

SIGNED

Anthony Best Dynamics Limited

Annual report

for the year ended 31 August 1996

Registered no: 1658222



Anthony Best Dynamics Limited

Annual report for the year ended 31 August 1996

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Directors and advisers

Executive directors

Managing Director

Anthony Best

Directors

Andrew Middleton
Andrew Rumble

Secretary and registered office

Naemi Best
Holt Road
Bradford on Avon
Wiltshire
BA15 1AJ

Auditors

Coopers & Lybrand
Bull Wharf
Redcliff Street
Bristol
BS1 6QR

Bankers

Lloyds Bank plc

**Report of the directors
for the year ended 31 August 1996**

The directors present their report and the audited financial statements for the year ended 31 August 1996.

Principal activities

The profit and loss account for the year is set out on page 6.

The principal activities of the company are described below.

Review of business and future developments

The Company continues to concentrate in the specialised field of noise, vibration and vehicle suspension, providing a range of services which includes analysis, design, prototype manufacture, test and development, to a wide range of industries. It has further developed and supplied to industry its computer based test and measurement systems for analysis of noise and vibration. A number of new developments on these systems continue to be initiated, driven both by customer requirements and consultancy activities undertaken by the Company. ABD's test and measurement systems are established in the UK and are being actively marketed in Europe.

A significant area of activity has been the design and marketing of the Suspension Parameter Measuring Machine (SPMM). During the year machines have been delivered to customers in the UK and the USA. The company is in discussion with a number of potential clients world wide and are optimistic of further orders in the coming year.

The transmission noise testing system "PLATO" continues to be developed to meet the needs of customers in the global scene of power train manufacture.

The Board's perception of the potential of overseas markets has proved fully justified and it will be maintaining its policy of expansion in overseas markets. To assist this process the company will continue to forge links with overseas organisations to support its sales and technical efforts. In particular we have increased our investment and activity in sales and marketing in the USA. We are optimistic that these commitments will prove beneficial in the coming year.

Dividends

In accordance with the Articles of Association a dividend of 26.5p per share per annum on the issued "A" Ordinary shares is payable half-yearly. The dividend for the half year to 31 August 1996 was proposed by the directors. The directors recommend the payment of a dividend of 10% of the nominal share value on the ordinary shares.

Directors

The directors of the company at 31 August 1996, all of whom have been directors for the whole of the year ended on that date were;

Anthony Best
Naemi Best
Andrew H Middleton
Anne G Middleton
Andrew W Rumble

In accordance with the articles of association, Mr A Best and Mrs AG Middleton retire by rotation and, being eligible, offer themselves for re-election.

Changes in fixed assets

The movements in fixed assets during the year, are set out in note 8 to the financial statements.

Directors' interests in shares of the company

The interests of the directors of the company at 31 August 1996 in the shares of the company, according to the register required to be kept by Section 325 of the Companies Act 1985, were as follows:

	Ordinary shares of £1 each			
	31 August 1996		31 August 1995	
	Number	Amount £	Number	Amount £
A Best	44,752	44,752	44,752	44,752
N Best	248	248	248	248
AH Middleton	12,500	12,500	12,500	12,500
AG Middleton	2,500	2,500	2,500	2,500
AW Rumble	2,000	2,000	2,000	2,000
	<u>62,000</u>	<u>62,000</u>	<u>62,000</u>	<u>62,000</u>

A W Rumble had an option granted to him on 31 March 1993 to purchase 1947 Ordinary £1 shares. This option is exercisable at any time before 1 December 1996 or before he ceases to be a Director of the Company at a price of £2.50 per share.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that 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.

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 1996. 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 safeguarding the assets of the company and to hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Charitable donations

Charitable donations of £280 (1995: £Nil) were made during the year.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board

Nathan Best
12/11/96

Report of the auditors to the members of Anthony Best Dynamics Limited

We have audited the financial statements on pages 6 to 18.

Respective responsibilities of directors and auditors

As described on pages 3 and 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 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors

Bristol 12 November 1996

**Profit and loss account
for the year ended 31 August 1996**

	Notes	1996 £	1995 £
Turnover - continuing operations	1	1,506,243	1,313,270
Cost of sales - continuing operations		(1,161,965)	(973,511)
Gross profit		344,278	339,759
Administrative expenses - continuing operations		(265,553)	(247,809)
Operating profit - continuing operations	2	78,725	91,950
Interest receivable and similar income		469	1,097
		79,194	93,047
Interest payable and similar charges	5	(16,339)	(19,743)
Profit on ordinary activities before taxation		62,853	73,304
Tax on profit on ordinary activities	6	(19,013)	(24,681)
Profit for the financial year		43,840	48,623
Dividends paid and proposed	7	(10,175)	(10,175)
Retained profit for the year		33,665	38,448
Statement of retained profits			
Retained profits at 1 September 1995		175,311	132,722
Profit for year		33,665	38,448
Transfer from Revaluation Reserve	15	4,141	4,141
Retained profits at 31 August 1996		213,117	175,311

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

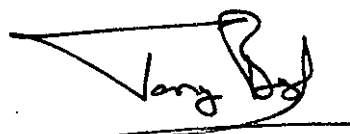
**Note of historical cost profits and losses
for the year ended 31 August 1996**

	1996 £	1995 £
Reported profit on ordinary activities before taxation	62,853	73,304
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	4,141	4,141
Historical cost profit on ordinary activities before taxation	<u>66,994</u>	<u>77,445</u>
Historical cost profit for the year retained after taxation and dividends	<u>37,806</u>	<u>42,589</u>

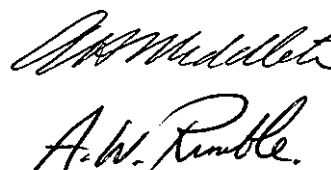
Balance sheet at 31 August 1996

	Notes	1996 £	£	1995 £	£
Fixed assets					
Tangible assets	8		586,781		582,026
Current assets					
Stocks	9	114,771		108,150	
Debtors	10	85,206		243,651	
Cash at bank and in hand		82,797		42,120	
		<u>282,774</u>		<u>393,921</u>	
Creditors: amounts falling due within one year	11	<u>(242,144)</u>		<u>(385,788)</u>	
Net current assets			<u>40,630</u>		<u>8,133</u>
Total assets less current liabilities			<u>627,411</u>		<u>590,159</u>
Creditors: amounts falling due after more than one year	12		(141,794)		(132,907)
Provisions for liabilities and charges	13		<u>(12,000)</u>		<u>(17,300)</u>
Net assets			<u>473,617</u>		<u>439,952</u>
Capital and reserves					
Called up share capital	14		77,000		77,000
Share premium account	15		35,500		35,500
Revaluation reserve	15		148,000		152,141
Profit and loss account			213,117		175,311
Equity shareholders' funds			<u>458,617</u>		<u>424,952</u>
Non-equity shareholders' funds			<u>15,000</u>		<u>15,000</u>
Total shareholders' funds	16		<u>473,617</u>		<u>439,952</u>

The financial statements on pages 6 to 18 were approved by the board of directors on 12 November 96 and were signed on its behalf by:



Director



**Notes to the financial statements
for the year ended 31 August 1996****1 Principal accounting policies**

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

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition. Included within test equipment, computers and in-house software and proprietorial designs is a proportion of the company's labour costs, relating to time spent in generating assets for continued use in the business.

Freehold land and buildings are stated at valuation.

The company capitalises a portion of the costs of in-house software and proprietorial designs on initial design. The portion capitalised is estimated by the directors. The directors believe that these costs will be fully recovered by future sales.

Depreciation is calculated so as to write off the cost, or valuation, 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 annual rates used for this purpose which are consistent with those of last year, are:

	%
Freehold buildings	2
Computers and in-house software	20
Externally purchased software	10
Fixtures, fittings, and general equipment	10
Test equipment	10 - 20
Plant and machinery	10
Proprietorial designs	20

and on the reducing balance method at the following rates:

Motor vehicles	25
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Freehold land is not depreciated.

Operating leases

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

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. In the case of manufactured products cost includes all direct expenditure and production overheads based on the normal level of activity. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the cost of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition. Provision is made where necessary for obsolete, slow moving and defective stocks.

Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Foreign exchange differences are taken to the profit and loss account in the year in which they arise.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied. It also includes receipts from government grants gained under the SMART award scheme. Expenditure in relation to this scheme is shown in the profit and loss account in the year in which it was incurred.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Pension scheme arrangements

The company operates a defined benefit pension scheme. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme.

Cash flow statement

The company qualifies as a small company under the terms of Section 247 of the Companies Act 1985. As a consequence it is exempt from the requirement to publish a cash flow statement.

2 Operating profit

Operating profit is stated after charging/(crediting):

	1996 £	1995 £
(Profit)/loss on sale of fixed assets	(581)	965
Depreciation of tangible fixed assets	82,698	85,941
Auditors' remuneration	4,600	4,600
Hire of plant and machinery - operating leases	2,470	3,802
	<u> </u>	<u> </u>

3 Directors' emoluments

Directors' emoluments (including pension contributions) are shown below:

	1996 £	1995 £
Salary payments (including benefits in kind and pension contributions)	117,227	109,412
	<u> </u>	<u> </u>

Directors' emoluments (excluding pension contributions) include amounts paid to:

	1996 £	1995 £
The Chairman	32,829	31,216
The highest paid director	33,854	31,216
	<u> </u>	<u> </u>

The number of directors (including the chairman and the highest paid director) whose emoluments (excluding pension contributions) within the following ranges was:

	1996	1995
£ 0 to £ 5,000	2	2
£25,001 to £30,000	-	1
£30,001 to £35,000	3	2
	<u> </u>	<u> </u>

4 Employee information

The average weekly number of persons employed by the company (including executive directors) during the year is analysed below:

	1996	1995
Administration	4	4
Engineering	21	16
	<u>25</u>	<u>20</u>
	1996	1995
	£	£
Staff costs (for the above persons)		
Wages and salaries	534,882	421,284
Social security costs	41,828	34,802
Other pension costs	53,194	40,507
	<u>629,904</u>	<u>496,593</u>
Total direct costs of employment		

5 Interest payable and similar charges

Interest payable on sums:

	1996	1995
	£	£
Repayable within 5 years, by instalments	8,306	5,978
Repayable within 5 years, not by instalments	864	2,426
All other loans	7,169	11,339
	<u>16,339</u>	<u>19,743</u>

6 Taxation

	1996	1995
	£	£
United Kingdom corporation tax		
Current	22,419	26,500
Under provision in respect of prior years:	1,894	381
Deferred tax	(5,300)	(2,200)
	<u>19,013</u>	<u>24,681</u>

7 Dividends

	1996 £	1995 £
On equity shares:		
Proposed final of 10.0p per share	6,200	6,200
On non-equity shares:		
Interim of 13.25p per share paid	1,987	1,987
Proposed final of 13.25p per share	1,988	1,988
	<u>10,175</u>	<u>10,175</u>

8 Tangible fixed assets

	Freehold land and Buildings £	Plant & Machinery £	Test Equipment £	Motor Vehicles £	Computers £	Software £	In-House Software £	Fixtures, Fittings & General Equipment £	Propri- etorial Designs £	Total £
Cost or Valuation										
At 1.9.95	340,503	39,266	213,231	7,300	93,353	38,848	125,226	38,432	40,510	936,669
Additions	-	5,843	6,273	-	19,686	34,654	-	22,992	-	89,448
Disposals	-	-	-	-	(6,534)	-	-	-	-	(6,534)
At 31.8.96	340,503	45,109	219,504	7,300	106,505	73,502	125,226	61,424	40,510	1,019,583
Depreciation										
At 1.9.95	39,105	17,747	105,432	4,877	51,348	12,821	89,695	25,516	8,102	354,643
Charge in year	4,830	3,644	24,697	606	12,640	5,756	17,589	4,834	8,102	82,698
Disposals	-	-	-	-	(4,539)	-	-	-	-	(4,539)
At 31.8.96	43,935	21,391	130,129	5,483	59,449	18,577	107,284	30,350	16,204	432,802
Net book value										
At 31.8.96	296,568	23,718	89,375	1,817	47,056	54,925	17,942	31,074	24,306	586,781
Net book value										
At 31.8.95	301,398	21,519	107,799	2,423	42,007	26,027	35,531	12,916	32,408	582,026

The cost or valuation figure for freehold land and buildings comprises:-

	1996 £	1995 £
Historic cost	183,474	183,474
Valuations in 1986	17,029	17,029
Valuations in 1988	100,000	100,000
Valuations in 1989	40,000	40,000
	<u>340,503</u>	<u>340,503</u>

The cost or valuation figure for test equipment comprises:-

	1996 £	1995 £
Historic cost	205,504	199,231
Valuations in 1990	14,000	14,000
	<u>219,504</u>	<u>213,231</u>

If freehold land and buildings had not been revalued they would have been included at the following amounts:

	1996 £	1995 £
Cost	199,231	193,564
Aggregate depreciation based on cost	(123,856)	(99,765)
Net book value based on cost	<u>75,375</u>	<u>93,799</u>

If test equipment had not been revalued it would have been included at the following amounts:

	1996 £	1995 £
Cost	183,474	183,474
Aggregate depreciation based on cost	(24,907)	(22,218)
Net book value based on cost	<u>158,567</u>	<u>161,256</u>

Included in the valuation of freehold land and buildings is an amount of £99,000 in respect of freehold land which is not subject to a depreciation charge.

9 Stocks and work in progress

The amounts attributable to different categories are as follows:

	1996 £	1995 £
Raw materials and consumables	13,111	5,161
Work in progress	101,660	96,199
Finished goods	-	6,790
Total stocks at historical cost	<u>114,771</u>	<u>108,150</u>

10 Debtors

	1996 £	1995 £
Trade debtors	81,039	233,777
Other debtors	2,357	8,066
Prepayments and accrued income	1,810	1,808
	<u>85,206</u>	<u>243,651</u>

All the above fall due within one year except £2,357 other debtors (1995 : £2,047).

11 Creditors: amounts falling due within one year

	1996 £	1995 £
Debenture loans	10,000	10,000
Directors' loans	11,899	9,720
Bank loans	23,000	18,000
Payments received on account	63,503	209,690
Trade creditors	61,178	58,564
Other creditors including:		
Taxation and social security costs	40,606	42,004
Accruals and deferred income	22,531	29,622
Dividends payable	9,427	8,188
	<u>242,144</u>	<u>385,788</u>

For details of security relating to the various loans see note 12.

12 Creditors: amounts falling due after more than one year

	1996 £	1995 £
Debenture loans	15,000	25,000
Bank loans	65,794	41,907
Directors' loan accounts	61,000	66,000
	<u>141,794</u>	<u>132,907</u>

Debenture loans are represented by amounts due to 3i plc and they are secured by a first fixed charge over the company's freehold land and buildings and book debts and a floating charge over all the assets of the company. Repayments are made at a rate of £10,000 per annum and interest is payable at commercial rates.

The bank loans and any overdraft are secured by a second legal charge over the freehold land & buildings.

	1996 £	1995 £
Debenture loans, directors' loans and bank loans		
Repayable as follows:		
In one year or less	44,899	37,720
Between one and two years	36,808	24,017
Between two and five years	43,986	42,890
	<u>125,693</u>	<u>104,627</u>

13 Deferred taxation

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

	Amount provided		Amount unprovided	
	1996 £	1995 £	1996 £	1995 £
Accelerated capital allowances	<u>12,000</u>	<u>17,300</u>	<u>11,882</u>	<u>17,283</u>

The company's medium-term plans show that the amount of tax allowances in respect of eligible new plant and machinery to be acquired will fall short of the charge for depreciation on existing and new assets. Accordingly deferred tax is provided in respect of the estimated amount of this deficiency.

If the property was realised at the amount included in the balance sheet, in view of the company's policy of expansion and continued ownership of its assets it would be necessary to replace it by purchasing similar property; rollover relief would therefore be available. Accordingly, the revalued amount does not constitute a timing difference as defined by SSAP 15, and the potential amount of deferred tax if it was to be disposed of has not therefore been quantified.

14 Called up share capital

		Ordinary shares of £1 each	
		1996	1995
Authorised	- value	£105,000	£105,000
	- number	105,000	105,000
Allotted, called up and fully paid	- value	£77,000	£77,000
	- number	77,000	77,000

Included within the authorised share capital are 15,000 £1 "A" ordinary shares (1995 : 15,000). All of these have been allotted, called up and fully paid. The "A" ordinary shares are irredeemable and the holders have a right to receive a dividend. On a winding up they have priority over the ordinary shares. The "A" ordinary shares carry no voting rights.

15 Share premium account and revaluation reserve

	Share premium £	Revaluation reserve £
At 1 September 1995	35,500	152,141
Transfer to profit and loss account	-	(4,141)
At 31 August 1996	35,500	148,000

16 Reconciliation of movement in shareholders' funds

	1996 £	1995 £
Retained profit for the financial year	33,665	38,448
Opening shareholders' funds	439,952	401,504
Closing shareholders' funds	473,617	439,952

17 Lease commitments

At 31 August 1996 the company had annual commitments under non-cancellable operating leases in respect of plant and machinery as follows:

	1996 £	1995 £
Expiring within one year	-	1,000
Expiring between two and five years inclusive	<u>12,686</u>	<u>10,519</u>

18 Company Pension Scheme

On 1 September 1988 the company commenced a funded defined benefit pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the company, being invested with insurance companies. 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. The contributions are determined by a qualified actuary on the basis of triennial valuations using the attained age method. A latest valuation was made on 1 September 1994. The assumptions are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 8.5% per annum and that salary increases would average 7.5% per annum.

The pension charge for the scheme for the current period was £53,194 (1995 : £40,507).

The contributions of the company and employees are at 12% and 5% of earnings respectively.

The actuarial value of the fund at 1 September 1994 was £246,700 and this exceeded the value of past service liabilities at that date by £25,600.