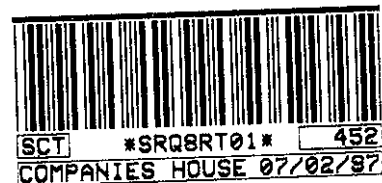


**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31st July 1996
FOR
Castle Precision Engineering
(Glasgow) Limited**

**HACKER YOUNG
CHARTERED ACCOUNTANTS
GLASGOW**



Castle Precision Engineering (Glasgow) Limited
REPORT OF THE DIRECTORS

The directors present their report with the audited financial statements of the company for the year ended 31st July 1996

PRINCIPAL ACTIVITIES

The principal activities of the company in the year under review were subcontractors in the design and manufacture of CNC precision engineering and jigs, fixtures and press tools.

RESULTS

	1996 £	1995 £
Profit on ordinary activities before taxation	355,790	134,567
Taxation	(88,223)	(27,226)
	-----	-----
Dividends	267,567	107,341
	-----	-----
Retained profit	267,567	107,341
	=====	=====

No dividend (1995-fnil per share) was paid during the year.

DIRECTORS

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

	Ordinary Shares	
	1996	1995
Mrs L.Tiefenbrun	1248	1530
Mr I.Tiefenbrun	678	678
Mr M.Tiefenbrun	678	396
Ms B.Tiefenbrun	396	396

On 11th October 1995 Mrs L Tiefenbrun transfered 282 ordinary shares to Mr M Tiefenbrun.

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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Castle Precision Engineering (Glasgow) Limited
REPORT OF THE DIRECTORS (Contd)

TANGIBLE FIXED ASSETS

The company has continued to improve its capital base by spending £291,595 (£275,009) thereon.

POLITICAL AND CHARITABLE DONATIONS

During the year the company made £865 (£855) charitable donations.

EMPLOYEE INFORMATION

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees on various factors affecting the performance of the company. This is achieved through formal and informal meetings.

DISABLED EMPLOYEES

Applications for employment by disabled persons are fully considered, bearing in mind the aptitude and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled employees should, as far as possible, be identical with that of other employees.

TAXATION STATUS


The company is a close company as defined in the Income and Corporation Taxes Act 1988.

AUDITORS

The auditors, Hacker Young, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:

Dated: 16th January 1997


.....
M. Tiefenbrun
Secretary / Director

**REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF
Castle Precision Engineering (Glasgow) Limited**

We have audited the financial statements on pages 4 to 16 which have been prepared under the historical cost convention, and the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

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 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 and are 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 31st July 1996 and of its profit and statement of cash flow for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Hacker Young
Registered Auditor
Chartered Accountants
4 Royal Crescent
Glasgow G3 7SL

Dated: 16th January 1997

Castle Precision Engineering (Glasgow) Limited
PROFIT AND LOSS ACCOUNT
Year Ended 31st July 1996

	Notes	1996		1995	
		£	£	£	£
TURNOVER	2		2,642,126		2,276,554
Continuing Operations		2,642,126		2,276,554	
Acquisitions		-		-	
		<u>2,642,126</u>		<u>2,276,554</u>	
Discontinued Operations		-		-	
Cost of Sales	3		(1,079,317)		(1,082,264)
GROSS PROFIT	3		1,562,809		1,194,290
Net Operating Expenses	3		(1,360,961)		(1,171,845)
OPERATING PROFIT			201,848		22,445
Continuing Operations	4	201,848		22,445	
Acquisitions		-		-	
		<u>201,848</u>		<u>22,445</u>	
Discontinued Operations		-		-	
Profit/(loss) on sale of fixed assets			74,213		28,411
Profit on Ordinary Activities before Interest			276,061		50,856
Investment Income and other interest receivable	7		84,204		88,216
Interest Payable and similar Charges			(4,475)		(4,505)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			355,790		134,567
Tax on Profit on Ordinary Activities	8		(88,223)		(27,226)
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION			267,567		107,341
Dividends	9		-		-
			267,567		107,341
Retained Profit brought forward			2,488,466		2,381,125
RETAINED PROFIT CARRIED FORWARD			<u>2,756,033</u>		<u>2,488,466</u>

The accompanying notes form an integral part of these financial statements.
There are no recognised gains or losses other than the profit or loss for the period.

Castle Precision Engineering (Glasgow) Limited
 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
 for the Year Ended 31st July 1996

	1996	1995
	£	£
Profit for the financial year	267,567	107,341
Dividends	-	-
NET ADDITION TO SHAREHOLDERS' FUNDS	<u>267,567</u>	<u>107,341</u>
Opening shareholders' funds	2,491,466	2,384,125
CLOSING SHAREHOLDERS' FUNDS	<u><u>2,759,033</u></u>	<u><u>2,491,466</u></u>

The accompanying notes form an integral part of these financial statements.

Castle Precision Engineering (Glasgow) Limited
BALANCE SHEET
31st July 1996

	Notes	1996		1995	
		£	£	£	£
FIXED ASSETS					
Tangible Assets	10		951,494		897,876
			<u>951,494</u>		<u>897,876</u>
CURRENT ASSETS					
Investments	11	20,087		-	
Stocks	12	17,599		31,415	
Debtors	13	613,106		565,023	
Cash and Bank		1,864,842		1,664,622	
		<u>2,515,634</u>		<u>2,261,060</u>	
CREDITORS: Amounts falling due within one year	14	466,313		399,734	
NET CURRENT ASSETS			2,049,321		1,861,326
TOTAL ASSETS LESS CURRENT LIABILITIES			3,000,815		2,759,202
CREDITORS: Amounts falling due after more than one year	15		(13,999)		(24,706)
PROVISIONS FOR LIABILITIES AND CHARGES	17		(227,783)		(243,030)
			<u>2,759,033</u>		<u>2,491,466</u>
CAPITAL AND RESERVES			£		£
Called Up Share Capital	18		3,000		3,000
Profit & Loss Account			2,756,033		2,488,466
			<u>2,759,033</u>		<u>2,491,466</u>

SIGNED ON BEHALF OF THE BOARD:

Director  M. Tiefenbrun

Approved by the Board on 16th January 1997

The accompanying notes form an integral part of these financial statements.

Castle Precision Engineering (Glasgow) Limited
CASHFLOW STATEMENT
for the Year Ended 31st July 1996

	1996		1995	
	£	£	£	£
NET CASH INFLOW OPERATING ACTIVITIES		396,666		259,069
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received	84,204		88,216	
Dividends paid	-		-	
Interest paid	(4,475)		(4,505)	
		79,729		83,711
TAXATION				
Corporation tax (paid)/repaid		(29,483)		(56,044)
INVESTING ACTIVITIES				
Payment to acquire tangible fixed assets	(291,595)		(275,009)	
Receipts from sales of tangible fixed assets	85,100		30,215	
Grants in receipt of tangible fixed assets	(20,110)		(26,580)	
Payments to acquire investments	(20,087)		-	
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(246,692)		(271,374)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		200,220		15,362
FINANCING				
Finance lease instalments		-		-
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT		<u>200,220</u>		<u>15,362</u>

Castle Precision Engineering (Glasgow) Limited
NOTES TO THE CASHFLOW STATEMENT
for the Year Ended 31st July 1996

	1996 £	1995 £	
1. RECONCILIATION OF PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES			
Operating Profit	276,061	50,856	
Depreciation	227,090	189,079	
(Gain)/Loss on Sale	(74,213)	(28,411)	
(Increase)/Decrease in Stocks	13,816	(21,019)	
(Increase)/Decrease in Debtors	(48,083)	29,652	
Increase/(Decrease) in Creditors	1,995	38,912	
	<u>396,666</u>	<u>259,069</u>	
2. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS			
Balance at 1st August 1995	1,664,622	1,649,260	
Net Cash inflow/(outflow)	200,220	15,362	
	<u>1,864,842</u>	<u>1,664,622</u>	
3. ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET			
	1996 £	1995 £	Change in Year £
Cash at Bank and in hand	1,864,842	1,664,622	200,220
Bank overdrafts	-	-	-
	<u>1,864,842</u>	<u>1,664,622</u>	<u>200,220</u>

Castle Precision Engineering (Glasgow) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31st July 1996

1. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

(a) Basis of preparation of the financial statements

The financial statements have been prepared under the historical cost convention.

(b) Tangible Fixed Assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the primary lease period, whichever is the shorter.

Land & Buildings	- 2% Reducing Balance
Plant & Machinery etc	- 25% Reducing Balance
Computer Equipment	- 30% Reducing Balance

(c) Stock and Work-in-Progress

Stock and work-in-progress is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. In respect of work-in-progress and finished goods, cost includes all production overheads and the attributable portion of indirect overhead expenses.

(d) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

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

(e) Grants

The regional development and other capital grants are credited to the capital reserve in the balance sheet and are released to the profit and loss account over the useful life of the asset to which it relates.

Castle Precision Engineering (Glasgow) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31st July 1996

1. (f) Pension Costs

The pension contributions relate to defined contribution schemes. The contributions are reflected in the profit and loss account. There were no prepaid or outstanding contributions at the balance sheet date.

(g) Hire Purchase and Leasing Commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the primary lease period, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to income as incurred.

2. **TURNOVER**

Turnover represents the invoiced value of goods sold and services provided (stated net of value added tax)

3. **CONTINUING AND DISCONTINUED OPERATIONS**

	Continuing £	1996 Discontinued £	Total £
Gross Profit	1,562,809	-	1,562,809
Cost of Sales	(1,079,317)	-	(1,079,317)
Net Operating Expenses:			
Distribution Costs	-	-	-
Administrative Expenses	1,381,071	-	1,381,071
Other Operating Income	(20,110)	-	(20,110)
	1,360,961	0	1,360,961

3. CONTINUING AND DISCONTINUED OPERATIONS (Cont'd)

	Continuing £	1995 Discontinued £	Total £
Gross Profit	1,194,290	-	1,194,290
Cost of Sales	(1,082,264)	-	(1,082,264)
Net Operating Expenses:			
Distribution Costs	-	-	-
Administrative Expenses	1,198,425	-	1,198,425
Other Operating Income	(26,580)	-	(26,580)
	1,171,845	0	1,171,845

4. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	1996 £	1995 £
Directors' emoluments	134,684	111,055
Depreciation - owned Assets	211,230	166,810
Depreciation - assets on hire purchase or finance leases	15,860	22,269
Hire of plant and machinery	1,177	5,748
Auditors' remuneration	9,200	8,500
Finance lease and hire purchase charges	4,343	4,505
Operating lease rentals	6,719	6,719
Bad debts written off	(319)	2,465
Management Charge	-	15,646

5. DIRECTORS REMUNERATION

	1996 £	1995 £
Fees	-	-
Other emoluments (including benefit in kind)	137,468	113,547
	137,468	113,547

The emoluments of the chairperson, including benefit in kind were £62,784 (1995-£62,493). The emoluments of the highest paid director were £74,684 (1995-£51,055). The other directors received no emoluments.

6 STAFF COSTS

	1996	1995
	£	£
Wages and salaries	1,241,002	1,112,474
Social security costs	122,042	107,034
Other pension costs	60,621	31,062
Compensation	1,000	-

	-----	-----
	1,424,665	1,250,570
	=====	=====

The weekly number of employees during the year, including paid director was as follows:

	1996	1995
	No	No
Management and clerical	29	30
Manufacturing	52	44
	-----	-----
	81	74
	=====	=====

7. INVESTMENT INCOME

	1996	1995
	£	£
Interest receivable	84,204	88,216
	=====	=====

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1996	1995
	£	£
Based on the profit for the year		
Corporation tax at 25% (25%&33%)	83,360	29,483
Under/(over) provision previous years	-	-
Deferred tax	4,863	(2,257)
	-----	-----
	88,223	27,227
	=====	=====

9. DIVIDEND

No Dividend (1995-£nil per share) was paid during the year.

10. TANGIBLE FIXED ASSETS

	Land & Buildings		Plant & Machinery	Total
	Freehold	Leasehold		
	£	£	£	£
COST				
Opening	460,717	-	4,124,806	4,585,523
Additions	-	-	291,595	291,595
Disposals	-	-	(56,442)	(56,442)
	<u>460,717</u>	<u>-</u>	<u>4,359,959</u>	<u>4,820,676</u>
DEPRECIATION				
Opening	104,551	-	3,583,096	3,687,647
Charge for Year	7,123	-	219,967	227,090
Eliminated on Disposals	-	-	45,555	(45,555)
	<u>111,674</u>	<u>-</u>	<u>3,757,508</u>	<u>3,869,182</u>
NET BOOK VALUE				
As at 1996	<u>349,043</u>	<u>-</u>	<u>602,451</u>	<u>951,494</u>
As at 1995	<u>356,166</u>	<u>-</u>	<u>541,710</u>	<u>897,876</u>

The net book value of fixed assets, included in the above, which are held under hire purchase or finance leases is as follows:-

	1996	1995
	£	£
NET BOOK VALUE	<u>47,578</u>	<u>66,811</u>

11. INVESTMENTS

Overseas Stocks & Shares	1996	1995
	£	£
	<u>20,087</u>	<u>-</u>

The market value of the shares held at 31 July 1996 was £14,935.

12. STOCKS

	1996	1995
	£	£
Raw material	-	692
Work in progress	13,704	25,007
Other Stock	3,895	5,716
	<u>17,599</u>	<u>31,415</u>

13. DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR

	1996 £	1995 £
Trade debtors	505,809	548,121
Other Debtors	97,062	7,617
Prepayments	10,235	9,285
	<u>613,106</u>	<u>565,023</u>

14. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR

	1996 £	1995 £
Loan.Textile Engineering Company	133,012	127,603
Hire Purchase and Finance Leases	10,660	11,304
Trade Creditors	57,635	69,865
Director's Current Account	855	854
Value Added Tax	98,205	61,847
PAYE and NIC	42,576	40,330
Corporation Tax	83,360	29,483
Accruals	40,010	58,448
	<u>466,313</u>	<u>399,734</u>

15. CREDITORS: AMOUNTS FALLINGS
DUE AFTER MORE THAN ONE YEAR

	1996 £	1995 £
Hire Purchase and Finance Lease	<u>13,999</u>	<u>24,706</u>
Amounts falling due after more than one year:		
Hire purchase and finance leases		
- within five years	13,999	24,706
- after five years	-	-
	<u>13,999</u>	<u>24,706</u>

16. **GUARANTEES AND OTHER FINANCIAL COMMITMENTS**

(a) Capital commitments. The capital expenditure authorised but not committed by the company amounts to £529,628.

(b) The following payments are committed to be paid within one year:

	Operating Leases			
	Land and Buildings 1996	1995	Other 1996	1995
	£	£	£	£
Expiring:				
Within one year	-	-	-	-
In second to fifth years inclusive	-	-	1,457	1,520
In over five years	6,719	6,719	-	-
	<u>6,719</u>	<u>6,719</u>	<u>1,457</u>	<u>1,520</u>

17. **PROVISIONS FOR LIABILITIES AND CHARGES**

	1996 £	1995 £
Deferred Taxation	129,222	124,359
Grant Reserve	98,561	118,671
	<u>227,783</u>	<u>243,030</u>
	Deferred Taxation £	Grant Reserve £
Balance at 1995	124,359	118,671
Received During the Year	-	-
Charged to Profit and Loss	-	-
Account on Ordinary Activities	4,863	-
Utilised during year	-	(20,110)
Balance at 1996	<u>129,222</u>	<u>98,561</u>

18. CALLED UP SHARE CAPITAL

Authorised

Number	Class	Nominal Value	1996 £	1995 £
3000	Ordinary	£1.00	3,000	3,000
			<u>3,000</u>	<u>3,000</u>

Allotted, issued and fully paid

Number	Class	Nominal Value	1996 £	1995 £
3,000	Ordinary	£1.00	3,000	3,000
			<u>3,000</u>	<u>3,000</u>

19. TRANSACTIONS WITH RELATED PARTIES

During the year the company sold goods and services to the followings:

	1996 £	1995 £
Linn Products Ltd	51,641	62,421

During the year the company purchased goods and services from the followings:

	1996 £	1995 £
Linn Products Ltd	13,000	20,974
Textile Engineering Company	131,026	122,782

The above transactions were carried out at arms length and on normal commercial basis.