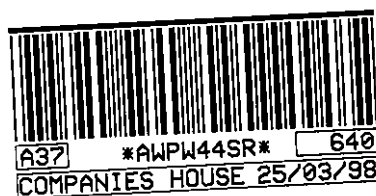


SKAR PRECISION MOULDINGS LIMITED

DIRECTOR'S REPORT
AND
FINANCIAL STATEMENTS

31ST DECEMBER, 1997

COMPANY NUMBER: 949310



SKAR PRECISION MOULDINGS LIMITED

Directors
G McLellan
K Driver

Secretary and Registered Office
G McLellan
Lady Lane Industrial Estate
Hadleigh
Ipswich
Suffolk IP7 6AZ

REPORT OF THE DIRECTORS

The directors submit their report and the financial statements for the year ended 31st December, 1997.

ACTIVITIES AND BUSINESS REVIEW

The company's principal activity during the year was that of the design and manufacture of plastic mouldings and associated products. The profit for the year, after taxation, amounted to £174,705 which, in the opinion of the directors, indicates a continued growth of the company. The directors anticipate a continued growth in profitability in the future.

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year under review were as follows:-

	At beginning of year	At end of year
G McLellan	-	-
K Driver	-	-

The company is controlled by Mr G McLellan via his shareholding in the ultimate parent company.

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 accounts, the directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The directors confirm that they have complied with the above requirements in preparing the accounts.

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 accounts 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.

DIVIDENDS

The directors recommend an interim dividend of £500,000 being £500 per Ordinary share which was paid on 31st December, 1997.

SKAR PRECISION MOULDINGS LIMITED**REPORT OF THE DIRECTORS - continued****FUTURE DEVELOPMENTS**

The directors anticipate a continuation of the growth in the company's business.

AUDITORS

A resolution to reappoint Messrs Edwards as auditors will be put to the Members at the Annual General Meeting.

In preparing this report advantage has been taken on special exemptions available to small companies.

16th March, 1998

By Order of the Board

A handwritten signature in dark ink, appearing to read 'G McLellan', is written over the printed name and title.

G McLellan
Secretary

**AUDITOR'S REPORT TO THE MEMBERS OF
SKAR PRECISION MOULDINGS LIMITED**

We have audited the financial statements on pages four to eleven which have been prepared under the historic cost convention as modified by the revaluation of tangible fixed assets.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS

As described on page one 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 preparation 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 at 31st December, 1997 and of its results for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

16th March, 1998



**Edwards
Chartered Accountants
Registered Auditor
Cambridgeshire**

SKAR PRECISION MOULDINGS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER, 1997

	Notes	1997 £	1996 £
TURNOVER	1b & 2	3,353,744	2,788,819
Cost of sales		<u>(2,513,236)</u>	<u>(2,057,253)</u>
GROSS PROFIT		840,508	731,566
Administrative expenses		<u>(588,002)</u>	
OPERATING PROFIT	3	252,506	165,833
Interest receivable		4,557	4,169
Interest payable	4	<u>(48,903)</u>	<u>(43,232)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		208,160	126,770
Taxation	5	<u>33,455</u>	<u>(35,803)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		174,705	90,967
DIVIDEND			
Ordinary dividend	6	<u>(500,000)</u>	<u>-</u>
RETAINED (LOSS)/PROFIT FOR THE YEAR		(325,295)	90,967
RETAINED PROFIT BROUGHT FORWARD		<u>480,498</u>	<u>389,531</u>
RETAINED PROFIT CARRIED FORWARD		<u>£155,203</u>	<u>£480,498</u>

The reconciliation of movements in shareholders' funds is shown in note 13 to the accounts.

SKAR PRECISION MOULDINGS LIMITED

OTHER PRIMARY STATEMENT

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31ST DECEMBER, 1997

	1997 £	1996 £
PROFIT FOR THE FINANCIAL YEAR	174,705	90,967
Unrealised gain on revaluation of assets	<u>37,000</u>	<u>-</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u>£211,705</u>	<u>£90,967</u>

SKAR PRECISION MOULDINGS LIMITED

BALANCE SHEET

AS AT 31ST DECEMBER, 1997

	Notes	£	1997 £	£	1996 £
FIXED ASSETS					
Tangible assets	7		899,611		708,300
CURRENT ASSETS					
Stocks		146,640		148,489	
Debtors	8	364,495		528,271	
Cash at bank and in hand		<u>120,327</u>		<u>136,632</u>	
		631,462			
CREDITORS: Amounts falling due within one year	9	<u>(760,880)</u>		<u>(550,451)</u>	
NET CURRENT (LIABILITIES)/ASSETS			<u>(129,418)</u>		<u>262,941</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			770,193		971,241
CREDITORS: Amounts falling due after more than one year	10		<u>(427,761)</u>		<u>(340,514)</u>
			<u>£342,432</u>		<u>£630,727</u>
CAPITAL AND RESERVES					
Called up share capital	11		1,000		1,000
Profit and loss account			155,203		480,498
Revaluation reserve	12		<u>186,229</u>		<u>149,229</u>
SHAREHOLDERS' FUNDS	13		<u>£342,432</u>		<u>£630,727</u>

The directors have taken advantage in the preparation of the accounts of special exemptions applicable to small companies under Part 1 of Schedule 8 to the Companies Act 1985. In the opinion of the directors the company is entitled to those exemptions on the grounds that it qualifies as a small company.

Approved by the Board on 16th March, 1998



G McLellan
Director

SKAR PRECISION MOULDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 1997

1. ACCOUNTING POLICIES

a. Basis of Accounting

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

b. Turnover

Turnover represents sales invoiced net of Value Added Tax on the company's activities which continued during the year.

c. Tangible Fixed Assets

Tangible fixed assets acquired by the company have been capitalised at cost or valuation.

d. Depreciation and Amortisation

Depreciation and amortisation is provided on tangible fixed assets at rates calculated to write off the cost and valuation less estimated residual value over the estimated useful life as follows:-

Office equipment and fixtures and fittings	- 25% per annum on the reducing balance basis
Motor vehicles	- 25% per annum on the reducing balance basis
Plant and machinery	- 20% per annum on the reducing balance basis
Freehold building	- 2% per annum on the straight line basis

e. Stocks

Stocks are valued at the lower of cost and net realisable value. Cost comprises the purchase cost plus the cost incurred in bringing each product to its present location or condition. Work in progress and finished goods are valued at cost of direct materials and labour plus attributable overheads based on normal levels of activity. Net realisable value is based on estimated selling price and further costs expected to be incurred to completion, sale and distribution.

f. Finance Leases and Hire Purchase Contracts

Assets held under finance leases and hire purchase contracts are capitalised as tangible fixed assets and depreciated in accordance with the policies outlined above. Lease obligations are included as creditors, with the interest being charged against profit over the period of the leases.

g. Operating Leases

Rentals under operating leases are charged against profit as they are incurred.

h. Deferred Taxation

No provision has been made for deferred taxation, as, in the opinion of the directors, such provision is unlikely to be required in the foreseeable future. If provision for deferred taxation were made at current rates of Corporation Tax the liability would amount to:-

	1997	1996
Accelerated capital allowances	£___-	£___-

i. Pension Costs

The company operated a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

SKAR PRECISION MOULDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31ST DECEMBER, 1997

1. ACCOUNTING POLICIES - continued

j. Foreign Currency Translation

Transactions denominated in foreign currencies are translated at the rate of exchange on the day the transaction occurs. Assets and liabilities denominated in foreign currencies which are not to be settled at a contracted rate are translated at the balance sheet date at the rate prevailing on that day. Those assets and liabilities which are to be settled at a contracted rate are translated at the balance sheet date at the contracted rate. All currency adjustments are taken to the profit and loss account.

k. Cash Flow Statement

The company is a small company as defined by sections 246 and 247 of the Companies Act 1985. It has therefore taken advantage of the exemption conferred by Financial Reporting Standard Number 1 not to prepare a cash flow statement.

2. TURNOVER

Turnover attributable to geographical markets outside the United Kingdom amounted to 1.3% (1996: 1.5%).

3. OPERATING PROFIT

This is stated after charging/crediting:-

	1997 £	1996 £
Auditors' remuneration	8,255	3,461
Director's remuneration	26,698	3,300
Depreciation:		
- owned assets	62,357	51,970
- assets held under hire purchase contracts	40,037	54,255
Rentals under operating leases:		
- other	-	4,986
Profit on disposal of tangible fixed assets	<u>(952)</u>	<u>(372)</u>

4. INTEREST PAYABLE

Interest payable includes £15,263 relating to hire purchase (1996: £14,145).

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997 £	1996 £
Corporation tax payable on the taxable profits for the year at a rate of 24% and 21% (1996: 24%)	35,600	35,900
Overprovision in respect of previous year	<u>(2,145)</u>	<u>(97)</u>
	<u>33,455</u>	<u>35,803</u>

6. DIVIDENDS

Dividends on Ordinary shares

Interim paid £500 per share (1996: £nil)	<u>£500,000</u>	£_____
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SKAR PRECISION MOULDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31ST DECEMBER, 1997

7. TANGIBLE FIXED ASSETS

	Land & buildings £	Fixtures, fittings & office equipment £	Plant & equipment £	Motor vehicles £	Total £
Cost or Valuation					
At 1st January, 1997	300,000	61,973	885,653	61,518	1,309,144
Additions	-	10,468	264,632	-	275,100
Disposals	-	-	-	(37,076)	(37,076)
Revaluation	<u>37,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,000</u>
At 31st December, 1997	<u>337,000</u>	<u>72,441</u>	<u>1,150,285</u>	<u>24,442</u>	<u>1,584,168</u>
Depreciation					
At 1st January, 1997	-	39,966	520,914	39,964	600,844
Charge for the year	6,740	5,566	94,296	4,167	110,769
Eliminated on disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27,056)</u>	<u>(27,056)</u>
At 31st December, 1997	<u>6,740</u>	<u>45,532</u>	<u>615,210</u>	<u>17,075</u>	<u>684,557</u>
Net Book Value					
At 31st December, 1997	<u>330,260</u>	<u>26,909</u>	<u>535,075</u>	<u>7,367</u>	<u>£899,611</u>
At 31st December, 1996	<u>300,000</u>	<u>22,007</u>	<u>364,739</u>	<u>21,554</u>	<u>£708,300</u>

The net book value of tangible fixed assets held under hire purchase contracts at 31st December, 1997 amounted to:-

	1997 £	1996 £
Motor vehicles	-	16,777
Plant and machinery	<u>202,023</u>	<u>194,651</u>
	<u>£202,023</u>	<u>£211,428</u>

Fixed assets included at valuation:

	Land and Buildings	Plant and Equipment
Historical cost	222,513	983,043
Revaluation	<u>114,487</u>	<u>71,742</u>
	<u>£337,000</u>	<u>£1,054,785</u>

The freehold land and buildings were externally valued on an open market existing use basis in 1997. The revaluation forms the basis of the current year's directors' valuation incorporated in the accounts

The plant and machinery were revalued on 27th January, 1995 by Henry Butcher and Co. (Valuers and Surveyors) on an open market basis at £355,055. A revaluation surplus of £71,742 arises on a net book value of £283,313.

SKAR PRECISION MOULDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31ST DECEMBER, 1997

8. DEBTORS

	1997 £	1996 £
Trade debtors	343,096	413,900
Amounts owed by group companies	-	108,166
Prepayments	<u>21,399</u>	<u>6,205</u>
	<u>£364,495</u>	<u>£528,271</u>

9. CREDITORS: Amounts falling due within one year

Due to group companies	31,834	-
Bank overdraft	33,400	64,215
Bank loans	72,250	8,820
Obligations under hire purchase contracts	50,570	49,064
Trade creditors	393,131	303,138
Corporation tax	35,600	35,900
Other taxes and social security costs	29,757	55,576
Amounts owed to group companies	-	18,800
Other creditors	102,000	42
Accruals	<u>12,338</u>	<u>14,896</u>
	<u>£760,880</u>	<u>£550,451</u>

10. CREDITORS: Amounts falling due after more than one year

Obligations under hire purchase contracts:		
- due in 2 to 5 years	121,824	91,335
Bank loans:		
- due in 2 to 5 years	186,718	105,846
- due in over 5 years	<u>119,219</u>	<u>143,333</u>
	<u>£427,761</u>	<u>£340,514</u>

Bank borrowings are secured by a charge over the company's freehold property and life policies of the director.

11. SHARE CAPITAL

Authorised, allotted, called up and fully paid		
1,000 Ordinary shares of £1 each	<u>£1,000</u>	<u>£1,000</u>

SKAR PRECISION MOULDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31ST DECEMBER, 1997

12. REVALUATION RESERVE

	Land and Buildings £	Plant and Equipment £	Total £
Balance brought forward	77,487	71,742	149,229
Revaluation surplus during the year	<u>37,000</u>	<u>-</u>	<u>37,000</u>
Balance carried forward	<u>114,487</u>	<u>71,742</u>	<u>£186,229</u>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Retained (loss)/profit for the year	(325,295)	90,967
Revaluation surplus	37,000	-
Opening shareholders' funds	<u>630,727</u>	<u>539,760</u>
Closing shareholders' funds	<u>£342,432</u>	<u>£630,727</u>

14. PENSION COSTS

The company had a fully insured pension scheme for its directors and employees. This scheme ceased on 30th April, 1997. Premiums paid to the scheme are analysed as follows:-

Directors	-	3,300
Employees	<u>1,220</u>	<u>4,998</u>
	<u>£1,220</u>	<u>£8,298</u>

15. ULTIMATE HOLDING COMPANY

The ultimate holding company is Etle Limited, a company registered in England and Wales, company number 3021975.

16. CONTINGENT LIABILITIES

The company's bankers have a cross-guarantee over the borrowings of other companies within the group.