

222139

HIGHFIELD GEARS LIMITED  
ACCOUNTS  
FOR THE YEAR ENDED 3RD MARCH 1996



**HIGHFIELD GEARS LIMITED**

COMPANY NO. 222139

**DIRECTORS**

Dr. P Castle (Chairman)

D Clegg

D Giblin

**SECRETARY**

N H Martin

**REGISTERED OFFICE**

Nile Street  
Huddersfield

**AUDITORS**

Ernst & Young  
Chartered Accountants  
Leeds

## HIGHFIELD GEARS LIMITED

### NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at the Registered Office, Nile Street, Huddersfield, at 3.50 pm on Tuesday, 16th July 1996 for the following purposes, namely:-

1. To receive and consider the Statements of Accounts, Directors' Report and Auditors' Report for the year ended 3rd March 1996.
2. To appoint Auditors and to authorise the Directors to fix their remuneration.

By Order of the Board



N H Martin  
Secretary

Nile Street  
Huddersfield

24 June 1996

#### NOTE:

A member of the Company entitled to attend and vote at the above meeting may appoint any person (whether a member or not) as his proxy to attend and vote instead of him.

**HIGHFIELD GEARS LIMITED  
REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 3RD MARCH 1996**

The Directors present herewith the audited accounts of the Company for the year ended 3rd March 1996.

**RESULTS**

The result for the year is shown in the profit and loss account on page 26.

**PRINCIPAL ACTIVITIES**

The activities of the Company consist of the manufacture of gears and transmission engineering.

**DIVIDENDS**

The Directors do not recommend that a dividend be paid on the ordinary shares for the year ended 3rd March 1996 (1995 £Nil).

**REVIEW OF BUSINESS**

The Company has continued to design, manufacture and sell worm gear products and associated power transmission systems as its principal business activity. In addition, certain new products within the power transmission sector are being progressively introduced either as factored products from overseas manufacturers or as own designed and manufactured products.

**DIRECTORS**

The Directors of the Company during the year were:

Dr. P Castle  
Mr. D Clegg  
Mr. D Giblin

**HIGHFIELD GEARS LIMITED  
REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 3RD MARCH 1996**

**DIRECTORS' INTERESTS IN SHARES**

The Company is a wholly-owned subsidiary of Highfield Industrial Holdings Limited.

The following table shows the interest of each Director of the Company including family interests, in the issued ordinary share capital of Highfield Industrial Holdings Limited.

	3rd March 1996	26th February 1995
Dr. P Castle	204,634	204,634
Mr. D Clegg	-	-
Mr. D Giblin	-	-

**DIRECTORS' RESPONSIBILITIES**

Under the Companies Act 1985 the Directors are required to prepare accounts which give a true and fair view of the state of affairs of the Company and the Group as at the end of its financial year and of the profit or loss for the financial year. The Directors are also responsible for maintaining accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the accounts comply with the Companies Act 1985.

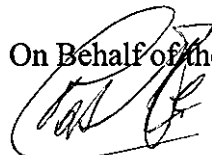
Suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the accounts and applicable accounting standards have been followed.

The Directors also have the general responsibility to the Company for taking such steps as are reasonably open to them to safeguard its assets and to prevent and detect fraud and other irregularities.

**AUDITORS**

Ernst & Young have expressed their willingness to continue in office and a resolution proposing their re-appointment will be submitted to the Annual General Meeting.

On Behalf of the Board



**P CASTLE**  
Chairman

Nile Street  
Huddersfield

24 June 1996

**REPORT OF THE AUDITORS TO THE MEMBERS OF HIGHFIELD GEARS LIMITED**  
**FOR THE YEAR ENDED 3RD MARCH 1996**

We have audited the accounts on pages 26 to 34, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 28 and 29.

**Respective responsibilities of Directors and Auditors**

As described on page 24 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 as at 3rd March 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young*

Ernst & Young  
Chartered Accountants  
Registered Auditor  
LEEDS

24 June 1996

**HIGHFIELD GEARS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 3RD MARCH 1996**

	Notes	1996 £	1995 £
TURNOVER - Continuing Operations	3		
Home		2,835,176	2,567,962
Export		515,195	766,370
		<u>3,350,371</u>	<u>3,334,332</u>
Costs and overheads - Continuing Operations	4	3,530,823	3,546,354
OPERATING LOSS before Compensation & Redundancy costs		(180,452)	(212,022)
Compensation paid to a former Director & Redundancy costs		-	(30,772)
OPERATING LOSS - Continuing Operations		<u>(180,452)</u>	<u>(242,794)</u>
Interest payable	6	(88,639)	(70,006)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(269,091)	(312,800)
Taxation credit	7	(36,055)	(59,408)
LOSS FOR THE FINANCIAL YEAR	15	<u>£(233,036)</u>	<u>£(253,392)</u>

The Company had no recognised gains or losses for 1996 or 1995, other than the loss for the year. Accordingly a statement of recognised gains and losses has not been presented.

The total gains and losses recognised since the last report are:

	£	£
Total gains and losses related to the year (as above)	(233,036)	(253,392)
Prior year adjustment	8	111,287
Total gains and losses recognised since last annual report	<u>(£233,036)</u>	<u>£(142,105)</u>

There is no difference between the loss on Ordinary Activities before taxation and the retained loss for the year stated above and their Historical Cost equivalents.

The notes on pages 28 to 34 form part of these accounts

**HIGHFIELD GEARS LIMITED**  
**BALANCE SHEET**  
**FOR THE YEAR ENDED 3RD MARCH 1996**

	Notes	1996	1995
		£	£
<b>FIXED ASSETS</b>			
Tangible assets	9	359,680	396,830
<b>CURRENT ASSETS</b>			
Stocks and work in progress	10	927,016	566,740
Debtors	11	808,495	1,143,874
Cash at bank and in hand		14,206	14,171
		<u>1,749,717</u>	<u>1,724,785</u>
<b>CREDITORS (falling due within one year)</b>			
Bank overdraft	21	534,966	378,838
Trade creditors		708,297	481,005
Amounts owed to group companies		35,348	100,496
Other creditors	12	364,523	395,253
		<u>1,643,134</u>	<u>1,355,592</u>
<b>NET CURRENT ASSETS</b>		106,583	369,193
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>466,263</u>	<u>766,023</u>
<b>CREDITORS (falling due after more than one year)</b>	13	536,037	602,761
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	16	-	-
<b>TOTAL ASSETS LESS LIABILITIES</b>		<u>£(69,774)</u>	<u>£163,262</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	250,000	250,000
Profit and loss account	15	(319,774)	(86,738)
<b>SHAREHOLDERS' FUNDS</b>	15	<u>£(69,774)</u>	<u>£163,262</u>

Approved by the Board on 24 June 1996

P CASTLE

D CLEGG

Directors

The notes on pages 28 to 34 form part of these accounts.



**HIGHFIELD GEARS LIMITED**  
**NOTES ON THE ACCOUNTS**  
**FOR THE YEAR ENDED 3RD MARCH 1996**

**1. FUNDAMENTAL ACCOUNTING CONCEPT**

The Company is dependant on continuing finance being made available by its parent undertaking to enable it to continue operating and to meet its liabilities as they fall due.

On 21 May 1996 the parent undertaking subscribed for 200,000 additional ordinary shares of £1 each in the Company at par by reduction of the amount due on the loan account. The Directors believe that it is therefore appropriate to prepare the accounts on a going concern basis.

**2. ACCOUNTING POLICIES**

**a) Accounting Convention**

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

**b) Depreciation**

The cost of fixed assets is written off equal annual instalments over the expected useful lives of the assets as follows:-

Machinery and equipment                      4 to 10 years

Motor vehicles    4 years

**c) Leased Assets**

Assets subject to finance leases are shown as fixed assets and depreciated accordance with note b) above. The corresponding liability for the capital element is shown in the balance sheet as an amount due under lease purchase agreements and the interest element is charged against profit over the primary lease period. The rental costs of all other leased assets are charged against profits as incurred.

**d) Stocks and Work in Progress**

Stocks are valued at the lower of cost and net realisable value after making due allowances for any obsolete or slow moving items. In the case of work in progress, cost comprises, direct labour and an appropriate proportion of manufacturing fixed and variable overheads. The allocation of manufacturing fixed overheads has regard to budgeted normal production. Net realisable value is based on an estimated selling price less any further costs expected to be incurred to completion and disposal.

**e) Long-term Contracts**

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of work carried out at the year end, by recording turnover and related costs (as defined in Stocks and Work in Progress above) as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

**HIGHFIELD GEARS LIMITED**  
**NOTES ON THE ACCOUNTS**  
**FOR THE YEAR ENDED 3RD MARCH 1996**

f) **Deferred Taxation**

Provision is made for deferred taxation, using the liability method, on short-term timing differences and all other material timing differences which are not expected to continue in the future.

g) **Government Grants**

Government grants are credited to trading profit over the expected useful lives of the qualifying assets.

h) **Pensions**

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

**3. TURNOVER**

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties, except in respect of long-term contracts where turnover represents the sales value of work done in the year, including estimates in respect of amounts not invoiced. Turnover in respect of long-term contracts is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract.

The turnover and pre-tax loss is attributable to one continuing activity consisting of the manufacture of gears and power transmissions. Analysis of turnover by geographical location of customer is given below:-

	1996	1995
	£	£
Home	2,835,176	2,567,962
Export:-		
Europe	315,811	295,771
USA and Canada	167,535	337,761
Rest of the World	31,849	132,838
	<u>£3,350,371</u>	<u>£3,334,332</u>

**HIGHFIELD GEARS LIMITED**  
**NOTES ON THE ACCOUNTS**  
**FOR THE YEAR ENDED 3RD MARCH 1996**

**4. COSTS AND OVERHEADS**

Change in WIP and finished goods	149,126	44,250
Raw materials and consumables	1,062,372	1,118,043
Other external charges	662,327	654,038
Staff costs	1,349,986	1,373,888
Depreciation	122,299	108,423
Other operating charges	184,713	247,712
	<u>£3,530,823</u>	<u>£3,546,354</u>

Other external and operating charges include:-

Auditors' remuneration and expenses	9,250	9,970
Plant and equipment hire	1,254	809
Deficit/(Surplus) on sale of tangible assets	(13,495)	147

**5. DIRECTORS AND EMPLOYEES**

**1996**  
£

**1995**  
£

Emoluments of the Directors of the Company were:

Fees	1,000	1,500
Management remuneration and benefits	54,669	68,262
Pension premiums	4,713	5,955
Compensation paid to former Director	-	5,000

Particulars of emoluments of Directors disclosed in accordance with Schedule 6 Part I of the Companies Act 1985 are as follows:

Chairman's emoluments	<u>£NIL</u>	<u>£ NIL</u>
Remuneration of the highest paid Director	<u>£28,156</u>	<u>£27,108</u>

Number of other Directors whose emoluments were within the range:

£15,001 - £20,000	-	1
£25,001 - £30,000	1	1

Staff costs:-

Wages and salaries	1,181,786	1,185,332
Social security costs	103,020	115,835
Pension premiums	65,180	72,721
	<u>£1,349,986</u>	<u>£1,373,888</u>

Employees

The average weekly number of employees of the Company during the year was 79 (1995 - 89)

**HIGHFIELD GEARS LIMITED**  
**NOTES ON THE ACCOUNTS**  
**FOR THE YEAR ENDED 3RD MARCH 1996**

**6. INTEREST**

Lease purchase	14,103	11,164
Bank overdraft and term loan	57,040	43,467
Loan from parent company	17,496	15,375
	<u>£88,639</u>	<u>£70,006</u>

**7. TAXATION**

The credit for the year comprises:

Corporation Tax		
Deferred (Note 16)	-	(29,022)
Receipt for Group relief	(36,055)	(30,386)
	<u>(£36,055)</u>	<u>£(59,408)</u>

**8. PRIOR YEAR ADJUSTMENT**

The valuation of work-in-progress was amended in the previous year to include work done on secured orders prior to the commencement of production on those orders. The adjustment was made to ensure the accounts reflect more accurately the work done in each year.

**9. TANGIBLE ASSETS**

	<b>Plant and Machinery</b>	<b>Office and Canteen Equipment</b>	<b>Motor Vehicles</b>	<b>Total</b>
	£	£	£	£
<b>COST</b>				
At 26 February 1995	1,380,772	235,211	107,371	1,723,354
Additions during year	3,648	28,693	52,913	85,254
Sales at cost	(79,291)	(5,216)	(37,423)	(121,930)
At 3 March 1996	<u>1,305,129</u>	<u>258,688</u>	<u>122,861</u>	<u>1,686,678</u>
<b>DEPRECIATION</b>				
At 26 February 1995	1,039,442	204,522	82,560	1,326,524
Amount provided for the year	82,612	17,380	22,307	122,299
Adjustment in respect of sales	(79,291)	(5,111)	(37,423)	(121,825)
At 3 March 1996	<u>1,042,763</u>	<u>216,791</u>	<u>67,444</u>	<u>1,326,998</u>
<b>NET BOOK VALUE</b>				
At 26 February 1995	<u>£341,330</u>	<u>£30,689</u>	<u>£24,811</u>	<u>£396,830</u>
At 3 March 1996	<u>£262,366</u>	<u>£41,897</u>	<u>£55,417</u>	<u>£359,680</u>

The amounts included above in respect of assets held under lease purchase agreements are:

**HIGHFIELD GEARS LIMITED**  
**NOTES ON THE ACCOUNTS**  
**FOR THE YEAR ENDED 3RD MARCH 1996**

	<u>Plant and Machinery</u>	<u>Office Equipment</u>	<u>Motor Vehicles</u>
Net Book Value	<u>£84,502</u>	<u>£12,738</u>	<u>£55,417</u>
	(1995 £91,544)	(1995 £Nil)	(1995 £23,661)
Depreciation Charge for the year	<u>£ 7,042</u>	<u>£3,185</u>	<u>£21,157</u>
	(1995 £7,042)	(1995 £Nil)	(1995 £9,381)

**10 STOCKS AND WORK IN PROGRESS**

	<b>1996</b>	<b>1995</b>
	£	£
Work in progress and finished goods	355,186	206,060
Raw materials and consumables	<u>571,830</u>	<u>360,680</u>
	<u>£927,016</u>	<u>£566,740</u>

**11 DEBTORS (all amounts are due within one year)**

	<b>1996</b>	<b>1995</b>
	£	£
Trade debtors	746,735	1,056,748
Prepayments	25,705	49,718
Corporation Tax repayable	-	7,022
Due from fellow subsidiary in respect of group relief	36,055	30,386
	<u>£808,495</u>	<u>£1,143,874</u>

**12 OTHER CREDITORS (amounts falling due within one year)**

	<b>1996</b>	<b>1995</b>
	£	£
Amount due under lease purchase agreements	45,311	30,347
Taxation and social security	47,442	116,309
Accruals and deferred income	201,770	178,597
Term Loan (Note 21)	70,000	70,000
	<u>£364,523</u>	<u>£395,253</u>

**13 CREDITORS (amounts falling due after more than one year)**

Loan from holding company	400,000	400,000
Term loan (Note 21)	70,000	140,000
Amount due under Lease Purchase Agreement	<u>66,037</u>	<u>62,761</u>
	<u>£536,037</u>	<u>£602,761</u>

The Holding Company loan is unsecured and is repayable upon 12 months written notice. Interest is payable at a rate based on bank base rate.

**HIGHFIELD GEARS LIMITED**  
**NOTES ON THE ACCOUNTS**  
**FOR THE YEAR ENDED 3RD MARCH 1996**

**14 CALLED UP SHARE CAPITAL**

Authorised		
500,000 Ordinary Shares of £1 each	<u>£500,000</u>	<u>£500,000</u>
Allotted, called up and fully paid		
250,000 Ordinary Shares of £1 each	<u>£250,000</u>	<u>£250,000</u>

The whole of the shareholders' funds is represented by equity interests.

**15 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES**

	Share Capital	Profit & Loss Account	Shareholders' Funds
	£	£	£
At 27 February 1994	250,000	166,654	416,654
Loss for the year	-	(253,392)	(253,392)
At 26 February 1995	250,000	(86,738)	163,262
Loss for the year	-	(233,036)	(233,036)
At 3 March 1996	<u>£250,000</u>	<u>£(319,774)</u>	<u>£(69,774)</u>

**16 DEFERRED TAXATION**

**1996**  
£

**1995**  
£

The major components of the provision for deferred taxation are as follows:

Losses available against future tax liabilities	-	(33,917)
Accelerated capital allowances	-	33,917
Provision required	<u>-</u>	<u>£ -</u>

There are no other material potential deferred taxation liabilities.

**17 FINANCIAL COMMITMENTS**

Capital expenditure contracted for at 3rd March 1996 and not provided for in these accounts amounted to £Nil (1995 £26,733). Capital expenditure authorised, but not contracted for amounted to £Nil (1995 £10,800). The annual commitment under operating leases (which all expire within 2 to 5 years) was £1,611 (1995 £1,244).

**HIGHFIELD GEARS LIMITED  
NOTES ON THE ACCOUNTS  
FOR THE YEAR ENDED 3RD MARCH 1996**

**18 PENSION COMMITMENTS**

The group operates two defined benefit pension schemes, both of which are funded by the payment of contributions to separately administered trust funds.

The group schemes have been assessed by independent actuaries. Details of the latest actuarial valuations of the schemes are contained in the accounts of Highfield Industrial Holdings Limited.

**19 CLOSE COMPANY**

The company is a close company as defined by Section 414, Income and Corporation Taxes Act 1988.

**20 HOLDING COMPANY**

The parent company of the largest group of companies for which group accounts are drawn up and of which the Company is a member is Highfield Industrial Holdings Limited, which is registered in England and Wales and which is also the Company's ultimate holding company.

**21 BANK OVERDRAFT AND TERM LOAN**

The bank overdraft and term loan are secured by fixed and floating charges over the Company's assets in favour of Lloyds Bank Plc. The Term Loan facility of £350,000 is repayable in 5 annual instalments commencing in 1993 with interest charged at 2.125% over Bank Base Rate or 1.75% over LIBOR, at the Company's discretion. The overdraft facility is renewable annually.

**22 CONTINGENT LIABILITY**

Lloyds Bank Plc has a right of set-off with other Group companies. The contingent liability in respect of that right at 3rd March 1996 was £Nil (1995 £Nil).