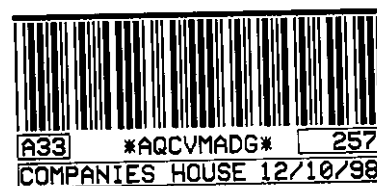


REGISTERED IN ENGLAND
COMPANY NO 923921

BARLEY CHALU LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1997



LARKING GOWEN
CHARTERED ACCOUNTANTS
NORWICH

BARLEY CHALU LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 1997

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BARLEY CHALU LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the company for the year ended 31st December 1997.

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 activities

The principal activities of the company are

- a. Powder coating of aluminum
- b. Thermal breaking of aluminum

Business review

Both the level of business and the year end financial position were satisfactory. The directors expect of level of profitability of the company to continue in the foreseeable future.

Results and dividends

The profit for the year after taxation amounted to £78,180. The directors do not recommend the payment of a dividend.

Directors and their interests

Details of the directors who served during the year and their interests in the share capital of the company are as follows:

	Ordinary shares of £1 each	
	1997	1996
T. Chalu	2,500	2,500
M. Munday	-	-
M.J. Cook	-	-
D.J. Carman	-	-

BARLEY CHALU LIMITED

DIRECTORS' REPORT (CONTINUED)

Directors and their interests (continued)

T. Chalu is also a trustee and beneficiary of a settlement dated 13th July 1981 which holds 5000 £1 ordinary shares in the company and is a trustee of a further settlement which holds 2500 £1 ordinary shares in the company.

Political and charitable contributions

Contributions made by the company during the year:

£

United Kingdom charitable organisations

76

United Kingdom political organisations

200

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing the reappointment of Larking Gowen as auditors to the company will be put to the annual general meeting.

By order of the board



.....

T. Chalu
Chairman

29th September 1998

LARKING GOWEN

CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE SHAREHOLDERS OF BARLEY CHALU 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 to 8.

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.

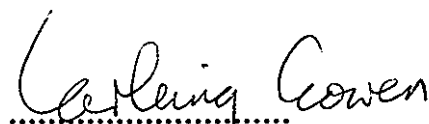
Basis of opinion

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 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 31st December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Larking Gowen
Registered Auditors
Norwich

6 October 1998

7 Queen Street, Norwich NR2 4ST	Tel: 01603 624181 Fax: 01603 667800
13 West Street, Cromer NR27 9HZ	Tel: 01263 512907 Fax: 01263 515487
1 Tavern Lane, Dereham NR19 1PX	Tel: 01362 693318 Fax: 01362 696227
19 Mere Street, Diss IP22 3AD	Tel: 01379 651067 Fax: 01379 650421
10 Oak Street, Fakenham NR21 9EH	Tel: 01328 863121 Fax: 01328 856141
43 Bull Street, Holt NR25 6HP	Tel: 01263 712017 Fax: 01263 712771
89 Station Road, Sheringham NR26 8RG	Tel: 01263 824550 Fax: 01263 824876

BARLEY CHALU LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31ST DECEMBER 1997**

	Notes	1997 £	1996 £
Turnover	2	4,835,363	4,727,192
Cost of sales		2,162,429	2,274,526
Gross profit		2,672,934	2,452,666
Other operating expenses	3.	2,477,805	2,336,349
Operating profit		195,129	116,317
Interest payable and similar charges	5	89,701	77,257
Profit on ordinary activities before taxation	6	105,428	39,060
Taxation	7	(27,248)	(8,580)
Retained profit for the financial year transferred to reserves		78,180	30,480
Statment of retained profits			
Retained profits at 1st January 1997		1,014,570	984,090
Retained profit for the year		78,180	30,480
Retained profits at 31st December 1997		1,092,750	1,014,570

The company's turnover and operating profit in both the current and preceding periods derive wholly from continuing operations.

Statement of total recognised gains and losses

The company had no recognised gains or losses other than the profit for the year.

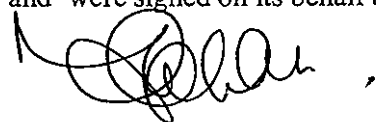
BARLEY CHALU LIMITED

BALANCE SHEET

AS AT 31st DECEMBER 1997

		1997		1996	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	8		1,391,340		1,553,576
Current assets					
Stocks	11	130,442		108,469	
Debtors	12	1,045,019		1,058,982	
Cash at bank and in hand		1,139		2,053	
		<u>1,176,600</u>		<u>1,169,504</u>	
Creditors: amounts falling due within one year	13a	<u>1,010,631</u>		<u>1,249,982</u>	
Net current assets/(liabilities)			<u>165,969</u>		<u>(80,478)</u>
Total assets less current liabilities			<u>1,557,309</u>		<u>1,473,098</u>
Creditors: amounts falling due after more than one year	13b.		447,564		445,045
Provisions for liabilities and charges:					
Deferred taxation	15		6,995		3,483
Net assets			<u>1,102,750</u>		<u>1,024,570</u>
Capital and reserves					
Called up share capital	16a		10,000		10,000
Profit and loss account			1,092,750		1,014,570
Equity shareholders' funds	16b.		<u>1,102,750</u>		<u>1,024,570</u>

The financial statements on pages 4 to 17 were approved by the board of directors on and were signed on its behalf by:-



T. Chalu
Chairman

29 TH SEPTEMBER 1998

BARLEY CHALU LIMITED

CASH FLOW STATMENT

FOR THE YEAR ENDED 31st DECEMBER 1997

Notes	1997	1996
	£	£
Notes to the cash flow statement		
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	195,129	116,317
Depreciation on tangible fixed assets	195,728	146,151
(Profit)/loss on sale of tangible fixed assets	(879)	84,753
(Increase) in stocks	(21,973)	(7,068)
Decrease in debtors	13,963	127,360
(Decrease) in creditors	(80,804)	(33,678)
Net cash inflow from operating activities	301,164	433,835
Cash flow statement		
Net cash inflow from operating activities	301,164	433,835
Returns on investments and servicing of finance	17a (88,501)	(74,458)
Taxation	(5,678)	(16,258)
Capital expenditure	17b (32,613)	(538,657)
Cash inflow/(outflow) before use of liquid resources and financing	174,372	(195,538)
Financing	17c. (55,457)	158,760
Increase/(decrease) in cash in the year	118,915	(36,778)
Reconciliation of net cash flow to movement in net debt		
Increase/(decrease) in cash in the year	118,915	(36,778)
New finance leases	-	(34,500)
Cash inflow from increase in debt financing	(100,000)	(395,000)
Repayment of loans and hire purchase	155,457	236,240
	55,457	(193,260)
Change in net debt in the year	17d. 174,372	(230,038)
Net debt at 1st January 1997	17d. (1,048,035)	(817,997)
Net debt at 31st December 1997	17d. (873,663)	(1,048,035)

BARLEY CHALU LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1997

1. Accounting policies

The significant accounting policies used in the preparation of these financial statements are:-

a. Basis of accounting

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

b. Turnover

Turnover represents the value of goods and services invoiced to customers, less returns, after deducting trade and other discounts and excluding value added tax.

c. Fixed assets and depreciation

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of fixed assets over the expected useful economic lives of the assets concerned. The principal annual rates and bases used are:

The principal annual rates used are:-	%
Freehold buildings	2 on a straight line basis
Leasehold property	2 on a straight line basis
Plant and machinery	15/25 reducing balance
Office equipment	15/20 reducing balance
Motor vehicles	50/25/33.3 straight line to estimated residual value

d. Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis. Net realisable value is the price at which stocks can be sold in the normal course of business. Provision is made where necessary for obsolescent, slow moving and defective stocks.

e. Deferred taxation

Deferred taxation is provided using the liability method on timing differences between the tax and accounting treatments where these are likely to crystallise in the foreseeable future.

BARLEY CHALU LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31ST DECEMBER 1997****1. Accounting policies (continued)****f. Finance and operating leases**

Where assets are acquired under finance leasing agreements they are capitalised as if they had been purchased outright. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account using the straight line basis method.

Depreciation on the relevant assets is charged to the profit and loss account in the same manner as owned assets, over the shorter of the lease terms and the useful lives of the assets.

All other leases are operating leases and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

g. Pension costs

The company operates a defined benefit and defined contribution scheme for certain qualifying employees.

The funds of the defined benefit scheme are valued every three years by a professionally qualified independent actuary. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effect of variations from regular cost are spread over the expected average remaining service lives of members of the scheme.

The assets of the defined contribution scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents the contributions payable by the company.

2. Turnover	1997	1996
	£	£
Turnover analysed by geographical market:		
United Kingdom	4,719,457	4,564,533
Europe	115,906	162,659
	4,835,363	4,727,192
3. Other operating expenses	1997	1996
	£	£
Selling and distribution expenses	519,990	460,874
Administrative expenses	1,462,867	1,322,279
Establishment expenses	494,948	553,196
	2,477,805	2,336,349

BARLEY CHALU LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 1997

4. Staff costs	1997 Number	1996 Number
a. Employees (including executive directors)		
The average monthly number of employees during the year was:		
Production	79	80
Selling and distribution	13	13
Administration	8	8
	100	101
The cost incurred during the year were:	1997	1996
	£	£
Wages and salaries	1,610,129	1,590,752
Social security costs	151,763	148,881
Other pension costs	57,642	26,834
	1,819,534	1,766,467
b. Directors	1997	1996
	£	£
Remuneration in respect of directors was:		
Emoluments	295,877	280,506
Contributions to pension scheme	46,065	15,401
The number of directors who have benefits accruing under a money purchase scheme are	4	4
Fees and other emoluments include amounts paid to:	1997	1996
	£	£
Highest paid director	142,235	134,010
Money purchase pension contributions paid in respect of the highest paid director	30,000	-

BARLEY CHALU LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31ST DECEMBER 1997**

5.	Interest payable and similar charges	1997	1996
		£	£
	Bank loans and overdrafts	58,245	50,004
	Other loans	20,876	12,383
	On finance leases and hire purchase contracts	10,580	14,870
		89,701	77,257
6.	Profit on ordinary activities before taxation	1997	1996
		£	£
	Profit on ordinary activities before taxation is stated after charging:-		
	Depreciation charge for the year:		
	Tangible owned fixed assets	170,206	86,651
	Tangible fixed assets held under finance leases	25,522	59,500
	Auditors' remuneration	7,200	6,750
	Hire of plant and machinery		
	- Operating leases	48,572	43,712
	Hire of other assets - operating leases	37,890	38,462
	Hire of land and buildings - operating lease	38,500	50,500
	Loss on disposal of fixed assets	-	84,753
	and after crediting:-		
	Profit on sale of fixed assets	879	-
7.	Taxation	1997	1996
		£	£
	United Kingdom corporation tax at 21 % (1996: 24 %)		
	Current	23,736	5,678
	Deferred	3,512	3,483
	(Over)/under provision in respect of prior years:		
	Current	-	(581)
		27,248	8,580

BARLEY CHALU LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 1997

8. Tangible fixed assets

	Freehold property £	Long leasehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings and office equipment £	Total £
Cost						
At 1st January 1997	260,014	396,544	1,110,596	140,253	238,400	2,145,807
Additions	-	-	33,019	-	3,095	36,114
Disposals	-	-	-	(9,652)	-	(9,652)
At 31st December 1997	260,014	396,544	1,143,615	130,601	241,495	2,172,269
Depreciation						
At 1st January 1997	23,888	126,701	229,018	59,346	153,278	592,231
Charge for year	4,771	7,931	145,169	23,209	14,648	195,728
Disposals	-	-	-	(7,030)	-	(7,030)
At 31st December 1997	28,659	134,632	374,187	75,525	167,926	780,929
Net book value at 31st December 1997	231,355	261,912	769,428	55,076	73,569	1,391,340
Net book value at 31st December 1996	236,126	269,843	881,578	80,907	85,122	1,553,576

The net book value of tangible fixed assets includes amounts of £54,497 (1996: 153,597) and £46,399 (1996: £74,861) in respect of assets held under finance lease and hire purchase contracts.

Depreciation charges for the year relating to assets held under finance lease and hire purchase contracts amount to £8,623 and £15,492 for plant and machinery and motor vehicles respectively. Depreciation of £1,407 was also charged against office equipment held under finance leases.

9. Capital commitments	1997 £	1996 £
- Capital commitments that have been contracted for but not yet provided for in the financial statements	5,566	-
- Commitments under finance leases entered into, but not yet provided for in the financial statements	71,360	-

BARLEY CHALU LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 1997

10. Fixed asset investments

Name of undertaking	Country of Incorporation or registration	Description of shares held	Proportion of nominal value of issued shares held
Coloured Frames Systems Limited	England and Wales	£1 ordinary shares	75%

Coloured Frames Systems Limited has been struck off the Companies House register and the directors consider that the subsidiary undertaking is not material for the purpose of giving a true and fair view. Consequently, no group accounts are required.

11. Stocks	1997 £	1996 £
Raw materials and consumables	117,209	95,885
Work in progress	13,233	12,584
	130,442	108,469

12. Debtors	1997 £	1996 £
Amounts falling due within one year:-		
Trade debtors	987,308	995,280
Other debtors	573	11,919
Prepayments and accrued income	57,138	51,783
	1,045,019	1,058,982

13. Creditors	1997 £	1996 £
a. Amounts falling due within one year:-		
Bank loans and overdrafts (see note 13 c)	374,775	494,604
Obligations under finance leases and hire purchase contracts (see note 14)	22,463	65,439
Trade creditors	371,968	486,623
Corporation tax	23,736	5,678
Taxation and social security payable	141,701	97,741
Other creditors	55,567	81,710
Accruals	20,421	18,187
	1,010,631	1,249,982

BARLEY CHALU LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31ST DECEMBER 1997****13. Creditors (continued)****a. Amounts falling due within one year:- (continued)**

The bank loans and overdrafts are secured by a mortgage debenture dated 30th September 1977, incorporating specific charges over all freehold and leasehold property, book debts, stocks and shares and a floating charge over all other assets.

The bank loans and overdrafts are also secured by a legal mortgage dated 24th November 1977 over the company's leasehold property.

b. Amounts falling due after more than one year:	1997	1996
	£	£
Bank loans and overdrafts (see (c))	175,000	250,000
Obligations under finance leases and hire purchase contracts	22,564	45,045
Other loans (see (d))	250,000	150,000
	447,564	445,045

c. Bank loans	1997	1996
	£	£
Bank loans are repayable by instalments as follows:		
In one year or less, or on demand	75,000	75,000
Between one and two years	75,000	75,000
Between two and five years	100,000	175,000
	250,000	325,000

The bank loan is a fixed interest rate loan at 9.25% and is repayable in monthly instalments.

d. Other loans

£150,000 is repayable on 25th October 2000 and bears interest at 3% above Barclays Bank PLC base rate.

£100,000 is repayable on 15th January 2002 and bears interest at 3% above Barclays Bank Plc base rate.

Both loans are unsecured.

BARLEY CHALU LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 1997

14. Finance leases

The net finance lease obligations to which the company is committed are as follows:	1997 £	1996 £
In one year or less	22,463	65,439
Between one and two years	9,939	22,463
Between two and five years	13,225	22,582
	45,627	110,484

Obligations under finance leases and hire purchase contracts are secured by related assets.

15. Provisions for liabilities and charges

Deferred taxation

Deferred taxation provided and not provided in the financial statements, are as follows:

	Amount provided		Amount unprovided	
	1997	1996	1997	1996
	£	£	£	£
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	6,995	3,483	97,587	108,225
Tax losses carried forward	-	-	-	(13,944)
	6,995	3,483	97,587	94,281

The movements on the provision for deferred taxation are as follows:-

	1997 £	£
At 1st January 1997		3,483
Movement due to a change in the rate of tax	(435)	
Unutilised provision in year	3,947	
Transfer from profit and loss account		3,512
At 31st December 1997		6,995

BARLEY CHALU LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 1997

16.	a.	Called up share capital	1997	1996
			£	£
		Authorised		
		Equity: 10,000 ordinary shares of £1 each	10,000	10,000
		Allotted, called up and fully paid		
		Equity: 10,000 ordinary shares of £1 each	10,000	10,000
	b.	Reconciliation of movements in shareholders' funds	1997	1996
			£	£
		Opening shareholders' funds	1,024,570	994,090
		Profit for the financial year	78,180	30,480
		Closing shareholders' funds	1,102,750	1,024,570
		Represented by:		
		Equity interests	1,102,750	1,024,570

BARLEY CHALU LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 1997

17.	Analysis of cash flows for headings netted in the cash flow statement	1997	1996
		£	£
a.	Returns on investments and servicing of finance		
	Interest paid	(77,921)	(59,588)
	Interest element of finance lease rental payments	(10,580)	(14,870)
	Net cash outflow for returns on investments and servicing of finance	(88,501)	(74,458)
b.	Capital expenditure		
	Payments to acquire tangible fixed assets	(36,114)	(577,907)
	Receipts from sale of tangible fixed assets	3,501	39,250
	Net cash outflow for capital expenditure	(32,613)	(538,657)
c.	Financing		
	Directors loan	(15,000)	45,000
	New secured bank loan	-	350,000
	Repayment of secured bank loans	(75,000)	(130,244)
	Capital element of finance lease rental payments	(65,457)	(105,996)
	New other loan	100,000	-
	Net cash (outflow)/inflow from financing	(55,457)	158,760
d.	Analysis of changes in net debt	At 1st January 1997	At 31st December 1997
		£	£
	Cash in hand at bank	2,053	1,139
	Overdraft	(419,604)	(299,775)
		(417,551)	(298,636)
	Debt due within 1 year	(185,439)	(127,463)
	Debt due after 1 year	(445,045)	(447,564)
	Total	(1,048,035)	(873,663)
18.	Major non-cash transactions		

The company did not enter into finance lease arrangements during the year (1996: £38,415).

BARLEY CHALU LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 1997

19. Pension commitments

The company operates a defined contribution scheme and formerly operated a defined benefit scheme.

a. Defined benefit

The defined benefit scheme was closed on 6th April 1991 with existing members ceasing to accrue pensionable service. The benefits accrued at the date of closure of the defined benefit scheme are secured for all members, and there is no further liability to the company

b. Defined contribution

The assets of the defined contribution scheme are held separately from those of the company in an independently administered fund. The company paid a contribution of £30,000 to the fund in the year (1996: £nil).

20. Commitments under operating leases

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

	Land and buildings		Other	
	1997	1996	1997	1996
	£	£	£	£
Expiring within one year	-	12,000	7,520	9,737
between two and five years inclusive	38,500	38,500	69,012	68,090
	38,500	50,500	76,532	77,827

21. Transactions with directors and related parties

By virtue of their shareholders in Mastercote Limited, T. Chalu and M. Munday are indirectly interested in the mutual trade between the company and Mastercote Limited. This trade is conducted at arms length and within both companies; normal trading terms.

The value of sales of Mastercote Limited during the year amounted to £80,540 (1996: £42,883). The value of purchases from Mastercote Limited during the year amounted to £513,959 (1996: £547,617). Net amounts owed to Mastercote Limited at the year end were £21,575 (1996: £30,262).

During the year, the company had transactions with the Barley Chalu Limited Retirement benefit Scheme. The company has made payments of £22,542 (1996: £12,808) in respect of loan interest, £38,500 (1996: £45,500) in respect of rent and contributions of £30,000 (1996: £Nil). An amount of £250,000 (1996: £150,000) was owed to the Barley Chalu Limited Retirement Benefit Scheme.

During the year, R. Chalu son of T. Chalu made a loan to the company of £20,000. This was an interest free loan and was fully repaid at the year end.