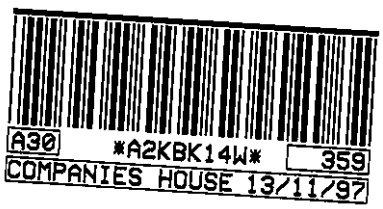
H.S.

CS Martin (Alford) Limited

Directors' report and financial statements

30 June 1997
Registered number 3047921



Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 1997.

Principal activities

The company is engaged in general engineering principally for the motor industry.

Business review

Although some new product sales were frustrated by development problems over the first half of the year there was strong recovery to budgeted activity levels during the second half. As a consequence, sales for the year increased some 10% from the previous year with profitability showing pro-rata effect.

Pressure continued from the customers in exploring cost down potential for suppliers and this continues to be backed by similar requirements on our supply train and factory productivity.

Proposed dividend

The directors propose to pay a dividend on the 1p preference shares of £153,016. A dividend of £155,551 has already been paid during the year. The directors do not recommend the payment of a dividend on the ordinary shares.

Directors and directors' interests

The directors who held office during the period together with their interest in the shares of the company were as follows:

	At 30 June 1996 and 30 June 1997 Ordinary shares of £1
I Noyes	17,000
H Summerfield	8,500
K Ralph	8,500

Tangible fixed assets

The net book value of freehold property included within the financial statement see shown in note 11. The approximate market value of the property is the insured amount of £4,000,000.

Donations

During the year CS Martin (Alford) Limited made charitable donations of £805.

Employee involvement

During the year, CS Martin (Alford) Limited has continued its policy of providing employees with information about the performance and other matters of concern to them through means of regular briefing and consultation meetings.

Directors' report *(continued)*

Company policy and objectives for equal opportunity

In recognising the basis obligation of an employer to provide equal treatment in employment matters to all current and potential employed the following policy should be adhered to.

Statement

CS Martin (Alford) Limited is an Equal Opportunity Employer and is committed to employment practices which will ensure that no potential or current employee is treated less favourably on the grounds of sex, marital status, disability, race, nationality or colour and is not disadvantaged by the application of any role, condition or requirement, which cannot be justified in either job related terms or as a requirement by law.

Employment practices consistent with the spirit of this policy will be developed by managers and reviewed on a regular basis. CS Martin (Alford) Limited will thrive to maintain a workforce which broadly reflects our local community.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

H Summerfield
Secretary

33 West Street
Alford
Lincolnshire
LN13 9DQ

24 October 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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG
1 Waterloo Way
Leicester
LE1 6LP

Report of the auditors to the members of CS Martin (Alford) Limited

We have audited the financial statements on pages 5 to 25.

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

Chartered Accountants
Registered Auditors
24 October 1997

Profit and loss account

for the year ended 30 June 1997

	Note		1997 £000		1996 £000
Turnover	*2*		**19,774**		17,970
Cost of sales			**(17,107)**		(15,433)
Gross profit			**2,667**		2,537
Distribution costs			**(344)**		(354)
Administrative expenses - normal		**(747)**		(608)	
- exceptional	*4*	**-**	**(747)**	(286)	(894)
Other operating income			**10**		58
Operating profit			**1,586**		1,347
Net Interest payable and similar charges	*7*		**(480)**		(505)
Profit on ordinary activities before taxation	*3*		**1,106**		842
Tax on profit on ordinary activities	*8*		**(374)**		(238)
Profit on ordinary activities after taxation			**732**		604
Dividends on equity and non-equity shares	*9*		**(309)**		(297)
Retained profit for the year	*18*		**423**		307

The company had no other recognised gains or losses other than the profit for the year. The results as stated relate wholly to continuing operations.

Balance sheet

at 30 June 1997

	Note	1997 £000	1997 £000	1996 £000	1996 £000
Fixed assets					
Intangible assets	*10*		**1,350**		1,425
Tangible assets	*11*		**5,667**		5,826
			7,017		7,251
Current assets					
Stocks	*12*	**1,250**		1,199	
Debtors	*13*	**4,144**		3,063	
Cash at bank and in hand		**989**		1,534	
		6,383		5,796	
Creditors: amounts falling due within one year (including convertible debt)	*14*	**(3,794)**		(3,374)	
Net current assets			**2,589**		2,422
Total assets less current liabilities			**9,606**		9,673
Creditors: amounts falling due after more than one year (including convertible debt)	*15*		**(4,690)**		(5,478)
Provisions for liabilities and charges	*16*		**(786)**		(488)
Net assets			**4,130**		3,707
Capital and reserves					
Called up share capital	*17*		**119**		119
Share premium account	*18*		**3,281**		3,281
Profit and loss account	*18*		**730**		307
			4,130		3,707
Shareholders' funds					
Equity			**830**		423
Non-equity			**3,300**		3,284
			4,130		3,707

These financial statements were approved by the board of directors on 24 October 1997 and were signed on its behalf by:

I.Noyes

Director

Cash flow statement

for the year ended 30 June 1997

	Note	1997 £000	1996 £000
Net cash inflow from operating activities	*19*	**1,531**	3,108
Returns on investments and servicing of finance	*20*	**(753)**	(644)
Taxation	*20*	**(113)**	-
Capital expenditure	*20*	**(296)**	136
Acquisition (including costs of £100,000)		**-**	(8,496)
Cash inflow/(outflow) before management of liquid resources and financing		**369**	(5,896)
Financing	*20*	**(914)**	7,430
(Decrease)/increase in cash in the year		**(545)**	1,534

Reconciliation of net cash flow to movement in net debt

21

(Decrease)/increase in cash in the year		**(545)**	1,534
Finance leases acquired on acquisition		**-**	(1,477)
Cash outflow/(inflow) from decrease in debt and lease financing		**914**	(3,930)
Change in net debt resulting from cash flows		**369**	(3,873)
New finance leases		**(275)**	(982)
Movement in net debt in the year		**94**	(4,855)
Net debt at the start of the year		**(4,855)**	-
Net debt at the end of the year	*21*	**(4,761)**	(4,855)

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	20 years
Plant and machinery	-	4 to 10 years
Fixtures and fittings	-	3 to 10 years
Know-how	-	20 years

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs

The company has established a new pension scheme which is contracted out of SERPS with effect from 15 July 1996 for permanent employees aged over 18 and under 60 who have completed six months service. Members are required to contribute 4% of relevant earnings and the balance of the cost is met by the company. An AVC scheme has also been set up with The Equitable Life Assurance Society.

Notes *(continued)*

Accounting policies *(continued)*

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the first-out purchase price is used. For work in progress and finished goods manufactured by the company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Advance corporation tax recoverable by deduction from future corporation tax is carried forward within deferred taxation or as ACT recoverable within debtors as appropriate.

2 Turnover

Turnover by destination was as follows:

	1997 £000	1996 £000
UK	**14,471**	13,136
EEC		
Belgium	**7**	14
Germany	**3,439**	2,557
Netherlands	**477**	606
Sweden	**354**	563
South Africa	**11**	38
Australia	**1,015**	1,056
	19,774	17,970

Notes *(continued)*

3 Profit on ordinary activities before taxation

	1997 £000	1996 £000
Profit on ordinary activities before taxation is stated		
after charging		
Auditors' remuneration:		
Audit	7	6
Other services	8	12
Depreciation and other amounts written off tangible and intangible fixed assets	773	686
Hire of plant and machinery - rentals payable under operating leases	44	13

4 Exceptional costs

Included in administrative expenses are the following:

	1997 £000	1996 £000
Goodwill written off on acquisition of business	-	286

Notes *(continued)*

5 Remuneration of directors

	1997 £000	1996 £000
Directors' emoluments:		
As director	132	122
Pension contributions	8	9
	140	131

	1997	1996
Number of directors who are:		
Members of CS Martin (Alford) Limited defined benefit pension schemes	3	3

	1997 £000	1996 £000
Highest paid director:		
Total remuneration excluding pension contributions	50	46
Pension contributions to defined benefit scheme	3	3
	53	49

Notes *(continued)*

6 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	1997	1996
Management and administration	**30**	30
Production and distribution	**286**	277
	316	307

The aggregate payroll costs of these persons were as follows:

	1997	1996
	£000	£000
Wages and salaries	**5,995**	5,283
Social security costs	**474**	441
Other pension costs	**354**	268
	6,823	5,992

7 Net interest payable and similar charges

	1997	1996
	£000	£000
Bank loans	**380**	399
Finance charges payable in respect of finance leases and hire purchase contracts	**151**	136
	531	535
Bank interest receivable	**(51)**	(30)
	480	505

Notes *(continued)*

8 Taxation

	1997 £000	1996 £000
UK corporation tax on the profit for the year on ordinary activities	76	-
Deferred taxation	298	238
	374	238

9 Dividends

	1997 £000	1996 £000
Preference shares		
Interim dividend paid	156	188
Final dividend proposed	153	109
	309	297

Notes *(continued)*

10 Intangible fixed assets

	Know-how £000
Cost	
At beginning of year	1,500
Additions	-
Disposals	-
At end of year	1,500
Amortisation	
At beginning of year	75
Charged in year	75
On disposals	-
At end of year	150
Net book value	
At 30 June 1997	**1,350**
At 30 June 1996	1,425

Notes *(continued)*

11 Tangible fixed assets

	Freehold land and building	Plant and machinery	Fixtures and fittings	Total
	£000	£000	£000	£000
Cost or valuation				
At beginning of year	666	5,518	249	6,433
Additions	63	371	163	597
Disposals	-	(38)	(36)	(74)
Transfers between items	-	(160)	160	-
At end of year	729	5,691	536	6,956
Depreciation				
At beginning of year	20	533	54	607
Charge for year	48	531	119	698
On disposals	-	(4)	(12)	(16)
Transfers between items	-	(27)	27	-
At end of year	68	1,033	188	1,289
Net book value				
At 30 June 1997	**661**	**4,658**	**348**	**5,667**
At 30 June 1996	646	4,985	195	5,826

Notes *(continued)*

12 Stocks

	1997 £000	1996 £000
Raw materials and consumables	731	602
Work in progress	326	294
Finished goods and goods for resale	193	303
	1,250	1,199

13 Debtors

	1997 £000	1996 £000
Trade debtors	3,918	2,880
Other debtors	85	58
Prepayments and accrued income	52	51
ACT recoverable	89	74
	4,144	3,063

The company operates a loan scheme to assist directors and senior staff to purchase motor vehicles. Amounts due under this scheme and included in debtors were £7,300 at 30 June 1997 to three employees.

ACT is recoverable in greater than one year.

Notes *(continued)*

14 Creditors: amounts falling due within one year

	1997 £000	1996 £000
Bank loans and overdrafts	**500**	375
Obligations under finance leases and hire purchase contracts (see note 15)	**560**	536
Trade creditors	**1,440**	1,464
Taxation and social security	**441**	342
Other creditors	**433**	337
Accruals and deferred income	**215**	137
Dividend proposed	**153**	109
ACT payable	**38**	74
Corporation tax	**14**	-
	3,794	3,374

Notes *(continued)*

15 Creditors: amounts falling due after more than one year

	1997 £000	1996 £000
Bank loans	3,825	4,325
Obligations under finance leases and hire purchase contracts	865	1,153
	4,690	5,478

Analysis

	1997 £000	1996 £000
Debt can be analysed as falling due:		
in one year or less, or on demand	500	375
between one and two years	500	500
between two and five years	1,500	1,500
in five years or more	1,825	2,325
	4,325	4,700

The rates of interest on the bank loans vary between 2% and 3% over LIBOR. The loans are secured by a fixed and floating charge over all the property and assets of the company.

The bank loans are repayable in instalments with £1,825,000 being repayable after more than five years in the following tranches.

Year ended 30 June	£000
2003	325
2007	500
2008	500
2009	500
	1,825

Notes *(continued)*

Creditors: amounts falling due after more than one year (continued)

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	1997	1996
	£000	£000
Within one year	715	686
In the second to fifth years	1,109	1,477
Over five years	-	-
	1,824	2,163
Less future finance charges	(399)	(474)
	1,425	1,689

Notes *(continued)*

16 Provisions for liabilities and charges

	Pensions and similar obligations £000	**Taxation including deferred taxation** £000	**Total** £000
At beginning of year	250	238	488
Utilised during year	-	-	-
Charge for the year	-	298	298
At end of year	250	536	786

The amounts provided for deferred taxation and the amounts not provided are set out below:

	1997		1996	
	Provided £000	**Unprovided £000**	Provided £000	Unprovided £000
Difference between accumulated depreciation and amortisation and capital allowances	536	-	267	-
Capital gain on land and buildings	-	70	-	80
Other timing differences	-	-	(12)	-
Losses offset	-	-	(17)	-
	536	70	238	80

Notes *(continued)*

17 Called up share capital

	1997 £	1996 £
Authorised		
Ordinary shares of £1 each	**85,000**	85,000
A1 Ordinary shares of 1 pence each	**970**	970
A2 Ordinary shares of 1 pence each	**610**	610
A1 Preference shares of 1 pence each	**20,030**	20,030
A2 Preference shares of 1 pence each	**12,540**	12,540
	119,150	119,150
Allotted, called up and fully paid		
Ordinary shares of £1 each	**85,000**	85,000
A1 Ordinary shares of 1 pence each	**970**	970
A2 Ordinary shares of 1 pence each	**610**	610
A1 Preference shares of 1 pence each	**20,030**	20,030
A2 Preference shares of 1 pence each	**12,540**	12,540
	119,150	119,150

The rights of the A ordinary and preference shares are as follows:

A Ordinary shares

- A "participating" dividend of between 9.5% and 14% of the net profit of the company, dependent upon the number of preference shares in issue, commencing in the year ended 30 June 1999. There are rights to additional dividends in certain specific circumstances.
- A holder of an A ordinary share has one vote.

A Preference shares

- A fixed cumulative dividend of 9.5% per annum, payable half yearly.
- Preference shares shall be redeemed in tranches of 540,000 shares per annum, commencing on 31 March 2003, although they may be redeemed before this period at the company's discretion. The sum of £1 will be paid for each preference share redeemed.
- The holders of preference shares have the right to attend any general meeting of the company, but cannot vote.

On a winding up of the company, the company shall pay its liabilities as follows:

- First in paying £1 per share to holders of A preference shares plus any arrears or accruals on preference dividends.
- Second in paying £1 per share to holders of A ordinary shares plus any arrears or accruals on A ordinary dividends.
- Third in paying £1 per share to ordinary shareholders.

The balance shall be distributed to the holders of ordinary and A ordinary shares (pari passu as if the same constituted one class of share).

Notes *(continued)*

18 Share premium and reserves

	Share premium account £000	Profit and loss account £000
At beginning of year	3,281	307
Retained profit for the year	-	423
At end of year	3,281	730

19 Reconciliation of operating profit to net cash flow from operating activities

	1997 £000	1996 £000
Operating profit	1,586	1,347
Depreciation charges	773	686
Loss on sale of fixed assets	32	7
Increase in stocks	(51)	(169)
(Increase)/decrease in debtors	(1,066)	734
Decrease in creditors	257	217
Goodwill written off	-	286
Net cash inflow from operating activities	1,531	3,108

Notes *(continued)*

20 Analysis of cash flows

	1997 £000	1996 £000
Returns on investment and servicing of finance		
Interest received	**51**	30
Interest paid	**(388)**	(349)
Interest element of finance lease rental payments	**(151)**	(137)
Dividends paid on non-equity shares	**(265)**	(188)
	(753)	(644)
Taxation		
ACT paid	**(113)**	-
Capital expenditure		
Purchase of tangible fixed assets	**(322)**	57
Sale of tangible fixed assets	**26**	79
	(296)	136
Financing		
Issue of ordinary share capital	**-**	3,500
Debt due within one year	**(375)**	375
Debt due beyond one year	**-**	4,325
Capital element of finance lease payments	**(539)**	(770)
	(914)	7,430

Notes *(continued)*

21 Analysis of changes in net debt

	At 1 July 1996 £000	Cash flows £000	Other changes £000	At 30 June 1997 £000
Cash at bank	1,534	(545)	-	989
Debt due within one year	(375)	375	(500)	(500)
Debt due after one year	(4,325)	-	500	(3,825)
Finance leases	(1,689)	539	(275)	(1,425)
	(4,855)	369	(275)	(4,761)

	At 20 April 1995 £000	Cashflows £000	Acquisitions £000	Other changes £000	At 30 June 1996 £000
Cash at bank	-	1,534	-	-	1,534
Debt due within one year	-	(375)	-	-	(375)
Debts due after one year	-	(4,325)	-	-	(4,325)
Finance leases	-	770	(1,477)	(982)	(1,689)
	-	(2,396)	(1,477)	(982)	(4,855)

Notes *(continued)*

22 Commitments

(a) Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	1997	1996
	£000	£000
Contracted	**1,178**	7

(b) In addition to the above at the end of the financial year the company had entered into commitments amounting to £Nil *(1996 : £Nil)* in respect of finance leases, the inception of which occurs after the year end.

(c) Annual commitments under non-cancellable operating leases are as follows:

	1997	1996
	Other	Other
	£000	£000
Operating leases which expire:		
Within one year	**2**	1
In the second to fifth years inclusive	**61**	53
Over five years	**-**	-
	63	54