

THE LOSS PREVENTION COUNCIL

(A company limited by guarantee)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

Registered Number: 1248902 (England and Wales)

WILKINS KENNEDY
Chartered Accountants
Bridge House
London Bridge
LONDON
SE1 9QR



WILKINS •
• KENNEDY

THE LOSS PREVENTION COUNCIL

(A company limited by guarantee)

REPORT OF THE DIRECTORS

The directors submit their report with the financial statements of the Council for the year ended 31 March 1998.

PRINCIPAL ACTIVITY

The principal activity of the Council and its subsidiary undertakings is to promote and advance the science and means of protecting persons and property against fire and other perils; to carry out tests on elements of construction of buildings and on materials, appliances and devices from the stand point of protection against and prevention of fire and other perils and to conduct research and develop tests in support of these activities.

REVIEW OF BUSINESS

The Council has continued to provide the services requested by its members and by commercial companies in pursuance of the principal activity.

The results of the Council for the year are set out in the Income and Expenditure account on page 4.

TRANSFER TO RESERVES

It is proposed that the retained surplus of £142,359 be transferred to reserves.

DIRECTORS

Except where otherwise stated, the following directors held office throughout the year:-

Mr W R Treen - Chairman

Mr J W Bird - (Resigned 17 June 1998)

Mr W J Dunham

Mr A G Mills

Mr J Parker

Mr G S Pater - (Resigned 23 April 1998)

Mr C A Schrauwers - (Resigned 13 July 1998)

Mr D A Clarke - (Appointed 29 May 1997)

No director had an interest in any contract or arrangement of a material nature with the Council during the year under review.

THE LOSS PREVENTION COUNCIL

(A company limited by guarantee)

REPORT OF THE DIRECTORS

(Continued)

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 Council and of the profit or loss of the council 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 Council 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 Council 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 Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

Wilkins Kennedy have expressed their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board



Secretary

15 September 1998

Registered Office:

Melrose Avenue
Borehamwood
Hertfordshire
WD6 2BJ

REPORT OF THE AUDITORS TO THE MEMBERS OF

THE LOSS PREVENTION COUNCIL

(A company limited by guarantee)

We have audited the financial statements on pages 4 to 15 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

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 financial 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 31 March 1998 and of its surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Bridge House
London Bridge
LONDON SE1 9QR



Chartered Accountants
and Registered Auditors

17 September 1998

THE LOSS PREVENTION COUNCIL

(A company limited by guarantee)

INCOME AND EXPENDITURE ACCOUNT**FOR THE YEAR ENDED 31 MARCH 1998**

	<u>Notes</u>	<u>1998</u>	<u>1997</u>
		£	£
REVENUE			
Operating income		2,845,770	2,680,856
Contributions from participating members		2,852,565	3,201,165
	3	<u>5,698,335</u>	<u>5,882,021</u>
EXPENDITURE			
Operating expenses		6,080,947	5,953,264
Fire Brigade Services		-	160,699
		<u>6,080,947</u>	<u>6,113,963</u>
NET EXPENDITURE	4 - 6	(382,612)	(231,942)
Other income	7	977,969	939,242
Interest payable	8	<u>(480,248)</u>	<u>(477,176)</u>
SURPLUS/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		115,109	230,124
Taxation credit on ordinary activities	9	<u>27,250</u>	-
SURPLUS/(LOSS) FOR THE YEAR	18	<u>£ 142,359</u>	<u>£ 230,124</u>

There were no acquisitions or discontinued operations in the above two financial years.

There were no recognised gains and losses other than those dealt with in the above income and expenditure account.

The notes on pages 7 to 15 form part of the financial statements.

THE LOSS PREVENTION COUNCIL

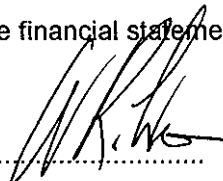
(A company limited by guarantee)

BALANCE SHEET**AS AT 31ST MARCH 1998**

	<u>Notes</u>	<u>1998</u>	<u>1997</u>
		£	£
FIXED ASSETS			
Tangible assets	10	5,815,742	5,663,473
Investments	11	8	8
		<u>5,815,750</u>	<u>5,663,481</u>
CURRENT ASSETS			
Stocks	12	725,291	743,150
Debtors	13	900,233	732,842
Cash at bank and in hand		3,306,754	2,977,745
		<u>4,932,278</u>	<u>4,453,737</u>
CREDITORS: Amounts falling due within one year	14	<u>4,491,632</u>	<u>4,003,181</u>
NET CURRENT ASSETS		<u>440,646</u>	<u>450,556</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,256,396</u>	<u>6,114,037</u>
CREDITORS: Amounts falling due after more than one year	15	4,179,910	4,429,910
PROVISION FOR LIABILITIES AND CHARGES	16	-	-
		<u>4,179,910</u>	<u>4,429,910</u>
NET ASSETS		<u>£2,076,436</u>	<u>£1,684,127</u>
CAPITAL AND RESERVES			
Capital reserve	17	750,000	500,000
Income and expenditure account	18	1,326,486	1,184,127
		<u>£2,076,486</u>	<u>£1,684,127</u>

The notes on pages 7 to 15 form part of the financial statements.

The financial statements set out pages 4 to 15 were approved by the Board of Directors on 15 September 1998 and were signed on its behalf by:-

 Director

THE LOSS PREVENTION COUNCIL

(A company limited by guarantee)

CASH FLOW STATEMENT**FOR THE YEAR ENDED 31 MARCH 1998**

	<u>Notes</u>	<u>1998</u>	<u>1997</u>
		£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	21	415,949	(409,678)
Returns on investments and servicing of finance			
Dividend received (net)		11,000	
Interest received		203,989	216,907
Rents		6,000	8,000
Service charges		754,230	714,334
Interest paid		(480,248)	(477,176)
		<u>494,971</u>	<u>462,066</u>
Taxation			
Corporation tax paid		-	-
Capital expenditure			
Purchase of tangible fixed assets		(647,837)	(1,171,925)
Receipts on disposal of fixed assets		65,926	28,388
		<u>(581,911)</u>	<u>(1,143,537)</u>
		329,009	(1,091,149)
Financing			
Capital contributions received		250,000	250,000
Loans repaid		(250,000)	(250,000)
		<u>-</u>	<u>-</u>
INCREASE IN CASH	22	<u><u>£ 329,009</u></u>	<u><u>£(1,091,149)</u></u>

The notes on pages 7 to 15 form part of the financial statements.

THE LOSS PREVENTION COUNCIL

(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

1. COMPANY STATUS

The Council is a company limited by guarantee. The liability of the members is limited to £1 each, in the event of the company being wound up.

2. ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in the Council's financial statements.

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention and incorporate the results of the principal activity which is described in the directors report and which is continuing. In order to ensure that the financial statements, and in particular the income and expenditure account, show a true and fair view the precise format of the financial statements as prescribed by the Companies Act 1985 has not been adopted.

(b) Consolidation

The Council and its subsidiary undertakings comprise a medium sized group. The Council has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts.

(c) Operating income

Operating income represents the amounts invoiced to customers and is stated exclusive of value added tax.

(d) Contributions from participating companies

Contributions from members are in the main used in respect of work undertaken by technical staff in the establishment of standards relating to the development of active and passive fire protection systems and equipment and the administrative costs of the organisation.

(e) Depreciation

Fixed assets are depreciated over their estimated useful lives at the following annual rates:-

Land and freehold premises	Nil
Plant and equipment	12.5% - 20% on cost
Furniture and fittings	10% on cost
Computer equipment	25% on cost
Motor vehicles	25% on the reducing balance

Land and freehold premises are not depreciated as the directors consider the buildings are maintained to a high standard and that the market values are in excess of book values.

THE LOSS PREVENTION COUNCIL

(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

2. ACCOUNTING POLICIES (continued)

(f) Stocks

Stocks are valued at the lower of cost and net realisable value. Work in progress in respect of uncompleted tests at 31 March 1998 has been valued at direct cost plus attributable overheads.

(g) Foreign currencies

Assets and liabilities 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 rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

(h) Deferred taxation

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounting purposes, using the liability method, only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the near future.

(i) Pension scheme

The council operates a pension scheme for the benefit of substantially all its employees. The funds of the scheme are administered by a Life Assurance Company on behalf of Trustees and are separate from the company. Independent Actuaries complete valuations at least every three years and in accordance with their recommendations, annual contributions are paid to the scheme so as to secure benefits set out in the rules and the periodic augmentation of current pensions. The cost is charged in the income and expenditure account on a systematic basis over the service lives of the employees.

3. REVENUE AND ATTRIBUTABLE SURPLUS/(LOSS) BEFORE TAXATION

	<u>1998</u>		<u>1997</u>	
	<u>Revenue</u>	<u>Surplus Before Taxation</u>	<u>Revenue</u>	<u>Surplus Before Taxation</u>
	£	£	£	£
Testing fees and other direct income and contributions from participating companies	<u>£5,698,335</u>	<u>£ 108,052</u>	<u>£5,882,021</u>	<u>£ 230,124</u>
By Market	£		£	
United Kingdom	5,449,208		5,611,544	
Europe	128,408		136,475	
North America	71,452		71,860	
Other countries	49,267		62,142	
	<u>£5,698,335</u>		<u>£ 5,882,021</u>	

THE LOSS PREVENTION COUNCIL

(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

4. NET EXPENDITURE	<u>1998</u> £	<u>1997</u> £
The net expenditure is stated after charging (crediting) the following:-		
Depreciation of tangible fixed assets	438,158	386,810
Auditors' remuneration	18,000	17,000
Rent receivable	(6,000)	(8,000)
Hire of equipment	68,543	64,781
	<u> </u>	<u> </u>
5. EMPLOYEES		
The average number of employees of the company (excluding directors) and their related costs were as follows:-	<u>Number</u>	<u>Number</u>
Administration	26	26
Research and Testing	90	77
	<u> </u>	<u> </u>
	116	103
	<u> </u>	<u> </u>
	£	£
Wages and salaries	2,462,711	2,421,621
Social Security costs	206,694	210,658
Pension contributions	348,048	317,895
	<u> </u>	<u> </u>
	£ 3,017,453	£ 2,950,174
	<u> </u>	<u> </u>
6. DIRECTORS REMUNERATION		
No director received any remuneration from the Council during the year (1997 £Nil)		
7. OTHER INCOME	£	£
Dividend received	13,750	-
Interest	203,989	216,907
Charges for services	754,230	714,335
Rent	6,000	8,000
	<u> </u>	<u> </u>
	£ 977,969	£ 939,242
	<u> </u>	<u> </u>

THE LOSS PREVENTION COUNCIL
 (A company limited by guarantee)
NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

8. INTEREST PAYABLE	<u>1998</u> £	<u>1997</u> £
Bank interest	£ 480,248	£ 477,176
	<hr/>	<hr/>
9. TAXATION ON ORDINARY ACTIVITIES	£	£
The charge (credit) in the income and expenditure account comprises:-		
United Kingdom corporation tax on the result for the year		
- Current 21% (1997: 24%)	-	-
- Deferred 21% (1997: 24%)	-	-
	<hr/>	<hr/>
	-	-
Tax credit attributable to franked investment income	2,750	-
Group relief - losses surrendered to subsidiary company	(30,000)	-
Amounts under (over) provided in previous years		
- Current	-	-
	<hr/>	<hr/>
	£ (27,250)	£ -
	<hr/>	<hr/>

10. TANGIBLE FIXED ASSETS

	<u>Freehold Premises</u> £	<u>Plant and equipment</u> £	<u>Motor vehicles</u> £	<u>Total</u> £
COST				
At 1 April 1997	3,846,842	4,414,154	145,083	8,406,079
Additions	-	575,395	53,217	628,612
Disposals and deletions	-	(1,000)	(103,331)	(104,331)
Transfers to/(from) subsidiary undertaking	-	(2,514)	19,225	16,711
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1998	3,846,842	4,986,035	114,194	8,947,071
	<hr/>	<hr/>	<hr/>	<hr/>
DEPRECIATION				
At 1 April 1997	-	2,683,012	59,594	2,742,606
Charge for the year	-	413,627	24,531	438,158
Disposals and deletions	-	-	(59,291)	(59,291)
Transfer to/(from) subsidiary undertaking	-	(1,257)	11,113	9,856
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1998	-	3,095,382	35,947	3,131,329
	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK VALUE				
At 31 March 1998	<u>£3,846,842</u>	<u>£1,890,653</u>	<u>£ 78,247</u>	<u>£5,815,742</u>
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1997	<u>£3,846,842</u>	<u>£1,731,142</u>	<u>£ 85,489</u>	<u>£5,663,473</u>
	<hr/>	<hr/>	<hr/>	<hr/>

THE LOSS PREVENTION COUNCIL

(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

10. TANGIBLE FIXED ASSETS (continued)

The net book value of freehold premises comprises:

	<u>1998</u>	<u>1997</u>
	£	£
Land	1,775,000	1,775,000
Freehold premises and improvements	2,071,842	2,071,842
	<u>£ 3,846,842</u>	<u>£3,846,842</u>

11. FIXED ASSET INVESTMENTS - Subsidiary Undertakings

SHARES AT COST

At 1 April 1997 and at
31 March 1998

£ 8

NET BOOK VALUE

At 31 March 1997 and at
31 March 1998

£ 8

The subsidiary undertakings at the balance sheet date were as follows:-

	<u>Country of registration</u>	<u>Class of shares held</u>	<u>Held (direct)</u>
<u>Trading</u>			
The National Approval Council for Security Systems (A company limited by guarantee)	England	Not applicable	
The Loss Prevention Certification Board Limited	England	2 £1 Ordinary	100%
<u>Non Trading</u>			
Fire Insurers' Research and Testing Organisation (A company limited by guarantee)	England	Not applicable	
Fire Protection Association (A company limited by guarantee)	England	Not applicable	
The National Supervisory Council for Intruder Alarms (A company limited by guarantee)	England	Not applicable	
Loss Prevention Consultants Limited	England	2 £1 Ordinary	100%
The Loss Prevention Technical Centre Limited	England	2 £1 Ordinary	100%
Risk Sciences Limited	England	2 £1 Ordinary	100%
The Industrial Fire Protection Association of Great Britain Limited (A company limited by guarantee)	England	Not applicable	

THE LOSS PREVENTION COUNCIL

(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

11. FIXED ASSET INVESTMENTS (continued)**Financial information summary
at 31 March 1998**

	Aggregate capital and reserves	Profit for the year
	£	£
The National Approval Council for Security Systems	513,881	17,786
The Loss Prevention Certification Board Limited	379,821	110,076

With effect from 1 April 1998 The Loss Prevention Council ceased to be a guarantor of The National Approval Council for Security Systems. Consequently The Loss Prevention Council does not now consider The National Approval Council for Security Systems to be a subsidiary undertaking.

FIXED ASSET INVESTMENTS - Participating Interest

The participating interest at the balance sheet dated was as follows:

	Country of Resignation	Class of Shares Held	Held
Fire Conference and Exhibitions Limited	England	Ordinary	33.33%

12. STOCK

	1998	1997
	£	£
Work in progress	£ 725,291	£ 743,150

13. DEBTORS

Due within one year	£	£
Trade debtors	711,091	481,081
Amount due from subsidiary undertakings	31,704	80,884
Corporation tax	41,035	11,035
Other debtors	15,531	23,366
Prepayments	100,872	136,476
	£ 900,233	£ 732,842

THE LOSS PREVENTION COUNCIL

(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

14. CREDITORS

<u>Due within one year</u>	£	£
Bank loan (secured)	250,000	250,000
Payments received on account	978,123	684,223
Trade creditors	575,383	384,682
Other creditors	3,807	1,747
Amount due to subsidiary undertakings	111,688	362,983
Taxation and Social Security	218,183	215,279
Contributions from participating members received in advance	1,525,000	1,250,000
Accruals and deferred income	829,448	854,267
	<u>£4,491,632</u>	<u>£4,003,181</u>

15. CREDITORS

<u>Due after more than one year</u>	£	£
Bank loan	4,000,000	4,250,000
Unsecured loan stock	179,910	179,910
	<u>£4,179,910</u>	<u>£4,429,910</u>

The unsecured loan stock is interest free and is repayable at the discretion of the directors, having given the holders thereof three months notice of repayment.

	£	£
Loan not wholly repayable within five years:-		
- repayable after five years	<u>£4,000,000</u>	<u>£4,250,000</u>

The loan is secured by a fixed charge on the freehold property and a floating charge on the assets of the company.

16. DEFERRED TAXATION

	<u>Potential Liability</u>		<u>Provided</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	£	£	£	£
Capital allowances in excess of depreciation	71,000	900	-	-
Capital gains	390,000	390,000	-	-
Other provisions	(6,500)	(6,500)	-	-
Losses carried forward	(144,000)	(170,000)	-	-
	<u>£ 310,500</u>	<u>£ 214,400</u>	<u>£ -</u>	<u>£ -</u>

17. CAPITAL RESERVE

	<u>1998</u>	<u>1997</u>
	£	£
At 1 April 1997	500,000	250,000
Received in year	250,000	250,000
At 31 March 1998	<u>£ 750,000</u>	<u>£ 500,000</u>

The capital reserve represents capital contributions received from members to enable the Council to repay the bank loan.

THE LOSS PREVENTION COUNCIL

(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

18. INCOME AND EXPENDITURE ACCOUNT

	£	£
Balance at 1 April 1997	1,184,127	954,003
Surplus for the year	142,359	230,124
Balance at 31 March 1998	£1,326,486	£1,184,127

19. COMMITMENTS

Capital Commitments

At 31 March 1998 the capital

commitments were as follows:-

Contracted but not yet provided for

£ 95,000	£137,000
----------	----------

20. PENSION SCHEME

The council operates a pension scheme providing benefits based on final pensionable pay for eligible employees. The assets of the scheme are held separately from those of the council being administered by a Life Assurance Company on behalf of Trustees. Contributions to the scheme are charged to the income and expenditure account so as to spread the costs of pensions over the average service lifetime of employees with the council. The pension contributions are determined by a qualified actuary at every triennial valuation.

The most recent valuation was at 1 July 1995 which disclosed that the market value of the scheme's assets was £7,285,000 and that the actuarial value of those assets represented 105% of the benefits that had accrued to members after allowing for expected future increase in earnings.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return of investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 9% per annum, that salary increases would average 7% per annum plus promotional increases and that present and future pensions would increase at the discretionary rate of 5% per annum.

The recommended funding rate from 1 July 1996 is 18.0% of pensionable pay (previously 19.0%). No material difference arises between the pension costs calculated in accordance with the Statement of Standard Accounting Practice No. 24 "Accounting for Pension Costs" and the actual contributions paid by the company.

Employees, with the exception of one senior executive, do not contribute to the scheme.

THE LOSS PREVENTION COUNCIL

(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

21. RECONCILIATION OF OPERATING RESULT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1998 £	1997 £
Net expenditure	(382,612)	(231,942)
Depreciation charges	438,158	386,810
(Profit)/Loss on disposal of fixed assets	(8,516)	6,426
Decrease in stock and work in progress	17,859	92,939
(Increase)/Decrease debtors and prepayments	(137,391)	71,459
Increase/(Decrease) in payments received on account	293,900	(85,374)
Increase in creditors, taxation and Social Security, accruals, deferred income and subsidiary undertakings	(80,449)	50,004
Increase/(Decrease) in contributions from participating companies received in advance	275,000	(700,000)
	<u>£ 415,949</u>	<u>£ (409,678)</u>

22. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	£
Increase in cash in the period	329,009
Cash used to repay loan	250,000
	<u>579,009</u>
Change in net debt	
Net debt at 1 April 1997	<u>(1,702,165)</u>
Net debt at 31 March 1998	<u>£ (1,123,156)</u>

23. ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 1997 £	Cash flows £	Other changes £	At 31 March 1998 £
Cash at bank and in hand	2,977,745	329,009	-	3,306,754
Debt due within 1 year	(250,000)	250,000	(250,000)	(250,000)
Debt due after 1 year	(4,429,910)	-	250,000	(4,179,910)
TOTAL	<u>£(1,702,165)</u>	<u>£ 579,009</u>	<u>£ -</u>	<u>£(1,123,156)</u>