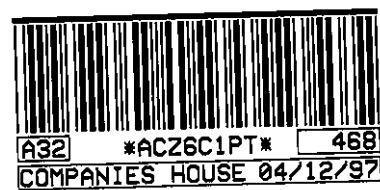


Company Number 1579286

ACS INDUSTRIES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 1997



ACS INDUSTRIES LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1997

Company Registration Number : 1579286

Registered Office: Huffwood Trading Estate
Brookers Road
Billingshurst
West Sussex
RH14 9UR

Directors: Mr M G Hebden
Mr G Barclay

Secretary: Mr M G Hebden

Bankers: Barclays Bank Plc
Deutsche Bank
Barclays Bank Paris

Solicitors: Burstows

Auditors: Grant Thornton
Chartered Accountants

ACS INDUSTRIES LIMITED

30 JUNE 1997

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ACS INDUSTRIES LIMITED

REPORT OF THE DIRECTORS

The Directors present their report together with financial statements for the year ended 30 June 1997.

Principal Activity

The company is principally involved in supplying subcontract services to the printed circuit industry. These include the drilling and profiling of printed circuit boards, laser plotting from electronic data, masslamination and bonding of multilayer boards and repointing of carbide drills.

The company is also the UK and Eire sole distributor for a range of precision carbide cutting tools.

Business Review

Although turnover has fallen within this year, profits have risen.

The profit for the year after taxation amounted to £203,537. (1996: £29,675).
The directors recommend dividends absorbing £8,000. (1996: £12,639)
leaving £195,537. retained (1996: £17,036 retained).

Directors

The Directors in the office at the end of the year are listed below. Both served on the Board throughout the year.

M Hebden retires by rotation and, being eligible, offers himself for re-election.

The interests of the directors in the shares of the company at 1 July 1996 and at 30th June 1997, as recorded in the register maintained by the company in accordance with the provisions of the Companies Act 1985, were as follows:-

	Ordinary Shares	
	1997	1996
M G Hebden	5,000	5,000
J C Hay Resigned (11.11.96)	0	5,000
G Barclay	5,000	5,000

No director had, during or at the end of the year, any material interest in a contract which was significant in relation to the company's business.

No arrangement exists to which the company is, or was party to, which enable the Directors to obtain any benefits by the acquisition of shares or debentures of this company.

5,000 shares of £1 each representing 33.3% of the company's called up share capital, were acquired during the year for a total consideration of £172,500 in order to purchase the shares of J C Hay.

ACS INDUSTRIES LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

Directors' responsibilities for the financial statements

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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Fixed assets

The major items of capital expenditure during the year related to plant and equipment (see note 5).

Auditors

Grant Thornton offer themselves for re-appointment as auditors on accordance with Section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

M B Hedden

SECRETARY

Date: 2-12-97.

**REPORT OF THE AUDITORS TO THE MEMBERS OF
ACS INDUSTRIES LIMITED**

We have audited the financial statements on pages 4 to 16 which have been prepared under the accounting policies set out on pages 4 and 5.

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.

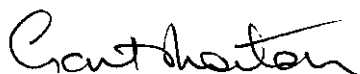
Basis of opinion

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 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



GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
PETERSFIELD
HAMPSHIRE

Date: 2 December 1997.

ACS INDUSTRIES LIMITED

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 1997

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets.

The principal accounting policies of the company are set out below. The policies have remained unchanged from the previous year.

Turnover

Turnover is the total amount receivable by the company in the ordinary course of business with outside customers for goods supplied as a principal and for services provided, excluding VAT and trade discounts.

Depreciation

Depreciation is calculated on the reducing balance method and aims to write down the cost of tangible fixed assets over their expected useful lives.

The rates generally applicable are:-

Plant and equipment	15%/25%	per annum
Office equipment	25%	per annum
Motor vehicles	25%	per annum

Stock and work in progress

Stock and work in progress is stated at the lower of cost and net realisable value.

Deferred taxation

Deferred tax is the tax attributable to timing differences between profits or losses as computed for tax purposes and results as stated in the financial statements.

Deferred tax is provided to the extent that it is probable that a liability or asset will crystallise and not provided to the extent that it is probable that a liability or asset will not crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Deferred tax is calculated at the rate at which it is estimated that the tax will be paid when the timing differences reverse.

ACS INDUSTRIES LIMITED

ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 1997

Contributions to pension funds

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

Leasing and hire purchase

The cost of assets held under finance leases and hire purchase agreements is included under tangible assets, and depreciation is provided in accordance with the company's accounting policy for the class of assets concerned. Interest calculated on the straight line basis is charged as interest payable over the period of the lease or hire purchase agreement, and the capital element of future lease and hire purchase payments is included in creditors.

The costs of operating leases are charged as incurred.

Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Sterling at the date of the transaction. Exchange differences are dealt with through the profit and loss account.

ACS INDUSTRIES LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 1997**

	Note	1997 £	1996 £
Turnover	1	4,834,636	6,112,357
Cost of sales		(3,542,310)	(5,009,027)
Gross profit		1,292,326	1,103,330
Administrative expenses		972,913	1,052,965
		(972,913)	(1,052,965)
Operating profit		319,413	50,365
Interest receivable and similar income		3,748	4,377
Interest payable and similar charges	2	(73,169)	(49,459)
Profit on ordinary activities before taxation	1	249,992	5,283
Tax on profit on ordinary activities	4	(46,455)	24,392
Profit on ordinary activities after taxation		203,537	29,675
Dividends		(8,000)	(12,639)
Profit transferred to reserves	14	195,537	17,036

There were no recognised gains or losses in the year other than the profit for the year

Note of historical cost profits and losses	1997 £	1996 £
Reported profit on ordinary activities before tax	249,992	5,283
Realisation of revaluation gains of previous years	24,215	0
Difference between a historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	8,381	14,133
Historical cost profit on ordinary activities before taxation	282,588	19,416
Historical cost profit for the year retained after taxation and dividend	228,133	31,169

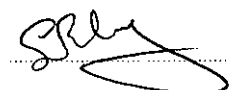
The accompanying accounting policies and notes form an integral part of these financial statements.

ACS INDUSTRIES LIMITED

**BALANCE SHEET
AT 30 JUNE 1997**

	Note	1997	1996
		£	£
Fixed assets			
Tangible assets	5	1,712,853	1,634,282
Current assets			
Stocks	6	273,767	299,627
Debtors	7	1,404,062	1,151,963
Cash at bank and in hand		152,923	130,498
		<u>1,830,752</u>	<u>1,582,088</u>
Creditors: amounts falling due within one year	8	<u>(1,314,180)</u>	<u>(1,236,677)</u>
Net current assets		<u>516,572</u>	<u>345,411</u>
Total assets less current liabilities		<u>2,229,425</u>	<u>1,979,693</u>
Creditors: amounts falling due after more than one year	9	733,102	529,407
Provisions for liabilities and charges			
Deferred taxation	11	141,000	118,000
		<u>(874,102)</u>	<u>(647,407)</u>
		<u>1,355,323</u>	<u>1,332,286</u>
Capital and reserves			
Called up share capital	13	10,000	15,000
Profit and loss account	14	1,292,830	1,237,196
Revaluation reserve	14	47,493	80,090
Capital redemption reserve	14	5,000	0
Shareholders' funds		<u>1,355,323</u>	<u>1,332,286</u>

The financial statements were approved by the Board of Directors on 2 December 1997.

 Director

The accompanying accounting policies and notes form an integral part of these financial statements.

ACS INDUSTRIES LIMITED

**CASH FLOW STATEMENT
FOR YEAR ENDED 30 JUNE 1997**

	Note	1997 £	1996 £
Net cash inflow from operating activities	16	244,254	267,987
Returns on investments and servicing of finance			
Interest received		3,748	4,377
Interest paid		(62,478)	(49,208)
Net cash outflow from returns on investments and servicing of finance		(58,730)	(44,831)
Taxation			
UK corporation tax paid		0	(90,010)
Investing activities			
Purchase of tangible fixed assets		(193,265)	(154,523)
Sale of tangible fixed assets		261,062	4,900
Net cash (outflow) from investing activities		67,797	(149,623)
Dividend Paid		0	(12,639)
Cash outflow before use of Financing		253,321	(29,116)
Financing			
Capital element of hire purchase repayments		(238,396)	(87,941)
Debt due beyond a year new unsecured loan		180,000	0
Re purchase of share capital		(172,500)	
Net cash outflow from financing		(230,896)	(87,941)
Increase/(decrease) cash in the period	18	22,425	(117,057)

The accompanying accounting policies and notes form an integral part of these financial statements.

ACS INDUSTRIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 1997****1 Turnover and profit on ordinary activities before taxation**

Profit on ordinary activities is stated after:-

	1997	1996
	£	£
Auditors' remuneration	6,000	6,000
Hire of plant and machinery	2,971	6,218
Depreciation	320,014	289,188
Exchange differences on foreign currency loss (1996: profit)	10,461	(54,219)
Operating lease rental	115,767	115,465
	<u>115,767</u>	<u>115,465</u>

The geographical analysis of turnover has not been disclosed

2 Interest payable and similar charges

	1997	1996
	£	£
On bank loans, overdrafts and other loans - repayable within 5 years, otherwise than by instalments	13,029	4,270
- hire purchase and lease obligations	60,140	45,189
	<u>73,169</u>	<u>49,459</u>

3 Directors and employees

Staff costs during the year:-

	1997	1996
	£	£
Wages and salaries	1,752,616	2,105,524
Social security costs	155,617	187,842
Other pension costs	0	0
	<u>1,908,233</u>	<u>2,293,366</u>

The average number of employees of the company during the year was 131
(1996: 168).

ACS INDUSTRIES LIMITEDNOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED 30 JUNE 1997**3 Directors and employees (continued)**

Staff costs include remuneration in respect of directors, as follows:-

	1,997 £	1,996 £
Management remuneration	106,816	136,577
Compensation for Loss of Office	4,940	0
	<u>111,756</u>	<u>136,577</u>

4 Tax on profit on ordinary activities

The taxation charge based on the profit for the year is made up as follows:-

	1997 £	1996 £
Corporation tax @ 24/21% (24% 1996)	23,455	(6,403)
Deferred taxation	23,000	(18,000)
Adjustment in respect of previous year	0	11
	<u>46,455</u>	<u>(24,392)</u>

ACS INDUSTRIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED 30 JUNE 1997**

5 Tangible fixed assets

	Total £	Plant and equipment £	Motor vehicles £	Office equipment £
Cost or valuation				
At 1 July 1996	3,088,116	2,754,972	256,426	76,718
Additions	495,807	495,648	0	159
Disposals	(405,562)	(337,217)	(66,373)	(1,972)
At 30 June 1997	3,178,361	2,913,403	190,053	74,905
Depreciation				
At 1 July 1996	1,453,834	1,289,312	122,535	41,987
Provided in the year	320,013	281,817	8,459	29,737
Disposals	(308,339)	(262,450)	(541)	(45,348)
At 30 June 1997	1,465,508	1,308,679	130,453	26,376
Net book amount At 30 June 1997	1,712,853	1,604,724	59,600	48,529
At 30 June 1996	1,634,282	1,465,660	133,891	34,731

The figures stated above include assets held under finance leases and similar hire purchase contracts as follows:

	Plant and equipment £	Motor vehicles £	Office equipment £
Net book amount at 30 June 1997	1,104,107	27,717	0
Depreciation in year	177,991	9,239	0

Included in plant and equipment are items which were revalued during the year ended 30 June 1994. The figures stated above for cost or valuation include a valuation as follows:

	1997 £	1996 £
At cost less amounts written off	276,309	298,260
At Valuation 1994	90,989	130,414
	<u>367,298</u>	<u>428,674</u>

ACS INDUSTRIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED 30 JUNE 1997**

If certain items of plant and equipment had not been revalued, they would be included on the historical cost basis at the following amounts :

	Plant and equipment £
Cost	829,786
Accumulated depreciation	(735,415)
Net book amount at 30th June 1997	<u>94,371</u>
Net book amount at 30th June 1996	<u>125,828</u>

6 Stocks

	1997 £	1996 £
Goods for resale	194,928	185,547
Raw materials	58,585	56,864
Work in progress	20,254	57,216
	<u>273,767</u>	<u>299,627</u>

There were no significant differences between the replacement cost and the values disclosed.

7 Debtors

	1997 £	1996 £
Trade debtors	1,191,706	1,084,467
Other debtors	141,755	9,562
Prepayments and accrued income	70,601	57,934
	<u>1,404,062</u>	<u>1,151,963</u>

Debtors includes amount recoverable in more than 1 year of £2000

8 Creditors - amounts falling due within one year

	1997 £	1996 £
Trade creditors	782,116	854,485
Other creditors	57,690	58,263
Current taxation	23,455	0
Social security and other taxes	153,762	86,432
Hire purchase creditors	254,280	213,830
Advance corporation tax payable	2,000	0
Proposed Dividend	8,000	0
Accruals and deferred income	32,877	23,667
	<u>1,314,180</u>	<u>1,236,677</u>

The bank overdraft is secured by a fixed and floating charge over all the assets of the company.

ACS INDUSTRIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED 30 JUNE 1997**

9 Creditors - amounts falling due after more than one year

	1997 £	1996 £
Hire purchase creditors	553,102	529,407
Other loans	180,000	0
	<u>733,102</u>	<u>529,407</u>

10 Borrowings

	1997 £	1996 £
Borrowings are repayable as follows:		
Within one year		
Hire purchase	254,280	213,830
Other Loans	40,000	
After one and within two years		
Hire purchase	228,914	208,528
Other Loans		40,000
After two and within five years		
Hire purchase	324,188	320,879
Other loans	180,000	
	<u>1,027,382</u>	<u>783,237</u>

11 Provision for liabilities and charges

	Deferred taxation Note 12 £
At 1 July 1996	118,000
Provided during the year.	23,000
	<u>141,000</u>
At 30 June 1997	<u>141,000</u>

ACS INDUSTRIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED 30 JUNE 1997**

12 Deferred taxation

Deferred taxation provided in the financial statements and the total potential liability using a tax rate of 21% (1996: 24%), are set out below.

Unprovided deferred tax of £10,000 (1996: £20,000) represents a contingent liability at the balance sheet date (see note 20).

	Amount provided		Amount unprovided	
	1997 £	1996 £	1997 £	1996 £
Accelerated capital allowances	141,000	118,000	0	0
Unrealised capital gains	0	0	10,000	20,000
	<u>141,000</u>	<u>118,000</u>	<u>10,000</u>	<u>20,000</u>

13 Called up share capital

	1997 £	1996 £
Allotted, called up and fully paid 10,000 ordinary shares of £1 each	10,000	15,000
Authorised 15,000 ordinary shares of £1 each	<u>15,000</u>	<u>15,000</u>

14 Reserves

	Capital Redemption £	Profit and loss account £	Revaluation reserve £
At 1 July 1996		1,237,196	80,090
Retained profit		195,537	
Transfer from revaluation reserve			(32,597)
Transfer to profit and loss account		32,597	
Transfer on re purchase of shares	5,000		
Reduction in Retained Profit		(172,500)	
At 30 June 1997	<u>5,000</u>	<u>1,292,830</u>	<u>47,493</u>

15 Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Profit for the financial year	195,537	29,675
Dividends	(8,000)	(12,639)
Purchase of Shares	(172,500)	
Net increase in shareholders' funds	15,037	17,036
Shareholders' funds at 1 July 1996	1,332,286	1,315,250
Shareholders' funds at 30 June 1997	<u>1,347,323</u>	<u>1,332,286</u>

ACS INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED 30 JUNE 1997

16 Net cash inflow from operating activities

	1997 £	1996 £
Operating profit	319,414	50,365
Depreciation	320,014	289,188
(Profit)/Loss on sale of tangible fixed assets	(163,840)	100
Increase in stocks	25,860	(12,203)
Decrease / (increase) in debtors	(250,101)	185,120
Increase/(Decrease) in creditors	(7,093)	(244,583)
Net cash inflow from operating activities	<u>244,254</u>	<u>267,987</u>

17 Reconciliation of net cashflow to movement in net debt

	1997 £	1996 £
Increase/decrease in cash in Year	22,425	(117,057)
Cash inflow from increase in debt and Finance leasing	<u>58,396</u>	<u>87,941</u>
	80,821	(29,116)
New finance Leases	<u>(302,541)</u>	<u>(211,404)</u>
Movement in net debt	(221,720)	(240,520)
Net Debt 1st July 1996	<u>(652,739)</u>	<u>(412,219)</u>
Net Debt 30th June 1997	<u>(874,459)</u>	<u>(652,739)</u>

18 Analysis of changes in Net Debt

	1st July 1996	Cashflow	Other	30th June 1997
Cash at Bank	130,498	22,425	0	152,923
Debt	(40,000)	(180,000)	0	(220,000)
Finance Leases	(743,237)	238,396	(302,541)	(807,382)
	<u>(652,739)</u>	<u>80,821</u>	<u>(302,541)</u>	<u>(874,459)</u>

ACS INDUSTRIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED 30 JUNE 1997**

19 Capital commitments

Annual commitments under non-cancellable operating leases at 30th June 1997 were as follows:

	1997 £	1996 £
Land and Buildings:		
Leases expiring within one year	40,000	0
Leases expiring between two and five years	8,900	47,527
Leases expiring after more than five years	57,000	57,000
	<u>105,900</u>	<u>104,527</u>

Other capital commitments are as follows:

	1997 £	1996 £
Contracted for but not provided in these financial statements	<u>0</u>	<u>295,791</u>

The company had no other capital commitments at 30 June 1997 or at 30th June 1996.

20 Contingent liabilities

	1997 £	1996 £
Deferred taxation	<u>10,000</u>	<u>20,000</u>

There were no other contingent liabilities at 30 June 1997 or at 30 June 1996.

21 Pensions

Defined contribution scheme

The company operates a defined contribution pension scheme for the benefit of the directors. The assets of the scheme are administered by trustees in a fund independent from those of the company.

22 Transactions with directors and other related parties

The following amounts were payable in the year to the ACS Industries Limited Executive Pension scheme. The Directors of ACS Industries Limited are also the members and trustees of the scheme.

	1997 £	1996 £
Rent	57,000	57,000
Interest	12,811	3,703
Loan Capital Outstanding (Unsecured)	220,000	40,000
Interest accrued but unpaid	<u>12,638</u>	<u>0</u>

During the year the company purchased 5,000 ordinary £1 shares from J C Hay, who resigned as a director on 11 November 1996, for consideration of £172,500.