Deloitte & Touche

Deloitte Touche Tohmatsu

Company Registration No. 1066364

PROTOCON ENGINEERING LIMITED

Report and Financial Statements

30 September 1997

Deloitte & Touche
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Crawley
West Sussex
RH10 1BQ

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PROTOCON ENGINEERING LIMITED

REPORT AND FINANCIAL STATEMENTS 1997

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Deloitte & Touche

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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 September 1997.

ACTIVITIES

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

RESULTS AND FUTURE PROSPECTS

On a turnover of £497,802 (1996 - £477,064) the company suffered a loss before taxation of £4,356 (1996 - profit of £8,232). 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 and for a return to profitability.

DIRECTORS

The directors and their interests, as defined by the Companies Act 1985, in the shares of the company at 1 October 1996 and 30 September 1997 were as follows:

	£1 ordinary shares	
	1997	**1996**
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.

This report has been prepared in accordance with the special provisions relating to small companies under Section 246 of the Companies Act 1985.

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

M Smith
Secretary

M Smith

23-06- 1998

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.

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INVESTOR IN PEOPLE

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 1997 and of its loss 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
Crawley

7 July 1998

PROFIT AND LOSS ACCOUNT
Year ended 30 September 1997

	Note	1997 £	1996 £
TURNOVER- continuing operations	2	497,802	477,064
Cost of sales		(313,296)	(307,126)
Gross profit		184,506	169,938
Administrative expenses		(169,340)	(170,081)
OPERATING PROFIT/(LOSS) - continuing operations	4	15,166	(143)
Profit on disposal of fixed asset - exceptional item		-	25,200
Interest payable and similar charges	5	(19,522)	(16,825)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(4,356)	8,232
Tax on (loss)/profit on ordinary activities	6	1,317	(2,806)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	16	(3,039)	5,426

There are no further recognised gains and losses nor movements in shareholders' funds in the current financial year and preceding financial year other than as stated in the profit and loss account. Consequently, neither a Statement of Total Recognised Gains and Losses nor a Reconciliation of Movements in Shareholders' funds has been prepared.

NOTE OF HISTORICAL COST PROFITS AND LOSSES
Year ended 30 September 1997

	1997 £	1996 £
(Loss)/profit on ordinary activities before taxation	(4,356)	8,232
Difference between historical cost depreciation and actual depreciation charges for the year calculated on the revalued amount	751	751
Historical cost (loss)/profit on ordinary activities before taxation	(3,605)	8,983
Historical cost (loss)/profit retained for the year after taxation	(2,288)	6,177

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BALANCE SHEET
30 September 1997

	Note	1997 £	1996 £
FIXED ASSETS			
Tangible assets	7	226,783	252,338
CURRENT ASSETS			
Stocks	8	40,167	41,126
Debtors	9	99,396	110,809
Cash at bank and in hand		146	178
		139,709	152,113
CREDITORS: amounts falling due within one year	10	116,071	118,055
NET CURRENT ASSETS		23,638	34,058
TOTAL ASSETS LESS CURRENT LIABILITIES		250,421	286,396
CREDITORS: amounts falling due after more than one year	11	(126,707)	(158,326)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(4,889)	(6,206)
		118,825	121,864
CAPITAL AND RESERVES			
Called up share capital	15	1,430	1,430
Share premium account	16	29,570	29,570
Revaluation reserve	16	27,043	27,794
Profit and loss account	16	60,782	63,070
Total equity shareholders' funds		118,825	121,864

These accounts have been prepared in accordance with the special provisions relating to small companies under Section 246 of the Companies Act 1985.

These financial statements were approved by the Board of Directors on 23RD JUNE 1998.

Signed on behalf of the Board of Directors

Geoffrey A. Smith

G A Smith
Director

NOTES TO THE ACCOUNTS
Year ended 30 September 1997

1. ACCOUNTING POLICIES

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	-	Over 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 defined contribution pension scheme and also contributes towards certain employees' personal pension schemes. 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 1997

3. INFORMATION REGARDING DIRECTORS

	1997 £	1996 £
Directors' remuneration:		
Other emoluments	46,050	66,024
Pension contributions	3,000	3,810

	No.	No.
Number of directors who are members of a defined contribution pension scheme	1	1

4. OPERATING PROFIT/(LOSS)

	1997 £	1996 £
Operating profit/(loss) is after charging/(crediting):		
Rentals under operating leases		
- hire of plant and machinery	1,138	3,444
- other operating leases	547	537
Loss on disposal of fixed assets	431	-
Depreciation and other amounts written-off tangible fixed assets		
- owned assets	4,226	5,579
- assets held under finance leases and hire purchase contracts	24,207	17,116
Auditors' remuneration	3,000	2,150

5. INTEREST PAYABLE AND SIMILAR CHARGES

	1997 £	1996 £
Bank loans and overdrafts repayable within five years	4,374	3,403
Bank loans repayable after five years	8,256	8,625
Finance charges - finance leases and hire purchase contracts	6,892	4,797
	19,522	16,825

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

	1997 £	1996 £
Deferred taxation	1,317	(2,806)

NOTES TO THE ACCOUNTS
Year ended 30 September 1997

7. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Machinery and motor vehicles £	Total £
Cost or valuation			
At 1 October 1996	112,622	508,238	620,860
Additions	-	5,809	5,809
Disposals	-	(9,820)	(9,820)
At 30 September 1997	112,622	504,227	616,849
Accumulated depreciation			
At 1 October 1996	15,186	353,336	368,522
Provisions	2,016	26,417	28,433
Disposals	-	(6,889)	(6,889)
At 30 September 1997	17,202	372,864	390,066
Net book value			
At 30 September 1997	95,420	131,363	226,783
At 30 September 1996	97,436	154,902	252,338

The freehold 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 1997 determined according to the historical cost convention is £68,377 (1996 - £69,642).

The net book value of fixed assets includes £64,904 (1996 - £106,706) in respect of plant and machinery and £11,397 (1996 - £19,927) in respect of motor vehicles held under finance leases and hire purchase contracts.

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NOTES TO THE ACCOUNTS
Year ended 30 September 1997

8. STOCKS

	1997 £	1996 £
Stocks and work in progress	40,167	41,126

9. DEBTORS

	1997 £	1996 £
Trade debtors	98,970	110,556
Other debtors and prepayments	426	253
	99,396	110,809

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 £	1996 £
Bank loan and overdraft - secured (see note 13)	31,708	36,099
Trade creditors	25,339	19,621
Taxation and social security	25,906	20,227
Obligations under finance leases and hire purchase contracts	24,226	33,882
Other creditors and accruals	8,892	8,226
	116,071	118,055

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

	1997 £	1996 £
Bank loan - secured (see note 13)	77,169	81,692
Obligations under finance leases and hire purchase contracts (see note 13)	29,531	54,427
	106,700	136,119
Other creditors (see note 12)	20,007	22,207
	126,707	158,326

NOTES TO THE ACCOUNTS
Year ended 30 September 1997

12. ANALYSIS OF OTHER CREDITORS

	1997	1996
	£	£
Other creditors:		
Analysis of other creditors repayments:		
Within one year	1,800	1,200
Between one and two years	11,800	11,200
Between two and five years	5,400	3,600
After five years	2,807	7,407
	21,807	23,407

There are two items included within other creditors, only one is due after five years. This is interest free and is repayable at the rate of £150 (1996 - £100) per month.

13. BORROWINGS

	1997	1996
	£	£
Bank loan and overdraft - secured	108,877	117,791
Obligations under finance leases and hire purchase contracts	53,757	88,309
	162,634	206,100
Less: amounts falling due within one year	55,934	69,981
Amounts falling due after more than one year	106,700	136,119

	£	£
Analysis of loan repayments:		
Bank loan and overdraft		
Within one year or on demand	31,708	36,099
Between one and two years	4,240	4,074
Between two and five years	12,720	14,832
After five years	60,209	62,786
Finance leases		
Within one year or on demand	24,226	33,882
Between one and two years	13,767	24,220
Between two and five years	15,764	30,207
	162,634	206,100

The bank loan and overdraft are secured by a debenture incorporating a first legal charge over the company's premises and via personal life policies over the two directors. 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 1997

14. PROVISION FOR LIABILITIES AND CHARGES

	Deferred taxation £
Balance at 1 October 1996	6,206
Profit and loss account credit	(1,317)
Balance at 30 September 1997	4,889

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

	1997 Amount provided £	1997 Total potential tax £	1996 Amount provided £	1996 Total potential tax £
Capital allowances in excess of depreciation	14,271	18,879	18,000	23,487
Less: excess tax losses	(9,382)	(9,382)	(11,794)	(11,794)
	4,889	9,497	6,206	11,693

15. CALLED UP SHARE CAPITAL

	1997 £	1996 £
Authorised:		
1,500 ordinary shares of £1	1,500	1,500
Called up, allotted and fully paid:		
1,430 ordinary shares of £1	1,430	1,430

NOTES TO THE ACCOUNTS
Year ended 30 September 1997

16. STATEMENT OF MOVEMENTS ON RESERVES

	Share premium account £	Revaluation reserve £	Profit and loss account £
Balance at 1 October 1997	29,570	27,794	63,070
Transfer of amount equivalent to additional depreciation on revalued assets	-	(751)	751
Loss retained for the year	-	-	(3,039)
Balance at 30 September 1997	29,570	27,043	60,782

17. OPERATING LEASE COMMITMENTS

At 30 September 1997 the company was committed to making the following payments during the next year in respect of operating leases:

	£
Leases which expire	
Within one year	1,153

18. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is G A Smith.