

Webster Drives Limited

Directors' report and financial statements

31 March 1999

Registered number 553051



Directors' report and financial statements

Contents

Directors' report	1
Statement of directors' responsibilities	4
Report of the auditors to the members of Webster Drives Limited	5
Profit and loss account	6
Balance sheet	7
Notes	8

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 1999.

Principal activity

The company is principally engaged in the development, manufacture and merchanting of power take-off equipment, ancillary drives and transmissions for commercial vehicles, vehicle hydraulics and hydraulic tipping rams and lift winding gear.

Business review

The profit for the financial year was £108,256 (1998: £170,865).

Research and development

Research and development continues to be directed towards the development of new and existing products. Amounts expended are shown in note 7 to the accounts.

Dividends

An interim dividend of £50,000 was paid during the year (1998: £50,000).

The directors recommend the payment of a final dividend of £4,128 (1998: £54,029).

Creditor payments

Terms of payment with principal suppliers are negotiated as part of the continuing trading relationships with those suppliers. Once negotiated it is policy to follow those agreements. In the absence of specific agreement, standard policy is to settle undisputed amounts due on 60 day terms. At 31 March 1998 the number of days purchases outstanding (including amounts owed to group companies) was 79 (1998: 68 days).

Year 2000

Many computer systems express dates using only the last two digits of the year. These systems require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption.

The operation of our business depends not only on our own computer systems, but also on those of our suppliers and customers. There is, therefore, an exposure to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues. In appropriate cases formal assurance has been sought from these other parties.

A groupwide millennium audit was conducted by group personnel in 1998 as a result of which the company prepared a Year 2000 action plan.

During the year our non-compliant computer hardware and software has been replaced. The costs amounted to £197,000, of which £184,000 was capitalised in line with our normal policy and £13,000 expensed in the profit and loss account. Further costs are not expected to be significant.

Directors' report *(continued)*

Directors

The directors who held office during the year were as follows:

B Turner	(Chairman, retired 3 July 1998)
D Ball	
ML Brown	
KG Hurley	
N Wilkinson	
C Eastham	(Appointed 1 October 1998)
RC Atkinson	(Chairman, appointed 24 July 1998, resigned 8 February 1999)
J Dunn	(Chairman, appointed 4 January 1999)

Mr D Ball retires by rotation and, being eligible, offers himself for re-appointment. Shareholders will be asked to approve the appointment of Mr J A Dunn.

Directors' interests

D Ball and J Dunn are also directors of Syltone Industries plc, the immediate parent company. Their interests in the share capital of group undertakings are shown in the financial statements of that company.

The interests of the other directors in office at the year end in the share capital of group undertakings were as follows:

	Syltone plc	
	Ordinary shares of 25p each	
	31 March 1999	*1 April 1998
M L Brown	2,000	-
KG Hurley	7,609	7,609

	*At 1 April 1998	Number of options during the year		At 31 March 1999
		Share options granted	Share options exercised/lapsed	
ML Brown				
Employee sharesave scheme options	11,552	-	(5,505)	6,047
KG Hurley				
Employee sharesave scheme options	3,056	-	(1,517)	1,539
N Wilkinson				
Employee sharesave scheme options	3,686	-	(2,037)	1,649

All options are held under Schemes operated by Syltone plc.

* or date of appointment.

Directors' report *(continued)*

Auditors

Pursuant to section 385 Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors to the company will be proposed at the forthcoming Annual General Meeting.

By order of the board


N Wilkinson
Secretary

Folds Road
Bolton
Lancashire
BL1 2SE
5 November 1999

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 and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 have *general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.*



KPMG Audit Plc

1 The Embankment
Neville Street
Leeds
LS1 4DW

Report of the auditors to the members of Webster Drives Limited

We have audited the financial statements on pages 6 to 16.

Respective responsibilities of directors and auditors

As described on page 4 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 31 March 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'KPMG Audit Plc'.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

5 November 1999

Profit and loss account

for the year ended 31 March 1999

	<i>Note</i>	1999 £	1998 £
Turnover	2	3,829,750	3,956,140
Change in stocks of finished goods and work in progress		(189,933)	67,315
Raw materials and consumables		(1,287,911)	(1,589,467)
Other external charges		(426,093)	(387,168)
Staff costs	3	(1,603,333)	(1,615,822)
Depreciation	4	(134,589)	(124,040)
Operating profit		187,891	306,958
Other income	5	-	1,971
Interest payable	6	(35,761)	(39,176)
Profit on ordinary activities before taxation	7	152,130	269,753
Taxation on profit on ordinary activities	8	(43,874)	(98,888)
Profit for the financial year		108,256	170,865
Dividends paid and proposed	9	(54,128)	(104,029)
Retained profit for the financial year	16	54,128	66,836

A reconciliation of movements in shareholders' funds is given in note 17.

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

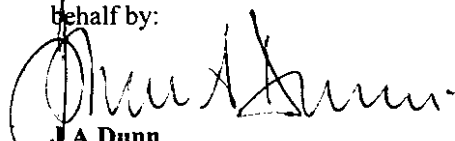
The financial statements are prepared on an unmodified historical cost basis and there were no recognised gains or losses in the year (1998: £None) other than those reflected in the profit and loss account above.

Balance sheet

at 31 March 1999

	Note	1999		1998	
		£	£	£	£
Fixed assets					
Tangible assets	10		581,815		445,876
Current assets					
Stocks	11	584,428		781,603	
Debtors	12	846,956		816,463	
Cash at bank and in hand		170		625	
		<u>1,431,554</u>		<u>1,598,691</u>	
Creditors: amounts falling due within one year	13	<u>(1,329,936)</u>		<u>(1,437,053)</u>	
Net current assets			<u>101,618</u>		<u>161,638</u>
Total assets less current liabilities			<u>683,433</u>		<u>607,514</u>
Provisions for liabilities and charges	14		<u>(30,958)</u>		<u>(9,167)</u>
Net assets			<u>652,475</u>		<u>598,347</u>
Capital and reserves					
Called up share capital	15		16,950		16,950
Profit and loss account	16		635,525		581,397
Shareholders' funds			<u>652,475</u>		<u>598,347</u>
Shareholders' funds					
Equity			641,175		587,047
Non-equity			11,300		11,300
			<u>652,475</u>		<u>598,347</u>

These financial statements were approved by the board of directors on 5 November 1999 and were signed on its behalf by:


J A Dunn
Chairman

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Cash flow statement

Under Financial Reporting Standard No 1 (Revised), the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of a company registered in England and Wales.

Depreciation

Depreciation is provided by the company to write off the cost less estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives, as follows:

Long leasehold property	-	up to 50 years
Short leasehold improvements	-	over the residue of the lease
Plant and equipment	-	4 to 10 years
Motor vehicles	-	4 years

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost includes an appropriate allocation of overheads.

Deferred taxation

No provision is made for deferred taxation unless there is a reasonable probability that a liability will arise in the foreseeable future. Full recognition is made of the deferred tax asset relating to the pension cost provision made in accordance with Statement of Standard Accounting Practice No 24.

Research and development

Expenditure on research and development is written off as incurred.

Notes (continued)

1 Accounting policies (continued)

Pension costs

The expected cost of pensions is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees. Variations from the regular cost are spread over the expected service lives of current employees in the scheme. Pension costs are assessed in accordance with the advice of an independent, qualified actuary.

Foreign exchange

Foreign currency assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. Gains or losses arising in the ordinary course of business are dealt with in arriving at operating profit.

Leased assets

Rentals under operating leases are charged against profits as incurred.

2 Turnover

Turnover represents the invoiced value of goods sold and services provided in the year, stated exclusive of value added tax.

The geographical analysis of turnover, which arises from the principal activity of the company is as follows:

	1999 £	1998 £
United Kingdom	3,595,525	3,457,752
North America	-	31,773
Other	234,225	466,615
	<hr/> 3,829,750 <hr/>	<hr/> 3,956,140 <hr/>

3 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	Number of employees 1999	1998
Management and administration	26	27
Manufacturing and development	50	53
	<hr/> 76 <hr/>	<hr/> 80 <hr/>

Notes (continued)

3 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	1999	1998
	£	£
Wages and salaries	1,370,236	1,420,454
Social security costs	93,371	95,383
Other pension costs (note 18)	139,726	99,985
	<hr/>	<hr/>
	1,603,333	1,615,822
	<hr/> <hr/>	<hr/> <hr/>

4 Remuneration of directors

	1999	1998
	£	£
Directors' emoluments:		
Remuneration as executives	147,112	122,551
Pension contributions	16,683	13,222
	<hr/>	<hr/>
	163,795	135,773
	<hr/> <hr/>	<hr/> <hr/>

Retirement benefits are accruing to 4 (1998: 3) directors under defined benefit schemes.

Notes (continued)

5 Other income

	1999 £	1998 £
Property rental income	-	1,971
	<u> </u>	<u> </u>

6 Interest payable

	1999 £	1998 £
On bank loans and overdrafts and other loans wholly repayable within five years	35,761	39,176
	<u> </u>	<u> </u>

7 Profit on ordinary activities before taxation

	1999 £	1998 £
--	-----------	-----------

Profit on ordinary activities before taxation is stated after charging:

Payments under operating leases:		
Plant and machinery	2,460	2,517
Other leases	47,202	35,695
Auditors' remuneration:		
Audit	4,411	4,690
Other services	1,956	1,879
Research and development costs	68,292	76,132
Exchange losses	83	894
	<u> </u>	<u> </u>

8 Taxation on profit on ordinary activities

	1999 £	1998 £
UK Corporation tax at 31% (1998: 31%) on the profit for the year on ordinary activities	47,330	89,543
Deferred taxation (note 14)	865	5,109
Adjustments relating to earlier years		
- Deferred tax	(2,299)	-
- Corporate tax	(2,022)	4,236
	<u> </u>	<u> </u>
	43,874	98,888
	<u> </u>	<u> </u>

9 Dividends

	1999 £	1998 £
Ordinary shares:		
Interim dividend paid	50,000	50,000
Final proposal	4,128	54,029
	<u> </u>	<u> </u>
	54,128	104,029
	<u> </u>	<u> </u>

Notes (continued)

10 Tangible fixed assets

	Long leasehold property £	Short leasehold improvements £	Plant, equipment and vehicles £	Total £
Cost				
At beginning of year	198,568	52,331	2,579,672	2,830,571
Additions	-	-	273,379	273,379
Disposals	-	-	(29,910)	(29,910)
At end of year	198,568	52,331	2,823,141	3,074,040
Depreciation				
At beginning of year	34,741	44,960	2,304,994	2,384,695
Charge for year	3,971	3,242	127,376	134,589
Disposals	-	-	(27,059)	(27,059)
At end of year	38,712	48,202	2,405,311	2,492,225
Net book value				
At 31 March 1999	159,856	4,129	417,830	581,815
At 31 March 1998	163,827	7,371	274,678	445,876

11 Stocks

	1999 £	1998 £
Raw materials and consumables	192,904	200,146
Work in progress	331,524	482,246
Finished goods and goods for resale	60,000	99,211
	584,428	781,603

Notes (continued)

12 Debtors

	1999 £	1998 £
Trade debtors	573,931	615,005
Amounts owed by parent and fellow subsidiary undertakings	195,125	175,541
Other debtors	892	716
Prepayments and accrued income	77,008	25,201
	<hr/>	<hr/>
	846,956	816,463
	<hr/> <hr/>	<hr/> <hr/>

13 Creditors: amounts falling due within one year

	1999 £	1998 £
Bank overdraft (unsecured)	568,692	461,948
Trade creditors	352,573	420,622
Amounts owed to parent and fellow subsidiary undertakings	153,151	114,197
Other creditors including taxation and social security:		
Corporation tax	47,330	88,504
Other taxes and social security	87,037	94,819
	<hr/>	<hr/>
Taxation and social security	134,367	183,323
Other creditors	12,500	15,556
	<hr/>	<hr/>
	146,867	198,879
Accruals and deferred income	104,525	187,378
Proposed dividend	4,128	54,029
	<hr/>	<hr/>
	1,329,936	1,437,053
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

14 Provisions for liabilities and charges

	Pension obligations £	Deferred taxation £	Total £
At beginning of year	7,733	1,434	9,167
Charge/(credit) for the year in the profit and loss account	23,225	(1,434)	21,791
	<hr/>	<hr/>	<hr/>
At end of year	30,958	-	30,958
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The amounts provided for deferred taxation at 31% (1998: 31%) represent the full potential liability and are as follows:

	1999 £	1998 £
Accelerated capital allowances	-	3,831
Provision for pension obligations	-	(2,397)
	<hr/>	<hr/>
	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>
	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>

15 Called up share capital

	1999 £	1998 £
Authorised		
<i>Equity</i>		
17,400 ordinary shares of 50p each	8,700	8,700
<i>Non-equity</i>		
11,300 deferred shares of £1 each	11,300	11,300
	<hr/>	<hr/>
	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>
Allotted, called up and fully paid		
<i>Equity</i>		
11,300 ordinary shares of 50p each	5,650	5,650
<i>Non-equity</i>		
11,300 deferred shares of £1 each	11,300	11,300
	<hr/>	<hr/>
	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>
	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>

The deferred shares have no rights to a dividend and have restricted rights in the return of capital. In the event of a poll, each ordinary share represents 5,000 votes to a deferred share's one vote.

Notes (continued)

16 Profit and loss account

	£
At beginning of year	581,397
Retained profit for the financial year	54,128
	<hr/>
At end of year	635,525
	<hr/> <hr/>

17 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Profit for the financial year	108,256	170,865
Dividends paid and proposed	(54,128)	(104,029)
	<hr/>	<hr/>
Retained profit for the financial year	54,128	66,836
Opening shareholders' funds	598,347	531,511
	<hr/>	<hr/>
Closing shareholders' funds	652,475	598,347
	<hr/> <hr/>	<hr/> <hr/>

18 Pensions

The company participates in the group funded defined benefit scheme operated by Syltone plc. Contributions to the scheme are based on pension costs across the group as a whole. Particulars of the most recent actuarial valuation of the group's scheme are contained in the financial statements of Syltone plc.

19 Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	1999 £	1998 £
Property rentals on leases terminating: In more than five years	47,500	47,500
Equipment rentals on leases terminating: In two to five years	2,312	2,312
In more than five years	148	148
	<hr/>	<hr/>
	49,960	49,960
	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

20 Capital commitments

Capital commitments contracted but not provided for at 31 March 1999 amounted to £16,550 (1998: £35,918).

21 Contingent liabilities

The company has guaranteed the bank borrowings of certain group undertakings which at 31 March 1999 amounted to £19,423,000 (1998: £20,513,000). The company has guaranteed the VAT liability of certain group undertakings which at 31 March 1999 amounted to £381,000 (1998: £361,000).

22 Ultimate parent company

The ultimate parent company is Syltone plc, a company incorporated in Great Britain and registered in England and Wales. Copies of the group financial statements can be obtained from Rawdon Court, 20 Leeds Road, Rawdon, West Yorkshire, LS19 6AX.