

ACM BEARINGS LIMITED

FINANCIAL STATEMENTS AS AT

31 MARCH 1999

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORT

COMPANY NUMBER: 02591700



ACM BEARINGS LIMITED

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ACM BEARINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1999

Financial Statements

The Directors present their report and financial statements for the year ended 31 March 1999

Directors' Responsibilities

Company law requires the directors to prepare accounts for each financial year which gives 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; and

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 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.

Principal Activity

The principal activity of the Company in the year under review was that of composite bearing manufacturers

Results and Dividends

The trading profit for the year after taxation amounted to £17,440 (1998: £24,182) .
No dividends were declared during the year.

The results for 1999 were slightly down on expectations due to a change in the distributorship in the US. During the year a new deal was forged between ACM and a major US distributor which took longer than anticipated. This effectively impacted on sales performance in the US. The prospects for the next twelve months however are a great deal more positive.

Directors and their Interests

The directors, all of whom served throughout the year, had the following interests in the £1 ordinary shares of the company at the beginning and the end of the financial year.

| | <u>1999</u> | <u>1998</u> |
|--------------|-------------|-------------|
| A N Davies | 6,250 | 6,250 |
| D K Pridgeon | 12,500 | 12,500 |

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Howard and Company be reappointed auditors will be put to the Annual General Meeting.

This report has been prepared in accordance with the special provisions relating to small companies within Part VII of the Companies Act 1985.

By Order of the Board



Secretary
20 May 1999

AUDITORS' REPORT
TO THE MEMBERS OF ACM BEARINGS LIMITED

We have audited the accounts on pages 3 to 8 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities, under the Historical Cost Convention and the accounting policies set out on pages 5 to 8.

Respective Responsibilities of Directors and Auditors

As described on page 1 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 statements and to report our opinion to you.

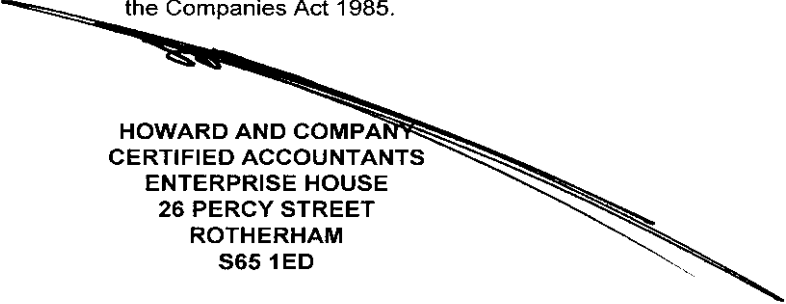
Basis of Opinion

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 accounts. It also includes an assessment on 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 financial statements are free from material mis-statement, 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 accounts give a true and fair view of the state of the company's affairs as at 31 March 1999 and of its profit for the period then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.



HOWARD AND COMPANY
CERTIFIED ACCOUNTANTS
ENTERPRISE HOUSE
26 PERCY STREET
ROTHERHAM
S65 1ED

20 MAY 1999

ACM BEARINGS LIMITED

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
31 MARCH 1999**

| | Notes | 1999 | 1998 |
|---|-------|-----------|-----------|
| <u>Turnover</u> | 2 | 1,190,075 | 1,381,090 |
| Cost of Sales | | 706,879 | 884,062 |
| | | ----- | ----- |
| <u>Gross Profit</u> | | 483,196 | 497,028 |
| Administrative Expenses | | 435,720 | 438,041 |
| | | ----- | ----- |
| <u>Operating Profit</u> | 3 | 47,476 | 58,987 |
| Interest receivable and similar income | | --- | --- |
| Interest payable and similar charges | | 26,482 | 29,884 |
| | | ----- | ----- |
| <u>Profit on Ordinary Activities before Taxation</u> | | 20,994 | 29,103 |
| Tax on profit on ordinary activities | 5 | 3,554 | 4,921 |
| | | ----- | ----- |
| <u>Profit for the Financial Year</u> | | 17,440 | 24,182 |
| Dividends Paid and Proposed | 6 | --- | 10,000 |
| | | ----- | ----- |
| <u>Retained Profit for the Financial Year</u> | | 17,440 | 14,182 |
| <u>Retained Profit/(Loss) at the beginning of the Year</u> | | 202,842 | 188,660 |
| | | ----- | ----- |
| <u>Retained Profit carried forward</u> | | 220,282 | 202,842 |
| | | ===== | ===== |

Continuing Operations

None of the company's activities were acquired or discontinued during the current year or previous period.

Total Recognized Gains and Losses

There are no recognized gains and losses other than those passing through the profit and loss account.

ACM BEARINGS LIMITED
BALANCE SHEET AS AT 31 MARCH 1999


| | Notes | 1999 | 1998 |
|--|-------|---------|---------|
| <u>Fixed Assets</u> | | | |
| Tangible Assets | 7 | 138,235 | 150,695 |
| <u>Current Assets</u> | | | |
| Stocks | | 150,100 | 202,971 |
| Debtors and Prepayments | 8 | 295,949 | 312,472 |
| Cash at Bank and In Hand | | 31,406 | 50,764 |
| | | ----- | ----- |
| | | 477,455 | 566,207 |
| <u>Creditors</u> - Amounts falling due within one year | 9 | 291,324 | 347,247 |
| | | ----- | ----- |
| <u>Net Current Assets</u> | | 186,131 | 218,960 |
| <u>Creditors</u> - Amounts falling due after more than one year | 10 | 54,082 | 116,811 |
| | | ----- | ----- |
| <u>Net Assets</u> | | 270,284 | 252,844 |
| | | ===== | ===== |
| <u>Capital and Reserves</u> | | | |
| Called Up Share Capital | 11 | 27,778 | 27,778 |
| Share Premium Account | | 22,224 | 22,224 |
| Profit and Loss Account | | 220,282 | 202,842 |
| | | ----- | ----- |
| <u>Shareholders' Funds</u> | | 270,284 | 252,844 |
| | | ===== | ===== |

These accounts have been prepared in accordance with the special provisions relating to small companies within Part VII of the Companies Act 1985 and the Financial Reporting Standards for Smaller Entities.

Signed on Behalf of the Board



 Director



 Director

20 MAY 1999

ACM BEARINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

1. Accounting Policies

The financial statements have been prepared in accordance with applicable accounting standards under the Historical Cost Convention.

a) **Basis of Accounting**

These accounts have been prepared under the Historical Cost Convention.

b) **Turnover**

Turnover consists of invoiced sales net of returns, trade discounts and value added tax.

c) **Depreciation**

Depreciation has been provided at the following rates in order to write off the assets over their estimated useful lives:

| | | |
|-----------------------|-----|------------------|
| Plant and Machinery | 15% | Reducing Balance |
| Fixtures and Fittings | 15% | Reducing Balance |
| Motor Vehicles | 25% | Reducing Balance |

d) **Investments**

Fixed Asset investments are shown at cost less provision for permanent diminution in value. Current Asset investments are stated at the lower of cost and net realizable value.

e) **Leases**

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalized as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

f) **Stock and Work in Progress**

Stocks and Work in Progress have been valued at the lower of cost and net realizable value.

g) **Taxation**

Corporation tax payable is provided on taxable profits at the current rate. Advance corporation tax payable on dividends paid or provided for in the year is written off, except when recoverability against corporation tax payable is considered to be reasonably assured. Credit is taken for advance corporation tax written off in previous years when it is recovered against corporation tax liabilities.

ACM BEARINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999 (CONTINUED)

h) **Deferred Taxation**

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that a liability to taxation is unlikely to crystallize.

i) **Pension Costs and other Post-Retirement Benefits**

The company operates a defined contribution scheme. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

j) **Government Grants**

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

k) **Patent Costs**

Costs are written off in the year in which the expense occurred.

2. **Turnover**

Turnover attributable to geographical markets outside the United Kingdom amounted to 52 per cent.

3. **Operating Profit**

Operating profit is stated after charging:

| | <u>1999</u> | <u>1998</u> |
|-------------------------|--------------------|--------------------|
| Depreciation | 27,322 | 30,606 |
| Pension Contribution | 5,817 | 8,654 |
| Auditors' Remuneration | 3,240 | 3,200 |
| Directors' Remuneration | 65,810 | 59,793 |

4. **Directors' Remuneration**

The remuneration of the directors was as follows:

| | | |
|------------------|--------|--------|
| Emoluments | 65,810 | 59,793 |
| Benefits in Kind | 8,127 | 6,227 |

5. **Taxation**

The taxation charge for the year has been calculated at 21% (1998 : 21%).

6. **Dividends**

| | | |
|--------------------------------------|-----|--------|
| Proposed Dividend on Ordinary Shares | --- | 10,000 |
|--------------------------------------|-----|--------|

ACM BEARINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999 (CONTINUED)

7. Tangible Fixed Assets

| | Plant and Machinery | Office Equipment | Motor Vehicles | Total |
|------------------------|--------------------------------|-----------------------------|---------------------------|--------------|
| Cost | | | | |
| At 1.4.98 | 186,210 | 40,910 | 60,012 | 287,132 |
| Additions | 13,707 | 1,155 | --- | 14,862 |
| | ----- | ----- | ----- | ----- |
| | 199,917 | 42,065 | 60,012 | 301,994 |
| | ===== | ===== | ===== | ===== |
| Depreciation | | | | |
| At 1.4.98 | 88,386 | 13,622 | 34,429 | 136,437 |
| Charge for Year | 16,660 | 4,266 | 6,396 | 27,322 |
| | ----- | ----- | ----- | ----- |
| | 105,046 | 17,888 | 40,825 | 163,759 |
| | ===== | ===== | ===== | ===== |
| Net Book Values | | | | |
| 31.3.99 | 94,871 | 24,177 | 19,187 | 138,235 |
| 31.3.98 | 97,824 | 27,288 | 25,583 | 150,695 |

8. Debtors

| | <u>1999</u> | <u>1998</u> |
|---------------|--------------------|--------------------|
| Trade Debtors | 287,841 | 303,547 |
| Prepayments | 8,108 | 8,925 |
| | ----- | ----- |
| | 295,949 | 312,472 |
| | ===== | ===== |

9. Creditors: Amounts falling due within one year

| | | |
|---------------------------------------|---------|---------|
| British Steel Loan | --- | 7,639 |
| British Coal Loan | 2,777 | 6,666 |
| Bank Overdraft | 105,896 | 125,565 |
| Corporation Tax | 6,429 | 4,921 |
| Hire Purchase | 23,594 | 14,744 |
| Loan - Small Firms | 16,000 | 11,428 |
| Trade Creditors | 91,526 | 127,056 |
| Bad Debt Provision | --- | 9,380 |
| Other Taxes and Social Security Costs | 31,786 | 22,427 |
| Directors Current Accounts | 2,180 | 2,180 |
| Accruals and Deferred Income | 11,136 | 15,241 |
| | ----- | ----- |
| | 291,324 | 347,247 |
| | ===== | ===== |

ACM BEARINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999 (CONTINUED)

10. Creditors: Amounts falling due after more than one year

| | <u>1999</u> | <u>1998</u> |
|-------------------|-------------|-------------|
| British Coal Loan | --- | 2,778 |
| Small Firms Loan | 48,000 | 68,572 |
| Hire Purchase | 6,082 | 45,461 |
| | ----- | ----- |
| | 54,082 | 116,811 |
| | ===== | ===== |

11. Called Up Share Capital

Authorized

| | | |
|---------------------------|---------|---------|
| Ordinary Share of £1 each | 100,000 | 100,000 |
|---------------------------|---------|---------|

Allotted, Called Up and Fully Paid

| | | |
|----------------------------|--------|--------|
| Ordinary Shares of £1 each | 27,778 | 27,778 |
|----------------------------|--------|--------|

12. Profit and Loss Account

| | | |
|-------------------------------|---------|---------|
| Retained Profits at 1.4.97 | 202,842 | 188,660 |
| Retained Profits for the Year | 17,440 | 14,182 |
| | ----- | ----- |
| Retained Profits at 31.3.98 | 220,282 | 202,842 |

13. Reconciliation of Movements in Shareholders Funds

| | | |
|--|---------|---------|
| Profit for the Financial Year | 17,440 | 24,182 |
| Dividends | --- | 10,000 |
| | ----- | ----- |
| Net Increase/(Decrease) in Shareholders' Funds | 17,440 | 14,812 |
| Opening Shareholders' Funds | 202,842 | 188,660 |
| | ----- | ----- |
| Closing Shareholders' Funds | 220,282 | 202,842 |

14. Contingencies

There are no contingent liabilities.

15. Post Balance Sheet Events

It was agreed in May 1999 that British Steel (Industry) Ltd acquire a further 4% shareholding in the business to assist in expansion and further exploitation of the North American market.