

SNFA Bearings Limited

Annual report for the year ended 31 December 1995

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Directors and advisers

Executive directors

JF Lamit
Chairman and Managing Director

MM Upward
General Manager

Non-executive directors

MA Luthi
GA Smith FCA

Secretary and registered office

MJ Sharpe FCMA
Wotton Road
Charfield
Near Wotton-under-Edge
Gloucestershire
GL12 8SP

Auditors

Coopers & Lybrand
Bull Wharf
Redcliff Street
Bristol
BS1 6QR

Bankers

Lloyds Bank plc
Bristol

**Directors' report
for the year ended 31 December 1995**

The directors present their report and the audited financial statements for the year ended 31 December 1995.

Principal activities

The profit and loss account for the year is set out on page 7.

The principal activity of the company during the year has continued to be the production and sale of bearings used in the aerospace and machine tools industries.

Review of business

Our 1994 report anticipated the maintaining of the trading improvement in Mainland Europe for 1995, and this has been borne out by the results.

Dividends

A dividend of £500,000 has been declared and paid for the year ended 31 December 1995. In 1994 a dividend of £250,000 was declared.

Directors

The directors of the company at 31 December 1995 were:

Mr J F Lamit (French) - Chairman
Mr G A Smith
Mr M M Upward
Mr M A Luthi (Swiss)

Fixed assets

The movements in fixed assets during the year are set out in note 9 to the accounts.

Market value of interest in land

In the opinion of the directors, the current open market value on an existing use basis of the company's land and buildings at Charfield exceeded the amount of £209,020 at which they are included in the balance sheet at 31 December 1995.

Directors' interests

According to the register kept under section 325 of the Companies Act 1985, neither of the UK directors of the company had an interest in the shares of the company nor of any other company in the group, at any time during the year ended 31 December 1995. Overseas directors are, by statutory instrument, exempt from notifying the company of their interests.

Charitable contributions

The contributions made by the company during the year for charitable purposes were £130.

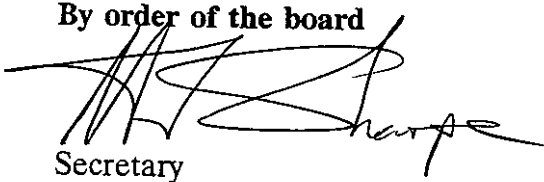
Close company

The company is a close company as defined by the Income and Corporation Taxes Act 1988.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board

A handwritten signature in dark ink, appearing to be 'A. Z. Harper', is written over the printed name 'Secretary'.

Secretary

Directors' responsibilities

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 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.

Report of the auditors to the directors of SNFA Bearings Limited under paragraph 24 of Schedule 8 to the Companies Act 1985

We have examined the abbreviated financial statements on pages 7 to 18 together with the annual financial statements of SNFA Bearings Limited for the year ended 31 December 1995. The scope of our work for the purpose of this report was limited to confirming that the company is entitled to the exemptions claimed in the directors statement on page 8 and that the abbreviated financial statements have been properly prepared from the annual financial statements.

In our opinion the company is entitled to the exemptions conferred by Section B of Part III of Schedule 8 to the Companies Act 1985 and the abbreviated financial statements have been properly prepared in accordance with that Schedule.

We reported as auditors of SNFA Bearings Limited to the members on 16 May 1996 on the company's annual financial statements prepared under Section 226 of the Companies Act 1985 and our audit report was as follows:

We have audited the financial statements on pages 6 to 18.

Respective responsibilities of directors and auditors

As described on page 4 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 at 31 December 1995 and of its profit and cash flows, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Carper & Hyland

**Chartered Accountants and Registered Auditors
Bristol**

16 May 1996

**Profit and loss account
for the year ended 31 December 1995**

	Notes	1995 £	1994 £
Gross profit		3,207,660	2,197,170
Staff costs	2	(1,592,279)	(1,178,034)
Depreciation		(207,089)	(242,886)
Other operating charges	5	(354,210)	(322,842)
Other interest receivable and similar income		46,703	29,315
Interest payable and similar charges	6	(69)	(1)
Profit on ordinary activities before taxation	7	1,100,716	482,722
Tax on profit on ordinary activities	8	369,751	(165,518)
Profit on ordinary activities after taxation		730,965	319,204
Dividend proposed/paid		(500,000)	(250,000)
Retained profit for the year		230,965	69,204
Statement of retained profits			
Retained profit for the year		230,965	69,204
Retained profit at 1 January 1995		2,848,826	2,779,622
Retained profit at 31 December 1995		3,079,791	2,848,826

All of the company's turnover and profit was generated from continuing activities.

The company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

**Balance sheet
at 31 December 1995**

	Notes	1995 £	1994 £
Fixed assets			
Tangible assets	9	719,228	656,824
Investments - shares in group companies	10	2	2
		<u>719,230</u>	<u>656,826</u>
Current assets			
Stocks	11	1,589,304	1,318,337
Debtors	12	1,064,810	858,499
Cash at bank and in hand		630,061	763,052
Other	13	82,000	-
		<u>3,366,175</u>	<u>2,939,888</u>
Creditors: amounts falling due within one year	14	<u>(828,495)</u>	<u>(562,299)</u>
Net current assets		<u>2,537,680</u>	<u>2,377,589</u>
Total assets less current liabilities		<u>3,256,910</u>	<u>3,034,415</u>
Provisions for liabilities and charges			
Deferred tax	15	<u>(27,119)</u>	<u>(35,589)</u>
Net assets		<u>3,229,791</u>	<u>2,998,826</u>
Capital and reserves			
Called-up share capital	17	150,000	150,000
Profit and loss account		<u>3,079,791</u>	<u>2,848,826</u>
Equity shareholders' funds	22	<u>3,229,791</u>	<u>2,998,826</u>

Advantage has been taken of the exemptions for medium-sized companies conferred by Section B of Part III of Schedule 8 of the Companies Act 1985, on the grounds that in the director's opinion as it meets the conditions, the company is entitled to benefit from those exemptions as a medium sized company.

The financial statements on pages 7 to 18 were approved by the board of directors on and were signed on its behalf by:

16 TH MAY 1996

Director



Cash flow statement for the year ended 31 December 1995

	Notes	1995 £	£	1994 £	£
Net cash inflow from operating activities	18		874,497		734,487
Returns on investments and servicing of finance					
Interest received		47,707		29,315	
Interest paid		(69)		(1)	
Dividends paid		(500,000)		(290,000)	
Net cash (outflow) from returns on investments and servicing of finance			(452,362)		(260,686)
Taxation					
Corporation tax paid (including advance corporation tax)			(201,010)		(98,375)
Investing activities					
Purchase of tangible fixed assets		(368,116)		(73,718)	
Sales of tangible fixed assets		14,000		8,030	
Net cash (outflow) from investing activities			(354,116)		(65,688)
Net cash (outflow)/inflow and (decrease)/increase in cash and cash equivalents	19		(132,991)		309,738

Notes to the financial statements for the year ended 31 December 1995

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Turnover

Turnover, which excludes value added tax, represents the invoiced value of goods sold.

Depreciation

Depreciation has been calculated on a straight line basis by reference to the expected useful lives of the assets concerned, using the following annual rates:

Buildings	5%
Plant and equipment	15-33%
Motor vehicles	25%

Freehold land is not depreciated.

Stocks and work in progress

Stocks and work in progress have been valued at the lower of cost and net realisable value. Cost, in the case of work in progress and manufactured finished goods, includes direct labour and appropriate factory overheads.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. Differences on exchange are included in or charged against profit for the year in which they arise.

Operating leases

Rentals payable under operating leases are charged to the profit and loss account as incurred over the lease term.

2 Staff costs

	1995	1994
	£	£
Staff costs		
Directors' emoluments (excluding pension costs and other benefits)	102,294	116,650
Wages and salaries	1,308,725	921,834
Social security costs	120,410	86,519
Other pension costs (see note 16)	60,850	53,031
	<u>1,592,279</u>	<u>1,178,034</u>

3 Directors' emoluments

	1995	1994
Emoluments (including pension contributions and benefits in kind)	<u>£114,211</u>	<u>£132,122</u>

Emoluments (excluding pension contributions) include amounts paid to:

	1995	1994
The chairman	<u>£45,600</u>	<u>£34,400</u>
The highest-paid director	<u>£54,594</u>	<u>£46,982</u>

The number of directors (including the chairman and the highest-paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	1995	1994
	Number	Number
£0 to £5,000	1	1
£10,001 to £15,000	1	-
£30,001 to £35,000	-	1
£45,001 to £50,000	1	2
£50,001 to £55,000	1	-

4 Employee information

The average weekly number of persons (including executive directors) employed during the year was:

	1995	1994
	Number	Number
By function		
Production	47	37
Non-production	27	23
	<u>74</u>	<u>60</u>

5 Other operating charges

	1995	1994
	£	£
Distribution costs	65,432	61,012
Administrative expenses	272,954	268,750
	<u>338,386</u>	<u>329,762</u>
Add: Other operating costs/(income)	15,824	(6,920)
	<u>354,210</u>	<u>322,842</u>

6 Interest payable and similar charges

	1995	1994
	£	£
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	69	1

7 Profit on ordinary activities before taxation

	1995 £	1994 £
Profit on ordinary activities before taxation is stated after charging:		
Loss/(Profit) on sale of fixed assets	2,624	(4,117)
Depreciation charge for the year:		
Tangible owned fixed assets	207,089	242,886
Auditors' remuneration for audit	10,679	10,800
Auditors' remuneration for non-audit services	9,550	8,260
Hire of plant and machinery - operating leases	1,411	1,089
Hire of other assets - operating leases	20,536	25,580
Loss on foreign exchange transactions	4,452	9,360
	<u> </u>	<u> </u>

8 Tax on profit on ordinary activities

	1995 £	1994 £
United Kingdom corporation tax at 33%	377,570	193,446
Under provision in respect of prior years	651	128
	<u> </u>	<u> </u>
	378,221	193,574
Deferred taxation:		
Current year	(8,946)	(30,339)
Prior year	476	283
	<u> </u>	<u> </u>
	369,751	163,518
	<u> </u>	<u> </u>

9 Tangible fixed assets

	Land & Buildings £	Plant machinery & motor £	1995 Total £
Cost			
At 1 January 1995	401,441	2,877,916	3,279,357
Additions	-	286,116	286,116
Disposals	-	(33,110)	(33,110)
At 31 December 1995	401,441	3,130,922	3,532,363
Depreciation			
At 1 January 1995	173,100	2,449,433	2,622,533
Charge for year	19,321	187,768	207,089
Disposals	-	(16,487)	(16,487)
At 31 December 1995	192,421	2,620,714	2,813,135
Net book value			
at 31 December 1995	209,020	510,208	719,228
Net book value			
at 31 December 1994	228,341	428,483	656,824

10 Fixed asset investments

The wholly owned subsidiary, Aero-Bearings (Charfield) Limited, has a nominal capital of £100, of which £2, representing 2 ordinary shares of £1 each, is issued and fully paid. The company is registered in England and Wales and does not trade.

11 Stocks

	1995 £	1994 £
Raw materials and bought in components	393,419	226,493
Work in progress	365,308	354,804
Finished goods	830,577	737,040
	1,589,304	1,318,337

12 Debtors

	1995	1994
Amounts falling due within one year		
Trade debtors	461,003	394,781
Amounts owed by group undertakings	561,232	409,014
Prepayments and accrued income	42,575	54,704
	<u>1,064,810</u>	<u>858,499</u>

13 Other current assets

On 2 March 1995, the company purchased the house of Mr GA Smith, a director of the company, for £82,000. The house was re-sold to an unconnected third party on 12 January 1996 for £82,000.

14 Creditors: amounts falling due within one year

	1995 £	1994 £
Trade creditors	179,813	149,181
Amounts owed to group undertakings	194,303	147,865
Corporation tax	252,570	120,671
ACT payable	90,625	45,313
Other taxation and social security payable	56,646	65,451
Accruals and deferred income	54,538	33,818
	<u>828,495</u>	<u>562,299</u>

15 Provisions for liabilities and charges

Deferred taxation

Deferred taxation provided in the financial statements, and the amount unprovided of the total potential liability, are as follows:

	Amount provided		Amount unprovided	
	1995	1994	1995	1994
	£	£	£	£
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	27,614	35,258	-	-
Other	(495)	331	12,782	12,782
	<u>27,119</u>	<u>35,589</u>	<u>12,782</u>	<u>12,782</u>
	<u>27,119</u>	<u>35,589</u>		

The movement on the provision for deferred taxation is as follows:

	£
At 1 January 1995	35,589
Profit and loss account	(8,470)
At 31 December 1995	<u>27,119</u>

16 Pension and similar obligations

The company operates a contributory pension scheme providing benefits based on final pensionable pay, covering eligible employees. The scheme funds are administered by trustees and are independent of the company's finances, 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 company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method of funding.

The most recent valuation was as at 1 April 1995. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 9% per annum, that salary increases would average 7½% per annum and that present and future pensions would increase at the rate of 3% per annum.

The pension charge for the year was £60,850 (1994: £53,031). This is after allowing for a credit of £23,000 (1994: £22,200) in respect of the amortisation of the surplus that is being recognised over 20 years.

The most recent actuarial valuation showed that the market value of the scheme's assets was £1,371,599 and that the actuarial value of those assets represented 122% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the company were 9% of earnings and those for employees 4% in 1995.

17 Called-up share capital

	1995 £	1994 £
Authorised		
1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid		
150,000 (1994: 150,000) ordinary shares of £1 each	<u>150,000</u>	<u>150,000</u>

18 Reconciliation of operating profit to net cash inflow from operating activities

	1995 £	1994 £
Operating profit	1,054,082	453,408
Depreciation charges	207,089	242,886
Loss/(Profit) on sale of tangible fixed assets	2,624	(4,117)
(Increase)/decrease in stocks	(270,967)	140,205
Increase in debtors	(207,316)	(235,462)
Increase in creditors	<u>88,985</u>	<u>137,567</u>
Net cash inflow from operating activities	<u>874,497</u>	<u>734,487</u>

19 Cash at bank and in hand

	1995 £	1994 £
Changes during the year		
At 1 January 1995	763,052	453,314
Net cash (outflow)/inflow	(132,991)	309,738
	<hr/>	<hr/>
Balance at 31 December 1995	630,061	763,052
	<hr/>	<hr/>

20 Financial commitments

At 31 December 1995 the company had annual commitments under non-cancellable operating leases as follows:

	1995 £	1994 £
Expiring within one year	4,920	11,218
Expiring between two and five years inclusive	13,565	4,920
	<hr/>	<hr/>
	18,485	16,138
	<hr/>	<hr/>

21 Reconciliation of movements in shareholder's funds

	1995 £	1994 £
Profit for the financial year	730,965	319,204
Dividends payable/paid	(500,000)	(250,000)
Opening shareholder's funds	2,998,826	2,929,622
	<hr/>	<hr/>
Closing shareholder's funds	3,229,791	2,998,826
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22 Ultimate and immediate parent companies

The company is a wholly owned subsidiary of Holinco SA incorporated and resident in Switzerland. The directors are informed that the ultimate holding company is SNFA SA, incorporated and resident in France.