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Gear Trodes (South Wales) Limited

**Annual report
for the year ended 31 October 1999**

**(Abbreviated in accordance with the provisions
of the Companies Act 1985)**



Registered no: 1402329

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for the year ended 31 October 1999

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Gear Trodes (South Wales) Limited

Abbreviated financial statements for the year ended 31 October 1999

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**Directors' report
for the year ended 31 October 1999**

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

Principal activities and business review

The principal activity of the company continued to be the supply of welding equipment.

The results for the year are set out in the profit and loss account on page 5 of the financial statements. The directors expect the current level of activity to be sustained for the foreseeable future.

In the opinion of the directors, the state of the company's affairs is satisfactory and there has been no material change since the date of the balance sheet.

Results and dividends

The profit for the year, after taxation, and before dividends, amounted to £173,186. The directors recommend the payment of a dividend of £200,000 in respect of the year ended 31 October 1999. The loss for the financial year after dividends amounts to £26,814 and is added to reserves.

Directors

The following persons were directors of the company during the year:

Mrs H J Holt
Mr A J Hughes (Chairman/Managing Director)
Mrs K A Owens

Directors' interests in shares of the company

The beneficial interests of the directors holding office at 31 October 1999 in the shares of the company were as follows:

	Number of ordinary shares £1 each	
	31 October 1999	1 November 1998
Mrs H J Holt	60	60
Mr A J Hughes	20	20
Mrs K A Owens	20	20

Year 2000

Many computer systems store or process data by the last two digits of the year only, resulting in incorrect or unpredictable treatment of dates after the Year 2000 in software applications.

The company has reviewed its situation, in particular in the area of software application renewal and upgrade of its business critical systems, and in connection with the provision by suppliers of business critical systems and the consequence of any such failure. The company experienced little disruption or malfunction since the turn of the year 2000 from the operation of its own systems or the systems of its suppliers. No significant expenditure has been incurred during the year or in the period subsequent to the balance sheet date in connection with the Year 2000 matter and the directors do not consider that significant future expenditure will be incurred in connection with the Year 2000 matter.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the annual general meeting.

By order of the board



**Director
Neath**

2 August 2000

**Statement of directors' responsibilities
for preparing the financial statements**

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 and 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;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts 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.

By order of the board



Director

2 August 2000

Report of the auditors to the directors of Gear Trodes (South Wales) Limited under section 247B of the Companies Act 1985

We have examined the abbreviated financial statements on pages 5 to 16, together with the annual financial statements of Gear Trodes (South Wales) Limited for the year ended 31 October 1999.

Respective responsibilities of directors and auditors

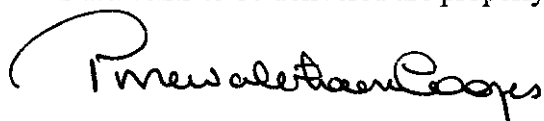
The directors are responsible for preparing the abbreviated financial statements in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to the company's entitlement to deliver abbreviated financial statements prepared in accordance with section 246A(3) of the Companies Act 1985 and whether the abbreviated financial statements are properly prepared in accordance with that provision and to report our opinion to you.

Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the annual financial statements, that the company is entitled to deliver abbreviated financial statements and that the abbreviated financial statements are properly prepared from those financial statements. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the annual financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated financial statements prepared in accordance with section 246A(3) of the Companies Act 1985 and the abbreviated financial statements to be delivered are properly prepared in accordance with that provision.



Chartered Accountants and Registered Auditors
Swansea, 2 August 2000

**Abbreviated profit and loss account
for the year ended 31 October 1999**

	Notes	1999 £	1998 £
Gross profit		1,057,755	1,160,292
Net operating expenses	3	(887,277)	(953,160)
Operating profit		170,478	207,132
Profit on disposal of fixed assets		18,250	12,390
Interest receivable and similar charges	6	33,691	38,775
Profit on ordinary activities before taxation	2 & 7	222,419	258,297
Tax on profit on ordinary activities	8	(49,233)	(49,843)
Profit on ordinary activities after taxation		173,186	208,454
Dividends	9	(200,000)	(56,000)
(Loss)/profit for the year	18	(26,814)	152,454

All of the company's operations are continuing.

The company has no recognised gains and losses other than those included in the above profit and loss account, 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 (loss)/profit for the year stated above and their historical cost equivalents.

**Abbreviated balance sheet
at 31 October 1999**

	Notes	1999 £	1998 £
Fixed assets			
Tangible assets	10	141,631	165,671
Investments	11	3,750	3,750
		<u>145,381</u>	<u>169,421</u>
Current assets			
Stocks	12	302,674	349,273
Debtors	13	657,252	658,559
Cash at bank and in hand		842,265	580,814
		<u>1,802,191</u>	<u>1,588,646</u>
Creditors: amounts falling due within one year	14	(697,149)	(480,830)
Net current assets		<u>1,105,042</u>	<u>1,107,816</u>
Net assets		<u>1,250,423</u>	<u>1,277,237</u>
Capital and reserves			
Called-up share capital	17	100	100
Profit and loss account	18	1,250,323	1,277,137
Equity shareholders' funds	20	<u>1,250,423</u>	<u>1,277,237</u>

The abbreviated financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium sized companies.

The financial statements on pages 5 to 16 were approved by the board of directors on 2 August 2000 and were signed on its behalf by:

A. J. Hynes
Director

**Abbreviated cash flow statement
for the year ended 31 October 1999**

	1999 £	1999 £	1998 £
Net cash inflow from operating activities (Note 21)		384,404	168,634
Returns on investments and servicing of finance			
Interest received		33,691	38,775
Taxation			
Taxation paid		(49,674)	(58,902)
Capital expenditure and financial investment			
Purchase of fixed asset investment	-		(3,750)
Purchase of tangible fixed assets	(69,220)		(146,556)
Sale of tangible fixed assets	18,250		12,390
Net cash (outflow) from capital expenditure		(50,970)	(137,916)
Equity dividends paid		(56,000)	(56,000)
Cash inflow/(outflow) before management of liquid resources		261,451	(45,409)
Management of liquid resources			
Cash movement on short term bank deposits		(105,410)	(175,000)
Increase/(decrease) in cash in the year		156,041	(220,409)
Reconciliation of net cash flow movement to movement in net funds			
Cash inflow/(outflow) before management of liquid resources		261,451	(45,409)
Net funds at 31 October 1998 (Note 22)		580,814	626,223
Net funds at 31 October 1999 (Note 22)		842,265	580,814

**Notes to the abbreviated financial statements
for the year ended 31 October 1999****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 is set out below.

Basis of accounting

The financial statements are prepared on the historical cost basis of accounting.

Fixed assets

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

Depreciation is calculated so as to write off the cost 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:

	%
Plant and machinery	33.33
Motor vehicles	33.33
Fixtures and fittings	33.33

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Where fixed assets are financed by leasing agreements, which transfer to the company substantially all the benefits and risks of ownership, the assets are treated as if they had been purchased outright and are included in tangible fixed assets. 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 on a straight line basis over the period of the lease. Assets held under finance leases are depreciated using the same method as applied to owned assets.

Stocks

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Provision is made where necessary for obsolete, slow moving and defective stock.

1 Principal accounting policies (continued)**Turnover**

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

Deferred taxation

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.

Pension costs

Pension scheme defined contributions are made by the company to funds, the assets of which are held separately from those of the company. The pension cost in the profit and loss account represents the amount of contributions payable in respect of the accounting year.

2 Turnover and profit on ordinary activities before taxation

The whole of both turnover and profit on ordinary activities before taxation arises from the supply of welding equipment in the United Kingdom.

3 Net operating expenses

	1999 £	1998 £
Other operating income	(11,808)	(20,856)
Distribution costs	479,762	482,649
Administrative expenses	419,323	491,367
	<u>887,277</u>	<u>953,160</u>

4 Directors' emoluments

The remuneration paid to the directors was:

	1999 £	1998 £
Aggregate emoluments (including benefits in kind)	233,635	229,004
Company pension contributions to money purchase schemes	10,312	108,842

The emoluments of the highest paid director comprise:

	1999 £	1998 £
Aggregate emoluments (including benefits in kind)	188,630	182,757
Company pension contributions to money purchase schemes	10,312	108,842

At the balance sheet date retirement benefits are accruing to one director under a money purchase scheme (1998:1).

5 Employee information

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

	1999 Number	1998 Number
Directors	3	3
Employees	23	23
	26	26

	1999 £	1998 £
Staff costs (for the above persons):		
Wages and salaries	552,946	561,964
Social security costs	57,543	42,528
Pension costs (Note 16)	14,674	113,118
	625,163	717,610

6 Interest receivable and similar income

	1999 £	1998 £
Bank deposit account interest	<u>33,691</u>	<u>38,775</u>

7 Profit on ordinary activities before taxation

	1999 £	1998 £
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets		
- owned	93,260	75,935
Auditors' remuneration – for audit services	4,100	3,950
Auditors' remuneration – for non audit services	3,400	6,975
Operating lease rentals		
- other (including premises)	<u>14,470</u>	<u>13,495</u>

8 Tax on profit on ordinary activities

	1999 £	1998 £
United Kingdom corporation tax at the effective rate of 20.4% (1998: 21%)		
Current	49,500	50,000
(Over)/under-provision in respect of prior years:		
Current	<u>(267)</u>	<u>(157)</u>
	<u>49,233</u>	<u>49,843</u>

9 Dividends

	1999 £	1998 £
On equity shares:		
Proposed dividend on ordinary shares	<u>200,000</u>	<u>56,000</u>

10 Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Motor vehicles	Total £
Cost				
At 1 November 1998	161,850	21,053	248,354	431,257
Additions	9,911	425	58,884	69,220
Disposals	(26,155)	(434)	(54,379)	(80,968)
At 31 October 1999	145,606	21,044	252,859	419,509
Depreciation				
At 1 November 1998	91,715	13,025	160,846	265,586
Charge for the year	33,728	3,930	55,602	93,260
Eliminated in respect of disposals	(26,155)	(434)	(54,379)	(80,968)
At 31 October 1999	99,288	16,521	162,069	277,878
Net book value				
At 31 October 1999	46,318	4,523	90,790	141,631
At 31 October 1999	70,135	8,028	87,508	165,671

11 Investments

	Unlisted investment in trade buying group £
Cost and net book value	
At 1 November 1998 and at 31 October 1999	3,750

In the opinion of the directors the market value at the balance sheet date of the unlisted investment in the trade buying group is equivalent to the cost of the investment.

12 Stocks

	1999 £	1998 £
Stocks of welding equipment	<u>302,674</u>	<u>349,273</u>

13 Debtors

	1999 £	1998 £
Trade debtors	648,000	653,501
Prepayments	<u>9,252</u>	<u>5,058</u>
	<u>657,252</u>	<u>658,559</u>

14 Creditors: amounts falling due within one year

	1999 £	1998 £
Trade creditors	252,458	261,247
Corporation tax	49,500	35,941
ACT payable	-	14,000
Other taxation and social security payable	107,001	57,637
Directors' current accounts	66,886	17,492
Dividends payable	200,000	56,000
Accruals and deferred income	<u>21,304</u>	<u>38,513</u>
	<u>697,149</u>	<u>480,830</u>

15 Deferred taxation

There was no amount provided or amount unprovided for deferred taxation at either 31 October 1999 or at the previous balance sheet date.

16 Pension costs

Pension scheme contributions made by the company during the year amounting to £14,674 (1998: £113,118) represent defined contributions paid by the company to funds, the assets of which are held separately from those of the company.

17 Called-up share capital

	1999 £	1998 £
Authorised		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
100 (1998: 100) ordinary shares of £1 each	100	100

18 Reserves

	Profit and loss account £
At 1 November 1998	1,277,137
Profit for the year	(26,814)
At 31 October 1999	1,250,323

19 Operating lease payments

	1999 £	1998 £
Commitments in respect of operating leases for the next financial year:		
Expiring within two and five years	5,740	5,200
Expiring in over five years	9,000	9,000
	14,740	14,200

20 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Retained (loss)/profit for the financial year	(26,814)	152,454
Opening shareholders' funds	1,277,237	1,124,783
Closing shareholders' funds	1,250,423	1,277,237

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

	1999 £	1998 £
Operating profit	170,478	207,132
Depreciation	93,260	75,935
Decrease in debtors	1,307	80,753
Decrease/(increase) in stock	46,599	(52,459)
Increase/(decrease) in creditors	72,760	(142,727)
	<u>384,404</u>	<u>168,634</u>

22 Analysis of changes in net funds during the year

	At 31 October 1998 £	Cashflows £	At 31 October 1999 £
Cash in bank and in hand	30,814	156,041	186,855
Liquid resources:			
Bank deposits	550,000	105,410	655,410
	<u>580,814</u>	<u>261,451</u>	<u>842,265</u>

Liquid resources comprise short term bank deposits.

23 Related party transactions and ultimate controlling party

Transactions with directors

In addition to the directors' emoluments shown in Note 4, and the balances due to directors on current accounts shown in Note 14, the freehold property occupied by the company in Neath is owned by three of the directors as follows:

Mrs H J Holt	50%
Mr A J Hughes	25%
Mrs K A Owens	25%

The property is leased to the company for a period of 20 years at an annual rental of £9,000.

24 Ultimate controlling party

The ultimate controlling party is Mrs H J Holt, a director of the company.