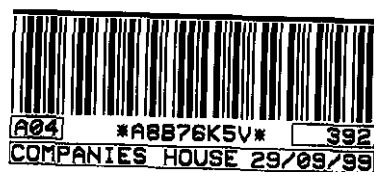


FASTENERS (MIDLANDS) LIMITED

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER, 1998



Company No. 2232137 (England and Wales)

FASTENERS (MIDLANDS) LIMITED

Company Information

Directors	Mr. J. M. Phillips
Secretary	Mr. B. Matthews
Company Number	2232137 (England and Wales)
Registered Office	Unit 16 Longford Industrial Estate Bridgtown Cannock Staffordshire WS11 1QN
Accountants	Shelvoke, Pickering, Janney & Co. Chartered Accountants 57-61 Market Place Cannock Staffordshire WS11 1BP

FASTENERS (MIDLANDS) LIMITED

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FASTENERS (MIDLANDS) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST DECEMBER, 1998

The directors present their report and the accounts of the company for the year ended 31st December, 1998.

Principal Activity

The company's principal activity continues to be that of the distribution of industrial fasteners.

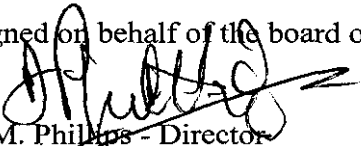
Directors

The directors who served during the year and their beneficial interests in the company's issued share capital were:

	<u>Number of Shares</u>	
	<u>1998</u>	<u>1997</u>
J. M. Phillips	7,500	7,500
Mrs. K. Phillips (Not a Director)	2,500	2,500

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and was approved by the board on 16th September, 1999.

Signed on behalf of the board of directors.


J. M. Phillips - Director

FASTENERS (MIDLANDS) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER, 1998

<u>NOTE</u>	<u>1998</u> £	<u>1997</u> £
Turnover	165,048	184,993
Cost of Sales	(101,660)	(116,897)
	<hr/>	<hr/>
<u>Gross Profit</u>	63,388	68,096
Distribution Costs	(6,214)	(5,474)
Administrative Expenses	(59,543)	(59,765)
	<hr/>	<hr/>
2 <u>Operating Profit/(Loss)</u>	(2,369)	2,857
3 Interest Payable	(315)	(727)
	<hr/>	<hr/>
<u>Profit/(Loss) on Ordinary Activities Before Taxation</u>	(2,684)	2,130
4 Taxation on Profit/(Loss) on Ordinary Activities	-	-
	<hr/>	<hr/>
<u>Profit/(Loss) on Ordinary Activities After Taxation</u>	(2,684)	2,130
<u>Retained Profit Brought Forward</u>	7,351	5,221
	<hr/>	<hr/>
<u>Retained Profit Carried Forward</u>	4,667	7,351
	<hr/>	<hr/>

There are no recognised gains or losses other than as disclosed above and there have been no discontinued activities or acquisitions in the current or preceding period.

The notes on pages 5 to 8 form part of these accounts.

FASTENERS (MIDLANDS) LIMITED

BALANCE SHEET

AS AT 31ST DECEMBER, 1998

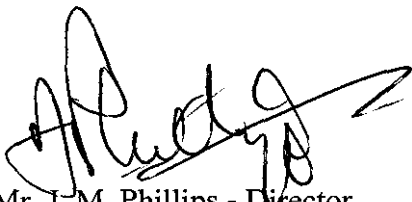
<u>NOTE</u>	<u>Fixed Assets</u>	<u>1998</u>		<u>1997</u>	
		£	£	£	£
5	Tangible Assets		4,473		5,870
	<u>Current Assets</u>				
	Stocks	13,360		14,516	
6	Debtors	25,616		41,379	
	Cash at Bank and in Hand	7,392		4,842	
		<hr/>		<hr/>	
		46,368		60,737	
7	<u>Creditors: Amounts Falling Due Within One Year</u>	(36,174)		(49,256)	
		<hr/>		<hr/>	
	<u>Net Current Assets</u>		10,194		11,481
			<hr/>		<hr/>
	<u>Total Assets Less Current Liabilities</u>		14,667		17,351
			<hr/>		<hr/>
	<u>Capital and Reserves</u>				
9	Called Up Share Capital		10,000		10,000
	Profit and Loss Account		4,667		7,351
			<hr/>		<hr/>
10	Shareholders' Funds - All Equity		14,667		17,351
			<hr/>		<hr/>

The directors consider that the company is entitled to exemption from the requirement to have an audit under the provisions of Section 249A(1) of the Companies Act 1985. Shareholders holding 10% or more of the nominal value of the company's issued share capital have not issued a notice requiring an audit.

The directors acknowledge their responsibilities for ensuring that the company keeps accounting records which comply with Section 221 of the Companies Act 1985, and for preparing accounts which give a true and fair view of the state of affairs of the company as at 31st December, 1998 and of its loss for the year then ended in accordance with the requirements of Section 226, and which otherwise comply with the requirements of the Act relating to the accounts so far as applicable to the company.

The accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The accounts were approved by the board on 16th September, 1999 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'J. M. Phillips', with a long horizontal stroke extending to the right.

Mr. J. M. Phillips - Director

The notes on pages 5 to 8 form part of these accounts.

FASTENERS (MIDLANDS) LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER, 1998

1. Accounting Policies

a) Basis of Preparation of Accounts

The accounts have been prepared under the historical cost convention and incorporate the results of the principal activity which is described in the Directors' Report and which is continuing. The company has taken advantage of the exemption in Financial Reporting Standard No. 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

b) Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of Value Added Tax and trade discounts.

c) Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value over their expected useful lives on the following bases:

Motor Vehicles	-	25% p.a. (Reducing Balance)
Plant and Machinery	-	15% p.a. (Reducing Balance)

d) Leasing and Hire Purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets and depreciated over the shorter of the lease term and their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and Loss Account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

e) Operating Leases

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

f) Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks.

g) Deferred Taxation

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method, only to the extent that in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the near future.

2. <u>Operating Profit/(Loss)</u>	<u>1998</u>	<u>1997</u>
	£	£
The operating profit/loss is stated after charging;		
Depreciation of Tangible Fixed Assets		
- Owned by the Company	315	1,853
Operating Lease Rentals		
- Hire of Plant and Machinery	835	966
- Other Operating Leases	8,400	8,400
Directors' Emoluments	16,520	17,491
	<u> </u>	<u> </u>

3. Interest Payable

Included in interest payable is interest on finance leases and hire purchase contracts of £315 (1997 : £727).

4. Taxation

U.K. Current Year Taxation

U. K. Corporation Tax at 21% (1997 - 21%)	-	-
	<u> </u>	<u> </u>

If provision were made for deferred taxation on the basis of the full potential liability, the tax charge would increase by £NIL (1997 : £NIL) due to accelerated capital allowances.

5. <u>Tangible Fixed Assets</u>	<u>Plant and Machinery Etc</u>
	£
<u>Cost</u>	
At 1st January, 1998 and 31st December 1998	16,393
	<u> </u>
<u>Depreciation</u>	
At 1st January, 1998	10,523
Provided for the Year	1,397
	<u> </u>
At 31st December, 1998	11,920
	<u> </u>

Net Book Values

At 31st December, 1998 4,473

At 31st December, 1997 5,870

Included above in plant and machinery etc are assets held under finance leases or hire purchase contracts amounting to £NIL (1997 : £7,124).

6.	<u>Debtors</u>	<u>1998</u>	<u>1997</u>
		£	£
	<u>Due After More Than One Year</u>		
	Other Debtors	-	-
	<u>Due Within One Year</u>		
	Trade Debtors	24,232	39,979
	Prepayment and Accrued Income	1,384	1,400
		<u>25,616</u>	<u>41,379</u>
7.	<u>Creditors: Amounts Falling Due Within One Year</u>		
	Trade Creditors	27,845	38,330
	Other Creditors	859	847
	Taxation and Social Security	5,697	6,800
	Accruals and Deferred Income	1,773	3,279
		<u>36,174</u>	<u>49,256</u>
8.	<u>Deferred Taxation</u>		
	The potential liability for deferred taxation not provided was as follows:		
	Accelerated Capital Allowances	28	20
	<u>Less Losses Available to be set-off</u>		
	against future profits	(1,353)	(780)
9.	<u>Called Up Share Capital</u>		
	<u>Authorised</u>		
	Ordinary Shares of £1 each	10,000	10,000

Issued

Ordinary Shares of £1 each	10,000	10,000
	<u> </u>	<u> </u>

10. Movement on Shareholders' Funds

Profit(loss) for the Year	(2,684)	2,130
Shareholders' Funds at 1st January, 1998	17,351	15,221
	<u> </u>	<u> </u>
Shareholders' funds at 31st December, 1998	14,667	17,351
	<u> </u>	<u> </u>

11. Capital Commitments

Contracted for but not provided in these accounts	-	-
	<u> </u>	<u> </u>

12. Other Commitments

At 31st December, 1998, the company had annual commitments under non-cancellable operating leases as follows:

	<u>Land and Buildings</u>		<u>Other</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	£	£	£	£
Expiry date:				
Within One Year	-	-	-	-
Between Two and Five Years	8,400	8,400	-	-
In More Than Five Years	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	8,400	8,400	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

13. Related Party Transactions

The company was under the control of Mr. J. M. Phillips who owned 75% of the company's issued ordinary share capital during this and the preceding period.