

**Status Systems (PVCu) Limited**  
**(formerly Range Valley Engineering Limited)**

**Annual report**  
**for the year ended 31 December 1996**

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**Status Systems (PVCu) Limited**  
**(formerly Range Valley Engineering Limited)**

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**Directors and advisers**

**Executive directors**

G Morton  
I E Lindsay

**Secretary and registered office**

Clifford Chance Secretaries  
200 Aldersgate Street  
LONDON  
EC1A 4JJ

**Non-executive directors**

J Parkinson  
I R Hawkins  
H W Gregson  
M J Henderson

**Registered Auditors**

Coopers & Lybrand  
Benson House  
33 Wellington Street  
LEEDS  
LS1 4JP

**Solicitors**

Hammond Suddards  
2 Park Lane  
LEEDS  
LS3 1ES

# **Status Systems (PVCu) Limited** **(formerly Range Valley Engineering Limited)**

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## **Directors' report** **for the year ended 31 December 1996**

The directors present their report and the audited financial statements for the year ended 31 December 1996.

### **Principal activity**

The profit and loss account for the year is set out on page 6.

The company's principal activity continues to be the manufacture of plastic extrusions.

### **Review of business**

Trading conditions in 1996, although slightly better than 1995, were not easy: raw material prices continued to be high whilst spending was still subdued. Despite this backcloth, we are pleased to be able to report a year of significant progress and enhanced market share and we should like to pay tribute to our staff for the part they played.

The profit and loss account shows an increase in turnover of 27% to £13.03m, a result of which we are very proud. This achievement builds upon the policies outlined in last year's statement: in summary these included selling price stability, customer assistance via our Business Development Programme, continued improvements to product quality and range, and high serviceability levels. Over the past two years we have increased turnover by 66% resulting from an increase in our customer base of about 40% and an underlying increase in the performance of our customers of 30%, a measure well in excess of the average for the industry.

The differentially large volume increases which we have generated over the past two years have enabled us to secure more advantageous purchasing terms: this has enabled us to be both price competitive and at the same time improve our margins. We have invested significant resources, both of capital and personnel, in our quality enhancement programmes and the 39% increase in operating overhead should be regarded as a continuing investment in customer care. Despite the increase in overhead expenditure we have been able to nearly double operating profits to £1.1m.

One of our prime objectives this year is to secure BBA/BS7413 approval and qualify for Pas 11, thus building upon the capital and resource investments which we have made over the past few years. Achievement of them will not only serve as a continuing guarantee to our existing customer base of our dedication to quality enhancement but will also extend our marketing opportunities, upon which our very able Sales and Marketing team should successfully capitalise. The year has started satisfactorily and we hope to be able to report further progress in the next annual review.

### **Change of name**

On 1 January 1996 the company changed its name to Status Systems (PVCu) Limited.

# **Status Systems (PVCu) Limited (formerly Range Valley Engineering Limited)**

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## **Dividends**

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 1996 (1995: £Nil).

## **Directors**

The directors of the company at 31 December 1996, all of whom have been directors for the whole of the year ended on that date, were:-

Mr J Parkinson           (Chairman)  
Mr I R Hawkins  
Mr G Morton  
Mr H W Gregson  
Mr I E Lindsay  
Mr M J Henderson

## **Directors' interests**

No directors held any beneficial interests in the shares of the company at 31 December 1996.

## **Directors' responsibilities**

The directors are required by UK company law to prepare financial statements for each financial year that 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.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1996. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis as more fully explained on page 9.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and the group and to prevent and detect fraud and other irregularities.

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**Auditors**

The company has passed an elective resolution under Section 366A of the Companies Act 1985 to dispense with the requirement to hold an Annual General Meeting.

In the absence of a notice proposing that the appointment be terminated, Coopers & Lybrand will remain in office for the next financial year.

**By order of the board**



**Chairman**

24/5/

1997

## **Report of the auditors to the members of Status Systems (PVCu) Limited**

We have audited the financial statements on pages 6 to 18.

### **Respective responsibilities of directors and auditors**

As described on page 3 the company's directors are responsible for the preparation of the 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.

### **Fundamental uncertainty**

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation. The financial statements have been prepared on a going concern basis and the validity of this depends on the continued support of the parent company by providing adequate loan facilities and of a major supplier by providing trade finance. The financial statements do not include any adjustments that would result from a failure to obtain such continued support. Details of the circumstances relating to this fundamental uncertainty are described in note 1. Our opinion is not qualified in this respect.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Coopers & Lybrand*

Chartered Accountants and Registered Auditors

Leeds

*27 May* 1997

**Status Systems (PVCu) Limited**  
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**Profit and loss account**  
**for the year ended 31 December 1996**

	Notes	1996 £'000	1995 £'000
<b>Turnover - continuing operations</b>		<b>13,033</b>	<b>10,271</b>
Changes in stocks of finished goods and work in progress		544	17
Raw materials and consumables		(7,694)	(6,217)
Trade loan written off		92	-
Other external charges		(236)	(201)
Staff costs	2	(2,033)	(1,393)
Depreciation		(384)	(355)
Other operating charges		(2,207)	(1,493)
		<u>(11,918)</u>	<u>(9,642)</u>
<b>Operating profit - continuing operations</b>	4	<b>1,115</b>	<b>629</b>
Interest payable	5	(175)	(206)
		<u>940</u>	<u>423</u>
<b>Profit on ordinary activities before taxation</b>		<b>940</b>	<b>423</b>
Taxation on ordinary activities	6	(65)	-
		<u>875</u>	<u>423</u>
<b>Profit for the financial year</b>	15	<b>875</b>	<b>423</b>

The company had no recognised gains or losses other than those shown in the profit and loss account, and therefore a statement of total recognised gains and losses has not been presented.

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## **Note of historical cost profits and losses**

	1996	1995
	£'000	as restated £'000
Reported profit on ordinary activities before taxation	940	423
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	6	6
Historical cost profit on ordinary activities before taxation	946	429
Historical cost profit for the year retained	881	429



# Status Systems (PVCu) Limited (formerly Range Valley Engineering Limited)

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## Balance sheet at 31 December 1996

	Notes	1996 £'000	1995 £'000
<b>Fixed assets</b>			
Tangible assets	7	<u>2,788</u>	<u>1,822</u>
<b>Current assets</b>			
Stocks	8	1,045	501
Debtors	9	1,555	1,327
Cash at bank and in hand		<u>1</u>	<u>-</u>
		<u>2,601</u>	<u>1,828</u>
<b>Creditors: amounts falling due within one year</b>	10	<u>4,615</u>	<u>(2,811)</u>
<b>Net current liabilities</b>		<u>(2,014)</u>	<u>(983)</u>
<b>Total assets less current liabilities</b>		<u>774</u>	<u>839</u>
<b>Creditors: amounts falling due after more than one year</b>	11	<u>(482)</u>	<u>(1,422)</u>
<b>Net assets/(liabilities)</b>		<u>292</u>	<u>(583)</u>
<b>Capital and reserves</b>			
Called up share capital	14	20	20
Revaluation reserve	15	266	276
Profit and loss account	15	<u>6</u>	<u>(879)</u>
<b>Equity shareholders' funds</b>	16	<u>292</u>	<u>(583)</u>

The financial statements on pages 6 to 18 were approved by the board of directors on 20/5/1997 and were signed on its behalf by:-

**J Parkinson**  
Director

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## **Notes to the financial statements for the year ended 31 December 1996**

### **1 Principal accounting policies**

The financial statements have been prepared in accordance with generally accepted accounting principles in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

#### **Basis of preparation**

At the balance sheet date the company's current liabilities exceeded the company's current assets by £2,014,000. The company continues to rely on its parent company and a major supplier for financial support which has been provided by a loan of £340,000 and trade finance of £1,058,000 respectively at the balance sheet date.

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future.

The validity of this assumption depends on the company being able to meet its forecasts of sales revenue and cash flows and on the parent company and major supplier continuing their support by providing adequate loan and trade facilities.

If the company were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

The directors are satisfied based upon all of the information available to them, that it is appropriate for the financial statements to be prepared on a going concern basis.

#### **Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

#### **Goodwill**

Purchased goodwill is written off immediately against reserves.

#### **Cashflow**

The company has not produced a cashflow under FRS 1 as it is a wholly owned subsidiary.

# **Status Systems (PVCu) Limited (formerly Range Valley Engineering Limited)**

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## **Principal accounting policies (continued)**

### **Tangible fixed assets**

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost, or valuation, of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Freehold buildings	2
Plant, machinery and fixtures	12½
Motor vehicles	20, 25
Computer equipment	20

Plant and machinery additions are depreciated from the year in which commercial levels of production are achieved.

### **Finance and operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term. Where fixed assets are financed by leasing agreements, which transfer to the company substantially all the benefits and risks of ownership, the assets are treated as if they had been purchased outright and are included in tangible fixed assets. The capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

### **Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs; in the case of manufactured products cost includes all direct expenditure and production overheads based on the normal level of activity. Provision is made where necessary for obsolete, slow moving and defective stocks.

### **Government grants**

Grants that relate to specific capital expenditure are treated as deferred income which is then credited to the profit and loss account over the related asset's useful life.

# Status Systems (PVCu) Limited (formerly Range Valley Engineering Limited)

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## Principal accounting policies (continued)

### Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied and the value of long term contract work done.

### Deferred taxation

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

## 2 Staff costs

The average weekly number of persons employed by the company, including executive directors, during the year is analysed below:-

	1996 Number	1995 Number
Directors	6	6
Administrative and drawing office staff	35	33
Maintenance staff	5	5
Production, delivery and others	59	54
	<u>105</u>	<u>98</u>
	<u>1996</u>	<u>1995</u>
	<u>£'000</u>	<u>£'000</u>
Staff costs (for the above persons)		
Wages and salaries	1,862	1,274
Social security costs	171	119
	<u>2,033</u>	<u>1,393</u>

# Status Systems (PVCu) Limited (formerly Range Valley Engineering Limited)

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## 3 Directors' emoluments

The remuneration paid to the directors of the company for management services, including pension contributions, was as follows:-

	1996 £'000	1995 £'000
Salaries (including benefits in kind)	59	40
Pension contributions	3	3
	<u>62</u>	<u>43</u>

Directors' emoluments, excluding pension contributions, include amounts paid to:

	1996 £'000	1995 £'000
The Chairman	<u>Nil</u>	<u>Nil</u>
The highest paid director	<u>59</u>	<u>40</u>

The number of directors (including the chairman and the highest paid director) whose emoluments were within the ranges:

	1996 Number	1995 Number
£0 to £5,000	5	5
£40,001 - £45,000	-	1
£55,001 - £60,000	1	-

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## 4 Operating profit/(loss)

Operating profit is stated after charging/(crediting):-

	1996 £'000	1995 £'000
Depreciation charge for the year:		
Tangible owned fixed assets	380	342
Tangible fixed assets held under finance leases	4	13
Amortisation of government grant	(9)	-
Auditors' remuneration for audit	17	18
(Profit)/loss on disposal of tangible fixed assets	(16)	(44)
Management charge from parent undertaking	250	160
Hire of assets - operating leases		
- Plant and machinery	32	124
- Other	174	-
Discolouration claims provision	172	-
	<u>      </u>	<u>      </u>

Remuneration of the company's auditors for provision of non-audit services to the company was £2500 in respect of taxation compliance services.

## 5 Interest payable and similar charges

	1996 £'000	1995 £'000
On bank overdraft and other loans repayable within five years, not by instalments	93	65
On finance leases and hire purchase contracts	38	15
On loan from parent undertaking	44	126
	<u>      </u>	<u>      </u>
	175	206
	<u>      </u>	<u>      </u>

## 6 Tax on profit on ordinary activities

	1996 £'000	1995 £'000
Tax on profit on ordinary activities		
United Kingdom corporation tax at 33% (1995 : 33%)	65	-
	<u>      </u>	<u>      </u>

The tax charge for the year has been reduced by £129,000 as a result of a reduction in deferred tax assets which have not been recognised in the financial statements, and by £134,000 in respect of losses surrendered free of charge by Range Valley Extrusions Limited.

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## 7 Tangible fixed assets

	Freehold land and buildings £'000	Computer and office equipment £'000	Plant, machinery and fixtures £'000	Motor vehicles £'000	Total £'000
<b>Cost or valuation (see below)</b>					
At 1 January 1996	649	141	3,603	33	4,426
Additions	-	24	1,346	-	1,370
Disposals	-	-	(66)	(33)	(99)
<b>At 31 December 1996</b>	<b>649</b>	<b>165</b>	<b>4,883</b>	<b>-</b>	<b>5,697</b>
<b>Depreciation</b>					
At 1 January 1996	113	120	2,363	8	2,604
Charge for year	13	14	352	5	384
Disposals	-	-	(66)	(13)	(79)
<b>At 31 December 1996</b>	<b>126</b>	<b>134</b>	<b>2,649</b>	<b>-</b>	<b>2,909</b>
<b>Net book value</b>					
At 31 December 1996	523	31	2,234	-	2,788
At 31 December 1995	536	21	1,240	25	1,822
<b>Cost or valuation at 31 December 1996 is represented by</b>					
Valuation in 1988	511	-	-	-	511
Cost	138	165	4,883	-	5,186
	649	165	4,883	-	5,697

- (a) The freehold land and buildings are stated at a valuation and were valued on 21 July 1988 on an open market basis with vacant possession. The cost and net book value of the freehold land and buildings on an historical cost basis are approximately £323,000 and £220,000 respectively.
- (b) Included within fixed assets at 31 December 1996 are assets acquired under hire purchase agreements and finance leases with a net book value of £34,990 (1995: £15,000). The depreciation charge for the year on these assets is £4,330 (1995: £13,000).

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## 8 Stocks

	1996 £'000	1995 £'000
Raw materials and consumables	237	8
Finished goods	808	493
	<u>1,045</u>	<u>501</u>

## 9 Debtors

	1996 £'000	1995 £'000
Amounts falling due within one year		
Trade debtors	1,149	1,198
Prepayments and other debtors	287	129
Amounts owed by immediate parent undertaking	119	-
	<u>1,555</u>	<u>1,327</u>

## 10 Creditors: amounts falling due within one year

	1996 £'000	1995 £'000
Bank overdraft	1,160	781
Trade creditors	2,373	684
Amounts owed to immediate parent undertaking	-	786
Corporation tax payable	65	-
Other taxation and social security	177	176
Obligations under hire purchase contracts and finance leases	19	6
Accruals and deferred income	821	378
	<u>4,615</u>	<u>2,811</u>

The bank overdraft amounting to £1,160,000 (1995: £781,000) is secured by floating charges on all assets of the company and the group.



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## 11 Creditors: amounts falling due after more than one year

	1996 £'000	1995 £'000
Obligations under hire purchase contracts and finance leases payable within five years	-	9
Trade creditors	353	1,413
Accruals and deferred income	129	-
	<u>482</u>	<u>1,422</u>

## 12 Finance leases

The net finance lease obligations to which the company is committed are:

	1996 £'000	1995 £'000
In one year or less	19	6
Between two and five years	-	9
	<u>19</u>	<u>15</u>

## 13 Deferred taxation

The total potential liability for deferred taxation is as follows:-

	1996 £'000	1995 £'000
Taxation on revalued properties	37	42
	<u>37</u>	<u>42</u>

In accordance with the company's accounting policy, no provision is made for deferred taxation in these financial statements (1995: £ Nil).

## 14 Called up share capital

	Authorised, issued and fully paid 1996 and 1995
20,000 ordinary shares of £1 each	20,000
	<u>20,000</u>

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## 15 Reserves

	Revaluation reserve £'000	Profit and loss account £'000
At 1 January 1996	276	(879)
Transfer from revaluation reserve to profit and loss account	(10)	10
Profit for the year	-	875
	<u>266</u>	<u>6</u>
At 31 December 1996	<u>266</u>	<u>6</u>

## 16 Reconciliation of movements in equity shareholders' funds

	1996 £'000	1995 £'000
Opening equity shareholders' funds	(583)	(1,006)
Profit for year	875	423
	<u>292</u>	<u>(583)</u>
Closing equity shareholders' funds	<u>292</u>	<u>(583)</u>

## 17 Capital commitments

Capital commitments authorised but not contracted for at 31 December 1996 amount to £49,000 (1995: £ 145,000).

Capital commitments contracted for not provided for amount to £507,000 (1995: £Nil).

## 18 Financial commitments

At 31 December 1996 the company had annual commitments under non-cancellable operating leases as follows:-

	1996 £'000	1995 £'000
Expiring within one year	29	-
Expiring between two and five years inclusive	212	128
Expiring after 5 years	29	-
	<u>270</u>	<u>128</u>
	<u>270</u>	<u>128</u>

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## **19 Ultimate parent undertaking**

The Directors regard Range Valley Extrusions Limited, a company registered in England and Wales, as the immediate parent company.

The substantial majority of the immediate parent undertaking's ordinary shares and preference shares in issue are held by Phildrew Nominees Limited as nominee for the beneficial owner, The Phildrew Ventures Fund. The Phildrew Ventures Fund is a venture capital fund made up of four limited partnerships.