

Company Number: 1141402

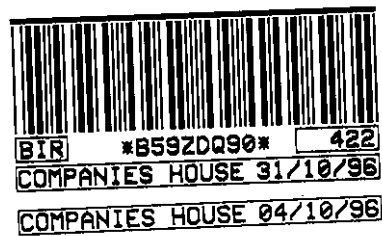
ELECTRO ARC COMPANY LIMITED

ABBREVIATED ACCOUNTS

YEAR ENDED 30 APRIL 1996

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REPORT OF THE AUDITORS
TO THE SHAREHOLDERS OF

ELECTRO ARC COMPANY LIMITED

For the purposes of paragraph 10, of Schedule 8
to the Companies Act 1985

We have examined the abbreviated accounts on pages 3 to 6 together with the full financial statements of Electro Arc Company Ltd for the year ended 30th April 1996. The scope of our work for the purposes of this report was limited to confirming that the company is entitled to the special exemptions claimed in the directors' statement on page 3 and the abbreviated accounts have been properly prepared from the full financial statements.

In our opinion the company is entitled under Ss 246 and 247 of the Companies Act 1985 to the special exemptions conferred by Part I of Schedule 8 to that Act in respect of the year ended 30th April 1996 and the abbreviated accounts on pages 3 to 6 have been properly prepared in accordance with that schedule.

On 6th September 1996 we reported, as auditors of Electro Arc Company Ltd, to the shareholders on the full financial statements prepared under S 226 of the Companies Act 1985 for the year ended 30th April 1996 and our audit report was as follows:

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective Responsibilities of Directors and Auditors

As described on page 2 the company's directors are responsible for the preparation of the 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.

Continued...

REPORT OF THE AUDITORS
TO THE SHAREHOLDERS OF

ELECTRO ARC COMPANY LIMITED

CONTINUED...

For the purposes of paragraph 10, of Schedule 8
to the Companies Act 1985

Basis of Opinion

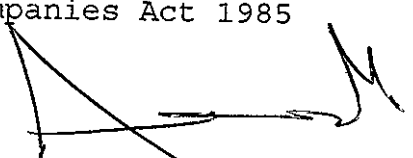
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 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 mis-statement, 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 30th April 1996 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.

Westminster House
188/190 Stratford Road
Shirley Solihull B90 3AQ


Jerrom Associates
Accountants &
Registered Auditors

6th September 1996

ABBREVIATED BALANCE SHEET

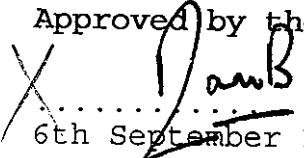
AS AT 30 APRIL 1996

	Note	£	<u>1996</u>	£	£	<u>1995</u>	£
FIXED ASSETS							
Tangible Assets	2			136,237			146,475
CURRENT ASSETS							
Stocks		68,920				70,542	
Debtors		453,682				454,605	
Cash at Bank and in Hand		5,769				1,960	
				<u>528,371</u>		<u>527,107</u>	
CREDITORS: AMOUNTS FALLING							
• DUE WITHIN ONE YEAR	4	(430,044)				(458,503)	
NET CURRENT ASSETS							
				98,327			68,604
				<u>234,564</u>			<u>215,079</u>
Creditors: Amounts Falling Due After More Than One Year				(17,983)			(37,110)
				<u>216,581</u>			<u>177,969</u>
CAPITAL AND RESERVES							
Called Up Share Capital	5			152,286			152,286
RESERVES							
Profit and Loss Account				64,295			25,683
SHAREHOLDERS' FUNDS							
				<u>216,581</u>			<u>177,969</u>

The directors have taken advantage of the exemptions conferred by Part III of Schedule 8 of the Companies Act 1985 and have done so on the grounds that in their opinion, the company is entitled to those exemptions as a small company.

The directors have taken advantage of the special exemptions conferred by Part I of Schedule 8 of the Companies Act 1985 and have done so on the grounds that, in their opinion, the company is entitled to those special exemptions as a small company.

Approved by the Board of Directors:

 Director
6th September 1996

The notes on pages 4 to 6 form part of these accounts.

1. Accounting Policies

a) Convention

The accounts have been prepared in accordance with the historical cost convention. The principal accounting policies which the Directors have adopted within that convention are set out below.

b) Depreciation

Depreciation of fixed assets is calculated by the reducing balance method at the following rates:

Fixtures and Fittings

15% p.a.

Plant and Machinery

15% p.a.

Motor Vehicles are written off on a straight line basis over four years.

Buildings are written off over their estimated useful life (fifty years). 1995 being the tenth year.

c) Stocks

Stocks are stated at the lower of cost and net realisable value. In establishing cost, stocks at the end of the year are taken to represent latest purchases on a 'first in, first out' basis. Net realisable value is based on estimated selling price after taking into account all further costs expected to be incurred on disposal.

d) Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for accounting and taxation purposes. However, no provision is made for taxation deferred by reliefs where there is reasonable evidence that no liability will arise in the foreseeable future. In assessing the likelihood of continuing deferment the Directors have regard for past investment levels and the extent to which tax allowances will be available on expected future capital expenditure.

e) Leasing

Where assets are acquired by leasing arrangements which give rights approximating to ownership (finance leases) the amount representing the outright purchase price of such assets is included in tangible fixed assets in accordance with the Company's depreciation policy. The capital element of future rentals is treated as a liability and the interest element is charged to the profit and loss account over the period of the lease in proportion to the balance outstanding. Expenditure on leases other than finance leases (operating leases) is charged to the profit and loss account in the period incurred.

f) Foreign Currency

Profit and loss account transactions in foreign currencies are translated into sterling at the exchange rate in operation on the dates of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at the closing date. All revaluation differences and realised foreign exchange differences are taken to profit and loss.

2. Fixed Assets

Cost/Valuation:

	<u>Beginning</u> <u>of year</u> £	<u>Additions</u> <u>in year</u> £	<u>Disposals</u> <u>in year</u> £	<u>Other</u> <u>Movements</u> £	<u>End</u> <u>of year</u> £
Tangible Assets	315,788	1,050	-	-	316,838

Depreciation:

	<u>Beginning</u> <u>of year</u> £	<u>Charge</u> <u>in year</u> £	<u>Disposal</u> <u>Adjustment</u> £	<u>Other</u> <u>Movements</u> £	<u>End</u> <u>of year</u> £
Tangible Assets	169,313	11,288	-	-	180,601

	<u>Beginning</u> <u>of year</u> £		<u>End</u> <u>of year</u> £
<u>Total Net Book Value</u>	146,475		136,237

3. Ultimate Holding Company

Electro Arc Limited regards Electro Arc Manufacturing USA as its ultimate holding company.

4. Bank Overdraft and Loan

Included in Creditors: Amounts falling due within one year and
Creditors: Amounts falling due after more than one year is a bank
overdraft and bank loans as follows:-

	<u>1996</u>	<u>1995</u>
	£	£
Bank overdraft	2,049	-
Bank Loan Repayable wholly or in part over more than five years	34,683	51,010
	<u>36,732</u>	<u>51,010</u>

The bank overdraft and loans are secured.

5. Called up Share Capital

	<u>1996</u>	<u>1995</u>
	£	£
Authorised 200,000 Ordinary Shares of £1 each.	<u>200,000</u>	<u>200,000</u>
Allotted 152,286 Ordinary Shares of £1 each, fully paid.	<u>152,286</u>	<u>152,286</u>