

JONIC ENGINEERING LIMITED

FINANCIAL STATEMENTS

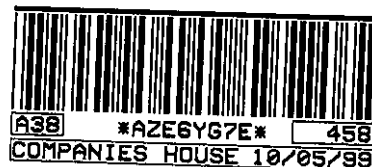
31 OCTOBER 1998

Registered number: 889835

HARRISON BEALE

CHARTERED ACCOUNTANTS

LEAMINGTON SPA



JONIC ENGINEERING LIMITED
FINANCIAL STATEMENTS
for the year ended 31 October 1998

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The following pages do not form part of the statutory accounts

Detailed trading and profit and loss account	Appendix 1 and 1a
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JONIC ENGINEERING LIMITED

DIRECTORS' REPORT

31 October 1998

The directors present their report and the audited financial statements for the year ended 31 October 1998.

Principal activity

The principal activity of the company continues to be that of the manufacture of hydraulic cylinders and power tools within the United Kingdom.

Business review

The company's balance sheet as detailed on page 6 shows a satisfactory position, shareholders' funds amounting to £574,321.

The directors are pleased to report a profit for the financial year and are confident that the current financial year's results will also be favourable.

Loss, dividends and appropriations

The results for the year are shown in the profit and loss account on page 4. An ordinary dividend amounting to £14,400 has been paid and the balance of the loss for the year is to be absorbed by reserves.

Fixed assets

Changes in fixed assets during the year are set out in notes 8 and 9 to the accounts.

Directors

The directors of the company during the year and their effective interests in the shares of the company, as recorded in the register of directors' interests, were as follows

	31 October 1998		1 November 1997	
	Preference shares	Ordinary shares	Preference shares	Ordinary shares
P Blakeman	8,630	777	8,630	777
K E Jenkins	-	87	-	87
S Andrews	-	-	-	-

The above shareholdings include declarable interests in 32 ordinary shares owned by Mrs A Blakeman and 8 ordinary shares owned by Mrs Jenkins.

Auditors

The Company has elected to dispense with the annual appointment of auditors. In the absence of a specific resolution to the contrary Harrison Beale will continue in office.

Continued.....

JONIC ENGINEERING LIMITED

DIRECTORS' REPORT (continued)

31 October 1998

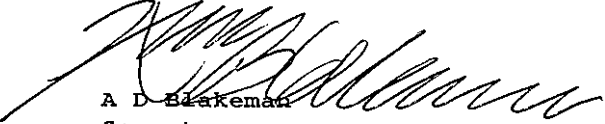
Statement of directors' responsibilities

The directors are required under company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements the directors are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



A D Blackman
Secretary

22 April 1999

JONIC ENGINEERING LIMITED**Auditors' report to the members of Jonic Engineering Limited
for the year ended 31 October 1998**

We have audited the financial statements on pages 4 to 16 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error or other irregularity. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 October 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Harrison Beale
Registered Auditors
Chartered Accountants
15 Guy's Cliffe Road
Leamington Spa
CV32 5BZ

22 April 1999

JONIC ENGINEERING LIMITED

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PROFIT AND LOSS ACCOUNT

for the year ended 31 October 1998

	Note	1998 £	1997 £
Turnover	2	1,682,641	1,855,697
Cost of sales		(1,184,077)	(1,313,086)
Gross profit		498,564	542,611
Net operating expenses			
Administrative expenses		(456,863)	(440,396)
Other operating income		54,776	28,141
Operating profit	3	96,477	130,356
Interest payable	5	(96,128)	(55,347)
Profit on ordinary activities before taxation		349	75,009
Taxation	6	5,983	320
Profit on ordinary activities after taxation		6,332	75,329
Dividends	7	(14,400)	(14,400)
Retained (loss)/profit for the year	20	(8,068)	60,929

Movements in reserves are shown in the notes to the financial statements.

None of the company's activities were acquired or discontinued during the above two financial years.

JONIC ENGINEERING LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 October 1998

	1998 £	1997 £
Profit for the financial year	6,332	75,329
	<hr/>	<hr/>
Total gains recognised since last annual report	<u>6,332</u>	<u>75,329</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the year ended 31 October 1998

	1998 £	1997 £
Reported profit on ordinary activities before taxation	349	75,009
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	<hr/> -	<hr/> -
Historical cost profit on ordinary activities before taxation	349	75,009
Taxation charge for year	<hr/> 5,983	<hr/> 320
Historical cost profit for the year retained after taxation	<u>6,332</u>	<u>75,329</u>

JONIC ENGINEERING LIMITED

BALANCE SHEET

at 31 October 1998

	Note	1998 £	1997 £
Fixed assets			
Tangible assets	8	1,178,975	925,501
Current assets			
Stocks	11	449,752	434,309
Investments	10	50,000	50,000
Debtors	12	403,894	429,255
Cash at bank and in hand		27	27
		<u>903,673</u>	<u>913,591</u>
Creditors: amounts falling due within one year	13	(875,670)	(814,353)
Net current assets		<u>28,003</u>	<u>99,238</u>
Total assets less current liabilities		<u>1,206,978</u>	<u>1,024,739</u>
Creditors: amounts falling due after more than one year	14	(543,229)	(318,342)
Provision for liabilities and charges	15	(89,428)	(85,049)
		<u>574,321</u>	<u>621,348</u>
Capital and reserves			
Called up share capital	18	9,494	9,494
Revaluation reserve	19	102,273	141,232
Profit and loss account	20	462,554	470,622
Total shareholders' funds	17	<u>574,321</u>	<u>621,348</u>

The financial statements on pages 4 to 16 were approved by the board of directors on 12 April 1999.



P Blakeman
Chairman

JONIC ENGINEERING LIMITED

CASH FLOW STATEMENT

for the year ended 31 October 1998

	Note	1998 £	1997 £
Net cash inflow from operating activities	1	187,223	259,643
Returns on investments and servicing of finance			
Interest paid		(79,694)	(39,935)
Dividends paid		(14,400)	(14,400)
Hire purchase interest		(16,434)	(15,601)
		(110,528)	(69,936)
Taxation			
Corporation tax paid		(10,533)	(16,881)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(413,752)	(101,483)
Sale of tangible fixed assets		33,500	2,500
		(380,252)	(98,983)
Financing			
Debt due within a year:			
Hire purchase advances		43,750	16,558
Loan advances		12,320	-
Repayment of secured borrowings		(30,644)	(13,811)
Debt due beyond a year:			
Hire purchase advances		108,361	67,148
Loan advances		295,680	-
Repayment of secured borrowings		(176,080)	(111,408)
		253,387	(41,513)
(Decrease)/increase in cash	2	(60,703)	32,330

Reconciliation of net cash flow to movement in net debt (note 2)

	1998 £	1997 £
(Decrease)/increase in cash in the year	(60,703)	32,330
Cash (inflow)/outflow from (increase)/decrease in debt and financing	(253,387)	41,513
	(314,090)	73,843
Net debt at 1 November 1997	(714,150)	(787,993)
Net debt at 31 October 1998	(1,028,240)	(714,150)

JONIC ENGINEERING LIMITED

NOTES TO THE CASH FLOW STATEMENT

for the year ended 31 October 1998

1 Reconciliation of operating profit to operating cash flows

	1998 £	1997 £
Operating profit	96,477	130,356
Depreciation charges	91,906	92,110
(Profit)/loss on sale of fixed assets	(4,087)	417
Increase in stocks	(15,443)	(13,146)
Decrease in debtors	39,318	74,929
Increase in creditors	2,128	3,118
Amortisation	(23,076)	(28,141)
Net cash inflow from operating activities	187,223	259,643

2 Analysis of changes in net cash in hand

	At 1 November 1997 £	Cash flows £	Other changes £	At 31 October 1998 £
Cash in hand, at bank	27	-	-	27
Bank overdraft	(310,240)	(60,703)	-	(370,943)
	<u>(310,240)</u>	<u>(60,703)</u>	<u>-</u>	<u>(370,916)</u>
Debt due within one year	(110,948)	150,654	(176,080)	(136,374)
Debt due after one year	(292,989)	(404,041)	176,080	(520,950)
	<u>(714,150)</u>	<u>(314,090)</u>	<u>-</u>	<u>(1,028,240)</u>

JONIC ENGINEERING LIMITED

NOTES ON FINANCIAL STATEMENTS

31 October 1998

1 Accounting policies**Basis of accounting**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, as modified by the revaluation of certain fixed assets.

Turnover

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

Depreciation

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

Leasehold property	Straight line over 50 years
Plant and machinery	10%/20% reducing balance
Motor vehicles	25% reducing balance
Fixtures and fittings	10%/25% reducing balance

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

Government grants

Government grants on capital expenditure are credited to a deferral account and are released to revenue over the expected useful life of the relevant asset by equal annual instalments. Grants of a revenue nature are credited to income in the period to which they relate.

Hire purchase contracts

Tangible fixed assets acquired under hire purchase contracts are capitalised at the estimated fair value at the date of inception of each contract. The total finance charges are allocated over the period of the contract in such a way as to give a reasonably constant charge on the outstanding liability.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less the estimated cost of disposal.

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

Pensions**Defined contribution scheme**

Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

JONIC ENGINEERING LIMITED

NOTES ON FINANCIAL STATEMENTS

31 October 1998

2 Turnover

The whole of the turnover and profit before taxation is attributable to the one principal activity of the company, that is the manufacture of hydraulic cylinders and power tools, and is derived entirely from within the United Kingdom.

3 Operating profit

	1998	1997
	£	£
Operating profit is stated after crediting		
Revenue grants	31,700	-
Profit on sale of assets	4,087	-
	<u> </u>	<u> </u>
and after charging		
Staff costs (note 4)	814,380	823,804
Auditors' remuneration	4,000	3,775
Operating leases		
Hire of assets other than plant and machinery	4,129	5,043
Loss on sale of assets	-	417
	<u> </u>	<u> </u>
Depreciation of tangible fixed assets (note 8)		
owned assets	35,894	48,891
assets held under hire purchase contracts	56,012	43,219
	<u> </u>	<u> </u>
	91,906	92,110
	<u> </u>	<u> </u>

JONIC ENGINEERING LIMITED

NOTES ON FINANCIAL STATEMENTS

31 October 1998

4 Directors and employees

	1998	1997
	£	£
Staff costs including directors' emoluments		
Wages and salaries	726,141	741,664
Social security costs	65,558	66,174
Pension costs	22,681	15,966
	<u>814,380</u>	<u>823,804</u>
	Number	Number
Average number employed including executive directors		
Manufacturing staff	47	47
Office and management	12	13
	<u>59</u>	<u>60</u>
	£	£
Directors		
Directors' emoluments	121,808	122,661
Company contributions to money purchase schemes	14,999	9,700
	<u>136,807</u>	<u>132,361</u>

Three directors are accruing pension benefits under money purchase schemes.

Pension costs**Defined contribution pension scheme**

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £22,681 (1997 £15,966).

There were no contributions outstanding at 31 October 1998. (1997: nil).

5 Interest payable

	1998	1997
	£	£
Bank interest	39,769	15,201
Bank loan interest	14,450	24,545
Hire purchase interest	16,434	15,601
Mortgage loan interest	25,475	-
	<u>96,128</u>	<u>55,347</u>

JONIC ENGINEERING LIMITED
NOTES ON FINANCIAL STATEMENTS

31 October 1998

6 Taxation

	1998 £	1997 £
Corporation tax on profit on ordinary activities at 21% (1997 21%)	(10,362)	10,362
Deferred taxation (note 15)	4,379	(10,682)
	<u>(5,983)</u>	<u>(320)</u>

7 Dividends

	1998 £	1997 £
Interim dividend of £1,800 (1997 £1,800) per participating share	14,400	14,400
	<u>14,400</u>	<u>14,400</u>

8 Tangible fixed assets

Cost or valuation	Motor Vehicles £	Plant and Machinery £	Fixtures and Fittings £	Leasehold Property £	Total £
1 November 1997	123,263	940,088	79,097	300,000	1,442,448
Additions	24,500	195,991	1,302	191,959	413,752
Disposals	(28,197)	(90,266)	-	-	(118,463)
Revaluation	-	-	-	(41,959)	(41,959)
	<u>119,566</u>	<u>1,045,813</u>	<u>80,399</u>	<u>450,000</u>	<u>1,695,778</u>
31 October 1998	119,566	1,045,813	80,399	450,000	1,695,778
Depreciation					
1 November 1997	39,007	434,268	43,672	-	516,947
Charge for year	24,517	55,825	8,564	3,000	91,906
Disposals	(19,644)	(69,406)	-	-	(89,050)
Revaluation	-	-	-	(3,000)	(3,000)
	<u>43,880</u>	<u>420,687</u>	<u>52,236</u>	<u>-</u>	<u>516,803</u>
31 October 1998	43,880	420,687	52,236	-	516,803
Net book amount					
31 October 1998	<u>75,686</u>	<u>625,126</u>	<u>28,163</u>	<u>450,000</u>	<u>1,178,975</u>
1 November 1997	<u>84,256</u>	<u>505,820</u>	<u>35,425</u>	<u>300,000</u>	<u>925,501</u>

The net book amount of fixed assets includes £322,607 (1997 £268,296) in respect of assets held under hire purchase contracts, the depreciation of which is shown in note 3.

At the balance sheet date there were no capital commitments (1997 £65,000).

JONIC ENGINEERING LIMITED
NOTES ON FINANCIAL STATEMENTS

31 October 1998

9 Land and buildings

	1998 £	1997 £
Leasehold - net book amount	450,000	300,000
Leasehold land and buildings at valuation		
Leasehold land and buildings revalued amount	450,000	300,000

The buildings are held on a 99 year lease which commenced in 1982. The company's leasehold premises were valued on 20 February 1992 and subsequently on 7 May 1997 by external chartered surveyors on the basis of open market value with vacant possession. The building was valued on 8 December 1997 at £450,000 subject to completion of the factory extension which was completed in March 1998.

Historical cost information

Leasehold land and buildings historical cost - cost	349,357	157,398
Leasehold land and buildings historical cost - depreciation	16,032	16,032
	333,325	141,366

10 Fixed asset investments

	1998 £	1997 £
Fixed asset investments - cost	50,000	50,000

In the opinion of the directors the value of the company's investments are not less than the amount included in the balance sheet.

11 Stocks

	1998 £	1997 £
Consumable tools and stores	104,874	86,880
Finished goods, work in progress and raw materials	344,878	347,429
	449,752	434,309

12 Debtors

	1998 £	1997 £
Amounts falling due within one year		
Trade debtors	385,763	407,507
Prepayments and accrued income	4,174	21,748
Corporation tax	13,957	-
	403,894	429,255

NOTES ON FINANCIAL STATEMENTS

31 October 1998

13 Creditors: amounts falling due within one year

	1998 £	1997 £
Building society mortgage	10,413	-
Bank loans and overdraft	402,943	357,240
Trade creditors	170,986	203,157
Obligations under hire purchase contracts - note 14	93,961	63,948
Directors' current accounts	81,928	51,983
Corporation tax	-	6,941
Other taxation and social security	88,403	80,119
Other creditors	10,078	19,649
Accruals and deferred income	16,958	31,316
	<u>875,670</u>	<u>814,353</u>

The mortgage, which is repayable over a period of 15 years, is secured by a fixed charge over the property. The bank loans and overdraft are secured by a fixed and floating charge over the undertaking of all property and assets present and future and by a chattel mortgage over specific plant and machinery. Hire purchase creditors are secured on the assets concerned.

14 Creditors: amounts falling due after more than one year

	1998 £	1997 £
Building society mortgage	288,740	-
Bank loans	72,000	179,000
Deferred capital grant	22,279	25,355
Obligations under hire purchase contracts	160,210	113,987
	<u>543,229</u>	<u>318,342</u>
Maturity of debt included above		
Between one and two years	42,413	47,000
Between two and five years	113,653	179,000
In five years or more	247,087	-
	<u>403,153</u>	<u>226,000</u>

Obligations under hire purchase contracts

Amounts included above are repayable over varying periods by monthly instalments as follows:

In the next year - see note 13	93,961	63,948
In the second to fifth years	160,210	113,987
	<u>254,171</u>	<u>177,935</u>

JONIC ENGINEERING LIMITED
NOTES ON FINANCIAL STATEMENTS

31 October 1998

15 Provision for liabilities and charges

	1997 £	Profit and loss account £	1998 £
Deferred taxation (notes 6 and 16)	(85,049)	(4,379)	(89,428)

16 Deferred taxation

	1998 Provision made £	1997 Provision made £
Corporation tax deferred by accelerated capital allowances	96,735	85,049
Corporation tax re losses carried forward	(7,307)	-
	<u>89,428</u>	<u>85,049</u>

The potential provisions are based on a corporation tax rate of 21% (1997 21%).

17 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
Profit for the financial year	6,332	75,329
Dividends	(14,400)	(14,400)
Building revaluation (note 9)	(38,959)	39,320
Net (subtraction from)/addition to shareholders' funds	(47,027)	100,249
Opening shareholders' funds	621,348	521,099
Closing shareholders' funds	<u>574,321</u>	<u>621,348</u>

JONIC ENGINEERING LIMITED
NOTES ON FINANCIAL STATEMENTS

31 October 1998

18 Called up share capital

	1998		1997	
	Number of shares	£	Number of shares	£
Authorised				
Ordinary shares of £1 each	2,000	2,000	2,000	2,000
3% non-cumulative preference shares	8,863	8,863	8,863	8,863
Allotted called up and fully paid				
Ordinary shares of £1 each	864	864	864	864
3% non-cumulative preference shares	8,630	8,630	8,630	8,630

The 3% non-cumulative preference shares do not carry any voting rights.

19 Revaluation reserve

	1998 £
1 November 1997	141,232
Revaluation of leasehold property (notes 8 and 9)	(41,959)
Depreciation on revaluation	3,000
31 October 1998	102,273

20 Profit and loss account

	1998 £
1 November 1997	470,622
Retained loss for the year	(8,068)
31 October 1998	462,554

21 Post balance sheet events

There were no significant events subsequent to the balance sheet date.

22 Controlling interest

The company is controlled by Mr P Blakeman, a director who effectively holds 90% of the company's ordinary share capital.