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C.A. HONEMASTER LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH, 1997



DIRECTORS AND OFFICERS :

DIRECTORS

F.G. Williams
P.M. Williams

SECRETARY

P.M. Williams

AUDITORS

Daw White Murrall,
Chartered Accountants,
1-2 George Street,
Wolverhampton, WV2 4DG.

REGISTERED OFFICE

Huntsote Road,
Kingsditch Trading Estate,
Cheltenham,
Glos. GL51 9NW.

BANKERS

Midland Bank PLC,
P.O. Box 33,
Queen Square,
Wolverhampton, WV1 1TE.

COMPANY REGISTRATION NUMBER

1856589

REPORT OF THE DIRECTORS

The directors present their report together with the financial statements for the year ended 31st March, 1997.

RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account on page 6. The directors do not recommend the payment of a dividend.

REVIEW OF THE BUSINESS

The principal activity of the company during the year has been engineering, specialising in honing.

There was a reduction in profit for the year which was partly attributable to a diversion of efforts to set up the Birmingham factory. Production at Birmingham has not yet commenced, and the directors do not anticipate any substantial change in the level of activity until Birmingham becomes operational, hopefully later in the current financial year.

FIXED ASSETS

Changes in the fixed assets are set out in note 7 to the financial statements.

DIRECTORS AND THEIR SHARE INTERESTS

The directors are shown on page 1. There have been no changes during the year.

The beneficial interests of directors in the shares of the company at the beginning and end of the year were :

Ordinary shares of £1 each

F.G. Williams	55
P.M. Williams	30

REPORT OF THE DIRECTORS (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 :

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

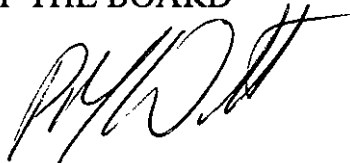
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act, 1985. They are also responsible for safeguarding the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

AUDITORS

The auditors, Messrs. Daw White Murrall, having indicated their willingness, will be proposed for reappointment at the forthcoming annual general meeting.

BY ORDER OF THE BOARD

P.M. Williams



SECRETARY

Huntsote Road,
Kingsditch Trading Estate,
Cheltenham,
Glos. GL51 9NW.

20th August, 1997.

DAW WHITE MURRALL

1-2 George Street,
Wolverhampton, WV2 4DG.

**AUDITORS REPORT TO THE SHAREHOLDERS OF
C.A. HONEMASTER LIMITED**

We have audited the financial statements on pages 6 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of the directors and auditors

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion based on our audit on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements.

It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

DAW WHITE MURRALL

1-2 George Street,
Wolverhampton, WV2 4DG.

AUDITORS REPORT TO THE SHAREHOLDERS OF

**C.A. HONEMASTER LIMITED
(CONTINUED)**

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 31st March, 1997, and of its results for the year then ended, and have been properly prepared in accordance with the Companies Act, 1985.

A handwritten signature in cursive script that reads "Daw White Murrall".

**DAW WHITE MURRALL
CHARTERED ACCOUNTANTS
AND REGISTERED AUDITOR**

20th August, 1997.

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH, 1997

	Notes	1997	1996
Turnover - continuing activities	2	342,820	407,089
Cost of sales		<u>228,273</u>	<u>249,063</u>
GROSS PROFIT		<u>114,547</u>	<u>158,026</u>
Distribution costs		18,827	20,951
Administrative expenses		<u>71,056</u>	<u>94,070</u>
		<u>89,883</u>	<u>115,021</u>
OPERATING PROFIT		24,664	43,005
Interest payable and similar charges		<u>6,095</u>	<u>3,161</u>
Profit on ordinary activities before taxation - continuing activities		18,569	39,844
Tax on ordinary activities	5	<u>4,087</u>	<u>10,519</u>
Profit on ordinary activities after taxation	3	14,482	29,325
Retained profit brought forward		<u>132,837</u>	<u>103,512</u>
Retained profit carried forward		<u><u>£147,319</u></u>	<u><u>£132,837</u></u>


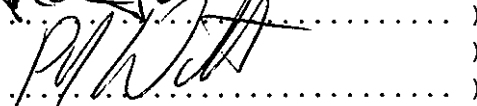
There are no recognised gains or losses other than the profit for the financial year.

BALANCE SHEET

AS AT 31ST MARCH, 1997

	Notes	1997	1996
FIXED ASSETS			
Tangible assets	7	175,978	61,415
Intangible assets	8	<u>1</u>	<u>1</u>
		175,979	61,416
CURRENT ASSETS			
Stocks		83,334	90,406
Debtors	9	73,924	83,371
Cash at bank and in hand		<u>-</u>	<u>5,533</u>
		157,258	179,310
CREDITORS - Amounts falling due within one year	10	<u>157,485</u>	<u>89,351</u>
NET CURRENT (LIABILITIES)/ASSETS		(227)	89,959
CREDITORS - Amounts falling due after more than one year - hire purchase	11	(23,658)	(18,438)
Provisions for liabilities and charges	12	<u>(4,675)</u>	<u>-</u>
		<u>£147,419</u>	<u>£132,937</u>
CAPITAL AND RESERVES			
Called up share capital	13	100	100
Profit and loss account		<u>147,319</u>	<u>132,837</u>
SHAREHOLDERS FUNDS	14	<u>£147,419</u>	<u>£132,937</u>

The financial statements were approved by the Board on 20th August, 1997.


) F.G. Williams

) P.M. Williams

DIRECTORS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 1997

1. ACCOUNTING POLICIES

a. Accounting convention

The financial statements have been prepared in accordance with the historical cost convention and in accordance with applicable accounting standards.

b. Depreciation

Depreciation of fixed assets is provided at rates calculated to write off the cost of the assets over the term of their useful lives. Depreciation is provided from the time that the assets are brought into use. The rates in use for the various classes of assets are as follows :

Improvements to property - 12½% on cost.

Plant and equipment - 12 ½% on cost.

Motor vehicles - 25% on reducing value.

c. Stocks

Stocks, including work in progress, are stated at the lower of cost and net realisable value.

d. Deferred taxation

Deferred taxation is provided at anticipated tax rates on differences arising from the inclusion of income and expenditure in taxation computations in periods different from which they are included in the financial statements.

e. Hire purchase

Additions to fixed assets purchased under hire purchase and lease purchase contracts are capitalised at cost. Interest payable during the accounting period is charged in the trading account.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. TURNOVER

Turnover represents the amounts derived from the provision of goods and services within the company's ordinary activities after deducting value added tax.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1997	1996
Profit on ordinary activities after taxation is after charging :		
Directors emoluments	55,353	72,063
Auditors remuneration	750	750
Depreciation of fixed assets	14,644	18,883
Losses on sales of fixed assets	-	238
Interest on bank overdraft	1,670	12
Hire purchase interest	4,425	3,149
	<u> </u>	<u> </u>

4. EMPLOYEE INFORMATION

	1997	1996
Employee costs for the year :		
Wages and salaries (excluding directors)	74,524	76,615
Social Security costs (including directors)	13,238	15,098
	<u> </u>	<u> </u>
	<u>£87,762</u>	<u>£91,713</u>

Average number of persons employed (excluding directors) :

Production	<u>4</u>	<u>4</u>
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. TAX ON ORDINARY ACTIVITIES

	1997	1996
Corporation tax @ 25% (repayable)/payable	(588)	10,519
Movement on deferred taxation (note 12)	4,675	-
	<u>£4,087</u>	<u>£10,519</u>

6. TRANSACTIONS WITH DIRECTORS

None of the directors has any material interests, direct or indirect, in any contract entered into by the company.

7. TANGIBLE FIXED ASSETS

	Improvements to property	Plant and equipment	Motor vehicles	Total
Cost				
At 31st March, 1996	-	120,381	54,668	175,049
Additions	46,857	82,350	-	129,207
At 31st March, 1997	<u>46,857</u>	<u>202,731</u>	<u>54,668</u>	<u>304,256</u>
Depreciation				
At 31st March, 1996	-	92,670	20,964	113,634
Charge for year	-	6,245	8,399	14,644
At 31st March, 1997	<u>-</u>	<u>98,915</u>	<u>29,363</u>	<u>128,278</u>
Net book values				
At 31st March, 1997	<u>£46,857</u>	<u>£103,816</u>	<u>£25,305</u>	<u>£175,978</u>
At 31st March, 1996	<u>£Nil</u>	<u>£27,711</u>	<u>£33,704</u>	<u>£61,415</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. TANGIBLE FIXED ASSETS (CONTINUED)

Included in tangible assets are plant (cost £35,000 net book value £35,000) and motor vehicles (cost £54,668 net book value £25,305), which are the subject of hire purchase agreements.

8. INTANGIBLE ASSETS

	1997	1996
GOODWILL - cost on acquisition of business	<u>£1</u>	<u>£1</u>

9. DEBTORS

	1997	1996
Trade debtors	69,600	79,359
Corporation tax repayable	588	-
Prepayments	<u>3,736</u>	<u>4,012</u>
	<u>£73,924</u>	<u>£83,371</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. CREDITORS - Amounts falling due within one year

	1997	1996
Bank overdraft	43,337	-
Trade creditors	32,063	37,400
Loans from directors and shareholders	42,092	2,809
Other creditors, including taxation and Social Security	11,966	18,614
Accruals	10,466	11,801
Hire purchase	17,561	10,708
Corporation tax due	-	8,019
	<u>£157,485</u>	<u>£89,351</u>

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

	1997	1996
Hire purchase repayable between one and two years	14,818	10,708
Hire purchase repayable between two and five years	8,840	7,730
	<u>£23,658</u>	<u>£18,438</u>

12. PROVISIONS FOR LIABILITIES AND CHARGES

	1997	1996
Deferred taxation : balance at commencement of year	-	-
movement for year	4,675	-
balance at end of year	<u>£4,675</u>	<u>£Nil</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. CALLED UP SHARE CAPITAL

	Authorised	Allotted, issued and fully paid
Ordinary shares of £1 each	<u>100</u>	<u>100</u>

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1997	1996
Profit for the financial year	14,482	29,325
Opening shareholders' funds	<u>132,937</u>	<u>103,612</u>
Closing shareholders' funds	<u>£147,419</u>	<u>£132,937</u>

15. CAPITAL COMMITMENTS

There were no capital commitments at 31st March, 1997 (1996 : £Nil).

16. CONTINGENT LIABILITIES

There are no contingent liabilities known to the directors.

17. BANK OVERDRAFT FACILITY

The bank overdraft facility which is secured by a fixed and floating charge on the company assets and is guaranteed by a director.