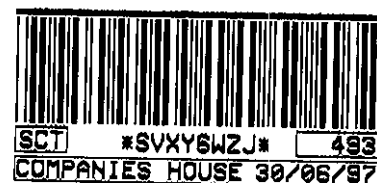


DMI PRECISION ENGINEERING LIMITED  
DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH NOVEMBER 1995



COMPANY NO. SCO56292



DMI PRECISION ENGINEERING LIMITED

COMPANY INFORMATION

DIRECTORS :

HUGH INNES  
BRIAN INNES

SECRETARY :

HUGH INNES

COMPANY NUMBER :

SCO56292

REGISTERED OFFICE :

4 LOTHIAN STREET  
DALKEITH  
MIDLOTHIAN  
EH22 1DS

AUDITORS :

IAN J BROWN & COMPANY  
CHARTERED ACCOUNTANTS  
AND REGISTERED AUDITORS  
4 LOTHIAN STREET  
DALKEITH  
MIDLOTHIAN  
EH22 1DS

DMI PRECISION ENGINEERING LIMITED

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DIRECTORS' REPORT FOR THE YEAR ENDED 30TH NOVEMBER 1995

The directors present their report and the financial statements for the year ended 30th November 1995.

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 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 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.

Principal Activity

The company's principal activity continues to be that of precision engineering.

Directors

The Directors who served during the year and their beneficial interests in the company's issued ordinary share capital were:-

	30/11/95	30/11/94
Hugh Innes	51	92
Brian Innes	49	8

Auditors

The auditors, Ian J Brown & Company, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report, which has been prepared taking advantage of special exemptions applicable to small companies was approved by the board on 27th June 1997 and signed on their behalf.



H INNES  
SECRETARY

AUDITORS' REPORT TO THE SHAREHOLDERS OF

DMI PRECISION ENGINEERING LIMITED

We have audited the financial statements on pages 3 to 10 which have been prepared under the historical cost convention and the accounting policies set out on pages 5 and 6.

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 relating 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.

Opinion

The company has not depreciated its land and buildings in accordance with Statement of Standard Accounting Practice No 12 and the Companies Act 1985.

Except for the failure to depreciate land and buildings, in our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 30th November 1995 and of its profit for the year then ended and have been properly prepared in accordance with the provision of the Companies Act 1985 applicable to small companies.

  
27.6.97

Ian J Brown & Company  
Chartered Accountants and  
Registered Auditors  
4 Lothian Street  
DALKEITH  
Midlothian  
EH22 1DS

DMI PRECISION ENGINEERING LIMITED

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PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30TH NOVEMBER 1995

	<u>Notes</u>	<u>1995</u>	<u>1994</u>
		£	£
Turnover	1, 2	387979	325444
Cost Of Sales		<u>33654</u>	<u>45276</u>
Gross Profit		354325	280168
Administrative Expenses		<u>309014</u>	<u>261017</u>
Operating Profit	3	45311	19151
Interest Receivable		-	-
Interest Payable	4	<u>5446</u>	<u>1396</u>
Profit On Ordinary Activities Before Taxation		39865	17755
Taxation On Profit On Ordinary Activities	8	<u>11487</u>	<u>4994</u>
		28378	12761
Dividend	7	<u>20000</u>	<u>-</u>
Retained Profit For The Year		8378	12761
Retained Profit Brought Forward		<u>48087</u>	<u>35326</u>
Retained Profit Carried Forward		<u>56465</u>	<u>48087</u>

There were no recognised gains and losses for 1995 or 1994 other than those included in the profit and loss account.

The notes on pages 6 to 11 form part of these financial statements.

DMI PRECISION ENGINEERING LIMITED4BALANCE SHEETAS AT 30TH NOVEMBER 1995

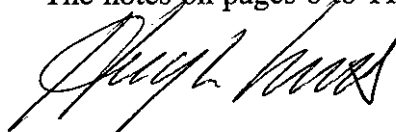
	<u>Notes</u>	<u>1995</u>	<u>1994</u>
		£	£
Fixed Assets			
Tangible Assets	9	67800	80692
Current Assets			
Stock - Raw Materials		800	500
Work In Progress		26200	19500
Debtors	10	82873	87432
Cash At Bank And In Hand		275	275
		<u>110148</u>	<u>107707</u>
Creditors: Amounts Falling Due Within One Year	11	<u>83432</u>	<u>93831</u>
Net Current Assets (Liabilities)		<u>26716</u>	<u>13876</u>
Total Assets Less Current Liabilities		94516	94568
Creditors: Amounts Falling Due After More Than One Year	12	(19828)	(28258)
Provision For Liabilities and Charges			
Deferred Taxation	13	<u>(3740)</u>	<u>(3740)</u>
		<u>70948</u>	<u>62570</u>
Capital and Reserves			
Called Up Share Capital	14	100	100
Profit and Loss Account		56465	48087
Revaluation Reserve		14383	14383
Shareholders' Funds	15	<u>70948</u>	<u>62570</u>
Represented By:			
Equity Interests		70948	62570
Non Equity Interests		-	-
		<u>70948</u>	<u>62570</u>

BALANCE SHEET (CONTINUED)

AS AT 30TH NOVEMBER 1995

The directors have taken advantage, in the preparation of these financial statements, of special exemptions applicable to small companies on the grounds that the company qualifies as a small company by virtue of section 247 of the Companies Act 1985. The financial statements were approved by the board on 27th June 1997 and signed on its behalf.

The notes on pages 6 to 11 form part of these financial statements.



H INNES  
(Director)



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH NOVEMBER 1995

1. Accounting Policies

1.1 Basis Of Preparation Of Financial Statements

The financial statements are prepared under the historical cost convention and include the results of the company's operations which are described in the Directors' Report and all of which are continuing.

The company has taken advantage of the exemption in Financial Reporting Standard No.1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

1.2 Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of Value Added Tax and trade discounts.

1.3 Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost or valuation less depreciation.

Depreciation is provided as rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Land and Buildings	Nil
Motor Vehicles	25% reducing balance basis
Plant and Machinery	25% reducing balance basis
Loose Tools	25% reducing balance basis
Fixtures and Fittings	25% reducing balance basis

1.4 Leasing and Hire Purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)FOR THE YEAR ENDED 30TH NOVEMBER 19951.5 Operating Leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit and loss account as incurred.

1.6 Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.7 Deferred Taxation

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method, only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the near future. Provision has also been made for taxation on the difference between the revaluation value and the cost price of the property.

1.8 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amount payable by the company to the fund in respect of the year.

2. Turnover

In the year to 30th November 1995 £131013 of the company's turnover was to markets outside the United Kingdom. (1994 - Nil).

3. Operating Profit

The operating profit is stated after charging:-

	<u>1995</u>	<u>1994</u>
	£	£
Depreciation Of Tangible Fixed Assets - owned by the company	19092	19898
Auditors' Remuneration	5440	3000
Directors' Emoluments	44582	41629
Directors' Pension Contributions	6181	5581

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)FOR THE YEAR ENDED 30TH NOVEMBER 1995

	<u>1995</u>	<u>1994</u>
	£	£
4. <u>Interest Payable</u>		
Interest payable on bank overdraft	1566	1396
Hire Purchase Interest	3880	-
	<u>5446</u>	<u>1396</u>
5. <u>Staff Costs</u>		
The average number of employees during the year was 11 (1994 - 10) and the total payroll cost including social security costs was £178181. In addition pension costs totalled £12350.		
6. <u>Pensions</u>		
The company operates a defined contribution pension scheme and the charge for the year was £12350 (1994 - £10850).		
7. <u>Dividend</u>		
An interim dividend of £200 per share (£20000) was paid during the year (1994 - Nil).		
8. <u>Taxation</u>		
<u>UK Current Year Taxation</u>		
UK Corporation Tax At 25% (1994-25%)	11487	5099
Transfer To (From) Deferred Taxation	-	(49)
	11487	5050
<u>Prior Years</u>		
UK Corporation Tax	-	(56)
	<u>11487</u>	<u>4994</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30TH NOVEMBER 1995

9. Tangible Fixed Assets

	<u>Land &amp; Buildings</u>	<u>Plant &amp; Machinery</u>	<u>Fixtures &amp; Fittings</u>	<u>Motor Vehicles</u>	<u>Loose Tools</u>	<u>Total</u>
	£	£	£	£	£	£
<u>Valuation At Start of Year</u>	21000	-	-	-	-	21000
<u>Cost</u>						
At Start Of Year	-	226906	1763	49707	1370	279746
Additions	-	-	-	6200	-	6200
Disposals	-	-	-	(17215)	-	(17215)
At 30/11/95	<u>21000</u>	<u>226906</u>	<u>1763</u>	<u>38692</u>	<u>1370</u>	<u>289731</u>
<u>Depreciation</u>						
At 30/11/94	-	187467	1561	29669	1357	220054
Charge for Year	-	9860	50	9179	3	19092
Relating To Disposals	-	-	-	(17215)	-	(17215)
At 30/11/95	<u>-</u>	<u>197327</u>	<u>1611</u>	<u>21633</u>	<u>1360</u>	<u>221931</u>
<u>Net Book Values</u>						
At 30/11/95	<u>21000</u>	<u>29579</u>	<u>152</u>	<u>17059</u>	<u>10</u>	<u>67800</u>
At 30/11/94	<u>21000</u>	<u>39439</u>	<u>202</u>	<u>20038</u>	<u>13</u>	<u>80692</u>

The land and buildings were revalued by an independent valuer at £21000 on 16th August 1989. The original cost was £6617.

	<u>1995</u>	<u>1994</u>
	£	£
10. <u>Debtors</u>		
<u>Due Within One Year</u>		
Trade Debtors	80873	78054
Other Debtors	2000	2000
Debtors Loan	-	7373
	<u>82873</u>	<u>87432</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)FOR THE YEAR ENDED 30TH NOVEMBER 1995

	<u>1995</u>	<u>1994</u>
	£	£
11. <u>Creditors: Amounts Falling Due Within One Year</u>		
Trade Creditors	21148	20459
Sundry Creditors And Accruals	8440	3000
Corporation Tax	15431	8455
Other Taxes	22872	21130
Hire Purchase Creditor	13315	14147
Bank Overdraft	1739	26640
Directors Loans	487	-
	<u>83432</u>	<u>93831</u>
The bank overdraft is served by a floating charge on the assets of the business.		
12. <u>Creditors: Amounts Falling Due In More Than One Year</u>		
Hire Purchase Creditor	<u>19828</u>	<u>28258</u>
13. <u>Deferred Taxation</u>		
Balance At Beginning	3740	3789
Net Charge For Year	-	(49)
Balance At End	<u>3740</u>	<u>3740</u>
The potential liability for deferred taxation is provided as follows:		
Accelerated Capital Allowances	144	144
Provision For Taxation On Revaluation Gain	3596	3596
	<u>3740</u>	<u>3740</u>
14. <u>Called Up Share Capital</u>		
<u>Authorised</u>		
Ordinary Shares Of £1 Each	<u>100</u>	<u>100</u>
<u>Issued</u>		
Ordinary Shares Of £1 Each	<u>100</u>	<u>100</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)FOR THE YEAR ENDED 30TH NOVEMBER 1995

	<u>1995</u>	<u>1994</u>
	£	£
15. <u>Movement On Shareholders' Funds</u>		
(Loss)/Profit For The Year	28378	12761
Dividend	(20000)	-
Opening Shareholders' Funds	<u>62570</u>	<u>49809</u>
Closing Shareholders' Funds	<u>70948</u>	<u>62570</u>

16. Contingent Liabilities

The company had no contingent liabilities at 30th November 1995.

17. Capital Commitments

The company are contemplating the purchase of new premises and will ensure that adequate funding is available to fund the purchase of the premises.

18. Post Balance Sheet Events

The company have subsequently purchased new premises for which adequate funding has been made available from bank borrowing.