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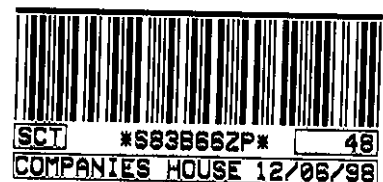
GRAMPIAN TEST & CERTIFICATION LIMITED
(Company Number: 122818)

DIRECTORS' REPORT AND ABBREVIATED ACCOUNTS

30 NOVEMBER 1997

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Anderson Anderson & Brown
Chartered Accountants



GRAMPIAN TEST & CERTIFICATION LIMITED
DIRECTORS' REPORT

A²+B

Directors: A M Melville
D T Melville

Secretaries: Iain Smith and Company

Registered office: 20 Queens Road, Aberdeen

The directors submit their report and the audited accounts of the company for the year ended 30 November 1997.

RESULTS AND DIVIDENDS

The profit for the year, amounting to £269,536, has been dealt with as shown in the profit and loss account. Dividends of £46,892 are proposed to be paid for the year.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS DEVELOPMENTS

The principal activity of the company is the testing, repair and maintenance of containers, lifting equipment, etc, and the manufacture of ancillary equipment.

The directors are very pleased with the results for the year and are confident that the level of activity will continue to increase.

Since the year end, an agreement has been reached for the company to buy back the cumulative convertible participating preferred ordinary shares held by Scottish Enterprise.

DIRECTORS AND DIRECTORS' INTERESTS

The directors of the company during the year ended 30 November 1997 were as noted above.

According to the register maintained as required under the Companies Act 1985, the directors' interests in the share capital of the company throughout the year were as follows:

Ordinary shares of £1 each

A M Melville	30,000
D T Melville	30,000

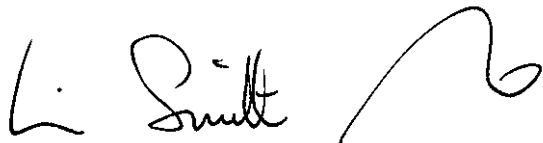
GRAMPIAN TEST & CERTIFICATION LIMITED
DIRECTORS' REPORT (continued)

A²+B

AUDITORS

Anderson Anderson & Brown have expressed their willingness to continue in office and a resolution proposing their re-appointment will be submitted at the annual general meeting.

By order of the board

A handwritten signature in black ink, appearing to read 'L. Smith', followed by a large, stylized flourish or scribble.

Secretaries

GRAMPIAN TEST & CERTIFICATION LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

$A^2 + B$

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether or not applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and,
- (d) prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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ANDERSON
ANDERSON
& BROWN

CHARTERED
ACCOUNTANTS

**AUDITORS' REPORT TO THE SHAREHOLDERS OF GRAMPIAN TEST &
CERTIFICATION LIMITED
UNDER SECTION 247B OF THE COMPANIES ACT 1985**

We have examined the abbreviated accounts on pages 5 to 20 together with the full accounts of the company prepared under Section 226 of the Companies Act 1985 for the year ended 30 November 1997.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with Section 246 of the Companies Act 1985. It is our responsibility to form an independent opinion as to the company's entitlement to deliver abbreviated accounts and whether or not the abbreviated accounts have been properly prepared in accordance with those provisions.

Basis of opinion

We have carried out the procedures we considered necessary to discharge our responsibilities set out above. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full accounts.

Opinion on the abbreviated accounts

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246(3) of the Companies Act 1985 in respect of the year ended 30 November 1997 and the abbreviated accounts on pages 5 to 20 have been properly prepared in accordance therewith.

Anderson Anderson & Brown

Registered Auditors
Aberdeen

10 JUNE 1998

GRAMPIAN TEST & CERTIFICATION LIMITED
ABBREVIATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 NOVEMBER 1997

A² + B

	Note	1997 £	1996 £
GROSS PROFIT		2,485,953	1,875,760
Operating costs	2	<u>2,060,409</u>	<u>1,563,734</u>
OPERATING PROFIT	3	425,544	312,026
Other income	6	29,230	29,488
Interest payable	7	<u>(108,827)</u>	<u>(85,800)</u>
PROFIT BEFORE TAXATION		345,947	255,714
Taxation	8	<u>76,411</u>	<u>64,772</u>
PROFIT FOR FINANCIAL YEAR		269,536	190,942
Dividends on non-equity shares	9	<u>46,892</u>	<u>39,979</u>
RETAINED PROFIT FOR YEAR		<u>£ 222,644</u>	<u>£ 150,963</u>

The company has made no gains or losses other than as reported above.

Movements on reserves are set out in Note 18.

GRAMPIAN TEST & CERTIFICATION LIMITED
ABBREVIATED BALANCE SHEET - 30 NOVEMBER 1997

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A + B

	Note	1997 £	1996 £
FIXED ASSETS			
Tangible assets	10	<u>1,356,301</u>	<u>992,023</u>
CURRENT ASSETS			
Stocks and work in progress	11	478,755	421,637
Debtors	12	1,413,341	1,095,537
Cash at bank and in hand		<u>26,726</u>	<u>-</u>
		1,918,822	1,517,174
CREDITORS: amounts falling due within one year	13	<u>2,242,864</u>	<u>1,723,229</u>
NET CURRENT LIABILITIES		<u>(324,042)</u>	<u>(206,055)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,032,259	785,968
CREDITORS: amounts falling due after more than one year	14	307,934	281,424
PROVISION FOR LIABILITIES AND CHARGES	16	<u>52,476</u>	<u>25,689</u>
		<u>£ 671,849</u>	<u>£ 478,855</u>
CAPITAL AND RESERVES			
Equity share capital		105,000	105,000
Non-equity share capital		<u>44,985</u>	<u>74,635</u>
Called up share capital	17	149,985	179,635
Capital redemption reserve	18	59,300	29,650
Profit and loss account	18	<u>462,564</u>	<u>269,570</u>
SHAREHOLDERS' FUNDS	18	<u>£ 671,849</u>	<u>£ 478,855</u>
Equity		626,864	404,220
Non-equity		<u>44,985</u>	<u>74,635</u>
	18	<u>£ 671,849</u>	<u>£ 478,855</u>

The accounts have been prepared in accordance with the special provision of Part VII of the Companies Act 1985 applicable to medium sized companies.

A M Melville.

Director - A M Melville

D T Melville
 Director - D T Melville

01/06/98

Date

GRAMPIAN TEST & CERTIFICATION LIMITED
ABBREVIATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 NOVEMBER 1997

A² + B

	Note	1997 £	1996 £
Cash flow from operating activities	21	683,020	535,879
Returns on investments and servicing of finance	22	(167,222)	(125,909)
Taxation		(14,773)	(22,468)
Capital expenditure	22	<u>(454,518)</u>	<u>(581,989)</u>
		46,507	(194,487)
Financing - increase in debt	22	<u>54,524</u>	<u>165,231</u>
Increase/(decrease) in cash in the year		£ <u>101,031</u>	£ <u>(29,256)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Note	1997 £	1996 £
Increase/(decrease) in cash in the year		101,031	(29,256)
Cash outflow/(inflow) from decrease/(increase) in debt		87,358	(207,677)
Cash outflow from decrease in lease financing		<u>79,412</u>	<u>67,532</u>
Change in net debt resulting from cash flows		267,801	(169,401)
New finance lease		<u>(250,944)</u>	<u>(54,736)</u>
Movement in net debt in year		16,857	(224,137)
Net debt at 1 December 1996		<u>(600,096)</u>	<u>(375,959)</u>
Net debt at 30 November 1997	23	£ <u>(583,239)</u>	£ <u>(600,096)</u>

1. ACCOUNTING POLICIES

(a) *Basis of accounts preparation*

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

(b) *Depreciation*

The cost of fixed assets is written off by equal monthly instalments over their expected useful lives as follows:

Freehold buildings	5-20 years
Plant and machinery	8-10 years
Furniture and fittings	5-10 years
Motor vehicles	4-6 years

No depreciation is provided on rigging lofts since they are maintained as new on a continual basis with the repair costs charged to the profit and loss account as incurred.

(c) *Stocks and work in progress*

Stocks are valued at the lower of cost and net realisable value with due allowance for any obsolete or slow-moving items. In the case of work in progress, cost comprises direct materials and labour.

(d) *Deferred taxation*

Provision is made for deferred taxation, using the liability method, on all timing differences to the extent that it is probable that the liability will crystallise.

(e) *Hire purchase and lease contracts*

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease on a straight line basis.

Rentals paid under operating leases are charged to income over the term of the lease.

(f) *Pensions*

The company contributes towards defined contribution pension schemes. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

GRAMPIAN TEST & CERTIFICATION LIMITED
NOTES ON THE ABBREVIATED ACCOUNTS - 30 NOVEMBER 1997

A² + B

2. OPERATING COSTS

	1997 £	1996 £
Staff costs		
- salaries	1,265,031	908,610
- social security costs	94,659	91,152
- other pension costs	20,674	18,721
Depreciation		
- owned assets	59,459	54,831
- assets held under hire purchase and finance leases	35,162	26,935
Other operating charges	585,424	463,485
	<u>£ 2,060,409</u>	<u>£ 1,563,734</u>

3. OPERATING PROFIT *is stated after charging:*

	1997 £	1996 £
Auditors' remuneration - audit services	7,425	6,000
- non-audit services	16,075	18,490
Operating lease - equipment	23,814	6,743
- land and buildings	<u>71,000</u>	<u>72,525</u>

4. STAFF NUMBERS

The average number of persons employed by the company during the year, including the directors, was as follows:

	1997 No	1996 No
Management, administration and sales	20	18
Workshop	<u>51</u>	<u>39</u>
	<u>71</u>	<u>57</u>

GRAMPIAN TEST & CERTIFICATION LIMITED
NOTES ON THE ABBREVIATED ACCOUNTS - 30 NOVEMBER 1997

A²+B

5. DIRECTORS' REMUNERATION

The remuneration paid to the directors of the company was:

	1997	1996
Emoluments (including pension contributions and benefits in kind)	<u>£ 118,978</u>	<u>£ 100,587</u>

6. OTHER INCOME

	1997 £	1996 £
Rent receivable	29,167	29,488
Interest receivable	<u>63</u>	<u>-</u>
	<u>£ 29,230</u>	<u>£ 29,488</u>

7. INTEREST PAYABLE

	1997 £	1996 £
Bank overdraft and factoring	69,502	54,980
Bank loan	20,500	15,751
Other loan	(36)	1,001
Hire purchase and finance leases	17,688	12,174
Late payment of tax	1,173	1,213
Other interest	<u>-</u>	<u>681</u>
	<u>£ 108,827</u>	<u>£ 85,800</u>

GRAMPIAN TEST & CERTIFICATION LIMITED

NOTES ON THE ABBREVIATED ACCOUNTS - 30 NOVEMBER 1997

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8. TAXATION *charge for the year comprises:*

	1997 £	1996 £
UK corporation tax	53,608	51,557
Transfer to deferred tax	<u>22,531</u>	<u>13,493</u>
	76,139	65,050
<i>Prior year adjustment:</i>		
Corporation tax	272	-
Deferred tax	<u>-</u>	<u>(278)</u>
	<u>£ 76,411</u>	<u>£ 64,772</u>

9. DIVIDENDS ON NON-EQUITY SHARES

	1997 £	1996 £
11% Cumulative redeemable preference shares - proposed	1,631	6,523
11% Cumulative convertible participating preferred shares - proposed	<u>45,261</u>	<u>33,456</u>
	<u>£ 46,892</u>	<u>£ 39,979</u>

GRAMPIAN TEST & CERTIFICATION LIMITED
NOTES ON THE ABBREVIATED ACCOUNTS - 30 NOVEMBER 1997

A²+B

10. TANGIBLE FIXED ASSETS

	Freehold buildings £	Plant & machinery £	Furniture & fittings £	Motor vehicles £	Total £
COST					
At 30 November 1996	432,035	589,581	81,818	147,150	1,250,584
Additions	13,600	321,302	29,025	109,021	472,948
Disposals	-	-	-	(27,914)	(27,914)
At 30 November 1997	<u>445,635</u>	<u>910,883</u>	<u>110,843</u>	<u>228,257</u>	<u>1,695,618</u>
DEPRECIATION					
At 30 November 1996	56,600	119,036	28,103	54,822	258,561
Charge for year	10,256	42,813	15,317	26,235	94,621
Relating to disposals	-	-	-	(13,865)	(13,865)
At 30 November 1997	<u>66,856</u>	<u>161,849</u>	<u>43,420</u>	<u>67,192</u>	<u>339,317</u>
Net book amounts at:					
30 November 1997	<u>£ 378,779</u>	<u>£ 749,034</u>	<u>£ 67,423</u>	<u>£ 161,065</u>	<u>£ 1,356,301</u>
30 November 1996	<u>£ 375,435</u>	<u>£ 470,545</u>	<u>£ 53,715</u>	<u>£ 92,328</u>	<u>£ 992,023</u>

The net book value of tangible fixed assets includes an amount of £379,137 (1996 - £155,596) in respect of assets held under hire purchase and lease contracts.

Included in plant and machinery costs is £381,407 (1996 - £272,125) relating to rigging lofts which are not depreciated.

11. STOCKS AND WORK IN PROGRESS

	1997 £	1996 £
Raw materials and consumables	469,909	420,510
Work in progress	<u>8,846</u>	<u>1,127</u>
	<u>£ 478,755</u>	<u>£ 421,637</u>

GRAMPIAN TEST & CERTIFICATION LIMITED
NOTES ON THE ABBREVIATED ACCOUNTS - 30 NOVEMBER 1997

A²+B

12. DEBTORS

	1997 £	1996 £
Trade debtors	1,345,017	1,032,160
Prepayments and accrued income	25,489	15,527
Other debtors	23,040	29,959
Directors' loans	19,795	17,891
	<u>£ 1,413,341</u>	<u>£ 1,095,537</u>

13. CREDITORS: *amounts falling due within one year*

	1997 £	1996 £
Bank overdraft	146,831	221,136
Bank loan (Note 14)	46,000	46,000
Trade creditors	794,593	579,320
Factoring creditor	665,752	515,052
Hire purchase and lease creditor (Note 15)	109,200	49,536
Advance corporation tax	37,728	26,005
Corporation tax	79,159	56,031
Other taxes and social security	142,535	114,607
Other loan (Note 14)	-	2,000
Accruals and deferred income	160,128	48,499
Dividends payable	46,892	63,914
Other creditors	14,046	1,129
	<u>£ 2,242,864</u>	<u>£ 1,723,229</u>

Bank borrowings are secured by a standard security over the company's property and by a floating charge over the assets of the company.

The floating charge is subject to a Ranking Agreement between the Bank and Scottish Enterprise. There is also a letter of waiver releasing book debts from the amount of the bond and floating charge granted in favour of Royal Bank Invoice Finance Limited.

GRAMPIAN TEST & CERTIFICATION LIMITED
NOTES ON THE ABBREVIATED ACCOUNTS - 30 NOVEMBER 1997

A² + B

14. CREDITORS: *amounts falling due after more than one year*

	1997 £	1996 £
Bank loan	142,030	227,388
Hire purchase and lease creditor (Note 15)	<u>165,904</u>	<u>54,036</u>
	<u>£ 307,934</u>	<u>£ 281,424</u>

The bank loan is repayable as follows:

	1997 £	1996 £
In one year or less	46,000	46,000
Between one and two years	46,000	46,000
Between two and five years	<u>96,030</u>	<u>181,388</u>
	<u>£ 188,030</u>	<u>£ 273,388</u>

The other loan, which is secured by a second standard security over the company's property and by a second floating charge over the assets of the company, is repayable as follows:

	1997	1996
In one year or less	<u>£ -</u>	<u>£ 2,000</u>

15. OBLIGATIONS UNDER HIRE PURCHASE AND LEASE CONTRACTS

	1997 £	1996 £
<i>Amounts repayable:</i>		
Within one year (Note 13)	109,200	49,536
Between two and five years (Note 14)	<u>165,904</u>	<u>54,036</u>
	<u>£ 275,104</u>	<u>£ 103,572</u>

GRAMPIAN TEST & CERTIFICATION LIMITED
NOTES ON THE ABBREVIATED ACCOUNTS - 30 NOVEMBER 1997

A² + B

16. PROVISION FOR LIABILITIES AND CHARGES *comprises deferred taxation*

	1997 £	1996 £
Accelerated capital allowances	64,199	41,668
Less: advance corporation tax recoverable	<u>(11,723)</u>	<u>(15,979)</u>
	<u>£ 52,476</u>	<u>£ 25,689</u>

Deferred taxation has been provided in full.

17. CALLED UP SHARE CAPITAL

	1997 & 1996 £	
Authorised:		
105,000 Ordinary shares of £1 each		105,000
44,985 Cumulative Convertible Participating Preferred Ordinary shares of £1 each		44,985
59,300 11% Cumulative Redeemable Preference shares of £1 each		<u>59,300</u>
		<u>£ 209,285</u>
	1997 £	1996 £
Allotted, called up and fully paid:		
105,000 Ordinary shares of £1 each	105,000	105,000
44,985 Cumulative Convertible Participating Preferred Ordinary shares of £1 each	44,985	44,985
29,650 11% Cumulative Redeemable Preference shares of £1 each	<u>-</u>	<u>29,650</u>
	<u>£ 149,985</u>	<u>£ 179,635</u>

17. CALLED UP SHARE CAPITAL (continued)

- a) Profits are applied, as available, in the following order:

Cumulative redeemable preference shares - 11 pence per share.

Cumulative convertible participating preferred ordinary shares (CCPPO) - fixed dividend of 11 pence per share followed by a participating dividend which together with the fixed dividend equals 11% of net profit divided by 44,985.

Ordinary shares - dividend per share equal to total dividend per share payable on CCPPO shares.

The balance is distributed to the holders of the CCPPO and ordinary shares according to the amounts paid up on each category.

- b) On liquidation assets are applied, as available, in the following order:

Cumulative redeemable preference shares - £1.25 per share plus arrears of dividends.

CCPPO shares - an amount equal to subscription price plus arrears of dividends.

Ordinary shares - £1 per share.

The balance is payable to the holders of the CCPPO and ordinary shares according to the amounts paid up on each category.

- c) Any holder of the cumulative convertible participating preferred ordinary shares can at any time or times convert all or part of the shares into the same number of ordinary shares.

The cumulative redeemable preference shares were redeemable at a price of £1.25 per share in equal tranches on 30 April 1996 and 30 November 1996. At the date of signing the accounts the redemption due to take place in November has not taken place.

- d) All CCPPO and ordinary shares hold one vote.

GRAMPIAN TEST & CERTIFICATION LIMITED
NOTES ON THE ABBREVIATED ACCOUNTS - 30 NOVEMBER 1997

A²+B

18. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Capital redemption reserve £	Profit and loss account £	Total £
At 30 November 1995	209,285	-	148,257	357,542
Profit for year	-	-	190,942	190,942
Dividends	-	-	(39,979)	(39,979)
Redemption of shares	(29,650)	-	-	(29,650)
Transfer to capital redemption reserve	-	29,650	(29,650)	-
At 30 November 1996	179,635	29,650	269,570	478,855
Profit for year	-	-	269,536	269,536
Dividends	-	-	(46,892)	(46,892)
Redemption of shares	(29,650)	-	-	(29,650)
Transfer to capital redemption reserve	-	29,650	(29,650)	-
At 30 November 1997	<u>£ 149,985</u>	<u>£ 59,300</u>	<u>£ 462,564</u>	<u>£ 671,849</u>

19. CAPITAL COMMITMENTS

	1997	1996
Amounts contracted for but not provided in the accounts at 30 November 1997	<u>£ 5,154</u>	<u>£ -</u>

GRAMPIAN TEST & CERTIFICATION LIMITED
NOTES ON THE ABBREVIATED ACCOUNTS - 30 NOVEMBER 1997

A²+B

20. OTHER FINANCIAL COMMITMENTS

At 30 November 1997 the company had annual commitments under non-cancellable operating leases as follows:

	Equipment		Land & buildings	
	1997	1996	1997	1996
	£	£	£	£
<i>Operating leases which expire:</i>				
In less than one year	469	3,905	-	-
Within two to five years	21,688	13,840	7,000	67,500
After five years	-	-	70,000	-
	<u>£ 22,157</u>	<u>£ 17,745</u>	<u>£ 77,000</u>	<u>£ 67,500</u>

**21. RECONCILIATION OF OPERATING PROFIT TO
NET CASH INFLOW FROM OPERATING ACTIVITIES**

	1997	1996
	£	£
Operating profit	454,711	341,514
Depreciation charge	94,621	81,766
(Profit)/loss on sale of tangible fixed assets	(4,381)	4,985
Increase in debtors	(317,804)	(402,994)
Increase in creditors	512,991	499,839
(Increase)/decrease in stock	<u>(57,118)</u>	<u>10,769</u>
Net cash inflow	<u>£ 683,020</u>	<u>£ 535,879</u>

GRAMPIAN TEST & CERTIFICATION LIMITED
NOTES ON THE ABBREVIATED ACCOUNTS - 30 NOVEMBER 1997

A² + B

**22. ANALYSIS OF CASH FLOWS FOR HEADINGS
 NETTED IN THE CASH FLOW STATEMENT**

	1997 £	1996 £
Returns on investments and servicing of finance		
Interest received	63	-
Interest paid	(108,827)	(85,800)
Preference dividend paid	<u>(58,458)</u>	<u>(40,109)</u>
Net cash outflow from returns on investments and servicing of finance	<u>(167,222)</u>	<u>(125,909)</u>
Capital expenditure		
Purchase of tangible fixed assets	(472,948)	(596,839)
Sale of plant and machinery	<u>18,430</u>	<u>14,850</u>
Net cash outflow from capital expenditure	<u>(454,518)</u>	<u>(581,989)</u>
Financing		
Receipt of loan	-	215,677
Repayment of loan	(87,358)	(8,000)
Redemption of shares	(29,650)	(29,650)
Capital element of finance lease rental payments	<u>171,532</u>	<u>(12,796)</u>
	<u>£ 54,524</u>	<u>£ 165,231</u>

GRAMPIAN TEST & CERTIFICATION LIMITED
NOTES ON THE ABBREVIATED ACCOUNTS - 30 NOVEMBER 1997

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23. ANALYSIS OF NET DEBT

	At 1 December 1996 £	Cash flow £	At 30 November 1997 £
Cash at bank and in hand	(221,136)	101,031	(120,105)
Loan	(275,388)	87,358	(188,030)
Finance leases	<u>(103,572)</u>	<u>(171,532)</u>	<u>(275,104)</u>
Total	£ <u>(600,096)</u>	£ <u>16,857</u>	£ <u>(583,239)</u>

	At 1 December 1995 £	Cash flow £	At 30 November 1996 £
Cash at bank and in hand	(191,880)	(29,256)	(221,136)
Loan	(67,711)	(207,677)	(275,388)
Finance leases	<u>(116,368)</u>	<u>12,796</u>	<u>(103,572)</u>
Total	£ <u>(375,959)</u>	£ <u>(224,137)</u>	£ <u>(600,096)</u>

24. TRANSACTIONS WITH DIRECTORS

During the year the company had the following transactions:

Related party	Transaction	£	Balance at year end £
A M Melville, director	Interest free loan	2,000	10,810
D T Melville, director	Loan repayments	(96)	8,985