UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K/A

AMENDMENT NO. 1 TO CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): September 29, 1998*

APPLIED POWER INC.
(Exact name of Registrant as specified in its charter)

Wisconsin	1-11288	39-0168610
(State of Incorporation)	(Commission File No.)	(I.R.S. Employer Id. No.)

13000 West Silver Spring Drive
Butler, Wisconsin 53007
Mailing address: P. O. Box 325, Milwaukee, Wisconsin 53201
(Address of principal executive offices) (Zip Code)

(414) 783-9279
(Registrant's telephone number, including area code)

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* This Amendment is filed pursuant to the provisions of paragraph (a)(4) of Item 7 of Form 8-K.

The undersigned registrant hereby amends the following items, financial statements, exhibits or other portions of its Current Report dated as of September 29, 1998 on Form 8-K (the "9/29/98 8-K"):

Item 2. Acquisition or Disposition of Assets

Acquisition of Rubicon

On September 1, 1998, Applied Power Inc. ("Applied Power") announced that it had reached agreement with the Board of Directors of Rubicon Group plc ("Rubicon") on the terms of a recommended cash tender offer (with a guaranteed loan note alternative) to be made by APW Enclosure Systems Limited, a United Kingdom subsidiary of Applied Power (the "Purchaser"), to acquire the entire issued share capital of Rubicon (the "Offer"). The Rubicon common shares are publicly traded on the London Stock Exchange. Pursuant to the tender offer, which commenced September 1, 1998 and was made by Goldman, Sachs & Co., an investment banking firm, on behalf of the Purchaser, the Purchaser offered to pay 2.35 pounds sterling, net to the seller in cash, for each of Rubicon's approximately 88 million issued common shares and .50 pounds sterling, net to the seller in cash, for each of Rubicon's approximately 100,000 cumulative preference shares (the "Offer Price"). The Offer Price valued Rubicon's entire issued share capital at approximately 207 million pounds sterling, or approximately $346 million.

On September 29, 1998, Applied Power announced that the Purchaser had accepted for payment all the Rubicon shares which had been tendered pursuant to the Offer at the Offer Price. The tendered shares accepted for payment as of September 29, 1998 totaled over 66.8% of the outstanding common shares and 12.6% of the outstanding preference shares. Apart from these, the Purchaser acquired or agreed to acquire another 19.7% of Rubicon's issued common shares, so that after accepting the shares tendered, the Purchaser owned or had accepted over 86.5% of Rubicon's common shares and 12.6% of the preference shares.

The Offer remained open. The tendered common shares accepted for payment under the Offer exceeded 90% of the outstanding common shares on October 8, 1998, and the Purchaser invoked Section 429 of the UK Companies Act of 1985, as amended, to acquire the remaining outstanding common shares of Rubicon. The Purchaser now owns all of the common shares of Rubicon. The Purchaser has also accepted for payment under the Offer, 27.2% of the preference shares. The Offer for the preference shares remains open.

Rubicon is a United Kingdom company that manufactures complex electronic enclosures and related system sub-assemblies and bonded magnets. The acquisition of Rubicon will further expand Applied Power's electronic enclosures capabilities in Europe and will enhance its ability to supply backplanes, power supplies, and thermal management solutions and the integration of these components and others into the enclosure. In its fiscal year ended May 31, 1998, Rubicon earned 20.7 million pounds sterling of operating profit (approximately $33.7 million) on sales of 241.1 million pounds sterling (approximately $393.5 million). Of those sales, 33.6% were outside Europe.

Applied Power is undertaking a thorough review of Rubicon's operations and studying the manner in which its operations can best be optimized within Applied Power, and intends to take such actions as a result of this review as may be deemed appropriate under the circumstances. Applied Power currently intends to continue the primary business operations of Rubicon, and to continue to use the physical assets of Rubicon's primary business operations for that purpose, while integrating such operations with its own.

Financing of the Offer

The total amount of funds required to acquire all of the Rubicon shares is currently estimated to be approximately $357 million, including related fees and expenses. The Purchaser obtained all of the funds it expended from Applied Power. To provide the necessary funds, Applied Power and Enerpac B.V., a Netherlands subsidiary of Applied Power, as Borrowers, entered into a Multicurrency Credit Agreement, dated as of October 14, 1998 (the "Credit Agreement"), with Bank of America National Trust and Savings Association, as Administrative Agent, The First National Bank of Chicago, as Syndication Agent, Societe Generale, as Documentation Agent, and various financial institutions from time to time party thereto as Lenders, providing for a $850 million 5-year revolving credit facility (the "Facility"). The Credit Agreement was arranged by NationsBanc Montgomery Securities LLC.

In conjunction with the closing of the Facility, Applied Power terminated its prior $700 million 5-year revolving credit facility (the "Prior Facility"), and used certain funds received under the Facility to repay borrowings under the Prior Facility. The Facility is to be used to finance the Offer, to refinance existing indebtedness (including the Prior Facility), and to provide for working capital, capital expenditures and for other general corporate purposes.

Item 7. Financial Statements and Exhibits

Pursuant to the provisions of paragraph (a)(4) of Item 7 of Form 8-K, Item 7 of the 9/29/98 8-K is hereby amended to file the financial statements of Rubicon Group plc ("Rubicon") for the year ended May 31, 1998 required to be filed pursuant to Item 7(a) and the pro forma financial information required to be filed pursuant to Item 7(b) in connection with the acquisition of Rubicon as reported in Item 2 of the 9/29/98 8-K.

(a) Financial Statements of Business Acquired:

The following financial statements of Rubicon prepared in accordance with generally accepted accounting principles in the United Kingdom are incorporated herein by reference to pages 23 through 45 of Rubicon's 1998 Annual Report, which pages are filed herewith as Exhibit 99.1. These financial statements are not the statutory accounts of Rubicon. The statutory accounts for the year ended May 31, 1998 have been delivered to the Registrar of Companies for England and Wales and the auditors' report thereon was unqualified:

Directors' Report

Report of the Independent Chartered Accountants

Consolidated Profit and Loss Account for the year ended May 31, 1998

Consolidated Balance Sheet at May 31, 1998

Company Balance Sheet at May 31, 1998

Consolidated Cash Flow Statement for the year ended May 31, 1998

Statement of Recognised Gains and Losses for the year ended May 31, 1998

Notes to the Financial Statements

(b) Pro Forma Financial Information:

The following unaudited pro forma condensed consolidated financial statements of Applied Power Inc. and subsidiaries, reflecting the acquisition of Rubicon, are filed herewith:

Introduction to Pro Forma Condensed Consolidated Financial Statements of Applied Power Inc. and Rubicon Group plc (unaudited)

Pro Forma Condensed Consolidated Statement of Earnings for the year ended August 31, 1998 (unaudited)

Pro Forma Condensed Consolidated Balance Sheet as of August 31, 1998 (unaudited)

Notes to Pro Forma Condensed Consolidated Financial Statements (unaudited)

(c) Exhibits:

See the Exhibit Index of this Report, which is incorporated herein by reference.

APPLIED POWER INC. AND RUBICON GROUP PLC

INTRODUCTION TO PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

As described under Item 2 of this report, originally filed on September 29, 1998, as amended hereby, Applied Power Inc. (the "Company"), through a wholly-owned subsidiary, acquired by means of a tender offer and market purchases of shares all of the outstanding common shares and over 27% of the outstanding preference shares of stock of Rubicon Group plc ("Rubicon").

The following unaudited pro forma condensed consolidated balance sheet and statement of earnings (the "pro forma statements") give effect to the acquisition of Rubicon using the purchase method of accounting and are based on the estimates and assumptions set forth in the notes to such pro forma statements. The pro forma statements have been prepared by the Company utilizing the historical audited financial statements of the Company and notes thereto which were contained in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1998 and the audited financial statements and notes thereto of Rubicon for the fiscal year ended May 31, 1998, incorporated by reference in Item 7(a) of this report. Rubicon's reporting currency is the United Kingdom pound sterling and its financial information in the accompanying pro forma combined financial statement has been translated to the US Dollar in accordance with Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation."

Rubicon's historical financial statements are prepared in accordance with generally accepted accounting principles in the United Kingdom ("UK GAAP"), however, Rubicon's financial information in the accompanying pro forma statements has been adjusted to conform with generally accepted accounting principles in the United States ("US GAAP"). The only material adjustment required to conform with US GAAP is related to goodwill. Under UK GAAP purchased goodwill may be written off on acquisition directly against reserves. Under US GAAP, goodwill is capitalized and amortized by charges against income over the period during which it is estimated it will be of benefit subject to a maximum of 40 years. Goodwill previously written off directly to reserves in the unaudited pro forma condensed consolidated balance sheet at August 31, 1998 was approximately $128.7 million. No attempt has been made to identify future differences between UK GAAP and US GAAP as the result of prescribed changes in accounting standards. Regulatory bodies that promulgate UK GAAP and US GAAP have significant project ongoing that could affect future comparisons such as this one. Also, no attempt has been made to identify future differences between UK GAAP and US GAAP that may affect the financial statements as a result of transactions or events that may occur in the future.

These pro forma statements have been prepared and included herein as required by the rules and regulations of the Securities and Exchange Commission and are provided for comparative purposes only. The pro forma statements are not necessarily indicative of the future consolidated financial position and results of operations or those which would have occurred had the acquisition been consummated as of the dates reflected in the pro forma statements. In reviewing the pro forma statements, the reader should consider the following:

1. The historical amounts of Rubicon were compiled to conform, as closely as possible, to the fiscal year of the Company. The historical consolidated profit and loss account for Rubicon covers the twelve month period beginning June 1, 1997 through May 31, 1998 and the historical consolidated balance sheet is as of May 31, 1998.

2. The following pro forma financial statements do not reflect any adjustments

for the various synergies or cost reductions the Company expects to achieve as a result of the acquisition.

APPLIED POWER INC. AND SUBSIDIARIES
AND RUBICON GROUP PLC
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF EARNINGS
Unaudited
YEAR ENDED AUGUST 31, 1998
(Amounts in Thousands except per share amounts)

	Historical API	Historical Rubicon	Pro forma Adjustments		Pro forma Consolidated
Net sales	$1,230,689	$241,937			$1,472,626
Cost of products sold	835,716	199,765			1,035,481
Gross Profit	394,973	42,172			437,145
Engineering, selling and administrative expenses	269,227	17,434			286,661
Amortization of intangible assets	20,353	3,465	$ 4,423	(2a)	28,241
Restructuring charges	20,298	-			20,298
Merger related expenses	9,276	-			9,276
Operating Earnings	75,819	21,273	(4,423)		92,669
Other Expense(Income):					
Net financing costs	28,531	3,557	24,070	(2a)	56,158
Other - net	(10,097)	(377)			(10,474)
Earnings from Continuing Operations Before Income Tax Expense	57,385	18,093	(28,493)		46,985
Income Tax Expense	30,698	6,005	(6,941)	(2a)	29,762
Earnings from Continuing Operations	$ 26,687	$ 12,088	$(21,552)		$ 17,223
Basic Earnings Per Share:					
Earnings from Continuing Operations Per Share	$ 0.70				$ 0.45
Weighted Average Common Shares Outstanding (000's)	38,380				38,380
Diluted Earnings Per Share:					
Earnings from Continuing Operations Per Share	$ 0.66				$ 0.43
Weighted Average Common and Equivalent Shares Outstanding (000's)	40,174				40,174

See Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

APPLIED POWER INC. AND SUBSIDIARIES
AND RUBICON GROUP PLC
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
Unaudited
AUGUST 31, 1998
(Dollars in Thousands)

	Historical API	Historical Rubicon	Pro forma Adjustments	Pro forma Consolidated
ASSETS				
Current Assets				
Cash and cash equivalents	$ 6,349	$ 35,166		$ 41,515
Accounts receivable	147,380	37,418		184,798
Inventories	164,786	22,187		186,973
Deferred income taxes	29,905	2,688		32,593

Prepaid expenses	16,144	2,824			18,968
Total Current Assets	364,564	100,283			464,847
Investment in Rubicon Group plc	-	-	356,591	(2b)	-
			(356,591)	(2c)	
Property, Plant and Equipment - net	225,170	33,757			258,927
Goodwill	499,973	131,663	176,935	(2c)	808,571
Other Intangibles	42,896	255			43,151
Other Assets	42,119	18,480			60,599
Total Assets	$1,174,722	$284,438	$ 176,935		$1,636,095
LIABILITES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Short-term borrowings	$ 91	$ 3,179			$ 3,270
Trade accounts payable	127,470	38,847			166,317
Accrued compensation and benefits	45,457	-			45,457
Income taxes payable	12,898	8,973			21,871
Other current liabilities	74,792	38,733			113,525
Total Current Liabilities	260,708	89,732			350,440
Long-term Debt	512,557	4,990	356,591	(2b)	874,138
Deferred Income Taxes	23,065	1,146			24,211
Other Deferred Liabilities	36,510	8,914			45,424
Shareholders' Equity					
Common stock	7,725	14,860	(14,860)		7,725
Additional paid-in capital	5,817	206,786	(206,786)		5,817
Retained earnings	335,805	(40,305)	40,305		335,805
Cumulative translation adjustment	(7,465)	(1,685)	1,685		(7,465)
Total Shareholders' Equity	341,882	179,656	(179,656)	(2c)	341,882
Total Liabilities and Shareholders' Equity	$1,174,722	$284,438	$ 176,935		$1,636,095

</TABLE>

See Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

APPLIED POWER INC. AND RUBICON GROUP PLC

NOTES TO PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited
(Dollars in Thousands)

Note 1 - Periods Combined

The Company's consolidated statement of earnings for the twelve months ended August 31, 1998 has been combined with the Rubicon consolidated statement of income for the twelve months ended May 31, 1998.

Rubicon's reporting currency is the pound sterling and its financial information in the accompanying pro forma condensed consolidated financial statements has been translated to the US Dollar in accordance with Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation." Rubicon's historical financial statements are prepared in accordance with generally accepted accounting principles in the United Kingdom ("UK GAAP"), however, Rubicon's financial information in the accompanying pro forma condensed consolidated financial statements has been adjusted to conform with generally accepted accounting principles in the United States ("US GAAP"). The only material adjustment required to conform with US GAAP is related to goodwill. Under UK GAAP purchased goodwill may be written off on acquisition directly against reserves. Under US GAAP goodwill is capitalized and amortized by charges against income over the period during which it is estimated it will be of benefit subject to a maximum of 40 years. Accordingly, goodwill, net of amortization, was recorded in the pro forma condensed consolidated balance sheet at August 31, 1998 and the related amortization expense included in the pro forma condensed consolidated statement of earnings for the year ended August 31, 1998.

Note 2 - Pro Forma Adjustments

(a) The following pro forma adjustments are incorporated in the pro forma condensed consolidated statement of earnings for the year ended August 31,

1998 as a result of the Rubicon acquisition:

1. Incremental interest expense on acquisition debt at a rate of 6.75%	$ (24,070)
2. Reflect amortization of goodwill arising from this transaction, over a 40 year life	(4,423)
3. Decrease in income taxes (tax benefit) applying a 37% effective income tax rate to the earnings of Rubicon, less the effect of pro forma adjustments 1 and 2 above (with the exception of non-deductible amortization)	6,941
	$ (21,552)

APPLIED POWER INC. AND RUBICON GROUP PLC

NOTES TO PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited
(Dollars in Thousands)

(b) The following pro forma adjustments are incorporated in the pro forma condensed consolidated balance sheet at August 31, 1998 as a result of the Rubicon acquisition:

Purchase price of outstanding shares	$ 356,591

(c) The following pro forma adjustments are made to reflect estimated fair value adjustments and to eliminate the investment in Rubicon:

Rubicon net assets - as reported	$ 179,656
Fair value adjustments:	
Record goodwill acquired	176,935
Investment in Rubicon	$ 356,591

Because of the proximity of the transaction, the Company has not had adequate time to complete its evaluation of the fair value of the net assets acquired in the Rubicon transaction. As a result, no fair value adjustments have been reflected in these pro forma statements.

Note 3 - Income Tax Expense

Effective tax rates are higher than the statutory federal income tax rates primarily due to state income taxes, net of federal benefit, and the inability to deduct certain amounts of intangible amortization for tax purposes.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Amendment to be signed on its behalf by the undersigned thereunto duly authorized.

APPLIED POWER INC.

Date: December 11, 1998 By: /s/ Robert C. Arzbaecher

Robert C. Arzbaecher,
Senior Vice President and
Chief Financial Officer

APPLIED POWER INC.
(the "Registrant")
(Commission File No. 1-11288)

EXHIBIT INDEX
to
FORM 8-K CURRENT REPORT
Date of Report: September 29, 1998

<TABLE>
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Exhibit	Description	Incorporated Herein By Reference To	Filed Herewith
<S>	<C>	<C>	<C>
4.1	Multicurrency Credit Agreement, dated as of October 14, 1998, among Applied Power Inc. and Enerpac B.V., as Borrowers, various financial institutions from time to time party thereto, as Lenders, The First National Bank of Chicago, as Syndication Agent, Societe Generale, as Documentation Agent, and Bank of America National Trust and Savings Association, as Administrative Agent, arranged by NationsBanc Montgomery Securities LLC	Exhibit 4.4 to the Registrant's Form 10-K for the fiscal year ended August 31, 1998	
23	Consent of PricewaterhouseCoopers LLP		X*
99.1	Consolidated balance sheet of Rubicon Group plc and subsidiaries as of May 31, 1998 and related consolidated profit and loss accounts, cash flow statement and statement of recognised gains and losses for the year ended May 31, 1998, and the notes thereto and the auditors' report thereon, incorporated by reference in Item 7(a) of this report.		X*

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* Filed with Amendment No. 1.

Exhibit 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation of our report by reference in the Registration Statements (Form S-8 Nos. 33-18140, 33-21250, 33-24197, 33-38719, 33-38720, 33-62658, 333-42353, 333-46469, 333-61279, 333-61281 and 333-61389 and Form S-3 No. 333-47493) of Applied Power Inc. and in the related prospectuses, dated August 26, 1998 on the consolidated financial statements of Rubicon Group plc as at May 31, 1998 and for the year then ended, which report is included in this Current Report on Form 8-K/A of Applied Power Inc. dated December 11, 1998, filed with the Securities and Exchange Commission.

/s/ PricewaterhouseCoopers
- ---
PRICEWATERHOUSECOOPERS
Chartered Accountants and Registered Auditors
Birmingham, England
December 11, 1998

Exhibit 99.1

Directors' responsibilities

Directors' responsibilities for the preparation of the financial statements

The directors are required by the Companies Act 1985 to prepare financial statements which give a true and fair view of the state of affairs of the group and the company at the end of each financial year and of its profit and cash flows for the year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 group and the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that the financial statements comply with the above requirements.

G S Papworth Company Secretary
26 August 1998

Report of the Independent Chartered Accountants

To the Board of Directors and Shareholders of Rubicon Group Plc

In our opinion, the accompanying consolidated balance sheet, consolidated profit and loss account and consolidated cash flow statement present fairly, in all material respects, the financial position of Rubicon Group Plc and its subsidiaries at 31 May 1998 and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles in the United Kingdom. These financial statements are the responsibility of the company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with generally accepted auditing standards in the United Kingdom which are substantially consistent to those followed in the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion expressed above.

/s/ PricewaterhouseCoopers

PricewaterhouseCoopers
Independent Chartered Accountants

As of 26 August 1998
Birmingham, England

Consolidated profit and loss account
for the year ended 31 May 1998

<TABLE>
<CAPTION>

	Continuing operations	Discontinued operations	Total 1998

	Notes	(Pounds)000	(Pounds)000	(Pounds)000
<S>	<C>	<C>	<C>	<C>
Turnover	2 & 3	146,159	94,924	241,083
Cost of sales	3	(120,682)	(76,568)	(197,250)
Gross profit		25,477	18,356	43,833
Other operating income and expenses	3	(10,173)	(12,989)	(23,162)
Operating profit	2 & 3	15,304	5,367	20,671
Share of loss in associated undertaking		(76)	-	(76)
Loss on disposal of discontinued operations	6	-	(37,315)	(37,315)
Profit/(loss) on ordinary activities before interest		15,228	(31,948)	(16,720)
Interest payable and similar charges	7			(2,149)
Loss on ordinary activities before taxation	8			(18,869)
Tax on loss on ordinary activities	9			(3,628)
Loss on ordinary activities after taxation				(22,497)
Minority interests				(55)
Loss for the year				(22,552)
Dividends	10			(6,680)
Retained loss	22			(29,232)
Dividend per share	10			7.6p
Earnings per share	11			(25.7)p
Adjustment for loss on sale or termination of discontinued operations after taxation				42.5p
Adjusted earnings per share	11			16.8p

</TABLE>

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

Consolidated balance sheet
at 31 May 1998

<TABLE>
<CAPTION>

	Notes	1998 (Pounds)000

<S>	<C>	<C>
Fixed assets		
Tangible assets	12	20,092
Investments	13	152
		20,244
Current assets		
Stocks	14	13,206
Debtors: amounts falling due within one year	15	25,024
Debtors: amounts falling due after more than one year	15	11,528
Cash at bank and in hand		20,931
		70,689
Creditors: amounts falling due within one year	16	(53,409)
Net current assets		17,280
Total assets less current liabilities		37,524
Creditors: amounts falling due after more than one year	17	(7,537)
Provisions for liabilities and charges	19	(1,421)
		(8,958)
Net assets		28,566
Capital and reserves		
Called-up share capital including non-equity shares	21	8,845
Share premium account	22	21,387
Merger reserve	22	18,760
Retained profits		31,004
Goodwill written off in respect of businesses sold	22	(51,485)
Profit and loss account	22	(20,481)
Shareholders' funds	23	28,511
Minority interests		55
		28,566

</TABLE>

Company balance sheet
at 31 May 1998

<TABLE>
<CAPTION>

	Notes	1998 (Pounds)000
<S>	<C>	<C>
Fixed assets		
Tangible assets	12	1,470
Investments	13	159,825
		161,295
Current assets		
Debtors: amounts falling due within one year	15	3,047
Debtors: amounts falling due after more than one year	15	11,518
Cash at bank and in hand		13,629
		28,194
Creditors: amounts falling due within one year	16	(54,663)
Net current liabilities		(26,469)
Total assets less current liabilities		134,826
Creditors: amounts falling due after more than one year	17	(5,048)
Provisions for liabilities and charges	19	(496)
		(5,544)

Net assets		129,282
Capital and reserves		
Called-up share capital including non-equity shares	21	8,845
Share premium account	22	21,387
Merger reserve	22	96,377
Profit and loss account	22	2,673
Shareholders' funds		129,282

</TABLE>

Consolidated cash flow statement
for the year ended 31 May 1998

<TABLE>
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1998 (Pounds)000	Notes	
<S>	<C>	<C>
Net cash inflow from operating activities	25	13,968
Returns on investments and servicing of finance	25	(2,425)
Taxation		(3,017)
Capital expenditure and financial investment	25	(11,634)
Acquisitions and disposals	25	36,685
Equity dividends paid		(5,968)
Cash inflow before financing		27,609
Financing	25	
Issue of ordinary shares		274
Decrease in debt		(11,967)
		(11,693)
Increase in cash in the period		15,916
Reconciliation of net cash flow to movement in net cash		
Increase in cash in the period		15,916
Cash outflow on bank term loans		9,779
Cash outflow on finance leases		2,188
Change in net cash arising from cash flows		27,883
Finance leases disposed of with subsidiaries		152
Translation differences		317
Increase in net cash in period		28,352
Net borrowings at 1 June		(13,003)

Net cash at 31 May	18 15,349

</TABLE>

Statement of recognised gains and losses
for the year ended 31 May 1998

<TABLE>
<CAPTION>

	1998 (Pounds)000
<S>	<C>
Loss on ordinary activities after taxation	(22,497)
Dividends	(6,680)
Retained loss for the year	(29,177)
Exchange gain on foreign currency borrowings	756
Exchange loss on foreign currency net assets	(758)
UK taxation on unrealised exchange gains	(1,001)
Total net recognised losses	(30,180)

</TABLE>

Notes to the financial statements

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 group accounting policies, which have been applied consistently, is set out below.

Basis of accounting The financial statements have been prepared under the historical cost convention, modified by the revaluation of certain fixed assets. As permitted by Section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements.

Basis of consolidation The consolidated financial statements include the company and its subsidiary undertakings. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the date of acquisition or to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation.

Goodwill Goodwill arising on consolidation represents the excess of the consideration paid over the fair value of the identifiable net assets acquired. Goodwill arising on the acquisition of subsidiaries is written off immediately against reserves. Fixed asset investments are stated at cost or directors' valuation. To the extent that the directors consider that the amount recoverable in respect of the investments is less than the value at which they are included in the balance sheet, a provision is made.

Research and development Expenditure on research is charged against the profit and loss account in the period in which it is incurred. Development expenditure relating to specific start-up projects is carried forward where the ultimate viability has been assessed with reasonable certainty. Such expenditure is amortised over the period expected to benefit.

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

Freehold and short leasehold land and buildings are stated at cost or valuation. Periodically, full valuations are made by independent professionally qualified valuers and in intervening years these valuations are updated by the directors with the assistance of independent professional advice as required. Valuations are made at open market value on an existing use basis.

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:

- - Freehold buildings - over 50 years
- - Leasehold property - over the term of the lease
- - Plant and machinery - at rates between 4% and 25%
- - Fixture and fittings - at rates between 10% and 33%

The estimated useful lives of certain individual items of plant and machinery have been extended during the year ended 31 May 1998. This does not represent a change in accounting policy as the revised estimated useful lives of the assets concerned remain consistent with the depreciation rates noted above. The impact of this change is not material to the results for the year.

Operating leases Costs in respect of operating leases are charged on a straight line basis over the lease term.

Notes to the financial statements

Finance leases 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 their estimated useful lives or their lease terms.

Stocks and work in progress Stocks and work in progress are valued at the lower of cost and net realisable value. Finished goods and work in progress are valued at works cost which includes an appropriate proportion of overhead expenses.

Grants Grants that relate to specific capital expenditure or specific projects are credited to the profit and loss account over the related asset's useful life or duration of the project. Other grants are credited to the profit and loss account when received.

Foreign exchange Profit and loss accounts of overseas companies are translated at average exchange rates for the year. Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date. Differences arising from the translation, at closing rates, of the net investment in overseas subsidiaries, less the applicable foreign currency borrowings raised to finance such investments, are taken to reserves. Exchange differences arising in the ordinary course of business are included in the trading profit for the year.

Turnover Turnover, which excludes value added tax, represents the invoiced value of goods and services supplied to customers outside the group.

Deferred tax Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Pension costs The group operates a number of defined contribution schemes and operated a defined benefit pension scheme until the divestment of the Lead Products and Specialist Castings division on 31 March 1998. Pension costs for the defined benefit scheme were accounted for on the basis of charging the expected cost of providing pensions over the period during which the group benefits from the employee's services. The effects of variations from regular cost were spread over the expected average remaining service lives of members of the schemes. Contributions to defined contribution schemes are charged to the profit and loss account as they fall due.

2 Segmental analysis

a) By division

<TABLE>
<CAPTION>

	1998		
	Turnover	Profit	Net assets
	(Pounds)000	(Pounds)000	(Pounds)000
<S>	<C>	<C>	<C>
Continuing operations			
Electronic Manufacturing Services	132,013	14,154	19,164
Magnetics	14,146	2,516	2,585
Continuing operations	146,159	16,670	21,749
Discontinued operations	94,924	5,367	-
Holding companies - continuing	-	(1,366)	(8,674)
	241,083		
Operating profit		20,671	
Associated undertaking		(76)	142
Loss on sale or termination of discontinued operations		(37,315)	
Net interest payable		(2,149)	
Group loss before taxation		(18,869)	
Capital employed			13,217
Net cash			15,349
Net assets			28,566

</TABLE>

Group financing is undertaken centrally and group interest is not attributed to classes of business. Capital employed has been calculated on net assets excluding net borrowings.

b) Geographically

<TABLE>
<CAPTION>

	1998		
	Turnover	Operating profit	Net assets
	(Pounds)000	(Pounds)000	(Pounds)000
<S>	<C>	<C>	<C>
United Kingdom:			
Continuing operations including acquisitions	100,295	7,814	(21,569)
Discontinued operations	59,842	2,441	-
Other Europe and rest of world:			
Continuing operations including acquisitions	45,864	7,490	34,786
Discontinued operations	35,082	2,926	-
	241,083	20,671	13,217
Net cash			

15,349

28,566

</TABLE>

<TABLE>
<CAPTION>
c) Turnover by geographic market

	1998 (Pounds)000
<S>	<C>
Continuing	
United Kingdom	93,345
Other Europe	45,563
USA	6,869
Rest of World	382
	146,159
Discontinued operations	94,924
	241,083

</TABLE>

Notes to the financial statements

3 Analysis of operations

<TABLE>
<CAPTION>

1998 Total (Pounds)000	Continuing operations (Pounds)000	Discontinued operations (Pounds)000
<S>	<C>	<C>
Turnover	146,159	94,924
Cost of sales	(120,682)	(76,568)
Gross profit	25,477	18,356
Distribution costs	(1,154)	(3,909)
Administrative expenses	(9,378)	(8,084)
Other operating income/(expenses)	359	(996)
	(10,173)	(12,989)
Operating profit	15,304	5,367

20,671

</TABLE>

4 Employee information

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

<TABLE>
<CAPTION>

	1998 Number
<S>	<C>
Management and administration	437
Production and sales	2,358
	2,795

Staff costs (for the above persons) (Pounds)000	1998
Wages and salaries	39,227
Social security costs	4,492
Other pension costs (see note 20)	1,999
	45,718

</TABLE>

5 Directors' emoluments

<TABLE>
<CAPTION>

(Pounds)000	1998
<S>	<C>
Aggregate emoluments	1,055
Pension contributions to defined contribution schemes	44
	1,099

</TABLE>

No emoluments have been waived by any of the directors in the year.

At 31 May 1998, two directors were members of defined benefit pension schemes and one director contributed to a money purchase scheme. Accrued entitlements and transfer values in respect of the defined benefit schemes are given below.

5 Directors' emoluments continued

<TABLE>
<CAPTION>

	Additional pension earned in the year (Pounds)	Accrued entitlement (Pounds)	Pension transfer value for the year (Pounds)

<S>	<C>	<C>	<C>
A S Thompson	2,928	12,167	41,900
T R Wightman	2,924	7,300	42,600

</TABLE>

1 The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year.
2 The increase in accrued pension during the year excludes any increase for inflation.
3 The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.
4 Members of the scheme have the option to pay Additional Voluntary Contributions; neither the contributions nor the resulting benefits are included in the above table.

<TABLE>
<CAPTION>

	1998
The following amount were paid to the highest paid director: (Pounds)000	
<S>	<C>
Aggregate emoluments and benefits under long-term executive schemes	313
Accrued pension at year end	7

</TABLE>

6 Loss on termination of discontinued operations

<TABLE>
<CAPTION>

	1998
(Pounds)000	
<S>	<C>
Loss on sale of businesses	(37,315)

</TABLE>

The (Pounds)37.3m loss on disposal relates to the sale of the Lead Products and Specialist Castings divisions and includes goodwill previously written off to reserves of (Pounds)51.5m. There was no tax attributable to this transaction.

7 Interest payable and similar charges

<TABLE>
<CAPTION>

	1998
(Pounds)000	
<S>	<C>
Bank and other interest on loans and overdrafts	2,189
Finance leases and hire purchase	182
Other interest	60
	2,431
Interest receivable	(282)
	2,149

</TABLE>

8 Loss on ordinary activities before taxation

<TABLE>
<CAPTION>

	1998 (Pounds)000
Loss on ordinary activities before taxation is stated after crediting:	
<S>	<C>
Grant income	406
And after charging:	
Depreciation charge for the year:	
Tangible owned fixed assets	3,968
Tangible fixed assets held under finance leases	717
Research, development and design expenditure	118
Auditors' remuneration (company (Pounds)39,000)	133
Fees to auditors for other services	396
Operating leases - plant and machinery	238
- other	568

</TABLE>

9 Tax on loss on ordinary activities

<TABLE>
<CAPTION>

	1998 (Pounds)000
United Kingdom corporation tax at 31%:	
<S>	<C>
Current	2,084
Deferred	16
Irrecoverable ACT	822
Overseas corporation tax:	
Current	1,939
Over provision in respect of previous years:	
United Kingdom corporation tax	(1,224)
Overseas	(9)
	3,628

</TABLE>

10 Dividends

<TABLE>
<CAPTION>

	1998 (Pounds)000
<S>	<C>
Declared interim 2.7p per share	2,369
Proposed final 4.9p per share	4,309
4.2% cumulative preference (non-equity shares)	2

6,680

---

pence

Total dividend per ordinary share
7.6

Dividend per preference share
2.1

</TABLE>

Notes to the financial statements

11 Earnings per share

a) The calculation of the earnings per ordinary share on the net basis is based on the profit on ordinary activities after taxation, minority interests, and preference dividends divided by the weighted average number of ordinary shares in issue during the year of 87,749,343.

b) The adjusted earnings per share has been recalculated to eliminate the net loss after taxation on sale or termination of discontinued operations. The adjusted earnings per share figures have been provided in addition to the disclosures required by SSAP 3 and FRS 3 since, in the opinion of the directors, this will allow shareholders to consider the results of the trading operations of the business.

c) There is no material difference between earnings per share and fully diluted earnings per share in the year ended 31 May 1998. The deferred and contingent consideration in respect of acquisitions will be fully satisfied by cash payments rather than the issue of ordinary shares, and consequently no disclosure of comparative fully diluted earnings per share information has been made as the assumptions on which the calculation was based are no longer applicable.

12 Tangible fixed assets
<TABLE>
<CAPTION>

	Land and buildings						
	Freehold	Long lease	Short lease	Plant and machinery	Fixtures and fittings	Capital work in progress	Total
Group	(Pounds)000	(Pounds)000	(Pounds)000	(Pounds)000	(Pounds)000	(Pounds)000	(Pounds)000
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Cost							
At start of year	17,439	1,470	282	68,377	2,830	921	91,319
Disposal of subsidiaries	(14,153)	-	-	(44,909)	(698)	(441)	(60,201)
Exchange adjustments	(632)	(71)	-	(822)	(17)	(15)	(1,557)
Additions	725	55	3	10,235	271	1,288	12,577
Disposals	(192)	(339)	(41)	(5,420)	(128)	(18)	(6,138)
Reclassification	-	-	-	238	(15)	(223)	-
At end of year	3,187	1,115	244	27,699	2,243	1,512	36,000

Depreciation

At start of year	(2,772)	(390)	(36)	(38,809)	(2,010)	-
(44,017)						
Disposal of subsidiaries	2,323	-	-	24,112	577	-
27,012						
Exchange adjustments	257	14	-	575	8	-
854						
Charge for the year	(95)	(32)	(16)	(4,240)	(302)	-
(4,685)						
Disposals	162	181	24	4,485	76	-
4,928						
At end of year	(125)	(227)	(28)	(13,877)	(1,651)	-
(15,908)						
Net book value						
At 31 May 1998	3,062	888	216	13,822	592	1,512
20,092						

</TABLE>

Notes to the financial statements

12 Tangible fixed assets continued

<TABLE>
<CAPTION>

Company	Land and buildings Freehold (Pounds)000	Land and buildings Short lease (Pounds)000	Plant and machinery (Pounds)000	Fixtures and fittings (Pounds)000	Total (Pounds)000
<S>	<C>	<C>	<C>	<C>	<C>
Cost					
At start of year	799	37	17	211	1,064
Additions	571	-	-	37	608
Disposals	-	-	-	(3)	(3)
At end of year	1,370	37	17	245	1,669
Depreciation					
At start of year	-	-	(9)	(133)	(142)
Charge for the year	-	-	(6)	(51)	(57)
At end of year	-	-	(15)	(184)	(199)
Net book value					
At 31 May 1998	1,370	37	2	61	1,470

</TABLE>

Certain of the freehold land and buildings have been valued by the directors on acquisition and the valuation represents the cost to the group and the company.

The net book value of tangible fixed assets includes an amount of (Pounds)4,399,000 in respect of assets held under finance leases.

13 Fixed assets: investments

<TABLE>
<CAPTION>

Group	Interest in associated undertaking (Pounds)000	Other (Pounds)000	Total (Pounds)000
-			
<S>	<C>	<C>	<C>
At start of year	217	10	227
Exchange adjustments	1	-	1
Share of loss for the year	(76)	-	
(76)			
-			

At end of year	142	10	152

-

Company	Interest in associated undertaking (Pounds)000	Investment in subsidiaries (Pounds)000	Total (Pounds)000
Cost or valuation			
At start of year	51	158,279	158,330
Acquisitions	-	17,000	17,000
Disposals	-	(17,000)	
(17,000)			
Deferred consideration adjustments	-	1,520	1,520
Amortisation of set up costs	(25)	-	
(25)			
At end of year	26	159,779	159,825

-

</TABLE>

Notes to the financial statements

13 Fixed assets: investments continued

The company indirectly holds all the ordinary allotted share capital of the following principal subsidiaries:

<TABLE>
<CAPTION>

<S>	<C> Country of incorporation	<C> Principal activities
Rubicon HSP Limited	England	Electronic Manufacturing Services
J Higgins Engineering (Galway) Limited	Ireland	Electronic Manufacturing Services
Higgins Manufacturing Inc	Canada	Electronic Manufacturing Services
Arelec SA	France	Magnetics
Magnet Applications Limited	England	Magnetics
Magnet Applications Inc	USA	Magnetics
Rubicon Netherlands BV	Netherlands	International holding company

</TABLE>

The group holds 50% of the issued share capital of an associated undertaking, Airspeed LLC, which is incorporated in North Carolina, USA, and which is engaged in design and project management.

14 Stocks

<TABLE>
<CAPTION>

<S>	Group 1998 (Pounds)000 <C>
Raw materials and consumables	5,940
Work in progress	2,814
Finished goods and goods for resale	4,452
	13,206

</TABLE>

At the year end the directors were not aware of any significant difference between book value and the replacement cost of stocks.

15 Debtors

<TABLE>
<CAPTION>

	Group 1998 (Pounds)000	Company 1998 (Pounds)000
<S>	<C>	<C>
Amounts falling due within one year		
Trade debtors	18,994	2
Amounts owed by group undertakings	-	96
Other debtors	2,749	1,761
Prepayments and accrued income	1,681	42
Corporation tax recoverable	820	59
Advance corporation tax recoverable	780	1,087
	25,024	3,047
Amounts falling due after one year		
Other debtors	528	518
Deferred consideration	11,000	11,000
	11,528	11,518
	36,552	14,565

</TABLE>

Notes to the financial statements

15 Debtors continued

Debtors falling due after more than one year include (Pounds)11m of secured loan notes receivable no later than 2005 in respect of the disposal of the Lead Products and Specialist Castings divisions.

Intercompany debtors included in the holding company's balance sheet at 31 May 1997 have been restated by (Pounds)420,000 to (Pounds)16,872,000 as a result of an adjustment to intragroup dividends. A prior year adjustment has been made in this respect to the profit and loss account (see note 22).

16 Creditors: amounts falling due within one year

<TABLE>
<CAPTION>

	Group 1998 (Pounds)000	Company 1998 (Pounds)000
<S>	<C>	<C>
Bank loans and overdrafts	1,736	1,736
Obligations under finance leases	720	3
ECSC loans	156	-
Deferred consideration	11,222	11,222
Trade creditors	23,122	551
Amounts owed to subsidiary undertakings	-	34,651
Corporation tax	3,672	-
ACT payable	1,669	1,077
Other taxation and social security	1,515	53
Other creditors	903	145
Accruals and deferred income	4,385	916

Dividends payable	4,309	4,309
	53,409	54,663

</TABLE>

The bank loans and overdrafts are subject to a cross guarantee between the parent company and certain of its subsidiaries.

17 Creditors: amounts falling due after one year

<TABLE>
<CAPTION>

	Group 1998 (Pounds)000	Company 1998 (Pounds)000
<S>	<C>	<C>
Bank loans and overdrafts	1,736	1,736
Obligations under finance leases	984	-
ECSC loans	250	-
Deferred consideration	3,312	3,312
Corporation tax	682	-
Accruals and deferred income	573	-
	7,537	5,048

</TABLE>

Notes to the financial statements

18 Net (cash)/borrowings

<TABLE>
<CAPTION>

	Group 1998 (Pounds)000	Company 1998 (Pounds)000
<S>	<C>	<C>
Due within one year		
Bank term loans	1,736	1,736
Obligations under finance leases	720	3
ECSC loans	156	-
Due within one to two years		
Bank term loans	1,736	1,736
Obligations under finance leases	510	-
ECSC loans	125	-
Due within two to five years		
Obligations under finance leases	474	-
ECSC loans	125	-
Total borrowings	5,582	3,475
Cash at bank and in hand	(20,931)	(13,629)
Net (cash)/borrowings	(15,349)	(10,154)

</TABLE>

Bank term loans comprise foreign currency borrowings from Barclays Bank PLC, all of which are repayable in fixed instalments falling due over the next two years. The interest rate on these loans is the London interbank offer rate for deposits in the respective currencies plus 0.75%.

ECSC loans represent borrowings from UK clearing banks, the funding cost of which is supported by the European Coal and Steel Community. The loans are fully secured by a charge over one of the group's freehold properties. The interest rates on the ECSC loans range from 5.34% to 10.00%.

19 Provisions for liabilities and charges

<TABLE>
<CAPTION>

	Post retirement benefits	Deferred taxation	Vacant leasehold property provisions	Reorganisation and rationalisation provisions	1998 Total

Group	(Pounds)000	(Pounds)000	(Pounds)000	(Pounds)000	(Pounds)000
<S>	<C>	<C>	<C>	<C>	<C>
At start of year	2,843	1,059	663	1,034	5,599
Disposal of subsidiary undertakings	(2,708)	(359)	(127)	(200)	(3,394)
Charged to profit and loss account	126	16	(160)	(584)	(602)
Utilised in the year	(82)	-	(56)	-	(138)
Exchange movement	(19)	(25)	-	-	(44)
At end of year	160	691	320	250	1,421

</TABLE>
<TABLE>
<CAPTION>

1998 Company	Vacant leasehold property provisions (Pounds)000	Reorganisation and rationalisation provisions (Pounds)000	Total (Pounds)000
<S>	<C>	<C>	<C>
At start of year	311	-	311
Charged to profit and loss account	(14)	250	236
Utilised in the year	(51)	-	(51)
At end of year	246	250	496

</TABLE>

Notes to the financial statements

19 Provisions for liabilities and charges continued

The vacant leasehold property provisions have been assessed by the directors in consultation with their property advisers and reflect anticipated future costs to be incurred, discounted to their present value.

<TABLE>
<CAPTION>

	Group	
1998 Deferred taxation	Amount provided 1998 (Pounds)000	Full potential liability 1998 (Pounds)000
<S>	<C>	<C>
Accelerated capital allowances	1,818	1,846
Other short-term timing differences	71	71
Losses available for relief	(186)	(186)
	1,703	1,731

Advance corporation tax recoverable	(1,012)
	(1,012)
	691
	719

</TABLE>

There is no potential net liability for deferred tax in the holding company and none has been provided.

20 Pension and similar obligations

The group operates a number of defined contribution pension schemes and operated a defined benefit scheme until the divestment of the Lead Products and Specialist Castings divisions on 31 March 1998. The assets of funded schemes are held separately from the group in the name of the trustees. Certain overseas schemes are unfunded. Contributions to all schemes are paid monthly and at 31 May 1998 there were outstanding contributions of (Pounds)83,000. Employer contributions during the period to 31 May 1998 were (Pounds)1,999,000.

Calder Group Pension Scheme The pension contributions paid by the group for the defined benefit scheme (Calder Group Pension Scheme) were at the rate of 10.6% of pensionable payroll. This rate was determined by a professionally qualified actuary and was determined at the Scheme's valuation at 31 March 1997 which was consistent with the funding method known as the projected unit method. The assumptions that have the most significant effect on the valuations are return on assets and those relating to the rates of increases in salaries. These may be summarised as follows:

<TABLE>
<CAPTION>

	Calder Group Pension Scheme
Administrators	Scottish Amicable
Date of actuarial review	31 March 1997
<S>	<C>
Basis of valuation:	
Return on assets	9.5%
Salary growth	7.5%
Value of investments - (Pounds)000	(Pounds)20,610
Value of accrued liabilities - (Pounds)000	(Pounds)20,150
Surplus - (Pounds)000	(Pounds)460
Level of funding	102%

</TABLE>

Employers' contributions during the period were (Pounds)1,189,000.

Defined contribution schemes The group operates defined contribution pension schemes in the UK covering certain of its employees. Contributions to these schemes are charged to the profit and loss account in the period as they fall due. The group's total contributions to these funds for the year ending 31 May 1998 were (Pounds)412,000.

Notes to the financial statements

20 Pension and similar obligations continued

Overseas schemes Certain overseas subsidiaries operate defined benefit pension schemes. An actuarial assessment has been made of the funding position of these

schemes and full provisions have been made. Contributions to overseas defined benefit schemes and defined contribution schemes were (Pounds)398,000.

Dormant schemes There are several schemes which are in the process of being wound up. These are:

- - Beeley Wood Holdings Limited Pension Scheme
- - Frederick Sage & Co Limited Retirement Benefits Scheme
- - Rubicon Group Directors Pension Plan
- - Strathclyde Fabricators Retirement Benefits Scheme

At 31 May 1998 the above schemes are all fully funded.

21 Called-up share capital

Group and company	1998 (Pounds)000
Authorised	
100,000 4.2% cumulative preference shares of 50p each	50
114,339,548 ordinary shares of 10p each	11,434
	11,484
Allotted, called-up and fully paid	
At start of year - 87,724,038 ordinary shares of 10p each	8,772
Options exercised in the year - 224,147 ordinary shares of 10p	23
At end of year - 87,948,185 ordinary shares of 10p each	8,795
100,000 4.2% cumulative preference shares of 50p each	50
	8,845

The cumulative preference shares are non-voting and have a preferential right to return of capital on a winding up. The amount of shareholders' funds attributable to these non-equity interest is (Pounds)50,000.

Options to subscribe for ordinary shares of 10p each have been granted to certain directors and executives under the executive share option schemes. Details of options granted to the directors are given in the Directors' report. At 31 May 1998 other executives held options to subscribe for 704,929 ordinary shares of 10p each, under this scheme. These options may be exercised at the price and, during the periods, identified below.

Dates of exercise		Option price (pence)	Number of options
Earliest	Latest		
11 August 1998	10 August 2005	182.00	46,500
21 August 1999	20 August 2006	175.00	34,284
5 August 2000	5 August 2007	103.50	493,000
27 November 2000	25 November 2007	109.50	39,145
25 March 2001	25 March 2008	195.50	92,000
			704,929

Notes to the financial statements

21 Called-up share capital continued

In addition to the options granted under the share option agreement and disclosed in the Directors' report, other options over 224,147 ordinary shares were exercised during the year under the terms of agreement.

Since 31 May 1998, no share options have been granted under the revenue approved Rubicon Group plc Executive Share Option Scheme or under the unapproved Rubicon Group plc 1996 Executive Share Option Scheme.

Shares to be issued At 31 May 1997 future consideration in respect of entities acquired during the year to 31 May 1996 could, at the company's option, be satisfied by means of the issue of ordinary shares of 10p each. The amount of the future consideration payable was dependent on the trading results of the entities acquired and the number of shares to be issued was estimated based on the expectations of those future results.

Following the disposal of the Lead Products and Specialist Castings divisions in the year ended 31 May 1998, it is now the intention of the directors that future consideration will be settled by way of cash payments. It is therefore not envisaged that shares will be issued in future periods and the liability for future consideration is included within creditors in the balance sheet at 31 May 1998.

22 Reserves

	Share premium account (Pounds)000	Merger reserve (Pounds)000	Profit and loss account (Pounds)000
Group			
At start of year	21,136	(30,965)	9,754
Premium arising on the issue of additional shares	251	-	-
Goodwill realised on disposal of businesses	-	51,485	-
Goodwill adjustment arising from re-evaluation of deferred consideration	-	(1,519)	-
Goodwill on acquisitions	-	(241)	-
Exchange adjustments	-	-	(1,003)
Retained profit for the year	-	-	(29,232)
At end of year	21,387	18,760	(20,481)
Company			
At start of year	21,136	96,377	4,025
Prior year adjustment/intragroup dividends	-	-	(420)
At start of year as restated	21,136	96,377	3,605
Premium arising on the issue of additional shares	251	-	-
Retained profit for the year	-	-	(5,044)
Exchange adjustment	-	-	4,112
At end of year	21,387	96,377	2,673

The amount of the consolidated loss after tax which is dealt with in the financial statements of Rubicon Group plc was (Pounds)1,636,000 profit.

At 31 May 1998 the group reserves are stated after writing off goodwill of (Pounds)82.5m.

23 Reconciliation of movements in shareholders' funds

<TABLE>
<CAPTION>

	1998 (Pounds)000
<S>	<C>
Loss for the financial year	(22,552)
Dividends	(6,680)
Exchange rate adjustment	(1,003)
Movement in profit and loss reserves	(30,235)
New share capital subscribed less expenses	274
Goodwill arising on acquisitions	(241)
Other goodwill adjustments	(1,519)
Goodwill crystallised on disposal of businesses	51,485
Adjustment to shares to be issued	(20,371)
Net reduction to shareholders' funds	(607)
Opening shareholders' funds	29,118
Closing shareholders' funds	28,511

</TABLE>

24 Acquisition of subsidiary undertakings

On 28 January 1998, the group acquired Aspen Motion Technologies Inc. The net assets at acquisition were (Pounds)63,000 and no provisions were necessary to restate the assets to their fair values. Goodwill of (Pounds)241,000 arose at acquisition. Additional future consideration of up to $17.7 million may become payable if the business were to achieve $266 million operating profits. Further details of this contingent liability are given in note 27.

The results of Aspen Motion Technologies Inc for the period to 31 May 1998 are not material to the group's performance.

25 Cash flow statement

<TABLE>
<CAPTION>

a) Reconciliation of operating profit to operating cash flows	1998 (Pounds)000
<S>	<C>
Operating profit before exceptional items	20,671
Depreciation charges	4,685
Amortisation of government grants	(406)
Other non-cash items	22
Increase in stocks	(4,642)
Increase in debtors	(8,798)
Increase in creditors	3,506
Net cash inflow from operating activities before exceptional items	15,038
Cash paid in respect of exceptional items and property provisions	(1,070)
Net cash inflow from operating activities	13,968

</TABLE>

25 Cash flow statement continued

<TABLE>
<CAPTION>

b) Analysis of cash flows netted in the cash flow statement	1998 (Pounds)000
<S>	<C>
Returns on investments and servicing of finance	
Interest paid	(2,617)
Interest received	192
Net cash outflow for returns on investments and servicing of finance	(2,425)
</TABLE>

Capital expenditure and financial investment	
Fixed asset additions	(12,577)
Fixed asset sale proceeds	757
Government grants received	186
Net cash outflow for capital expenditure and financial investment	(11,634)
Acquisitions and disposals	
Purchase of subsidiary undertakings	(241)
Deferred consideration paid for acquisitions	(7,356)
Disposal of subsidiary undertakings	44,282
Net cash inflow for acquisitions and disposals	36,685
Financing	
Issue of ordinary share capital	274
Repayment of principal under term loans	(9,779)
Net increase of principal under finance leases	(2,188)
Decrease in borrowings	(11,967)
Net cash outflow from financing	(11,693)

<CAPTION>

c) Purchase and disposal of subsidiary undertakings	Purchases 1998 (Pounds)000	Disposals 1998 (Pounds)000
<S>	<C>	<C>
Net assets (acquired)/sold	(63)	43,009
Goodwill including costs	(241)	51,485
	(304)	94,494
Loss on disposal	-	(37,315)
Bank overdrafts less cash	63	(288)
Deferred consideration	(7,356)	(12,609)
Net cash (outflow)/inflow	(7,597)	44,282

</TABLE>

Group treasury is undertaken centrally and the treasury functions of acquisitions during the year have been absorbed into the group arrangements. As a result it is impracticable to isolate the cash flows of acquisitions and disposals in a manner which is meaningful.

Notes to the financial statements

25 Cash flow statement continued

<TABLE>
<CAPTION>

d) Analysis of borrowings	Beginning of year (Pounds)000	Cash flow (Pounds)000	Exchange differences (Pounds)000	End of year (Pounds)000
<S>	<C>	<C>	<C>	<C>
Cash at bank and in hand	6,860	14,510	(439)	20,931
Overdrafts	(1,406)	1,406	-	-
	5,454	15,916	(439)	20,931
Borrowings due within one year	(3,827)	1,399	536	(1,892)
Borrowings due after one year	(10,586)	8,380	220	(1,986)
Finance leases - continuing	(4,044)	2,188	-	(1,704)
- disposed of with subsidiaries	-	152	-	

	(13,003)	28,035	317
15,349			

</TABLE>

26 Capital commitments

<TABLE>
<CAPTION>

	Group 1998
(Pounds)000	
<S>	<C>
Capital expenditure that has been contracted for but has not been provided for in the accounts	5,574

</TABLE>

There is no capital expenditure contracted for but not provided in the holding company.

27 Contingent liabilities

On 28 January 1998, Rubicon Group plc entered into an agreement for the acquisition of the whole of the issued share capital of Aspen Motion Technologies Inc. The initial consideration for this acquisition was $496,000. Additional consideration will become payable over the period to 31 May 2008. The amount of the additional consideration is dependent on the achievement of specified rates of return on the group's investment and on the operating profit achieved by Aspen Motion Technologies Inc over the period to 31 May 2008.

Aspen Motion Technologies Inc was originally established to exploit technological developments in processes for the production of injection moulded magnets. The company is in the later stages of the development of its products and the extent of their success in the market place is currently difficult to assess. Consequently, it is not possible for the directors to determine with any certainty the future trading performance of Aspen Motion Technologies Inc and, therefore, the level of the additional payments of consideration, if any, that will become due under the terms of the share purchase agreement. As a result, a specific provision for this liability has not been included in the balance sheet of the group at 31 May 1998. However, the directors do not expect the total liability for future consideration in respect of Aspen Motion Technologies Inc to exceed $17.7m which would be self funding and would be payable only if the business were to achieve operating profits of $266m.

The group's bankers have guaranteed certain of its obligations in respect of deferred consideration for acquisitions amounting to (Pounds)8.7m and have recourse to the company in the event that those guarantees crystallise.

The group has obtained certain grant assistance and is liable to repay amounts received if it fails to comply with the terms of the grant assistance for a period of 18 months from completion of the relevant project.

The company has provided irrevocable guarantees covering the payment of all the liabilities of its subsidiary companies in Ireland in accordance with Section 17 Companies (Amendment) Act 1986 (Ireland).

Notes to the financial statements

27 Contingent liabilities continued

Under a group VAT registration, the company is jointly and severally liable for the VAT liabilities of its UK subsidiaries. The contingent liability at the year end was (Pounds)837,000.

28 Financial commitments

<TABLE>
<CAPTION>

	1998	
	Land and buildings	Other

	(Pounds)000	(Pounds)000
<S>	<C>	<C>
On leases expiring:		
Within one year	47	25
Between two and five years inclusive	414	369
After five years	567	-
	1,028	394

</TABLE>