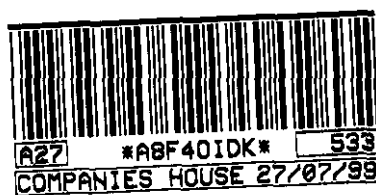


**GEMFLEX ENGINEERING LIMITED**

**REPORT AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
30 SEPTEMBER 1998**

**REGISTERED NUMBER: 2582669**



**GEMFLEX ENGINEERING LIMITED**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 1998**

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**GEMFLEX ENGINEERING LIMITED**

**COMPANY INFORMATION  
AS AT 30 SEPTEMBER 1998**

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**DIRECTORS**

A. Nowicki  
M. Nowicki  
C. R. Nowicki  
P. K. Hatfield

**SECRETARY**

A. Nowicki

**REGISTERED OFFICE**

Unit 4, Cossall Industrial Estate  
Coronation Road  
Cossall  
Ilkeston  
Derbyshire DE7 5UA

**AUDITORS**

Hobson Phillips & Sharpe  
Chartered Accountants  
Alexandra House  
43 Alexandra Street  
Nottingham  
NG5 1AY

**BANKERS**

National Westminster Bank Plc  
16 South Parade  
Nottingham  
NG1 2JX

## **GEMFLEX ENGINEERING LIMITED**

### **DIRECTORS' REPORT**

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The directors present their annual report with the financial statements of the company for the year ended 30 September 1998.

#### **PRINCIPAL ACTIVITIES**

The principal activity of the company in the year under review was that of light precision engineering.

#### **REVIEW OF THE BUSINESS**

The net loss after providing for taxation amounted to £117,738.

Difficult trading conditions experienced during the year resulted in the company making a trading loss.

The company however continued to pursue its five year business plan to increase the company's manufacturing capacity to enable it to take on larger contracts, offer a wider range of services and increase its customer base.

The directors are confident that the company will benefit from increased profitability in future periods due to an improvement in the quality of the company's customer base and an upturn in economic conditions. Encouraging trading results for the six months since the year end support this view.

#### **DIVIDENDS**

No dividends were paid during the year and no recommendation is made as to dividends.

#### **DIRECTORS AND THEIR INTERESTS**

The directors in office in the year and their beneficial interests at the balance sheet date and the beginning of the year were as follows:

		<b>Number of Shares</b>	
		<b>1998</b>	<b>1997</b>
A. Nowicki	Ordinary £1 shares in the parent company	25,000	25,000
M. Nowicki	Ordinary £1 shares in the parent company	25,000	25,000
C. R. Nowicki	Ordinary £1 shares in the parent company	25,000	25,000
P. K. Hatfield	Ordinary £1 shares in the company	2,500	2,500

#### **DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which 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. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 maintaining 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.

**GEMFLEX ENGINEERING LIMITED**

**DIRECTORS' REPORT**

---

**YEAR 2000 ISSUES**

The directors have made an assessment of the year 2000 problem. As a result of this assessment the directors have no concern in this regard. No material costs are expected to be incurred in this area.

**AUDITORS**

The auditors, *Hobson Phillips & Sharpe*, will be proposed for re-appointment in accordance with section 385 of the Companies Act 1985.

By order of the board:



.....  
A. Nowicki  
Secretary

Date: ..... **26 JUL 1999** .....

**GEMFLEX ENGINEERING LIMITED**

**AUDITORS' REPORT TO THE SHAREHOLDERS**

We have audited the financial statements on pages 5 to 16 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

**RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS**

As described in the directors' report, 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.

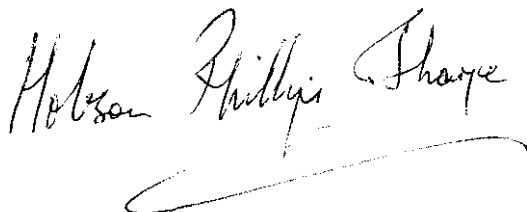
**BASIS OF OPINION**

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 as to whether 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 affairs of the company as at 30 September 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



.....  
**Hobson Phillips & Sharpe**  
**Chartered Accountants**  
**Registered Auditors**  
**Alexandra House**  
**43 Alexandra Street**  
**Nottingham**  
**NG5 1AY**

**26 JUL 1999**  
Date: .....

**GEMFLEX ENGINEERING LIMITED****PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 SEPTEMBER 1998**

	Notes	1998 £	1997 £
<b>TURNOVER</b>		3,030,859	2,575,058
Cost of sales		2,037,943	1,581,592
<b>GROSS PROFIT</b>		992,916	993,466
Administrative expenses		1,042,345	890,481
<b>OPERATING (LOSS) / PROFIT</b>	2	(49,429)	102,985
Interest payable and similar charges	3	(66,751)	(69,049)
<b>(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(116,180)	33,936
Tax on (loss) / profit on ordinary activities	6	(1,558)	25,710
<b>(LOSS) / PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		(117,738)	59,646

**Continuing operations**

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

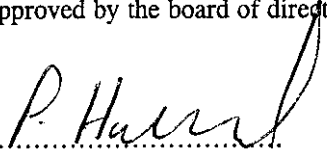
**Total recognised gains and losses**

The company has no recognised gains or losses other than the profit or loss for the above two financial years.

**GEMFLEX ENGINEERING LIMITED****BALANCE SHEET  
AT 30 SEPTEMBER 1998**

	Notes	£	1998 £	£	1997 £
<b>FIXED ASSETS</b>					
Tangible assets	7		1,135,035		1,179,708
<b>CURRENT ASSETS</b>					
Stocks	8	147,093		138,331	
Debtors	9	679,811		608,064	
Cash at bank and in hand		345		836	
		<u>827,249</u>		<u>747,231</u>	
<b>CREDITORS: amounts falling due within one year</b>	10	<u>(908,904)</u>		<u>(982,775)</u>	
<b>NET CURRENT LIABILITIES</b>			(81,655)		(235,544)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>1,053,380</u>		<u>944,164</u>
<b>CREDITORS: amounts falling due after more than one year</b>	11		<u>(792,663)</u>		<u>(565,709)</u>
<b>NET ASSETS</b>			<u>260,717</u>		<u>378,455</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	16		10,000		10,000
Profit and loss account	17		<u>250,717</u>		<u>368,455</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>	18		<u>260,717</u>		<u>378,455</u>

Approved by the board of directors on **26 JUL 1998** and signed on its behalf by:

  
P. K. Hatfield  
Director

**GEMFLEX ENGINEERING LIMITED****CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 SEPTEMBER 1998**

	Notes	1998 £	1997 £
Net cash inflow from operating activities	2	67,333	252,878
Returns on investments and servicing of finance	19	(66,751)	(69,049)
Taxation	19	25,048	(19,540)
Capital expenditure	19	(101,073)	(400,466)
Cash outflow before use of liquid resources and financing		(75,443)	(236,177)
Financing	19	69,889	888
<b>DECREASE IN CASH IN THE YEAR</b>		<b>(5,554)</b>	<b>(235,289)</b>

**RECONCILIATION OF NET CASH FLOW TO  
MOVEMENT IN NET DEBT**

20

<b>DECREASE IN CASH IN THE YEAR</b>	(5,554)	(235,289)
Cash outflow from movement in debt and lease financing	(69,889)	(888)
Change in net debt resulting from cash flows	(75,443)	(236,177)
Movement in net debt in the year	(75,443)	(236,177)
Net debt at 1 October 1997	(1,011,135)	(774,958)
Net debt at 30 September 1998	(1,086,578)	(1,011,135)

The notes on pages 8 to 16 form part of these financial statements.

## **GEMFLEX ENGINEERING LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1998**

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#### **1. STATEMENT OF ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention.

##### **Turnover**

Turnover represents the total invoice value, excluding value added tax, of goods sold and services rendered during the year.

##### **Depreciation of tangible fixed assets**

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

Portakabin	20% reducing balance
Property alterations	10% on cost
Plant and machinery (cost > £20,000)	10%-20% on cost
Plant and machinery (cost < £20,000)	15% reducing balance
Fixtures and fittings	15% reducing balance
Office equipment	15% reducing balance
Computer equipment	25% on cost
Motor vehicles	25% reducing balance
Small machine tools	25% on cost

##### **Stocks**

Stocks are stated at the lower of cost and net realisable value.

Cost comprises purchase price or direct production cost together with attributable production and other overheads.

Net realisable value is based on estimated selling price less further costs to completion and disposal.

##### **Deferred taxation**

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

##### **Leasing and hire purchase commitments**

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their estimated useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease.

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

##### **Pension costs**

The company operates a money purchase (defined contribution) pension scheme. Contributions payable to this scheme are charged to the profit and loss account in the period to which they relate. These contributions are invested separately from the company's assets.

**GEMFLEX ENGINEERING LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 1998****2. OPERATING (LOSS) / PROFIT**

Operating (loss) / profit	1998 £	1997 £
<b>After charging:</b>		
Depreciation of fixed assets	103,338	85,747
Depreciation of leased assets	41,917	43,992
Loss on disposal of tangible assets	491	2,760
Auditors' remuneration	3,000	3,000
Hire of equipment	6,247	3,958
Operating lease rentals		
Land and buildings	135,251	112,439

**Reconciliation of operating loss to  
net cash inflow from operating activities**

	1998 £	1997 £
Operating (loss) / profit	(49,430)	102,985
Depreciation	145,255	129,739
Loss on disposal of fixed assets	491	2,760
Increase in stocks	(8,762)	(8,165)
Increase in debtors	(98,347)	(31,758)
Increase in creditors	78,126	57,317
<b>Net cash inflow from operating activities</b>	<b>67,333</b>	<b>252,878</b>

**3. INTEREST PAYABLE AND SIMILAR CHARGES**

	1998 £	1997 £
On bank loans and overdrafts	39,321	35,166
Lease finance charges and hire purchase interest	27,430	33,883
	<b>66,751</b>	<b>69,049</b>

**4. INFORMATION ON DIRECTORS AND EMPLOYEES**

	1998 £	1997 £
<b>Staff costs</b>		
Wages and salaries	1,270,724	960,277
Social security costs	110,069	89,987
Other pension costs	2,500	2,500
	<b>1,383,293</b>	<b>1,052,764</b>

**GEMFLEX ENGINEERING LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 1998****4. INFORMATION ON DIRECTORS AND EMPLOYEES - (continued)**

	1998 No.	1997 No.
The average number of employees during the year was made up as follows:		
Management & administration	7	9
Production	72	59
Sales	4	4
	<u>83</u>	<u>72</u>
	1998 £	1997 £
<b>Directors' emoluments</b>		
Emoluments	68,768	72,302
Pension contributions to money purchase (defined contribution) schemes	2,500	2,500
	<u>71,268</u>	<u>74,802</u>
	1998 No.	1997 No.
During the year the following number of directors:		
Accrued benefits under money purchase (defined contribution) pension schemes	<u>1</u>	<u>1</u>

**5. PENSION COSTS****Money purchase (defined contribution) pension scheme**

The company operates a money purchase (defined contribution) pension 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 £2,500 (1997:£2,500).

**6. TAX ON LOSS ON ORDINARY ACTIVITIES**

	1998 £	1997 £
The taxation charge comprises:		
Loss relief	-	(26,350)
Adjustment in respect of prior years	1,558	640
	<u>1,558</u>	<u>(25,710)</u>

**GEMFLEX ENGINEERING LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 1998****7. TANGIBLE FIXED ASSETS**

	Plant and machinery	Fixtures, fittings and computers	Motor vehicles	Property alterations and portakabin	Total
	£	£	£	£	£
<b>Cost:</b>					
At 1 Oct. 97	1,345,938	157,332	85,115	99,149	1,687,534
Additions	46,569	11,978	16,721	29,806	105,074
Disposals	(1,506)	-	(16,530)	-	(18,036)
At 30 Sep. 98	1,391,001	169,310	85,306	128,955	1,774,572
<b>Depreciation:</b>					
At 1 Oct. 97	410,569	45,087	36,178	15,992	507,826
Charge for year	97,318	21,259	15,389	11,289	145,255
On disposals	(937)	-	(12,607)	-	(13,544)
At 30 Sep. 98	506,950	66,346	38,960	27,281	639,537
<b>Net book value:</b>					
At 30 Sep. 98	884,051	102,964	46,346	101,674	1,135,035
At 30 Sep. 97	935,369	112,245	48,937	83,157	1,179,708

Included above are assets held under finance leases or  
hire purchase contracts as follows:

	1998 £	1997 £
Net book values:		
Plant and machinery	361,679	508,714
Motor vehicles	11,146	18,649
	<u>372,825</u>	<u>527,363</u>

**8. STOCKS**

	1998 £	1997 £
Raw materials and consumables	52,716	50,868
Short term work in progress	68,938	55,162
Finished goods and goods for resale	25,439	32,301
	<u>147,093</u>	<u>138,331</u>

**GEMFLEX ENGINEERING LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 1998****9. DEBTORS**

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Trade debtors	640,108	556,738
Amounts owed by group undertakings	1,088	1,058
Other debtors	38,615	50,268
	<u>679,811</u>	<u>608,064</u>

**10. CREDITORS: amounts falling due within one year**

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Bank loans and overdrafts	329,905	324,842
Net obligations under finance leases and hire purchase contracts	114,355	137,732
Trade creditors	336,065	238,178
Amounts owed to group undertakings	23,389	87,896
Other taxes and social security costs	78,170	78,775
Other creditors	27,020	115,352
	<u>908,904</u>	<u>982,775</u>

**11. CREDITORS: amounts falling due after more than one year**

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Bank loans and overdrafts	500,000	218,814
Amounts owed to group undertakings	150,000	100,000
Net obligations under finance leases and hire purchase contracts	142,663	246,895
	<u>792,663</u>	<u>565,709</u>

**12. BORROWINGS**

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
<b>The company's borrowings are repayable as follows</b>		
Up to one year and on demand	329,905	408,530
Between one and two years	100,000	83,688
Between two and five years	400,000	135,126
	<u>829,905</u>	<u>627,344</u>

**GEMFLEX ENGINEERING LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 1998****13. DETAILS OF SECURITY**

The amount owed to group undertakings included in creditors falling due after more than one year of £150,000 and owed to Leen Gate Engineering Company Ltd, a fellow subsidiary of Leen Gate Industries, is secured by a fixed and floating charge over the assets of the company.

Leen Gate Engineering Company Ltd have also given a guarantee to the company's bankers limited to £500,000.

The bank overdraft of the company is also secured by a charge over book debts.

**14. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS**

	1998 £	1997 £
<b>The company's net obligations are repayable as follows:</b>		
Within one year or on demand	114,355	137,732
In two to five years	142,663	246,895
	257,018	384,627
Included in current liabilities	(114,355)	(137,732)
	<u>142,663</u>	<u>246,895</u>

Net obligations under finance lease and hire purchase contracts are secured on the assets acquired

**15. PROVISIONS FOR LIABILITIES AND CHARGES**

	1998 £	Not provided 1997 £	1998 £	Provided 1997 £
Deferred tax is calculated at 31% (1997 - 33/31%) analysed over the following timing differences:				
On the excess of capital allowances over depreciation	<u>140,000</u>	<u>120,000</u>	<u>-</u>	<u>-</u>

**GEMFLEX ENGINEERING LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 1998****16. SHARE CAPITAL**

	1998 £	1997 £
<b>Authorised:</b>		
<b>Equity interests:</b>		
20,000 Ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>
<b>Allotted, called up and fully paid:</b>		
<b>Equity interests:</b>		
10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

**17. PROFIT AND LOSS ACCOUNT**

	1998 £	1997 £
Retained profit as at 1 October 1997	368,455	308,809
(Loss) / profit for the year	<u>(117,738)</u>	<u>59,646</u>
Retained profit as at 30 September 1998	<u>250,717</u>	<u>368,455</u>

**18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1998 £	1997 £
(Loss) / profit for the year	(117,738)	59,646
Opening shareholders' funds	<u>378,455</u>	<u>318,809</u>
Closing shareholders' funds	<u>260,717</u>	<u>378,455</u>
<b>Represented by:-</b>		
Equity interests	<u>260,717</u>	<u>378,455</u>

**19. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	1998 £	1997 £
<b>Returns on investments and servicing of finance</b>		
Interest paid	(39,321)	(35,166)
Interest element of hire purchase contracts	<u>(27,430)</u>	<u>(33,883)</u>
<b>Net cash outflow from returns on investments and servicing of finance</b>	<u>(66,751)</u>	<u>(69,049)</u>

**GEMFLEX ENGINEERING LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 1998****19. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW  
STATEMENT - (continued)**

	1998 £	1997 £
<b>Taxation</b>		
Corporation tax paid	-	(19,540)
Corporation tax received	25,048	-
<b>Net cash inflow from taxation</b>	<u>25,048</u>	<u>(19,540)</u>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(105,074)	(409,586)
Receipts from sale of tangible fixed assets	4,001	9,120
<b>Net cash outflow from capital expenditure</b>	<u>(101,073)</u>	<u>(400,466)</u>
<b>Financing</b>		
Net increase in bank loans	197,498	2,502
Net (decrease) in hire purchase	(127,609)	(1,614)
<b>Net cash inflow from financing</b>	<u>69,889</u>	<u>888</u>

**20. ANALYSIS OF CHANGES IN NET DEBT**

	1997 £	Cash flow £	Other movements £	1998 £
Cash at bank and in hand	836	(491)	-	345
Bank overdraft	(324,842)	(5,063)	-	(329,905)
		(5,554)		
Debt due within one year	(83,688)	83,688	-	-
Debt due after one year	(218,814)	(281,186)	-	(500,000)
Hire purchase contracts and finance lease agreements	(384,627)	127,609	-	(257,018)
	<u>(1,011,135)</u>	<u>(75,443)</u>	<u>-</u>	<u>(1,086,578)</u>

## **GEMFLEX ENGINEERING LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1998**

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#### **21. RELATED PARTY DISCLOSURES**

The following transactions with related parties occurred during the year:

Purchases from fellow subsidiary undertakings during the year amounted to £146,154.

The company also acquired fixed assets from a fellow subsidiary for £9,500.

At 30th September 1998 the following balances were outstanding:

Amounts due from fellow subsidiary undertakings	£824
Amounts due from ultimate parent undertaking	£264
Amounts due to fellow subsidiary undertakings	£173,389

#### **22. REVENUE COMMITMENTS**

At year end the company was committed to making the following payments during the next year in respect of operating leases with expiry dates as follows:

	<b>Land and buildings</b>		<b>Other</b>	
	<b>1998</b>	<b>1997</b>	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Within one year	38,800	-	-	-
More than one year and less than five years	72,648	128,392	-	-
	<u>111,448</u>	<u>128,392</u>	<u>-</u>	<u>-</u>

#### **23. ULTIMATE PARENT COMPANY**

The ultimate parent company is Leen Gate Industries Limited, a company registered in Great Britain.