

# Lister-Petter Group Limited

## Report and Accounts

31 December 1997

*Registered Number - 3162838*



# Lister-Petter Group Limited

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Registered No. 3162838

## **DIRECTORS**

B P Dean  
L T Sargent  
P A Tempest  
G L Wrigley

## **SECRETARY**

L T Sargent

## **AUDITORS**

Ernst & Young  
One Bridewell Street  
Bristol  
BS1 2AA

## **BANKERS**

The Bank of Scotland  
Broad Street House  
55 Old Broad Street  
London  
EC2P 2HL

## **SOLICITORS**

Clifford Chance  
200 Aldersgate Street  
London  
EC1A 4JJ

## **REGISTERED OFFICE**

Long Street  
Dursley  
Gloucestershire  
GL11 4HS

## DIRECTORS' REPORT

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The directors present their report and the group accounts for the year ended 31 December 1997.

### RESULTS AND DIVIDENDS

The group loss for the year, after taxation, amounted to £293,000 (1996 - 6 months profit £222,000).

The directors do not recommend an ordinary dividend. After preference dividends of £1,392,000 the loss retained is £1,685,000.

### PRINCIPAL ACTIVITIES

The company is a holding company whose purpose is to control and develop manufacturing businesses purchased on 29 June 1996.

### REVIEW OF THE BUSINESS

The results cover the first full year since acquisition of the trading companies. Demand for the Group companies products and services has remained strong throughout the period. During the year a major reorganisation programme was implemented which is expected to provide benefits in future years. The redundancy costs arising from this reorganisation amounted to £1,907,000 and have been written off in the year.

### DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

Ms B P Dean

Mr G J Clarke - Resigned 15 October 1997

Mr R T Sharpe - Resigned 24 July 1997

Mr L T Sargent - Appointed 16 October 1997

Mr P A Tempest

Mr G L Wrigley

No director was interested in the 'B' ordinary or cumulative preference shares of the company, or in the shares or loan stock of any subsidiary company.

The company is in the process of finalising arrangements with Mr P A Tempest, Mr L T Sargent and Ms B P Dean which on finalisation will result in them having respectively interests in 16,471, 10,426 and 47,059 new "A" Ordinary shares of the company.

The directors are not required to retire by rotation under the Articles of Association.

### DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year the company purchased and maintained liability insurance for its directors and officers as permitted by section 310(3) of the Companies Act 1985.

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DIRECTORS' REPORT

**GENERAL INFORMATION**

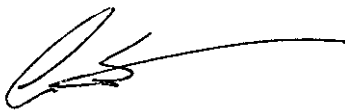
Information concerning employees and their remuneration is given in note 5. Consultative procedures enable management and other employees to discuss matters of mutual interest, including health and safety. Through these procedures and departmental channels, employees are kept informed about Group affairs.

It is the Group's policy to encourage the employment, training and career development of disabled persons. If employees become disabled every effort is made for them to continue in employment or receive appropriate training. In order to safeguard its employees, the Group pursues a policy, which seeks to achieve, as far as practically possible, secure working environments and training standards at all operating locations.

**AUDITORS**

Ernst & Young were appointed auditors by the directors. Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be put to the members at the Annual General Meeting.

By order of the Board



Secretary

Date *24 June 1998*

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE  
ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the accounts.

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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**REPORT OF THE AUDITORS**  
**to the members of Lister-Petter Group Limited**

We have audited the accounts on pages 7 to 26, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 12 and 13.

**Respective responsibilities of directors and auditors**

As described on page 5 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

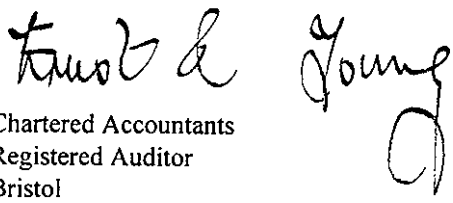
**Basis of opinion**


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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 December 1997 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Chartered Accountants  
Registered Auditor  
Bristol

Date 

# Lister-Petter Group Limited

## GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 December 1997

		(6 months)	
		1997	1996
	Notes	£000	£000
<b>TURNOVER</b>			
Continuing operations	2	88,500	41,170
Discontinued operations		2,219	-
		<u>90,719</u>	<u>41,170</u>
Operating costs less other operating income	3	84,569	38,065
Operating profit		<u>6,150</u>	<u>3,105</u>
Continuing operations		5,847	-
Discontinued operations		303	-
Income from interests in associated undertakings		240	139
<b>OPERATING PROFIT</b>	4	<u>6,390</u>	<u>3,244</u>
Profit on disposal of tangible fixed assets		42	13
Redundancy and reorganisation costs		(1,907)	-
		<u>4,525</u>	<u>3,257</u>
Bank interest receivable		482	4
Interest payable and similar charges	6	(4,852)	(2,668)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>152</u>	<u>593</u>
Tax on profit on ordinary activities	8	(448)	(371)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u>(293)</u>	<u>222</u>
<b>DIVIDENDS</b>			
Preference dividend on non-equity shares	7	1,392	696
<b>RETAINED (LOSS) FOR THE YEAR/PERIOD</b>		<u>(1,685)</u>	<u>(474)</u>

# Lister-Petter Group Limited

## RECONCILIATION OF SHAREHOLDERS' FUNDS for the year ended 31 December 1997

	1997	(6 months) 1996
	£000	£000
(Loss)/profit for the year/period attributable to members of the parent company	(293)	222
Dividends	(1,392)	(696)
Other movements:		
New shares issued	-	14,514
Exchange adjustments on translation of net assets of subsidiary undertakings	391	(423)
Total movements during the year/period	(1,294)	13,617
Shareholders' funds at 1 January	13,617	-
Shareholders' funds at 31 December	12,323	13,617



# Lister-Petter Group Limited

## GROUP BALANCE SHEET at 31 December 1997

	Notes	1997 £000	1996 £000
<b>FIXED ASSETS</b>			
Intangible assets	10	16,005	16,870
Tangible assets	11	25,409	26,430
Investments	12	1,767	1,561
		<u>43,181</u>	<u>44,861</u>
<b>CURRENT ASSETS</b>			
Stocks	13	12,986	14,942
Debtors	14	22,658	17,594
Cash at bank and in hand	15	10,439	4,681
		<u>46,083</u>	<u>37,217</u>
<b>CREDITORS: amounts falling due within one year</b>	16	<u>(33,106)</u>	<u>(22,879)</u>
<b>NET CURRENT ASSETS</b>		<u>12,977</u>	<u>14,338</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>56,158</u>	<u>59,199</u>
<b>CREDITORS: amounts falling due after more than one year</b>			
Bank loans	17	22,194	24,999
Loan note	17	19,315	19,272
		<u>41,509</u>	<u>44,271</u>
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	20	<u>2,326</u>	<u>1,311</u>
		<u>12,323</u>	<u>13,617</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	21	147	147
Share premium account	22	14,367	14,367
Profit and loss account	22	(2,191)	(897)
<b>Shareholders' funds:</b>			
Equity		<u>12,184</u>	<u>13,478</u>
Non-equity		<u>139</u>	<u>139</u>
		<u>12,323</u>	<u>13,617</u>



 - Director

Date 24 June 1998

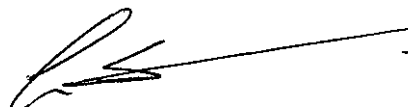
# Lister-Petter Group Limited

## BALANCE SHEET

at 31 December 1997

	Notes	1997 £000	1996 £000
<b>FIXED ASSETS</b>			
Investments	12	27,116	27,116
		<u>27,116</u>	<u>27,116</u>
<b>CURRENT ASSETS</b>			
Debtors	14	47,118	42,172
		<u>47,118</u>	<u>42,172</u>
<b>CREDITORS: amounts falling due within one year</b>	16	17,214	9,647
<b>NET CURRENT ASSETS</b>		<u>29,904</u>	<u>32,525</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>57,020</u>	<u>59,641</u>
<b>CREDITORS: amounts falling due after more than one year</b>			
Bank loans	17	22,397	25,243
Loan note	17	19,307	19,272
		<u>41,704</u>	<u>44,515</u>
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	20	1,800	600
		<u>13,516</u>	<u>14,526</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	21	147	147
Share premium account	22	14,367	14,367
Profit and loss account	22	(998)	12
<b>Shareholders' Funds:</b>			
Equity		<u>13,377</u>	<u>14,387</u>
Non-equity		<u>139</u>	<u>139</u>
		<u>13,516</u>	<u>14,526</u>



 - Director

Date 24 June 1998

# Lister-Petter Group Limited

## GROUP STATEMENT OF CASH FLOWS for the year ended 31 December 1997

	Notes	1997 £000	1996 £000
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	4a	5,248	(8,089)
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		482	4
Interest paid		(2,844)	(2,668)
Dividend paid to preference shareholders		(696)	-
<b>NET CASH (OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		(3,058)	(2,664)
<b>TAXATION</b>			
Corporation tax paid (including advance corporation tax)		(172)	-
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Payments to acquire tangible fixed assets		(1,227)	(2,991)
Receipts from sales of tangible fixed assets		80	38
Cash outflow on acquisition of subsidiary undertakings		-	(45,627)
<b>NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES</b>		(1,147)	(48,580)
<b>NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING</b>		871	(59,333)
<b>FINANCING</b>			
Issue of ordinary share capital	23(a)	-	(14,849)
Share issue costs	23(b)	-	335
New long-term loans	18	-	(50,000)
Issue costs of new long-term loans	18	-	2,543
Repayment of long-term loans	18	2,300	1,000
Repurchase of own shares		104	-
<b>NET CASH INFLOW/OUTFLOW FROM FINANCING</b>		2,404	(60,971)
<b>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	15	(1,533)	1,638
		871	(59,333)
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT</b>			
Decrease in cash in the period	15	(1,533)	
Repayment of long term loans		2,300	
Change in net debt resulting from cash flows			767
Exchange adjustments			(254)
Other			(1,484)
Movement in net debt in the period			(971)
Net debt at 1 January			(45,533)
Net debt at 31 December	23(b)		(46,504)

# Lister-Petter Group Limited

## NOTES TO THE ACCOUNTS

at 31 December 1997

### 1. ACCOUNTING POLICIES

#### *Basis of preparation*

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

#### *Basis of consolidation*

The group accounts consolidate the accounts of Lister-Petter Group Limited and all its subsidiary undertakings drawn up to 31 December 1997. No profit and loss account is presented for Lister-Petter Group Limited as permitted by section 230 of the Companies Act 1985.

The acquired companies have been included in the group accounts using the acquisition and equity methods of accounting. The purchase consideration has been allocated to assets and liabilities on the basis of fair value at the date of acquisition.

Undertakings, other than subsidiary undertakings, in which the group has an investment and over which it is in a position to exercise a significant influence are treated as associated undertakings. The group accounts include the appropriate share of the acquired undertakings' results and reserves based on latest available management accounts to 31 December 1997.

#### *Goodwill*

Goodwill arising on consolidation is amortised through the profit and loss account over the directors' estimate of its useful life, being 20 years.

If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken in to account in determining the profit or loss on sale or closure.

#### *Depreciation*

Freehold land is not depreciated. Otherwise, depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life as follows:

Freehold buildings	-	2%
Plant and machinery	-	7.5 - 33.33%

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition as follows:

Raw materials, consumables and goods for resale	-	purchase cost on a first-in, first-out basis
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

#### *Research and development*

Research and development expenditure is expensed as incurred.

# Lister-Petter Group Limited

## NOTES TO THE ACCOUNTS

at 31 December 1997

### 1. ACCOUNTING POLICIES (continued)

#### *Leased Assets*

Rentals in respect of operating leases are charged to the profit and loss account as incurred.

#### *Provisions for liabilities and charges*

Provisions for the expected costs of maintenance under guarantees and warranties are charged against profits when products have been invoiced.

#### *Deferred taxation*

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse. Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred taxation balance.

Deferred taxation assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

#### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account.

#### *Pensions*

The group operates a defined benefit pension scheme, which requires contributions to be made to a separately administered fund. Contributions to these funds are charged in the profit and loss account so as to spread the cost of pensions over the employees' working lives within the group. The regular cost is attributed to individual years using the projected unit credit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged in the profit and loss account are treated as either provisions or prepayments in the balance sheet.

### 2. TURNOVER AND SEGMENTAL ANALYSIS

Turnover represents the amounts derived from the provision of goods and services which fall within the group's ordinary activities, stated net of value added tax.

The group operates in two principal areas of activity, that of manufacturing and the development of computer software. It also operates within several geographical markets.

Group turnover is analysed as follows:

#### *Area of Activity*

	<i>Manufacturing Discontinued Operations £000</i>	<i>Manufacturing Continuing Operations £000</i>	<i>Computer Software Development £000</i>	<i>Total £000</i>
<b>TURNOVER</b>				
By segment	2,219	75,207	13,293	90,719
<b>OPERATING PROFIT</b>				
By segment	303	5,000	847	6,150

# Lister-Petter Group Limited

## NOTES TO THE ACCOUNTS

at 31 December 1997

### 2. TURNOVER AND SEGMENTAL ANALYSIS (continued)

	<i>Discontinued Operations £000</i>	<i>1997 Continuing Operations £000</i>	<i>1996 Continuing Operations £000</i>
By geographical area of origin			
UK	1,275	41,883	16,196
Rest of Europe	501	16,065	5,008
Rest of World	443	30,552	19,966
	<u>2,219</u>	<u>88,500</u>	<u>41,170</u>

	<i>1997 £000</i>	<i>1996 £000</i>
Net Assets - By Geographical area		
UK	4,446	6,169
Rest of Europe	977	1,085
Rest of World	6,900	6,363
	<u>12,323</u>	<u>13,617</u>

### 3. COST OF SALES AND OPERATING EXPENSES

	<i>1997 £000</i>	<i>1996 £000</i>
Change in stocks of finished goods and work in progress	2,115	1,640
Raw materials and consumables	42,351	13,796
Other external charges	16,294	11,006
Staff costs (note 5)	20,734	10,111
Depreciation and amortisation	3,075	1,512
	<u>84,569</u>	<u>38,065</u>

# Lister-Petter Group Limited

## NOTES TO THE ACCOUNTS

at 31 December 1997

### 4. OPERATING PROFIT

(a) Reconciliation of operating profit to net cash inflow from operating activities

	1997 £000	1996 £000
Operating profit	6,390	3,244
Depreciation	2,210	1,079
Amortisation	865	433
Share of profits of associated undertakings	(240)	(139)
Provision for maintenance warranties utilised	(698)	(664)
Provision for maintenance warranties released	(75)	-
(Increase) in debtors	(5,064)	(17,594)
Decrease/(increase) in stocks	1,957	(14,942)
Increase in creditors	1,222	19,836
Increase in provision for maintenance warranties	473	658
Provision for redundancy costs utilised	(1,792)	-
Net cash inflow/(outflow) from operating activities	5,248	(8,089)

(b) Operating profit is stated after charging:

	1997 £000	1996 £000
Auditors' remuneration		
Ernst & Young - audit services	58	58
- non-audit services	38	6
Arthur Andersen - non-audit services	-	260
£5,500 of audit services relates to the company.		
Research and development expenditure written off	1,632	1,790
Depreciation of owned assets	2,210	1,079
Goodwill amortisation	865	433
Provision for maintenance warranties	473	658
Operating lease rentals - land and buildings	-	-
- plant and machinery	177	6

### 5. STAFF COSTS

	1997 £000	1996 £000
Wages and salaries	17,340	8,753
Social security costs	2,033	935
Other pension costs	1,295	323
Other employee costs	66	-
	20,734	10,011

# Lister-Petter Group Limited

## NOTES TO THE ACCOUNTS

at 31 December 1997

### 5. STAFF COSTS (continued)

The average weekly number of employees during the year was made up as follows:

	1997	1996
	No.	No.
Selling and distribution	145	107
Manufacturing	666	784
Research and development	45	3
Administration	110	159

	966	1,053
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Directors Emoluments:

	1997	1997
	£	£
Emoluments	370,464	113,234

Compensation paid to former directors in respect of loss of office

278,605	-
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Mr G L Wrigley and Mr P A Tempest are non-executive directors and remuneration in respect of their services is paid to Schroder Ventures and Eastern Rivers Limited respectively.

The amounts in respect of the highest paid director are as follows:

	1997	1997
	£	£
Emoluments	172,000	43,814
Company contributions paid to defined benefit pension schemes	3,359	5,322
Accrued pension benefit	340	38,000

### 6. INTEREST PAYABLE AND SIMILAR CHARGES

	1997	1996
	£000	£000
Bank loans and overdrafts, and other loans wholly repayable within five years:		
Senior debt	2,333	519
Other	1,043	256
Loans not wholly repayable within five years:		
Senior debt	-	553
Loan note	1,200	600
Amortisation of issue costs	276	740
	4,852	2,668

### 7. DIVIDENDS

	1997	1996
	£000	£000
Non-equity dividends on preference shares:	1,392	696



# Lister-Petter Group Limited

## NOTES TO THE ACCOUNTS

at 31 December 1997

### 8. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is made up as follows:

	1997 £000	1996 £000
Based on the profit for the year:		
Corporation tax at 31½%	82	-
Advance Corporation Tax written off	-	174
Overseas taxation	285	133
Deferred taxation	-	15
	<u>367</u>	<u>322</u>
Associated undertakings	81	49
	<u>448</u>	<u>371</u>

### 9. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the accounts of the parent company was £1,010,000.

In accordance with the exemption allowed by section 230 of the Companies Act 1985, the company has not presented its own profit and loss account.

### 10. INTANGIBLE FIXED ASSETS

<i>Group</i>	<i>Goodwill</i> £000
Cost:	
At 1 January 1997	16,870
Amortisation:	
Provided in year	(865)
Net book value:	<u>16,005</u>
At 31 December 1997	<u>16,005</u>

# Lister-Petter Group Limited

## NOTES TO THE ACCOUNTS at 31 December 1997

### 11. TANGIBLE FIXED ASSETS

<i>Group</i>	<i>Land and buildings £000</i>	<i>Plant and machinery £000</i>	<i>Total £000</i>
Cost:			
At 1 January 1997	12,087	14,963	27,050
Exchange adjustments	32	(13)	19
Additions	-	1,193	1,193
Disposals	(16)	(929)	(945)
At 31 December 1997	12,103	15,214	27,317
Depreciation:			
At 1 January 1997	93	527	620
Exchange adjustments	-	(15)	(15)
Provided during the year	194	2,016	2,210
Disposals	(11)	(896)	(907)
At 31 December 1997	276	1,632	1,908
Net book value:			
At 31 December 1997	11,827	13,582	25,409
Net book value:			
At 1 January 1997	11,994	14,436	26,430

The company does not own any tangible fixed assets.

### 12. INVESTMENTS

<i>Group</i>	<i>1997 £000</i>	<i>1996 £000</i>
Associated undertakings (a)	1,663	1,561
Own shares (b)	104	-
	1,767	1,561

(a) Associated Undertakings

	<i>Share of net tangible assets 1997 £000</i>	<i>Share of net tangible assets 1996 £000</i>
At 1 January	1,561	1,700
Exchange adjustments	25	(98)
Share of profit retained by associated undertakings	159	90
Dividends received from associated undertakings	(82)	(131)
At 31 December	1,663	1,561

# Lister-Petter Group Limited

## NOTES TO THE ACCOUNTS at 31 December 1997

### 12. INVESTMENTS (continued)

#### (b) Own shares

	<i>Own Shares 1997 £000</i>	<i>Own shares 1996 £000</i>
Additions in year	104	-
<i>Company</i>		<i>Subsidiary undertakings</i>
		<i>Total £000</i>
Cost:		
At 1 January and 31 December 1997		27,255
Amounts provided:		
At 1 January and 31 December 1997		(139)
Net book value:		
At 1 January and 31 December 1997		27,116

Details of the investments in which the group or the company holds more than 10% of the nominal value of any class of share capital are as follows, and all were acquired on 29 June 1997.

<i>Name of company</i>	<i>Country of registration (or incorporation) and operation</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
<b>Subsidiary undertakings</b>				
All held by the company unless indicated:				
Lister-Petter Limited	England & Wales	Ordinary shares	100%	Manufacturing and computer software
Lister Shearing Equipment Limited	England & Wales	Ordinary shares	100%	Manufacturing
Lister-Petter US Holdings Incorporated	United States	Common shares		Holding company
Lister-Petter Incorporated	United States	Common shares	100%*	Manufacturing
RA Listers Overseas Investments	England & Wales		100%*	Holding Company
Lister-Petter France SA	France	Ordinary	100%*	Manufacturing
Lister Diesels (Bangladesh) Limited	Bangladesh	Ordinary	100%	Dormant

# Lister-Petter Group Limited

## NOTES TO THE ACCOUNTS at 31 December 1997

### Associated undertakings

Salister Diesels (Pty) Limited	Republic of South Africa	Shares	35%*	Manufacturing
Lister-Petter Diesels SA	Columbia	Shares	33-67%*	Manufacturing

The issued share capitals of the associated undertakings are:

Salister Diesels (Pty) Limited : 1,428,571 shares of R1 each  
Lister-Petter Diesel SA : 500,000 shares of TK10 each

\* Held by a subsidiary undertaking

### 13. STOCKS

	1997	Group 1996
	£000	£000
Raw materials and consumables	587	697
Work in progress	3,026	3,860
Finished goods and goods for resale	9,373	10,385
	<u>12,986</u>	<u>14,942</u>

There are no stocks held by the company.

The difference between purchase price or production cost of stocks and their replacement cost is not material.

### 14. DEBTORS

	1997	Group 1996	1997	Company 1996
	£000	£000	£000	£000
Trade debtors	19,878	16,025	-	-
Bills receivable	170	181	-	-
Amounts owed by subsidiary undertakings	-	-	46,043	42,084
Amounts owed by associated undertakings	687	473	-	-
Prepayments and accrued income	1,026	393	-	-
Taxation	-	-	1,075	88
Other debtors	897	522	-	-
	<u>22,658</u>	<u>17,594</u>	<u>47,118</u>	<u>42,172</u>

Included in other debtors is £41,000 falling due after more than one year (1996 - £41,000).

# Lister-Petter Group Limited

## NOTES TO THE ACCOUNTS at 31 December 1997

### 15. CASH AND CASH EQUIVALENTS

Analysis of balances as shown in the group balance sheet and changes during the year:

	<i>Change in period £000</i>
Cash at bank and in hand	5,758
Bank overdraft	(7,291)
	<u>(1,533)</u>

### 16. CREDITORS: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loans (secured - note 18)	3,300	2,300	3,300	2,300
Bank overdraft (secured - note 18)	10,334	3,043	9,899	4,897
Trade creditors	14,687	12,144	90	213
Amount due to subsidiary undertakings	-	-	2,410	1,414
Corporation tax	119	65	-	-
Other taxes and social security costs	614	607	4	16
Preference dividend accrued/payable	1,392	696	1,392	696
Other creditors	1,454	3,280	119	111
Accruals and deferred income	1,206	744	-	-
	<u>33,106</u>	<u>22,879</u>	<u>17,214</u>	<u>9,647</u>

### 17. CREDITORS: amounts falling due after more than one year

	<i>Group</i>		<i>Company</i>	
	<i>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Loan note	20,000	20,000	20,000	20,000
Bank loans	23,028	26,074	23,028	26,074
	<u>43,028</u>	<u>46,074</u>	<u>43,028</u>	<u>46,074</u>
Less: issue costs	(1,519)	(1,803)	(1,324)	(1,559)
	<u>41,509</u>	<u>44,271</u>	<u>41,704</u>	<u>44,515</u>

The loan note is payable to Hawker Siddeley Management Limited, a wholly owned subsidiary of BTR plc; it is secured over the group's assets and bears interest at a fixed rate of 6%. The interest rolls up and is payable on redemption which occurs on the earlier of a trade sale, Stock Exchange listing or 30 June 2004.

# Lister-Petter Group Limited

## NOTES TO THE ACCOUNTS at 31 December 1997

### 18. LOANS

	<i>Group</i>		<i>Company</i>	
	<i>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Not wholly repayable within five years:				
By instalment	-	5,000	-	5,000
Otherwise	20,000	20,000	20,000	20,000
	<u>20,000</u>	<u>25,000</u>	<u>20,000</u>	<u>25,000</u>
Wholly repayable within five years	28,128	23,974	27,874	23,974
	<u>48,128</u>	<u>48,974</u>	<u>47,874</u>	<u>48,974</u>
Less: issue costs	(1,519)	(1,803)	(1,324)	(1,559)
	<u>46,609</u>	<u>47,171</u>	<u>46,550</u>	<u>47,415</u>
Less: amount due within one year	(5,100)	(2,900)	(5,100)	(2,900)
	<u>41,509</u>	<u>44,271</u>	<u>41,450</u>	<u>44,515</u>
Amount due after more than one year				
	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>

	<i>Group</i>		<i>Company</i>	
	<i>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts falling due:				
In one year or less or on demand	5,100	2,900	5,100	2,900
Between one and two years	5,000	3,300	5,000	3,300
Between two and five years	18,028	17,774	17,774	17,774
In five years or more	20,000	25,000	20,000	25,000
	<u>48,128</u>	<u>48,974</u>	<u>47,874</u>	<u>48,974</u>
Less: issue costs	(1,519)	(1,803)	(1,324)	(1,559)
	<u>46,609</u>	<u>47,171</u>	<u>46,550</u>	<u>47,415</u>

Details of loans not wholly repayable within five years are as follows:

	<i>Group</i>		<i>Company</i>	
	<i>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Secured loan	20,000	25,000	20,000	25,000
Less: issue costs	(631)	(1,430)	(631)	(1,187)
	<u>19,369</u>	<u>23,570</u>	<u>19,369</u>	<u>23,813</u>

# Lister-Petter Group Limited

## NOTES TO THE ACCOUNTS at 31 December 1997

### 18. LOANS (continued)

The loans and bank overdraft are secured by fixed and floating charges over the group's UK assets and the shares in its foreign subsidiary and associated undertakings.

Analysis of changes in group loan financing during the period:

	1997 £000	1996 £000
Net cash inflow from financing	-	53,000
Repayment of long-term loans	(2,300)	(1,000)
Amortisation of issue costs	(284)	(740)
Exchange adjustments	254	(626)
At 31 December	(2,330)	50,634

### 19. OBLIGATIONS UNDER LEASES

Annual commitments under non-cancellable operating leases are as follows:

Group	Land and buildings		Other	
	1997 £000	1996 £000	1997 £000	1996 £000
Operating leases which expire:				
Within one year	-	-	55	6
In two to five years	-	-	107	44
In over five years	-	-	-	-
	-	-	162	50

There are no leasing commitments within the company.

### 20. PROVISIONS FOR LIABILITIES AND CHARGES

Group	Loan Note		Warranty	Deferred	Total
	Interest £000	Redundancy £000	provision £000	taxation £000	£000
At 1 January 1997	600	-	691	20	1,311
Arising during the year	1,200	1,907	473	-	3,580
Utilised	-	(1,792)	(698)	-	(2,490)
Released	-	-	(75)	-	(75)
At 31 December 1997	1,800	115	391	20	2,326
Company					
	Loan Note				
	Interest				
	£000				
At 1 January 1997	600				
Arising during the year	1,200				
At 31 December 1997	1,800				

# Lister-Petter Group Limited

## NOTES TO THE ACCOUNTS at 31 December 1997

### 20. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

Deferred taxation provided in the accounts and the amounts not provided are as follows:

<i>Group</i>	<i>Provided</i>		<i>Not Provided</i>	
	<i>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Capital allowances in advance of depreciation	29	505	1,989	1,512
Other timing differences	(9)	(485)	(264)	-
Relief for losses	-	-	(1,020)	(675)
	<u>20</u>	<u>20</u>	<u>705</u>	<u>837</u>

#### *Company*

Deferred taxation does not arise in the company.

### 21. SHARE CAPITAL

<i>Authorised</i>	<i>1997</i>	<i>1997</i>	<i>1996</i>	<i>1996</i>
	<i>No.</i>	<i>£000</i>	<i>No</i>	<i>£000</i>
42,105 "A" ordinary shares of 1p each	42,105	-	42,105	-
800,000 "B" ordinary shares of 1p each	800,000	8	800,000	8
13,920,000 Cumulative Preference shares of 1p each	13,920,000	139	13,920,000	139
Unclassified shares of 1p each	100,000	1	100,000	1
	<u>14,862,105</u>	<u>148</u>	<u>14,862,105</u>	<u>148</u>

#### *Allotted, called up and fully paid*

	<i>1997</i>	<i>1997</i>	<i>1996</i>	<i>1996</i>
	<i>No.</i>	<i>£000</i>	<i>No.</i>	<i>£000</i>
42,105 "A" ordinary shares of 1p each	42,105	-	42,105	-
800,000 "B" ordinary shares of 1p each	800,000	8	800,000	8
13,920,000 Cumulative Preference shares of 1p each	13,920,000	139	13,920,000	139
	<u>14,762,105</u>	<u>147</u>	<u>14,762,105</u>	<u>147</u>

On 29 June 1996, the "A" ordinary shares were issued at £3.09, the "B" ordinary shares at £1.00 and the preference shares at £1.00 to provide part consideration for the acquisition of the subsidiary companies, and giving rise to a share premium account of £14,702,379.

The preference shares carry a dividend entitlement of 10% per annum, payable half-yearly. The preference dividend is in arrears for the period ending 30 June 1997.

On a winding up of the company the preference shareholders have a right to receive in preference to payments to ordinary shareholders 1p per share plus any accrued dividend.



# Lister-Petter Group Limited

## NOTES TO THE ACCOUNTS

at 31 December 1997

The "A" Ordinary shares and the "B" Ordinary shares rank pari passu but constitute two separate classes of shares. The unclassified shares can be classified as "A" Ordinary shares or "B" Ordinary shares as determined by the Board of Directors when issued.

### 22. RESERVES

	Share premium account £000	Group profit and loss account £000	Company profit and loss account £000
At 1 January 1997	14,367	(897)	12
Exchange adjustments	-	391	-
Retained (loss) for the year	-	(1,685)	(1,010)
At 31 December 1997	14,367	(2,191)	(998)

The cumulative amount of goodwill written off at 31 December 1997 is £1,298,000.

### 23. NOTES TO THE STATEMENT OF CASH FLOWS

#### (a) Net cash inflow from share issues

	Notes	1997 £000	1996 £000
Nominal value of share capital	21	-	147
Share premium	21	-	14,702
		-	14,849
Share issue costs		-	(335)
		-	14,514

#### (b) Analysis of net debt

	At 1 Jan 1997 £000	Cash flows £000	Exchange differences £000	Other changes £00	At 31 Dec 1997 £000
Cash in hand, at bank	4,681	5,758	-	-	10,439
Overdrafts	(3,043)	(7,291)	-	-	(10,334)
	1,638	(1,533)	-	-	105
Loans	(47,171)	2,300	(254)	(1,484)	(46,609)
	(45,533)	767	(254)	(1,484)	(46,504)

### 24. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £396,000 for the group. Amounts authorised by the directors but not contracted for were £493,000 for the group.

NOTES TO THE ACCOUNTS

at 31 December 1997

**25. POST BALANCE SHEET EVENTS**

The group disposed of its investment in Lister Shearing Equipment Limited to the company's management on 27 March 1998. The sale agreement has an effective date of 31 December 1997.

**26. CONTINGENT LIABILITIES**

The terms of the acquisition by the company of Lister-Petter Limited and fellow subsidiary undertakings provide for a further £7,500,000 by way of consideration to BTR plc. This consideration becomes payable in the event of a trade sale or Stock Exchange listing of the company's shares and an internal rate of return of greater than 30% by reference to the price achieved from any such trade sale, or market capitalisation in the case of a Stock Exchange listing, from 29 June 1997 to the date of any such trade sale or Stock Exchange listing.

At the present time the Directors do not envisage that the conditions required to result in this additional consideration becoming payable will arise. Accordingly, no provision for any such consideration has been made in these accounts.

Other contingent liabilities for the Group total £151,000.

**27. PENSION COMMITMENTS**

The group operates a defined benefit pension scheme, Lister-Petter Pension Scheme. The scheme is funded by the payment of contributions to a separately administered trust fund. The scheme was set up on 1 November 1997.

The pension cost is determined with the advice of an independent qualified actuary on the basis of triennial valuations using the projected unit credit method. The results of the first valuation which was conducted as at 1 November 1997 was as follows:

Main assumptions:

Rate of return on investments will exceed rate of salary increased by 2% per annum.

Rate of salary increases 7% per annum.

At the time of valuation the scheme's assets had not yet been transferred into the fund. The assets of the scheme are not expected to exceed 105% of the liabilities.