

**MONARCH BEARINGS  
INTERNATIONAL LIMITED**

**DIRECTORS' REPORT AND ACCOUNTS**

**31ST DECEMBER 1996**

1932887



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**DIRECTORS AND OFFICER**

J.W.Cumming	-	Appointed 27th September 1996
J.B.Stimson	-	Appointed 27th September 1996
C.L.Watts	-	Appointed 27th September 1996
N.Syner	-	Resigned 27th September 1996
D.M.Phillips	-	Resigned 27th September 1996

J.B.Stimson	-	Secretary
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**REGISTERED OFFICE**

1 Tabley Court,  
Victoria Street,  
Altrincham,  
Cheshire.  
WA14 1EZ  
Registered No: 1932887

**AUDITORS**

KPMG Audit Plc,  
Chartered Accountants,  
1 The Embankment,  
Neville Street,  
Leeds.  
LS1 4DW

**BANKERS**

Midland Bank plc,  
100 King Street,  
Manchester.  
M60 2HD

**SOLICITORS**

Slater Heelis,  
71 Princess Street,  
Manchester.  
M2 4HL

**DIRECTORS' REPORT**

The directors present their report and the audited accounts of the company for the period ended 31st December 1996

**Principal activity of the company**

The principal activity of the company was the stocking and distribution of bearings and similar products. The business assets were purchased by Brammer plc on the 27th September 1996, on that date the company ceased trading.

**Financial results**

	31st December 1996	31st March 1996
	£	£
Turnover	896,830	1,706,953
(Loss)/Profit after tax for the financial period	(162,115)	96,617

**Business review**

The results for the period are shown in the attached profit and loss account.

**Dividend**

The directors paid a final dividend of £100,000, ( 31st March 1996 £nil).

**Directors**

A list of the present directors appears on page 1.

**Directors' interests**

Mr J.W.Cumming is a director of Brammer plc, the ultimate holding company, in whose accounts details of his interests in the shares of that company are shown. The interests of the other directors in the shares of Brammer plc are as shown below:

	31st December 1996		31st December 1995	
	Shares	Share Options	Shares	Share Options
J.B.Stimson	16,938	48,881	1,887	67,881
C.L.Watts	2,034	1,941	2,034	1,941

Share options include options held by directors under the 1985 and 1995 executive share option scheme and the 1989 savings related share option scheme.

No director was materially interested in any contract of significance with the company during the period.

**Political and charitable contributions in the United Kingdom**

There were no political or charitable contributions in the period.

**DIRECTORS' REPORT (continued)**

**Auditor**

A resolution proposing the re-appointment of KPMG Audit Plc as auditor of the company and to authorise the directors to fix its remuneration will be put to the annual general meeting.

**Taxation**

The company is not a close company for tax purposes.

By order of the board,  
J.B. Stimson, Secretary  
14th July 1997

A handwritten signature in black ink, appearing to be 'J.B. Stimson', written over a horizontal line.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are required by UK company law to prepare accounts which comply with the Companies Act 1985, on a going concern basis unless inappropriate and 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 for that period.

In preparing these accounts suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and applicable accounting standards, have been followed.

The directors are also responsible for ensuring that proper and adequate accounting records have been maintained, and that reasonable procedures have been followed for safeguarding the assets of the group and for preventing and detecting fraud and other irregularities.

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**AUDITOR'S REPORT TO THE MEMBERS OF MONARCH BEARINGS INTERNATIONAL LIMITED**

We have audited the accounts on pages 5 to 12

**Respective responsibilities of directors and auditor**

As described above the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts 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 accounts 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 accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31st December, 1996 and of the loss of the company for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc, *KPMG Audit Plc*  
Chartered Accountants,  
Registered Auditor,  
1 The Embankment,  
Neville Street,  
Leeds. LS1 4DW  
14th July 1997

**PROFIT AND LOSS ACCOUNT**  
**FOR THE PERIOD 1st APRIL TO 31st DECEMBER 1996**

		<b>31st December 1996</b>	<b>31st March 1996</b>
		<b>£</b>	<b>£</b>
	Notes		
<b>Turnover</b>	1	896,830	1,706,953
Cost of sales		(621,526)	(1,237,214)
<b>Gross profit</b>		275,304	469,739
Distribution costs		(17,062)	(36,173)
Administrative expenses		(364,477)	(269,183)
<b>(Loss)/profit on ordinary activities before interest</b>		(106,235)	164,383
Net interest	3	(11,015)	(21,273)
<b>(Loss)/profit on ordinary activities before tax</b>		(117,250)	143,110
Tax	4	(44,865)	(46,493)
<b>(Loss)/profit on ordinary activities after tax for the period</b>		(162,115)	96,617
Dividends		(100,000)	-
<b>(Loss)/profit for the period retained in the business</b>		(262,115)	96,617
<b>Retained profit brought forward</b>		309,467	212,850
<b>Retained profit carried forward</b>		47,352	309,467

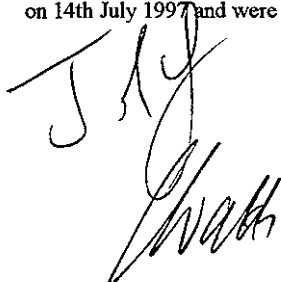
There were no other recognised gains or losses.

## BALANCE SHEET

AS AT 31st DECEMBER 1996

	Notes	31st December 1996 £	31st March 1996 £
<b>Fixed Assets</b>			
Tangible assets	5	-	39,827
		<hr/>	<hr/>
<b>Current assets</b>			
Stock		-	238,017
Intercompany debtors	6	92,904	684,552
Cash and term deposits		-	284
		<hr/>	<hr/>
		92,904	922,853
<b>Creditors due within one year</b>			
Creditors	7	-	(597,062)
Tax		(45,472)	(50,000)
		<hr/>	<hr/>
		(45,472)	(647,062)
		<hr/>	<hr/>
<b>Net current assets</b>		47,432	275,791
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		47,432	315,618
Creditors due after one year	8	-	(6,071)
		<hr/>	<hr/>
<b>Net assets employed</b>		47,432	309,547
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	9	80	80
Profit and loss account		47,352	309,467
		<hr/>	<hr/>
<b>Shareholders' funds</b>		47,432	309,547
		<hr/>	<hr/>

The accounts were approved by the board  
on 14th July 1997 and were signed on its behalf by



J.W. Cumming

C.L. Watts

**ACCOUNTING POLICIES****Accounting convention**

The accounts have been prepared in accordance with applicable accounting standards under the historical cost convention adjusted by the revaluation of certain fixed assets.

**Cash flow statement**

Under Financial Reporting Standard 1 (revised), the company is exempt from the requirements to prepare a cash flow statement being a wholly owned subsidiary incorporated in consolidated accounts of an EC parent which will include a consolidated cash flow statement.

**Foreign exchange**

Assets, liabilities and results in foreign currencies are translated into sterling at the rate of exchange ruling on 31st December.

**Turnover**

Turnover comprises the invoiced value of goods sold and services rendered in the period in the normal course of business excluding value added tax.

**Leasing assets and hire purchase**

Where reference is made in the report and accounts to finance leases, this includes hire purchase agreements. Fixed assets acquired under finance leases are included in fixed assets in the balance sheet. The liability relating thereto is included in creditors. Interest is calculated on the capital sum outstanding and is charged against profits in the period in which it accrues.

Costs in respect of operating leases are charged against profits in the period incurred.

**Depreciation**

Depreciation is provided to write off fixed assets over their estimated useful life as follows:

Leasehold properties	term of the lease
Plant & equipment	15% reducing balance
Fixtures & fittings	15% reducing balance
Motor cars	25% reducing balance

**Research and development**

All expenditure on research and development is charged against profits in the period incurred except expenditure of a capital nature which is depreciated as noted above.

**Stock**

Stock has been consistently valued at the lower of cost and net realisable value. Cost of stock represents material and the appropriate portions of overheads.



**ACCOUNTING POLICIES****Deferred taxation**

Deferred taxation is provided using the liability method in respect of the tax effect of all timing differences to the extent that they are expected to crystallise. The deferred tax provision represents the full potential liability and is calculated at the current rate of corporation tax.

**Pensions**

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

## NOTES TO THE ACCOUNTS

**1. Turnover and Profit**

The company's turnover represents the value, excluding value added tax of goods and services supplied to customers in the United Kingdom during the period.

		31st December 1996	31st March 1996
		£	£
Operating profit is stated after charging			
Depreciation on tangible fixed assets	- owned assets	20,324	5,844
	- leased assets	2,906	5,750
Operating leases	- property	6,000	11,875
	- other	2,363	835
Auditors remuneration	- audit	1,800	3,300

Directors' and employees' emoluments - see note 2

**2. Directors' and employees' emoluments**

		31st December 1996	31st March 1996
		£	£
<i>Directors' emoluments</i>			
Chairman		-	-
Highest paid director		25,313	51,180
<i>Directors</i>			
	Salaries	21,250	42,500
	Performance related bonus	-	250
	Benefits in kind	3,146	6,330
	Pension contributions	917	2,100
		<hr/>	<hr/>
		25,313	51,180
		<hr/>	<hr/>

	31st December 1996	31st March 1996
	Numbers	Numbers
Range of directors' emoluments, excluding pension contributions, including the Chairman:-		
Nil to £ 5,000	4	4
£ 20,001 to £ 25,000	1	-
£ 45,001 to £ 50,000	-	1
	<hr/>	<hr/>
	5	5
	<hr/>	<hr/>

The above emoluments include performance related bonuses but exclude pension contributions except where stated.

	31st December 1996	31st March 1996
	£	£
Aggregate emoluments of employees, including directors, were:		
Wages and salaries	68,874	133,987
Social security costs	7,690	10,987
Pension and related costs	1,843	3,666
	<hr/>	<hr/>
	78,407	148,640
	<hr/>	<hr/>

The average number of persons employed during both periods was eleven.

## NOTES TO THE ACCOUNTS - (continued)

**3. Net interest**

	31st December 1996	31st March 1996
	£	£
<i>Interest receivable</i>		
Bank interest	(5,272)	(355)
<i>Interest payable</i>		
Bank interest	1,827	3,795
Other	14,460	14,153
Finance lease and HP Interest	-	3,680
	<hr/>	<hr/>
	11,015	21,273
	<hr/>	<hr/>

**4. Tax**

	31st December 1996	31st March 1996
	£	£
United Kingdom corporation tax at 33%		
(31st March 1996 33%) based on the profit for the period	44,865	50,000
Under / (over) provision in prior years tax	-	(3,507)
	<hr/>	<hr/>
	44,865	46,493
	<hr/>	<hr/>

**5. Tangible fixed assets**

	Land & buildings	Plant, equipment & vehicles	Total
	£	£	£
<b>Cost or valuation</b>			
At 1st April 1996	9,772	82,138	91,910
Additions	-	3,750	3,750
Intra group transfers	(9,772)	(85,888)	(95,660)
At 31st December 1996	<hr/>	<hr/>	<hr/>
	-	-	-
<b>Depreciation</b>			
At 1st April 1996	3,908	48,175	52,083
Charge for the period	5,862	17,368	23,230
Intra group transfers	(9,770)	(65,543)	(75,313)
At 31st December 1996	<hr/>	<hr/>	<hr/>
	-	-	-
<b>Net book amounts</b>			
At 31st December 1996	-	-	-
At 31st March 1996	5,864	33,963	39,827

The net book amount of fixed assets includes £nil (31st March 1996: £17,250) in respect of assets held under finance leases and hire purchase contracts, the depreciation of which is shown in note 1.

## NOTES TO THE ACCOUNTS - (continued)

**6. Debtors**

	31st December 1996	31st March 1996
	£	£
Intercompany debtors	92,904	342,248
Other debtors	-	5,772
Amounts owed by group undertakings	-	336,426
	<hr/>	<hr/>
	92,904	684,446
	<hr/>	<hr/>

**7. Creditors due within one year**

	31st December 1996	31st March 1996
	£	£
Trade creditors	-	368,260
Loan repayments due within one year	-	137,871
Bank overdraft	-	31,602
Other	-	44,428
HP Leases commitments due within one year	-	8,615
Group undertakings	-	6,286
	<hr/>	<hr/>
	-	597,062
	<hr/>	<hr/>

The loan arises from a factoring agreement and is secured by a floating charge over the company's trade debtors and other assets.

**8. Creditors due after one year**

	31st December 1996	31st March 1996
	£	£
Obligation under finance leases and hire purchase contracts		
Within one year	-	8,615
Within two to five years	-	6,071
	<hr/>	<hr/>
	-	14,686
	<hr/>	<hr/>

## NOTES TO THE ACCOUNTS - (continued)

**9. Share capital**

	31st December 1996	31st March 1996
	£	£
Authorised:		
ordinary shares of £1 each	100	100
Allotted, called up and fully paid:		
ordinary shares of £1 each	80	80

There were no movements on share capital in either period.

**10. Reconciliation of movement in shareholder's funds**

	31st December 1996	31st March 1996
	£	£
Opening shareholders' funds	309,547	212,930
(Loss)/profit for the financial year	(162,115)	96,617
Dividends	(100,000)	-
	<hr/>	<hr/>
Closing shareholders' funds	47,432	309,547
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**11. Pension costs**

The company operates a defined contribution scheme and contributions are charged to the profit and loss account as they accrue. The charge for the six month period was £917 (31st March 1996 £3,666)

**12. Ultimate holding company**

The ultimate holding company is Brammer plc, a company registered in England and Wales.  
The group accounts of Brammer plc are available at the registered office, 1 Tabley Court, Victoria Street, Altrincham, Cheshire WA14 1EZ.