Deloitte & Touche

Deloitte Touche Tohmatsu International

Company Registration No. 1066364

PROTOCON ENGINEERING LIMITED

Report and Financial Statements

30 September 1996

Deloitte & Touche
Cornwallis House
Instone Road
Dartford DA1 2AG

KLO *K85BQSSI* 2172
COMPANIES HOUSE 30/01/97

Deloitte & Touche

Deloitte Touche Tohmatsu International

PROTOCON ENGINEERING LIMITED

REPORT AND FINANCIAL STATEMENTS 1996

CONTENTS

	Page
Directors' report	1
Statement of directors' responsibilities	2
Auditors' report	3
Profit and loss account	4
Note of historical cost profits and losses	5
Balance sheet	6
Notes to the accounts	7
Additional information	14
Detailed profit and loss account	15
Five year summary	16

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 September 1996.

ACTIVITIES

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

REVIEW OF DEVELOPMENTS

On a turnover of £477,064 (1995 - £518,043) the company achieved a profit before taxation of £8,232 (1995 - £25,054). 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. Given a stable economy the directors remain optimistic about future trading prospects.

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 1995 and 30 September 1996 were as follows:

	£1 ordinary shares	
	1996	1995
G A Smith	700	700
Mrs M Smith	300	300

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Advantage has been taken in the preparation of this report of the special exemptions applicable to small companies under Part II of Schedule 8 to the Companies Act 1985.

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

M Smith
Secretary

16-1-97

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.

Deloitte & Touche

Chartered Accountants

Deloitte & Touche
Cornwallis House
Instone Road
Dartford DA1 2AG

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

AUDITORS' REPORT TO THE MEMBERS OF

PROTOCON ENGINEERING LIMITED

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

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 1996 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.

Deloitte & Touche

DELOITTE & TOUCHE

Chartered Accountants and
Registered Auditors
Dartford

19 January 199

Deloitte Touche Tohmatsu International

Aberdeen, Bath, Belfast, Birmingham, Bournemouth, Bracknell, Bristol, Cambridge, Cardiff, Crawley, Dartford, Edinburgh, Glasgow, Leeds, Leicester, Liverpool, London, Manchester, Milton Keynes, Newcastle upon Tyne, Nottingham, St Albans and Southampton.

Principal place of business at which a list of partners' names is available:
Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

PROFIT AND LOSS ACCOUNT
Year ended 30 September 1996

	Note	1996 £	1995 £
TURNOVER- continuing operations	2	477,064	518,043
Cost of sales		(307,126)	(321,784)
Gross profit		169,938	196,259
Administrative expenses		(170,081)	(155,274)
Profit on disposal of fixed asset - exceptional item		25,200	-
OPERATING PROFIT - continuing operations	4	25,057	40,985
Interest payable and similar charges	5	(16,825)	(15,931)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		8,232	25,054
Tax on profit on ordinary activities	6	2,806	3,400
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	16	5,426	21,654

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 1996

	1996 £	1995 £
Profit on ordinary activities before taxation	8,232	25,054
Difference between historical cost depreciation and actual depreciation charges for the year calculated on the revalued amount	751	751
Historical cost profit on ordinary activities before taxation	8,983	25,805
Historical cost profit retained for the year after taxation	6,177	22,405

BALANCE SHEET
30 September 1996

	Note	1996 £	1995 £
FIXED ASSETS			
Tangible assets	7	252,338	200,218
CURRENT ASSETS			
Stocks	8	41,126	33,994
Debtors	9	110,809	128,171
Cash at bank and in hand		178	147
		152,113	162,312
CREDITORS: amounts falling due within one year	10	118,055	108,341
NET CURRENT ASSETS		34,058	53,971
TOTAL ASSETS LESS CURRENT LIABILITIES		286,396	254,189
CREDITORS: amounts falling due after more than one year	11, 12 & 13	(158,326)	(134,351)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(6,206)	(3,400)
		121,864	116,438
CAPITAL AND RESERVES			
Called up share capital	15	1,430	1,430
Share premium account	16	29,570	29,570
Revaluation reserve	16	27,794	28,545
Profit and loss account	16	63,070	56,893
Total equity shareholders' funds		121,864	116,438

Advantage has been taken in the preparation of these accounts of the special exemptions applicable to small companies under Part I of Schedule 8 of the Companies Act 1985. In the opinion of the directors the company is entitled to these exemptions on the grounds that it has met the qualifications for a small company specified in Sections 246 and 247.

These financial statements were approved by the Board of Directors on Signed on behalf of the Board of Directors

Geoffrey A. Smith

16.01.97.

G A Smith
Director

NOTES TO THE ACCOUNTS
Year ended 30 September 1996

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 40 years
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.

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.

Pension costs

The company operates a deferred contribution pension scheme. The pension costs charged to the profit and loss account are therefore the amount of contributions payable in respect of the particular year.

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. All sales have occurred within the United Kingdom.

NOTES TO THE ACCOUNTS
Year ended 30 September 1996

3. INFORMATION REGARDING DIRECTORS

	1996 £	1995 £
Directors' remuneration:		
Other emoluments	66,024	54,653

4. OPERATING PROFIT

	1996 £	1995 £
Operating profit is after charging/(crediting):		
Rentals under operating leases		
- hire of plant and machinery	3,444	2,119
- other operating leases	537	1,063
Profit on disposal of fixed assets	(25,200)	(650)
Depreciation and other amounts written-off tangible fixed assets		
- owned assets	5,579	8,316
- assets held under finance leases and hire purchase contracts	17,116	11,640
Auditors' remuneration	2,150	2,100

5. INTEREST PAYABLE AND SIMILAR CHARGES

	1996 £	1995 £
Bank loans, overdrafts and other loans repayable within five years	3,403	3,211
Bank loans repayable after five years	8,625	9,037
Finance charges - finance leases and hire purchase contracts	4,797	3,683
	16,825	15,931

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1996 £	1995 £
Deferred taxation	2,806	3,400

NOTES TO THE ACCOUNTS
Year ended 30 September 1996

7. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Machinery and motor vehicles £	Total £
Cost or valuation			
At 1 October 1995	112,622	450,422	563,044
Additions	-	74,815	74,815
Disposals	-	(16,999)	(16,999)
At 30 September 1996	112,622	508,238	620,860
Accumulated depreciation			
At 1 October 1995	13,170	349,656	362,826
Provisions	2,016	20,679	22,695
Disposals	-	(16,999)	(16,999)
At 30 September 1996	15,186	353,336	366,982
Net book value			
At 30 September 1996	97,436	154,902	252,338
At 30 September 1995	99,452	100,766	200,218

The leasehold land and buildings were valued on 1 September 1992 by Frederick Hair & Son, Chartered Surveyors at open market value on the basis of existing use at £82,500.

The net book value of freehold land and buildings at 30 September 1996 determined according to the historical cost convention is £69,642 (1995 - £70,907).

The net book value of fixed assets includes £106,706 in respect of plant and machinery, and £19,927 in respect of motor vehicles held under finance leases and hire purchase contracts.

8. STOCKS

	1996 £	1995 £
Raw materials	12,163	10,389
Work in progress	14,344	14,302
Finished goods	14,619	9,303
	41,126	33,994

NOTES TO THE ACCOUNTS
Year ended 30 September 1996

9. DEBTORS

	1996 £	1995 £
Trade debtors	110,556	127,701
Other debtors and prepayments	253	470
	110,809	128,171

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £	1995 £
Bank loan and overdraft - secured (see note 13)	36,099	32,680
Trade creditors	19,621	26,318
Taxation and social security	20,227	30,081
Obligations under finance leases and hire purchase contracts	33,882	13,068
Other creditors and accruals	8,226	6,194
	118,055	108,341

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

	1996 £	1995 £
Bank loan - secured (see note 13)	81,692	85,670
Obligations under finance leases and hire purchase contracts (see note 13)	54,427	25,274
	136,119	110,944
Other creditors (see note 12)	22,207	23,407
	158,326	134,351

NOTES TO THE ACCOUNTS
Year ended 30 September 1996

12. ANALYSIS OF OTHER CREDITORS

	1996 £	1995 £
Other creditors:		
Analysis of other creditors repayments:		
Within one year	1,200	1,200
Between one and two years	11,200	11,200
Between two and five years	3,600	3,600
After five years	7,407	8,607
	23,407	24,607

There are two items included within other creditors, only one is due after five years. This is repayable at the rate of £100 per month. It attracts an interest rate of nil%.

13. BORROWINGS

	1996 £	1995 £
Bank loan and overdraft		
- secured	117,791	118,350
Obligations under finance leases and hire purchase contracts	88,309	38,342
	206,100	156,692
Less: amounts falling due within one year	69,981	45,748
Amounts falling due after more than one year	136,119	110,944

	£	£
Analysis of loan repayments:		
Bank loan and overdraft		
Within one year or on demand	36,099	32,680
Between one and two years	4,074	3,676
Between two and five years	14,832	13,385
After five years	62,786	68,609
Finance leases		
Within one year or on demand	33,882	13,068
Between one and two years	24,220	11,313
Between two and five years	30,207	13,961
	206,100	156,692

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. Interest is charged at 3.5% above base rate subject to a minimum of 10%.

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 1996

14. PROVISION FOR LIABILITIES AND CHARGES

	Deferred taxation £
Balance at 1 October 1995	3,400
Profit and loss account charge	2,806
Balance at 30 September 1996	6,206

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

	1996		1995	
	Amount provided £	Total potential tax £	Amount provided £	Total potential tax £
Capital allowances in excess of depreciation	18,000	23,487	10,000	16,000
Less: excess tax losses	(11,794)	(11,794)	(6,600)	(6,600)
	6,206	11,693	3,400	9,400

15. CALLED UP SHARE CAPITAL

	1996 £	1995 £
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

NOTES TO THE ACCOUNTS
Year ended 30 September 1996

16. 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 £	Total £
Balance at 1 October 1995	1,430	29,570	28,545	56,893	116,438
Transfer of amount equivalent to additional depreciation on revalued assets	-	-	(751)	751	-
Profit retained for the year	-	-	-	5,426	5,426
Balance at 30 September 1996	1,430	29,570	27,794	63,070	121,864

17. OPERATING LEASE COMMITMENTS

At 30 September 1996 the company was committed to making the following payments during the next year in respect of operating leases:

	Other 1996 £	Other 1995 £
Leases which expire		
Within two to five years	3,652	5,958