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GRAMPIAN TEST & CERTIFICATION LIMITED

(Company Number: 122818)

DIRECTORS' REPORT AND ABBREVIATED ACCOUNTS

30 NOVEMBER 1999

L



Anderson Anderson & Brown
Chartered Accountants

GRAMPIAN TEST & CERTIFICATION LIMITED
DIRECTORS' REPORT

A²+B

Directors: A M Melville
D T Melville

Secretaries: Iain Smith and Company

Registered office: 20 Queens Road, Aberdeen

The directors submit their report and the audited abbreviated accounts of the company for the year ended 30 November 1999.

RESULTS AND DIVIDENDS

The profit for the year, amounting to £383,329 (1998 - £210,032), has been dealt with as shown in the profit and loss account. No dividends have been paid in the year (1998 - £2,474 paid; £36,564 proposed).

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS DEVELOPMENTS

The principal activity of the company is the testing, repair and maintenance of containers, lifting equipment, etc, and the manufacture of ancillary equipment.

The directors are pleased with the results for the year and are confident that the level of activity will continue to increase.

DIRECTORS AND DIRECTORS' INTERESTS

The directors of the company during the year ended 30 November 1999 were as noted above.

According to the register maintained as required under the Companies Act 1985, the directors' interests in the share capital of the company throughout the year were as follows:

	Ordinary shares of £1 each
A M Melville	30,000
D T Melville	30,000

CHARITABLE CONTRIBUTIONS

During the year donations totalling £500 were made to charitable organisations.

GRAMPIAN TEST & CERTIFICATION LIMITED
DIRECTORS' REPORT (continued)

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AUDITORS

Anderson Anderson & Brown have expressed their willingness to continue in office and a resolution proposing their re-appointment will be submitted at the annual general meeting.

By order of the board

A handwritten signature in black ink, appearing to read 'L. Smith', followed by a large, stylized flourish or loop.

Secretaries

GRAMPIAN TEST & CERTIFICATION LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether or not applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and,
- (d) 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 which 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.

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ANDERSON
ANDERSON
& BROWN
—
CHARTERED
ACCOUNTANTS
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**AUDITORS' REPORT TO GRAMPIAN TEST & CERTIFICATION LIMITED
UNDER SECTION 247B OF THE COMPANIES ACT 1985**

We have examined the abbreviated accounts on pages 5 to 18 together with the full accounts of the company prepared under Section 226 of the Companies Act 1985 for the year ended 30 November 1999.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with Section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to the company's entitlement to deliver abbreviated accounts and whether or not the abbreviated accounts have been properly prepared in accordance with those provisions.

Basis of opinion

We have carried out the procedures we considered necessary to discharge our responsibilities set out above. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full accounts.

Opinion on the abbreviated accounts

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Companies Act 1985 in respect of the year ended 30 November 1999 and the abbreviated accounts on pages 5 to 18 have been properly prepared in accordance therewith.

Anderson Anderson & Brown

Registered Auditors
Aberdeen

4 MAY 2000

GRAMPIAN TEST & CERTIFICATION LIMITED
ABBREVIATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 NOVEMBER 1999

A²+B

	Note	1999 £	1998 £
GROSS PROFIT		3,802,338	3,292,481
Operating costs	2	3,191,841	2,885,678
OPERATING PROFIT	3	610,497	406,803
Other income	6	432	4,766
Interest payable	7	(136,810)	(135,421)
PROFIT BEFORE TAXATION		474,119	276,148
Taxation	8	90,790	66,116
PROFIT FOR FINANCIAL YEAR		383,329	210,032
Dividends on non-equity shares	9	-	39,038
RETAINED PROFIT FOR YEAR		£ 383,329	£ 170,994

The company has made no gains or losses other than as reported above.

Movements on reserves are as set out in Note 18.

GRAMPIAN TEST & CERTIFICATION LIMITED
ABBREVIATED BALANCE SHEET – 30 NOVEMBER 1999

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	Note	1999 £	1998 £
FIXED ASSETS			
Tangible assets	10	2,225,361	1,452,204
CURRENT ASSETS			
Stocks and work in progress	11	789,363	715,743
Debtors	12	1,552,292	1,354,725
Cash at bank and in hand		2,083	17,598
		2,343,738	2,088,066
CREDITORS: amounts falling due within one year	13	3,567,336	2,987,626
NET CURRENT LIABILITIES		(1,223,598)	(899,560)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,001,763	552,644
CREDITORS: amounts falling due after more than one year	14	137,066	145,526
PROVISION FOR LIABILITIES AND CHARGES	16	138,525	64,275
		£ 726,172	£ 342,843
CAPITAL AND RESERVES			
Called up share capital	17	105,000	105,000
Capital redemption reserve	18	104,285	104,285
Profit and loss account	18	516,887	133,558
SHAREHOLDERS' FUNDS	18	£ 726,172	£ 342,843

The accounts have been prepared in accordance with the special provision of Part VII of the Companies Act 1985 applicable to medium sized companies.

A. M. Melville

Director – A M Melville

D. T. Melville

Director – D T Melville

2 - 5 - 2000 Date

GRAMPIAN TEST & CERTIFICATION LIMITED
ABBREVIATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 NOVEMBER 1999

	Note	1999 £	1998 £
Cash from operating activities	20	768,535	812,348
Returns on investments and servicing of finance	21	(136,378)	(184,074)
Taxation		(40,550)	(87,004)
Capital expenditure	21	(838,704)	(283,876)
		(247,097)	257,394
Financing – decrease in debt	21	(238,295)	(681,340)
Decrease in cash in the year		£ (485,392)	£ (423,946)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Note	1999 £	1998 £
Decrease in cash in the year		(485,392)	(423,946)
Cash outflow from decrease in debt		100,194	81,619
Cash outflow from decrease in lease financing		138,101	110,945
Change in net debt resulting from cash flows		(247,097)	(231,382)
New finance leases		(206,110)	(11,224)
Movement in net debt in year		(453,207)	(242,606)
Net debt at 30 November 1998		(825,845)	(583,239)
Net debt at 30 November 1999	22	£ (1,279,052)	£ (825,845)

1. ACCOUNTING POLICIES

(a) *Basis of accounts preparation*

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 by equal monthly instalments over their expected useful lives as follows:

Freehold buildings	5-20 years
Plant and machinery	8-10 years
Computers, furniture and fittings	5-10 years
Motor vehicles	4-6 years

(c) *Stocks and work in progress*

Stocks are valued at the lower of cost and net realisable value with due allowance for any obsolete or slow-moving items. In the case of work in progress, cost comprises direct materials and labour.

(d) *Deferred taxation*

Provision is made for deferred taxation, using the liability method, on all timing differences to the extent that it is probable that the liability will crystallise.

(e) *Hire purchase and lease commitments*

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

Rentals paid under operating leases are charged to income over the term of the lease.

(f) *Pensions*

The company operates and contributes towards defined contribution pension schemes. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

GRAMPIAN TEST & CERTIFICATION LIMITED
NOTES ON THE ABBREVIATED ACCOUNTS – 30 NOVEMBER 1999

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2. OPERATING COSTS

	1999 £	1998 £
Staff costs - salaries	1,871,756	1,531,031
- social security costs	181,258	148,251
- other pension costs	57,976	177,394
Depreciation - owned assets	206,417	138,828
- assets held under hire purchase and finance leases	60,766	50,406
Other operating charges	813,668	839,768
	<u>£ 3,191,841</u>	<u>£ 2,885,678</u>

3. OPERATING PROFIT *is stated after charging:*

	1999 £	1998 £
Auditors' remuneration - audit services	8,300	7,900
- non-audit services	13,375	17,840
Operating lease - equipment	15,417	22,508
- land and buildings	92,453	76,781
	<u> </u>	<u> </u>

4. STAFF NUMBERS

The average number of persons employed by the company during the year, including the directors, was as follows:

	1999 No	1998 No
Management, administration and sales	28	25
Workshop	67	59
	<u>95</u>	<u>84</u>

GRAMPIAN TEST & CERTIFICATION LIMITED
NOTES ON THE ABBREVIATED ACCOUNTS – 30 NOVEMBER 1999

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5. DIRECTORS' REMUNERATION

The remuneration paid to the directors of the company was:

	1999	1998
Emoluments (including pension contributions and benefits in kind)	<u>£ 201,260</u>	<u>£ 359,816</u>
Company contributions paid to defined contribution pension schemes	<u>£ 10,000</u>	<u>£ 146,900</u>
	No	No
Members of defined contribution pension schemes	<u>2</u>	<u>2</u>

The amounts in respect of the highest paid director are as follows:

	£	£
Emoluments	117,271	124,231
Company contributions paid to defined contribution pension schemes	<u>5,000</u>	<u>103,000</u>
	<u>£ 122,271</u>	<u>£ 227,231</u>

6. OTHER INCOME

	1999 £	1998 £
Rent receivable	-	4,053
Interest receivable	<u>432</u>	<u>713</u>
	<u>£ 432</u>	<u>£ 4,766</u>

GRAMPIAN TEST & CERTIFICATION LIMITED
NOTES ON THE ABBREVIATED ACCOUNTS – 30 NOVEMBER 1999

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7. INTEREST PAYABLE

	1999	1998
	£	£
Bank overdraft and factoring	111,106	96,077
Bank loan	4,251	14,686
Hire purchase and finance leases	18,866	21,833
Late payment of tax	2,587	2,825
	<u>£ 136,810</u>	<u>£ 135,421</u>

8. TAXATION *charge for the year comprises:*

	1999	1998
	£	£
UK corporation tax	37,881	48,130
Transfer to deferred tax	62,501	17,647
	<u>100,382</u>	<u>65,777</u>
<i>Prior year adjustment:</i>		
Corporation tax	(1,249)	(2,182)
Deferred tax	(8,343)	2,521
	<u>£ 90,790</u>	<u>£ 66,116</u>

9. DIVIDENDS ON NON-EQUITY SHARES

	1999	1998
	£	£
11% Cumulative redeemable preference shares - paid	-	2,474
- proposed	-	574
11% Cumulative convertible participating preferred shares		
- proposed	-	35,990
	<u>£ -</u>	<u>£ 39,038</u>

GRAMPIAN TEST & CERTIFICATION LIMITED
NOTES ON THE ABBREVIATED ACCOUNTS – 30 NOVEMBER 1999

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10. TANGIBLE FIXED ASSETS

	Freehold buildings £	Plant & machinery £	Computers, furniture & fittings £	Motor vehicles £	Total £
COST					
At 30 November 1998	481,905	1,089,949	141,985	246,923	1,960,762
Additions	11,272	1,020,005	48,759	123,500	1,203,536
Disposals	-	(148,450)	-	(64,995)	(213,445)
At 30 November 1999	493,177	1,961,504	190,744	305,428	2,950,853
DEPRECIATION					
At 30 November 1998	80,213	282,825	62,828	82,692	508,558
Charge for year	15,058	170,558	23,316	58,251	267,183
Relating to disposals	-	(8,140)	-	(42,109)	(50,249)
At 30 November 1999	95,271	445,243	86,144	98,834	725,492
Net book amounts at:					
30 November 1999	£ 397,906	£ 1,516,261	£ 104,600	£ 206,594	£ 2,225,361
30 November 1998	£ 401,692	£ 807,124	£ 79,157	£ 164,231	£ 1,452,204

The net book value of tangible fixed assets includes an amount of £420,196 (1998 - £310,383) in respect of assets held under hire purchase and finance lease contracts.

11. STOCKS AND WORK IN PROGRESS

	1999 £	1998 £
Raw materials and consumables	789,363	714,253
Work in progress	-	1,490
	<u>£ 789,363</u>	<u>£ 715,743</u>

GRAMPIAN TEST & CERTIFICATION LIMITED

NOTES ON THE ABBREVIATED ACCOUNTS – 30 NOVEMBER 1999

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12. DEBTORS

	1999 £	1998 £
Trade debtors	1,488,867	1,331,040
Prepayments and accrued income	18,478	13,283
Other debtors	23,668	10,402
Advance corporation tax	21,279	-
	<u>£ 1,552,292</u>	<u>£ 1,354,725</u>

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

	1999 £	1998 £
Bank overdraft	1,031,526	561,649
Bank loan (Note 14)	6,217	46,000
Trade creditors	1,016,548	1,082,511
Factoring creditor	743,663	596,507
Hire purchase and finance lease creditor (Note 15)	106,326	90,268
Advance corporation tax	43,588	81,908
Corporation tax	37,881	2,292
Other taxes and social security	240,864	242,596
Accruals and deferred income	295,780	247,331
Dividends payable	-	36,564
Other creditors	41,356	-
Directors' loan	3,587	-
	<u>£ 3,567,336</u>	<u>£ 2,987,626</u>

The bank borrowings are secured by a standard security over the company's property and by a bond and floating charge over the assets of the company.

There is also a letter of waiver releasing book debts from the amount of the bond and floating charge granted in favour of Royal Bank Invoice Finance Limited.

GRAMPIAN TEST & CERTIFICATION LIMITED
NOTES ON THE ABBREVIATED ACCOUNTS – 30 NOVEMBER 1999

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

	1999 £	1998 £
Bank loan	-	60,411
Hire purchase and finance lease creditor (Note 15)	137,066	85,115
	<u>£ 137,066</u>	<u>£ 145,526</u>

The bank loan is repayable as follows:

	1999 £	1998 £
In one year or less	6,217	46,000
Between one and two years	-	46,000
Between two and five years	-	14,411
	<u>£ 6,217</u>	<u>£ 106,411</u>

15. OBLIGATIONS UNDER HIRE PURCHASE AND FINANCE LEASE CONTRACTS

	1999 £	1998 £
<i>Amounts repayable:</i>		
Within one year (Note 13)	106,326	90,268
Between two and five years (Note 14)	137,066	85,115
	<u>£ 243,392</u>	<u>£ 175,383</u>

GRAMPIAN TEST & CERTIFICATION LIMITED
NOTES ON THE ABBREVIATED ACCOUNTS – 30 NOVEMBER 1999

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16. PROVISION FOR LIABILITIES AND CHARGES *comprises deferred taxation as follows:*

	1999 £	1998 £
Accelerated capital allowances	138,525	84,367
Less: advance corporation tax recoverable	-	(20,092)
	<u>£ 138,525</u>	<u>£ 64,275</u>

Deferred taxation has been provided in full.

17. CALLED UP SHARE CAPITAL

	1999 & 1998 £
Authorised:	
105,000 Ordinary shares of £1 each	105,000
44,985 Cumulative Convertible Participating Preferred Ordinary shares of £1 each	44,985
59,300 11% Cumulative Redeemable Preference shares of £1 each	59,300
	<u>£ 209,285</u>
 Allotted, called up and fully paid:	 1999 & 1998
105,000 Ordinary shares of £1 each	<u>£ 105,000</u>

GRAMPIAN TEST & CERTIFICATION LIMITED

NOTES ON THE ABBREVIATED ACCOUNTS – 30 NOVEMBER 1999

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**18. RECONCILIATION OF SHAREHOLDERS' FUNDS
AND MOVEMENTS ON RESERVES**

	Share capital £	Capital redemption reserve £	Profit and loss account £	Total £
At 30 November 1997	149,985	59,300	462,564	671,849
Profit for year	-	-	210,032	210,032
Dividends	-	-	(39,038)	(39,038)
Redemption of shares	(44,985)	-	(455,015)	(500,000)
Transfer to capital redemption reserve	-	44,985	(44,985)	-
At 30 November 1998	105,000	104,285	133,558	342,843
Profit for year	-	-	383,329	383,329
At 30 November 1999	<u>£ 105,000</u>	<u>£ 104,285</u>	<u>£ 516,887</u>	<u>£ 726,172</u>

19. OTHER FINANCIAL COMMITMENTS

At 30 November 1999 the company had annual commitments under non-cancellable operating leases as follows:

	Equipment		Land & buildings	
	1999	1998	1999	1998
	£	£	£	£
<i>Operating leases which expire:</i>				
In less than one year	3,654	6,529	7,000	4,083
Within two to five years	24,411	21,782	79,000	-
After five years	-	-	70,000	70,000
	<u>£ 28,065</u>	<u>£ 28,311</u>	<u>£ 156,000</u>	<u>£ 74,083</u>

GRAMPIAN TEST & CERTIFICATION LIMITED

NOTES ON THE ABBREVIATED ACCOUNTS – 30 NOVEMBER 1999

A² + B**20. RECONCILIATION OF OPERATING PROFIT TO
NET CASH INFLOW FROM OPERATING ACTIVITIES**

	1999 £	1998 £
Operating profit	610,497	410,856
Depreciation charge	267,183	189,234
Loss/(gain) on sale of tangible fixed assets	4,474	(1,261)
(Increase)/decrease in debtors	(176,288)	58,616
Increase in creditors	136,289	391,891
Increase in stock	(73,620)	(236,988)
Net cash inflow	£ 768,535	£ 812,348

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

	1999 £	1998 £
Returns on investments and servicing of finance		
Interest received	432	713
Interest paid	(136,810)	(135,421)
Non equity dividend paid	-	(49,366)
Net cash outflow from returns on investments and servicing of finance	£ (136,378)	£ (184,074)
Capital expenditure		
Purchase of tangible fixed assets	(997,425)	(295,883)
Sale of plant and machinery	158,721	12,007
Net cash outflow from capital expenditure	£ (838,704)	£ (283,876)
Financing		
Repayment of loan	(100,194)	(81,619)
Redemption of shares	-	(500,000)
Capital element of finance lease rental payments	(138,101)	(99,721)
Net cash outflow from financing	£ (238,295)	£ (681,340)

GRAMPIAN TEST & CERTIFICATION LIMITED
NOTES ON THE ABBREVIATED ACCOUNTS – 30 NOVEMBER 1999

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22. ANALYSIS OF NET DEBT

	At 30 November 1998 £	Cash flow £	At 30 November 1999 £
Cash at bank and in hand	(544,051)	(485,392)	(1,029,443)
Loan	(106,411)	100,194	(6,217)
Finance leases	(175,383)	(68,009)	(243,392)
Total	<u>£ (825,845)</u>	<u>£ (453,207)</u>	<u>£ (1,279,052)</u>

	At 30 November 1997 £	Cash flow £	At 30 November 1998 £
Cash at bank and in hand	(120,105)	(423,946)	(544,051)
Loan	(188,030)	81,619	(106,411)
Finance leases	(275,104)	99,721	(175,383)
Total	<u>£ (583,239)</u>	<u>£ (242,606)</u>	<u>£ (825,845)</u>

23. RELATED PARTIES

Control

During the year the company was controlled by Mr and Mrs Melville, both of whom are directors of the company. The directors' interests in the share capital throughout the year are as stated in the directors' report.

Transactions

During the year the company had the following transactions with related parties:

Related party	Transaction	£	Balance at year end £
A M Melville, director	Loan to company	(1,427)	(1,427)
D T Melville, director	Loan to company	(2,160)	(2,160)