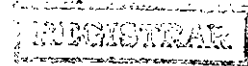


COMPANY NO: 1003271



WECO ENGINEERING LIMITED

FINANCIAL STATEMENTS

30TH JUNE 1998

V.G. WATLING & CO.

CHARTERED CERTIFIED ACCOUNTANTS



WECO ENGINEERING LIMITED

DIRECTORS

J.P. McCarthy
Mrs. L.K. McCarthy

SECRETARY

Mrs. L.K. McCarthy

REGISTERED OFFICE

Griston Road,
Watton,
Thetford,
Norfolk.
IP25 6DL.

COMPANY NUMBER

1003271 (England)

AUDITORS

V.G. Watling & Co.
22 Thetford Road,
Watton,
Thetford,
Norfolk.
IP25 6BS.

WECO ENGINEERING LIMITED

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WECO ENGINEERING LIMITED

REPORT OF THE DIRECTORS

The directors present their report, together with accounts, for the year ended 30th June 1998.

PRINCIPAL ACTIVITY

The principal activity of the company continued to be that of light engineering.

DIRECTORS

The directors in office during the year, and their beneficial interests in the issued ordinary share capital of the company, were as follows:

	30.6.98	30.6.97
J.P. McCarthy	1	1
Mrs. L.K. McCarthy	-	-

Mr. J.P. McCarthy is a director of the company's parent company, Weco Holdings Ltd., and his and Mrs. L.K. McCarthy's interests in the share capital of that company are disclosed in its director's report.

DIRECTORS' RESPONSIBILITIES

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 as at the end of the financial year and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

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

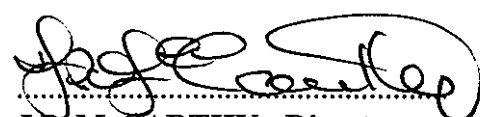
The directors are responsible for maintaining proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of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

AUDITORS

V.G. Watling & Co., having signified their willingness to remain in office, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to small companies.

Signed on behalf of the board of directors


J.P. McCARTHY - Director

Approved by the board: 21st April 1999

**AUDITORS' REPORT
TO THE SHAREHOLDERS OF
WECO ENGINEERING LIMITED**

We have audited the financial statements on pages 3 to 8, which have been prepared under the historical cost convention, and the accounting policies set out on page 5.

Respective responsibilities of directors and auditor

As described on page 1, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those 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 accounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 30th June 1998, and of its profit for the year then ended, and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.



V.G. Watling & Co.,
Chartered Certified Accountants and Registered Auditor,
22 Thetford Road,
Watton,
Norfolk.
IP25 6BS.

21st April 1999

WECO ENGINEERING LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH JUNE 1998

		1998	1997
	Notes	£	£
TURNOVER		715,823	694,942
Cost of sales		473,611	518,080
GROSS PROFIT		<u>242,212</u>	<u>176,862</u>
Selling & distribution costs		53,998	30,322
Administrative expenses		122,967	102,920
OPERATING PROFIT	2	<u>65,247</u>	<u>43,620</u>
Interest received	3	2,152	-
		<u>67,399</u>	<u>43,620</u>
Interest payable	4	(8,833)	(7,954)
PROFIT on ordinary activities before taxation		<u>58,566</u>	<u>35,666</u>
TAXATION	5	10,682	7,067
PROFIT on ordinary activities before taxation		<u>47,884</u>	<u>28,599</u>
DIVIDENDS		31,875	22,440
RETAINED PROFIT for the year		<u>16,009</u>	<u>6,159</u>
RETAINED PROFITS brought forward		76,934	70,775
RETAINED PROFITS carried forward		<u>£92,943</u>	<u>£ 76,934</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the above two financial years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profit or loss for the two financial years.

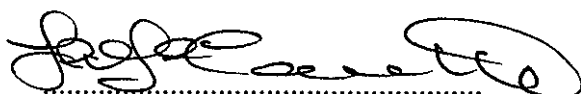
The notes on pages 5 - 8 form part of these accounts.

WECO ENGINEERING LIMITED
BALANCE SHEET AS AT 30TH JUNE 1998

	Notes	£	1998 £	£	1997 £
FIXED ASSETS					
Tangible assets	6		62,733		54,889
CURRENT ASSETS					
Stocks		20,236		26,242	
Debtors	7	172,888		187,196	
Cash at bank and in hand		-		18,661	
			193,124		232,099
CREDITORS: Amounts falling due within one year	8	108,630		152,535	
NET CURRENT ASSETS			84,494		79,564
TOTAL ASSETS LESS CURRENT LIABILITIES			147,227		134,453
CREDITORS: Amounts falling due after more than one year	9		49,184		52,419
NET ASSETS			£98,043		£ 82,034
Represented by:					
CAPITAL AND RESERVES					
Called up share capital	10		5,100		5,100
Profit and loss account			92,943		76,934
SHAREHOLDERS FUNDS	11		£98,043		£ 82,034

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to small companies and in accordance with the Financial Reporting Standard for Smaller Entities.

Signed on behalf of the board of directors



J.P. McCARTHY - Director

Approved by the Board: 21st April 1999

The notes on pages 5 - 8 form part of these accounts.

WECO ENGINEERING LIMITED
NOTES TO THE ACCOUNTS
30TH JUNE 1998

1. ACCOUNTING POLICIES

a) Basis of accounting

The accounts have been prepared under the historical cost convention.

b) Turnover

Turnover represents net invoiced goods and services, excluding VAT.

c) Tangible fixed assets

Depreciation is provided at the following annual rates, on a straight line method, in order to write off each asset over its estimated useful life:-

Plant & machinery	-	20%
Office furniture	-	20%
Motor vehicles	-	33%

d) Stocks

Stocks are valued at the lower of cost and net realisable value after taking into consideration obsolete and slow moving stocks.

e) Pension scheme

The company operates a defined contribution pension scheme. Contributions are charged to Profit & Loss Account for the year in which they are payable to the scheme and amounted to £5,280 this year.

f) Deferred taxation

Provision is made at current rates for taxation deferred in respect of material timing differences except to the extent that, in the opinion of the director, there is reasonable probability that the liability will not arise in the foreseeable future.

g) Leasing and hire purchase commitments

Assets obtained under hire purchase contracts are capitalised in the balance sheet and depreciated over their useful lives.

h) Cash flow

The accounts do not include a cash flow statement because the company, as a small reporting entity, is exempt from the requirement to prepare such a statement under Financial Reporting Standard 1 "Cash flow statements".

WECO ENGINEERING LIMITED
NOTES TO THE ACCOUNTS
30TH JUNE 1998

	1998 £	1997 £		
2. OPERATING PROFIT				
This is stated after charging:				
Depreciation: owned assets	16,918	14,017		
assets held under hire purchase contracts	3,030	5,420		
Directors' remuneration	10,292	9,789		
Directors' pension contributions	5,280	5,353		
Auditors' remuneration	2,000	2,000		
	<u> </u>	<u> </u>		
3. INTEREST RECEIVABLE				
Other	2,152	-		
	<u> </u>	<u> </u>		
4. INTEREST PAYABLE				
Hire purchase	965	1,579		
Bank	6,279	6,337		
Other	1,589	38		
	<u> </u>	<u> </u>		
	£8,833	£7,954		
	<u> </u>	<u> </u>		
5. TAXATION				
U.K. Corporation tax at 21% (1997: 23.25%): current year	£10,682	£7,067		
	<u> </u>	<u> </u>		
6. TANGIBLE FIXED ASSETS				
	Plant & machinery	Office Furniture & equipment	Motor vehicles	TOTAL
Cost	£	£	£	£
At 1st July 1997	292,912	45,939	24,268	363,119
Additions	28,969	1,145	-	30,114
(Disposals)	-	-	(4,400)	(4,400)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30th June 1998	£321,881	47,084	19,868	388,833
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Depreciation				
At 1st July 1997	£259,329	28,422	20,479	308,230
In year	11,013	7,468	1,467	19,948
(On disposals)	-	-	(2,078)	(2,078)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30th June 1998	£270,342	35,890	19,868	326,100
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net book values				
At 30th June 1998	£51,539	11,194	-	62,733
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 1st July 1997	£33,583	17,517	3,789	54,889
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net book value of assets included above subject to hire purchase contracts				
At 30.6.1998	£10,461			
	<u> </u>			
At 30.6.1997	£13,131			
	<u> </u>			

WECO ENGINEERING LIMITED
NOTES TO THE ACCOUNTS
30TH JUNE 1998

	1998	1997
	£	£
7. DEBTORS		
Trade debtors	169,752	157,658
Due from parent company	565	28,301
Prepayments	2,571	1,237
	<u>£172,888</u>	<u>£187,196</u>

The amount of £565 (1997: £28,301) due from the parent company should be regarded as falling due after more than one year.

8. CREDITORS: Amounts falling due within one year

Trade creditors	39,082	88,425
Taxation & social security	24,622	21,802
Accruals	10,429	7,824
Bank overdraft & loans (secured)	26,044	11,105
Hire purchase	3,011	5,736
Other creditors	5,442	17,643
	<u>£108,630</u>	<u>£152,535</u>

The bank overdraft and loan are secured by a fixed and floating charge over the assets of the company dated 5th April 1991.

9. CREDITORS - Amounts falling due after more than one year

Bank loans	48,048	47,988
Hire purchase	1,136	4,431
	<u>£49,184</u>	<u>£52,419</u>

The bank loans are repayable by instalments as follows:

Between one and two years	11,863	7,369
Between two and five years	36,185	26,828
More than five years	-	13,791
	<u>£48,048</u>	<u>£47,988</u>

WECO ENGINEERING LIMITED
NOTES TO THE ACCOUNTS
30TH JUNE 1998

	1998 £	1997 £
10. CALLED UP SHARE CAPITAL		
Authorised:		
25,000 £1 ordinary shares	£25,000	£25,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid:		
5,100 £1 ordinary shares	£5,100	£5,100
	<u> </u>	<u> </u>
11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS		
Profit for the financial year after taxation	47,884	28,599
Dividends payable	(31,875)	(22,440)
Opening shareholders funds	82,034	75,875
	<u> </u>	<u> </u>
Closing shareholders funds	£98,043	£82,034
	<u> </u>	<u> </u>

12. TRANSACTIONS WITH RELATED PARTIES

During the year the company purchased and sold goods and services to Claydon Precisions Machining Limited, a company in which J.P. McCarthy is a director and materially interested as a shareholder. These transactions were made on a normal trading basis. Goods purchased during the year amounted to £6,378 (excluding VAT) and goods sold £963 (excluding VAT). At the year end Claydon Precisions owed £ Nil and were owed £874.

During the year the company purchased and sold goods and services to Needham Fabrications Limited, a company operated by the son of the directors. Goods purchased in the year totalled £3,998. (excluding VAT) and sales were £6,884 (excluding VAT). At the year end Needham owed £832 and were owed £1,644.

The company's parent company, Weco (Holdings) Limited, is registered in England and Wales from which the company received charges for rent and rates for the year of £33,258.

13. CONTINGENT LIABILITIES

The company has entered into an unlimited multilateral guarantee to Midland Bank plc with Weco (Holdings) Ltd..

The indebtedness to the bank was as follows:

	1998 £	1997 £
Weco (Holdings) Ltd.	47,654	55,872