

**AERO & INDUSTRIAL TECHNOLOGY LIMITED**  
(Registered Number 2233451)

**DIRECTORS' REPORT AND ACCOUNTS FOR  
THE YEAR ENDED 31 DECEMBER, 1997**



# AERO & INDUSTRIAL TECHNOLOGY LIMITED

## REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report together with the audited accounts for the year to 31 December, 1997.

### ACTIVITIES

The principal activity of the company continues to be the design, development, testing and manufacture of combustion equipment for use in aero and industrial gas turbines.

### REVIEW OF THE BUSINESS

The company had a satisfactory year.

### RESULTS

	£
Profit on ordinary activities for the year before taxation	1,001,825
Taxation	(51,803)
Profit for the year	950,022
Dividends	(500,000)
Retained profit in year	450,022
Retained profit brought forward	4,805
Retained profit carried forward	454,827

### DIRECTORS

The directors who served during the year were:-

Mr P J K Haslehurst (Chairman)  
Mr J J Hobbs  
Mr P Atherton  
Mr E R Thorley

# AERO & INDUSTRIAL TECHNOLOGY LIMITED

## REPORT OF THE DIRECTORS

(contd.)

### DIRECTORS' INTERESTS

Directors' interests in the share capital of the ultimate holding company, EIS Group PLC, as recorded in the register of directors' interests were:-

	<u>Interest in 25p ordinary shares</u>		<u>Options to acquire 25p ordinary shares</u>	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
P Atherton	-	-	4,956	1,506
E R Thorley	-	-	8,381	6,311

The interests of Mr P J K Haslehurst and Mr J J Hobbs in the share capital of the ultimate holding company are shown in the directors' report of that company. The directors' interests were beneficially owned.

With the exception of the interests disclosed above, no director had any interest in the shares or debentures of any group company at either 31st December 1997 or 31st December 1996.

### PAYMENT POLICY

It is company's payment policy to negotiate terms with its suppliers in all sectors to ensure that they know the terms on which payment will take place when the business is agreed. It is our policy to abide by these terms.

### RESEARCH AND DEVELOPMENT

The company is committed to a policy of investment in the future both by acquisition of new capital equipment and by expenditure on product development and improvement.

### EMPLOYMENT OF DISABLED PERSONS

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of employees becoming disabled, every effort is made to ensure that their employment with the company continues and that any appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be the same as that of a person who is fortunate enough not to suffer from a disability.

# AERO & INDUSTRIAL TECHNOLOGY LIMITED

## REPORT OF THE DIRECTORS

(contd.)

### EMPLOYEE INVOLVEMENT

Although each company in the EIS Group operates autonomously, every employee receives a copy of the annual report and accounts and the interim statement. The company also holds regular meetings with employee representatives to discuss matters affecting employees. The matters discussed include the terms and conditions of employment, health and safety, and working methods.

A share related Save As You Earn Option Scheme is provided whereby employees may save up to £250 per month over a five year term and then exercise an option over the appropriate number of ordinary shares in the group. The number of shares is calculated when an employee enters the SAYE contract.

By order of the board



Secretary

17th April 1998

### 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 of the company for the year. In preparing those financial statements, the directors are required to:

- (i) select suitable accounting policies and then apply them consistently;
- (ii) make judgements and estimates that are reasonable and prudent;
- (iii) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- (iv) 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 of fraud and other irregularities.



Edward VII Quay  
Navigation Way  
Ashton-on-Ribble  
Preston  
Lancashire PR2 2YF

## **Report of the auditors to the members of Aero & Industrial Technology Limited**

We have audited the financial statements on pages 5 to 16.

### **Respective responsibilities of directors and auditors**

As described on page 3 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 December 1997 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 black ink, appearing to read 'KPMG Audit AG'.

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditors*

29 June 1998

# AERO & INDUSTRIAL TECHNOLOGY LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

	<u>Notes</u>	<u>1997</u> £	<u>1996</u> £
TURNOVER	2	15,491,989	13,871,101
Cost of sales		<u>(13,484,101)</u>	<u>(12,236,443)</u>
GROSS PROFIT		2,007,888	1,634,658
Distribution & Selling costs		(552,769)	(444,458)
Administration costs		<u>(442,253)</u>	<u>(437,115)</u>
OPERATING PROFIT	3	1,012,866	753,085
Interest (net)	6	<u>(11,041)</u>	<u>(10,310)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,001,825	742,775
Taxation on profit on ordinary activities	7	<u>(51,803)</u>	<u>31,033</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		950,022	773,808
Dividend - paid		0	(250,000)
- proposed		(500,000)	0
RETAINED PROFIT FOR THE YEAR	16	<u>450,022</u>	<u>523,808</u>

The notes on pages 8 to 16 form part of these accounts.

The movements on reserves are shown in note 16.

All turnover and operating profit arise from continuing activities.

# AERO & INDUSTRIAL TECHNOLOGY LIMITED

## NOTE OF HISTORICAL COST PROFITS AND LOSSES

	<u>1997</u> £	<u>1996</u> £
Reported profit on ordinary activities before taxation	1,001,825	742,775
Difference between the historical cost depreciation charge and actual charge for the year	7,325	0
Historical cost profit on ordinary activities before taxation	<u>1,009,150</u>	<u>742,775</u>
Historical cost profit for the year, retained after taxation and dividends	<u>457,347</u>	<u>523,808</u>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses other than the profit or loss for the period.

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

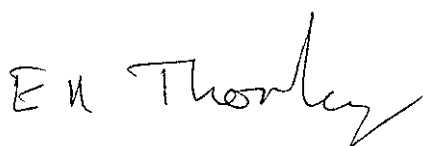
	<u>1997</u> £	<u>1996</u> £
Profit for the financial year	950,022	773,808
Dividends	(500,000)	(250,000)
Opening shareholders' funds	1,504,805	980,997
Closing shareholders' funds	<u>1,954,827</u>	<u>1,504,805</u>

# AERO & INDUSTRIAL TECHNOLOGY LIMITED

## BALANCE SHEET AT 31 DECEMBER, 1997

	<u>Note</u>	<u>1997</u> £	<u>1996</u> £
<b>FIXED ASSETS</b>			
Tangible assets	8	2,813,989	2,495,267
<b>CURRENT ASSETS</b>			
Stocks	10	3,679,840	3,887,422
Debtors	11	5,278,579	4,843,260
Cash at bank and in hand		717,347	40,469
		<u>9,675,766</u>	<u>8,771,151</u>
<b>CREDITORS: amounts falling due within one year</b>	12	(6,104,285)	(5,224,846)
<b>NET CURRENT ASSETS</b>		<u>3,571,481</u>	<u>3,546,305</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		6,385,470	6,041,572
<b>CREDITORS: amounts falling due after one year</b>	13	(4,430,643)	(4,536,767)
		<u>1,954,827</u>	<u>1,504,805</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	1,500,000	1,500,000
Profit and loss account	16	454,827	4,805
<b>EQUITY SHAREHOLDERS CAPITAL</b>		<u>1,954,827</u>	<u>1,504,805</u>

The accounts were approved by the board of directors on 17th April, 1998.



Director

The notes on pages 8 to 16 form part of these accounts.



# AERO & INDUSTRIAL TECHNOLOGY LIMITED

## NOTES TO THE ACCOUNTS

### 1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies which are in accordance with applicable accounting standards have been applied consistently in dealing with items which are considered material in relation to the company's accounts.

#### a) Basis of accounting

The accounts have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

#### b) Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life as follows:

Fixtures & Fittings	10% to 20%
Plant and machinery	10% to 25%
Buildings	2%
Leasehold land and building	2%

#### c) Stocks and work-in-progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes works overheads where applicable.

#### d) Research and development

Research and development expenditure is written off against profit in the year in which the expenditure arises.

#### e) Deferred taxation

Deferred taxation is provided at the future rate of taxation using the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.

#### f) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Balances denominated in a foreign currency are translated into sterling at the exchange rates ruling on the balance sheet date or where there are matching forward contracts in respect of trading transactions, the rates of exchange specified in the contracts are used. All realised differences are taken to the profit and loss account and unrealised differences on forward contracts are taken to the balance sheet.

# AERO & INDUSTRIAL TECHNOLOGY LIMITED

## NOTES TO THE ACCOUNTS

(contd.)

g) Pension costs

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 group, 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 group.

h) Cash flow statement

The company has not produced a Cash Flow Statement as it is a wholly owned subsidiary of EIS Group P.L.C., whose accounts include a consolidated Cash Flow Statement.

i) Leased Assets

Assets acquired under finance leases and hire purchase contracts are included in tangible assets and the outstanding future obligations are shown in creditors. Annual payments under operating leases are charged to profit in the year.

2. TURNOVER

Turnover represents invoiced sales during the year exclusive of value added tax.

All of the company's turnover and profit on ordinary activities before taxation relate to the company's principal activity.

The geographic analysis of turnover is as follows:

	<u>1997</u>	<u>1996</u>
	£	£
United Kingdom	11,476,511	11,025,126
Asia, Far East and Australia	908,247	294,490
North, South & Central America	0	(18,357)
Europe	3,107,231	2,561,922
Middle East	0	7,920
	<u>15,491,989</u>	<u>13,871,101</u>

# AERO & INDUSTRIAL TECHNOLOGY LIMITED

## NOTES TO THE ACCOUNTS

(contd.)

### 3. OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following items:

	<u>1997</u>	<u>1996</u>
	£	£
Auditors' remuneration - audit	16,336	14,000
Depreciation	435,996	398,653
Operating lease charges - Buildings	143,865	109,000
- Plant	62,795	38,996
	<hr/>	<hr/>

### 4. DIRECTORS' EMOLUMENTS

	<u>1997</u>	<u>1996</u>
	£	£
For services as directors	156,393	110,564
	<hr/>	<hr/>

The amounts (excluding pension contributions) paid to the chairman and highest paid director were as follows:

	<u>1997</u>	<u>1996</u>
	£	£
Chairman	NIL	NIL
	<hr/>	<hr/>
Highest paid director	65,213	60,972
	<hr/>	<hr/>

The emoluments of the directors fell within the following bands:

	<u>No.</u>	<u>No.</u>
£ Nil - £5,000	2	2
£45,001 - £50,000	1	1
£60,001 - £65,000	-	1
£65,001 - £70,000	1	-
	<hr/>	<hr/>

# AERO & INDUSTRIAL TECHNOLOGY LIMITED

## NOTES TO THE ACCOUNTS (contd.)

### 5. STAFF COSTS

The average weekly number of employees, including directors, during the year was as follows:

	<u>1997</u> No.	<u>1996</u> No.
Sales, administration and distribution	59	52
Manufacturing	227	218
	286	270

The aggregate payroll costs of these persons were as follows:

	<u>1997</u> £	<u>1996</u> £
Wages and salaries	5,494,438	5,103,576
Social security costs	424,177	400,909
Other pension costs	168,675	56,179
	6,087,290	5,560,664

### 6. INTEREST

	<u>1997</u> £	<u>1996</u> £
Interest Receivable	133,449	113,578
Interest Payable		
Bank loans and overdrafts	(132,868)	(112,921)
Hire purchase loans	(11,622)	(10,967)
Interest (net)	(11,041)	(10,310)

### 7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>1997</u> £	<u>1996</u> £
Based on the profit for the year:		
Corporation tax at 33% (1996:33%)	(72,000)	(37,500)
Deferred taxation (credit)/charge	(8,599)	131,033
	(80,599)	93,533
Taxation relating to prior years:		
Corporation tax	62,061	(62,500)
Deferred taxation	(33,265)	0
	(51,803)	31,033

# AERO & INDUSTRIAL TECHNOLOGY LIMITED

## NOTES TO THE ACCOUNTS

(contd.)

### 8. TANGIBLE FIXED ASSETS

	<u>Land &amp; Buildings</u> £	<u>Plant &amp; Machinery</u> £	<u>Total</u> £
<b>COST / VALUATION</b>			
At 1 January, 1997	749,000	3,831,069	4,580,069
Additions	34,826	720,910	755,736
Disposals	0	(3,026)	(3,026)
At 31 December, 1997	<u>783,826</u>	<u>4,548,953</u>	<u>5,332,779</u>
<b>DEPRECIATION</b>			
At 1 January, 1997	48,685	2,036,117	2,084,802
Charge for year	15,044	420,952	435,996
Disposals	0	(2,008)	(2,008)
At 31 December, 1997	<u>63,729</u>	<u>2,455,061</u>	<u>2,518,790</u>
<b>NET BOOK VALUE</b>			
At 31 December, 1997	<u>720,097</u>	<u>2,093,892</u>	<u>2,813,989</u>
At 31 December, 1996	<u>700,315</u>	<u>1,794,952</u>	<u>2,495,267</u>

If stated under the historical cost convention the comparable amounts for the land and buildings would be:-

	<u>1997</u> £	<u>1996</u> £
Cost	783,826	749,000
Depreciation	<u>(56,404)</u>	<u>(48,685)</u>
	<u>727,422</u>	<u>700,315</u>

Included in Plant & machinery are assets with a net book value of £197,649 (1996: £225,931) held under finance leases. Depreciation on these assets was £ 28,282 (1996: £13,961).

# AERO & INDUSTRIAL TECHNOLOGY LIMITED

## NOTES TO THE ACCOUNTS (contd.)

### 9. COMMITMENTS

Capital commitments at 31st December 1997, for which no provision has been made in these accounts, were as follows:

	<u>1997</u> £	<u>1996</u> £
Contracted	339,598	115,607
Authorised but not contracted	0	107,636
	<u>339,598</u>	<u>223,243</u>

### 10. STOCKS

	<u>1997</u> £	<u>1996</u> £
Work-in-progress	<u>3,679,840</u>	<u>3,887,422</u>

The replacement value of stock and work in progress is not considered to be materially different from the book value.

### 11. DEBTORS

	<u>1997</u> £	<u>1996</u> £
Amounts falling due within one year:		
Trade debtors	3,465,308	3,346,081
Amounts owed by group companies	80,094	60,742
Other debtors	5,537	2,514
Prepayments and accrued income	41,989	33,839
	<u>3,592,928</u>	<u>3,443,176</u>
Amounts falling due after more than one year:		
Amounts owed by group companies	1,166,005	838,574
Deferred tax (Note 14)	519,646	561,510
	<u>5,278,579</u>	<u>4,843,260</u>

# AERO & INDUSTRIAL TECHNOLOGY LIMITED

## NOTES TO THE ACCOUNTS

(contd.)

### 12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1997</u>	<u>1996</u>
	£	£
Bank loans and overdrafts	900,000	600,000
Hire purchase loans	33,520	30,521
Trade creditors	3,723,132	3,300,806
Corporation tax	72,000	100,000
Other taxation and social security	309,129	230,950
Dividends proposed	500,000	0
Amounts owed to group undertakings	124,343	198,127
Accruals and deferred income	442,161	764,442
	<u>6,104,285</u>	<u>5,224,846</u>

### 13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>1997</u>	<u>1996</u>
	£	£
Bank loans between 1 and 2 years	300,000	600,000
between 2 and 5 years	750,000	0
Hire purchase loans:		
repayable between 1 and 2 years	36,519	0
repayable between 2 and 5 years	53,359	123,398
Amounts owed to group companies	3,290,765	3,813,369
	<u>4,430,643</u>	<u>4,536,767</u>

### 14. PROVISION FOR LIABILITIES AND CHARGES

	<u>Amount Provided</u>	
	<u>1997</u>	<u>1996</u>
	£	£
Deferred taxation:		
Capital allowances	519,646	553,405
Unprovided losses		
Other timing differences	0	8,105
	<u>519,646</u>	<u>561,510</u>
<u>Movement in year</u>		
At 1 January, 1997		561,510
Charged in year		(41,864)
At 31 December, 1997		<u>519,646</u>

# AERO & INDUSTRIAL TECHNOLOGY LIMITED

## NOTES TO THE ACCOUNTS (contd.)

### 15. SHARE CAPITAL

	<u>Authorised</u>		<u>Allocated, called up and fully paid</u>	
	No.	£	No.	£
Ordinary shares of £1.00 each	1,500,000	1,500,000	1,500,000	1,500,000

### 16. RESERVES

	<u>Profit &amp; Loss</u> £
At 1 January, 1997	4,805
Retained profit for year	450,022
At 31 December, 1997	<u>454,827</u>

### 17. CONTINGENT LIABILITIES

	<u>1997</u> £	<u>1996</u> £
Guarentees in respect of indebttness of third parties	<u>0</u>	<u>52,000</u>

### 18. OPERATING LEASES

The commitments which fall to be paid in the following year under non-cancellable operating leases are:

	<u>1997</u>		<u>1996</u>	
	<u>Land &amp; Buildings</u> £	<u>Other</u> £	<u>Land &amp; buildings</u> £	<u>Other</u> £
Operating lease expiry:				
Within one year	6,750	0	0	0
Between 1 year & 5 year	120,553	64,644	36,000	61,289
Over 5 years	0	0	73,000	0
	<u>127,303</u>	<u>64,644</u>	<u>109,000</u>	<u>61,289</u>



# **AERO & INDUSTRIAL TECHNOLOGY LIMITED**

## **NOTES TO THE ACCOUNTS**

(contd.)

### **19. PENSIONS**

The Company operates a pension scheme providing benefits on final pensionable pay. The assets of the scheme are held separately from those of the company being invested with an insurance company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 5th April 1996 and showed that the market value of the scheme's assets were £52.2m and that the actuarial value of those assets represented 118% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The valuation assumed that the investment return would be 1.5% higher than the rate of annual salary increase and that present and future pensions would increase at a rate of 3% per annum until 5th April 1997 and 5% per annum thereafter.

The pension charge for the period was £168,675 (1996: £56,179) and has been determined over the average remaining service lives of the employees.

### **20. RELATED PARTY DISCLOSURE**

The company is a wholly owned subsidiary of EIS Group P.L.C. In accordance with paragraph 3(c) of FRS 8, "Related Party Transactions", the company is exempt from disclosing details of arrangements with other companies in the EIS Group.

### **21. ULTIMATE HOLDING COMPANY**

The ultimate holding company is EIS Group P.L.C., a company incorporated in England. Copies of the group accounts are available from:

The Registrar of Companies  
Companies House  
Crown Way  
Cardiff  
CF4 3HZ