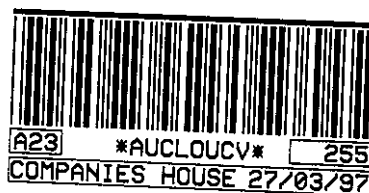


Equity Trust Limited

Annual report for the year ended 29 February 1996

2679097

	Pages
Directors and advisers	1
Directors' report	2 - 3
Reports of the auditors	4 - 5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 16



Directors and advisers

Executive directors

GC Brooks
PR Wattam

Secretary and registered office

PR Wattam
16 Angel Crescent
Bridgwater
Somerset
TA6 3EW

Registered Auditors

Coopers & Lybrand
Bull Wharf
Redcliff Street
Bristol
BS1 6QR

Bankers

Midland Bank Plc
Westwood House
13 Stanhope Gate
Mayfair
London
W1Y 5LB

Saudi American Bank
65 Curzon Street
London
W1Y 7PE

Directors' report for the year ended 29 February 1996

The directors present their report and the audited financial statements for the year ended 29 February 1996.

Principal activities

The profit and loss account is set out on page 6.

The principal activity of the company is to act as a holding company.

Review of business and future developments

The company continues to concentrate on developing the potential identified in the four companies in which it invested in 1992/93.

As the operating companies are maturing, the amount of additional funding provided for both capital investment and expansion was significantly lower than in previous years.

Linear Drives Limited increased its turnover by 71% and increased profits despite relocation costs and the high level of product development cost still being invested.

European Exporters Limited increased turnover by 7% and increased profits again.

Carebridge Limited increased turnover by 61% and has achieved the objective of establishing and consolidating its market position. Since the year end the company has begun to trade profitably.

Chainings Limited's trials with several "blue chip" potential users have resulted in a substantially higher customer base, but although sales grew by 117%, this was still below the anticipated growth. A further provision has been made against the cost of the Chainings investment due to the continuing slow growth and trading losses, however the directors remain positive concerning the long term success of this company.

The directors are confident that the value of the total holdings of Equity Trust significantly exceeds the total investment.

Dividends

The directors do not recommend the payment of a dividend.

Changes in fixed assets

The movements in fixed assets during the year are set out in notes 9 and 10 to the financial statements.

Directors

The directors during the year ended 29 February 1996 were:

GC Brooks
PR Wattam

None of the directors held any beneficial interest in the shares of the company at any point during the year.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 29 February 1996. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board

A handwritten signature in black ink, appearing to read 'PR Wattam', is written over the 'By order of the board' text.

Report of the auditors to the members of Equity Trust Limited

We have audited the financial statements on pages 6 to 16.

Respective responsibilities of directors and auditors

As described on page 3 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.

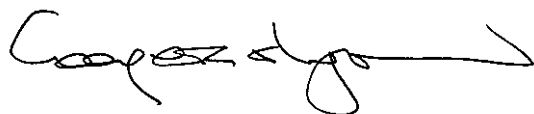
Basis of opinion

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 29 February 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

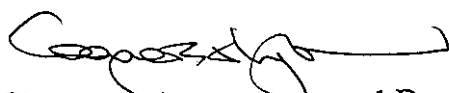


Chartered Accountants and Registered Auditors
Bristol, 23 September 1996

Report of the auditors to the directors of Equity Trust Limited under Section 248(3) of the Companies Act 1985

We have examined the financial statements of the company and each of its subsidiaries for the year to 29 February 1996. The scope of our work for the purpose of this report was limited to confirming that the company is entitled to the exemption conferred by Section 248 of the Companies Act 1985 from preparing group accounts.

In our opinion the company is entitled to the exemption from preparing group accounts conferred by Section 248 of the Companies Act 1985.



Chartered Accountants and Registered Auditors

Bristol 23 September 1996

Profit and loss account for the year ended 29 February 1996

	Notes	1996 £	1995 £
Administrative expenses - continuing operations		(328,588)	(164,680)
Other operating income - continuing operations		<u>157,000</u>	<u>144,969</u>
Operating loss - continuing operations		(171,588)	(19,711)
Interest receivable	5	409,542	310,995
Interest payable and similar charges	6	<u>(423,263)</u>	<u>(303,619)</u>
Loss on ordinary activities before taxation	7	(185,309)	(12,335)
Tax on ordinary activities	8	<u>-</u>	<u>-</u>
Retained loss for the year	15	(185,309)	(12,335)
Accumulated losses at 1 March 1995		<u>(256,517)</u>	<u>(244,182)</u>
Accumulated losses at 29 February 1996		<u><u>(441,826)</u></u>	<u><u>(256,517)</u></u>

The company has no recognised gains and losses other than those included in the losses above, and therefore no separate statement of total recognised gains and losses has been presented.

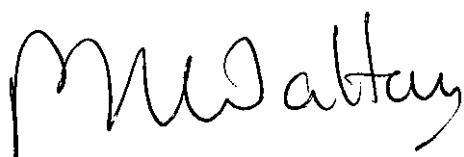
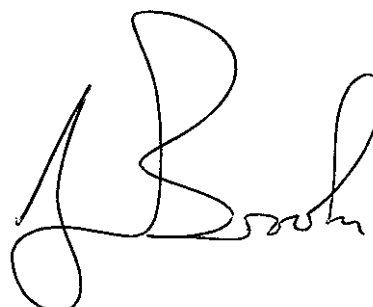
There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents.

Balance sheet at 29 February 1996

	Notes	1996 £	1995 £
Fixed assets			
Tangible assets	9	639,423	663,862
Investments	10	2,274,919	2,427,087
		<u>2,914,342</u>	<u>3,090,949</u>
Current assets			
Debtors falling due after one year	11	5,538,867	4,312,184
Debtors falling due within one year	11	142,385	380,002
Cash at bank and in hand		42,076	23,493
		<u>5,723,328</u>	<u>4,715,679</u>
Creditors: amounts falling due within one year	12	452,496	42,311
		<u>5,270,832</u>	<u>4,673,368</u>
Net current assets			
Total assets less current liabilities		<u>8,185,174</u>	<u>7,764,317</u>
Creditors: amounts falling due after more than one year	13	6,377,000	5,770,834
Capital and reserves			
Called up share capital	14	2,250,000	2,250,000
Profit and loss account		(441,826)	(256,517)
Total shareholders' funds	15	1,808,174	1,993,483
Equity shareholders' funds		(191,826)	(6,517)
Non Equity shareholders' funds		2,000,000	2,000,000
		<u>8,185,174</u>	<u>7,764,317</u>

The financial statements on pages 6 to 16 were approved by the board on 23 SEPTEMBER 1996 and signed on its behalf by

Directors

Notes to the financial statements for the year to 29 February 1996

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost, or valuation, of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are;

Motor vehicles	25% reducing balance
Freehold property	2% straight line
Furniture fixtures and fittings	15% reducing balance
Office equipment	33 1/3% straight line

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements, which transfer to the group substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

2 Directors' emoluments

	1996	1995
	£	£
Fees	67,804	75,876
Other emoluments (including pension contributions and benefits in kind)	10,750	10,569
	<u>78,554</u>	<u>86,445</u>

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	1996	1995
	£	£
The chairman	<u>32,640</u>	<u>40,712</u>
The highest-paid director	<u>42,118</u>	<u>42,118</u>

The number of directors (including the chairman and the highest-paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	1996	1995
	Number	Number
£30,001 to £35,000	1	-
£40,001 to £45,000	1	1
£45,001 to £50,000	-	1
	<u> </u>	<u> </u>

3 Employee information

The average weekly number of persons (including executive directors) employed by the company during the year was:

	1996	1995
Administration	<u>3</u>	<u>3</u>
	£	£
Staff costs		
Wages and salaries	74,769	82,978
Social Security	7,670	8,982
Other pensions	3,796	3,615
	<u>86,235</u>	<u>95,575</u>

4 Related party transactions

Part of a freehold property is let to Chainings Limited, a subsidiary company, at an open market rent of £20,000 per annum on a five year lease which commenced in March 1993.

A freehold property was let to Carebridge Limited, a subsidiary company, at an open market of £30,000 per annum rent in January 1994.

5 Interest receivable

	1996 £	1995 £
On loans to subsidiary companies	<u>409,542</u>	<u>310,995</u>

6 Interest payable and similar charges

	1996 £	1995 £
On an overdraft repayable within 5 years not by instalments	422,136	302,503
On finance leases	<u>1,127</u>	<u>1,116</u>
	<u>423,263</u>	<u>303,619</u>

7 Loss on ordinary activities before taxation

	1996 £	1995 £
Loss on ordinary activities before taxation is stated after crediting:		
Rent receivable	61,000	60,969
Management charges receivable	<u>96,000</u>	<u>84,000</u>
And after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	24,439	22,517
Tangible fixed assets held under finance leases: Motor vehicles	-	2,745
Auditors' remuneration for audit services	3,750	3,000
Provision for diminution in value of fixed asset investment (see note 10)	<u>170,628</u>	<u>-</u>

8 Tax on ordinary activities

There is no tax charge for the year due to the availability of taxation losses. For deferred taxation purposes, there are no material timing differences.

9 Tangible fixed assets

	Freehold property £	Motor vehicles £	Furniture fixtures & fittings £	Office equipment £	Total £
Cost					
At 1 March 1995	664,010	34,615	14,266	5,838	718,729
Additions	-	-	-	-	-
At 29 February 1996	664,010	34,615	14,266	5,838	718,729
Depreciation					
At 1 March 1995	33,200	18,241	2,273	1,153	54,867
Charge for year	16,600	4,094	1,799	1,946	24,439
At 28 February 1996	49,800	22,335	4,072	3,099	79,306
Net book value					
At 29 February 1996	614,210	12,280	10,194	2,739	639,423
At 28 February 1995	630,810	16,374	11,993	4,685	663,862

The net book value of tangible fixed assets includes an amount of £Nil (1995 £8,235) in respect of assets held under finance leases.

10 Investments

	Interests in subsidiary undertakings £
Cost	
At 1 March 1995	2,627,087
Additions	18,460
	<hr/>
At 29 February 1996	2,645,547
	<hr/>
Provision for diminution for value	
At 1 March 1995	200,000
Provision made during year	170,628
	<hr/>
At 29 February 1996	370,628
	<hr/>
Carrying value	
At 29 February 1996	2,274,919
	<hr/>
At 28 February 1995	2,427,087
	<hr/>

The directors have made a further provision of £170,628 against the cost of the investment in Chainings Limited. The total at 29 February 1996 of £370,628 represents a provision against the entire cost of the investment in Chainings Limited.

Interests in subsidiary undertakings

Name of undertaking	Nature of business	Proportion of nominal value of issued shares held by Group & Company %	Aggregate Capital & Reserves £	Profit/(loss) in year ended 29 February 1996 £
European Exporters Ltd	Tobacco marketing	100	(61,598)	31,748
Linear Drives Ltd	Linear motors manufacture	60	(210,398)	22,548
Chainings Ltd	Manufacture of Industrial Filtration products	77.4	(1,053,377)	(249,554)
Carebridge Ltd	Manufacture of garage forecourt equipment	75	(350,344)	(149,570)

All subsidiary undertakings are incorporated in England and Wales and Equity Trust Ltd holds £1 ordinary shares in each subsidiary.

The audit reports within the financial statements of Chainings Limited and Carebridge Limited, whilst not qualified contained references to a "fundamental uncertainty" on the grounds of the ability of the companies to continue as going concerns. The going concern concept upon which the accounts of Chainings Limited and Carebridge Limited have been prepared relies upon the continued financial support of Equity Trust Limited.

The accounts of Chainings Limited and Carebridge Limited do not include any adjustments that would result from a failure to obtain such continued support. The directors of Chainings Limited and Carebridge Limited have received written confirmation of this continued support from Equity Trust Limited and, on this basis, believed it was appropriate to prepare the accounts on the going concern basis.

Exemptions from producing consolidated financial statements

Equity Trust Limited is exempt from preparing consolidated financial statements under S248(1) of the Companies Act 1985.

11 Debtors

	1996 £	1995 £
Amounts falling due after one year		
Amounts owed by subsidiary undertakings (see below)	<u>5,538,867</u>	<u>4,312,184</u>
	1996 £	1995 £
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	124,231	368,732
Other debtors	14,435	-
Prepayments and accrued income	<u>3,719</u>	<u>11,270</u>
	<u>142,385</u>	<u>380,002</u>

Subsidiary undertaking debtors due after more than one year

Loan Balances	Balance outstanding at 29 February 1996 £	Secured/ unsecured loan	Interest rate applied to loan	First repayment due
Name of subsidiary				
European Exporters Limited	67,000	Secured	2% below base	No fixed date
Linear Drives Limited	981,747	Secured	2% below base to 2.5% over base	April 2003
Chainings Limited	931,460	Secured	2% below base to 2.5% over base	April 2003
Carebridge Limited	3,387,724	Secured	2.5% over base	May 2003
	<u>5,367,931</u>			
Trading Balances				
Chainings Limited	170,936	Unsecured	N/A	N/A
	<u>5,538,867</u>			

The directors of Equity Trust Limited have confirmed to the directors of Chainings Limited that they will not seek repayment of the £170,936 trading balance until at least 1 March 1997.

The ability of the subsidiary companies above to repay the debtor balances on the dates shown is dependent on the subsidiaries generating sufficient profits and cash from their future trading, and therefore is subject to uncertainty, as the subsidiaries currently have net liabilities, (see note 10).

12 Creditors: amounts falling due within one year

	1996 £	1995 £
Bank loans and overdrafts (unsecured)	395,719	-
Obligations under finance leases	-	4,148
Amounts owed to subsidiary undertakings	-	14,489
Other creditors	23,403	7,023
Accruals	26,509	8,219
Other taxation and Social Security	6,865	8,432
	<u>452,496</u>	<u>42,311</u>

13 Creditors: amounts falling due after more than one year

	1996 £	1995 £
Bank loan (unsecured)	5,200,000	5,093,834
Loan from parent company (see below)	427,000	427,000
Other loans (see below)	750,000	250,000
	<u>6,377,000</u>	<u>5,770,834</u>

The loan from the parent company is unsecured and interest free and has no set repayment date. The other loans relate to loans from companies associated with the ultimate parent company and are unsecured and interest free, with no set repayment dates.

The bank loan represents an advance on a renewable facility of £5.2m drawn down on 29 February 1996. The advance is repayable 370 days from the date of drawdown unless the facility is renewed at that date. The directors believe that renewal will occur at that date.

14 Called up share capital

	1996 £	1995 £
Authorised		
5,000,000 ordinary shares of £1 each	5,000,000	5,000,000
5,000,000 non voting redeemable preference shares of £1 each	5,000,000	5,000,000
Allotted, called up and fully paid		
250,000 ordinary shares of £1 each	250,000	250,000
2,000,000 non voting redeemable preference shares of £1 each	2,000,000	2,000,000
	2,250,000	2,250,000

The preference shares are redeemable at par at any time at the option of the company, or at the option of the holder at such a time that the company has retained profits available for the redemption.

15 Reconciliation of movements in shareholders' funds

	1996 £	1995 £
Opening shareholders' funds	1,993,483	5,818
Share capital issued	-	2,000,000
Loss for the financial year	(185,309)	(12,335)
Closing shareholders' funds	1,808,174	1,993,483

16 Contingent liabilities

An unlimited multilateral guarantee has been given to the company's bankers in respect of Chainings Limited and European Exporters Limited, both subsidiary undertakings.

17 Ultimate parent company

The directors regard Ezyrik Holdings Ltd, a company registered in Jersey, as the ultimate parent company. According to the register kept by the company, Ezyrik Holdings Ltd has a 100% interest in the equity capital of Equity Trust Limited at 29 February 1996.

Detailed profit and loss account for
the year ended 29 February 1996

	£	1996 £	£	1995 £
Management charges	96,000		84,000	
Rents receivable	61,000		60,969	
		157,000		144,969
Provision against investment	170,628		-	
Wages and salaries	86,235		95,575	
Motor expenses	7,695		7,576	
Travelling	6,301		6,500	
Professional fees	3,142		6,233	
Accounting fees	-		1,950	
Bank charges	3,077		2,591	
Audit	8,536		3,500	
Telephones	4,717		2,138	
Office expenses	1,184		1,333	
Printing, stationery and postage	902		966	
Subscriptions	30		315	
Health insurance	1,643		1,493	
Sundries	126		92	
Depreciation	24,439		25,262	
Rent and rates	7,799		6,856	
Insurance	513		542	
Electricity	533		403	
Computer maintenance	-		225	
Credit control	1,088		1,130	
		(328,588)		(164,680)
Loan interest receivable	408,240		310,961	
Bank interest receivable	1,302		34	
Overdraft interest payable	(422,136)		(302,503)	
HP interest payable	(1,127)		(1,116)	
		(13,721)		7,376
Loss before Tax		(185,309)		(12,335)