

Company Number 1579286

ACS INDUSTRIES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 1998



ACS INDUSTRIES LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998

Company Registration Number : 1579286

Registered Office: Huffwood Trading Estate
Brookers Road
Billingshurst
West Sussex
RH14 9UR

Directors: Mr M G Hebden
Mr G Barclay

Secretary: Mr M G Hebden

Bankers: Barclays Bank Plc
Deutsche Bank
Barclays Bank Paris

Solicitors: Burstows

Auditors: Grant Thornton
Chartered Accountants

ACS INDUSTRIES LIMITED

30 JUNE 1998

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ACS INDUSTRIES LIMITED

REPORT OF THE DIRECTORS

The Directors present their report together with financial statements for the year ended 30 June 1998.

Principal Activity

The company is principally involved in supplying subcontract services to the printed circuit industry. These include the drilling and profiling of printed circuit boards, laser plotting from electronic data, masslamination and bonding of multilayer boards and repointing of carbide drills.

The company is also the UK and Eire sole distributor for a range of precision carbide cutting tools.

Business Review

The results for the year end reflect the difficult trading conditions arising from the Far Eastern economic problems, changes in the UK market for PCBs and the general down turn in demand for PCBs. The directors expect these difficulties to persist throughout the year ending 30 June 1999.

The loss for the year after taxation amounted to £177,246 (1997: profit £203,537). The directors recommend dividends absorbing £1,619 (1997: £8,000) leaving £178,865 deducted from reserves (1997: £195,537 profit retained).

Year 2000 Compliance

Many computer systems that express date using the last two digits of the year may malfunction due to the date change of the Year 2000. This risk to the business not only relates to the company's computer systems, but to some degree of those of our customers and suppliers.

The company has reviewed its computer systems for the Year 2000 date change. An impact analysis has been prepared to identify the major risks, and the company is in the process of obtaining confirmation from its suppliers and customers that the systems will be Year 2000 compliant.

Directors

The Directors in the office at the end of the year are listed below. Both served on the Board throughout the year.

M Hebden retires by rotation and, being eligible, offers himself for re-election.

The interests of the directors in the shares of the company at 1 July 1997 and at 30th June 1998, as recorded in the register maintained by the company in accordance with the provisions of the Companies Act 1985, were as follows:-

	Ordinary Shares	
	1998	1997
M G Hebden	5,000	5,000
G Barclay	5,000	5,000

No director had, during or at the end of the year, any material interest in a contract which was significant in relation to the company's business.

No arrangement exists to which the company is, or was party to, which enable the Directors to obtain any benefits by the acquisition of shares or debentures of this company.

ACS INDUSTRIES LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

Directors' responsibilities for the financial statements

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 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Fixed assets

The major items of capital expenditure during the year related to plant and equipment (see note 5).

Auditors

Grant Thornton offer themselves for re-appointment as auditors on accordance with Section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



M G Hebden
SECRETARY

Date: 22/03/99

**REPORT OF THE AUDITORS TO THE MEMBERS OF
ACS INDUSTRIES LIMITED**

We have audited the financial statements on pages 4 to 16 which have been prepared under the accounting policies set out on pages 4 and 5.

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 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 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 at 30 June 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985

GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
PETERSFIELD
HAMPSHIRE

Date: 25 March 1999

ACS INDUSTRIES LIMITED

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 1998

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets.

The principal accounting policies of the company are set out below. The policies have remained unchanged from the previous year.

Turnover

Turnover is the total amount receivable by the company in the ordinary course of business with outside customers for goods supplied as a principal and for services provided, excluding VAT and trade discounts.

Depreciation

Depreciation is calculated on the reducing balance method and aims to write down the cost of tangible fixed assets over their expected useful lives.

The rates generally applicable are:-

Plant and equipment	15%/25%	per annum
Office equipment	25%	per annum
Motor vehicles	25%	per annum

Stock and work in progress

Stock and work in progress is stated at the lower of cost and net realisable value.

Deferred taxation

Deferred tax is the tax attributable to timing differences between profits or losses as computed for tax purposes and results as stated in the financial statements.

Deferred tax is provided to the extent that it is probable that a liability or asset will crystallise and not provided to the extent that it is probable that a liability or asset will not crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Deferred tax is calculated at the rate at which it is estimated that the tax will be paid when the timing differences reverse.

ACS INDUSTRIES LIMITED

ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 1998

Contributions to pension funds

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

Leasing and hire purchase

The cost of assets held under finance leases and hire purchase agreements is included under tangible assets, and depreciation is provided in accordance with the company's accounting policy for the class of assets concerned. Interest calculated on the straight line basis is charged as interest payable over the period of the lease or hire purchase agreement, and the capital element of future lease and hire purchase payments is included in creditors.

The costs of operating leases are charged as incurred.

Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Sterling at the date of the transaction. Exchange differences are dealt with through the profit and loss account.

ACS INDUSTRIES LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 1998**

	Note	1998 £	1997 £
Turnover	1	3,505,154	4,834,636
Cost of sales		(2,822,357)	(3,542,310)
Gross profit		682,797	1,292,326
Administrative expenses	844,464	972,913	
		(844,464)	(972,913)
Operating loss/profit		(161,667)	319,413
Interest receivable and similar income		6,423	3,748
Interest payable and similar charges	2	(88,112)	(73,169)
Loss/Profit on ordinary activities before taxation	1	(243,356)	249,992
Tax on loss/profit on ordinary activities	4	66,110	(46,455)
Loss/profit on ordinary activities after taxation		(177,246)	203,537
Dividends		(1,619)	(8,000)
Loss/profit transferred to reserves	14	(178,865)	195,537

There were no recognised gains or losses in the year other than the loss for the year

Note of historical cost profits and losses	1998 £	1997 £
Reported loss/profit on ordinary activities before tax	(243,356)	249,992
Realisation of revaluation gains of previous years	0	24,215
Difference between a historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	10,293	8,381
Historical cost loss/profit on ordinary activities before taxation	(233,063)	282,588
Historical cost loss/profit for the year retained after taxation and dividend	(168,572)	228,133

The accompanying accounting policies and notes form an integral part of these financial statements.

ACS INDUSTRIES LIMITED

BALANCE SHEET
AT 30 JUNE 1998

	Note	1998	1997
		£	£
Fixed assets			
Tangible assets	5	1,526,881	1,712,853
Current assets			
Stocks	6	213,065	273,767
Debtors	7	565,124	1,404,062
Cash at bank and in hand		249,752	152,923
		<u>1,027,941</u>	<u>1,830,752</u>
Creditors: amounts falling due within one year	8	<u>(773,173)</u>	<u>(1,314,180)</u>
Net current assets		<u>254,768</u>	<u>516,572</u>
Total assets less current liabilities		<u>1,781,649</u>	<u>2,229,425</u>
Creditors: amounts falling due after more than one year	9	504,191	733,102
Provisions for liabilities and charges			
Deferred taxation	11	101,000	141,000
		<u>(605,191)</u>	<u>(874,102)</u>
		<u>1,176,458</u>	<u>1,355,323</u>
Capital and reserves			
Called up share capital	13	10,000	10,000
Profit and loss account	14	1,124,258	1,292,830
Revaluation reserve	14	37,200	47,493
Capital redemption reserve	14	5,000	5,000
Shareholders' funds		<u>1,176,458</u>	<u>1,355,323</u>

The financial statements were approved by the Board of Directors on 22ND MARCH 1999


G Barclay Director

The accompanying accounting policies and notes form an integral part of these financial statements.

ACS INDUSTRIES LIMITED

**CASH FLOW STATEMENT
FOR YEAR ENDED 30 JUNE 1998**

	Note	1998 £	1997 £
Net cash inflow from operating activities	16	574,034	244,254
Returns on investments and servicing of finance			
Interest received		6,423	3,748
Interest paid		(88,112)	(62,478)
Net cash outflow from returns on investments and servicing of finance		(81,689)	(58,730)
Taxation			
UK corporation tax paid		(16,587)	0
Investing activities			
Purchase of tangible fixed assets		(125,365)	(193,265)
Sale of tangible fixed assets		10,332	261,062
Net cash (outflow)/ inflow from investing activities		(115,033)	67,797
Dividend Paid		(9,619)	0
Cash inflow before Financing		351,106	253,321
Financing			
Capital element of hire purchase repayments		(254,277)	(238,396)
Debt due beyond a year new unsecured loan		0	180,000
Re purchase of share capital		0	(172,500)
Net cash outflow from financing		(254,277)	(230,896)
Increase cash in the period	18	96,829	22,425

The accompanying accounting policies and notes form an integral part of these financial statements.

ACS INDUSTRIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 1998****1 Turnover and loss/profit on ordinary activities before taxation**

Loss/Profit on ordinary activities is stated after:-

	1998	1997
	£	£
Auditors' remuneration	6,000	6,000
Hire of plant and machinery	40	2,971
Depreciation	300,629	320,014
Exchange differences on foreign currency loss (1997: loss)	1,739	10,461
Operating lease rental	115,767	115,767
	<u>115,767</u>	<u>115,767</u>

The geographical analysis of turnover and loss has not been disclosed.

2 Interest payable and similar charges

	1998	1997
	£	£
On bank loans, overdrafts and other loans		
- repayable within 5 years, otherwise than by instalments	21,057	13,029
- hire purchase and lease obligations	67,055	60,140
	<u>88,112</u>	<u>73,169</u>

3 Directors and employees

Staff costs during the year:-

	1998	1997
	£	£
Wages and salaries	1,421,973	1,752,616
Social security costs	127,874	155,617
Other pension costs	0	0
	<u>1,549,847</u>	<u>1,908,233</u>

The average number of employees of the company during the year was 111 (1997: 131).

ACS INDUSTRIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED 30 JUNE 1998**

3 Directors and employees (continued)

Staff costs include remuneration in respect of directors, as follows:-

	1998	1997
	£	£
Management remuneration	87,702	106,816
Compensation for loss of office	0	4,940
	<hr/>	<hr/>
	87,702	111,756
	<hr/> <hr/>	<hr/> <hr/>

2 Directors are accruing retirement benefits under money purchased pension schemes (1997: 2 directors).

4 Tax on profit on ordinary activities

The taxation credit/charge based on the loss/profit for the year is made up as follows:-

	1998	1997
	£	£
Corporation tax @ 24/21% (24/21% 1997)	(17,647)	23,455
Deferred taxation	(40,000)	23,000
Adjustment in respect of previous year	(8,463)	0
	<hr/>	<hr/>
	(66,110)	46,455
	<hr/> <hr/>	<hr/> <hr/>

ACS INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED 30 JUNE 1998

5 Tangible fixed assets

	Total £	Plant and equipment £	Motor vehicles £	Office equipment £
Cost or valuation				
At 1 July 1997	3,178,361	2,913,403	190,053	74,905
Additions	125,365	121,047	0	4,318
Disposals	(34,570)	0	(34,570)	0
At 30 June 1998	3,269,156	3,034,450	155,483	79,223
Depreciation				
At 1 July 1997	1,465,508	1,308,679	106,924	49,905
Provided in the year	300,629	274,270	19,195	7,164
Disposals	(23,862)	0	(23,862)	0
At 30 June 1998	1,742,275	1,582,949	102,257	57,069
Net book amount At 30 June 1998	1,526,881	1,451,501	53,226	22,154
At 30 June 1997	1,712,853	1,604,724	83,129	25,000

The figures stated above include assets held under finance leases and similar hire purchase contracts as follows:

	Plant and equipment £	Motor vehicles £	Office equipment £
Net book amount at 30 June 1998	934,188	20,788	0
Net book amount at 30 June 1997	1,104,107	27,717	0
Depreciation in year	169,919	6,929	0

Included in plant and equipment are items which were revalued during the year ended 30 June 1994. The figures stated above for cost or valuation include a valuation as follows:

	1998 £	1997 £
At cost less amounts written off	234,862	276,309
At Valuation 1994	83,839	90,989
	<u>318,701</u>	<u>367,298</u>

ACS INDUSTRIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED 30 JUNE 1998**

If certain items of plant and equipment had not been revalued, they would be included on the historical cost basis at the following amounts :

	Plant and equipment £
Cost	517,995
Accumulated depreciation	(480,795)
Net book amount at 30th June 1998	<u>37,200</u>
Net book amount at 30th June 1997	<u>94,371</u>

6 Stocks

	1998 £	1997 £
Goods for resale	155,730	194,928
Raw materials	48,557	58,585
Work in progress	8,778	20,254
	<u>213,065</u>	<u>273,767</u>

There were no significant differences between the replacement cost and the values disclosed.

7 Debtors

	1998 £	1997 £
Trade debtors	473,441	1,191,706
Other debtors	36,577	141,755
Prepayments and accrued income	55,106	70,601
	<u>565,124</u>	<u>1,404,062</u>

Debtors includes amount recoverable in more than 1 year of £0 (1997:£2000)

8 Creditors - amounts falling due within one year

	1998 £	1997 £
Trade creditors	381,550	782,116
Other creditors	50,884	57,690
Current taxation	0	23,455
Social security and other taxes	89,646	153,762
Hire purchase creditors	228,914	254,280
Advance corporation tax payable	405	2,000
Proposed dividend	0	8,000
Accruals and deferred income	21,774	32,877
	<u>773,173</u>	<u>1,314,180</u>

ACS INDUSTRIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED 30 JUNE 1998**

9 Creditors - amounts falling due after more than one year

	1998	1997
	£	£
Hire purchase creditors	324,191	553,102
Other loans	180,000	180,000
	<u>504,191</u>	<u>733,102</u>

10 Borrowings

	1998	1997
	£	£
Borrowings are repayable as follows:		
Within one year		
Hire purchase	228,914	254,280
Other Loans	40,000	40,000
After one and within two years		
Hire purchase	145,646	228,914
After two and within five years		
Hire purchase	178,545	324,188
Other loans	180,000	180,000
	<u>773,105</u>	<u>1,027,382</u>

11 Provision for liabilities and charges

	Deferred taxation Note 12 £
At 1 July 1997	141,000
Released during the year.	(40,000)
	<u>101,000</u>

ACS INDUSTRIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED 30 JUNE 1998**

12 Deferred taxation

Deferred taxation provided in the financial statements and the total potential liability using a tax rate of 21% (1997: 21%), are set out below.

Unprovided deferred tax of £nil (1997: £10,000) represents a contingent liability at the balance sheet date (see note 20).

	Amount provided		Amount unprovided	
	1998 £	1997 £	1998 £	1997 £
Accelerated capital allowances	141,000	141,000	0	0
Trading losses	(40,000)	0	0	0
	<u>101,000</u>	<u>141,000</u>	<u>0</u>	<u>0</u>
Unrealised capital gains	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,000</u>

13 Called up share capital

	1998 £	1997 £
Allotted, called up and fully paid 10,000 ordinary shares of £1 each	10,000	10,000
Authorised 15,000 ordinary shares of £1 each	<u>15,000</u>	<u>15,000</u>

14 Reserves

	Capital Redemption £	Profit and loss account £	Revaluation reserve £
At 1 July 1997	5,000	1,292,830	47,493
Retained loss		(178,865)	
Transfer from revaluation reserve			(10,293)
Transfer to profit and loss account		10,293	
At 30 June 1998	<u>5,000</u>	<u>1,124,258</u>	<u>37,200</u>

15 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
Loss/profit for the financial year	(177,246)	203,537
Dividends	(1,619)	(8,000)
Purchase of Shares	<u>0</u>	<u>(172,500)</u>
Net decrease/increase in shareholders' funds	(178,865)	23,037
Shareholders' funds at 1 July 1997	1,355,323	1,332,286
Shareholders' funds at 30 June 1998	<u>1,176,458</u>	<u>1,355,323</u>

ACS INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED 30 JUNE 1998

16 Net cash inflow from operating activities

	1998 £	1997 £
Operating loss	(161,667)	319,414
Depreciation	300,629	320,014
(Profit)/Loss on sale of tangible fixed assets	376	(163,840)
Decrease/ (Increase) in stocks	60,702	25,860
Decrease / (Increase) in debtors	856,585	(250,101)
(Decrease) in creditors	(482,591)	(7,093)
Net cash inflow from operating activities	574,034	244,254

17 Reconciliation of net cashflow to movement in net debt

	1998 £	1997 £
Increase/decrease in cash in year	96,829	22,425
Cash inflow from increase in debt and Finance leasing	254,277	58,396
	351,106	80,821
New finance leases	0	(302,541)
Movement in net debt	351,106	(221,720)
Net Debt 1st July 1997	(874,459)	(652,739)
Net Debt 30th June 1998	(523,353)	(874,459)

18 Analysis of changes in Net Debt

	1st July 1997	Cashflow	Other	30th June 1998
Cash at Bank	152,923	96,829	0	249,752
Debt	(220,000)	0	0	(220,000)
Finance Leases	(807,382)	254,277		(553,105)
	(874,459)	351,106	0	(523,353)

ACS INDUSTRIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR YEAR ENDED 30 JUNE 1998****19 Capital and Other commitments**

Annual commitments under non-cancellable operating leases at 30th June 1998 were as follows:

	1998 £	1997 £
Land and Buildings:		
Leases expiring within one year	20,000	40,000
Leases expiring between two and five years	8,900	8,900
Leases expiring after more than five years	58,000	57,000
	<u>86,900</u>	<u>105,900</u>

The company had no other capital commitments at 30 June 1998 or at 30th June 1997.

20 Contingent liabilities

	1998 £	1997 £
Deferred taxation	0	10,000
	<u>0</u>	<u>10,000</u>

There were no other contingent liabilities at 30 June 1998 or at 30 June 1997.

21 Pensions**Defined contribution scheme**

The company operates a defined contribution pension scheme for the benefit of the directors. The assets of the scheme are administered by trustees in a fund independent from those of the company.

22 Transactions with directors and other related parties

The following amounts were payable in the year to the ACS Industries Limited Executive Pension scheme. The Directors of ACS Industries Limited are also the members and trustees of the scheme.

	1998 £	1997 £
Rent	58,000	57,000
Interest	21,057	12,811
Loan Capital Outstanding (Unsecured)	220,000	220,000
Interest accrued but unpaid	<u>15,651</u>	<u>12,638</u>

During 1997 the company purchased 5,000 ordinary £1 shares from J C Hay, who resigned as a director on 11th November 1996, for a consideration of £172,500.