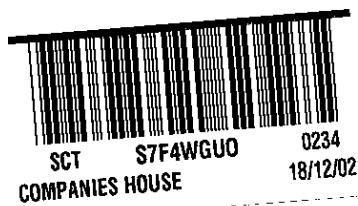


KRG PRECISION LIMITED
ABBREVIATED FINANCIAL STATEMENTS
YEAR ENDED 31 MAY 2002

Company Registration Number 83045



KRG PRECISION LIMITED

ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2002

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KRG PRECISION LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

J Hughes
Mrs H Hughes
K Hughes
G Hughes

Company secretary

Mrs H Hughes

Registered office

Russell Colt Street
Coatbridge
ML5 2BN

Auditors

Blueprint Audit Limited
Registered Auditor
7 Park Quadrant
Glasgow G3 6BS

Accountants

Tenon Limited
Accountants and Business Advisers
7 Park Quadrant
Glasgow G3 6BS

Bankers

The Royal Bank of Scotland plc
80 Main Street
Coatbridge
ML5 3DZ

KRG PRECISION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE COMPANY

YEAR ENDED 31 MAY 2002

We have examined the abbreviated financial statements on pages 5 to 16, together with the financial statements of the company for the year ended 31 May 2002 prepared under Section 226 of the Companies Act 1985.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE INDEPENDENT AUDITORS

The directors are responsible for preparing the abbreviated financial statements in accordance with section 246 of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated financial statements prepared in accordance with sections 246A(3) of the Act to the Registrar of Companies and whether the financial statements to be delivered are properly prepared in accordance with those provisions and report our opinion to you.

BASIS OF OPINION

We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated financial statements and that the abbreviated financial statements to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

OPINION

In our opinion the company is entitled to deliver abbreviated financial statements prepared in accordance with sections 246A(3) of the Act, and the abbreviated financial statements on pages 5 to 16 are properly prepared in accordance with those provisions.



Blueprint Audit Limited
Registered Auditor
7 Park Quadrant
Glasgow G3 6BS

22 November 2002

KRG PRECISION LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 MAY 2002

The directors have pleasure in presenting their report and the audited financial statements of the company for the year ended 31 May 2002.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company during the year was that of precision engineering.

The directors are pleased with the results for the year and are confident of achieving further growth in profitability during the current year.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

THE DIRECTORS AND THEIR INTERESTS IN THE SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests, including family holdings, in the shares of the company were as follows:

	Ordinary Shares of £1 each	
	At 31 May 2002	At 1 June 2001
J Hughes	25,010	25,010
Mrs H Hughes	4,990	4,990
K Hughes	7,500	7,500
G Hughes	<u>7,500</u>	<u>7,500</u>

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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on page 9, 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; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

KRG PRECISION LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 MAY 2002

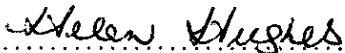
DIRECTORS' RESPONSIBILITIES *(continued)*

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. The directors 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.

INDEPENDENT AUDITORS

The auditors, H L Bloom & Co, Chartered Accountants and Registered Auditors, have transferred their audit business to Blueprint Audit Limited. A resolution to re-appoint Blueprint Audit Limited as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD


.....

Mrs H Hughes
Secretary

Russell Colt Street
Coatbridge
ML5 2BN

21 November 2002

KRG PRECISION LIMITED**ABBREVIATED PROFIT AND LOSS ACCOUNT****YEAR ENDED 31 MAY 2002**

	Note	2002 £	2001 £
GROSS PROFIT	2	1,285,940	738,158
Administrative expenses		663,235	538,630
Other operating income	3	<u>(154,827)</u>	<u>(120,478)</u>
OPERATING PROFIT	4	777,532	320,006
Interest receivable		933	1,267
Interest payable	7	<u>(125,285)</u>	<u>(129,333)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		653,180	191,940
Tax on profit on ordinary activities	8	<u>233,648</u>	<u>86,971</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR		419,532	104,969
Balance brought forward		<u>792,219</u>	<u>687,250</u>
BALANCE CARRIED FORWARD		<u>1,211,751</u>	<u>792,219</u>

The company has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the company are classed as continuing.

The notes on pages 9 to 16 form part of these abbreviated financial statements.

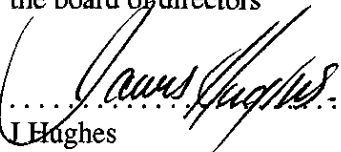
KRG PRECISION LIMITED

ABBREVIATED BALANCE SHEET AS AT 31 MAY 2002

		2002	2001
	Note	£	£
FIXED ASSETS			
Tangible assets	9	2,746,751	2,546,286
Investments	10	18,607	17,169
		<u>2,765,358</u>	<u>2,563,455</u>
CURRENT ASSETS			
Stock	11	111,227	95,670
Debtors	12	1,333,375	913,763
Bank and cash		48,906	19,780
		<u>1,493,508</u>	<u>1,029,213</u>
CREDITORS: Amounts falling due within one year	13	<u>(1,535,217)</u>	<u>(1,156,718)</u>
NET CURRENT LIABILITIES		<u>(41,709)</u>	<u>(127,505)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,723,649</u>	<u>2,435,950</u>
CREDITORS: Amounts falling due after more than one year	14	<u>(880,499)</u>	<u>(964,473)</u>
		<u>1,843,150</u>	<u>1,471,477</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	16	(306,508)	(199,540)
GOVERNMENT GRANTS	17	<u>(274,891)</u>	<u>(429,718)</u>
NET ASSETS		<u>1,261,751</u>	<u>842,219</u>
CAPITAL AND RESERVES			
Share capital	21	50,000	50,000
Profit and loss account		<u>1,211,751</u>	<u>792,219</u>
SHAREHOLDERS' FUNDS	22	<u>1,261,751</u>	<u>842,219</u>

These financial statements have been prepared in accordance with the special provisions for medium-sized companies under Part VII of the Companies Act 1985.

Signed on behalf of
the board of directors


.....
J Hughes
Director

The financial statements were approved by the board of directors on 21 November 2002

The notes on pages 9 to 16 form part of these abbreviated financial statements.

KRG PRECISION LIMITED**CASH FLOW STATEMENT****YEAR ENDED 31 MAY 2002**

	2002	2001
	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES		
	606,849	341,504
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	933	1,267
Interest paid	(50,639)	(47,201)
Interest element of finance agreements	(77,864)	(72,844)
Net cash outflow from returns on investments and servicing of finance	(127,570)	(118,778)
TAXATION	(437)	(1,424)
CAPITAL EXPENDITURE		
Payments to acquire tangible fixed assets	(532,569)	(1,108,990)
Receipts from sale of fixed assets	13,900	10,000
Payments to acquire investments	(1,438)	(1,397)
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE	(520,107)	(1,100,387)
CASH OUTFLOW BEFORE FINANCING	(41,265)	(879,085)
FINANCING		
Net (outflow)/inflow from bank loans	(43,453)	233,761
Net inflow in respect of finance agreements	90,339	136,213
Net inflow from government grants	-	330,000
NET CASH INFLOW FROM FINANCING	46,886	699,974
INCREASE/(DECREASE) IN CASH	<u>5,621</u>	<u>(179,111)</u>

The notes on pages 9 to 16 form part of these abbreviated financial statements.

KRG PRECISION LIMITED

CASH FLOW STATEMENT (continued)

YEAR ENDED 31 MAY 2002

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £	2001 £
Operating profit	777,532	320,006
Depreciation	317,068	329,922
Loss/(profit) on disposal of fixed assets	1,136	(6,777)
Amortisation of government grants	(154,827)	(120,478)
Increase in stock	(15,557)	(46,255)
Increase in debtors	(419,612)	(336,941)
Increase in creditors	101,109	202,027
Net cash inflow from operating activities	606,849	341,504

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2002 £	2001 £
Increase/(decrease) in cash in the period	5,621	(179,111)
Net outflow/(inflow) in respect of bank loans	43,453	(233,761)
Net (inflow) in respect of finance agreements	(90,339)	(136,213)
Change in net debt	(41,265)	(549,085)
Net debt at 1 June 2001	(1,556,543)	(1,007,458)
Net debt at 31 May 2002	(1,597,808)	(1,556,543)

ANALYSIS OF CHANGES IN NET DEBT

	At 1 June 2001 £	Cash flows £	Non-cash £	At 31 May 2001 £
Net cash:				
Cash in hand and at bank	19,780	29,126	-	48,906
Overdrafts	(218,968)	(23,505)	-	(242,473)
	(199,188)	5,621	-	(193,567)
Debt:				
Debt due within 1 year	(392,882)	13,136	(143,996)	(523,742)
Debt due after 1 year	(964,473)	384,163	(300,189)	(880,499)
	(1,357,355)	397,299	(444,185)	(1,404,241)
Net debt	(1,556,543)	402,920	(444,185)	(1,597,808)

MAJOR NON-CASH TRANSACTIONS

During the year the company entered into finance agreements in respect of fixed assets with a capital value at inception of £444,185.

The notes on pages 9 to 16 form part of these abbreviated financial statements.

KRG PRECISION LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2002

1. ACCOUNTING POLICIES

Basis of accounting

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

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Depreciation

Depreciation is calculated as follows

Freehold property	- 2% straight line
Plant and machinery	- 15% reducing balance
Motor vehicles	- 25% reducing balance

Stock

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account.

Operating lease agreements

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

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may arise.

Government grants

Grants on capital expenditure are released to revenue over the expected useful life of the asset.

Investments

Investments are stated at cost less provision for diminution of value, if such reduction is deemed to be of a permanent nature.

KRG PRECISION LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2002

2. GROSS PROFIT

The gross profit and profit before tax are attributable to the principal activity of the company.

3. OTHER OPERATING INCOME

	2002 £	2001 £
Amortisation of government grants	<u>154,827</u>	<u>120,478</u>

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2002 £	2001 £
Staff pension contributions	97,139	80,601
Depreciation	317,068	329,922
Loss/(profit) on disposal of fixed assets	1,136	(6,777)
Auditors' fees	3,000	3,000
Net profit on foreign currency translation	<u>(712)</u>	<u>-</u>

5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2002 No.	2001 No.
Production	71	59
Administration	3	3
Management	4	4
	<u>78</u>	<u>66</u>

The aggregate payroll costs of the above were:

	2002 £	2001 £
Wages and salaries	1,964,241	1,567,782
Social security costs	233,744	186,566
Other pension costs	116,667	98,430
	<u>2,314,652</u>	<u>1,852,778</u>

KRG PRECISION LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2002

6. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2002 £	2001 £
Aggregate emoluments	168,019	196,387
Value of company pension contributions to money purchase schemes	19,528	17,829
	<u>187,547</u>	<u>214,216</u>

The number of directors who are accruing benefits under company pension schemes were as follows:

	2002 No.	2001 No.
Money purchase schemes	<u>4</u>	<u>4</u>

7. INTEREST PAYABLE

	2002 £	2001 £
Finance charges	77,864	72,844
Other interest	47,421	56,489
	<u>125,285</u>	<u>129,333</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £	2001 £
Corporation tax based on the results for the year at 30% (2001 - 20%)	127,102	437
Increase in deferred tax provision (Note 16): Capital allowances	106,968	85,110
	<u>234,070</u>	<u>85,547</u>
Adjustment in respect of previous years:		
Corporation tax	(422)	1,424
	<u>233,648</u>	<u>86,971</u>

KRG PRECISION LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2002

9. TANGIBLE FIXED ASSETS

	Freehold Property £	Plant and Machinery £	Motor Vehicles £	Total £
COST				
At 1 June 2001	658,762	2,744,994	110,198	3,513,954
Additions	-	492,054	40,515	532,569
Disposals	-	-	(32,503)	(32,503)
At 31 May 2002	<u>658,762</u>	<u>3,237,048</u>	<u>118,210</u>	<u>4,014,020</u>
DEPRECIATION				
At 1 June 2001	32,312	884,354	51,002	967,668
Charge for the year	13,200	287,924	15,944	317,068
On disposals	-	-	(17,467)	(17,467)
At 31 May 2002	<u>45,512</u>	<u>1,172,278</u>	<u>49,479</u>	<u>1,267,269</u>
NET BOOK VALUE				
At 31 May 2002	<u>613,250</u>	<u>2,064,770</u>	<u>68,731</u>	<u>2,746,751</u>
At 31 May 2001	<u>626,450</u>	<u>1,860,640</u>	<u>59,196</u>	<u>2,546,286</u>

Hire purchase agreements

Included within the net book value of £2,746,751 is £1,847,980 (2001 - £1,655,672) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £238,397 (2001 - £292,177).

10. INVESTMENTS

	Total £
COST	
At 1 June 2001	17,169
Additions	<u>1,438</u>
At 31 May 2002	<u>18,607</u>
NET BOOK VALUE	
At 31 May 2002	<u>18,607</u>
At 31 May 2001	<u>17,169</u>

This represents premiums paid to date on life assurance policies on the lives of the directors.

KRG PRECISION LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2002

11. STOCK

	2002 £	2001 £
Raw materials	30,000	30,000
Work in progress	81,227	65,670
	<u>111,227</u>	<u>95,670</u>

12. DEBTORS

	2002 £	2001 £
Trade debtors	1,328,205	898,387
Other debtors	5,170	15,376
	<u>1,333,375</u>	<u>913,763</u>

13. CREDITORS: Amounts falling due within one year

	2002 £	2001 £
Bank overdraft (secured)	242,473	218,968
Bank loans (secured)	46,780	46,780
Trade creditors	360,135	278,876
Corporation tax	126,680	437
Other taxes and social security costs	144,970	196,054
H P creditors (secured)	476,962	346,102
Directors current accounts	-	21,648
Accruals	137,217	47,853
	<u>1,535,217</u>	<u>1,156,718</u>

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

	2002 £	2001 £
Bank loans (secured)	286,610	330,063
H P creditors (secured)	563,867	604,388
Loan from Softlane Services Limited	30,022	30,022
	<u>880,499</u>	<u>964,473</u>

KRG PRECISION LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2002

15. CREDITORS - CAPITAL INSTRUMENTS

Creditors include finance capital which is due for repayment as follows:

	2002 £	2001 £
In one year or less, or on demand	46,780	46,780
Between one and two years	46,780	46,780
Between two and five years	132,604	142,542
In five years or more	107,226	140,741
	<u>333,390</u>	<u>376,843</u>

The first bank loan is repayable in monthly instalments by May 2005. It bears interest at a rate which fluctuates in line with the bank base rate.

The second bank loan is repayable in monthly instalments by August 2008. It bears interest at a fixed rate.

The third bank loan had a twelve month capital repayment holiday and thereafter is repayable in monthly instalments by June 2010. It bears interest at a rate which fluctuates in line with the bank base rate.

The bank loans are secured over the property, a bond and floating charge and life assurance policies in the names of the directors.

16. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was:

	2002 £	2001 £
Provision brought forward	199,540	114,430
Increase in provision	106,968	85,110
Provision carried forward	<u>306,508</u>	<u>199,540</u>

£99,769 of the increase in provision of £106,968 relates to a rate change from 20% to 30%.

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2002 £	2001 £
Excess of taxation allowances over depreciation on fixed assets	<u>306,508</u>	<u>199,540</u>

KRG PRECISION LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2002

17. GOVERNMENT GRANTS

	2002 £	2001 £
Received and receivable:		
At 1 June 2001	672,805	342,805
Receivable during year	-	330,000
At 31 May 2002	<u>672,805</u>	<u>672,805</u>
Amortisation:		
At 1 June 2001	243,087	122,609
Credit to profit and loss account	154,827	120,478
At 31 May 2002	<u>397,914</u>	<u>243,087</u>
Net balance at 31 May 2002	<u>274,891</u>	<u>429,718</u>

An amount of £42,805 was received during the year ended 31 May 1996. This contribution is repayable proportionally if a relevant event occurs before 31 May 2006.

On 12 July 2002 the company received £100,000 in respect of a Regional Selective Assistance grant.

18. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	2002 £	2001 £
Amounts payable within 1 year	571,220	421,687
Amounts payable between 2 to 5 years	683,720	737,363
	<u>1,254,940</u>	<u>1,159,050</u>
Less interest and finance charges relating to future periods	(214,111)	(208,560)
	<u>1,040,829</u>	<u>950,490</u>

19. COMMITMENTS UNDER OPERATING LEASES

At 31 May 2002 the company had annual commitments under non-cancellable operating leases as set out below.

	Assets Other Than Land & Buildings	
	2002 £	2001 £
Operating leases which expire:		
Within 1 year	1,587	1,500
Within 2 to 5 years	2,460	-
	<u>4,047</u>	<u>1,500</u>

KRG PRECISION LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2002

20. RELATED PARTY TRANSACTIONS

The company was under the control of J Hughes throughout the current and previous year. J Hughes is the managing director and majority shareholder.

During the year ended 31 May 1999 the company borrowed £100,000 from Softlane Services Limited, a company in which directors J Hughes and K Hughes collectively own 75% of the share capital. The term of the loan is unspecified and there is no interest payable. The balance is disclosed in note 14.

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8 other than disclosed in notes 13 and 14.

21. SHARE CAPITAL

Authorised share capital:

	2002 £	2001 £
250,000 Ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>

Allotted, called up and fully paid:

	2002 £	2001 £
Ordinary share capital	<u>50,000</u>	<u>50,000</u>

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Profit for the financial year	419,532	104,969
Opening shareholders' equity funds	<u>842,219</u>	<u>737,250</u>
Closing shareholders' equity funds	<u>1,261,751</u>	<u>842,219</u>