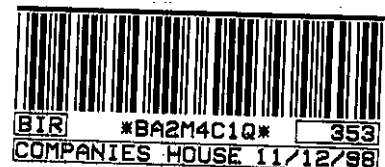


Springpart Manufacturing Limited

Annual Report

for the year ended 31 August 1997

Registered number: 1189729



# **Springpart Manufacturing Limited**

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## **Annual Report for the year ended 31 August 1997**

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# **Springpart Manufacturing Limited**

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## **Directors and advisers**

### **Directors**

H A Cann  
A Hutchinson  
S Watts  
D L Walmsley  
B J Tomlinson

### **Registered Auditors**

**PricewaterhouseCoopers**  
Charnwood Court  
New Walk  
Leicester  
LE1 6TE

### **Secretary and registered office**

**S J Cann**  
163 Parker Drive  
Leicester  
LE4 0JP

### **Bankers**

**Lloyds Bank Plc**  
Church Street  
Blackburn  
Lancashire  
BB2 1JQ

## **Directors' report for the year ended 31 August 1997**

The directors present their report and the audited financial statements for the year ended 31 August 1997.

### **Principal activity**

The principal activity of the company is the manufacture of metal springs.

### **Review of business and future developments**

The company showed an operating loss of £259,066 (1996: Profit £96,872).

The increase in the value of Sterling during the year has resulted in both a reduction in the value received for products and a temporary loss of turnover. These factors have continued into the current financial year and efforts to reduce material costs and increase the customer base are now beginning to impact on results.

### **Dividends and transfers to reserves**

The directors do not recommend the payment of a dividend on the ordinary shares. The loss for the year of £366,558 (1996: Profit £27,791) will be transferred from reserves.

### **Directors and directors' interests**

The directors of the company at 31 August 1997, together with their dates of appointment if appropriate, were:-

H A Cann (Chairman)

A Hutchinson

J Tomlinson

B J Tomlinson - appointed 18 November 1996

S Watts

D L Walmsley

Mr J Tomlinson retired from the board on 30 March 1998.

## Springpart Manufacturing Limited

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The interests of directors in the ordinary shares of the company at 31 August 1997, together with their interests at 1 September 1996, were:

	31 August 1997		1 September 1996	
	Own interest £	Family interest £	Own interest £	Family interest £
H A Cann	2,550	-	2,550	-
A Hutchinson	80	1,390	380	1,090
S Watts	-	488	-	744

Mr B J Tomlinson was granted an option to subscribe for up to 555 £1 ordinary shares at par on 8 July 1997 under the terms of the Springpart Manufacturing Executive share option scheme. The rights to exercise the option are conditional upon certain performance targets being achieved.

### Fixed assets

The movements in fixed assets during the year are set out in note 10 to the financial statements.

The directors consider that at 31 August 1997 the market value of the plant and machinery exceeds the value in the accounts by approximately £177,000.

### Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the company.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 August 1997. The directors also confirm that applicable Accounting Standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

# Springpart Manufacturing Limited

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## Charitable donations

The contributions made by the company during the year for charitable purposes were £24,000.

## Auditors

During the year KPMG resigned as auditors and Coopers & Lybrand were appointed.

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned, and the directors appointed the new firm, PricewaterhouseCoopers, as auditors

A resolution to reappoint the auditors, PricewaterhouseCoopers, will be proposed at the annual general meeting.

By order of the board



Company secretary

Dated: 30 November 1998

**Report of the auditors to the members of  
Springpart Manufacturing Limited**

We have audited the financial statements on pages 7 to 22, which have been prepared under the historical cost convention and the accounting policies set out on pages 11 to 13.

**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 at 31 August 1997 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
Leicester: 3rd December 1998

**Profit and loss account  
for the year ended 31 August 1997**

	Notes	1997 £	1996 £
Turnover - continuing operations	3	3,524,863	3,914,862
Cost of sales - continuing operations		(3,154,103)	(3,404,176)
Gross profit		370,760	510,686
Net operating expenses - continuing operations	4	(629,826)	(413,814)
Operating (loss)/profit - continuing operations		(259,066)	96,872
Interest payable and similar charges	7	(107,492)	(69,081)
(Loss)/profit on ordinary activities before taxation	8	(366,558)	27,791
Tax on (loss)/profit on ordinary activities	9	-	-
(Loss)/profit on ordinary activities after taxation	18	(366,558)	27,791

The company has no recognised gains and losses other than the losses above and therefore no separate statement of total recognised gains and losses has been presented.

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



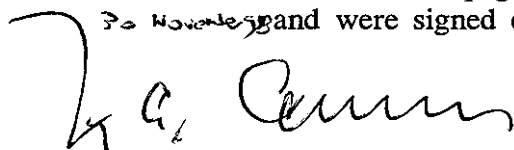
# Springpart Manufacturing Limited

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## Balance sheet at 31 August 1997

	Notes	1997 £	1996 £
<b>Fixed Assets</b>			
Tangible assets	10	1,120,821	757,466
<b>Current assets</b>			
Stocks	11	285,365	238,826
Debtors	12	761,383	1,019,095
Cash at bank and in hand		1,431	-
		<u>1,048,179</u>	<u>1,257,921</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(1,609,966)</u>	<u>(1,657,464)</u>
<b>Net current liabilities</b>		<u>(561,787)</u>	<u>(399,543)</u>
<b>Total assets less current liabilities</b>		<u>559,034</u>	<u>357,923</u>
<b>Creditors: amounts falling due after more than one year</b>	14	<u>(773,676)</u>	<u>(206,007)</u>
<b>Net (liabilities)/assets</b>		<u>(214,642)</u>	<u>151,916</u>
<b>Capital and reserves</b>			
Called up share capital	17	5,000	5,000
Profit and loss account	18	<u>(219,642)</u>	<u>146,916</u>
<b>Equity shareholders (deficit)/funds</b>	19	<u>(214,642)</u>	<u>151,916</u>

The financial statements on pages 7 to 22 were approved by the board of directors on 30 November 1997 and were signed on its behalf by:



Director

## Cash flow statement for the year ended 31 August 1997

	Notes	1997 £	1996 £
Net cash inflow from continuing operating activities	20	123,327	96,635
Returns on investments and servicing of finance			
Interest paid		(71,677)	(69,081)
Net cash outflow from returns on investments and servicing of finance		(71,677)	(69,081)
Taxation			
UK corporation tax paid		-	-
Tax paid		-	-
Capital expenditure			
Purchase of tangible fixed assets		(430,272)	(77,066)
Sale of tangible fixed assets		680	13,401
Net cash outflow from capital expenditure		(429,592)	(63,665)
Net cash outflow before financing		(377,942)	(36,111)
Financing			
New loans received		520,000	-
Repayment of loans		(75,551)	(50,619)
Repayment of principal under finance leases	21	(152,079)	(154,295)
Net cash inflow/(outflow) from financing		292,370	(204,914)
Decrease in cash	21	(85,572)	(241,025)

**Reconciliation of operating (loss)/profit to net cash inflow from operating activities**

	1998 £	1997 £
Operating (loss)/profit	(259,066)	96,872
Depreciation charges	183,464	141,003
Profit on sale of fixed assets	(680)	-
Increase in stocks	(46,539)	(10,880)
Decrease in debtors	257,712	23,097
Decrease in creditors	(11,564)	(153,457)
Net cash inflow from operating activities	<u>123,327</u>	<u>96,635</u>

**Notes to the financial statements  
for the year ended 31 August 1997**

**1 Financial support/going concern**

The company incurred a loss for the year of £366,558 and at 31 August 1997 the balance sheet shows net current liabilities of £561,787 and net liabilities of £214,642.

The accounts have been prepared on the going concern basis which assumes the continued support of the directors and shareholders. In particular, the company has received a letter of support from Mr H A Cann undertaking to provide such support as may be necessary to enable the company to settle its debts as and when they fall due for a period of 12 months from the date of these accounts.

**2 Accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

**Changes in presentation of financial information**

FRS 1 "Cash flow statements" has been revised in 1996 to change the format for reporting cashflows. The revised standard comes into effect for accounting periods ending on or after 23 March 1997. Accordingly, the cashflow statement has been presented under the new format.

FRS 8 "Related party transactions" requires the disclosure of the details of material transactions between the reporting entity and any related parties. The new standard comes into effect for all accounting periods commencing on or after 23 December 1995. Accordingly, the new disclosure requirements are dealt with in notes 24 and 25.

**Basis of accounting**

The financial statements have been prepared in accordance with the historical cost convention.

## **Tangible fixed assets**

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

Depreciation is calculated so as to write off the cost 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 rates used for this purpose are:-

Long leasehold buildings	25 years
Plant and machinery	4 years
Fixtures, fittings and tools	4-10 years
Motor vehicles	4 years

## **Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

## **Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis. The cost of work in progress and finished goods comprises materials, direct labour and attributable overheads. Net realisable value is based on the expected sales price after allowing for any further costs of completion and disposal.

## **Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred taxation only to the extent that is probable that an actual liability or asset will crystallise.

## Finance and operating leases

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

Leasing agreements which substantially transfer 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 by the sum of the digits method. Assets held under finance leases are depreciated over the useful lives of equivalent owned assets.

## Turnover

Turnover which excludes value added tax and settlement discounts, represents the net invoiced value of goods supplied.

## Pensions and other post-retirement benefits

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

## 3 Turnover

Turnover by geographical market is analysed as follows:-

	1997 £	1996 £
United Kingdom	1,911,231	1,948,746
Export	1,613,632	1,966,116
	<u>3,524,863</u>	<u>3,914,862</u>

## 4 Net operating expenses

	1997 £	1996 £
Continuing operations		
Selling and distribution costs	46,572	42,730
Administrative expenses	583,254	371,084
	<u>629,826</u>	<u>413,814</u>

## 5 Directors' emoluments

	1997 £	1996 £
Aggregate emoluments including pension contributions	<u>134,645</u>	<u>99,536</u>

Retirement benefits are accruing to 2 directors under a defined benefit pension scheme.

## 6 Employee information

The average number of persons, including directors, employed by the company during the year.

	1997 £	1996 £
By activity		
Manufacturing	35	32
Selling, distribution and administration	7	6
	<u>42</u>	<u>38</u>
	1997 £	1996 £
Staff costs (for the above persons)		
Wages and salaries	699,007	578,305
Social security costs	64,855	58,216
Other pension costs (note 16)	81,169	53,560
	<u>845,031</u>	<u>690,081</u>

## 7 Interest payable and similar charges

	1997 £	1996 £
On bank loans, overdrafts and other loans	21,628	12,495
On finance leases	16,781	11,437
On other loans	40,032	26,368
On mortgage loans	29,051	18,781
	<u>107,492</u>	<u>69,081</u>

## 8 (Loss)/profit on ordinary activities before taxation

	1997 £	1996 £
(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting):-		
Auditors' remuneration	5,000	5,150
Depreciation of owned assets	87,102	93,642
Depreciation of hire purchase/finance lease assets	96,362	47,361
Profit on disposal of fixed assets	(680)	-
Exchange losses/(gains)	86,456	(1,355)
	<u>86,456</u>	<u>(1,355)</u>

## 9 Tax on (loss)/profit on ordinary activities

There is no liability to corporation tax on the results for either period due to the tax losses available.

Additionally no deferred taxation asset is appropriate as utilisation of the losses is not expected within the next twelve months (note 15).



## 10 Tangible fixed assets

	Long leasehold buildings £	Plant and machinery £	Fixtures, fittings and tools £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 September 1996	386,479	1,260,570	75,785	22,327	1,745,161
Additions	368,672	135,009	25,279	17,859	546,819
Disposals	-	(2,575)	-	-	(2,575)
<b>At 31 August 1997</b>	<b>755,151</b>	<b>1,393,004</b>	<b>101,064</b>	<b>40,186</b>	<b>2,289,405</b>
<b>Depreciation</b>					
At 1 September 1996	29,624	900,771	37,761	19,539	987,695
Charge for the year	24,052	146,337	7,311	5,764	183,464
Disposals	-	(2,575)	-	-	(2,575)
<b>At 31 August 1997</b>	<b>53,676</b>	<b>1,044,533</b>	<b>45,072</b>	<b>25,303</b>	<b>1,168,584</b>
<b>Net book value</b>					
<b>At 31 August 1997</b>	<b>701,475</b>	<b>348,471</b>	<b>55,992</b>	<b>14,883</b>	<b>1,120,821</b>
<b>At 31 August 1996</b>	<b>356,855</b>	<b>359,799</b>	<b>38,024</b>	<b>2,788</b>	<b>757,466</b>

### Assets held under finance leases and hire purchase contracts

	1997 £	1996 £
Net book values at 31 August 1997	268,795	241,917
Depreciation charge in year	96,362	47,361

# Springpart Manufacturing Limited

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## 11 Stocks

	1997 £	1996 £
Raw materials and consumables	36,056	73,467
Work in progress	1,969	13,939
Finished goods	247,340	151,420
	<u>285,365</u>	<u>238,826</u>

## 12 Debtors

	1997 £	1996 £
Amounts falling due within one year		
Trade debtors	601,951	835,801
Amounts owed by connected companies (note 22)	138,833	100,948
Other debtors	2,247	50,066
Prepayments and accrued income	18,352	32,280
	<u>761,383</u>	<u>1,019,095</u>

## 13 Creditors: amounts falling due within one year

	1997 £	1996 £
Bank loans and overdrafts (see note 14)	533,114	395,573
Obligations under finance leases and hire purchase contracts	84,474	116,764
Trade creditors	851,550	858,254
Other creditors	6,546	198,259
Other taxation and social security	42,759	26,293
Accruals and deferred income	91,523	62,321
	<u>1,609,966</u>	<u>1,657,464</u>

## 14 Creditors: amounts falling due after more than one year

	1997 £	1996 £
Bank loans	256,420	132,509
Obligations under finance leases and hire purchase contracts repayable within 5 years	70,256	73,498
Other loans	447,000	-
	<u>773,676</u>	<u>206,007</u>

The bank loans carry interest at normal commercial rates and are repayable by instalments, all of which fall within five years.

The bank loans and overdraft are secured by fixed legal charges over the company's premises at Units 50 and 51 Hemming Road, Westland Industrial Estate, Redditch, and a floating charge over the other assets of the company.

Other loans comprise advances from certain director/shareholders, are unsecured, carry interest at normal commercial rates and will not be repaid in the foreseeable future and not before 1 September 1998.

## 15 Deferred tax

Deferred tax provided in the financial statements and the amount unprovided of the total potential liability are as follows:-

	Amount provided		Amount unprovided	
	1997 £	1996 £	1997 £	1996 £
Tax effect of timing differences because of:				
Excess of capital allowances				
Over depreciation	(5,387)	-	-	(6,177)
Other	5,387	-	(16,362)	(6,403)
Trading losses	-	-	(108,427)	(2,003)
	<u>-</u>	<u>-</u>	<u>(124,789)</u>	<u>(14,583)</u>

## 16 Pension obligations

The company contributes to the S&HAC Holdings Retirement Benefit Scheme operated by a number of connected companies. This is a defined benefit pension scheme for all full time employees who meet certain age criteria. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. Actuarial valuations on an on-going basis are prepared regularly and contributions are made in accordance with the recommendations of a professionally qualified actuary using the projected unit method. The latest actuarial valuation, prepared as at 1 September 1996, showed that the market value of the scheme's assets was £1,208,960 and that the actuarial value of these assets represented 83% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The deficiency on a current funding level basis was £244,240. The company's contribution to the scheme was increased with effect from 1 September 1996 by 2.8% to 15.2% as a result of the amortisation of this experience deficiency. The deficiency is being spread over 13 years, the expected average remaining service of employees.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in earnings. It was assumed that the investment return would average 8.5% per annum and that earnings increases would average 7% per annum.

The pension charge for the year was £81,169 (1996: £53,560) and accruals for unpaid contributions amount to £25,403 (1996: £20,700).

## 17 Called up share capital

	1997 £	1996 £
Authorised, allotted, called up and fully paid 5,000 Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>

Details of share options are disclosed in the directors report.

## 18 Profit and loss account

	1997 £	1996 £
At 1 September	146,916	119,125
(Loss)/profit for the year	(366,558)	27,791
At 31 August	(219,642)	146,916

## 19 Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Opening shareholders funds	151,916	124,125
(Loss)/profit for the year	(366,558)	27,791
Closing equity shareholders' (deficit)/funds	(214,642)	151,916

## 20 Reconciliation of net cash flow to movement in net debt

	1997 £	1996 £
Decrease in cash in the year	(85,572)	(241,025)
Cash (inflow)/outflow from financing	(292,370)	204,914
	(377,942)	(36,111)
New finance leases	(116,547)	(97,053)
Movement in net debt in the period	(494,489)	(133,164)
Opening net debt	(895,344)	(762,180)
Closing net debt	(1,389,833)	(895,344)

## 21 Analysis of net debt

	1 September 1996 £	Cash flows £	Other non- cash changes £	31 August 1997 £
<b>Net cash</b>				
Cash at bank and in hand	-	1,431		1,431
Bank overdraft	(341,111)	(87,003)		(428,114)
	<u>(341,111)</u>	<u>(85,572)</u>		<u>(426,683)</u>
<b>Debt</b>				
Finance leases	(190,262)	152,079	(116,547)	(154,730)
Debts falling within one year	(231,462)	(320,538)	447,000	(105,000)
Debts falling due after one year	(132,509)	(123,911)	(447,000)	(703,420)
	<u>(554,233)</u>	<u>(292,370)</u>	<u>(116,547)</u>	<u>(963,150)</u>
<b>Net debt</b>	<u>(895,344)</u>	<u>(377,942)</u>	<u>(116,547)</u>	<u>(1,389,833)</u>
<b>Analysed in balance sheet</b>				
Cash at bank and in hand	-			1,431
Bank overdraft and loans	(528,082)			(789,534)
Finance leases:				
within one year	(116,764)			(84,474)
after one year	(73,498)			(70,256)
Other loans	(177,000)			(447,000)
	<u>(895,344)</u>			<u>(1,389,833)</u>

## 22 Capital commitments

There were no capital commitments at 31 August 1997 (1996: £350,000).

## 23 Contingent liabilities

The company has provided guarantees in respect of duty deferred to HM Customs & Excise amounting to £20,000 (1996: £20,000).

# Springpart Manufacturing Limited

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## 24 Related party transactions

The table below discloses transactions between the company and those parties which are defined by FRS 8 (Related Party Disclosures) as being related to Springpart Manufacturing Limited. All the parties are related by virtue of the fact that they have a common shareholder.

	S & HAC Holdings	Terminal Display Systems	Airtime Internet	Whitebirk Finance	Weltonhurst
	£	£	£	£	£
Costs charged to Springpart Manufacturing Limited					
Management charge	47,000				
Pension contributions	4,465				
BUPA charges	6,978				
General insurance	18,394				
VAT transfers under group VAT registration	-	-	-	142,835	-
Cash paid/(received)	62,859	-	-	(105,000)	-
<b>Balances outstanding as at 31 August 1997</b>					
Owed by related parties to Springpart Manufacturing Limited	27,700	50,000	21,795	38,802	536
Owed by Springpart Manufacturing Limited to related parties	28,688	-	-	-	-

Transactions with directors and other related parties during the year were:-

	At 1 September 1996	Interest accrued	Advances received	At 31 August 1997
	£	£	£	£
H A Cann	37,000	3,202	70,000	110,202
A Hutchinson	40,000	20,768	200,000	260,768
Trust loan	100,000	8,653	-	108,653

## 25 Controlling party

Mr H A Cann is the controlling party by virtue of his controlling interest in the company's equity capital.