

IPL FLUID POWER LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 1996

Company No. 01672034

HARDING AND HUMPHRIES

CERTIFIED ACCOUNTANTS

5 Victoria Buildings
Victoria Road
Freshfield

LIVERPOOL L37 7DB



IPL FLUID POWER LIMITEDDIRECTORS' REPORT FOR THE YEAR ENDED 31ST DECEMBER 1996

The directors present their report and the financial statements for the year ended 31st December 1996.

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 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.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The company's principal activity is that of distributors of engineering components.

The results for the year are set out on page 3.

The directors consider the profit achieved on ordinary activities before taxation to be particularly satisfactory given the difficult trading conditions.

DIVIDENDS

Interim dividends of £45,732 (net) were paid during the year.

The directors do not recommend a final dividend and the retained profits of £367,520 will be added to reserves.

FUTURE DEVELOPMENTS

The company will continue to develop its principal activity.

FIXED ASSETS

Details of movements in fixed assets are set out in note 4 to the financial statements.

In the opinion of the directors the value of the company's freehold land and buildings is not materially different from the book value in these financial statements.

DIRECTORS

The directors at 31st December 1996 and their beneficial interests in the company's issued ordinary share capital were as follows:-

	<u>NUMBER OF SHARES</u>	
	1996	1995
B. Readman	17	17
Mrs E. Readman	34	34
I. Readman	18	18
A. Keeley	5	5

AUDITORS

The Auditors, Messrs Harding and Humphries, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

Mrs E. Readman

E. Readman

SECRETARY

Date 22. 09. 1997

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IPL FLUID POWER LIMITEDAUDITORS' REPORT TO THE SHAREHOLDERS OF IPL FLUID POWER LIMITED

We have audited the financial statements on pages 3 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 5.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1 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 31st December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

FORMBY

Date.....23/9/97.....

HARDING AND HUMPHRIES


CERTIFIED ACCOUNTANT
REGISTERED AUDITOR

THEORY OF THE CASE

The following is a summary of the facts of the case.

The case involves a dispute between the Plaintiff and the Defendant regarding the ownership of certain property.

The Plaintiff claims that the Defendant has wrongfully taken possession of the property and is seeking a return of the same.

The Defendant denies the claim.

The Plaintiff alleges that the Defendant has been in possession of the property for a long period of time and has made significant improvements to it.

The Defendant claims that the property is his own and that the Plaintiff has no right to it.

The Plaintiff seeks a judgment in his favor and a return of the property.

The Plaintiff's case is based on the following facts:

The Defendant's case is based on the following facts:

The Plaintiff's case is based on the following facts:

The Defendant's case is based on the following facts:

IPL FLUID POWER LIMITEDPROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1996

		1996		1995	
	<u>NOTES</u>	£	£	£	£
Turnover	2.		4,761,537		3,637,771
Cost of Sales			2,887,059		2,261,950
<u>GROSS PROFIT</u>			1,874,478		1,375,821
Administration expenses		1,205,648		857,535	
Interest payable and similar charges		75,206		61,883	
			1,280,854		919,418
			593,624		456,403
Grant received			1,300		
<u>NET PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</u>	3.		594,924		456,403
Tax on profit/(loss) on ordinary activities	7.		181,672		131,574
<u>NET PROFIT/(LOSS) FOR THE YEAR AFTER TAXATION</u>			413,252		324,829
Dividend - net			45,732		40,500
Retained profit/(loss) for the year			367,520		284,329
Retained profit/(loss) brought forward			553,952		269,623
<u>RETAINED PROFIT/(LOSS) CARRIED FORWARD</u>			£921,472		£553,952
			=====		=====

There were no recognised gains and losses for 1996 or 1995 other than those included in the Profit & Loss Account.

The notes on pages 5 to 8 form part of these financial statements.

IPL FLUID POWER LIMITEDBALANCE SHEET AS AT 31ST DECEMBER 1996

		<u>1996</u>		<u>1995</u>	
	<u>NOTES</u>	£	£	£	£
<u>FIXED ASSETS</u>					
Tangible Assets			481,378		422,655
<u>CURRENT ASSETS</u>					
Stocks - Finished Goods		657,298		556,975	
- Raw Materials					
Directors current accounts		560			
Debtors due within one year					
- Trade		1,097,565		861,563	
- Prepayments		21,478		8,270	
Bank - Current Account				22,974	
- Deposit Account		114,124		111,624	
		1,891,025		1,561,406	
CREDITORS - amounts falling due within one year	5.	1,069,570		710,573	
<u>NET CURRENT ASSETS/(LIABILITIES)</u>			821,455		850,833
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>			1,302,833		1,273,488
CREDITORS - amounts falling due after more than one year	5.		371,287		709,462
<u>NET ASSETS</u>			£931,546		£564,026
<u>Represented by:</u>					
<u>CAPITAL AND RESERVES</u>					
Issued Share Capital	6.		100		100
Profit and Loss Account			921,472		553,952
Share Premium Account			9,974		9,974
<u>SHAREHOLDERS' FUNDS</u>			£931,546		£564,026

DIRECTOR DIRECTOR 

Approved by the Board on 22-2-97

The notes on pages 5 to 8 form part of these financial statements.

IPL FLUID POWER LIMITEDNOTES TO ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1996**1. ACCOUNTING POLICIES**

The significant accounting policies of the company are consistent with the previous year and are as follows:-

a) Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention and include the results of the company's operations which are described in the Directors' Report and all of which are continuing.

b) Tangible Fixed Assets and Depreciation

Tangible Fixed Assets are stated at cost or valuation less depreciation. The company's policy is to provide depreciation at rates which are calculated to write off the cost of the assets over their estimated useful lives as follows:

Equipment	20% on written down value
Motor vehicles	25% on written down value
Freehold land & building	1% on cost

c) Deferred Taxation

In the past accelerated capital allowances have been received which have effectively deferred the payment of corporation tax. A provision has now been created, where material, against such future liability, providing taxation at 33% on the excess of capital allowances received, and depreciation charged in the accounts after deducting any available corporation tax losses.

d) Leasing and Hire Purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets and depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

e) Operating Leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit and loss account as incurred.

f) Stocks and Work in Progress

Stocks and work in progress have been valued at the lower of cost or net realisable value, after making due allowance for obsolete and slow moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

g) Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

2. TURNOVER

The company's turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts. The whole of the turnover and profit before tax is attributable to the one principal activity of the company.

The first part of the paper discusses the importance of maintaining accurate records of all transactions. It is essential for the business to have a clear and concise record of all income and expenses. This will help in the preparation of the tax return and in the event of an audit. The second part of the paper discusses the importance of keeping up to date with the latest tax laws and regulations. It is important to consult with a tax professional to ensure that the business is in compliance with all applicable laws. The third part of the paper discusses the importance of maintaining proper documentation for all transactions. This includes keeping receipts, invoices, and other documents that support the business's financial records. The fourth part of the paper discusses the importance of having a clear and concise record of all transactions. This will help in the preparation of the tax return and in the event of an audit. The fifth part of the paper discusses the importance of keeping up to date with the latest tax laws and regulations. It is important to consult with a tax professional to ensure that the business is in compliance with all applicable laws. The sixth part of the paper discusses the importance of maintaining proper documentation for all transactions. This includes keeping receipts, invoices, and other documents that support the business's financial records. The seventh part of the paper discusses the importance of having a clear and concise record of all transactions. This will help in the preparation of the tax return and in the event of an audit. The eighth part of the paper discusses the importance of keeping up to date with the latest tax laws and regulations. It is important to consult with a tax professional to ensure that the business is in compliance with all applicable laws. The ninth part of the paper discusses the importance of maintaining proper documentation for all transactions. This includes keeping receipts, invoices, and other documents that support the business's financial records. The tenth part of the paper discusses the importance of having a clear and concise record of all transactions. This will help in the preparation of the tax return and in the event of an audit.

NOTES TO ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1996

3. NET PROFIT ON ORDINARY ACTIVITIES

The net profit is stated after charging:-

	1996 £	1995 £
Depreciation of tangible fixed assets:		
- owned by the company	29,482	33,188
- held under finance leases	32,408	22,864
(Profit)/Loss on disposal of tangible fixed assets	15,469	4,465
Auditors' remuneration	2,500	2,300
Operating lease rentals	4,012	3,092
Directors' remuneration for services as directors	234,411	213,117
Wages and salaries	366,775	288,770
Social security expenses	57,676	50,067
Staff pension costs	60,146	10,514
Interest payable on bank loans, overdrafts and other loans:		
- repayable within five years	32,961	35,143
- repayable in more than five years	33,715	15,933
- finance leases and hire purchase contracts	8,530	10,807

4. FIXED ASSETS

(i) <u>Tangible Assets</u>	<u>Freehold Land and Building</u>	<u>Motor Cars</u>	<u>Equipment</u>	<u>Motor Van</u>	<u>Total</u>
<u>COST</u>	£	£	£	£	£
As at 31st Dec.1995	212,087	185,018	156,202	9,823	563,130
Additions	7,504	114,803	50,500		172,807
Disposals		(120,270)	(1,200)		(121,470)
As at 31st Dec. 1996	219,591	179,551	205,502	9,823	614,467
<u>DEPRECIATION</u>					
As at 31st Dec. 1995	4,241	69,555	64,837	1,842	140,475
Disposals		(68,419)	(857)		(69,276)
Charge for the year	2,138	36,644	21,116	1,992	61,890
As at 31st Dec. 1996	6,379	37,780	85,096	3,834	133,089
<u>NET BOOK VALUE</u>					
As at 31st Dec. 1995	£207,846	£115,463	£91,365	£7,981	£422,655
As at 31st Dec. 1996	£213,212	£141,771	£120,406	£5,989	£481,378
<u>DISPOSAL OF ASSETS</u>					
Cost		120,270	1,200		121,470
Depreciation		68,419	857		69,276
Net book value		51,851	343		52,194
Proceeds		36,450	275		36,725
(Profit)/Loss		£15,401	£68		£15,469
		=====	=====		=====

IPL FLUID POWER LIMITEDNOTES TO ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1996

- (ii) There were no capital commitments at 31st December 1996 (1995 £ nil)
- (iii) Included above are assets held under finance leases or hire purchase contracts as follows:-

Motor vehicles	£ 174,524 (cost)
Equipment	£ nil

5. CREDITORS

	<u>WITHIN ONE YEAR</u>		<u>2 to 5 YEARS</u>		<u>OVER 5 YEARS</u>	
	1996	1995	1996	1995	1996	1995
	£	£	£	£	£	£
Loans - UK bank	24,000	24,000	82,250	95,034	224,649	555,682
- German bank						
- Pension fund	25,000	75,000	25,000	25,000		
Bank overdraft (secured)	144,365					
Hire purchase & finance leases	43,857	32,444	31,328	29,775		
Directors current accounts	-	188				
Trade creditors	491,738	309,385				
Other creditors, including						
taxation & social security	168,837	142,292				
Accruals	1,784	3,200				
Current taxation	166,150	121,533				
Advance corporation tax payable	3,839	2,531				
Deferred taxation			8,060	3,971		
	<u>£1,069,570</u>	<u>710,573</u>	<u>146,638</u>	<u>153,780</u>	<u>224,649</u>	<u>555,682</u>
	=====	=====	=====	=====	=====	=====

6. SHARE CAPITAL

	<u>Authorised</u>	<u>Issued and Fully Paid</u>
Ordinary shares of £1 each	1,000	100

7. TAXATION

	1996	1995
Deferred taxation (written back)	4,089	(85)
Corporation tax on ordinary activities	177,583	131,659
	<u>£181,672</u>	<u>£131,574</u>
	=====	=====

8. CURRENT TAXATION

There is a liability to U.K. Corporation Tax on the results for the year.
The rate of corporation tax used is 33% but allowing for marginal relief.

IPL FLUID POWER LIMITEDNOTES TO ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 19969. DIRECTORS EMOLUMENTS

The highest paid director received remuneration of £ 79,001 (1995 £70,946)

The number of other directors whose emoluments fell in bands of £5,000 were:

	<u>Number</u>
Up to £5,000	1
£70,001 - £75,000	1
£75,001 - £80,000	1

The average number of other employees employed by the company during the year was 30. (1995 24)

10. BANK OVERDRAFT, LOANS AND FINANCE CONTRACTS

The bank overdraft is secured by a charge over properties and other company assets. The finance leases are secured on the assets concerned.

11. LEASE COMMITMENTS

At 31st December 1996 the company had annual commitments under non-cancellable operating leases as set out below:-

	<u>Land & Buildings</u>		<u>Others</u>	
	1996	1995	1996	1995
Operating leases which expire -				
WITHIN ONE YEAR			£600	
IN SECOND TO FIFTH YEARS INCLUSIVE			£3,411	£3,271
OVER FIVE YEARS				£740

12. FOREIGN CURRENCY TRANSLATION

Unsettled monetary items at 31st December 1996 have been shown using the rate of exchange at the Balance Sheet date, in accordance with the closing rate method referred to in SSAP 20.

There are no non-monetary foreign currency items in these accounts.

Profits and losses arising from translation have been passed through the Profit and Loss Account.

IPL FLUID POWER LIMITEDCASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 1996

	1996		1995	
	£	£	£	£
Net cash inflow/(outflow) from operating activities (note 1)		604,690		(171,158)
Returns on investments and servicing of finance:				
Interest received	-		-	
Interest paid	(75,206)		(61,883)	
		(75,206)		(61,883)
Taxation:				
Corporation tax paid (including ACT)		(131,658)		(32,793)
Capital expenditure:				
Payments to acquire tangible fixed assets (172,807)			(158,257)	
Receipts from sale of tangible fixed assets 36,725			81,447	
		(136,082)		(76,810)
		261,744		(342,644)
Equity dividends paid		(45,732)		(40,500)
		216,012		(383,144)
Management of Liquid Resources		-		-
Financing:				
Loans	(393,817)		543,889	
Hire purchase	12,966		(1,777)	
		(380,851)		542,112
<u>Increase/(Decrease) in Cash</u>		<u>£(164,839)</u>		<u>£158,968</u>
		=====		=====

IPL FLUID POWER LIMITEDNOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 19961. Reconciliation of operating profit to net cash inflow for operating activities:

	£
Operating profit (before interest and tax)	670,130
Depreciation	61,890
Loss on sale of fixed assets	15,469
Increase in stocks	(100,323)
Increase in debtors	(249,210)
Increase in creditors (directors' current accounts, trade creditors, other creditors and accruals)	206,734
<u>Net Cash Inflow from Operating Activities</u>	<u>£604,690</u> <u>=====</u>

2. Reconciliation of Net Cash Flow to movement in net debt:

Decrease in cash in period	(164,839)	
Cash used to make loan repayments	393,817	
	<hr/>	228,978
<u>Change in net debt</u>		
<u>Net debt at 1st January 1996</u>		(640,118)
		<hr/>
<u>Net debt at 31st December 1996</u>		£(411,140) <u>=====</u>

3. Analysis of changes in Net Profit:

	At 31.1.96 £	Cash Flows £	At 31.12.96 £
Cash in hand and at bank	134,598	(20,474)	114,124
Overdrafts		(144,365)	(144,365)
		<hr/>	
		(164,839)	
Debt due within one year	(99,000)	50,000	(49,000)
Debt due after one year	(675,716)	343,817	(331,899)
		<hr/>	
		393,817	
	<hr/>	<hr/>	<hr/>
TOTAL	£(640,118)	£228,978	£(411,140)
	<u>=====</u>	<u>=====</u>	<u>=====</u>