Touche Ross

Deloitte Touche Tohmatsu International

Company Registration No. 1066364

PROTOCON ENGINEERING LIMITED

Report and Financial Statements

30 September 1994

Touche Ross & Co.
Cornwallis House
Instone Road
Dartford DA1 2AG

Touche Ross

Deloitte Touche Tohmatsu International

REPORT AND FINANCIAL STATEMENTS 1994

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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 September 1994.

ACTIVITIES

The principal activity of the company has remained engineering, specialising in computerised machinery and precision presswork.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

On a turnover of £414,600 (1993 - £374,113) the company achieved a profit before taxation of £6,044 (1993 - loss £21,417). Further details of the company's trading are shown in the profit and loss account on page 4. The position of the company at the end of the year is set out in the balance sheet on page 6.

The directors consider that the company will continue to trade profitably given a favourable trading climate.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of a dividend (1993 - £nil).

Retained profits of £6,044 (1993 - loss £21,417) have been transferred to reserves.

FIXED ASSETS

Changes in fixed assets are shown in note 7 to the accounts.

DIRECTORS

The directors and their interests, as defined by the Companies Act 1985, in the shares of the company at 1 October 1993 and 30 September 1994 were as follows:

	£1 ordinary shares	
	1994	1993
G A Smith	700	700
Mrs M Smith	300	300

AUDITORS

Touche Ross & Co. have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

M Smith
Secretary

M Smith

10-4-95

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. 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;
- prepare the financial statements on the 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 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.

Touche Ross

Chartered Accountants

Touche Ross & Co.
Cornwallis House
Instone Road
Dartford DA1 2AG

Telephone: National 01322 277777
International + 44 1322 277777
Telecopier (Gp. 3): 01322 291443

PROTOCON ENGINEERING LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 4 to 13 which have been prepared under the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Touche Ross & Co

TOUCHE ROSS & CO.

Chartered Accountants and
Registered Auditors
Dartford

12 May 1995

PROFIT AND LOSS ACCOUNT
Year ended 30 September 1994

	Note	1994 £	1993 £
TURNOVER- continuing operations	2	414,600	374,113
Cost of sales		(249,983)	(240,148)
Gross profit		164,617	133,965
Administrative expenses		144,014	141,072
OPERATING PROFIT/(LOSS) - continuing operations		20,603	(7,107)
Interest payable and similar charges	4	(14,559)	(14,310)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	5	6,044	(21,417)
Tax credit on profit/(loss) on ordinary activities	6	-	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	15	6,044	(21,417)

There are no further recognised gains and losses in the current financial year and preceding financial year other than as stated in the profit and loss account.

NOTE OF HISTORICAL COST PROFITS AND LOSSES
Year ended 30 September 1994

	1994 £	1993 £
Profit/(loss) on ordinary activities before taxation	6,044	(21,417)
Difference between historical cost depreciation and actual depreciation charges for the year calculated on the revalued amount	751	751
Historical cost profit/(loss) on ordinary activities before taxation	6,795	(20,666)
Historical cost profit/(loss) retained for the year after taxation	6,795	(20,666)

BALANCE SHEET
30 September 1994

	Note	1994 £	1993 £
FIXED ASSETS			
Tangible assets	7	207,594	169,893
CURRENT ASSETS			
Stocks	8	37,001	38,682
Debtors	9	106,275	81,177
Cash at bank and in hand		177	337
		143,453	120,196
CREDITORS: amounts falling due within one year	10	112,865	82,416
NET CURRENT ASSETS		30,588	37,780
TOTAL ASSETS LESS CURRENT LIABILITIES		238,182	207,673
CREDITORS: amounts falling due after more than one year	11 & 12	(143,398)	(118,933)
		94,784	88,740
CAPITAL AND RESERVES			
Called up share capital	14	1,430	1,430
Share premium account	15	29,570	29,570
Revaluation reserve	15	29,296	30,047
Profit and loss account	15	34,488	27,693
		94,784	88,740

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors

G A Smith Geoffrey A Smith 10.4.95.

M Smith
Directors
M Smith 10-4-95

NOTES TO THE ACCOUNTS
Year ended 30 September 1994

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings.

Tangible fixed assets

Depreciation is provided on cost or valuation in equal annual instalments over the estimated useful lives of the assets excluding freehold land. The rates of depreciation are as follows:

Freehold buildings	-	Over 50 years
Plant, machinery and motor vehicles	-	5 years

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents materials, direct labour and appropriate production overheads.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

Cash flow statement

The company has adopted Financial Reporting Standard No 1 and has made use of the exemption under Financial Reporting Standard No 1 as a small company not to produce a cash flow statement.

Lease and hire purchase contracts

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

NOTES TO THE ACCOUNTS
Year ended 30 September 1994

1. **ACCOUNTING POLICIES (continued)**

Pension costs

Until 30 September 1994, the company operated a defined benefit scheme for the majority of its employees. On 30 September 1994, the assets of the scheme were transferred to a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

2. **TURNOVER**

Turnover is the amount derived from the provision of goods and services falling within the company's ordinary activities after deducting trade discounts and value added tax.

3. **INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	1994	1993
	£	£
Directors' remuneration:		
Other emoluments	46,347	45,173

	£	£
Employee costs during the year:		
Wages and salaries	251,315	233,366
Social security costs	26,329	18,809
Other pension costs	7,305	8,044
	284,949	260,219

	No.	No.
Average number of persons employed:		
Office management	5	5
Manufacturing	13	12
	18	17

NOTES TO THE ACCOUNTS
Year ended 30 September 1994

4. INTEREST PAYABLE AND SIMILAR CHARGES

	1994 £	1993 £
Bank loans, overdrafts and other loans repayable within five years	3,098	5,265
Bank loans repayable after five years	9,211	4,969
Finance charges - finance leases and hire purchase contracts	2,250	4,076
	14,559	14,310

5. OPERATING PROFIT/(LOSS)

	1994 £	1993 £
Operating profit/(loss) is after charging/(crediting):		
Redundancy costs	-	3,588
Rentals under operating leases		
- hire of plant and machinery	1,138	1,138
- other operating leases	532	690
Profit/(loss) on disposal of fixed assets	355	(3,740)
Depreciation and other amounts written-off tangible fixed assets		
- owned assets	6,850	20,100
- assets held under finance leases and hire purchase contracts	6,750	635
Auditors' remuneration	2,000	2,000

6. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

No taxation arises as the company has losses brought forward available for offset. At 30 September 1994 the company had tax losses of approximately £51,000 available for offset against future trading profits.

NOTES TO THE ACCOUNTS
Year ended 30 September 1994

7. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation				
At 1 October 1993	112,622	367,908	27,554	508,084
Additions	-	45,336	9,820	55,156
Disposals	-	-	(10,555)	(10,555)
At 30 September 1994	112,622	413,244	26,819	552,685
Accumulated depreciation:				
At 1 October 1993	9,138	312,865	16,188	338,191
Provisions	2,016	6,312	5,272	13,600
Disposals	-	-	(6,700)	(6,700)
At 30 September 1994	11,154	319,177	14,760	345,091
Net book value				
At 30 September 1994	101,468	94,067	12,059	207,594
At 30 September 1993	103,484	55,043	11,366	169,893

The net book value of freehold land and buildings at 30 September 1994 determined according to the historical cost convention is approximately £73,000.

The net book value of fixed assets includes £49,235 in respect of plant and machinery and motor vehicles held under finance leases and hire purchase contracts.

8. STOCKS

	1994 £	1993 £
Raw materials	12,646	18,912
Work in progress	10,198	19,770
Finished goods	14,157	-
	37,001	38,682

NOTES TO THE ACCOUNTS
Year ended 30 September 1994

9. DEBTORS

	1994 £	1993 £
Trade debtors	105,769	81,045
Other debtors and prepayments	506	132
	106,275	81,177

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1994 £	1993 £
Bank loan and overdraft (see note 12)	46,928	34,221
Trade creditors	22,656	19,906
Taxation and social security	26,082	19,405
Obligations under finance leases and hire purchase contracts	10,567	2,925
Other creditors and accruals	6,632	5,959
	112,865	82,416

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1994 £	1993 £
Bank loan (see note 12)	89,197	92,535
Obligations under finance leases and hire purchase contracts (see note 12)	29,594	591
Other creditors	24,607	25,807
	143,398	118,933

NOTES TO THE ACCOUNTS
Year ended 30 September 1994

12. BORROWINGS

	1994	1993
	£	£
Bank loan and overdraft - secured	136,125	126,756
Obligations under finance leases and hire purchase contracts	40,161	3,516
	176,286	130,272
Less: amounts falling due within one year	57,495	37,146
Amounts falling due after more than one year	118,791	93,126

	£	£
Analysis of loan repayments:		
Bank loan and overdraft		
Within one year or on demand	46,928	34,221
Between two and five years	15,423	13,861
After five years	73,774	78,674
Other loans		
Within one year or on demand	10,567	2,925
Between two and five years	29,594	591
	176,286	130,272

	£	£
Amounts repayable by instalments some of which fall due after five years:		
Bank loan		
Total amount	92,218	95,250
Instalments due after five years	73,774	78,674

The bank loan and overdraft are secured by a debenture incorporating a first legal charge over the company's premises. The bank loan is repayable by monthly instalments of £1,020.

The finance leases and hire purchase contracts are secured upon the assets to which the contracts relate.

NOTES TO THE ACCOUNTS
Year ended 30 September 1994

13. PROVISION FOR LIABILITIES AND CHARGES

The amount of deferred taxation provided in the financial statements and the potential amount not provided are:

	1994 Amount provided £	1994 Total potential tax £	1993 Amount provided £	1993 Total potential tax £
Capital allowances in excess of depreciation	9,800	16,000	13,400	13,400
Less: excess tax losses	(9,800)	(13,000)	(13,400)	(13,400)
	-	3,000	-	-

14. CALLED UP SHARE CAPITAL

	1994 £	1993 £
Authorised:		
1,500 ordinary shares of £1	1,500	1,500
Allotted and fully paid:		
1,430 ordinary shares of £1	1,430	1,430

15. COMBINED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

	Issued share capital £	Share premium account £	Revaluation reserve £	Profit and loss account £
Balance at 1 October 1993	1,430	29,570	30,047	27,693
Transfer of amount equivalent to additional depreciation on revalued assets	-	-	(751)	751
Profit retained for the year	-	-	-	6,044
Balance at 30 September 1994	1,430	29,570	29,296	34,488