

MOTIVAIR COMPRESSORS LIMITED

Year ended

31 March 1997



MOTIVAIR COMPRESSORS LIMITED

Annual report and financial statements for the year ended 31 March 1997

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Directors

Julian P. Leach (Chairman)
Malcolm G. Fry F.C.A.
A.W. Chaudry
G.J. Jordan
H. Dry-Parker

Secretary

Malcolm G. Fry F.C.A.

Registered office

Victoria House
Britannia Road
Waltham Cross
Hertfordshire

Registered number

918800

Auditors

Trevor Jones
Springfield House
99/101 Crossbrook Street
Waltham Cross
Hertfordshire

Bankers

Barclays Bank plc
78 Turners Hill
Cheshunt
Hertfordshire

MOTIVAIR COMPRESSORS LIMITED

Report of the directors for the year ended 31 March 1997

The directors submit their report with the audited financial statements for the year ended 31 March 1997.

Principal activities

The principal activities of the company in the year under review were the manufacture, sale, servicing and hire of compressed air and product finishing equipment in a wide variety of industrial sectors, both in the United Kingdom and overseas.

Results and dividends

The results of the company are set out on page 4.

The directors do not recommend the payment of a dividend.

It is proposed to transfer the profit of £7,114 to reserves.

Review of business and future developments

The company maintained its sales performance at £11.0 million for the year. All the company's depots are expected to show an improvement in their trading results in the coming year.

The company remains confident that it is well placed to continue to develop its business and benefit from the opportunities available in the market place.

Directors

The directors of the company during the year were:

Julian P. Leach
Malcolm G. Fry F.C.A.
A.W. Chaudry
G.J. Jordan
H. Dry-Parker

The shareholding of Mr. Julian Leach in the ultimate parent company, Leach-Lewis Limited, is disclosed in the financial statements of that company. None of the other directors held any shares in any of the group companies throughout the year.

Fixed assets

Changes in the company's fixed assets are shown in notes 6 to 8 to the financial statements.

Auditors

Trevor Jones have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

MOTIVAIR COMPRESSORS LIMITED

Report of the directors for the year ended 31 March 1997 (cont'd.)

Directors responsibilities

The directors are required by law to prepare financial statements which give a true and fair view of the profit or loss for the financial year and of the state of affairs of the company at the end of that period. The directors are of the opinion that suitable accounting policies have been used and applied consistently, applicable accounting standards have been followed, and reasonable and prudent judgements and estimates have been made. The financial statements have been prepared on a going concern basis. The directors have a responsibility to ensure that the company has suitable internal controls for maintaining adequate accounting records, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

By order of the Board

A handwritten signature in black ink, appearing to read 'J.P. Leach', written over a horizontal line.

Julian P. Leach
Director

29 October 1997

MOTIVAIR COMPRESSORS LIMITED

Report of the auditors

To the members of Motivair Compressors Limited

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

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, as auditors, to form an independent opinion, based on our audit, on the financial 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 an 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 other irregularity or error. 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 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



TREVOR JONES
Chartered Accountants
and Registered Auditor

29 October 1997

MOTIVAIR COMPRESSORS LIMITED

Profit and loss account for the year ended 31 March 1997

	Note	1997 £	1996 £
Turnover	2	10,998,330	11,305,237
Cost of sales		<u>6,394,740</u>	<u>6,794,589</u>
Gross profit		4,603,590	4,510,648
Trading and distribution expenses		2,798,416	2,601,867
Administrative expenses		<u>1,792,350</u>	<u>1,934,546</u>
Operating profit/(loss)	3	12,824	(25,765)
Interest receivable		-	2,115
Interest payable	5	<u>(5,710)</u>	<u>(9,665)</u>
Profit/(loss) on ordinary activities before and after taxation	13	7,114	(33,315)
Retained profit brought forward		<u>5,766</u>	<u>39,081</u>
Retained profit carried forward		<u>12,880</u>	<u>5,766</u>

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 7 to 12 form part of these financial statements.

MOTIVAIR COMPRESSORS LIMITED

Balance sheet at 31 March 1997

	Note	£	1997 £	£	1996 £
Fixed assets					
Intangible asset	6		87,500		122,500
Tangible assets	7		96,185		105,857
Investments	8		8,670		8,670
Current assets					
Stocks	9	1,062,985		870,650	
Hire fleet	10	30,063		11,391	
Debtors	11	2,358,408		2,514,647	
Cash at bank and in hand		<u>62,961</u>		<u>54,895</u>	
			3,514,417		3,451,583
			<u>3,706,772</u>		<u>3,688,610</u>
Capital and reserves					
Called up share capital	12		501		501
Profit and loss account			<u>12,880</u>		<u>5,766</u>
Shareholders' funds	13		13,381		6,267
Creditors : amounts falling due within one year	14		<u>3,693,391</u>		<u>3,682,343</u>
			<u>3,706,772</u>		<u>3,688,610</u>

These financial statements were approved by the Board on 29 October 1997



Julian P. Leach
Director

The notes on pages 7 to 12 form part of these financial statements.

MOTIVAIR COMPRESSORS LIMITED

Cash flow statement for the year ended 31 March 1997

	Note	£	1997 £	£	1996 £
Operating activities					
Net cash (outflow) from continuing operating activities	16		(262,784)		(150,842)
Returns on investments and servicing of finance					
Interest paid		(5,710)		(9,665)	
Interest received		-		2,115	
Net cash (outflow) from returns on investments and servicing of finance			(5,710)		(7,550)
Investing activities					
Purchase of tangible fixed assets		(15,871)		(1,700)	
Purchase of hire fleet		(24,018)		(12,430)	
Sale of tangible fixed assets		-		2,000	
Sale of hire fleet		1,420		44,275	
Net cash (outflow)/inflow from investing activities			(38,469)		32,145
(Decrease) in cash and cash equivalents	17		(306,963)		(126,247)

The notes on pages 7 to 12 form part of these financial statements.

MOTIVAIR COMPRESSORS LIMITED

Notes forming part of the financial statements for the year ended 31 March 1997

1. Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following accounting policies have been applied:

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax.

Goodwill

Goodwill being the amount paid in connection with the acquisition of the trading assets of new business interests is written off evenly over its estimated economic life at the rate of 10% per annum.

Depreciation

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Leasehold premiums	Over the periods of the leases
Office equipment	20% on cost
Plant and equipment	20% on cost
Hire fleet	20% - 50% on cost

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that a liability or asset will crystallise.

Leased assets

All leases for the hire of premises or assets are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Group accounts

Group accounts are not prepared for the company and its subsidiary companies as the company is the subsidiary of Leach-Lewis Limited which consolidates the company's results.

Pension costs

The cost of pensions based on the actuarial assessment of the long term funding requirements for the company's defined benefits scheme is charged to profit and loss account so as to spread the cost over the remaining service lives of its employees.

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for a permanent diminution in value.

MOTIVAIR COMPRESSORS LIMITED

Notes forming part of the financial statements for the year ended 31 March 1997

2. Turnover

The turnover and profit from continuing operations for the financial year are attributable to the principal activities of the company. An analysis of turnover is given below:

	1997 £	1996 £
Home sales	9,062,861	9,343,906
Indirect and direct export sales	1,935,469	1,961,331
	<u>10,998,330</u>	<u>11,305,237</u>

3. Operating profit/(loss)

The operating profit/(loss) is arrived at after charging/(crediting):

Directors' remuneration	189,596	161,056
Depreciation and amortisation of tangible assets	30,888	32,832
Amortisation of goodwill	35,000	35,000
Auditors' remuneration	10,200	9,000
Charges under operating leases - property rentals	252,916	282,165
(Profit) on disposal of tangible assets	<u>(1,419)</u>	<u>(25,695)</u>
Division of directors' remuneration:		
Emoluments	176,600	149,675
Pension contributions	<u>12,996</u>	<u>11,381</u>
	<u>189,596</u>	<u>161,056</u>

4. Staff costs (including directors)

	£	£
Salaries	2,152,466	2,038,656
Social security costs	177,890	175,201
Staff pension scheme	88,806	84,527
	<u>2,419,162</u>	<u>2,298,384</u>

The average monthly number of employees (including directors) during the year was as follows:

	Number	Number
Office management	10	9
Trading and distribution	<u>107</u>	<u>105</u>
	<u>117</u>	<u>114</u>

5. Interest payable

	£	£
Interest payable on bank overdraft and other loans repayable within five years of balance sheet	<u>5,710</u>	<u>9,665</u>

MOTIVAIR COMPRESSORS LIMITED

Notes forming part of the financial statements for the year ended 31 March 1997

6. Intangible fixed asset

	Goodwill £
Cost	
At 1 April 1996 and 31 March 1997	<u>350,000</u>
Amortisation	
At 1 April 1996	227,500
Provided for the year	<u>35,000</u>
At 31 March 1997	<u>262,500</u>
Net book value	
At 31 March 1997	<u>87,500</u>
At 31 March 1996	<u>122,500</u>

7. Tangible fixed assets

	Leasehold premiums £	Office equipment £	Plant and equipment £	Total £
Cost				
At 1 April 1996	60,500	548,112	244,692	853,304
Additions	-	<u>15,871</u>	-	<u>15,871</u>
At 31 March 1997	<u>60,500</u>	<u>563,983</u>	<u>244,692</u>	<u>869,175</u>
Depreciation				
At 1 April 1996	35,046	536,982	175,419	747,447
Provided for the year	<u>5,046</u>	<u>3,753</u>	<u>16,744</u>	<u>25,543</u>
At 31 March 1997	<u>40,092</u>	<u>540,735</u>	<u>192,163</u>	<u>772,990</u>
Net book value				
At 31 March 1997	<u>20,408</u>	<u>23,248</u>	<u>52,529</u>	<u>96,185</u>
At 31 March 1996	<u>25,454</u>	<u>11,130</u>	<u>69,273</u>	<u>105,857</u>

MOTIVAIR COMPRESSORS LIMITED

Notes forming part of the financial statements for the year ended 31 March 1997

8. Investments

	1997 £	1996 £
Interest in subsidiary company		
Shares at cost		
HMT Compressed Air Services Limited	<u>8,670</u>	<u>8,670</u>

The company owns all of the ordinary share capital of the above company which is dormant and registered in England.

9. Stocks

	1997 £	1996 £
Finished goods and goods for resale	1,050,237	851,778
Work in progress	<u>12,748</u>	<u>18,872</u>
	<u>1,062,985</u>	<u>870,650</u>

10. Hire fleet

	Total £
Cost	
At 1 April 1996	72,467
Additions	24,018
Disposals	<u>(2,081)</u>
At 31 March 1997	<u>94,404</u>
Depreciation	
At 1 April 1996	61,076
Provided for the year	5,345
Disposals	<u>(2,080)</u>
At 31 March 1997	<u>64,341</u>
Net book value	
At 31 March 1997	<u>30,063</u>
At 31 March 1996	<u>11,391</u>

11. Debtors

	1997 £	1996 £
Trade debtors	2,245,938	2,358,519
Other debtors	5,052	13,927
Amounts due from group companies	-	123,525
Prepayments	<u>107,418</u>	<u>18,676</u>
	<u>2,358,408</u>	<u>2,514,647</u>

12. Called up share capital

Authorised, allotted, issued and fully paid		
500 ordinary shares of £1	500	500
1 preference share of £1	<u>1</u>	<u>1</u>
	<u>501</u>	<u>501</u>

MOTIVAIR COMPRESSORS LIMITED

Notes forming part of the financial statements for the year ended 31 March 1997

13. Shareholders' funds

	1997 £	1996 £
Shareholders' funds as at 1 April 1996	6,267	39,582
Profit/(loss) for the year	7,114	(33,315)
Shareholders' funds as at 31 March 1997	<u>13,381</u>	<u>6,267</u>

14. Creditors: amounts falling due within one year

Bank overdraft (secured - see note 15(a))	1,104,435	789,406
Trade creditors	2,241,614	2,729,196
Amounts due to group companies	248,753	-
Social security and other taxes	98,589	163,741
	<u>3,693,391</u>	<u>3,682,343</u>

15. Financial commitments

(a) Guarantees

There is a cross guarantee and debenture arrangement with the company's bankers in respect of the balances of the accounts of the parent company, Leach-Lewis Limited and certain fellow subsidiaries charging all the undertakings and assets of the company.

The company has performance guarantees given in the ordinary course of business amounting to £26,782 at 31 March 1997 (1996 - £26,916).

(b) Obligations under operating leases

	Land and buildings 1997 £	1996 £
Annual commitments in respect of leases expiring:		
In less than one year		
Occupied properties	9,188	35,000
Between two and five years		
Occupied properties	296,780	36,750
After five years		
Occupied properties	56,950	323,730
	<u>362,918</u>	<u>395,480</u>

MOTIVAIR COMPRESSORS LIMITED

Notes forming part of the financial statements for the year ended 31 March 1997

16. Reconciliation of operating profit to net cash (outflow) from continuing operating activities

	1997 £	1996 £
Operating profit/(loss)	12,824	(25,765)
Depreciation charges	30,888	32,832
Amortisation of goodwill	35,000	35,000
(Profit) on sale of tangible fixed assets	-	(1,999)
(Profit) on sale of hire fleet	(1,419)	(23,696)
(Increase) in stock and work in progress	(192,335)	(18,739)
Decrease in debtors	156,239	219,166
(Decrease) in creditors	(303,981)	(367,641)
Net cash (outflow) from continuing operating activities	<u>(262,784)</u>	<u>(150,842)</u>

17. Analysis of changes in cash and cash equivalents during the year

Balance at 1 April 1996	(734,511)	(608,264)
Net cash (outflow)	<u>(306,963)</u>	<u>(126,247)</u>
Balance at 31 March 1997	<u>(1,041,474)</u>	<u>(734,511)</u>

18. Analysis of the balances of cash and cash equivalents as shown in the balance sheet

Cash in hand	62,961	54,895
Bank overdrafts	<u>(1,104,435)</u>	<u>(789,406)</u>
	<u>(1,041,474)</u>	<u>(734,511)</u>

19. Parent company

The company's ultimate parent company is Leach-Lewis Limited, a company registered in England.

20. Pension arrangements

The company participates in a pension scheme which is open to all employees including directors of the group and of another connected company.

The scheme is of the defined benefit type under which benefits are based on employee's years of service and average final remuneration. The assets of the scheme are held in a separate trustee administered fund.

The total pension cost for the company for the year ended 31 March 1997 was £88,806 - (1996 £84,527).

The financial assumptions used to calculate the projected benefit obligations were 9% in respect of future yield on investments, 7% in respect of salary increases and 4.5% in respect of increases in pensions and deferred pensions.

The market value of the assets of the scheme at the date of the latest valuation at 31 December 1995 was £5.9 million which exceeded the amounts required to cover benefits that had accrued to members. The actuaries have advised that the company should contribute at the rate of 6% of earnings for the 4 years from 1 January 1996 to be reviewed at the next valuation date of 31 December 1997.

21. Related party transactions

The company has no related party transactions other than with other group members and its ultimate parent company Leach-Lewis Limited which are in the ordinary course of business on an arms length basis.