholders registered in the register of members of the Company as at 6 p.m. on Tuesday, 9th December 1997 shall be entitled to attend or vote at the aforesaid Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 6 p.m. on Tuesday, 9th December 1997 shall be disregarded in determining the rights of any person to attend or vote at the Meeting.
2. A member entitled to attend and vote at the Meeting may appoint one or more proxies to attend and vote (on a poll) instead of him. A proxy need not be a member of the Company. Forms of Proxy must be lodged with the Registrar of the Company at least forty-eight hours before the time fixed for the meeting. A pre-paid Form of Proxy is enclosed. The appointment of a proxy will not prevent a shareholder from subsequently attending the Meeting and voting in person.
3. Copies of the service contracts of the Directors and the register of Directors' shareholdings and transactions will be available for inspection at the Registered Office of the Company from the date of this notice until the date of the Meeting and at the place of the Meeting for fifteen minutes prior to the Meeting and during the Meeting up to the close of the Meeting.

For use at the Annual General Meeting to be held on Thursday, 11th December 1997.

I/We (name(s) in full) (block letters)

of (address in full)
being (a) member(s) of Tyzack Precision plc hereby appoint the Chairman of the Meeting (note 2)

or (other names may be substituted)
as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 3.00 pm on Thursday, 11th December 1997 at 3 Meadow Court, Amos Road, Sheffield S9 1BX, and at any adjournment thereof.

Please indicate with a tick in the spaces below how you wish your votes to be cast.

ORDINARY RESOLUTIONS:		For	Against
Resolution 1	To receive and adopt the Reports of the Directors and the Auditors and to adopt the accounts for the year ended 31st July 1997.		
Resolution 2	To declare a final dividend.		
Resolution 3*	To approve the appointment of Mr. J. M. May as a Director.		
Resolution 4*	To re-elect Sir James McKinnon as a Director, who retires in accordance with Article 73.		
Resolution 5*	To re-elect Mr. M. F. G. Johnson as a Director, who retires in accordance with Article 73.		
Resolution 6	To re-appoint KPMG Audit Plc as auditor of the Company and to authorise the Directors to fix its remuneration.		
Resolution 7	Renewal of power to allot relevant securities.		
SPECIAL RESOLUTIONS:			
Resolution 8	To disapply pre-emption rights.		
Resolution 9	To authorise market purchases of the Company's own shares.		

*Mr. May, Sir James McKinnon and Mr. Johnson are members of the Audit Committee and of the Remuneration Committee.

Signature Dated 1997

- Notes:
- To be valid this Form of Proxy must be deposited, together with any power of attorney or authority under which it is signed, at Lloyds Bank Registrars, The Causeway, Worthing, West Sussex BN99 6DB, not less than forty-eight hours before the time appointed for the Meeting.
 - A member may appoint one or more proxies of his own choice, in which case he should delete the reference to the Chairman of the Meeting and insert the name(s) of the person(s) appointed in the space provided.
 - A proxy need not be a member of the Company but must attend the Meeting in person to represent the shareholder.
 - In the case of a corporation, this form of proxy should be executed under its common seal, executed as a deed by two directors or by a director and the company secretary or the hand of a duly authorised officer.
 - Unless it is indicated how the proxy should vote, he may vote, or may abstain from voting, as he thinks fit.
 - In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority will be determined by the order in which the names stand in the register of members.
 - Completion of a Form of Proxy will not prevent the member from attending and voting at the Meeting in person should he so wish.

SECOND FOLD

BUSINESS REPLY SERVICE
Licence No. BR 3006



**Lloyds Bank Registrars
The Causeway
Worthing
West Sussex
BN99 6DB**

FIRST FOLD

THIRD FOLD



(formerly Eurozen plc)

Registered office
3 Meadow Court, Ames Road, Sheffield S9 1BX