Equity Trust Limited

Annual report

for the year ended 28 February 1998

Registered no: 2679097

Equity Trust Limited

Annual report
for the year ended 28 February 1998

Equity Trust Limited

Directors and advisers

Executive directors

G C Brooks
P R Wattam

Secretary and registered office

P R Wattam
16 Angel Crescent
Bridgwater
Somerset
TA6 3EW

Registered Auditors

PricewaterhouseCoopers
Bull Wharf
Redcliff Street
Bristol
BS1 6QR

Bankers

HSBC Private Banking
31 Hill Street
Mayfair
London
W1X 7FD

Saudi American Bank
65 Curzon Street
London
W1Y 8NB

Directors' report
for the year ended 28 February 1998

The directors present their report and the audited financial statements for the year ended 28 February 1998.

Principal activities

The profit and loss account is set out on page 5.

The principal activity of the company is to act as a holding company.

Review of business and future developments

The company continues to concentrate on developing the potential identified in the four companies in which it invested in 1992/93.

Linear Drives Limited has continued to build its platform for substantial overseas growth. A further loss for the year reflects the continued emphasis to establish the company as a world leader in its field. The Directors are confident that this objective is well on the way to being satisfied.

Carebridge Limited had a difficult year, in common with all companies associated with equipment supply to major oil companies. A reassessment of the company's operational policy regarding sited unit machines resulted in a one off write down of £1.8 million of assets during 1998. The Company is a major supplier to the European petroleum retail market and is continuing to further consolidate its position. During the past year to 28 February 1999 over £1 million of loans have been repaid to Equity Trust Limited.

Chainings Limited has now started to gain international acceptance, and a major UK OEM contract has been won on heavy plant and significant progress is both rail and power industries has been made.

European Exporters Limited continues to trade profitably despite difficult market conditions.

The Directors have considered the trading performance of the operating companies together with an assessment of the future prospects based on a commercial judgement of their significance within their own markets and remain confident that profitable trading will be achieved and the investment value substantiated. Every effort has been made to supply full commercial information regarding the development of the companies to the auditors.

Dividends

The directors do not recommend the payment of a dividend.

Changes in fixed assets

The movements in fixed assets during the year are set out in notes 9 and 10 to the financial statements.

Directors

The directors during the year ended 28 February 1998 were:

G C Brooks
P R Wattam

None of the directors held any beneficial interest in the shares of the company at any point during the year.

Directors responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 28 February 1998. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which C&L resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors. A resolution to reappoint PwC as auditors to the company will be proposed at the annual general meeting.

By order of the board

P R Wattam
Director
13th MAY 1999

Report of the auditors to the members of Equity Trust Limited

We have audited the financial statements on pages 5 to 19 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 10.

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, except that the scope of our work was limited as explained below.

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 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. However, the evidence available to us was limited because we were not provided with evidence to support the carrying value of the Investment in a subsidiary, Carebridge Limited, of £5,171,419 and to assess the recoverability of debtors due from two subsidiaries, Linear Drives Limited, £1,231,747 and Carebridge Limited, £1,622,588. Any adjustments to these figures would have a consequential significant effect on the loss for the year and the financial position at 28 February 1998.

In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Fundamental uncertainty - going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the uncertainties as to the continuation and renewal of the bank overdraft facilities, the continuing support of the company's ultimate parent company and other providers of loan finance. In view of the significance of these uncertainties we consider that they should be drawn to your attention but our opinion is not qualified in this respect.

Opinion: disclaimer on view given by financial statements

Because of the possible effect of the limitation in evidence available to us, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of the company's affairs at 28 February 1998 and of its loss and cash flows for the year then ended. In all other respects, in our opinion the financial statements have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to Investments and Debtors we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

Chartered Accountants and Registered Auditors
Bristol, 17 May 1999.

Profit and loss account for the year ended 28 February 1998

	Notes	1998	1997
		£	£
Administrative expenses – continuing operations		**(181,591)**	(175,599)
Other operating income – continuing operations		**171,599**	157,000
Operating loss - continuing operations		**(9,992)**	(18,599)
Amounts provided against loans to subsidiaries	7	**(200,374)**	(1,359,831)
Interest receivable	5	**173,841**	135,728
Interest payable and similar charges	6	**(502,740)**	(443,758)
Loss on ordinary activities before taxation	7	**(539,265)**	(1,686,460)
Tax on ordinary activities	8	-	-
Loss for the year	15	**(539,265)**	(1,686,460)
Accumulated losses at 1 March 1997		**(2,128,286)**	(441,826)
Accumulated losses at 28 February 1998		**(2,667,551)**	(2,128,286)

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

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

Equity Trust Limited

Balance sheet
at 28 February 1998

	Notes	1998		1997	
		£	£	£	£
Fixed assets					
Tangible assets	9		588,374		607,130
Investments	10		5,274,920		2,274,919
			5,863,294		2,882,049
Current assets					
Debtors falling due after one year	11	2,854,335		4,714,425	
Debtors falling due within one year	11	124,195		252,439	
Cash at bank and in hand		33		3,348	
		2,978,563		4,970,212	
Creditors: amounts falling due within one year	12	732,521		658,547	
Net current assets			2,246,042		4,311,665
Total assets less current liabilities			8,109,336		7,193,714
Creditors: amounts falling due after more than one year	13		8,526,887		7,072,000
Capital and reserves					
Called up share capital	14	2,250,000		2,250,000	
Profit and loss account		(2,667,551)		(2,128,286)	
Total shareholders' funds	15	(417,551)		121,714	
Equity shareholders' funds/deficit			(2,417,551)		(1,878,286)
Non Equity shareholders' funds			2,000,000		2,000,000
			8,109,336		7,193,714

The financial statements on pages 5 to 19 were approved by the board on 13TH MAY 1999 and signed on its behalf by

P R Wattam
Director
~~16 December 1998~~

13/05/99

Cash flow statement
for the year ended 28 February 1998

	Notes	1998 £	1997 £
Net cash outflow from continuing operating activities	19	139,149	(629,648)
Returns on investments and servicing of finance			
Interest received		**173,841**	135,728
Interest paid		**(502,740)**	(438,471)
		(328,889)	(302,743)
Taxation		-	-
Capital expenditure and financial investment			
Purchase of fixed asset investments		**(3,000,000)**	-
Settlement of loan to subsidiary undertaking		**1,860,090**	-
New loan to subsidiary		**(200,374)**	-
Sale of tangible fixed assets		-	7,000
		(1,340,284)	7,000
Cash outflow before financing		**(1,530,024)**	(925,391)
Financing			
Increase in bank loans		**190,773**	191,663
Issue of new loans		**1,264,114**	695,000
		1,454,887	886,663
(Decrease)/increase in cash in the period		**(75,137)**	(38,728)
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash in the period		**(75,137)**	(38,728)
Cash inflow from financing		**(1,454,887)**	(886,663)
Movement in net debt in the period		**1,530,024**	(925,391)
Opening net debt		**(7,656,034)**	(6,730,643)
Closing net debt		**(9,186,058)**	(7,656,034)

Notes to the financial statements for the year to 28 February 1998

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 preparing the financial statements - going concern

The company and its subsidiaries meet both their long term financing and short term working capital requirements from a combination of bank borrowings, and finance from the company's parent and other investors. With the exception of limited bank facilities provided to Carebridge Limited and Linear Drives Limited, the remaining finance is provided through Equity Trust Limited. At 28 February 1998 the following borrowings existed in Equity Trust Limited:

	£
Bank borrowing (overdraft)	659,204
Bank borrowing (loan)	5,200,000
Parent company loan	527,000
Investor loans	2,609,114
Mortgage	190,773

The terms of these loans are shown in notes 12 and 13 to the accounts, and the directors do not expect any repayments on these borrowings to be demanded within a period of 12 months from the date of approval of these accounts other than monthly mortgage payments. Indeed, further loan monies have been advanced by the investors and provided to the subsidiaries during the year to 28 February 1999.

The company and group have prepared detailed profit and cash flow forecasts in relation to Carebridge Limited and Linear Drives Limited, and have estimated cashflow requirements for the company and the two other subsidiaries, for the year to 28 February 2000, and have given consideration to the period beyond that time. The directors have estimated that, taken together, no further net cash investment will be required into the subsidiaries during that time. However, there can be no certainty as to this matter, and further sums may need to be made available. In particular, the company has given assurances of continued financial support to its subsidiary, Chainings Limited, as detailed in note 10 to the accounts.

The directors are at present confident that, when required, the sums will be made available, either through increased bank facilities or further loans. Accordingly, the directors believe it is appropriate to prepare the accounts on the going concern basis. However, were these sums not to be made available, or were the support of the company's bankers, parent or other investors to be withdrawn, adjustments might need to be made to the carrying values of assets and liabilities of the company and the group. The financial statements do not include any adjustments which might prove to be necessary were these supports to be withdrawn.

Furthermore, as detailed in note 11 to the accounts, loans have been made available to the company's subsidiaries to finance their growth and development. The ability of the subsidiary companies to repay these sums on the dates shown is dependent on the subsidiaries generating sufficient profits and cash from their future trading, and is therefore subject to uncertainty, as all these subsidiaries currently have net liabilities (see note 10). The accounts do not include any adjustments which might prove to be necessary were any of these subsidiaries unable to pay their debts to the company on the dates shown.

Finally, as disclosed in note 10 to the accounts, the carrying values of the company's investments in its subsidiaries are shown at cost (with the exception of full provision against the investment in Chainings Limited), which is currently well in excess of the subsidiaries' net assets. The directors have reviewed the value of these investments and the future trading prospects of each company, and remain confident of the underlying value of each investment. However, the subsidiaries operate in competitive markets, and there can be no certainty of continued value. The accounts do not include any adjustments which might prove necessary were these carrying values to prove unsupportable in the future.

Basis of accounting

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

Consolidated financial statements

Equity Trust Limited is exempt from preparing consolidated financial statements under S248 (1) of the Companies Act 1985.

Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost, or valuation, of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are;

Motor vehicles	25% reducing balance
Freehold property	2% straight line
Furniture fixtures and fittings	15% reducing balance
Office equipment	33 1/3% straight line

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements, which transfer to the group substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Taxation

The charge for taxation is based on the profit for the year as adjusted for disallowable items. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise.

2 Directors' emoluments

	1998	1997
	£	£
Aggregate emoluments	78,774	73,815

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	1998	1997
	£	£
The chairman	31,969	32,102
The highest-paid director	42,620	41,713

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:

	1998	1997
	Number	Number
£30,001 to £35,000	1	1
£40,001 to £45,000	1	1

3 Employee information

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

	1998	1997
Administration	3	3

	£	£
Staff costs		
Wages and salaries	75,732	74,962
Social Security	7,146	7,272
Other pensions	4,185	3,664
	87,063	85,898

4 Related party transactions

During the year the following amounts were invoiced to subsidiary companies.

Name of subsidiary	Loan interest £	Management charge £	Rental of Property £	Total £
European Exporters Limited	622	24,000	-	24,622
Linear Drives Limited	87,796	24,000	-	111,796
Chainings Limited	84,035	24,000	20,000	128,035
Carebridge Limited	-	24,000	55,599	79,599
	172,453	96,000	75,599	344,052

The loan interest is charged according to the terms set out in note 11 to the financial statements. The directors have waived interest due (totalling £55,163) on loans to Carebridge Limited in the year ended 28 February 1998.

The directors consider the rental of properties to the other companies to be at open market rates.

5 Interest receivable

	1998	1997
	£	£
On loans to subsidiary companies	**173,340**	133,823
Bank, and other interest receivable	**501**	1,905
	173,841	135,728

6 Interest payable and similar charges

	1998	1997
	£	£
On loans and an overdraft repayable within 5 years not by instalments	**502,740**	443,758
	502,740	443,758

7 Loss on ordinary activities before taxation

	1998	1997
	£	£
Loss on ordinary activities before taxation is stated after crediting:		
Rent receivable	**75,599**	61,000
Management charges receivable	**96,000**	96,000
And after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	**18,756**	21,548
Auditors' remuneration for audit services	**6,100**	4,500
Operating lease rentals (motor vehicles)	**-**	7,024
Amounts provided against loans to subsidiaries (see below)	**200,374**	1,359,831

The amount provided against loans to subsidiaries relates to a 100% provision against amounts due from Chainings Limited, due to continued uncertainty concerning this company's trading prospects (see notes 10 and 11).

8 Tax on ordinary activities

There is no tax charge for the year due to the availability of taxation losses. For deferred taxation purposes, there are no material timing differences.

9 Tangible fixed assets

	Freehold Property	Furniture Fixtures & Fittings	Office Equipment	Total
	£	£	£	£
Cost				
At 1 March 1997	664,010	14,266	5,838	684,114
At 28 February 1998	664,010	14,266	5,838	684,114
Depreciation				
At 1 March 1997	66,400	5,601	4,983	76,984
Charge for year	16,600	1,301	855	18,756
At 28 February 1998	83,000	6,902	5,838	95,740
Net book value				
At 28 February 1998	581,010	7,364	-	588,374
At 29 February 1997	597,610	8,665	855	607,130

10 Investments

	Interests in subsidiary undertakings
	£
Cost	
At 1 March 1997	2,645,547
Additions	3,000,000
At 28 February 1998	5,645,548
Provision for diminution for value	
At 1 March 1997	370,628
Provision made during year	-
At 28 February 1998	370,628
Net book value	
At 28 February 1998	5,274,920
At 28 February 1997	2,274,919

Interests in subsidiary undertakings

Name of undertaking	Nature of business	Proportion of nominal value of issued shares held by Group & Company	Aggregate Capital & Reserves	Profit/(loss) in year ended 28 February 1998
		%	£	£
European Exporters Limited	Tobacco marketing	100	18,699	34,478
Linear Drives Limited	Linear motors manufacture	60	(791,537)	(891,537)
Chainings Limited	Manufacture of Industrial Filtration products	77.4	(1,565,704)	(264,835)
Carebridge Limited	Manufacture of garage forecourt equipment	75	4,235	(2,450,114)

All subsidiary undertakings are incorporated in England and Wales and Equity Trust Limited holds £1 ordinary shares in each subsidiary.

The audit report within the financial statements of Chainings Limited, whilst not qualified, contained reference to a "fundamental uncertainty" on the grounds of the ability of the company to continue as a going concern. The going concern concept upon which the accounts of Chainings Limited have been prepared relies upon the continued financial support of Equity Trust Limited.

The accounts of Chainings Limited do not include any adjustments that would result from a failure to obtain such continued support. The directors of Chainings Limited have received written confirmation of this continued support from Equity Trust Limited and, on this basis, believed it was appropriate to prepare the accounts on the going concern basis.

11 Debtors

	1998	1997
	£	£
Amounts falling due after one year		
Amounts owed by subsidiary undertakings (see below)	**2,854,335**	4,714,425

	1998	1997
	£	£
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	**109,846**	238,456
Other debtors (see below)	**13,649**	11,139
Prepayments and accrued income	**700**	2,844
	124,195	252,439

Included within other debtors is a loan of £10,601 to a director of Carebridge Limited. It is repayable on demand.

Subsidiary undertaking debtors due after more than one year

Name of subsidiary	Balance outstanding at 28 February 1998 £	Secured/ unsecured loan	Interest rate applied to loan	First repayment due
Linear Drives Limited	1,231,747	Secured	2% below base to 2.5% over base	April 2003
Carebridge Limited	1,622,588	Secured	2% below base	May 2003
	2,854,335			

The interest due in the year ended 28 February 1998 on the Carebridge loan was waived by the directors.

Equity Trust Limited is owed £1,126,460 by its subsidiary Chainings Limited under a secured loan arrangement. This is due for repayment in April 2003 and bears interest at 2% below base to 2.5% over base. Due to the current trading position of this subsidiary, full provision has been made against this balance. In addition the company is owed a further £433,745 on a trading account, and full provision has also been made against this balance. The directors of Equity Trust Limited have confirmed to the directors of Chainings Limited that they will not seek repayment of the trading balance until at least 1 March 1999.

The ability of the subsidiary companies above to repay the debtor balances on the dates shown is dependent on the subsidiaries generating sufficient profits and cash from their future trading, and therefore is subject to uncertainty.

12 Creditors: amounts falling due within one year

	1998 £	1997 £
Bank overdraft (unsecured - see note 13)	**659,204**	587,382
Other creditors	**9,766**	41,795
Amounted owed to group undertakings	**5,468**	-
Accruals	**46,873**	26,042
Other taxation and Social Security	**11,210**	3,328
	732,521	658,547

13 Creditors: amounts falling due after more than one year

	1998	1997
	£	£
Bank loan (unsecured)	**5,200,000**	5,200,000
Mortgage (secured)	**190,773**	-
Loan from parent company (see below)	**527,000**	427,000
Other loans (see below)	**2,609,114**	1,445,000
	8,526,887	7,072,000

The loan from the parent company is unsecured and interest free and has no set repayment date. The other loans relate to loans from companies associated with the ultimate parent company and are unsecured and interest free, with no set repayment dates.

The bank overdraft and loans represent advances on a renewable facility of £5,750,000 drawn down in the year ended 28 February 1997. The advances are made on a 370 day rollover basis, and the directors have obtained confirmation that the facility will remain in place until at least 5 November 1998. The directors expect the facility to be rolled over on the same basis at that date.

The mortgage is secured by a first charge over the property at Cardrew Industrial Estate, Redruth, Cornwall. The loan is repayable over 10 years from June 1997 and interest is charged at 3% over base rates.

14 Called up share capital

	1998	1997
	£	£
Authorised		
5,000,000 ordinary shares of £1 each	**5,000,000**	5,000,000
5,000,000 non voting redeemable preference shares of £1 each	**5,000,000**	5,000,000
Allotted, called up and fully paid		
250,000 ordinary shares of £1 each	**250,000**	250,000
2,000,000 non voting redeemable preference shares of £1 each	**2,000,000**	2,000,000
	2,250,000	2,250,000

The preference shares are redeemable at par at any time at the option of the company, or at the option of the holder at such a time that the company has retained profits available for the redemption.

15 Reconciliation of movements in shareholders' funds

	1998	1997
	£	£
Opening shareholders' funds	**121,714**	1,808,174
Loss for the financial year	**(539,265)**	(1,686,460)
Closing shareholders' funds	**(417,551)**	121,714

16 Contingent liabilities

An unlimited multilateral guarantee has been given to the company's bankers in respect of Chainings Limited and European Exporters Limited, both subsidiary undertakings.

17 Ultimate parent company and controlling party

The directors regard Ezyrik Holdings Ltd, a company registered in Jersey, as the ultimate parent company and controlling party. According to the register kept by the company, Ezyrik Holdings Ltd has a 100% interest in the equity capital of Equity Trust Limited at 28 February 1997.

18 Financial commitments

At 28 February 1998 the company had annual commitments under non-cancellable operating leases for motor vehicles as follows:

	1998	1997
	£	£
Expiring between two and five years inclusive	**-**	12,042

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

	1998	1997
	£	£
Continuing operating activities		
Operating loss	**(9,992)**	(18,599)
Depreciation on tangible fixed assets	**18,756**	21,548
Gain on sale of tangible fixed assets	**-**	3,745
Provision for diminution in investments	**-**	-
(Increase) in other debtors	**(2,510)**	(646,318)
Decrease in prepayments and accrued income	**2,144**	875
Decrease in amounts owed by subsidiary undertakings	**128,610**	-
Increase in other taxation and social security	**7,882**	(3,537)
(Decrease)/increase in other creditors	**(32,029)**	18,392
Increase/(decrease) in accruals	**20,820**	(5,754)
Increase in amounts owed to subsidiary undertakings	**5,468**	-
Net cash inflow/(outflow) from continuing operating activities	**139,149**	(629,648)

Detailed profit and loss account for the year ended 28 February 1998

	1998		1997	
	£	£	£	£
Management charges	96,000		96,000	
Rents receivable	75,599		61,000	
		171,599		157,000
Provision against loans and investment	200,374		1,359,831	
Wages and salaries	87,063		85,898	
Motor expenses	21,159		21,086	
Travelling	4,226		6,077	
Professional fees	14,638		3,896	
Loss on sale of motor vehicle	-		3,745	
Bank charges	3,485		2,310	
Audit	6,100		6,650	
Telephones	5,079		4,976	
Office expenses	1,370		1,317	
Printing, stationery and postage	1,502		856	
Subscriptions	140		135	
Health insurance	2,001		1,674	
Sundries	186		415	
Depreciation	18,756		21,548	
Rent and rates	8,400		7,638	
Insurance	608		559	
Electricity	604		726	
Computer maintenance	5,624		5,367	
Credit control	650		726	
		(381,965)		(1,535,430)
Loan interest receivable	173,340		134,564	
Bank interest receivable	501		1,164	
Overdraft interest payable	(487,929)		(443,758)	
Interest payable	(1,872)		-	
Mortgage interest payable	(12,939)		-	
		(328,899)		(308,030)
Loss before Tax		(539,265)		(1,686,460)