

ERIEZ MAGNETICS EUROPE LIMITED
(Registered number 1397255)

ABBREVIATED ACCOUNTS

31 DECEMBER 1996



ERIEZ MAGNETICS EUROPE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1996

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

REVIEW OF THE BUSINESS

The principal activity of the company continues to be the design and manufacture of equipment for use in material movement, separation, purification and metal detection.

FUTURE DEVELOPMENTS

The company will continue to seek to expand its sales in continental Europe.

RESULTS AND DIVIDENDS

The company's profit for the financial year was £604,116 (1995 - £541,439). The directors do not recommend the payment of a dividend (1995 - £160,000) in respect of the year and the retained profit of £604,116 (1995 - £381,439) will be added to reserves.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and their shareholdings at the end of the year were as follows:

	Ordinary £1 shares	
	<u>1996</u> Number	<u>1995</u> Number
F W Downie (retired 29 March 1996)	-	1
A J Lewis	1	1
Mrs Phillips	1	-
	<u> </u>	<u> </u>

RESEARCH AND DEVELOPMENT

During 1996 company has been actively engaged in the development of new products and the improvement of existing products.

CHARITABLE DONATIONS

During the year the company made charitable donations of £607 (1995 - £650).

ERIEZ MAGNETICS EUROPE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1996 (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- (1) select suitable accounting policies and then apply them consistently;
- (2) make judgements and estimates that are reasonable and prudent;
- (3) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- (4) 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 keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

Price Waterhouse have expressed their willingness to be re-appointed, and a resolution will be proposed at the Annual General Meeting.

By Order of the Board



Mrs J Phillips
Company Secretary

19 March 1997

Price Waterhouse



AUDITORS' REPORT TO THE DIRECTORS OF ERIEZ MAGNETICS EUROPE LIMITED PURSUANT TO PARAGRAPH 24 OF SCHEDULE 8 TO THE COMPANIES ACT 1985

We have examined the abbreviated accounts on pages 5 to 17 together with the full financial statements of Eriez Magnetics Europe Limited for the year ended 31 December 1996. The scope of our work for the purpose of this report was limited to confirming that the company is entitled to the exemptions claimed in the directors' statement on page 6 and that the abbreviated accounts have been properly prepared from the full financial statements.

In our opinion the company is entitled under Sections 246 and 247 of the Companies Act 1985 to the exemptions conferred by Section B of Part III of Schedule 8 to that Act in respect of the year ended 31 December 1996, and the abbreviated accounts on pages 5 to 17 have been properly prepared in accordance with that Schedule.

On 19 March 1997 we reported, as auditors of Eriez Magnetics Europe Limited, to the members on the full financial statements prepared under Section 226 of the Companies Act 1985 for the year ended 31 December 1996 and our audit report was as follows :

"AUDITORS' REPORT TO THE SHAREHOLDERS OF ERIEZ MAGNETICS EUROPE LIMITED

We have audited the financial statements on pages 4 to 17 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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.



**AUDITORS' REPORT TO THE DIRECTORS OF ERIEZ MAGNETICS EUROPE
LIMITED PURSUANT TO PARAGRAPH 24 OF SCHEDULE 8 TO THE
COMPANIES ACT 1985 (CONTINUED)**

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1996 and of its profit and cashflows for the year then ended and have been properly prepared in accordance with the Companies Act 1985."

PRICE WATERHOUSE
Chartered Accountants and
Registered Auditors

19 March 1997

ERIEZ MAGNETICS EUROPE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1996

	<u>1996</u> £	<u>1995</u> £
GROSS PROFIT	1,920,960	1,678,860
Distribution costs	(470,379)	(440,359)
Administrative expenses	(535,205)	(394,532)
Other operating income (Note 3)	<u>14,293</u>	<u>-</u>
OPERATING PROFIT - Continuing operations	929,669	843,969
Interest payable and similar charges (Note 2)	(32,816)	(39,715)
Interest receivable	<u>17,370</u>	<u>21,520</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 3)	914,223	825,774
Tax on profit on ordinary activities (Note 5)	<u>(310,107)</u>	<u>(284,335)</u>
PROFIT FOR THE FINANCIAL YEAR	604,116	541,439
DIVIDENDS PAYABLE (Note 6)	<u>-</u>	<u>(160,000)</u>
RETAINED PROFIT FOR THE YEAR (Note 22)	604,116	381,439
ACCUMULATED PROFIT BROUGHT FORWARD	<u>1,813,591</u>	<u>1,432,152</u>
ACCUMULATED PROFIT CARRIED FORWARD	<u>2,417,707</u>	<u>1,813,591</u>

The profit and loss account includes all the recognised gains and losses arising in the year.

The notes on pages 8 to 17 form an integral part of these accounts.

ERIEZ MAGNETICS EUROPE LIMITED

BALANCE SHEET - 31 DECEMBER 1996

	1996		1995	
	£	£	£	Restated
FIXED ASSETS				
Tangible assets (Note 7)		865,057		854,515
CURRENT ASSETS				
Stocks (Note 8)	600,037		573,507	
Debtors (Note 9)	1,109,774		1,226,189	
Cash at bank and in hand	<u>863,720</u>		<u>724,717</u>	
	2,573,531		2,524,413	
CREDITORS - Amounts falling due within one year (Note 10)	<u>(651,187)</u>		<u>(1,087,875)</u>	
NET CURRENT ASSETS		<u>1,922,344</u>		<u>1,436,538</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,787,401		2,291,053
CREDITORS - Amounts falling due after more than one year (Note 11)		(153,225)		(259,066)
PROVISIONS FOR LIABILITIES AND CHARGES (Note 14)		<u>(16,469)</u>		<u>(18,396)</u>
		2,617,707		2,013,591
CAPITAL AND RESERVES				
Called up share capital (Note 15)		200,000		200,000
Profit and loss account		<u>2,417,707</u>		<u>1,813,591</u>
		2,617,707		2,013,591

The 1995 comparative figures in respect of deferred income have been restated in order to correct an error in the prior year accounts in the analysis of deferred income due within one year and after one year. There is no effect on retained reserves.

The directors have taken advantage of the exemptions conferred by Section B of Part III of Schedule 8 to the Companies Act 1985 which entitle them to deliver abbreviated accounts on the grounds that the company qualifies as medium-sized in accordance with Section 247 of the Act.

APPROVED BY THE BOARD ON 19 MARCH 1997


A J Lewis
DIRECTOR

The notes on pages 8 to 17 form an integral part of these accounts.

ERIEZ MAGNETICS EUROPE LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1996

	1996	1995
	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES (Note 16)	828,945	723,149
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	17,370	21,520
Interest paid: loan interest	(31,875)	(43,124)
finance lease interest	(941)	(1,501)
Interest rate rebate	-	4,910
Dividend paid	<u>(160,000)</u>	<u>-</u>
Net cash outflow from returns on investments and servicing of finance	(175,446)	(18,195)
TAXATION		
Corporation tax paid	(272,747)	(117,593)
ACT paid	<u>(40,000)</u>	<u>-</u>
	(312,747)	(117,593)
INVESTING ACTIVITIES		
Payments to acquire tangible fixed assets	(98,412)	(66,346)
Proceeds from sales of fixed assets	-	12,264
Proceeds from sales of investments	<u>-</u>	<u>346</u>
Net cash outflow from investing activities	<u>(98,412)</u>	<u>(53,736)</u>
NET CASH INFLOW BEFORE FINANCING	242,340	533,625
FINANCING (Note 19)		
Capital repaid on finance leases	(3,337)	(4,773)
Repayment of loan capital	<u>(100,000)</u>	<u>(100,000)</u>
NET CASH OUTFLOW FROM FINANCING	<u>(103,337)</u>	<u>(104,773)</u>
INCREASE IN CASH AND CASH EQUIVALENTS (Note 17)	<u>139,003</u>	<u>428,852</u>

The notes on pages 8 to 17 form an integral part of these accounts.

ERIEZ MAGNETICS EUROPE LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996

1 ACCOUNTING POLICIES

(1) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

In 1996, the directors have chosen to restate the comparative figures in respect of deferred income in order to correct an error in the 1995 accounts in the amounts shown as due within one year and after one year. There is no effect on retained reserves.

(2) Depreciation

Fixed assets are depreciated on a straight line basis at rates calculated to write off the cost of the assets over their expected useful lives. The annual rates used are between 10% and 25% for plant and machinery and 4% for buildings. Freehold land is not depreciated. Leased assets are written off over the shorter of the lease term and their expected useful lives.

(3) Deferred taxation

Deferred taxation is provided under the liability method on timing differences arising between profits as computed for taxation purposes and profits as stated in the accounts, only to the extent that it is expected that a liability will crystallise in the foreseeable future.

(4) Foreign currency

Transactions expressed in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Amounts payable and receivable in foreign currencies at the balance sheet date are translated at rates approximating to current rates of exchange at that date. Differences arising from changes in exchange rates are incorporated in the profit on ordinary activities before taxation.

(5) Stocks

Stocks are stated at the lower of cost, including appropriate production overheads, and net realisable value.

(6) Turnover

Turnover represents the value of goods invoiced and work carried out during the period, excluding value added tax.

(7) Leased assets

Assets held under finance leases are capitalised at inception at their original cost and a lease obligation recognised for that capitalised amount. The rental payments during the lease period are apportioned between capital repayment and finance cost by the "rule of 78" method. The finance cost is charged to the profit and loss account in the year incurred.

For operating leases the rental charges are taken to profit and loss account on a straight line basis over the life of the lease.

ERIEZ MAGNETICS EUROPE LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(8) Pensions

The company operates a defined benefit pension scheme. The expected cost of pensions is assessed in accordance with the advice of qualified actuaries, and charged to the profit and loss account so as to spread the cost of pensions over the service lives of the scheme members.

(9) Research and development

Expenditure on research and development is charged to the profit and loss account in the period in which the costs are incurred.

(10) Government grants

Government grants which are of a capital nature are credited to deferred income when received. They are released to the profit and loss account over the useful lives of the assets to which they relate.

2 INTEREST PAYABLE AND SIMILAR CHARGES

	1996 £	1995 £
Interest on long term ECSC loan	31,875	38,214
Interest on finance leases	<u>941</u>	<u>1,501</u>
	<u>32,816</u>	<u>39,715</u>

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1996 £	1995 £
Profit on ordinary activities before taxation is stated after charging/(crediting) the following:		
Wages and salaries	1,291,594	1,091,621
Social security costs	116,346	96,772
Other pension costs	<u>105,138</u>	<u>103,235</u>
	<u>1,513,078</u>	<u>1,291,628</u>
Loss/(profit) on sale of fixed assets	899	(6,926)
Depreciation on fixed assets - owned assets	83,635	73,961
- leased assets	3,336	4,773
Auditors' remuneration	10,500	9,500
Royalties payable to parent undertaking	243,698	216,215
Loss/(profit) on foreign currency transactions	75,697	(53,547)
Operating lease expense - hire of motor vehicles	39,892	47,729
Amortisation of government grants	<u>(14,293)</u>	<u>-</u>

There were no fees payable to the auditors in 1996 (1995 - £Nil) for non audit services.

ERIEZ MAGNETICS EUROPE LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

4 DIRECTORS' EMOLUMENTS

	<u>1996</u> £	<u>1995</u> £
Directors' emoluments, pension contributions and taxable benefits	156,822	190,105
The emoluments, excluding pension contributions, of the Chairman, who was also the highest paid director	70,947	65,743

The table which follows shows the number of directors whose emoluments, excluding pension contributions, during the year were within the following ranges:

	<u>1996</u>	<u>1995</u>
£15,001 - 20,000	1	-
£40,001 - 45,000	1	1
£55,001 - 60,000	-	1
£65,001 - 70,000	-	1
£70,001 - 75,000	1	-

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1996</u> £	<u>1995</u> £
UK corporation tax at 33 % (1995 - 33%)	312,034	272,829
Deferred taxation at 33% (Note 14)	(1,927)	11,506
	310,107	284,335

6 DIVIDENDS

	<u>1996</u> £	<u>1995</u> £
Dividend on equity shares proposed of 80 pence per ordinary £1 share	-	160,000

ERIEZ MAGNETICS EUROPE LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

7 FIXED ASSETS

	Freehold land and buildings £	Leased assets £	Plant and equipment £	Total £
COST				
At 1 January 1996	678,128	26,591	614,056	1,318,775
Additions	-	-	98,412	98,412
Disposals	-	(12,470)	(1,400)	(13,870)
At 31 December 1996	<u>678,128</u>	<u>14,121</u>	<u>711,068</u>	<u>1,403,317</u>
ACCUMULATED DEPRECIATION				
At 1 January 1996	87,495	16,895	359,870	464,260
Charge for the year	17,206	3,336	66,429	86,971
Released on disposals	-	(12,470)	(501)	(12,971)
At 31 December 1996	<u>104,701</u>	<u>7,761</u>	<u>425,798</u>	<u>538,260</u>
NET BOOK AMOUNT				
At 31 December 1996	<u>573,427</u>	<u>6,360</u>	<u>285,270</u>	<u>865,057</u>
At 31 December 1995	<u>590,633</u>	<u>9,696</u>	<u>254,186</u>	<u>854,515</u>

8 STOCKS

	1996 £	1995 £
Raw materials and consumables	402,130	333,925
Work in progress	93,648	166,744
Finished goods	<u>104,259</u>	<u>72,838</u>
	<u>600,037</u>	<u>573,507</u>

The replacement cost of stocks is not significantly different from that shown above.

ERIEZ MAGNETICS EUROPE LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

9 DEBTORS

	<u>1996</u> £	<u>1995</u> £
Due within one year:		
Trade debtors	937,628	1,091,944
Amounts owed by fellow subsidiary undertaking	3,440	-
Prepayments and accrued income	168,706	94,245
ACT recoverable	<u>-</u>	<u>40,000</u>
	<u>1,109,774</u>	<u>1,226,189</u>

10 CREDITORS - Amounts falling due within one year

	<u>1996</u> £	<u>1995</u> £ Restated
Dividends payable	-	160,000
ACT payable	-	40,000
ECSC loan (Note 11)	100,000	100,000
Trade creditors	125,836	360,281
Amounts owed to parent undertaking	79	4,874
Other creditors	3,069	12,514
Taxation and social security	380,660	359,088
Accruals and deferred income	38,382	47,781
Obligations under finance leases (Note 12)	<u>3,161</u>	<u>3,337</u>
	<u>651,187</u>	<u>1,087,875</u>

The comparative figure for accruals and deferred income has been restated - refer to note 11.

ERIEZ MAGNETICS EUROPE LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

11 CREDITORS - Amounts falling due after more than one year

	<u>1996</u> £	<u>1995</u> £ Restated
ECSC loan (see below)	100,000	200,000
Deferred income	50,027	52,707
Obligations under finance leases (Note 12)	<u>3,198</u>	<u>6,359</u>
	<u>153,225</u>	<u>259,066</u>

Deferred income represents the portion of government grants not released to profit and loss account. The 1995 comparative has been restated in order to correct an error in the 1995 accounts between amounts disclosed as due within one year and due after one year. There is no effect on retained reserves.

The ECSC loan has been guaranteed by the company's bankers and is secured on the land and buildings and is repayable in four equal annual instalments commencing in 1995. Interest is payable at 11.25% per annum.

An analysis of the maturity of borrowings given below:

	<u>1996</u> £	<u>1995</u> £
Within one year	100,000	100,000
Between one and two years	<u>100,000</u>	<u>200,000</u>
	<u>200,000</u>	<u>300,000</u>

12 OBLIGATIONS UNDER FINANCE LEASES

The minimum lease payments to which the company is committed under finance leases mature as follows:

	<u>1996</u> £	<u>1995</u> £
Within one year	3,731	4,277
Within two and five years inclusive	<u>3,463</u>	<u>7,194</u>
Gross obligations	7,194	11,471
Less:		
Finance charges allocated to future periods	<u>(835)</u>	<u>(1,775)</u>
	<u>6,359</u>	<u>9,696</u>

ERIEZ MAGNETICS EUROPE LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

12 OBLIGATIONS UNDER FINANCE LEASES (CONTINUED)

The minimum lease payments to which the company is committed under finance leases mature as follows:

	<u>1996</u> £	<u>1995</u> £
Falling due within one year (Note 10)	3,161	3,337
Falling due after one year (Note 11)	<u>3,198</u>	<u>6,359</u>
	<u>6,359</u>	<u>9,696</u>

13 FUTURE COMMITMENTS

(a) Capital commitments

There were no capital commitments at 31 December 1996 (1995 - Nil).

(b) Operating leases

The company's annual commitments under non-cancellable operating leases are as follows:

Leases expiring:

	<u>1996</u> £	<u>1995</u> £
Within one year	14,579	6,876
Between one and five years	<u>25,104</u>	<u>48,391</u>
	<u>39,683</u>	<u>55,267</u>

14 PROVISIONS FOR LIABILITIES AND CHARGES

The deferred tax provision is as follows:

	<u>Provided</u> £	<u>1996</u> <u>Unprovided</u> £	<u>Provided</u> £	<u>1995</u> <u>Unprovided</u> £
Accelerated capital allowances	16,469	85,504	18,396	71,168
Short term timing differences	<u>-</u>	<u>(2,858)</u>	<u>-</u>	<u>(3,405)</u>
	<u>16,469</u>	<u>82,646</u>	<u>18,396</u>	<u>67,763</u>

ERIEZ MAGNETICS EUROPE LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

15 CALLED UP SHARE CAPITAL

	<u>1996</u> £	<u>1995</u> £
Authorised:		
Ordinary shares of £1 each.	200,000	200,000
	<hr/>	<hr/>
Issued, allotted and fully paid:		
Ordinary shares of £1 each	200,000	200,000
	<hr/>	<hr/>

16 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	<u>1996</u> £	<u>1995</u> £
Operating profit	929,669	843,969
Depreciation	86,971	78,734
Loss/(profit) on sale of fixed assets	899	(6,926)
(Increase) in stocks	(26,530)	(194,775)
Decrease/(increase) in debtors	76,415	(120,639)
(Decrease)/increase in creditors	(224,186)	121,790
Amortisation of government grants	(14,293)	-
Loss on disposal of fixed asset investment	-	996
	<hr/>	<hr/>
Net cash inflow from operating activities	828,945	723,149
	<hr/>	<hr/>

17 ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	<u>1996</u> £	<u>1995</u> £
Balance at 1 January	724,717	295,865
Net cash inflow	<u>139,003</u>	<u>428,852</u>
	<hr/>	<hr/>
Balance at 31 December	863,720	724,717
	<hr/>	<hr/>

ERIEZ MAGNETICS EUROPE LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

18 ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	<u>1996</u> £	<u>1995</u> £	<u>Change</u> £
Cash at bank and in hand	476,164	166,544	309,620
Short term investments	<u>387,556</u>	<u>558,173</u>	<u>(170,617)</u>
	<u>863,720</u>	<u>724,717</u>	<u>139,003</u>

19 ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	<u>Loans and Finance leases</u> £
Balance at 1 January 1996	309,696
Net outflow	<u>(103,337)</u>
Balance at 31 December 1996	<u>206,359</u>

20 PENSION COMMITMENTS

The company operates a pension scheme providing defined benefits with assets held in separate trustee administered funds.

The latest actuarial valuation of the scheme was carried out by independent actuaries as at 1 January 1996 using the projected unit method. The principal actuarial assumptions adopted in the valuation were that the long term annual rate of return on investments would be 9% and the average annual increases in pensionable salaries would be 8%. The actuarial value of the assets of the scheme was sufficient to cover 74% of the benefits that had accrued to members after allowing for expected future increases in pensionable remuneration. The actuarial value of the assets of the scheme as at the date of the actuarial valuation was £552,000.

In order to deal with the current funding deficiency which has arisen due mainly to investment returns being lower than projected at the last full valuation, together with alterations to the benefit structure and revised assumptions regarding mortality, an increased employer contribution rate has been recommended for the next five years.

Total pension costs during the year in respect of this scheme were £98,538 (1995 - £94,375).

In addition, there is a defined contribution scheme which is non-contributory by members. Pension costs to the company for this scheme amounted to £6,600 (1995 - £8,860).

21 EMPLOYEES

The average number of persons employed by the company during the year was 58 (1995 - 50).

ERIEZ MAGNETICS EUROPE LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1996</u> £	<u>1995</u> £
Profit for the financial year	604,116	541,439
Dividends proposed	<u>-</u>	<u>(160,000)</u>
Net addition to shareholders' funds	604,116	381,439
Opening shareholders' funds	<u>2,013,591</u>	<u>1,632,152</u>
Closing shareholders' funds	<u><u>2,617,707</u></u>	<u><u>2,013,591</u></u>

All shareholders' interests are of an equity nature.

23 PARENT COMPANY AND RELATED PARTY TRANSACTIONS

The company's immediate parent undertaking is Eriez Manufacturing Company which is incorporated in the United States of America. Ultimate control rests with Mr Richard Merwin, and members of his immediate family. Details of the transactions which have taken place between the company and its parent and other members of the group, are given below:

	<u>1996</u> £	<u>1995</u> £
Purchases of goods	73,266	73,282
Sales of goods	76,871	13,440
Royalty charges	<u>243,698</u>	<u>216,215</u>