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STANELCO PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 OCTOBER 1997

Company No. 1873702

STANELCO PLC

FINANCIAL STATEMENTS

For the year ended 31 OCTOBER 1997

Company registration no.:	1873702 (England and Wales)
Registered office:	Oliver House 27 East Barnet Road New Barnet HERTS EN4 8RN
Executive Directors:	I N Davis (Chief executive) B C Hozier Mrs A R Shepherd H White
Non-executive Director:	C H B Mills (Chairman)
Secretary:	B C Hozier
Bankers:	Barclays Bank plc Broadgate Business Centre 155 Bishopsgate LONDON EC2M 3XA
Solicitors:	Maxwell Batley 27 Chancery Lane LONDON WC2A 1PA
Registrars:	Independent Registrars Group Limited Balfour House 390 - 398 High Road Ilford ESSEX IG1 1NQ
Auditors:	Grant Thornton Registered Auditors Chartered Accountants Grant Thornton House Melton Street Euston Square LONDON NW1 2EP

STANELCO PLC

FINANCIAL STATEMENTS

For the year ended 31 OCTOBER 1997

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STANELCO PLC

CHAIRMAN'S STATEMENT

The company successfully completed a move to the full listing in late December 1997.

Results

Stanleco Products Ltd, the trading company, had turnover of £2,072,000 for the 12 months to 31 October 1997. This was a 9% increase on the pro rated turnover for the 8 months to 31 October 1996 and over 25% when compared to the last full year to 29 February 1996.

The trading company made an operating loss of £4,000 after incurring a one-off cost in respect of past pensions of £18,000 and group management fees of £90,000. After accounting for holding company costs which included expenses incurred in moving up to a full listing, the group results show a loss on ordinary activities before tax of £16,000.

Future prospects

The company has suffered from a lack of firm orders from the Far East. Enquiries are at an encouraging level, but orders have been delayed because of the strength of the pound and the problems in the Far East.

A new process within the plastic welding market has been developed that should put Stanelco in a strong position in the future to service the domestic appliance and automotive industries markets.

We continue to look for a suitable acquisition.

Christopher Mills
Chairman

30 April 1998

The directors submit their report and the financial statements of Stanelco PLC for the year ended 31 October 1997. The comparative figures are for the period 1 March 1996 to 31 October 1996.

Principal activities

The principal activity of the company during the year was that of a holding investment company. Its wholly owned trading subsidiary, Stanelco Products Limited, is a manufacturer and supplier of high frequency thermal processing equipment. During the year the company acquired the share capital of Stanelco Fibre Optics Limited, that company remaining dormant.

Review of the business

The chairman provides a review of the business and future developments in his statement on page 1.

The group's trading subsidiary Stanelco Products Limited has received a substantial claim from a customer in respect of certain equipment supplied by it. The directors are taking appropriate advice and believe there are good grounds for defending the action.

Research and development

By the very nature of the business costs are incurred in research and development but these cannot be separately identified.

Results and dividends

The trading results of the group for the year are set out in the consolidated profit and loss account on page 11.

The directors do not recommend payment of a dividend.

Directors and directors' interests

The directors who served during the year and their beneficial interests in the shares of the company are as follows:

	Ordinary shares of 0.1p each	
	31 October 1997	**1 November 1996**
H White	116,539,031	266,489,940
B C Hozier	-	-
Mrs A R Shepherd	-	-
I N Davis (Chief executive)	383,028,971	266,489,940
C H B Mills (Non-executive) - Chairman	100,000	100,000

The directors have no non-beneficial interests in the shares of the company.

Directors and directors' interests (continued)

The interests of I N Davis in the issued share capital as set out above are partly registered in the name of Abacus (Nominees) Limited (266,489,940 shares) as nominee for the I N Davis 1991 Trust (of which I N Davis and his family are the prime beneficiaries) and also through companies, Warrington Wirework Limited, Homebeam Limited and Majorgraph Limited (116,539,031 shares) in which he has a 50% equity interest.

The holdings of H White shown above are held through the other 50% equity interest in Warrington Wirework Limited, Homebeam Limited and Majorgraph Limited.

In accordance with the company's articles Mr H White and Mr B C Hozier retire by rotation, and being eligible, offer themselves for re-election.

There have been no changes in the directors interests in the share capital of the company as set out above from the end of the financial period to the date of approving the financial statements.

Mr C H B Mills the company's non-executive chairman is aged 45 and is a director of J O Hambro & Partners Limited and has extensive investment and management expertise. He is a director of Horace Small Apparel Plc and a number of other quoted companies in both the United Kingdom and the United States of America.

Substantial shareholdings

The company has been notified that the following shareholders held a beneficial interest of 3% or more of the company's issued share capital as at the date of approving the financial statements.

	Ordinary shares of 0.1p each	
	%	**number**
Warrington Wirework Limited (fully owned in equal proportions by I N Davis and H White)	19.70	131,277,353
Homebeam Limited (fully owned in equal proportion by I N Davis and H White)	3.92	26,113,709
Majorgraph Limited (fully owned in equal proportions by I N Davis and H White)	11.36	75,687,000
Abacus (Nominees) Limited for the I N Davis 1991 Trust	40.00	266,489,940
Bank of Scotland London Nominees Limited	4.22	28,100,000

On 30 April 1998 Abacus (Nominees) Limited as nominee for the I N Davis 1991 Trust, together with Warrington Wirework Limited, Homebeam Limited and Majorgraph Limited on behalf of I N Davis and H White being equal shareholders in such companies entered into agreements with the company which confirmed that they would not at any time prevent the company from operating and making decisions independently from them and any of their associates and that all transactions and relationships between the company and them or any associate would be conducted at arm's length and on a normal commercial basis.

Directors' interests in contracts

Directors' interests in contracts with the group are disclosed in note 10 to the financial statements.

Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group 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

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

Corporate Governance

The Group currently comprises one trading subsidiary, which had a turnover of £2,071,839 in the year ended 31 October 1997 a dormant subsidiary Stanelco Fibre Optics Limited, and a parent company which is committed to identifying acquisition targets. The company fully supports the Cadbury Committee's recommendations on the Financial Aspects of Corporate Governance, but the directors consider that implementation of the Committee's recommendations should be commensurate with the circumstances of the Group. The company has complied throughout the period with the Code of Best Practice except for paragraph 4.3 as it has only one non-executive director and no formal audit committee. The board of directors of the holding company believes that its current composition is suitable for the size of the company.

The Board of Directors
The directors of the subsidiary company meet on a regular basis to control and monitor the executive management of that company's operations. The board of directors of the holding company (the Group Board) ensure that a representative of the Group Board attends subsidiary company meetings periodically to monitor the subsidiary's performance. The Group Board approve all matters relating to strategy, major development and investment decisions of the subsidiary. The Group Board consists of four executive and one non-executive director with distinct roles for the Chairman and Chief executive. The structure of the Group Board falls short of the minimum three non-executive directors advocated but nevertheless provides a strong independent element. The non-executive director is independent of the executive management of the Group and although appointed by the Group Board but does not have specific terms of reappointment.

Audit committee
No audit committee has yet been established, but the Group Board monitors the adequacy of the subsidiary company's internal controls, accounting policies and financial reporting. It also discusses with the external auditors the proposed audit programme and the results of the audit of the Group's financial statements.

Internal financial control

The Group Board has overall responsibility for the group's system of internal financial control, which is designed to provide reasonable, but not absolute, assurance that assets are safeguarded against material misstatement or loss or unauthorised use and that transactions are properly authorised and recorded. The Group Board has reviewed the effectiveness of the system of internal financial control during the period and up to the date of signing the financial statements.

The control environment is supported through written accounting and control policies and procedures, clearly drawn lines of accountability and delegation of authority. The financial performance of the subsidiary is monitored through the monthly accounts which report against budgets and forecasts both at local and holding company levels.

Operating company management has a clear responsibility for the identification of business risk and the implementation of an appropriate control response. Management reviews are supplemented by periodic checks organised from holding company level.

Going concern

After making enquiries the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

The auditors have confirmed that, in their opinion: with respect to the directors' statements on internal control and going concern as set out above the directors have provided the disclosures required by the Listing Rules of the London Stock Exchange and such statements are not inconsistent with information of which they are aware from their audit work on the financial statements; and that the directors' other statements on pages 4 and 5 appropriately reflects the company's compliance with the other aspects of the Cadbury Code specified for their review by Listing Rule 12.43(j). They were not required to perform the additional work necessary to, and did not, express any opinion on the effectiveness of either the group's system of internal financial control or its corporate governance procedures nor on the ability of the group to continue in operational existence.

Report of Remuneration committee

The remuneration committee consists of all the directors other than Mrs A Shepherd being the only director who receives remuneration. This does not comply with paragraph 2 section A of the best practice provisions annexed to the Listing Rules which requires the remuneration committee to consist solely of non-executive directors. As referred to above the company has only one non-executive director and it is thought that a more balanced approach is obtained when considering the director's remuneration if all directors other than Mrs A Shepherd are members of the committee. In forming its remuneration policy, the committee has given full consideration to Section B of the best practice provisions annexed to the Listing Rules. The remuneration committee has regard to rates of pay for similar jobs in comparable companies as well as internal factors such as performance when setting the level of Mrs A Shepherd's remuneration. No other member of the Group Board receives remuneration.

When considering the report of the remuneration committee reference should be made to the disclosures in respect of directors remuneration that are contained within the body of the financial statements (Note 3). Mrs. A Shepherd received remuneration of £32,821 (salary £28,478 and benefits-in-kind £4,343) in the year (period ended 31 October 1996 £19,411). Mrs. A Shepherd's current annual salary is £31,000, she is not a member of the company pension scheme and has no share options or long term incentive scheme arrangements in place being in accord with current group policy.

Report of Remuneration committee (continued)

Mrs Shepherd has a service contract with the company which states that she has termination rights limited to those given by statute by reference to her years of employment which do not exceed one year. No other director has a service contract with the company.

Payment policy and practice

It is the company's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of these terms and to abide by them. Trade creditors at the year end amount to 142 days of average supplies for the year.

ANNUAL GENERAL MEETING - Special Business

Special business to be conducted at the Company's 1998 Annual General Meeting includes the renewal of the company's authority to purchase its own shares as well as changes to the Articles of Association and accordingly your attention is drawn to the heading on the Notice of Meeting set out on page 27.

The items of special business are summarised below:

Disapplication of pre-emption rights

Section 89 of the Companies Act 1985 gives statutory rights of pre-emption whereby any equity securities proposed to be issued wholly for cash must first be offered to existing shareholders pro-rata (or as nearly as practicable) to their holdings in the manner laid down therein. The directors consider it advisable that they should have the ability to make small allotments of equity securities wholly for cash otherwise than on a pro-rata basis or to persons other than existing equity shareholders. Accordingly the board is seeking to renew its authority to allot equity securities both in connection with a rights offer in such manner as might be necessary to take account of legal or practical problems or fractional entitlements and otherwise up to a maximum of 33,311,000 ordinary shares of 0.1p each being 5% of the present issued ordinary share capital without having to comply with such pre-emption rights. This authority requires the passing of a Special Resolution which, as proposed, would create a power expiring at the earlier of fifteen months after the passing of this Special Resolution or the conclusion of the Annual General Meeting (to be held in 1999) where the financial statements to 31 October 1998 are presented but may then be renewed by a further Special Resolution.

Authority to purchase own shares

Section 166 of the Companies Act 1985 gives authority to the company to make a market purchase of its own shares. The directors believe it is appropriate for the company to have such authority thereby enabling it to take advantage of favourable market conditions for making such purchases and thus benefiting remaining shareholders by increasing the expected earnings and net asset value per share. The directors have no immediate plans to exercise the power of the company to purchase its own shares and will only do so when they are satisfied that it is in the interests of the shareholders to do so.

Authority to purchase own shares (continued)

Accordingly, the Board is seeking to renew its existing authority for the company to purchase up to a maximum of 66,622,000 ordinary shares of 0.1p each, granted at the Company's Annual General Meeting held on 6 February 1997, being 10% of the present issued ordinary share capital of the company. These purchases are to be made at a minimum price of 0.1p and a maximum price not exceeding 105% of the average of the prices of the business done in the ordinary shares of the company as derived from the London Stock Exchange Daily Official List for the ten business days preceding the day the purchase is made. This authority requires the passing of a Special Resolution which, as proposed, would expire at the earlier of fifteen months after the passing of this resolution or the conclusion of the Annual General Meeting (to be held in 1999) where the financial statements to 31 October 1998 are presented but may then be renewed by a further Special Resolution.

Proposed changes to Articles of Association

Article 130(A) (ii) is being altered to remove the references to the Unlisted Securities Market.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

B C Hozier
Secretary

30 April 1998

REPORT OF THE AUDITORS TO THE MEMBERS OF

STANELCO PLC

We have audited the financial statements on pages 9 to 26 which have been prepared under the accounting policies set out on pages 9 - 10.

Respective responsibilities of directors and auditors

As described on page 4, the 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 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 affairs of the group and the company as at 31 October 1997 and of the results of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton

GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

LONDON
30 APRIL 1998

The financial statements are prepared under the historical cost convention in accordance with applicable UK Accounting Standards.

The principal accounting policies of the group have remained unchanged from the previous period and are set out below.

CONSOLIDATION

The group accounts consolidate the financial statements of the company and its trading subsidiary undertaking for the year 1 November 1996 to 31 October 1997. The comparative figures are for the 8 month period to 31 October 1996. Profits or losses on intra-group transactions are eliminated in full.

GOODWILL

Goodwill representing the excess of the fair value of the purchase price over the fair value of the separable net assets acquired is written off to reserves in the period of acquisition.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at historical cost less depreciation.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value over its expected useful life, as follows:

Office and computer equipment	20% - written down value
Tools, jigs and patterns	33.3% - written down value
Plant and equipment	10% - written down value
Fixtures and fittings	10% - written down value
Motor vehicles	25% - written down value

STOCK AND WORK IN PROGRESS

Stock and work in progress is stated at the lower of cost and net realisable value. Cost is calculated using the first-in first-out method and consists of material and direct labour costs, together with an appropriate proportion of production overheads.

DEFERRED TAXATION

Provision is made for deferred taxation using the liability method to account for timing differences between the incidence of income and expenditure for taxation and accounting purposes to the extent that it is probable that a liability will crystallise in the foreseeable future. Unprovided deferred taxation is disclosed in Note 11.

LEASED ASSETS AND OBLIGATIONS

Assets obtained under finance leases and hire purchase contracts are capitalised as tangible fixed assets at the estimated present value of underlying lease payments and depreciated over the shorter of the lease term and their useful lives in accordance with the above policy. Obligations under such agreements are included in creditors net of the finance charges allocated to future periods. The finance element of the rental payments is charged to the profit and loss account over the period of the lease so as to produce a constant periodic rate of charge on the outstanding balance of the net obligation in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

PENSIONS

The company operates a defined contribution pension scheme. Pension costs charged in the financial statements represent the contributions payable by the company during the period.

FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or, if hedged forward, at the relevant forward currency contract rate. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the accounting date. All differences are taken to the profit and loss account.

TURNOVER

Turnover represents amounts receivable for goods and services invoiced to customers excluding VAT.

RESEARCH AND DEVELOPMENT

All research and development costs are written off as incurred.

STANELCO PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 OCTOBER 1997

	Notes	Year ended 31 October 1997 £'000	Period ended 31 October 1996 £'000
Turnover	1	2,072	1,257
Cost of sales		(1,142)	(698)
Gross profit		930	559
Distribution costs		(23)	(21)
Administrative expenses		(913)	(505)
Operating (loss)/profit		(6)	33
Interest receivable and similar income	2	2	-
Interest payable and similar charges	2	(12)	(3)
(Loss)/profit on ordinary activities before taxation	1	(16)	30
Taxation - credit	4	6	-
Retained (loss)/profit for the year/period	13	(10)	30

The calculation of earnings per share is based on the loss for the year of £16,000 (period to 31 October 1996 - profit £30,000) and 666,224,850 ordinary shares (Loss)/earnings per share - pence	(0.0024)	0.005

All recognised gains and losses are included in the profit and loss account.

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

STANELCO PLC

CONSOLIDATED BALANCE SHEET AT 31 OCTOBER 1997

	Notes	At 31 October 1997		At 31 October 1996	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	5		117		101
Current assets					
Stocks	7	241		244	
Debtors	8	573		273	
Cash at bank and in hand		1		21	
		815		538	
Creditors: amounts falling due within one year	9	(686)		(517)	
Net current assets			129		21
Total assets less current liabilities			246		122
Creditors: amounts falling due after more than one year	10		(212)		(78)
Net assets			34		44
Capital and reserves					
Called up share capital	12		666		666
Profit and loss account	13		(632)		(622)
Shareholders' funds	14		34		44

The financial statements were approved by the Board on 30 April 1998

B C Hozier)
) Directors
Mrs A R Shepherd)

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

STANELCO PLC

COMPANY BALANCE SHEET AT 31 OCTOBER 1997

	Notes	At 31 October 1997 £'000	At 31 October 1997 £'000	At 31 October 1996 £'000	At 31 October 1996 £'000
Fixed assets					
Investment in subsidiary undertaking	6		-		-
Current assets					
Debtors	8	58		79	
		58		79	
Creditors: amounts falling due within one year	9	(25)		(36)	
Net current assets			33		43
Total assets less current liabilities			33		43
Capital and reserves					
Called up share capital	12		666		666
Profit and loss account	13		(633)		(623)
Shareholders' funds	14		33		43

The financial statements were approved by the Board on 30 April 1998

B C Hozier)
) Directors
Mrs A R Shepherd)

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

STANELCO PLC

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 OCTOBER 1997

	Note	Year ended 31 October 1997 £'000	Period ended 31 October 1996 £'000
Net cash (outflow)/inflow from operating activities	15	(168)	101
Returns on investments and servicing of finance			
Interest received		2	-
Interest paid		(9)	(2)
Finance lease interest paid		(3)	(1)
Net cash outflow from returns on investments and servicing of finance		(10)	(3)
Taxation			
Corporation tax recovered		7	-
Capital expenditure and financial investment			
Sale of tangible fixed assets		7	2
Purchase of tangible fixed assets		(17)	(11)
Net cash (outflow) from capital expenditure and financial investment		(10)	(9)
Financing			
Receipts from borrowing		130	-
Capital element of finance lease rentals		(24)	(8)
Net cash inflow/(outflow) from financing		106	(8)
(Decrease)/increase in cash	16	(75)	81

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

1 TURNOVER AND (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 31 October 1997 £'000	Period ended 31 October 1996 £'000
Turnover		
Sales are made from the United Kingdom into the following geographical markets:		
United Kingdom	961	551
Europe	164	82
Asia	392	228
America	531	395
Africa	24	1
	2,072	1,257

	Year ended 31 October 1997 £'000	Period ended 31 October 1996 £'000
(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible assets:		
Charge for the period:		
owned assets	12	7
leased assets	12	5
Auditors' remuneration:		
audit work	10	11
non audit work	9	14
Hire of plant and machinery	8	2
Other operating leases	2	32
Research and development	-	10
Gross pension scheme refund adjustment (including associated tax - see note 4) arising from further augmentation of benefits in a closed scheme	18	-

2 NET INTEREST

	Year ended 31 October 1997 £'000	Period ended 31 October 1996 £'000
Bank loans and overdrafts	7	2
Finance charges in respect of finance leases	3	1
Other interest payable and similar charges	2	-
	12	3
Other interest receivable and similar income	(2)	-
	10	3

3 DIRECTORS AND EMPLOYEES

The average weekly number of persons (including directors) employed by the group during the period was:

	Year ended 31 October 1997 £'000	Period ended 31 October 1996 £'000
Management	4	4
Administration	4	4
Sales	4	4
Manufacturing and engineering	20	18
	32	30

	£'000	£'000
Staff costs:		
Wages and salaries	593	335
Social security costs	57	34
Other pension costs - defined contribution scheme	7	4
Gross pension scheme refund adjustment	18	-
	675	373
Directors' remuneration		
Emoluments	33	19

DIRECTORS AND EMPLOYEES (CONTINUED)

The highest paid director who received the above emoluments for services as a director of the company was not the Chairman. The annual salary of the only paid director (excluding benefits in kind) is £28,478. Included within the emoluments of £32,821 are benefits-in-kind of £4,343. Mrs. Shepherd is not a member of the company's pension scheme. None of the other directors received any remuneration during the year (period ended 31 October 1996 £nil).

This section should be read in conjunction with the statement of Corporate Governance within the Report of the Directors on page 5.

4 **TAXATION - CREDIT**

	Year ended 31 October 1997 £'000	Period ended 31 October 1996 £'000
Based on the results for the year/period:		
UK Corporation tax at 22.25 % (1996: 25%)	-	-
Deferred taxation (note 11)	-	-
Prior year under provision	1	-
Tax release on refund adjustment to pension scheme	(7)	-
	(6)	-

5 TANGIBLE FIXED ASSETS

GROUP	Office and computer equipment £'000	Tools, jigs patterns £'000	Plant and equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	1997 Total £'000
Cost:						
1 November 1996	14	5	66	4	86	175
Additions	-	-	13	1	35	49
Disposals	-	-	-	-	(22)	(22)
31 October 1997	14	5	79	5	99	202
Depreciation:						
1 November 1996	4	3	25	2	40	74
Charge for period	2	1	4	1	16	24
On disposals	-	-	-	-	(13)	(13)
31 October 1997	6	4	29	3	43	85
Net book value:						
31 October 1997	8	1	50	2	56	117
31 October 1996	10	2	41	2	46	101

Included within the net book value of tangible fixed assets set out above are those held under finance leases or hire purchase contracts of which further details are set out below:

	31 October 1997 £'000	31 October 1996 £'000
Motor vehicles	49	34

6 FIXED ASSET INVESTMENT

COMPANY **Investment in subsidiary undertaking**	**1997** **Total** **£'000**
Cost:	
1 November 1996 and 31 October 1997	385
Provisions for diminution in value:	
1 November 1996 and 31 October 1997	385
Net book value:	
31 October 1997	-
31 October 1996	-

Company	**Country of registration or incorporation**	**Shares held** **Class**
Stanelco Products Limited	England and Wales	Ordinary £1
Stanelco Fibre Optics Limited	England and Wales	Ordinary £1

Stanelco Products Limited is involved in the manufacture and supply of high frequency thermal processing equipment in the United Kingdom. Stanelco Fibre Optics Limited did not trade in the period. Stanelco PLC owns all of the issued £1 ordinary shares in its wholly owned subsidiaries, the results thereof being included in the consolidated financial statements.

7 STOCKS

GROUP	**31 October 1997** **£'000**	**31 October 1996** **£'000**
Raw materials and consumables	126	74
Work in progress	90	142
Finished goods and goods for resale	25	28
	241	244

8 DEBTORS

GROUP	31 October 1997 £'000	31 October 1996 £'000
Trade debtors	496	135
Other debtors	55	109
Prepayments and accrued income	22	29
	573	273

Other debtors include an amount £20,000 (31 October 1996: £20,000) being a rent deposit which is due after more than one year.

COMPANY	31 October 1997 £'000	31 October 1996 £'000
Amounts owed by subsidiary undertaking	55	72
Other debtors	-	4
Prepayments	3	3
	58	79

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

GROUP	31 October 1997 £'000	31 October 1996 £'000
Bank loans and overdrafts	55	-
Obligations under finance leases and hire purchase contracts (note 10)	16	12
Trade creditors	437	332
Payments on account	44	100
Other taxation and social security costs	30	17
Other creditors	3	-
Accruals and deferred income	101	56
	686	517

The group has bank overdraft facilities which are secured by a standard debenture issued over the group's assets in favour of their bankers and is repayable on demand.

COMPANY

	31 October 1997 £'000	31 October 1996 £'000
Corporation tax	-	12
Other creditors	3	3
Accruals and deferred income	22	21
	25	36

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

GROUP

	31 October 1997 £'000	31 October 1996 £'000
Loans	195	65
Net obligations under finance leases and hire purchase contracts	17	13
	212	78
Loans		
Wholly repayable within five years	195	65

Included above are unsecured loans of £195,000 (31 October 1996: £65,000) from companies in which I N Davis, a director of the holding company, has an interest. The loans are interest free and no formal repayment terms are in place; however repayment will not be requested within the next twelve months.

Other than the above no director was interested in any significant contract as between themselves and the company.

	31 October 1997 £'000	31 October 1996 £'000
Net obligations under finance leases and hire purchase contracts		
Repayable within one year	19	14
Repayable between one and two years	15	11
Repayable after two and within five years	5	5
	39	30
Finance charges and interest allocated to future accounting periods	(6)	(5)
	33	25
Included in current liabilities (note 9)	(16)	(12)
	17	13

11 PROVISIONS FOR LIABILITIES AND CHARGES

	Unprovided liabilities		Amount provided	
	31 October 1997 £'000	31 October 1996 £'000	31 October 1997 £'000	31 October 1996 £'000
Deferred taxation: 21% (1996: 24%)				
Excess of tax allowances over depreciation	11	9	-	-
Tax losses available	(3)	(8)	-	-
	8	1	-	-

12 SHARE CAPITAL

	31 October 1997 £'000	31 October 1996 £'000
Authorised:		
885,000,000 Ordinary shares of 0.1p each	885	885
Allotted, issued and fully paid:		
666,224,850 Ordinary shares of 0.1p each	666	666

13 PROFIT AND LOSS ACCOUNT

GROUP	Year ended 31 October 1997 £'000	Period ended 31 October 1996 £'000
Balance at 1 November 1996	(622)	(652)
Retained for the year/period	(10)	30
Accumulated losses at 31 October 1997	(632)	(622)

COMPANY		
Balance at 1 November 1996	(623)	(653)
Retained for the year/period	(10)	30
Accumulated losses at 31 October 1997	(633)	(623)

In accordance with the concession granted under Section 230 Companies Act 1985 the profit and loss account of the holding company has not been separately presented. The loss of the holding company for the year is £10,000 (1996: profit £30,000).

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

GROUP	Year ended 31 October 1997 £'000	Period ended 31 October 1996 £'000
(Loss)/profit for the financial year/period	(10)	30
Opening shareholders' funds	44	14
Closing shareholders' funds	34	44
COMPANY		
(Loss)/profit for the financial year/period	(10)	30
Opening shareholders' funds	43	13
Closing shareholders' funds	33	43

15 RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	Year ended 31 October 1997 £'000	Period ended 31 October 1996 £'000
Operating (loss)/profit	(6)	33
Depreciation of tangible assets	24	12
Loss on disposal of tangible assets	1	3
Decrease in stocks	3	5
(Increase) in debtors	(300)	(22)
Increase in creditors due within one year	110	70
	(168)	101

16 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1997 £'000	1996 £'000
(Decrease)/increase in cash in the year/period	(75)	81
Cash (inflow)/outflow from financing	(106)	8
Change in net debt resulting from cash flows	(181)	89
Inception of finance leases	(32)	(18)
Movement in net debt in the year/period	(213)	71
Net debt at 1 November 1996	(69)	(140)
Net debt at 31 October 1997	(282)	(69)

17 ANALYSIS OF CHANGES IN NET DEBT

	At 1 November 1996 £'000	Cash flow £'000	Non-cash movements £'000	At 31 October 1997 £'000
Cash in hand and at bank	21	(20)	-	1
Overdrafts	-	(55)	-	(55)
	21	(75)	-	(54)
Debt	(65)	(130)	-	(195)
Finance leases	(25)	24	(32)	(33)
	(69)	(181)	(32)	(282)

18 CAPITAL COMMITMENTS

There were no capital commitments at 31 October 1997 or at 31 October 1996

19 COMMITMENTS UNDER OPERATING LEASES

At 31 October 1997 the group had annual commitments under non-cancellable operating leases as follows:

	31 October 1997 £'000	31 October 1996 £'000
Land and buildings:		
expiring after five years	48	48
Other:		
Between one and five years	17	-

The subsidiary company is committed to make payments under a non-cancellable operating lease in respect of property. The 10 year lease from June 1993 had a rent free period until 24 March 1994 followed by one years rental charge of £45,000, one year of £47,000, one year of £48,000 and will be reviewed thereafter. At present the review is outstanding and rent continues to be requested and paid at £48,000 per annum.

20 CONTINGENT LIABILITIES

a) The group's trading subsidiary Stanelco Products Limited has received a substantial claim from a customer in respect of equipment sold relating both to supplies made whilst the company was owned by Stanelco PLC and previously. The company strongly disputes this claim and intends to defend it. At this stage of proceedings the directors are unable to quantify the potential loss should the claim ultimately succeed.

b) In connection with a scheme of arrangement, the company agreed to provide to The Royal Bank of Scotland plc an indemnity in respect of a rental guarantee provided by The Royal Bank of Scotland plc to one of the company's former subsidiaries (now in liquidation) on a property in Salford for the years 1993, 1994 and 1995. The maximum annual liability of The Royal Bank of Scotland would be £412,000 plus VAT. The lease on this property has been disclaimed by the liquidator.

21 PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets are held separately from those of the company. The contribution charge for the year was £6,934 (period ended 31 October 1996: £3,933).

STANELCO PLC

NOTICE OF MEETING

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services Act 1986 immediately.

If you have sold or transferred all of your ordinary shares in Stanelco PLC, you should immediately forward this document and, where appropriate the accompanying form of proxy, to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Notice is hereby given that the 1998 Annual General Meeting of the members of Stanelco PLC will be held at Oliver House, 27 East Barnet Road, New Barnet, Hertfordshire EN4 8RN on 19 June 1998 at 10.00 am for the following purposes:

Ordinary Business

1. To receive and adopt the Report of the Directors and audited Financial Statements for the year ended 31 October 1997.

2. To re-elect the following as directors of the company;

   a) H White (a member of the Remuneration Committee)
   b) B C Hozier (a member of the Remuneration Committee);

   Neither of the directors proposed for re-election have a service contract. The only director with a service contract is Mrs A R Shepherd and this will be available for inspection at Oliver House 27 East Barnet Road East Barnet Hertfordshire EN4 8RN on 19 June 1998.

3. To re-appoint Grant Thornton as auditors of the company and to authorise the directors to fix their remuneration.

Special Business

To consider and, if thought fit, to pass the following resolutions which will be proposed as special resolutions.

4. THAT

(i) the Directors be and they are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 ("the Act") and in substitution for any existing power to exercise all the powers of the company to allot relevant securities up to an aggregate nominal amount of £218,775.69, such authority to expire at the conclusion of the Annual General Meeting of the company next following the Meeting at which this Resolution is passed or fifteen months after the date of the Meeting, whichever is the earlier, save that the company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to such an offer or agreement as if the power conferred hereby had not expired;

(ii) the Directors be and they are hereby empowered pursuant to Section 95 of the Act to allot equity securities pursuant to the authority conferred by this Resolution as if Section 89(1) of the Act did not apply to any allotment provided that this power shall be limited to:

(a) the allotment of equity securities in connection with a rights issue in favour of holders of ordinary shares and other persons entitled to participate by way of rights where the equity securities attributable to the interests of all holders of ordinary shares and such other persons holding (or as appropriate to the number of such shares which such other persons are for these purposes deemed to hold) are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient for the purpose of dealing with fractional entitlements or legal or practical problems under the laws, or the requirements of any regulatory body or any stock exchange, in any territory; and

(b) the allotment (otherwise than pursuant to sub-paragraph (ii) (a) of this Resolution) of equity securities up to an aggregate nominal amount of £33,311.29.

and shall expire at the conclusion of the Annual General Meeting of the company next following the meeting at which this Resolution is passed or fifteen months after the date of the meeting, whichever is the earlier, save that the company may at any time before such expiry make an offer or agreement which would or might require equity securities to be allotted pursuant to such offer or agreement to be allotted after such expiry as if the power conferred hereby had not expired; and words and expressions defined in or for the purposes of part IV of the Act shall in this Resolution bear the same meanings.

5. THAT

authority is hereby generally and unconditionally given pursuant to Section 166 of the Act, for the company to make market purchases (as defined in Section 163(3) of the Act) of any of its own ordinary shares of 0.1 pence each in such manner and on such terms as the directors may from time to time determine provided that:

(a) the authority hereby given shall, unless previously varied, revoked or renewed, expire at the conclusion of the Annual General Meeting of the company next following the Meeting at which this Resolution is passed or fifteen months after the date of the Meeting, whichever is the earlier, but so that the company shall be entitled under such authority to conclude at any time before such expiry any contract or purchase of its own ordinary shares which would or might be executed wholly or partly after the expiry of such authority and to make a purchase of its own shares after such time limit in pursuance of such a contract of purchase;

(b) the maximum number of shares hereby authorised to be acquired is 66,622,431 ordinary shares; and

(c) the maximum price which may be paid for each ordinary share of 0.1 pence each is an amount equal to 105% of the average of the prices of the business done in the ordinary shares of the company derived from the London Stock Exchange Daily Official List for the ten business days preceding the day of purchase and the minimum price is 0.1 pence such prices being exclusive of Advance Corporation Tax (if any) payable by the Company.

6. THAT

the Articles of Association of the company be amended by the deletion in the twelfth line of existing Article 130(A) (ii) of the words "Unlisted Securities Market" and the insertion after the word "the" of "London Stock Exchange" and the deletion in the thirteenth line of the words "the USM appendix of".

BY ORDER OF THE BOARD

B C Hozier
Secretary

Registered office:
Oliver House
27 East Barnet Road
New Barnet
Hertfordshire
EN4 8RN

30 April 1998

NOTES

1 A member of the company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not also be a member of the company.

2. A form of proxy for the use of members who are unable to attend the meeting in person is enclosed. To be valid the completed form of proxy and the power of attorney (if any) under which it is signed, or a notarially certified copy of that power, must be deposited with the Company's Registrars, Independent Registrars Group Limited, Balfour House, 390 - 398 High Road, Ilford, Essex, IG1 1BR, not later than 48 hours before the time appointed for holding the meeting.

3. The completion and return of the form of proxy does not preclude a member from attending the meeting and voting in person.

4. The register of directors' interests will be available for reference at the commencement of, and during the Annual General Meeting.

5. There are no contracts of service of the directors with the company, or its subsidiary, the unexpired portion of the terms of which are not less than one year or which are not terminable within one year without payment of compensation.