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BESTOBELL MOBREY LIMITED

REPORT AND ACCOUNTS

31ST DECEMBER, 1976

Fryer Whitehill & Co.

Chartered Accountants



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31ST DECEMBER, 1976

FRYER WHITEHILL & CO.
Chartered Accountants,
23/25 Castle Street,
READING.



BESTOBELL MOBREY LIMITED

DIRECTORS' REPORT

Directors:-

Mr. R.G. Beattie - Chairman
Mr. G.G. Woodhead
Mr. E.A. Morrison
Mr. S. Wood
Mr. E.P. Bartlett

The Directors submit their Report and the Accounts for the year ended 31st December, 1976:-

1. TURNOVER, PROFIT AND DIVIDENDS

	<u>1976</u>	<u>1975</u>
	£	£
Turnover	<u>£6,364,579</u>	<u>£6,705,705</u>
Net Profit after providing for Taxation	264,816	448,666
<u>Deduct:</u> Recommended dividend	<u>252,000</u>	<u>330,000</u>
	12,816	118,666
<u>Add:</u> Retained Profit brought forward	<u>636,744</u>	<u>518,078</u>
	<u>£649,560</u>	<u>£636,744</u>

2. PRINCIPAL ACTIVITIES

The principal activities of the Company are the design, development, manufacture and installation of Engineering Control Equipment.

3. EXPORTS

The aggregate f.o.b. value of goods directly exported from the United Kingdom during the year was £2,294,985 (1975 - £2,207,038).

4. FIXED ASSETS

In the opinion of the Directors the market value of Land and Buildings at 31st December, 1976, does not differ substantially from the amount at which they are included in the Balance Sheet.

During the year significant disposals of fixed assets included the sale of the Cumbernauld activity to Garimech Limited, as a going concern and the transfer to a newly formed Bestobell Service Company Limited, of the service division.

INDISTINCT ORIGINAL

4. FIXED ASSETS (continued)

The details of these are as follows:-

	<u>N.B.V.</u>	<u>Proceeds</u>
	£	£
<u>Cumbernauld Activity</u>		
Plant and Machinery	7,581	-
Motor Vehicles	844	-
	<u>£8,425</u>	<u>£ -</u>
<u>Service Division</u>		
Motor Vehicles	70,187	70,187
Plant and Machinery	16,007	16,007
	<u>£86,194</u>	<u>£86,194</u>

The cost of the Cumbernauld transfer is shown in the Profit and Loss account.

Since the end of the year the Company has sold its Heating and Ventilating Contracting division as the Directors did not consider this activity to be consistent with the longer term development plans of the Company. The terms of the transfer are considered beneficial to the Company and to the employees of that division. The proceeds from this sale will be reinvested in the business.

Particulars of changes in Fixed Assets during the year are given under Balance Sheet Note 1.

5. DIRECTORS AND THEIR INTERESTS

The following is a list of the present Directors of the Company and of those who were Directors during the year.

They have declared their interests (including family interests, as defined in the Companies Act 1967) in Ordinary Shares of Bestobell Limited, or its Subsidiary Companies, at 31st December, 1976.

	<u>Shares in Bestobell Limited</u>	
	<u>1976</u>	<u>1975</u>
Mr. R.G. Allen (Retired 1.6.76)	-	-
Mr. R.G. Beattie (Shares held on appointment 1.6.76 - Nil)	Nil	-
Mr. G.G. Woodhead (Shares held on appointment 1.1.76 - Nil)	Nil	-
Mr. L.J. Hedges (Retired 1.1.76)	-	-
Mr. E.A. Morrison	420	420
Mr. D.G. Gilbey (Retired 1.1.77)	91	95
Mr. S. Wood	Nil	Nil
Mr. E.P. Bartlett (Appointed 1.1.77)	-	-

INDISTINCT ORIGINAL

No Directors held any interest in Shares in the Company, Fellow Subsidiary Companies, or in Preference Shares or Debenture Stock of Bestobell Limited, or its Subsidiary Companies.

In accordance with the articles the following directors appointed since the last general meeting, retire and offer themselves for re-election.

Mr. R.G. Beattie
Mr. E.P. Bartlett

Mr. E.A. Morrison, retires by rotation and, being eligible offers himself for re-election.

None of the Directors had any interest, direct or indirect, in any contracts subsisting at any time during the year, to which the Company was a party.

6. AUDITORS

Messrs. Fryer Whitehill & Co. have expressed their willingness to continue in office.

BY ORDER OF THE BOARD

E.P. BARTLETT

Secretary.

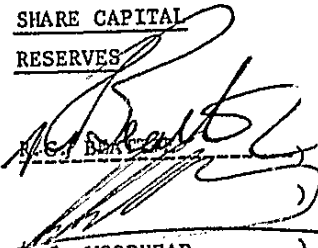
Bath Road,
Slough,
Berks.

March 1977.

INDISTINCT ORIGINAL

BESTOBELL MOBREY LIMITED

BALANCE SHEET - 31ST DECEMBER, 1976

	<u>Notes</u>	<u>1976</u> £	<u>1975</u> £
<u>FIXED ASSETS</u>	1	439,492	313,690
<u>SUBSIDIARY COMPANIES</u>	2	-	454,140
<u>CURRENT ASSETS</u>			
Stock and Work-in-Progress	3	1,753,842	1,760,701
Fellow Subsidiary Companies		564,067	226,455
Debtors		1,401,513	1,574,143
Cash and Bank Balances		203,481	87,899
		<u>3,922,903</u>	<u>3,649,198</u>
<u>Deduct:</u>			
<u>CURRENT LIABILITIES</u>			
Creditors	4	1,281,942	1,154,443
Taxation		504,239	424,582
Fellow Subsidiary Companies		99,558	9,165
Bank Loan and Overdraft		500,000	295,226
Proposed Dividend		252,000	330,000
		<u>2,637,739</u>	<u>2,213,416</u>
		<u>1,285,164</u>	<u>1,435,782</u>
		<u>1,724,656</u>	<u>2,203,618</u>
<u>Deduct:</u>			
<u>AMOUNT DUE TO HOLDING COMPANY</u>	5	386,496	664,168
<u>DEFERRED LIABILITIES</u>			
Corporation Tax due 1.1.1978	4	173,100	486,700
Deferred Taxation	6	365,500	266,000
		<u>538,600</u>	<u>752,700</u>
		<u>925,096</u>	<u>1,416,868</u>
<u>NET ASSETS</u>		<u>£799,560</u>	<u>£786,744</u>
<u>Represented by:</u>			
<u>SHARE CAPITAL</u>	7	150,000	150,000
<u>RESERVES</u>		649,560	636,744
		<u>£799,560</u>	<u>£786,744</u>
 G. G. WOODHEAD	DIRECTORS		

INDISTINCT ORIGINAL

BESTOBELL MOBREY LIMITED

NOTES ON THE BALANCE SHEET

1. Land and buildings are shown at the original cost to the Group. Depreciation is cumulative based on cost.

Other fixed assets are stated at original cost to the Group. Depreciation is cumulative.

The movements in fixed assets during the year were as follows:-

	<u>1976</u>	
	<u>Land and Buildings</u>	<u>Other Fixed Assets</u>
	£	£
Cost at 31st December, 1975	79,307	782,401
<u>Add:</u> Additions during year	-	293,033
	<hr/>	<hr/>
	79,307	1,075,434
<u>Deduct:</u> Disposals during year	-	300,444
	<hr/>	<hr/>
Cost at 31st December, 1976	79,307	774,990
<u>Deduct:</u> Cumulative Depreciation to 31st December, 1976	25,140	389,665
	<hr/>	<hr/>
Written Down Value at 31st December, 1976	£54,167	£385,325
	<hr/>	<hr/>
Per Balance Sheet	£439,492	
	<hr/>	
Written Down Value at 31st December, 1975	£56,140	£257,541
	<hr/>	<hr/>
	£313,690	
	<hr/>	

<u>Land and Buildings</u>	<u>1976</u>		<u>1975</u>	
	<u>Cost</u>	<u>Book Value</u>	<u>Cost</u>	<u>Book Value</u>
Leasehold (under 50 years unexpired)	£79,307	£54,167	£79,307	£56,149
<u>Capital Commitments</u>	<u>1976</u>		<u>1975</u>	
Contracted but not provided	£44,739		NIL	
Authorised by the Directors but not contracted	NIL		NIL	

INDISTINCT ORIGINAL

2. SUBSIDIARY COMPANIES

	<u>1976</u>	<u>1975</u>
	£	£
Shares at Cost	-	143,835
Add: Amount due from Subsidiary	-	318,884
	-	462,719
Deduct: Amount due to Subsidiary	-	8,579
Balance at 31st December, 1976	£ -	£454,140

The Company's holdings in its subsidiary companies were transferred to Bestobell Overseas Limited, a fellow subsidiary company on 1st January, 1976 at cost.

3. STOCK AND WORK IN PROGRESS

	<u>1976</u>	
	£	
Stocks and Manufacturing Work in Progress valued at cost of purchase and where relevant an appropriate proportion of manufacturing overheads, and net realisable value, whichever is the lower	1,694,165	
Contract Work in Progress	343,864	
Less Progress Claims	314,000	
		29,864
valued at the lower of cost, including appropriate contract overheads and net realisable value. Profits on short term contracts are taken on completion and those on long term contracts only when they can reasonably be foreseen. Full provision is made for any anticipated losses.		
Tooling		
valued at cost less amounts written off at the rate of 25% per annum		29,813
		£1,753,842

4. TAXATION (See also Note 6 and Profit and Loss Note 3)

Provision has been made in the Accounts for Corporation Tax at 52%.

5. HOLDING COMPANY

Bestobell Limited, incorporated in Great Britain, is the Holding Company.

6. DEFERRED TAXATION (See also Note 4 and Profit and Loss Note 3)

The following provision has been made by way of Deferral Taxation at the current year end rates of taxation to reflect:-

	<u>1976</u>	<u>1975</u>
	£	£
(a) the difference between depreciation charged in the accounts and allowances for tax purposes together with other timing differences	156,982	37,189

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INDISTINCT ORIGINAL

6. DEFERRED TAXATION(continued)

	<u>1976</u>	<u>1975</u>
	£	£
B. Fwd.	156,982	37,189
(b) tax deferred in respect of stock increase relief	208,518	228,811
	<u>£365,500</u>	<u>£266,000</u>

7. SHARE CAPITAL

	<u>1976</u>	<u>1975</u>
	£	£
Authorised Share Capital of 150,000 shares at £1 each	<u>£150,000</u>	<u>£150,000</u>
Issued Share Capital of 150,000 shares of £1 each fully paid	<u>£150,000</u>	<u>£150,000</u>

8. PENSION ARRANGEMENTS

Pensions for current employees are provided by contribution to the Group Pension Scheme. Pensions - paid to those employees who were not eligible for admission to Group Scheme are charged against profits as they arise.

9. CONTINGENT LIABILITIES/GUARANTEES

A. The Company has agreed to guarantee:-

- a) the obligations of its Holding Company in relation to an issue of £1,000,000 6½% Debenture Stock 1986/91 and to give a first floating charge on the whole of its undertaking property and assets as security for such guarantee.
- b) the obligation of its Holding Company in relation to banking facilities granted by International Westminster Bank Limited to Bestobell Limited. At 31st December, 1976, the facilities provided amounted to U.S. Dollars \$78,773. (£45,999).
- c) the obligations of its Holding Company and certain United Kingdom Fellow Subsidiary Companies to the National Westminster Bank Limited. At 31st December, 1976, the obligations covered amounted to £3,107,364. The actual amount outstanding at 31st December, 1976 was £188,437.
- d) the obligation of its Holding Company and certain United Kingdom Fellow Subsidiary Companies to the Bank of Scotland Limited. At 31st December, 1976, the obligations covered amounted to £850,000. The actual amount outstanding at 31st December, 1976 was £176,997.

INDISTINCT ORIGINAL

9. CONTINGENT LIABILITIES/GUARANTEES(continued)

- e) the obligations of its Holding Company and certain United Kingdom Fellow Subsidiary Companies to Barclays Merchant Bank Limited. At 31st December, 1976, the obligations covered amounted to £3,000,000. The actual amount outstanding at 31st December, 1976, was £1,500,000.

Similar guarantees and charges have also been given by certain other United Kingdom Subsidiaries of Bestobell Limited in respect of the above.

- f) Guarantees exist to the Bank of Scotland to cover the guarantee provided by the Bank to Banque Bruxelles Lambert S.A. for 3,000,000 Belgian Francs in respect of overdraft facilities made available to Mobrey Stegu S.A.

- g) Guarantees to Bank of Scotland exist to cover Guarantees provided by the Bank to Krediet Banque O/A. for the value of 4,000,000 Belgian Francs on account of overdraft facilities provided to Mobrey Stegu S.A.

- B. There is a contingent liability in respect of guarantees given on completed contracts.

10. RATES OF EXCHANGE

Overseas currencies have been converted to Sterling at the rate of exchange ruling at the Balance Sheet date.

11. HOLIDAY PAY

Provision has not been made for holiday entitlement based on service to 31st December, 1970, which will become payable to certain employees as they leave the service of the company. The total liability is approximately £25,700 (1975 - £46,000), which will be met over a period of years.

12. PREVIOUS YEAR COMPARISONS

The figures shown for comparative purposes include the service activity of the company which as from 1st January, 1976 was transferred to Bestobell Service Co. Limited.

INDISTINCT ORIGINAL

BESTOBELL MOBREY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 1976

	<u>Notes</u>	<u>1976</u> £	<u>1975</u> £
Turnover	1	£6,364,579	£6,705,705
Trading Profit		784,894	1,197,751
<u>Add: Interest Receivable</u>		77,647	35,628
		862,541	1,233,379
<u>Deduct:</u>			
Depreciation	2	55,838	89,583
Know How written off		-	2,964
Auditors' Remuneration		12,750	12,500
Interest Payable		182,763	146,901
Hire Charges		14,735	9,064
Provision for Portuguese Fellow Subsidiary Debt		-	19,101
Loss on Closure of Factory	4	55,000	-
		321,086	281,013
<u>PROFIT BEFORE TAXATION</u>		541,455	952,366
<u>Deduct:</u>			
Taxation	3	276,639	503,700
<u>PROFIT AFTER TAXATION</u>		264,816	448,666
<u>Deduct:</u>			
Proposed Dividend		252,000	330,000
<u>Retained Profit for the year</u>		12,816	118,666
Balance brought forward from Previous Year		636,744	518,078
<u>Unappropriated Profit and Revenue Reserves carried forward</u>		£649,560	£636,744

INDISTINCT ORIGINAL

BESTOBELL MOBREY LIMITED
NOTES ON PROFIT AND LOSS ACCOUNT

1. TURNOVER

This includes both Sales and the value of contracts completed during the year (1975 also includes sales of the service division).

2. DEPRECIATION OF FIXED ASSETS

	<u>1976</u>	<u>1975</u>
	£	£
Buildings	1,982	1,982
Plant, Vehicles and Equipment	56,086	89,546
	<u>58,068</u>	<u>91,528</u>
<u>Deduct:</u> Profit on Disposals	2,230	1,945
	<u>£55,838</u>	<u>£89,583</u>

Depreciation is calculated on Buildings at 2½% per annum of the cost.

Depreciation on Plant and Equipment is provided at 10% and 20% per annum and on vehicles at 25% per annum of the original cost.

2 - Herbert Batchmatics acquired during the year at a cost of £154,780 were not operational at 31st December, 1976, and were therefore not depreciated.

3. TAXATION (see Balance Sheet Notes 4 and 6)

	<u>1976</u>	<u>1975</u>
	£	£
United Kingdom Corporation Tax	173,100	486,700
Deferred Taxation	105,000	17,000
	<u>278,100</u>	<u>503,700</u>
<u>Deduct:</u> (Over) provision in previous year	(1,461)	-
	<u>£276,639</u>	<u>£503,700</u>

4. EXCEPTIONAL ITEMS

The sale of the Cumbernauld activity resulted in exceptional costs of £55,000, which includes £8,425 loss on fixed assets.

INDISTINCT ORIGINAL

5. DIRECTORS' EMOLUMENTS

	<u>1976</u>	<u>1975</u>
	£	£
Other Offices	32,559	40,288
Past Directors' Pensions	3,940	4,252
Compensation for loss of office - Other Offices	-	15,100
	<u>£36,499</u>	<u>£59,640</u>
Chairman's Emoluments) excluding Pension) scheme) contributions	Nil	Nil
Highest Paid Director)	<u>£11,684</u>	<u>£11,966</u>
Total number of Directors whose emoluments fall within the following scales (excluding pension scheme contributions)		
Up to £2,500	4	2
Over £2,500 up to £5,000	-	-
Over £5,000 up to £7,500	-	1
Over £7,500 up to £10,000	2	2
Over £10,000 up to £12,500	1	1

There were no employees (1975 - none) of the Company, other than Directors, whose remuneration exceeded £10,000.

INDISTINCT ORIGINAL

BESTOBELL MOBREY LIMITED

SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31ST DECEMBER, 1976

	<u>CASH FLOW IN/(OUT)</u>	
	<u>1976</u>	<u>1975</u>
	£	£
<u>SOURCE OF FUNDS</u>		
Profit before Taxation	541,455	952,366
Adjustment for items not involving the movement of funds:-		
Depreciation	58,068	91,528
Know-how written off	-	2,964
<u>TOTAL GENERATED FROM OPERATIONS</u>	<u>599,523</u>	<u>1,046,858</u>
<u>FUNDS FROM OTHER SOURCES</u>		
Borrowed from Holding Company	-	462,273
Book value of fixed asset disposals	105,401	2,347
Investment in Subsidiary Companies transferred	143,835	-
<u>TOTAL AVAILABLE FUNDS</u>	<u>848,759</u>	<u>1,511,478</u>
<u>APPLICATION OF FUNDS</u>		
Dividend paid	(330,000)	(550,000)
Tax paid	(411,082)	(216,757)
Repaid to Holding Company	(277,672)	-
Purchase of fixed assets	(289,271)	(80,605)
	<u>£(459,266)</u>	<u>£664,116</u>
<u>(INCREASE)/DECREASE IN WORKING CAPITAL</u>		
(Increase)/decrease in stocks	6,859	(167,678)
(Increase)/decrease in debtors	172,630	(20,349)
Increase/(decrease) in creditors	127,499	214,748
Change in inter-company current accounts	63,086	(71,645)
(Increase)/decrease in net liquid resources	89,192	(619,192)
	<u>£459,266</u>	<u>£(664,116)</u>

INDISTINCT ORIGINAL

REPORT OF THE AUDITORS
TO THE MEMBERS OF BESTOBELL-MOBREY LIMITED

In our opinion, the accounts on pages 2 to 6 which have been prepared as in previous years under the historic cost convention, give, under that convention a true and fair view of the state of the company's affairs at 31st December 1976 and of the profit and the source and application of funds for the year ended on that date and comply with the Companies Acts 1948 and 1967.

READING

11 March, 1977

Fryer Whitehill & Co.

FRYER WHITEHILL & CO.

Chartered Accountants.

INDISTINCT ORIGINAL