
16.2

Directors' Report and Accounts

Price
Waterhouse



AYCLIFFE ENGINEERING LIMITED

30 September 1984



AYCLIFFE ENGINEERING LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 SEPTEMBER 1984

The directors submit their annual report and the audited accounts of the company for the year ended 30 September 1984.

REVIEW OF THE BUSINESS

The company's principal activities continued to be the manufacture of tyre moulds, bladder moulds, tube moulds and ancillary equipment.

Demand from the company's traditional U.K. based customers remained steady compared to 1983, however this was supplemented by a significant increase in export orders. The competitiveness in the export market has had an adverse affect on margins.

ACCOUNTS

The profit for the year after taxation amounted to £61,570 (1983 - £44,137). After payment of preference dividends of £11,295 (1983 - £13,348) the directors recommend that the balance of £50,275 is added to reserves.

FIXED ASSETS

Movements in fixed assets are shown in note 6 to the accounts.

DIRECTORS

K Altringham, DT Guest and CAE Braithwaite served as directors throughout the year.

DIRECTORS' INTERESTS IN SHARES

The notifiable interests of directors, beneficial and otherwise, in the shares of the company were as follows:

	Ordinary shares	
	30 September 1984	25 September 1983
K Altringham	4,000	4,000
DT Guest (non beneficial)	24,000	24,000

Since the year end there have been changes in directors' shareholdings which are noted below.

SHARE CAPITAL

Changes during the year

On 22 December 1983 the company redeemed 17,857 of the 11½% Cumulative Redeemable Preference shares of £1 each at par.

AYCLIFFE ENGINEERING LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 SEPTEMBER 1984

SHARE CAPITAL (continued)

Changes after the year end

On 29 October 1984 the members of the company in general meeting resolved that the company's articles of association be amended to permit the company to purchase its own Ordinary shares. On the same day the transactions shown below took place in the Ordinary shares of the company :

	Position at 30 September 1984	Acquired/(Sold)	Position at 29 October 1984
National Enterprise			
Board	34,598	(34,598)	-
MA Goody	8,005	(8,005)	-
K Altringham	4,000	24,000	28,000
The company	-	18,603	18,603
	<u>46,603</u>	<u>-</u>	<u>46,603</u>

The company purchased 18,603 £1 shares at £1.25 per share.

On 29 October 1984 the company redeemed 39,286 of the 11½% Cumulative Redeemable Preference shares of £1 each at par and arrangements have been made to redeem the remaining Preference Shares in three instalments as follows :

April 1985	16,666
October 1985	16,667
April 1986	16,667

FUTURE DEVELOPMENTS

The company is entering the new financial year with an acceptable order book. This is as a result of continuing export demand which prevailed during 1984.

AUDITORS

The auditors, Price Waterhouse, have expressed their willingness to continue in office and a resolution concerning their re-appointment will be submitted to the forthcoming Annual General Meeting.

By Order of the Board

JS Parker
Secretary

17 January 1985

AUDITORS' REPORT TO THE MEMBERS OF
AYCLIFFE ENGINEERING LIMITED

We have audited the financial statements on pages 4 to 14 in accordance with approved Auditing Standards.

As stated in note 16 no provision has been made in these accounts for any loss which may be suffered in subsequent years in respect of the lease commitment. Subject to the foregoing in our opinion the financial statements, which have been prepared under the historical cost convention, give under that convention a true and fair view of the state of the company's affairs at 30 September 1984 and of its profit and source and application of funds for the year then ended and comply with the Companies Acts 1948 to 1981.

Price Waterhouse
Chartered Accountants

17 January 1985

AYCLIFFE ENGINEERING LIMITED

PROFIT AND LOSS ACCOUNT FOR THE
YEAR ENDED 30 SEPTEMBER 1984

	<u>1984</u>	<u>1983</u>
Turnover (Note 2)	1,748,774	1,012,572
Cost of sales	(1,392,946)	(735,527)
Gross profit	355,828	277,045
Distribution costs	(12,535)	(12,793)
Administrative costs	(267,987)	(214,898)
Operating profit	75,306	49,354
Other interest receivable and similar income (Note 3)	414	6,796
Interest payable and similar charges (Note 3)	(9,956)	(5,672)
Profit on ordinary activities before taxation (Note 3)	65,764	50,478
Tax on profit on ordinary activities (Note 5)	4,194	6,341
Profit for the financial year	61,570	44,137
Preference dividends paid	11,295	13,348
Amount transferred to reserves (Note 15)	<u>£50,275</u>	<u>£30,789</u>

AYCLIFFE ENGINEERING LIMITED

BALANCE SHEET AT 30 SEPTEMBER 1984

	1984	1983
FIXED ASSETS		
Tangible Assets (Note 6)	183,024	150,439
Investment (Note 9)	-	-
CURRENT ASSETS		
Stocks (Note 7)	219,295	125,583
Debtors (Note 8)	387,230	211,719
Cash at bank and in hand	88	73,368
	606,613	410,670
CREDITORS (amounts falling due within one year) (Note 10)	402,858	186,759
NET CURRENT ASSETS	203,755	223,911
TOTAL ASSETS LESS CURRENT LIABILITIES	386,779	374,350
CREDITORS (amounts falling due after more than one year)		
Bank loan (Secured - Note 11)	10,566	30,555
Provision for liabilities and charges (Notes 12 and 15)	-	-
	£376,213	£343,795
CAPITAL AND RESERVES		
Called up share capital (Note 14)	159,894	177,751
Capital redemption reserve (Note 15)	35,714	17,857
Profit and loss account (Note 15)	180,605	148,187
	£376,213	£343,795

The financial statements were approved by the Board of Directors on 17 January 1985

K Altringham) Directors
DT Guest)

K. Altringham
D. T. Guest

AYCLIFFE ENGINEERING LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 30 SEPTEMBER 1984

SOURCE OF FUNDS

	<u>1984</u>	<u>1983</u>
Profit before taxation	65,764	50,478
Adjustment for items not involving the movement of funds:		
Depreciation	28,391	42,295
Loss on disposal of fixed assets	<u>-</u>	<u>7,416</u>
	<u>28,391</u>	<u>49,711</u>
TOTAL GENERATED FROM OPERATIONS	94,155	100,189

FUNDS FROM OTHER SOURCES

Proceeds of disposal of fixed assets	-	3,275
Tax recovered	<u>-</u>	<u>9,399</u>
	<u>-</u>	<u>12,674</u>
	94,155	112,863

APPLICATION OF FUNDS

Redemption of Preference Shares	17,857	17,857
Loan repayment	18,576	17,253
Dividends paid	11,295	13,348
Tax paid	8,549	5,721
Purchase of fixed assets	<u>60,976</u>	<u>43,522</u>
	<u>117,253</u>	<u>97,701</u>
	23,098	15,162

MOVEMENT IN WORKING CAPITAL

Increase/(Decrease) in stocks	93,712	75,469
Increase in debtors	175,511	(6,992)
(Increase)/Decrease in creditors	<u>(70,890)</u>	<u>(59,849)</u>
	198,333	8,628

NET MOVEMENT IN LIQUID FUNDS

£(221,431)	<u>£6,534</u>
------------	---------------

AYCLIFFE ENGINEERING LIMITED

NOTES TO THE ACCOUNTS 30 SEPTEMBER 1984

1 ACCOUNTING POLICIES

(1) Basis of accounting

The accounts have been prepared under the historical cost convention.

(2) Turnover

Turnover represents the amount receivable from customers for goods and services provided in the ordinary course of business exclusive of value added tax.

(3) Stocks

Stocks, including work in progress, are stated at the lower of cost and net realisable value after deducting progress payments received. Cost in the case of work in progress includes an appropriate addition for labour and production overheads.

(4) Depreciation

Depreciation of fixed assets is calculated to write off the cost in equal annual instalments over their estimated useful lives which are as follows:

Plant and machinery	10 years
Furniture, fittings, tools and equipment	10 years
Motor vehicles	5 years

(5) Deferred taxation

Deferred taxation is provided on the liability method in respect of timing differences between profits as computed for taxation purposes and profits as stated in the accounts, except to the extent that the liability will not be payable in the foreseeable future having regard to unrelieved tax losses and the projected future capital expenditure.

(6) Foreign Currency Translation

Monetary assets and liabilities denominated in a foreign currency are translated into sterling at the year-end rates of exchange. All profits and losses are accounted for through the profit and loss account.

2 TURNOVER

The geographical analysis of turnover is as follows:

	1984	1983
United Kingdom	695,988	628,757
Europe	767,455	99,431
Africa	191,216	284,384
Asia	94,115	-
	<u>£1,748,774</u>	<u>£1,012,572</u>

AYCLIFFE ENGINEERING LIMITED

NOTES TO THE ACCOUNTS (continued)

3 PROFIT

Profit on ordinary activities before taxation is stated after charging/(crediting) the following amounts:

	<u>1984</u>	<u>1983</u>
	£	£
Wages and salaries	809,369	519,133
Social security costs	89,932	56,338
Directors' emoluments (Note 4)	29,113	26,257
Auditors' remuneration	2,750	3,000
Depreciation	28,391	42,295
Loss on disposal of fixed assets	<u>-</u>	<u>7,416</u>
INTEREST		
Loan interest payable	2,980	5,073
Interest on bank overdraft	<u>6,976</u>	<u>599</u>
	<u>9,956</u>	<u>5,672</u>
Bank deposit interest received	<u>(414)</u>	<u>(6,796)</u>

4 DIRECTORS' EMOLUMENTS

Directors' emoluments comprise

	<u>1984</u>	<u>1983</u>
Fees	2,000	1,917
Other emoluments	21,721	18,947
Pension to a former director	1,000	1,000
Pension to widow of a former director	<u>4,392</u>	<u>4,393</u>
	<u>£29,113</u>	<u>£26,257</u>
The Chairman	<u>£ -</u>	<u>£917</u>
The highest paid director (excluding pension scheme contributions)	<u>£20,985</u>	<u>£18,460</u>

The two other directors received emoluments, excluding pension scheme contributions in the range of £NIL to £5,000 for both years.

AYCLIFFE ENGINEERING LIMITED

NOTES TO THE ACCOUNTS (continued)

5 TAXATION

The taxation charge represents:

	<u>1984</u>	<u>1983</u>
Advance corporation tax written off since its recovery in the immediate future is uncertain	4,841	5,721
Provision for corporation tax at 30% (1983- 38%)	-	620
Prior year adjustment	(647)	-
	<u>£4,194</u>	<u>£6,341</u>

The provision for taxation on the profit for 1984 has been substantially reduced by taxation losses brought forward. The tax losses available for offset against future profits at 30 September 1984 amounted to £32,500 (1983 - £77,500).

6 TANGIBLE ASSETS

<u>Cost</u>	<u>Plant, machinery and tools</u>	<u>Furniture, fixtures and fittings</u>	<u>Motor vehicles</u>	<u>Total</u>
At 25 September 1983	290,380	16,646	14,981	322,007
Additions	60,976	-	-	60,976
At 30 September 1984	351,356	16,646	14,981	382,983
<u>Depreciation</u>				
At 25 September 1983	165,285	3,946	2,337	171,568
Charge for the year	23,733	1,662	2,996	28,391
At 30 September 1984	189,018	5,608	5,333	199,959
<u>Net book amount</u>				
At 30 September 1984	<u>£162,338</u>	<u>£11,038</u>	<u>£9,648</u>	<u>£183,024</u>
At 25 September 1983	<u>£125,095</u>	<u>£12,700</u>	<u>£12,644</u>	<u>£150,439</u>

AYCLIFFE ENGINEERING LIMITED

NOTES TO THE ACCOUNTS (continued)

6 TANGIBLE ASSETS (continued)

At 30 September 1984 there was no capital expenditure authorised (1983 - £3,800 authorised and contracted).

7 STOCKS

	<u>1984</u>	<u>1983</u>
Raw materials and consumables	23,370	23,229
Work in progress	195,925	135,491
Payments on account	<u>-</u>	<u>(33,137)</u>
	<u>£219,295</u>	<u>£125,583</u>

8 DEBTORS

	<u>1984</u>	<u>1983</u>
Trade debtors	367,004	211,540
Prepayments and accrued income	<u>20,226</u>	<u>179</u>
	<u>£387,230</u>	<u>£211,719</u>

9 INVESTMENT

The company owns the whole of the issued share capital of 80,000 shares of its subsidiary, AEL Limited incorporated in the United Kingdom.

The subsidiary has not traded since 29 September 1981 and has no accumulated reserves. The directors consider it to have no value and accordingly group accounts have not been prepared.

10 CREDITORS (amount falling due within one year)

	<u>1984</u>	<u>1983</u>
Bank overdraft (Note 12)	148,151	-
Bank loan (Note 11)	19,989	11,576
Trade creditors	105,095	78,361
Other creditors	-	-
Taxation and social security	48,399	41,670
Corporation tax	60	4,415
Accruals and deferred income	<u>81,164</u>	<u>43,737</u>
	<u>£402,858</u>	<u>£186,759</u>

AYCLIFFE ENGINEERING LIMITED

NOTES TO THE ACCOUNTS (continued)

11 BANK LOAN

The company has a loan, in certain foreign currencies, equivalent to £30,555 at 30 September 1984 (1983 - £49,131) from the European Investment Bank and interest is charged at the rate of 8½% per annum. The loan is repayable by varying half yearly instalments between 18 January 1985 and 15 January 1986. The Department of Industry has undertaken to bear any loss and is entitled to any gains in respect of this loan arising from fluctuations in currency exchange rates. The loan is secured by a floating charge on the undertaking and assets of the company. The amount of £19,989 (1983 - £18,576) repayable within one year has been included in creditors (Note 10).

12 BANK OVERDRAFT

At 26 September 1983 the company's bank overdraft was secured by debentures creating floating charges on the undertaking and all property and assets of the company and a fixed charge on the short leasehold property (Note 16). The debentures were subject to a deed of priorities between the Secretary of State for Industry and Lloyds Bank PLC.

At 26 September 1983 the company had also given an unlimited guarantee in respect of all liabilities due by its subsidiary to its bank which also holds a right of set off in respect of any bank balances held by the companies.

The company was released from these debentures on 21 February 1984.

Since 5 December 1984 the company's bank overdraft has been secured by a debenture creating legal mortgages and fixed charges on the freehold and leasehold property of the company together with all building fixtures. In addition, there is a fixed charge on the fixed plant and machinery, goodwill, uncalled capital, all book debts and other debts and a first floating charge on the undertaking and assets of the company both present and future.

The debenture is subject to a deed of priorities between the Secretary of State for Industry and Barclays Bank PLC. The terms of the deed state that all monies which may be realised from the fixed and floating charges created by the bank security and the floating charge created by the Department of Industry security shall discharge the bank debt and Department of Industry debt in the following order of priority :

- (1) The Department of Industry debt up to a maximum of £40,014.
- (2) The bank debt to be discharged in full.
- (3) Any remainder to clear the balance, if any, of the Department of Industry debt.

AYCLIFFE ENGINEERING LIMITED

NOTES TO THE ACCOUNTS (continued)

13 DEFERRED TAXATION

	<u>1984</u>	<u>1983</u>
The potential amount of deferred taxation calculated at a corporation tax rate of 35% (1983 - 52%) following the 1984 Finance Act, and not provided in the accounts comprises:		
Excess of capital allowances over depreciation provided and short term timing differences	56,500	70,250
Less:		
Unrelieved tax losses carried forward	(11,400)	(40,250)
Unrelieved advance corporation tax	(31,847)	(27,460)
	<u>13,253</u>	<u>2,540</u>
Capital gain in respect of held over relief claim	<u>17,000</u>	<u>17,000</u>
	<u>£30,253</u>	<u>£19,540</u>

14 SHARE CAPITAL

	<u>1984</u>	<u>1983</u>
Authorised		
11½% Cumulative Redeemable Preference shares of £1 each	125,000	125,000
Ordinary shares of £1 each	<u>75,000</u>	<u>75,000</u>
	<u>£200,000</u>	<u>£200,000</u>
Allotted and fully paid		
11½% Cumulative Redeemable Preference shares of £1 each	89,286	107,143
Ordinary shares of £1 each	<u>70,608</u>	<u>70,608</u>
	<u>£159,894</u>	<u>£177,751</u>

The preference dividends are payable on 22 December and 22 June in each year.

Changes during the year

On 22 December 1983 the company redeemed 17,857 of the 11½% Cumulative Redeemable Preference shares of £1 each at par.

AYCLIFFE ENGINEERING LIMITED

NOTES TO THE ACCOUNTS (continued)

14 SHARE CAPITAL (continued)

Changes after the year end

On 29 October 1984 the members of the company in general meeting resolved that the company's articles of association be amended to permit the company to purchase its own Ordinary shares. On the same day the transactions shown below took place in the Ordinary shares of the company :

	Position at 30 September 1984	Acquired/(Sold)	Position at 29 October 1984
National			
Enterprise Board	34,598	(34,598)	-
MA Goody	8,005	(8,005)	-
K Altringham	4,000	24,000	28,000
The company	-	18,603	18,603
	<u>46,603</u>	<u>-</u>	<u>46,603</u>

The company purchased 18,603 £1 shares at £1.25 per share.

On 29 October 1984 the company redeemed 39,286 of the 11½% Cumulative Redeemable Preference shares of £1 each at par and arrangements have been made to redeem the remaining Preference Shares in three instalments as follows :

April 1985	16,666
October 1985	16,667
April 1986	16,667

15 RESERVES

	Profit and loss	Capital Redemption Reserve
At 25 September 1983	148,187	17,857
Retained profit for the year	50,275	-
Amount transferred to Capital Redemption Reserve (Note 13)	(17,857)	17,857
At 30 September 1984	<u>£180,605</u>	<u>£35,714</u>

AYCLIFFE ENGINEERING LIMITED

NOTES TO THE ACCOUNTS (continued)

16 LEASE LIABILITY

The company has a lease agreement expiring in January 1994 by which it will lease premises at an annual cost including rates of about £17,000. The premises are not now used by the company. The directors are currently seeking either to find another tenant or to assign the lease and in the circumstances they consider that the loss, if any, which may be incurred in respect of this lease cannot be reasonably estimated and no provision has been made.

17 PENSION COMMITMENTS

The company pays pensions to a former director and the widow of a former director. The costs being charged against the current years profit and loss account and amounted to £5,392 (1983 - £5,393).

18 EMPLOYEES

The average number of persons employed by the company during the year was 90 (1983 - 59).

*

*

*