Company Registration No. 832021 (England and Wales)

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SOUND ATTENUATORS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 1997

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SOUND ATTENUATORS LIMITED

COMPANY INFORMATION

Directors	R I Woods G E Barnes I P Evans A T Fry E R Knight R Stubbings G P David
Secretary	E R Knight
Company number	832021
Registered office	12 York Gate Regent's Park London NW1 4QS
Auditors	Blick Rothenberg 12 York Gate Regent's Park London NW1 4QS

SOUND ATTENUATORS LIMITED

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SOUND ATTENUATORS LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 1997

The directors present their report and financial statements for the year ended 31 August 1997.

Principal activities and review of the business

The principal activity of the company continued to be that of the manufacture, sale and installation of equipment to control and reduce environmental noise pollution.

The results for the year and the financial position at the year end were considered by the directors. The directors expect growth and a return to profitability in the near future.

The ultimate parent company has provided an undertaking that it will continue to provide sufficient funds to enable the company to meet its obligations as they fall due.

Results and dividends

The results for the year are set out on page 4.

The directors do not recommend payment of an ordinary dividend.

It is proposed that the retained loss of £94,102 is transferred to reserves.

Fixed assets

Changes in fixed assets during the year are explained in note 6 to the financial statements.

The freehold land and buildings have been revalued in line with the sales price included in a contract for the disposal of such property. The sale is due to be completed in 1998.

Directors and their interests

The directors who served in the year, and changes subsequent to the year end, were as follows:

R I Woods (Chairman)
C M McKay (resigned 27 September 1996)
G E Barnes
I P Evans
A T Fry
E R Knight
R Stubbings
N P Yule (resigned 30 September 1997)
G P David (appointed 4 August 1997)

No director had any interest in the company's shares at any time during the year.

The interests of R I Woods and E R Knight in the shares of group companies is shown in the directors' report of The Salex Group Limited, the ultimate parent company.

SOUND ATTENUATORS LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 1997

The other directors who held office at 31 August 1997 had no interests in the shares of the Salex Group Limited other than the following interests at the beginning of the year, or at their date of appointment, and at the end of the year:

	Ordinary shares of £1 each	
	1 September 1996	31 August 1997
G E Barnes	2,357	2,357
A T Fry	20,349	20,349
N P Yule	2,142	2,142

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Blick Rothenberg be reappointed as auditors of the company will be put to the Annual General Meeting.

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;

state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

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.

By order of the Board

E R Knight
Director
6 February 1998

SOUND ATTENUATORS LIMITED

AUDITORS' REPORT
TO THE SHAREHOLDERS OF SOUND ATTENUATORS LIMITED

We have audited the financial statements on pages 4 to 17 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) 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.

Opinion

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



BLICK ROTHENBERG

Chartered Accountants
Registered Auditor

17 February 1998

12 York Gate
Regent's Park
London
NW1 4QS

SOUND ATTENUATORS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 1997

	Notes	1997 £	1996 £
Turnover	2	6,803,709	7,073,692
Cost of sales		(3,902,324)	(4,186,608)
Gross profit		2,901,385	2,887,084
Administrative expenses		(3,090,981)	(3,095,671)
Other operating income		146,361	187,477
Operating loss	3	(43,235)	(21,110)
Interest payable and similar charges	4	(98,799)	(99,759)
Loss on ordinary activities before taxation		(142,034)	(120,869)
Tax on loss on ordinary activities	5	47,932	20,047
Loss on ordinary activities after taxation	13	(94,102)	(100,822)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

SOUND ATTENUATORS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 AUGUST 1997

	1997 £	1996 £
Loss on ordinary activities after taxation	(94,102)	(100,822)
Revaluation in year	(155,970)	-
Total recognised losses in year	(250,072)	(100,822)

SOUND ATTENUATORS LIMITED

BALANCE SHEET
AS AT 31 AUGUST 1997

	Notes	1997 £	1997 £	1996 £	1996 £
Fixed assets					
Tangible assets	6		922,574		1,102,989
Current assets					
Stocks	7	413,632		416,382	
Debtors	8	1,708,048		2,026,830	
Cash at bank and in hand		6,990		8,456	
		2,138,670		2,451,668	
Creditors: amounts falling due within one year	9	(2,387,412)		(2,522,844)	
Net current liabilities			(258,742)		(71,176)
Total assets less current liabilities			663,832		1,031,813
Financed by:					
Creditors: amounts falling due after more than one year	10		653,833		764,203
Provisions for liabilities and charges	11		51,126		58,665
Capital and reserves					
Called up share capital	12		201,019		201,019
Share premium account	13		3,375		3,375
Revaluation reserve	13		28,387		184,357
Profit and loss account	13		(273,908)		(179,806)
Shareholders' funds - equity interests	14		(41,127)		208,945
			663,832		1,031,813

The financial statements were approved by the Board on 6th February 1998

R I Woods
Director

SOUND ATTENUATORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 1997

1 Accounting policies

1.1 Basis of preparation

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings and in accordance with applicable accounting standards.

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.3 Patents

Expenditure on patents is written off as incurred.

1.4 Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Freehold land and buildings	2.5% straight line
Short leasehold improvement	20% straight line
Plant, furniture and equipment	10% straight line
Motor vehicles	25% straight line

1.6 Leasing

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. 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.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.7 Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis. The cost of work in progress and finished goods comprises materials, direct labour and attributable production overheads. Net realisable value is based on estimated selling price less any further costs which are expected to be incurred to completion and disposal.

1.8 Pensions

The regular cost of providing retirement pensions and related benefits is charged to the profit and loss account over the employees' service lives on the basis of a constant percentage of earnings. Any difference between the charge to the profit and loss account and the contributions paid to the scheme is shown as an asset or liability in the balance sheet.

1.9 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences 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 foreseeable future.

2 Turnover

Geographical market

	1997	1996
	£	£
United Kingdom	6,331,549	5,569,989
Rest of the World	472,160	1,503,703
	6,803,709	7,073,692

3 Operating loss

	1997	1996
	£	£
Operating loss is stated after charging/(crediting):		
Depreciation of tangible assets	197,277	186,945
Hire of plant and machinery	7,278	8,639
Operating lease rentals		
- Land and buildings	337,638	294,541
Auditors' remuneration	15,000	15,000
Profit on disposal of fixed assets	(11,908)	(5,229)

4 Interest payable and similar charges

	1997	1996
	£	£
On bank loans and overdrafts	98,799	99,759

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 1997

5 Taxation	1997	1996
	£	£
U.K. Current year taxation		
Receipt in respect of group relief	(40,393)	(48,714)
Deferred taxation	(7,539)	15,920
	(47,932)	(32,794)
Prior years		
U.K. Corporation tax	-	12,747
	(47,932)	(20,047)

6 Tangible fixed assets

	Freehold land and buildings	Short leasehold improvement	Plant, furniture and equipment	Motor vehicles	Total
	£	£	£	£	£
Cost or valuation					
At 1 September 1996	395,253	101,738	2,288,192	304,281	3,089,464
Additions	-	-	109,611	77,888	187,499
Revaluation	(155,970)	-	-	-	(155,970)
Disposals	-	-	-	(70,937)	(70,937)
At 31 August 1997	239,283	101,738	2,397,803	311,232	3,050,056
Depreciation					
At 1 September 1996	38,348	101,738	1,673,316	173,073	1,986,475
On disposals	-	-	-	(56,270)	(56,270)
Charge for the year	5,272	-	123,858	68,147	197,277
At 31 August 1997	43,620	101,738	1,797,174	184,950	2,127,482
Net book value					
At 31 August 1997	195,663	-	600,629	126,282	922,574
At 31 August 1996	356,905	-	614,876	131,208	1,102,989

The freehold land and buildings have been revalued in line with the sales price included in a contract for the disposal of such property. The sale is due to be completed in 1998.

Comparable historical cost for the land and buildings included at valuation:

	£
Cost	
Historical cost at 1 September 1996 and at 31 August 1997	210,896
Depreciation based on cost	
At 1 September 1996	38,348
Charge for the year	5,272
At 31 August 1997	43,620
Net book values	
At 31 August 1997	167,276

Included above are assets held under finance leases or hire purchase contracts as follows:

	Plant, furniture and equipment	Motor vehicles	Total
	£	£	£
Net book values			
At 31 August 1997	402,945	107,384	510,329
At 31 August 1996	398,620	118,236	516,856
Depreciation charge for the year			
31 August 1997	61,516	30,190	91,706
31 August 1996	31,203	36,744	67,947

7 Stocks and Work in Progress

	1997	1996
	£	£
Raw materials and consumables	269,076	288,652
Work in progress	144,556	127,730
	413,632	416,382

8 Debtors

	1997	1996
	£	£
Trade debtors	1,440,096	1,829,862
Amounts owed by parent undertaking and fellow subsidiary undertakings	146,928	168,536
Prepayments and accrued income	121,024	28,432
	1,708,048	2,026,830

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 1997

9 Creditors : amounts falling due within one year	1997 £	1996 £
Bank loans and overdrafts	343,379	860,999
Trade creditors	957,437	911,068
Bills of exchange payable	86,525	56,680
Net obligations under finance lease and hire purchase contracts	94,237	83,508
Corporation tax	(2,444)	12,747
Other taxes and social security costs	503,141	291,145
Other creditors	97,856	69,772
Accruals and deferred income	307,281	236,925
	2,387,412	2,522,844

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 1997

10 Creditors : amounts falling due after more than one year	1997 £	1996 £
Bank and other loans	425,000	525,000
Net obligations under finance leases and hire purchase agreements	228,833	239,203
	653,833	764,203

Analysis of Loans

Repayable by instalments, wholly or partly in more than five years:		
Bank Loans	225,000	325,000
Amount payable to fellow subsidiary company	200,000	200,000
	425,000	525,000

The bank loans and overdrafts are secured by way of fixed and floating charges over all the assets of the company. It includes a medium-term loan of £500,000, of which £100,000 is included in creditors falling due within one year. The loan became repayable in quarterly instalments of £25,000 commencing November 1995 with interest being charged at 3% over base rate.

Net obligations under finance leases and hire purchase contracts

Repayable within one year	120,568	91,123
Repayable between two and five years	253,529	373,409
Repayable after five years	108,941	-
	483,038	464,532
Finance charges and interest allocated to future accounting periods	(159,968)	(141,821)
	323,070	322,711
Included in liabilities falling due within one year	(94,237)	(83,508)
	228,833	239,203

11 Provisions for liabilities and charges

Deferred tax is provided at 31% (1996 - 33%).

Movements on the provision for deferred taxation are:	£
At 1 September 1996	58,665
Movement in year	(7,539)
At 31 August 1997	51,126

Fully provided

	1997 £	1996 £
Accelerated capital allowances	42,263	50,750
Other timing differences	7,863	7,915
	51,126	58,665

12 Share capital

	1997 £	1996 £
Authorised		
250,672 Ordinary shares of £1 each	250,672	250,672
Allotted, called up and fully paid		
201,019 Ordinary shares of £1 each	201,019	201,019

13 Statement of movement on reserves

	Share premium account £	Revaluation reserve £	Profit and loss account £
At 1 September 1996	3,375	184,357	(179,806)
Retained loss for the year	-	-	(94,102)
Revaluation during the year	-	(155,970)	-
At 31 August 1997	3,375	28,387	(273,908)

14 Reconciliation of movements in shareholders' funds

	1997	1996
	£	£
Loss for the financial year	(94,102)	(100,822)
Revaluation in the year	(155,970)	-
Net depletion in shareholders' funds	(250,072)	(100,822)
Opening shareholders' funds	208,945	309,767
Closing shareholders' funds	(41,127)	208,945

15 Contingent liabilities

The company has guaranteed, and secured by fixed and floating charges on its own assets and undertakings, bank borrowings and other liabilities of other group companies, the amount outstanding at 31 August 1997 being £533,865 (1996: £924,153).

16 Operating lease commitments

At 31 August 1997 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	1997	1996	1997	1996
	£	£	£	£
Expiry date:				
Within one year	-	-	11,150	84,849
Between two and five years	-	-	96,177	-
In over five years	167,880	167,880	30,077	30,077
	167,880	167,880	137,404	114,926

17 Financial commitments

	1997	1996
	£	£
At 31 August 1997 the company had capital commitments as follows:		
Contracted for but not provided in the financial statements	54,673	19,195
Authorised but not contracted for	1,000	-
	55,673	19,195

18 Directors' emoluments

	1997	1996
	£	£
Management remuneration	162,021	258,728
Company contributions to money purchase schemes	11,339	15,891
	173,360	274,619
Emoluments excluding pension contributions:		
Chairman	-	-
Highest paid director	44,629	60,784
	Number	Number
Directors accruing benefits under pension schemes	5	6

19 Employees

Number of employees

The average number of employees (including directors) during the year was:

	1997	1996
	Number	Number
Administration	50	49
Production	87	87
Selling and distribution	15	16
	152	152

Employment costs

	£	£
Wages and salaries	3,524,440	3,365,648
Social security costs	273,123	267,139
Other pension costs	156,923	45,615
	3,954,486	3,678,402

20 Pension costs

Contributions to the group pension scheme are made on the basis of professional actuarial advice.

Particulars of the actuarial valuation of the group scheme are contained in the financial statements of the ultimate parent company.

21 Ultimate parent undertaking and ultimate controlling party

The parent undertaking of the only group of undertakings for which group financial statements are drawn up and of which the company is a member is The Salex Group Limited, incorporated in England. Copies of the group financial statements are available to the public from Companies House, Crown Way, Cardiff CF4 3UZ.

The directors regard The Salex Group Limited as being the ultimate parent company.

The directors regard R I Woods as being the ultimate controlling party.

22 Financial support

The ultimate parent company has provided an undertaking that it will continue to procure sufficient funds to enable the company to meet its obligations for the foreseeable future.

23 Related party transactions

The company has taken advantage of the exemption afforded by Financial Reporting Standard 8, Related Party Transactions, from disclosing transactions with fellow subsidiary undertakings whose accounts are included in the consolidated financial statements of The Salex Group Limited.