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ARROW ENGINEERING COMPONENTS LIMITED

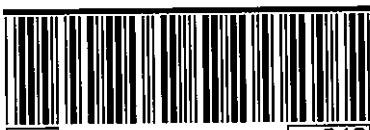
COMPANY NUMBER:- 2235902

DIRECTORS' REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MAY 1995

M^cELHINNEY
HUGHES

Portland House
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COMPANIES HOUSE 23/09/95

ARROW ENGINEERING COMPONENTS LIMITED

Company Information

Directors	R Arrowsmith J Arrowsmith J L Arrowsmith
Secretary	J L Arrowsmith
Company Number	2235902
Registered Office	72 Liverpool Street Salford Manchester M5 4LT
Auditors	McElhinney Hughes Certified Accountants and Registered Auditors Portland House 431 Chester Road Old Trafford Manchester M16 9HA

ARROW ENGINEERING COMPONENTS LIMITED

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ARROW ENGINEERING COMPONENTS LIMITED

DIRECTORS' REPORT

The Directors present their Report and the Financial Statements for the year ended 31st May 1995.

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 THE BUSINESS

The Company's principal activities continue to be those of the sale of bearings, transmission components and ancillary equipment and the provision of engineering services.

The results for the year are set out on page 4.

The Directors are pleased to report improved trading and profitability.

Adequate finance has been obtained to take advantage of business opportunities and the Directors consider the state of affairs to be satisfactory.

DIVIDENDS

The Directors do not recommend the payment of a dividend. The retained profits of £24,670 (1994 - £7,086) will be added to reserves.

FUTURE DEVELOPMENTS

The Directors intend to pursue the Company's current trading policies and they are cautiously optimistic about future profitability.

FIXED ASSETS

Details of movements in fixed assets are set out in Note 8 to the financial statements.

ARROW ENGINEERING COMPONENTS LIMITED

DIRECTORS' REPORT (CONT/D)

DIRECTORS

The Directors who served during the year and their beneficial interest in the Company's issued ordinary share capital were:-

	<u>1995</u>	<u>1994</u>
R Arrowsmith	115500	164999
J Arrowsmith	16500	-
J L Arrowsmith	33000	1
	<u>165000</u>	<u>165000</u>

AUDITORS

The auditors, McElhinney Hughes will be proposed for reappointment in accordance with Section 385 of the Companies Act 1985.

This report was approved by the board on

.....12/9/95..... (Date)

Signed on behalf of the Board of Directors

..........

J L ARROWSMITH (Secretary)

AUDITORS REPORT TO THE SHAREHOLDERS OF ARROW ENGINEERING COMPONENTS LIMITED

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

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.

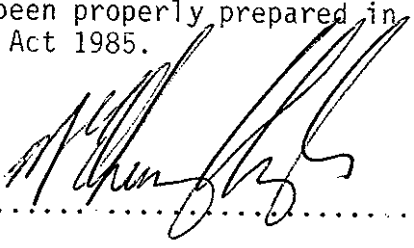
BASIS OF OPINION

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 mis-statement, 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 May 1995 and of its profit for the year then ended and have been properly prepared in accordance with the requirements of the Companies Act 1985.

Signed


Dated 13.9.95

McELHINNEY HUGHES
Certified Accountants and Registered Auditors
Portland House
431 Chester Road
Old Trafford
Manchester
M16 9HA

ARROW ENGINEERING COMPONENTS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MAY 1995

	<u>Note</u>	<u>1995</u>	<u>1994</u>
		<u>£</u>	<u>£</u>
<u>TURNOVER</u>	2	1113435	726251
<u>Add:</u> Increase in Stocks		18608	45302
		<u>1132043</u>	<u>771553</u>
<u>Less:</u> Purchases and Consumables		627327	408857
Staff Costs	3	251458	178766
Depreciation Less Profit on Sale of Assets		8648	13642
Other Operating Charges		<u>196952</u>	<u>153881</u>
		1084385	755146
<u>OPERATING PROFIT</u>	5	47658	16407
Interest Payable	6	14343	7532
		<u> </u>	<u> </u>
<u>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>		33315	8875
<u>TAX ON PROFIT ON ORDINARY ACTIVITIES</u>	7	8645	1789
		<u> </u>	<u> </u>
<u>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</u>		24670	7086
<u>RETAINED EARNINGS BROUGHT FORWARD (ADVERSE BALANCE)</u>		<u>(33650)</u>	<u>(40736)</u>
<u>RETAINED EARNINGS CARRIED FORWARD (ADVERSE BALANCE)</u>		<u>(8980)</u>	<u>(33650)</u>

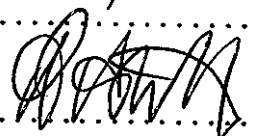
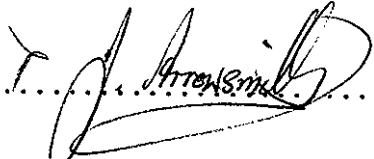
There were no recognised gains or losses other than those included in the Profit and Loss Account.

The attached Notes on pages 6 - 11 form an integral part of these accounts.

BALANCE SHEETARROW ENGINEERING COMPONENTS LIMITEDAS AT 31ST MAY 1995

	<u>Note</u>	<u>1995</u>	<u>1994</u>
		<u>£</u>	<u>£</u>
<u>FIXED ASSETS</u>			
Tangible Assets	8	27616	26045
<u>CURRENT ASSETS</u>			
Stocks	9	260293	241685
Debtors	10	116567	66157
Cash in Hand		250	150
		<u>377110</u>	<u>307992</u>
LESS: <u>CREDITORS</u> Amounts falling due within one year	11	<u>248706</u>	<u>202687</u>
<u>NET CURRENT ASSETS</u>		<u>128404</u>	<u>105305</u>
<u>NET ASSETS</u>		<u>156020</u>	<u>131350</u>
<u>CAPITAL AND RESERVES</u>			
Called-Up Share Capital	12	165000	165000
Profit and Loss Account (Adverse Balance)		(8980)	(33650)
<u>SHAREHOLDERS' FUNDS - ALL EQUITY</u>	13	<u>156020</u>	<u>131350</u>

APPROVED BY THE BOARD OF DIRECTORS ON

.....
13/9/95
SIGNED  } R ARROWSMITH (DIRECTOR)SIGNED  } J ARROWSMITH (DIRECTOR)

The attached Notes on pages 6 to 11 form an integral part of these Accounts.

ARROW ENGINEERING COMPONENTS LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

1.1 Basis of Preparation of Financial Accounts

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. The Company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

1.2 Accounting for Tangible Fixed Assets

Tangible Fixed Assets are stated at cost less depreciation.

Expenditure on tangible fixed assets including those subject to hire purchase agreements is capitalised.

1.3 Depreciation

Depreciation has been provided on a straight line basis. This provision is estimated to write off the cost of the Assets over their estimated effective lives at the following rates:-

Motor Vehicles	25%
Plant and Machinery	10%
Fixtures and Equipment	10%
Computer Equipment	33.33%

1.4 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.

1.5 Stocks and Work-in-Progress

Stocks and Work-in-Progress are valued consistently at the lower of cost and Net Realisable Value. Net Realisable Value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

1.6 Staff Pension Costs

The Company pays annual contributions into a fully insured defined contribution pension scheme covering present Directors and senior employees. The pension charge represents the amounts payable by the Company to the fund in respect of the year.

1.7 Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of Value Added Tax and trade discounts.

ARROW ENGINEERING COMPONENTS LIMITED

NOTES TO THE ACCOUNTS (CONT/D)

1.8 Deferred Taxation

The Directors are of the opinion that no provision for Deferred Taxation is necessary in the Financial Statements of the Company. The Directors intend to continue their policy of expansion over the forthcoming years and consequently it is expected that no reversal of timing differences will occur.

2. TURNOVER

The whole of the turnover and profit before taxation is attributable to the main activities of the Company as stated on page 1.

There were no exports during the year (1994 - £Nil).

3. STAFFING AND STAFF COSTS

Staff Costs, including Directors' emoluments were:-

	<u>31.5.1995</u>	<u>31.5.1994</u>
	<u>£</u>	<u>£</u>
Wages and Salaries	227898	158112
Social Security Costs	20520	19054
Other Pension Costs	3040	1600
	<u>251458</u>	<u>178766</u>

The average weekly number of employees during the year was 26 (1994 - 16) and these were engaged in the following activities:-

	<u>31.5.1995</u>	<u>31.5.1994</u>
Directors	3	3
Administrative and Clerical	2	2
Production	21	11
	<u>26</u>	<u>16</u>

ARROW ENGINEERING COMPONENTS LIMITED

NOTES TO THE ACCOUNTS (CONT/D)

4. DIRECTORS REMUNERATION

	<u>31.5.1995</u>	<u>31.5.1994</u>
	<u>£</u>	<u>£</u>
Emoluments of the Directors (including pension contributions)	31950	31964
Emoluments of the Chairman (excluding pension contributions)	12750	15499
Emoluments of Highest Paid Director (excluding pension contributions)	18000	15499

Contributions under the Pension Scheme amounted to £1,200 (1994 - £1,200).

5. OPERATING PROFIT

Operating Profit is stated after charging the following:-

	<u>31.5.1995</u>	<u>31.5.1994</u>
	<u>£</u>	<u>£</u>
Depreciation	11298	15292
Profit on Sale of Assets	(2650)	(1650)
Auditors' Remuneration	4500	3500
Directors' Remuneration	31950	31964
Office Equipment Hire	1906	2202

6. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>31.5.1995</u>	<u>31.5.1994</u>
	<u>£</u>	<u>£</u>
On Loans Repayable Within 5 Years:-		
Overdrafts	506	4091
Sundry Loans	13837	1881
Hire Purchase Contracts (Repayable by Instalments)	-	1560
	<u>14343</u>	<u>7532</u>

ARROW ENGINEERING COMPONENTS LIMITED

NOTES TO THE ACCOUNTS (CONT/D)

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>31.5.1995</u>	<u>31.5.1994</u>
	<u>£</u>	<u>£</u>
United Kingdom Corporation Tax on Profits for the year at 25%	8645	3218
(Over Reserve) in Previous Year	-	(1429)
	<u>8645</u>	<u>1789</u>

If full provision had been made at the Balance Sheet date for the potential amount of Deferred Taxation this would have amounted to approximately £Nil (1994 - £Nil).

8. TANGIBLE FIXED ASSETS

<u>COST</u>	<u>Balance</u> <u>1.6.1994</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>31.5.1995</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Motor Vehicles	56706	1450	8295	49861
Plant and Machinery	25945	2158	-	28103
Fixtures and Equipment	27408	3710	-	31118
Computer Equipment	42513	6551	40666	8398
	<u>152572</u>	<u>13869</u>	<u>48961</u>	<u>117480</u>

DEPRECIATION

	<u>Balance</u> <u>1.6.1994</u>	<u>Provided In</u> <u>The Year</u>	<u>Eliminated</u> <u>On Disposal</u>	<u>Balance</u> <u>31.5.1995</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Motor Vehicle	49052	2580	7295	44337
Plant and Machinery	14962	2810	-	17772
Fixtures and Equipment	21232	3110	-	24342
Computer Equipment	41281	2798	40666	3413
	<u>126527</u>	<u>11298</u>	<u>47961</u>	<u>89864</u>

WRITTEN DOWN VALUE

27616

ARROW ENGINEERING COMPONENTS LIMITED

NOTES TO THE ACCOUNTS (CONT/D)

- * Certain Fixed Assets have been fully depreciated and are still in use, these are as follows:-

	<u>31.5.1995</u>	<u>31.5.1994</u>
	<u>£</u>	<u>£</u>
Motor Vehicles (at original cost)	39539	45834
Computer Equipment (at original cost)	-	40666
	<u>39539</u>	<u>86500</u>

9. STOCKS AND WORK-IN-PROGRESS

	<u>31.5.1995</u>	<u>31.5.1994</u>
	<u>£</u>	<u>£</u>
Components, Bearings, Transmissions and Ancillary Equipment	<u>260293</u>	<u>241685</u>

10. DEBTORS

	<u>31.5.1995</u>	<u>31.5.1994</u>
	<u>£</u>	<u>£</u>
Trade Debtors	107827	62247
Other Debtors	1003	2475
Prepayments and Accrued Income	<u>7737</u>	<u>1435</u>
	<u>116567</u>	<u>66157</u>

All Debtors fall due for payment within one year of the Balance Sheet date.

11. CREDITORS

	<u>31.5.1995</u>	<u>31.5.1994</u>
	<u>£</u>	<u>£</u>
Bank Overdraft	2345	1040
Trade Creditors	172699	121413
Taxation and Social Security	32106	22072
Other Creditors	-	200
Directors Current Accounts	35396	49354
Accruals and Deferred Income	<u>6160</u>	<u>8608</u>
	<u>248706</u>	<u>202687</u>

All Creditors fall due for payment within one year of the Balance Sheet date.

ARROW ENGINEERING COMPONENTS LIMITED

NOTES TO THE ACCOUNTS (CONT/D)

12. CALLED-UP SHARE CAPITAL

	<u>31.5.1995</u>	<u>31.5.1994</u>
	<u>£</u>	<u>£</u>

Authorised

Ordinary Shares of £1 each

	200000	200000
	<u> </u>	<u> </u>

Allotted, Called-Up and Fully Paid

Ordinary Shares of £1 each

	165000	165000
	<u> </u>	<u> </u>

13. MOVEMENT ON SHAREHOLDERS' FUNDS

	<u>31.5.1995</u>	<u>31.5.1994</u>
	<u>£</u>	<u>£</u>

Profit for the Year

	24670	7086
--	-------	------

Dividends

	-	-
--	---	---

Net Addition to Shareholders' Funds

	24670	7086
	<u> </u>	<u> </u>

Opening Shareholders' Funds

	131350	124264
--	--------	--------

Closing Shareholders' Funds

	156020	131350
	<u> </u>	<u> </u>