

LYMINGTON PRECISION ENGINEERS COMPANY LIMITED

FINANCIAL STATEMENTS

31 MARCH 1999

Registered number: 1543828

**FILER KNAPPER
CHARTERED ACCOUNTANTS
CHRISTCHURCH
DORSET**



**REGISTRAR
OF COMPANIES**

LYMINGTON PRECISION ENGINEERS COMPANY LIMITED

FINANCIAL STATEMENTS

for the year ended 31 March 1999

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The following pages do not form part of the statutory accounts

Detailed trading and profit and loss account	Appendix 1
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LYMINGTON PRECISION ENGINEERS COMPANY LIMITED

1

COMPANY INFORMATION

31 March 1999

COMPANY NUMBER	1543828
CHAIRMAN	L A Crouch
OTHER DIRECTORS	Mrs P Currie
SECRETARY	A D Peck
REGISTERED OFFICE	Gosport Street Lymington Hampshire SO14 9EE
BANKERS	Barclays Bank Plc PO Box 612 Ocean Village Southampton Hampshire SO14 2ZP
AUDITORS	Filer Knapper Chartered Accountants 10 Bridge Street Christchurch Dorset BH23 1EF

LYMINGTON PRECISION ENGINEERS COMPANY LIMITED

DIRECTORS' REPORT

31 March 1999

The directors present their report and the audited financial statements for the year ended 31 March 1999.

Principal activity

The principal activity of the company continues to be that of precision engineering.

Business review

The company's balance sheet as detailed on page 6 shows a satisfactory position, shareholders' funds amounting to £1,603,695.

Results and dividends

The results for the year are shown in the profit and loss account on page 5. An ordinary dividend amounting to £450,000 was paid.

Directors

The directors in office at the end of the year are listed below. No director has any beneficial interest in the shares of the company, but the interest in the shares of the parent company were as follows:

	31 March 1999	1 April 1998
	Ordinary	Ordinary
	shares	shares
L A Crouch	299	299
Mrs P Currie	-	-

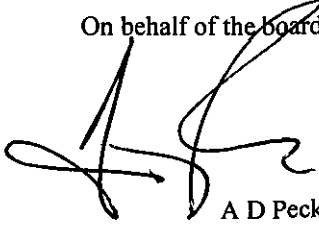
Charitable and political donations

Payments of a charitable nature made during the year amounted to £12,500.

Auditors

The Company has elected to dispense with the annual appointment of auditors. In the absence of a specific resolution to the contrary, Filer Knapper will continue in office.

On behalf of the board


A D Peck
Secretary

Date: 19/1/00

Gosport Street
Lymington
Hampshire
SO14 9EE

LYMINGTON PRECISION ENGINEERS COMPANY LIMITED**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 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.

On behalf of the board

A handwritten signature in black ink, appearing to read 'L A Crouch', written in a cursive style.

L A Crouch
Chairman

LYMINGTON PRECISION ENGINEERS COMPANY LIMITED**AUDITORS' REPORT**

Auditors' report to the members of

Lymington Precision Engineers Company Limited

We have audited the financial statements on pages 5 to 17 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

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 error or other irregularity. 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 March 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

F. J. Knapper

19 January 2000

Filer Knapper
Registered Auditors
Chartered Accountants

LYMINGTON PRECISION ENGINEERS COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 1999

	Note	1999 £	1998 £
Turnover	2	10,524,802	8,885,934
Cost of sales		(7,254,850)	(6,687,155)
Gross profit		3,269,952	2,198,779
Net operating expenses			
Administrative expenses		(1,721,641)	(1,402,057)
Other operating income		240	2,795
Operating profit	3	1,548,551	799,517
Interest payable	5	(129,603)	(130,966)
Profit on ordinary activities before taxation		1,418,948	668,551
Taxation	6	(429,152)	(204,229)
Profit on ordinary activities after taxation		989,796	464,322
Dividends	7	(450,000)	-
Retained profit for the year	17	539,796	464,322

Movements in reserves are shown in note 17.

None of the company's activities were acquired or discontinued during the above two financial years.

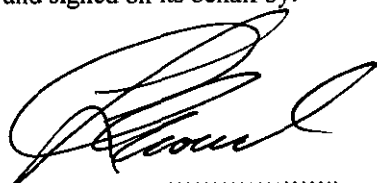
There were no recognised gains and losses in 1999 or 1998 other than the profit for the year.

BALANCE SHEET

at 31 March 1999

	Note	1999 £	1998 £
Fixed assets			
Tangible assets	8	1,229,934	1,104,396
Investments	9	33,333	15,000
		<u>1,263,267</u>	<u>1,119,396</u>
Current assets			
Stocks	10	837,726	751,119
Debtors	11	3,058,871	3,261,835
Cash at bank and in hand		718,579	213,296
		<u>4,615,176</u>	<u>4,226,250</u>
Creditors: amounts falling due within one year	12	<u>(3,781,730)</u>	<u>(3,873,236)</u>
Net current assets		<u>833,446</u>	<u>353,014</u>
Total assets less current liabilities		<u>2,096,713</u>	<u>1,472,410</u>
Creditors: amounts falling due after more than one year	13	<u>(493,018)</u>	<u>(408,511)</u>
		<u>1,603,695</u>	<u>1,063,899</u>
Capital and reserves			
Called up share capital	16	100	100
Profit and loss account	17	1,603,595	1,063,799
Total shareholders' funds	15	<u>1,603,695</u>	<u>1,063,899</u>

The financial statements on pages 5 to 17 were approved by the board of directors on 19/1/00 and signed on its behalf by:



L A Crouch
Chairman

LYMINGTON PRECISION ENGINEERS COMPANY LIMITED

CASH FLOW STATEMENT

for the year ended 31 March 1999

	Note	1999		1998	
		£	£	£	£
Net cash inflow/(outflow) from operating activities	22		1,679,925		(343,936)
Returns on investments and servicing of finance					
Interest paid		(87,158)		(89,867)	
Interest element of finance leases rental payments		(42,445)		(41,099)	
			(129,603)		(130,966)
Taxation					
Corporation tax paid			(203,950)		(86,522)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(514,693)		(338,594)	
Purchase of fixed asset investments		(18,333)		(15,000)	
Sale of tangible fixed assets		14,100		36,140	
			(518,926)		(317,454)
			827,446		(878,878)
Equity dividends paid			(450,000)		-
			377,446		(878,878)
Financing					
Finance leases (net)		112,862		(23,488)	
			112,862		(23,488)
Increase/(decrease) in cash			490,308		(902,366)

LYMINGTON PRECISION ENGINEERS COMPANY LIMITED

NOTES ON FINANCIAL STATEMENTS

31 March 1999

1 Accounting policies**Basis of accounting**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Turnover

Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of trade discounts and value added tax.

Tangible fixed assets

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

Finance leases	over remaining term of the lease
Plant and equipment	15% on reducing balance
Motor vehicles	25% on reducing balance
Fixtures and fittings	15% on reducing balance

Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

Rentals paid under operating leases are charged to income as incurred.

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value.

The cost of work in progress and finished goods includes all production overheads and depreciation and the attributable proportion of indirect overheads based on the normal level of activity.

Net realisable value is based on estimated selling price less the estimated cost of disposal.

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

Pensions**Defined contribution scheme**

Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

2 Turnover

The turnover for the year was derived from the company's principal activity. The whole of the turnover is attributable to the UK market.

NOTES ON FINANCIAL STATEMENTS

31 March 1999

3 Operating profit

	1999 £	1998 £
Operating profit is stated after crediting:		
Interest receivable	240	2,795
Profit on sale of assets	206	-
	<hr/>	<hr/>
and after charging:		
Staff costs (note 4)	2,205,334	1,929,527
Auditors' remuneration	13,000	10,600
Operating leases:		
Hire of plant and machinery	37,866	35,154
Loss on sale of assets	-	7,461
	<hr/>	<hr/>
Depreciation of tangible fixed assets (note 8):		
Owned assets	174,994	87,337
Leased assets	200,267	189,804
	<hr/>	<hr/>
	375,261	277,141
	<hr/>	<hr/>
The total amount charged against profits in respect of finance leases and hire purchase contracts is	258,953	241,804
(of which part is shown as depreciation and the balance is shown as interest payable in note 5)	<hr/>	<hr/>

LYMINGTON PRECISION ENGINEERS COMPANY LIMITED

NOTES ON FINANCIAL STATEMENTS

31 March 1999

4 Directors and employees

	1999 £	1998 £
Staff costs including directors' emoluments		
Wages and salaries	1,984,753	1,745,781
Social security costs	199,933	170,412
Pension costs	20,648	13,334
	<u>2,205,334</u>	<u>1,929,527</u>
	Number	Number
Average monthly number employed including executive directors:	<u>95</u>	<u>82</u>
Directors	£	£
Emoluments	147,200	94,176
Company contributions to money purchase pension schemes	12,000	12,000
	<u>159,200</u>	<u>106,176</u>

Defined contribution pension scheme

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £20,648 (1998 £13,334) including contributions in respect of employees. Contributions totalling £2,755 (1998 £0) were payable to the fund at 31 March 1999 and are included in creditors.

5 Interest payable

	1999 £	1998 £
Bank and loan interest	70,917	78,966
Finance lease interest	16,241	10,901
Hire purchase interest	42,445	41,099
	<u>129,603</u>	<u>130,966</u>

NOTES ON FINANCIAL STATEMENTS

31 March 1999

6 Taxation

	1999 £	1998 £
Corporation tax on profit on ordinary activities at 31% (1998 31%)	433,799	208,597
Deferred taxation	-	(5,638)
	<u>433,799</u>	<u>202,959</u>
(Over)/under provision in earlier years	(4,647)	1,270
	<u><u>429,152</u></u>	<u><u>204,229</u></u>

7 Dividends

	1999 £	1998 £
Ordinary dividend paid	<u>450,000</u>	<u>-</u>

8 Tangible fixed assets

Cost	Motor Vehicles £	Plant and Machinery £	Fixtures and Fittings £	Finance Leases £	Total £
1 April 1998	159,192	1,908,346	312,173	259,055	2,638,766
Additions	29,213	432,179	53,301	-	514,693
Disposals	(11,200)	-	-	(51,700)	(62,900)
31 March 1999	<u>177,205</u>	<u>2,340,525</u>	<u>365,474</u>	<u>207,355</u>	<u>3,090,559</u>
Depreciation					
1 April 1998	71,892	1,131,260	161,698	169,520	1,534,370
Charge for the year	27,904	273,691	26,224	47,442	375,261
Disposals	(6,306)	-	-	(42,700)	(49,006)
31 March 1999	<u>93,490</u>	<u>1,404,951</u>	<u>187,922</u>	<u>174,262</u>	<u>1,860,625</u>
Net book amount					
31 March 1999	<u>83,715</u>	<u>935,574</u>	<u>177,552</u>	<u>33,093</u>	<u>1,229,934</u>
1 April 1998	<u>87,300</u>	<u>777,086</u>	<u>150,475</u>	<u>89,535</u>	<u>1,104,396</u>

The net book amount of fixed assets includes £836,298 (1998 £611,163) in respect of assets held under finance leases and hire purchase contracts, the depreciation of which is shown in note 3.

NOTES ON FINANCIAL STATEMENTS

31 March 1999

9 Fixed asset investments

	Investments other than loans £
Cost	
1 April 1998	15,000
Additions	18,333
31 March 1999	<u>33,333</u>
Net book amount	
31 March 1999	<u>33,333</u>
1 April 1998	<u>15,000</u>

10 Stocks

	1999 £	1998 £
Work in progress	830,026	743,419
Raw materials	7,500	7,500
Fuel tanks	200	200
	<u>837,726</u>	<u>751,119</u>

11 Debtors

	1999 £	1998 £
Amounts falling due within one year		
Trade debtors	1,699,541	2,105,302
Amounts owed by group undertakings	1,322,614	1,110,629
Other debtors	29,961	30,997
Prepayments and accrued income	6,755	14,907
	<u>3,058,871</u>	<u>3,261,835</u>

LYMINGTON PRECISION ENGINEERS COMPANY LIMITED

NOTES ON FINANCIAL STATEMENTS

31 March 1999

12 Creditors: amounts falling due within one year

	1999 £	1998 £
Bank overdrafts	1,156,656	1,141,681
Trade creditors	1,198,986	1,619,022
Amounts owed to group undertakings	-	4,411
Corporation tax	433,799	208,597
Other taxation and social security	113,779	255,341
Other creditors	5,171	39,154
Accruals and deferred income	612,005	372,051
Obligations under finance leases and hire purchase contracts - note 13	261,334	232,979
	<u>3,781,730</u>	<u>3,873,236</u>

Security

The bank overdraft is secured by a group cross guarantee and debenture.

The finance leases and hire purchase contracts are secured on the assets concerned.

13 Creditors: amounts falling due after more than one year

	1999 £	1998 £
Other liabilities		
Obligations under finance leases and hire purchase contracts	493,018	408,511
	<u>493,018</u>	<u>408,511</u>

Obligations under finance leases and hire purchase contracts

These are repayable over varying periods by monthly instalments as follows:

In the next year - see note 12	261,334	232,979
In the second to fifth years	493,018	408,511
	<u>754,352</u>	<u>641,490</u>

Security

The finance leases and hire purchase contracts are secured on the assets concerned and are repayable by instalments in between two and five years.

LYMINGTON PRECISION ENGINEERS COMPANY LIMITED

NOTES ON FINANCIAL STATEMENTS

31 March 1999

14 Deferred taxation

	1999		1998	
	Amount unprovided £	Amount provided £	Amount unprovided £	Amount provided £
Corporation tax deferred by				
Capital allowances in excess of depreciation	87,498	-	80,752	(5,638)

Deferred taxation is based on a corporation tax rate of 31% (1998 31%).

The directors do not believe that there is any prospect of the deferred taxation becoming payable and hence no provision is made.

15 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Profit for the financial year	989,796	464,322
Dividends	(450,000)	-
Net addition to shareholders' funds	539,796	464,322
Opening shareholders' funds	1,063,899	599,577
Closing shareholders' funds	1,603,695	1,063,899

NOTES ON FINANCIAL STATEMENTS

31 March 1999

16 Called up share capital

	1999		1998	
	Number of shares	£	Number of shares	£
Authorised				
Ordinary shares of £1 each	100	100	100	100
Allotted, called up and fully paid				
Ordinary shares of £1 each	100	100	100	100

17 Profit and loss account

	1999 £
1 April 1998	1,063,799
Retained profit for the year	539,796
31 March 1999	1,603,595

18 Directors' interests and loans

During the year, the company occupied premises which involved payment of rental of £10,490 of which L. A. Crouch had an interest. The arrangements were on armslength commercial terms.

19 Capital commitments

	1996 £	1995 £
Capital expenditure that has been contracted for, but has not been provided for in the financial statements	-	46,330

20 Contingent liability

A contingent liability exists by the way of the company's inclusion in a group cross guarantee and debenture.

21 Ultimate parent undertaking

The ultimate parent company is S J Fuller (Lymington) Limited, a company registered in England.

NOTES ON FINANCIAL STATEMENTS

31 March 1999

22 Notes to the cash flow statement

Reconciliation of operating profit
to operating cash flows

	1999 £	1998 £
Operating profit	1,548,551	799,517
Depreciation charges	375,261	277,141
(Profit)/loss on sale of fixed assets	(206)	7,461
Increase in stocks	(86,607)	(329,010)
Decrease/(increase) in debtors	202,964	(1,344,940)
(Decrease)/increase in creditors	(360,038)	245,895
Net cash inflow/(outflow) from operating activities	1,679,925	(343,936)

23 Notes to the cash flow statement (continued)

Analysis of changes in net debt

	At start of year £	Cash flows £	At end of year £
Cash at bank and in hand	213,296	505,283	718,579
Bank overdrafts	(1,141,681)	(14,975)	(1,156,656)
		<u>490,308</u>	
Finance leases	(641,490)	(112,862)	(754,352)
		<u>(112,862)</u>	
Total	(1,569,875)	377,446	(1,192,429)

Reconciliation of net cash flow to movement in net debt

	1999 £	1998 £
Increase/(decrease) in cash in the year	490,308	(902,366)
Cash outflow from decrease in debt and lease financing	(112,862)	23,487
Change in net debt resulting from cash flows	377,446	(878,879)
Net debt at 1 April 1998	(1,569,875)	(690,996)
Net debt at 31 March 1999	(1,192,429)	(1,569,875)

NOTES ON FINANCIAL STATEMENTS

31 March 1999

24 Related parties

During the year there were the following transactions with related companies and balances outstanding at the 31 March 1999:

£

Fullers Precision Engineering Company limited

Purchase of engineering services	96,683
Management charges received	7,396
Balance due from related company	10,802

S J Fuller (Lymington) Limited owns 100% of the shares in Fullers Precision Engineering Company Limited. L A Crouch is a director of Fullers Precision Engineering Company Limited.

£

Accurate Section Benders Limited

Purchase of engineering services	19,332
Balance due to related company	14,921

S J Fuller (Lymington) Limited owns 50% of the shares in Accurate Section Benders Limited. L A Crouch is a director of Accurate Section Benders Limited.

£

S J Fuller (Lymington) Limited

Rent paid	10,000
Balance due from related company	1,273,079

L A Crouch owns 299 of the 300 shares in S J Fuller (Lymington) Limited which is the parent company of Lymington Precision Engineers Company Limited. L A Crouch is a director of both companies.

£

Sea Talk Systems Limited

Management charges received	35,000
Balance due from related company	38,733

S J Fuller (Lymington) Limited acquired 98% of the shares in Sea Talk Systems Limited on 28 October 1998. L A Crouch is a director of Sea Talk Systems Limited.