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BROMPTON BICYCLE LIMITED
REPORT AND ACCOUNTS
31 MARCH, 1987

John S. Morris F.C.A.
CHARTERED ACCOUNTANT

REPORT OF THE DIRECTORS OF BROMPTON BICYCLE LIMITED

The directors have pleasure in submitting their report, together with the audited accounts for the year ended 31 March, 1987.

PRINCIPAL ACTIVITY

The principal activity of the company and its subsidiary is the development, manufacture and sale of the Brompton folding bicycle.

Finance for the manufacture has been obtained by an issue of shares (see note 6), raising £ 46,000. Considerable interest has been shown in recent trade fairs and manufacture will shortly re-commence. It is intended that this be undertaken by Brompton Bicycle Limited and the directors are confident that the new capital raised will provide adequate finance.

RESULTS

Loss for the year, £ 1,154.

The company's subsidiary made a loss of £ 5,714.

DIVIDEND

The directors do not recommend the payment of a dividend.

DIRECTORS AND SHAREHOLDINGS

		<u>31 March, 1987</u>	<u>31 March, 1986</u>
W N Ritchie	Chairman	8,294	2,014
A W Ritchie		16,220	10,390
J C P Vereker (appointed 24.9.86)		6,000	-

AUDITOR

A resolution for the re-appointment of John S Morris FCA., will be put to the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD

A W Ritchie

Secretary

REPORT OF THE AUDITOR

TO THE MEMBERS OF BROMPTON BICYCLE LIMITED

I have audited the financial statements on pages 3 to 8. My audit was conducted in accordance with auditing Standards having regard to the matters referred to in the following paragraphs.

In common with many businesses of similar size and organisation, the company's system of control is dependent upon the close involvement of the directors who are substantial shareholders. Where independent confirmation of the completeness of the accounting records was, therefore, not available, I have accepted assurances from the directors that all the company's transactions have been reflected in the records.

No expenditure under the headings Goodwill, Patent Applications and Deferred Development Expenditure has yet been written off, contrary to the intentions of Standard Accounting Practice No.13.

Subject to the foregoing, in my opinion the financial statements, which have been prepared under the historical cost convention, give a true and fair view of the state of the company's affairs at 31 March, 1987, and of its results and source and application of funds for the year then ended and comply with the Companies Act 1985, insofar as the provisions of that Act apply to these financial statements.

J S Morris FCA.,
Chartered Accountant

Reading
July, 1987

BROMPTON BICYCLE LIMITED

BALANCE SHEET - 31 MARCH, 1987

	<u>Notes</u>	£	£	<u>1986</u> £
TANGIBLE FIXED ASSETS	1(d) & 2		1,392	-
INTANGIBLE FIXED ASSETS				
GOODWILL AND PATENT APPLICATIONS	1(b) & 3		13,295	12,505
DEFERRED DEVELOPMENT EXPENDITURE	1(c) & 3		20,818	14,708
INTEREST IN SUBSIDIARY				
Shares at cost		2		2
Amount due by subsidiary		10,320		5,352
			10,322	5,354
CURRENT ASSETS				
Debtors		327		-
Cash at bank		42,910		1,490
Cash in hand		11		-
		43,248		1,490
CURRENT LIABILITIES falling due within one year				
Bank Overdraft		822		-
Creditors and accrued charges		3,073		324
		3,895		324
			39,353	1,166
LIABILITIES falling due after one year				
Loan	8		(4,408)	(3,917)
			£ 80,772	£ 29,816
Financed by:				
CALLED UP			50,948	26,438
SHARE CAPITAL	6		37,757	10,157
SHARE PREMIUM			88,705	36,595
			(7,933)	(6,779)
Profit and Loss Account			£ 80,772	£ 29,816

Approved by the board at its meeting held

A W RITCHIE

M N RITCHIE

} DIRECTORS

A W Ritchie
M N Ritchie

BROMPTON BICYCLE LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH, 1987

	<u>Notes</u>	£	<u>1986</u> £
Operating Income		-	-
Operating Expenses	7	2,232	524
		<u>2,232</u>	<u>(524)</u>
Less: Interest received		<u>1,078</u>	<u>137</u>
		(1,154)	(387)
Accumulated losses brought forward		<u>(6,779)</u>	<u>(6,392)</u>
Accumulated losses carried forward		<u>£ (7,933)</u>	<u>£ (6,779)</u>

BROMPTON BICYCLE LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED 31 MARCH, 1987

	£	<u>1986</u> £
SOURCE OF FUNDS		
Loan received	491	197
Issue of shares	<u>46,000</u>	<u>-</u>
	<u>46,491</u>	<u>197</u>
APPLICATION FUNDS		
Tooling costs	1,392	-
Expenditure on Goodwill and Patent Applications	790	542
Subsidiary company	4,968	(952)
Loss for the year	<u>1,154</u>	<u>387</u>
	<u>8,304</u>	<u>(23)</u>
	38,187	220
INCREASE/(DECREASE) in working capital	<u>2,422</u>	<u>(382)</u>
	<u>£ 38,609</u>	<u>£ (162)</u>
MOVEMENT OF FUNDS		
Cash at Bank and in hand	<u>£ 40,609</u>	<u>£ (162)</u>

EXHIBITION RECEIPTS LIMITED

NOTES ON ACCOUNTS

1. ACCOUNTING POLICIES

a) Basis of accounting

The accounts have been prepared under the historical cost convention.

b) Development expenditure has been incurred on the Brompton Bicycle. The directors are satisfied as to its technical feasibility and ultimate commercial viability and that adequate resources are now available to enable the project to be continued. For these reasons, the expenditure is being deferred to future periods and not written off in the year of expenditure. It is the intention of the directors to start writing off this expenditure immediately manufacturing commences.

c) Goodwill and patent application are shown at cost and no depreciation has been provided thereon. The goodwill represents the value of the shares issued to certain directors for services rendered and the patent applications are at cost. In the opinion of the directors, the value of the goodwill and patent applications is at least equal to the value at which they are stated in the Balance Sheet. It is the intention of the directors to write off the expenditure when revenues resulting from the patents have been received.

d) The cost of tooling for re-commencement of manufacture will be written off annually over its estimated useful life, in that event.

2. TANGIBLE FIXED ASSETS	<u>1987</u> £	<u>1987</u> £
Tooling costs incurred	£ 1,392	-
3. GOODWILL AND PATENT APPLICATIONS		
Cost at 31 March, 1986	12,505	11,963
Add:		
Expenditure on patent applications	<u>790</u>	<u>542</u>
	<u>£ 13,295</u>	<u>£ 12,505</u>
4. DEFERRED DEVELOPMENT EXPENDITURE		
Cost at 31 March, 1986	14,708	14,708
Add: Issue of shares at par to the Directors for development work carried out	<u>6,110</u>	<u>-</u>
Cost at 31 March, 1987	<u>£ 20,818</u>	<u>£ 14,708</u>

BROMPTON BICYCLE LIMITED

NOTES ON ACCOUNTS

Continued.....

5. INTEREST IN SUBSIDIARY COMPANY

Brompton Bicycle (Sales) Limited is the company's wholly owned subsidiary.

Consolidated accounts have not been prepared as, in the opinion of the directors, it would involve expense out of proportion to the value to the members of the company.

The loss for the year of Brompton Bicycle (Sales) Limited amounted to £ 5,714. (1986 £ 1,199).

The accumulated deficit on Profit and Loss Account amounted to £ 19,923 at 31 March, 1987 (1986 £ 14,209).

To finance this initial period of development, the company has negotiated long term loans totalling £ 7,500 repayable out of profits, at the discretion of the directors.

The company ceased manufacturing in April, 1983, since when the major part of the stock of bicycles has been sold. It is intended to transfer the assets and liabilities of the subsidiary to this company.

6. SHARE CAPITAL	<u>1987</u> £	<u>1986</u> £
Authorised		
100,000 shares of £1 each	£ 100,000	£ 100,000
Issued and fully paid	£ 50,948	£ 26,438

Shares were allotted during the year as follows:

	<u>1987</u> £	<u>1986</u> £
To directors for services at par	6,110	-
For working capital at £2.50 per share	18,400	-
	£ 24,510	£ -

The issue of share for working capital produced a premium of £ 27,600.

At 31 March, 1987 the company was a qualifying company for the purposes of the Business Expansion Scheme.

7. The loss for the year is stated after charging:	<u>1987</u> £	<u>1986</u> £
Auditor's remuneration	£ 100	£ 150
Capital Duty	490	8

BROMPTON BICYCLE LIMITED

NOTES TO THE ACCOUNTS

Continued....

8. LOAN

The loan is for £ 3,500 and was due for repayment on 31 December, 1985. The debt has now been re-scheduled for repayment on or before 31 December, 1987. It is now repayable at £3 per bicycle sold, to a maximum of £ 4,500. Should the loan not be repaid in this way by 31 December, 1987, interest will accrue at 4% over National Westminster lending rate.