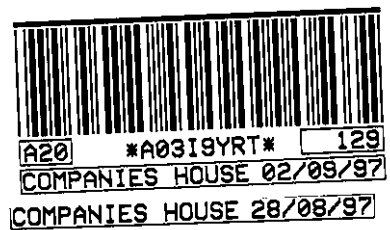


The Bronx Engineering Company Limited

Directors' report and financial statements

1 November 1996

Registered number 1119794



The Bronx Engineering Company Limited

Directors' report and financial statements

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The Bronx Engineering Company Limited

Directors' report

The directors submit their annual report together with the audited financial statements of the company for the period ended 1 November 1996.

Principal activities and business review

The principal activities of the company continue to be the manufacture, supply and installation of heavy machinery lines for use in the steel, construction and metal forming industries.

Turnover for the period was £5,091,000 (*2 February 1996: £4,392,000*) and the loss on ordinary activities before taxation for the financial period was £524,000 (*2 February 1996: loss of £1,063,000*).

On 2 November 1996 the trade and certain assets of the Bronx Process Engineering Limited were transferred to the company at net book value. Bronx Process Engineering is involved in engineering design and contract management services.

Results and dividends

The company's results for the period are shown on page 5 of the financial statements. The retained loss for the period of £524,000 (*2 February 1996: loss of £902,000*) has been added to the accumulated deficit on the profit and loss account.

No dividend has been paid or is proposed.

Directors and their interests

Mr RI Eyres and Mr JM Henderson are directors of the ultimate parent undertaking and their interests in the share capital of MetalTech International plc are shown in the accounts of that company.

Mr CE Tompkins resigned as a director of the company on 7 June 1996.

Other directors who held office during the year, together with their interests in the ordinary share capital of MetalTech International plc, were as follows:

	Number of options held at 1 November 1996		Ordinary shares of 10p each	
	10p options	34.5p options	1 November 1996	2 February 1996
AN Brown	-	10,000	-	-
AR Partridge	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

The Bronx Engineering Company Limited

Directors' report *(continued)*

Directors and their interests *(continued)*

Options are exercisable at any time prior to 26 April 1999 at a price of 34.5p per share so long as the company is a member of MetalTech International plc. No options were granted or lapsed during the period.

No director has any interest in the share capital of the company.

Auditors

In accordance with Section 384 of the Companies Act 1985 a resolution for the re-appointment of KPMG Audit Plc will be proposed at the forthcoming Annual General Meeting.

By order of the Board



B Robinson
Secretary

Dudley Road
Lye
West Midlands
DY9 8DS

29 April 1997

The Bronx Engineering Company Limited

Statement of directors' responsibilities

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 company and of the profit or loss 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 a 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 which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

2 Cornwall Street
Birmingham B3 2DL

Auditors' report to the members of The Bronx Engineering Company Limited

We have audited the financial statements on pages 5 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.

Going concern

In forming our opinion we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the uncertainty as to the ability of the Company and MetalTech International plc and subsidiary undertakings to operate within their bank facilities. In view of the significance of these uncertainties we consider that they should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 1 November 1996 and of the loss for the nine month period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

29 April 1997



The Bronx Engineering Company Limited

Profit and loss account

for the nine month period ended 1 November 1996

	<i>Note</i>	Nine months ended 1 November 1996 £'000	Year ended 2 February 1996 £'000
Turnover	2	5,091	4,392
Cost of sales		(4,420)	(4,036)
Gross profit		671	356
Other operating expenses	3	(577)	(571)
Operating profit/(loss)		94	(215)
Interest payable and similar charges	4	(618)	(848)
Loss on ordinary activities before taxation	5	(524)	(1,063)
Taxation	8	-	161
Loss on ordinary activities after taxation being retained loss for the financial period		(524)	(902)

In both the current and preceding periods, the company made no material acquisitions and had no discontinued operations.

There were no recognised gains or losses in either the current or preceding periods other than those disclosed in the profit and loss account.

In both the current and the preceding periods there was no material difference between the loss reported in the profit and loss account and the loss on an unmodified historical basis.

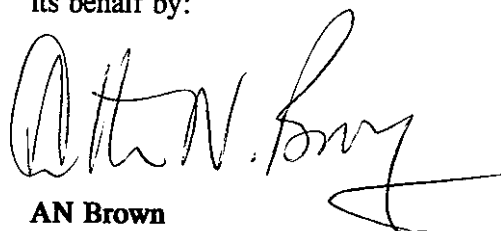
The Bronx Engineering Company Limited

Balance sheet

at 1 November 1996

	Note	1 November 1996		2 February 1996	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	9		4,384		4,577
Current assets					
Stocks	10	669		505	
Debtors	11	3,077		1,927	
			<u>3,746</u>		<u>2,432</u>
Creditors: amounts falling due within one year	12	<u>(16,925)</u>		<u>(15,266)</u>	
Net current liabilities			<u>(13,179)</u>		<u>(12,834)</u>
Total assets less current liabilities			<u>(8,795)</u>		<u>(8,257)</u>
Provision for liabilities and charges	13		<u>(60)</u>		<u>(74)</u>
Net liabilities			<u>(8,855)</u>		<u>(8,331)</u>
Capital and reserves					
Called up share capital	14		100		100
Revaluation reserve	15		851		896
Profit and loss account	15		<u>(9,806)</u>		<u>(9,327)</u>
Equity shareholders' funds	16		<u>(8,855)</u>		<u>(8,331)</u>

These financial statements were approved by the board of directors on 29 April 1997 and were signed on its behalf by:



AN Brown
Director

The Bronx Engineering Company Limited

Notes

(forming part of the financial statements)

Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain tangible fixed assets, and on the going concern basis (see note 1 below). The financial statements have been prepared in accordance with applicable Accounting Standards.

Cashflow statement

The company is a wholly owned subsidiary of MetalTech International plc which is established under the law of a member state of the European Community. MetalTech International plc publishes consolidated financial statements including a consolidated cash flow statement which includes the results the company, accordingly no cash flow statement is included in these financial statements.

Turnover

Turnover, other than that related to long term contracts as described below, represents invoiced sales of goods and services excluding value added tax.

Depreciation and amortisation

Depreciation is provided on tangible fixed assets at rates calculated to write off the gross book value, less estimated residual value, on a straight line basis of each asset over its estimated useful life as follows:

Land and buildings	- 40 years
Plant and equipment	- between 5 and 20 years
Design archives	- 15 years

Stocks and long term contracts

In the case of long term contracts, turnover represents the estimated contract revenues on work performed during the year. Contract revenues and profits are computed on the percentage of completion method, primarily by reference to labour hours, profits being determined after making reserves against all anticipated costs including possible warranty claims.

Long term contract balances included in stocks comprise costs incurred on long term contracts, net of amounts transferred to cost of sales, after deducting foreseeable losses and related payments on account. Costs include direct material and labour costs incurred in bringing a contract to its state of completion at the year end, including an appropriate proportion of indirect expenses. Provisions for estimated losses on contracts are made in the periods in which such losses are foreseen.

Amounts recoverable on contracts, being the amount by which recorded turnover is in excess of payments on account, is classified under debtors. The excess of payments received over amounts recorded as turnover is classified under creditors due within one year.

Other stocks are stated at the lower of cost and net realisable value and provision is made for obsolete, slow moving or defective items when appropriate.

The Bronx Engineering Company Limited

Notes (continued)

Accounting policies (continued)

Leases

Assets held under finance leases and hire purchase agreements are initially reported at the fair value of the asset with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease or hire purchase term and its useful economic life. The interest element of payments is allocated to the profit and loss account over the period of the lease on a straight line basis.

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

Taxation

The charge or credit for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions during the year are dealt with at the rates ruling at the date of the transaction or the relevant forward contract rate. All exchange differences on transactions are taken to the profit and loss account.

Pensions

Pension costs are charged to the profit and loss account so as to spread the costs of providing such benefits over employees working lives with the company. Variations to regular costs are spread over employee working lives with the company.

1 Basis of preparation of the financial statements

The company is dependent upon continuing support from MetalTech International plc and its subsidiaries (the group) to enable it to settle its liabilities as they fall due.

The group meets its day to day working capital requirements through overdraft facilities which are repayable on demand. The nature of the group's businesses are such that there can be considerable variation in the timing of cash inflows. On the basis of their cash flow projections and discussions with the group's bankers, the directors consider that the group will continue to operate within the facilities likely to be available. However, the margin of facilities over requirements is small, and inherently, there can be no certainty in relation to these matters. To the extent that the group is unable to continue to operate within its facilities, it would need to seek the further support of its banks. The financial statements do not include any adjustments that would result from a withdrawal of the overdraft facilities by the group's bankers. Such adjustments would include the revision of carrying values of balance sheets assets, the requirement for further provisions for any additional liabilities that may arise and balance sheet reclassifications of fixed assets and long term liabilities.

The Bronx Engineering Company Limited

Notes (continued)

2 Segmental analysis

All turnover and operating profits and losses arose from the company's principal activities, which are carried out wholly in the United Kingdom.

Contributions to turnover by geographical destination were as follows:

	Nine months ended 1 November 1996 £'000	Year ended 2 February 1996 £'000
United Kingdom	1,802	2,181
Other European countries	881	1,215
North America	200	155
Africa	63	121
Far East	1,905	118
Other	240	602
	<u>5,091</u>	<u>4,392</u>

3 Other operating expenses

	Nine months ended 1 November 1996 £'000	Year ended 2 February 1996 £'000
Selling, marketing and distribution costs	520	499
Group management charges (net)	48	64
Other (including exchange gains and losses)	9	8
	<u>577</u>	<u>571</u>

4 Interest payable and similar charges

	Nine months ended 1 November 1996 £'000	Year ended 2 February 1996 £'000
On bank overdraft	530	658
On loan from ultimate holding company	118	177
On finance leases and hire purchase contracts	-	13
Exchange gains on bank loans	(30)	-
	<u>618</u>	<u>848</u>

The Bronx Engineering Company Limited

Notes (continued)

5 Loss for the financial period

Loss for the financial period is stated after charging:

	Nine months ended 1 November 1996 £'000	Year ended 2 February 1996 £'000
Depreciation of tangible fixed assets:		
Owned	186	234
Held under finance leases and hire purchase contracts	35	96
Hire of plant and machinery under operating leases	38	40
Auditors' remuneration:		
Audit services	17	17
	<hr/>	<hr/>

6 Staff numbers and costs

The average number of employees (including directors) employed by the company during the period was as follows:

	Nine months ended 1 November 1996 £'000	Year ended 2 February 1996 £'000
Design and manufacturing	79	77
Management and administration	11	11
Sales and marketing	8	8
	<hr/>	<hr/>
	98	96
	<hr/>	<hr/>

Employee costs during the period amounted to:

Wages and salaries	1,334	1,665
Social security costs	110	130
Other pension costs	59	70
	<hr/>	<hr/>
	1,503	1,865
	<hr/>	<hr/>

The Bronx Engineering Company Limited

Notes (continued)

7 Directors' emoluments

	Nine months ended 1 November 1996 £'000	Year ended 2 February 1996 £'000
Emoluments (including pension contributions)	91	115
The directors' remuneration shown above (excluding pension contributions) included:		
Highest paid director	43	49
Excluding pension contributions, the emoluments of the directors fell within the following categories:		
	Number	Number
Up to £5,000	2	2
£10,001 - £15,000	1	-
£25,001 - £30,000	-	1
£30,001 - £35,000	1	-
£35,001 - £40,000	-	1
£40,001 - £45,000	1	-
£45,001 - £50,000	-	1

8 Taxation

	Nine months ended 1 November 1996 £'000	Year ended 2 February 1996 £'000
Adjustment in respect of prior periods:		
Deferred tax	-	161

The Bronx Engineering Company Limited

Notes (continued)

9 Tangible fixed assets

	Land and buildings £'000	Plant and machinery £'000	Design archives £'000	Total £'000
<i>Cost or valuation</i>				
At beginning of period	3,483	4,046	310	7,839
Additions	-	28	-	28
At end of period	<u>3,483</u>	<u>4,074</u>	<u>310</u>	<u>7,867</u>
<i>Depreciation</i>				
At beginning of period	523	2,594	145	3,262
Charge for the period	60	145	16	221
At end of period	<u>583</u>	<u>2,739</u>	<u>161</u>	<u>3,483</u>
<i>Net book value</i>				
At 1 November 1996	<u>2,900</u>	<u>1,335</u>	<u>149</u>	<u>4,384</u>
At 2 February 1996	<u>2,960</u>	<u>1,452</u>	<u>165</u>	<u>4,577</u>

Included in plant and machinery are leased assets with a net book value of £238,000 (2 February 1996 £272,000).

Freehold land amounting to £300,000 (2 February 1996: £300,000) included above has not been depreciated.

Design archives purchased prior to 31 January 1986 are included in the financial statements based upon a professional valuation at that date. Additions subsequent to 31 January 1986 are included at cost.

Certain items of plant and machinery were professionally valued in 1989.

Original cost and aggregate depreciation based on cost of land and buildings:

	1 November 1996 £'000	2 February 1996 £'000
Original cost	2,553	2,553
Depreciation based on cost	(714)	(699)
	<u>1,839</u>	<u>1,854</u>

The Bronx Engineering Company Limited

Notes (continued)

10 Stocks

	1 November 1996 £'000	2 February 1996 £'000
Work in progress	544	341
Raw materials and spare parts	125	164
	<u>669</u>	<u>505</u>

Long term contract balances included above can be analysed as follows:

Net cost less foreseeable losses	196	456
Applicable payments on account	(6)	(115)
	<u>190</u>	<u>341</u>

11 Debtors

	1 November 1996 £'000	2 February 1996 £'000
Trade debtors	752	477
Amounts recoverable on contracts	1,498	645
Amounts owed by other group undertakings	581	614
VAT	150	91
Other debtors	-	38
Prepayments and accrued income	96	62
	<u>3,077</u>	<u>1,927</u>

The Bronx Engineering Company Limited

Notes (continued)

12 Creditors: amounts falling due within one year

	1 November 1996 £'000	2 February 1996 £'000
Bank overdraft	8,855	8,206
Payments received on account	621	190
Trade creditors	1,226	713
Contract completion reserves	121	-
Amounts owed to other group undertakings	5,774	5,844
Other creditors:		
Social security and PAYE	49	43
Accruals and deferred income	279	270
	<u>16,925</u>	<u>15,266</u>

The bank overdraft is secured by fixed and floating charges over all the assets of the company and is supported by cross-guarantees from group undertakings.

13 Provisions for liabilities and charges

	Deferred Tax £'000	Repairs under Warranty £'000	Total £'000
Beginning of period	-	74	74
Expenditure in period	-	1	1
Released to profit and loss account in period	-	(15)	(15)
	<u>-</u>	<u>60</u>	<u>60</u>
End of period	-	60	60

No deferred taxation has been provided in respect of revalued assets. The company has approximately £10 million of taxable losses available to offset future trading profits. No credit for these losses has been taken within these financial statements.

14 Called up share capital

	1 November 1996 £'000	2 February 1996 £'000
<i>Authorised, allotted, called up and fully paid:</i>		
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>

The Bronx Engineering Company Limited

Notes (continued)

15 Reserves

	Revaluation reserve £'000	Profit and loss account £'000
Beginning of period	896	(9,327)
Transfer on realisation	(45)	45
Retained loss for the financial period	-	(524)
At end of period	851	(9,806)

16 Reconciliation of movements in shareholders' funds

	1 November 1996 £'000	2 February 1996 £'000
Loss for the financial period	(524)	(902)
Shareholders' funds at beginning of period	(8,331)	(7,429)
Shareholders' funds at end of period	(8,855)	(8,331)

17 Commitments

- a. The group had annual commitments at 1 November 1996 in respect of non-cancellable plant and machinery operating leases analysed as follows:

	1 November 1996 £'000	2 February 1996 £'000
Operating leases which expire:		
Within one year	43	-
In the second to fifth years inclusive	75	54
	118	54

- b. At 1 November 1996, authorised capital commitments for which no provision has been made in the financial statements amounted to £Nil (2 February 1996: £Nil).

18 Contingent liabilities

The company is liable under an interlocking guarantee in respect of the groups UK bankers in favour of its parent and fellow subsidiary undertakings. The company contingent liability under the interlocking guarantee at 1 November 1996 was £27,713,000 (2 February 1996: £30,505,000).

The company has given guarantees in respect of advance payments and performance bonds totalling £732,000 (2 February 1996: £927,000).

The Bronx Engineering Company Limited

Notes *(continued)*

19 Pensions

The company participates in the MetalTech International Group Pension Fund, a funded defined benefit scheme. Contributions payable to the scheme are determined by a qualified actuary on the basis of periodic valuations. The most recent valuation of the MetalTech International Group Pension Fund was carried out on 6 April 1996. Details of the scheme are set out in the MetalTech International plc financial statements.

20 Ultimate parent undertaking

The immediate and ultimate parent undertaking is MetalTech International plc (formerly Verson International Group plc), whose registered office is at Dudley Road, Lye, West Midlands, DY9 8DS. MetalTech International plc produces financial statements into which the company's results are consolidated, which are available from the same address.

21 Related party transactions

By virtue of the company being a wholly owned subsidiary included in the consolidated financial statements of a larger EU group, the company is exempt under Financial Reporting Standard 8 from disclosing transactions or balances with entities which are part of the group that qualify as related parties.