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# SCOTSWOOD INDUSTRIES plc

## REPORT AND ACCOUNTS

for the year ended  
30 September 1995



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## Directors and Advisers

<b>DIRECTORS</b>	A C Fitton (Chairman) A D N Balme (Resigned 22 September 1995) D Collier (Appointed 22 September 1995)
<b>SECRETARY</b>	R J Backhouse
<b>HEAD OFFICE</b>	PO Box 1292 Marlborough Wiltshire SN8 2SF
<b>REGISTERED OFFICE</b>	Hope House 45 Great Peter Street Westminster London SW1P 3LT
<b>REGISTERED NUMBER</b>	1942212 (England & Wales)
<b>BANKERS</b>	National Westminster Bank Plc 87 Grey Street Newcastle Upon Tyne NE1 6ER
<b>NOMINATED ADVISERS</b>	Guinness Mahon & Co Limited 32 St Mary at Hill London EC3P 3AJ
<b>NOMINATED BROKERS</b>	Charles Stanley & Co Limited 25 Luke Street London EC2A 4AR
<b>AUDITORS</b>	Hunter, Jones, Halford & Co Hope House, 45 Great Peter Street Westminster London, SW1P 3LT
<b>SOLICITORS</b>	Dickinson Dees Cross House, Westgate Road Newcastle Upon Tyne NE99 1SB
<b>REGISTRARS</b>	Connaught St Michaels PO Box 30 Victoria Street Luton, Bedfordshire LU1 2PZ

## Chairman's Report

I am pleased to report to shareholders that the company has continued to make progress and has successfully completed another phase of the development plan laid out when I was appointed Chairman in July 1994.

Turnover in the period to 30 September 1995 rose by 34% to £782,000 and operating profits by 70% to £110,914. Earnings per Share (before extraordinary items of £21,686 relating principally to the costs of carrying out the capital reorganisation in January 1995) have risen to 1.54p (1994 restated to take into account share consolidation - 0.85p).

Obviously, as our principal trading subsidiary throughout the period, Braithwaite Automatics Ltd has dominated our results - and it has continued to perform strongly. The level of demand from existing customers has continued to grow and orders have been won from new customers to further improve the company's trading position. RCM Products, which we acquired just before the year end as a result of our acquisition of Edenbridge Investments, is included in these results for only 10 days and therefore has little impact on them.

### Directors

I was pleased to welcome David Collier to the Board with effect from 22 September 1995. David is a major shareholder in his own right as well as being Managing Director of Braithwaite Automatics. I know that David will play a major role in the company's development over the coming years. At the same time, Anthony Balme stepped down from the Board - we are grateful for his contribution during the three years that he served the company.

### AIM

An important milestone was reached at the end of the year when an application was made to the Stock Exchange for the company's shares to be Listed on the new Alternative Investment Market. I am sure that all shareholders are pleased that the shares commenced trading on the AIM on 2 October 1995 and though turnover in our shares has been very limited to date, we now have access to the equity markets in order to help in the funding of any future acquisitions. The costs of the admission totalled £31,038 of which £6,038 was incurred before the year end and has been treated as an exceptional item (see note 5). The balance of £25,000 is not reflected in these accounts (see note 36).

### Edenbridge

The acquisition of Edenbridge and its principal trading subsidiary, RCM Products on 21 September 1995, was a further step in the implementation of our plan to create a specialist engineering and manufacturing group. As has been clearly stated on a number of occasions, it is not proposed that Scotswood Industries plc should make a large number of acquisitions over a short period of time, but rather that it should make highly selective and complementary acquisitions in the area of specialist engineering and manufacturing and

## Chairman's Report

### Edenbridge (continued)

then bring to bear good management practice and attempt to improve returns from the businesses acquired by improving gross margins and achieving growth in sales. This strategy is being followed at the businesses we already own and will remain the basis for our future development. Whilst we have spent much of the three months since the year end integrating RCM Products, we have also been searching for a further acquisition and we hope to be able to announce our plans in the near future.

### Dividends

Our key objective is to maximise shareholder value by achieving steady growth in earnings and assets and dividends per share. The directors are recommending the payment of a final dividend of 0.5p per share (1994: nil) making a total of 1p per share for the year (1994: nil).

Finally, I wish to thank all of those who have been involved with our development over the past year, in particular, our professional advisers, Dickinson Dees (solicitors), Guinness Mahon & Co (nominated advisers), Charles Stanley & Co (nominated brokers), National Westminster Bank plc (bankers) and Hunter, Jones, Halford & Co (auditors) all of whom contributed to the development of the business during the year and enabled us to meet the tight deadlines necessary in order to reach all of our objectives and particularly in order for us to achieve our AIM Listing. The number of individuals employed by the group has trebled during the last year and we are grateful for their contribution. Equally, we must be seen as a progressive and responsible employer in return for their hard work and on 1 January 1996 a new Group Pension Scheme was introduced. To date, this has been enthusiastically received.

The challenge for the current year remains the growth of the business against a background of what continue to be difficult, but stable, economic conditions. Trading at Braithwaite Automatics is particularly encouraging with record sales achieved in the first three months of the current financial year. Trading at RCM Products has been more difficult: its sales are inevitably tied to the economic cycle of the construction industry and this is showing, at best, a patchy recovery. Demand for RCM's products is high; however, margins remain under pressure and are likely to do so for some time. Nonetheless, we look forward to continued progress in the current year.

Andrew C Fitton  
31 January 1996

## **Directors' Report**

The Directors present their report together with the financial statements of the Company for the year ended 30 September 1995.

### **Change of Name**

On 21 September 1995, by Special Resolution, the Company moved to change its name from Biscay Investments PLC to Scotswood Industries plc.

### **Principal Activity**

The Company is an investment holding company. The principal activities of the subsidiary companies are of the manufacture of repetition turned parts, air distribution and ventilation equipment. The Directors regard these activities as a single class of business.

### **Review of Business and Future Developments**

The performance and future developments of the Group are considered within the Chairman's Statement on pages 3 to 4.

After making enquiries, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

### **Taxation Status**

The Company is a close company within the provisions of the Income and Corporation Taxes Act 1988.

### **Substantial Acquisition**

On 21 September 1995, by Ordinary Resolution, the Company acquired the entire issued share capital of Edenbridge Investments Limited, a company registered in Jersey, and its wholly owned trading subsidiary RCM Products Limited.

### **Dividends**

An Interim Dividend of 0.1p per share (equivalent to 0.5p per share following the share consolidation) was paid on 7 August 1995,

The Board is recommending a final dividend of 0.5p per share payable on 1 April 1996 (1994 - nil) to shareholders on the share register at the close of business on 20 February 1996 making a total of 1p per share for the full year after allowing for the share consolidation.

The retained loss of £9,257 has been transferred to the profit and loss reserve.

## Directors' Report (continued)

### Directors

The Directors in office during the year and their beneficial interests in the issued share capital of the company were as follows :

	At 30 September 95 and At 31 January 1996		At 30 September 94	
	Beneficial Ordinary Shares (5p)	Non Beneficial	Beneficial Ordinary Shares (1p)	Non Beneficial
A C Fitton	4,430,747	-	15,000,000	-
A D N Balme (Resigned 22 September 1995)	6,000	240,676	30,000	1,203,384
D Collier (Appointed 22 September 1995)	1,000,000	-	5,000,000	-

The non beneficial shareholding represents that of Carter Capital Limited of which Mr Balme is a director.

The beneficial shareholding in the name of A C Fitton is held by the Carrera I Trust of which he is the principal beneficiary.

### Substantial Shareholdings

The Directors are aware of the following interests (other than the Directors' beneficial interests) in excess of 3% of the issued share capital of the Company at 30 September 1995.

	1995		1994	
Carter Capital Limited	240,676	(3.46%)	1,203,384	(5.41%)
S R Ward	568,203	(8.17%)	-	-
S Ross	501,050	(7.20%)	-	-

### Directors' Interests in Contracts

Other than as disclosed above and in the notes to the accounts, no Director has any material interest in any contracts with the Company or its subsidiaries.

### Corporate Governance

The Company has considered the Code of Best Practice published by the Cadbury Committee on the Financial Aspects of Corporate Governance. It agrees that it would be desirable to increase the representation of non executive directors on the Board. Accordingly, appropriately qualified and experienced persons are being approached. However, the Board agrees with the CISCO proposal that a company of its size requires at least two non executives rather than the three recommended in the Code.

## **Directors' Report (continued)**

### **Corporate Governance (continued)**

The Company did not fully comply with the following paragraphs of the Code of Best Practice during the year: 1.3, 1.4, 1.5, 3.3, 4.3. It intends to comply with these items of the Code as soon as further non executive directors are appointed.

The Company is not yet required to comply with paragraph 4.5 (which deals with the reporting by directors on internal control).

### **Fixed Assets**

Acquisitions and disposals of fixed assets during the year are recorded within the notes to the accounts.

### **Share Capital**

Movements in the issued share capital during the year are shown in the notes to the accounts.

On 21 September 1995, 12,500,000 shares of 1p each were issued at a premium of 2p per share in part consideration for the entire share capital of Edenbridge Investments Limited.

On 21 September 1995, by Ordinary Resolution, the Company moved to consolidate the Ordinary Share Capital on a one for five basis.

Options on shares amounting to 75,000 shares were granted under the Scotswood Industries plc Share Option Scheme at an exercise price of 17.5p per share and exercisable between three and seven years from their date of grant.

### **Auditors**

The auditors, Hunter, Jones, Halford and Co will be proposed for re-appointment in accordance with section 385 of the Companies Act 1985.

### **Statement of 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 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 preparation of the financial statements for the year ended 30 September 1995. The Directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.



## Directors' Report (continued)

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

Signed on behalf of the Board of Directors



Secretary

Approved by the Board on 31 January 1996

## **Auditors' Report**

### **To the Members of Scotswood Industries plc**

We have audited the financial statements on pages 11 to 33 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on pages 17 and 18.

#### **Respective Responsibilities of the Directors and Auditors**

As described on pages 7 and 8, 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 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 affairs of the Company and the Group as at 30 September 1995 and of the profit of the Group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

#### **Corporate Governance Matters**

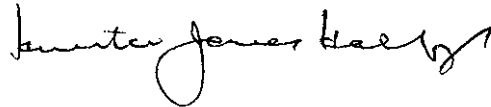
In addition to our audit of the financial statements, we have reviewed the Directors' Report on pages 5 to 8 concerning the Company's compliance with the Code of Best Practice insofar as it relates to the paragraphs of the Code which the London Stock Exchange has specified for our review. We carried out our review having regard to the Bulletin Disclosures relating to corporate governance issued by the Auditing Practices Board.

## Auditors' Report (continued)

The purpose of the Directors' Statement is to give members information which assists them in forming their own views regarding the governance of the Company. In respect of the paragraphs of the Code specified for our consideration, we are required to draw attention to any aspects of the Company's non compliance with the Code of which we are aware and which the Directors have not properly disclosed. We are not required to review, and have not reviewed, the effectiveness of the Company's governance procedures.

Through enquiry of certain Directors and officers of the Company and examination of relevant documents, we have satisfied ourselves that the Directors' Statement appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review.

Hunter, Jones, Halford and Co  
Chartered Accountants & Registered Auditor  
Hope House, 45 Great Peter Street  
Westminster  
London  
SW1P 3LT



31 January 1996

# Consolidated Profit and Loss Account for the year ended 30 September 1995

	Notes	Before Exceptional Items £	Exceptional Items £	1995 £	1994 £
<b>Turnover</b>	<b>2</b>				
Continuing operations		722,775	-	722,775	583,780
Acquisitions		58,933	-	58,933	-
		<u>781,708</u>	<u>-</u>	<u>781,708</u>	<u>583,780</u>
Cost of sales		(463,118)	-	(463,118)	(321,801)
Gross profit		<u>318,590</u>	<u>-</u>	<u>318,590</u>	<u>261,979</u>
Operating expenses		(208,398)	-	(208,398)	(196,883)
		<u>110,192</u>	<u>-</u>	<u>110,192</u>	<u>65,096</u>
Share of profits of associated undertakings		722	-	722	-
<b>Operating profit</b>	<b>3</b>				
Continuing operations		113,763	-	113,763	65,096
Acquisitions		(2,849)	-	(2,849)	-
		<u>110,914</u>	<u>-</u>	<u>110,914</u>	<u>65,096</u>
Interest payable and similar charges	<b>4</b>	(3,248)	-	(3,248)	(1,827)
		<u>107,666</u>	<u>-</u>	<u>107,666</u>	<u>63,269</u>
Exceptional items	<b>5</b>	-	(21,686)	(21,686)	-
Profit on ordinary activities before taxation		<u>107,666</u>	<u>(21,686)</u>	<u>85,980</u>	<u>63,269</u>
<b>Taxation</b>	<b>6</b>				
Parent Company and subsidiaries		(37,959)	-	(37,959)	(26,052)
Associated company		(254)	-	(254)	-
Profit for the financial year after taxation		<u>69,453</u>	<u>(21,686)</u>	<u>47,767</u>	<u>37,217</u>
Dividends	<b>7</b>	(57,024)	-	(57,024)	(24,000)
Transfer (from)/to profit and loss reserve		<u>12,429</u>	<u>(21,686)</u>	<u>(9,257)</u>	<u>13,217</u>
		<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
Earnings per share	<b>8</b>	<i>Pence</i> 1.54	<i>Pence</i> (0.48)	<i>Pence</i> 1.06	<i>Pence</i> 0.85
Dividends per share	<b>7</b>	-	-	1.0p	-

**Statement of Total Recognised Gains and Losses**

	Notes	1995 £	1994 £
Profit for the year		47,767	37,217
Unrealised surplus on revaluation of plant and machinery		-	149,277
Unrealised loss on revaluation of investment	15	(8,000)	-
Deferred tax provision on revaluation of plant and machinery	20	(9,202)	(32,585)
Total recognised gains relating to the year		<u>30,565</u>	<u>153,909</u>
<b>Note of historical cost profits and losses</b>			
		1995 £	1994 £
Reported profit on ordinary activities before taxation		85,980	63,269
Difference between a historical cost depreciation charge and the actual depreciation charge of the year calculated on the re-valued amount		7,771	-
Historical cost profit on ordinary activities before taxation		<u>93,751</u>	<u>63,269</u>
Historical cost (loss)/profit for the year retained after taxation, minority interests, extraordinary items and dividends		<u>(1,486)</u>	<u>13,217</u>

# Consolidated Balance Sheet at 30 September 1995

	Notes	1995 £	1994 £
<b>Fixed assets</b>			
Tangible fixed assets	10	511,609	236,402
Intangible fixed assets	11	19,500	-
		<u>531,109</u>	<u>236,402</u>
<b>Current assets</b>			
Stocks	13	408,705	66,907
Debtors	14	686,845	135,204
Investments	15	82,468	10,000
Cash at bank and in hand		31,404	239
		<u>1,209,422</u>	<u>212,350</u>
<b>Creditors: Amounts falling due within one year</b>	16	<u>(884,478)</u>	<u>(131,212)</u>
<b>Net current assets</b>		<u>324,944</u>	<u>81,138</u>
<b>Total assets less current liabilities</b>		<u>856,053</u>	<u>317,540</u>
<b>Creditors: Amounts falling due after more than one year</b>	17	<u>(308,594)</u>	<u>-</u>
<b>Provisions for liabilities and charges</b>			
Deferred taxation	20	(41,787)	(32,585)
<b>Net assets</b>		<u>505,672</u>	<u>284,955</u>
<b>Capital and Reserves</b>			
Called up share capital	21	347,621	702,405
Share premium account	22	250,837	75,800
Revaluation reserve	23	69,656	116,692
Other reserves	24	(238,578)	(113,287)
Profit and loss account	25	76,136	(496,655)
<b>Equity shareholders' funds</b>		<u>505,672</u>	<u>284,955</u>

Approved by the Board on  
31 January 1996



Andrew C Fitton  
Director

# Company Balance Sheet at 30 September 1995

	Notes	1995 £	1994 £
<b>Fixed assets</b>			
Tangible fixed assets	10	13,948	-
Investment in subsidiaries	12	871,786	200,000
		<u>885,734</u>	<u>200,000</u>
<b>Current assets</b>			
Debtors	14	73,950	350
Investments	15	82,000	10,000
Cash at bank		28,957	97
		<u>184,907</u>	<u>10,447</u>
<b>Creditors: Amounts falling due within one year</b>	16	<u>(154,597)</u>	<u>(17,608)</u>
<b>Net current assets/(liabilities)</b>		<b>30,310</b>	<b>(7,161)</b>
<b>Total assets less current liabilities</b>		<b>916,044</b>	<b>192,839</b>
<b>Creditors: Amounts falling due after more than one year</b>	17	<b>(292,051)</b>	-
<b>Net Assets</b>		<b>623,993</b>	<b>192,839</b>
		<u>-----</u>	<u>-----</u>
<b>Capital and Reserves</b>			
Called up share capital	21	347,621	702,405
Share premium account	22	250,837	75,800
Revaluation reserve	23	(8,000)	-
Profit and loss account	25	33,535	(585,366)
<b>Equity Shareholders' funds</b>		<b>623,993</b>	<b>192,839</b>
		<u>-----</u>	<u>-----</u>

Approved by the Board on  
31 January 1996



Andrew C Fitton  
Director

# Consolidated Cash Flow Statement for the year ended 30 September 1995

	Notes	1995 £	1994 £
<b>Net cash (outflow)/inflow from operating activities</b>	28	(313,034)	78,136
<b>Servicing of finance</b>			
Interest paid and similar charges		(3,248)	(1,827)
Dividends paid		(22,262)	(24,000)
<b>Net cash outflow from servicing of finance</b>		(25,510)	(25,827)
<b>Taxation</b>			
Corporation tax paid		(30,553)	(41,777)
<b>Investing activities</b>			
Purchase of tangible fixed assets		(336,567)	-
Sale of tangible fixed assets		1,215	-
Purchase of current asset investments		(80,000)	-
Purchase of goodwill		(125,291)	-
<b>Net cash outflow from investing activities</b>		(540,643)	-
<b>Net cash (outflow)/inflow before financing</b>		(909,740)	10,532
<b>Financing</b>			
Issue of share capital		375,000	-
Cost of issue of share capital		(2,531)	-
Issue of Loan Notes		280,000	-
Hire purchase and finance lease obligations		54,768	-
<b>Net cash inflow from financing</b>		707,237	-
<b>(Decrease)/increase in cash and cash equivalents</b>	30	(202,503)	10,532



## Notes to the Financial Statements for the Year Ended 30 September 1995

### 1 Principal Accounting Policies

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

#### Basis of Accounting

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

#### Basis of Consolidation

The consolidated accounts comprise the accounts of the parent Company, its wholly owned subsidiary companies and its associate company using the principles of both merger and acquisition accounting.

A separate profit and loss account dealing with the results of the company only has not been presented as permitted by section 230 of the Companies Act 1985.

#### Turnover

Turnover represents the net amount invoiced to customers (excluding Group companies) excluding Value Added Tax.

#### Goodwill

Goodwill arising on the consolidation of the subsidiary undertakings has been written off through the Group's consolidated reserves. This represents a change in accounting policy from the previous year when the goodwill arising on the consolidation of the subsidiary, Braithwaite Automatics Limited, was written off to the profit and loss reserve.

#### Depreciation

All tangible fixed assets are written off, on a straight line basis, over their expected useful lives, at the following annual rates.

Leasehold property	: at 2% on cost
Leasehold improvements	: at 20% on cost
Plant and machinery	: at rates ranging between 10% and 20% on cost
Fixtures, fittings and equipment	: at rates ranging between 10% and 20% on cost
Motor Vehicles	: at 20% and 25% on cost

## Notes (continued)

**Hire Purchase and Finance Leases**

Fixed assets acquired under hire purchase contracts and finance leases are recorded in the balance sheet as tangible fixed assets at their equivalent capital value and are depreciated over the useful life of the asset and the corresponding liability is recorded as a creditor.

Interest is charged to the profit and loss account on a straight line basis.

**Stock and Work In Progress**

Stock and work in progress are valued at the lower of cost and net realisable value. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Net realisable value is the price at which stocks can be realised in the normal course of business after allowing for the costs of completion. Where necessary, provision is made for obsolete, slow moving and defective stocks.

**Intangible Fixed Assets**

The intellectual property rights are written off over their estimated useful life of twenty years.

**Leasing**

The costs of operating leases are charged as incurred.

**Deferred Taxation**

Deferred tax is computed under the liability method. Tax deferred or accelerated by the effect of timing differences is accounted for to the extent that a liability or asset, in the opinion of the Directors, will crystallise.

**Pension Scheme**

Some employees of the Group are members of the Scotswood Industries plc Group Personal Pension Scheme which is a defined contribution scheme the costs of which are charged to the profit and loss account as incurred. The Braithwaite Automatics Contributory Pension Fund is a defined benefit scheme the costs of which are charged to the profit and loss account to spread the costs over the employees working lives.

**2 Turnover**

	1995 £	1994 £
Analysis by geographical area:-		
United Kingdom	777,550	583,780
Overseas	4,158	-
	<u>781,708</u>	<u>583,780</u>
	-----	-----

## Notes (continued)

## 2 Turnover (continued)

Profit before interest and taxation relate to the principal activity of the Group of the manufacture of repetition turned parts, air distribution and ventilation equipment, all of which the Directors regard as a single class business.

## 3 Operating Profit

	1995 £	1994 £
The operating profit is stated after charging:-		
Hire of other assets - operating leases	10,160	14,278
<i>Depreciation:-</i>		
- Tangible owned fixed assets	40,211	25,486
- Intangible owned fixed assets	25	4,150
Loss on sale of fixed assets	409	-
<i>Auditors remuneration:-</i>		
- Audit services	7,817	2,950
- Non audit services	3,693	3,929
	<hr/>	<hr/>

## 4 Interest Payable and Similar Charges

	1995 £	1994 £
On bank loans, overdrafts and other loans repayable within five years	2,143	1,827
Hire purchase and finance lease agreements	1,105	-
	<hr/>	<hr/>
	3,248	1,827
	<hr/>	<hr/>

## 5 Exceptional Items

	1995 £	1994 £
The exceptional items are represented by the following:-		
<i>Costs of-</i>		
Capital reduction	5,648	-
Alternative Investment Market	6,038	-
Advisory fees in connection with capital reduction and other corporate matters	10,000	-
	<hr/>	<hr/>
	21,686	-
	<hr/>	<hr/>

## Notes (continued)

## 6 Taxation

	1995	1994
	£	£
Based on adjusted profits for the year:-		
Corporation tax at 33% (1994: 33%)	37,203	26,502
Group share of associate at 33%	254	-
Deferred taxation (note 20)	(1,285)	-
Adjustments relating to prior years	2,041	-
	<u>38,213</u>	<u>26,502</u>
	-----	-----

## 7 Dividends

	1995	1994
	£	£
Interim - paid during year (0.5p per share after consolidation)	22,262	-
Proposed final dividend (0.5p per share)	34,762	-
Paid to shareholders of subsidiary prior to acquisition	-	24,000
	<u>57,024</u>	<u>24,000</u>
	-----	-----

## 8 Earnings Per Ordinary Share

The basic earnings per Ordinary Share on the net basis is based on the profit attributable to the members of the Holding Company namely £47,767 (1994 - £37,217) and on 4,514,063 Ordinary Shares (1994 re-stated to take into account share consolidation - 4,403,566) being the weighted average number of Ordinary Shares in issue and ranking for dividend during the year.

The adjusted basic earnings per Ordinary Share is based on earnings before the impact of non operating exceptional items, namely £69,453 and on 4,514,063 Ordinary Shares being the weighted average number of Ordinary Shares in issue. It is included as it provides a better understanding of the underlying trading performance of the Group on a normalised basis.

The calculation of earnings per share for the comparative year has been re-stated to reflect the share consolidation.

## 9 Directors and Staff

The average number of persons employed by the Group, by category, including Directors was as follows:-

	1995	1994
	£	£
Manufacturing	12	10
Selling and administration	6	3
	<u>18</u>	<u>13</u>
	-----	-----

## Notes (continued)

## 9 Directors and Staff (continued)

The aggregate payroll costs of these persons were as follows:-

	1995	1994
	£	£
Wages and salaries	250,757	211,784
Social security costs	21,904	19,119
Pension costs	24,475	25,513
	<u>297,136</u>	<u>256,416</u>
	-----	-----

*Directors emoluments:-*

Fees amounting to £24,000 (1994 - £9,000) were paid to A C Fitton & Co Ltd (formerly Carrera Associates Ltd) for the executive services of Mr Andrew C Fitton as Chairman. Mr D Collier received £43,634 and pension contributions of £3,011 for the year to 30 September 1995 from a subsidiary company in which he is also a director. Mr A D N Balme did not receive any remuneration during the year (1994 - nil).

## 10 Tangible Fixed Assets

## (a) Group

	Leasehold Property & Improvements	Plant, Machinery Fixtures & Fittings	Motor Vehicles	Total
	£	£	£	£
<b>Cost or valuation</b>				
At 1 October 1994	75,000	173,719	500	249,219
Subsidiaries acquired during year	144,283	201,963	58,875	405,121
Additions	595	5,157	50,490	56,242
Disposals	-	(2,178)	(500)	(2,678)
At 30 September 1995	<u>219,878</u>	<u>378,661</u>	<u>109,365</u>	<u>707,904</u>
	-----	-----	-----	-----
<b>Depreciation</b>				
At 1 October 1994	7,500	5,108	209	12,817
Subsidiaries acquired during year	49,537	76,338	18,446	144,321
Charge for year	2,247	34,635	3,329	40,211
Disposals	-	(804)	(250)	(1,054)
At 30 September 1995	<u>59,284</u>	<u>115,277</u>	<u>21,734</u>	<u>196,295</u>
	-----	-----	-----	-----
<b>Net book values</b>				
At 30 September 1995	<u>160,594</u>	<u>263,384</u>	<u>87,631</u>	<u>511,609</u>
	-----	-----	-----	-----
At 30 September 1994	<u>67,500</u>	<u>168,611</u>	<u>291</u>	<u>236,402</u>
	-----	-----	-----	-----

## Notes (continued)

## 10 Tangible Fixed Assets (continued)

## (a) Group

Included in the net book value of tangible fixed assets is £77,381 (1994: nil) of assets held under finance leases and hire purchase agreements on which depreciation of £3,329 (1994: nil) has been charged in the year.

The plant and machinery of the subsidiary company, Braithwaite Automatics Limited, was re-valued during 1994. The cost or valuation of these assets at 30 September 1995 is represented by:-

	Plant, Machinery Fixtures & Fittings £
Valuation in 1994	163,550
Cost	9,993
	<hr/>
	173,543
	-----

If these re-valued assets of the subsidiary, Braithwaite Automatics Limited, had not been re-valued, they would have been included at the following historical cost:-

	1995 £	1994 £
Cost	128,915	126,913
	<hr/>	<hr/>
Aggregate depreciation	116,725	85,312
	<hr/>	<hr/>

The plant and machinery at Braithwaite Automatics Limited was valued on a going concern basis on 30 September 1994 by J F T Law & Co, industrial auctioneers.

## (b) Company

	Motor Vehicles £
Cost	
Addition in year and cost at 30 September 1995	15,216
	-----
Depreciation:-	
Charge for the year and as at 30 September 1995	1,268
	-----
Net book value:-	
As at 30 September 1995	13,948
	-----

The net book value of motor vehicles represent assets held under hire purchase agreements.

## Notes (continued)

**11 Intangible Fixed Assets**

<i>Cost:-</i>	£
Subsidiaries acquired during year	20,000
	-----
<i>Depreciation:-</i>	
Subsidiaries acquired during year	475
Charge for the year	25
	-----
	500
	-----
<b>Net book value</b>	
At 30 September 1995	19,500
	-----

**12 Investment in Subsidiaries**

	£
<i>Company:-</i>	
At 1 October 1994	200,000
Additions	671,786
	-----
At 30 September 1995	871,786
	-----

The subsidiary companies at 30 September 1995 are listed below, all of which are wholly owned and incorporated in England and Wales unless shown otherwise:-

Braithwaite Automatics Limited	-	manufacturer of repetition turned parts
Edenbridge Investments Limited*	-	holding company
Crossco (148) Limited**	-	holding company
RCM Products Limited***	-	manufacturer of air ventilation and distribution equipment

\* Incorporated in Jersey.

\*\* Wholly owned subsidiary of Edenbridge Investments Limited.

\*\*\* Wholly owned subsidiary of Crossco (148) Limited.

Accounts have not been produced for Edenbridge Investments Limited or Crossco (148) Limited for the year - with the exception of the transactions relating to the purchase of RCM Products Limited by Edenbridge Investments Limited and the subsequent acquisition of Edenbridge Investments Limited and its subsidiaries by the Company and disclosed in the circular to shareholders dated 29 August 1995, the Directors confirm that they took part in no material transactions.

## Notes (continued)

## 13 Stocks

	1995	1994
	£	£
Raw materials and consumables	268,783	6,152
Short term work in progress	90,552	39,946
Finished goods	49,370	20,809
	<u>408,705</u>	<u>66,907</u>
	-----	-----

## 14 Debtors

	Group		Company	
	1995	1994	1995	1994
	£	£	£	£
Trade Debtors	645,786	129,738	-	-
Other Debtors	6,797	5,116	-	-
Amounts due from subsidiaries	-	-	68,384	-
Taxation	-	-	5,566	-
Prepayments and accrued income	34,262	350	-	350
	<u>686,845</u>	<u>135,204</u>	<u>73,950</u>	<u>350</u>
	-----	-----	-----	---
At 30 September				

## 15 Current Asset Investments

	Investment in Associated Company	Unquoted Investment	Total
	£	£	£
(a) Group			
At 1 October 1994	-	10,000	10,000
<i>Additions during year - at cost:-</i>			
12,000 Shares of £1 each	50,000	-	50,000
Loan Stock	30,000	-	30,000
Amount written off during year	-	(8,000)	(8,000)
Group share of post acquisition retained profits	468	-	468
	<u>80,468</u>	<u>2,000</u>	<u>82,468</u>
	-----	-----	-----
At 30 September 1995			



## Notes (continued)

## 15 Current Asset Investments (continued)

	Investment in Associated Company £	Unquoted Investment £	Total £
(b) Company			
At 1 October 1994	-	10,000	10,000
<i>Additions during year - at cost:-</i>			
12,000 Shares of £1 each	50,000	-	50,000
Loan Stock	30,000	-	30,000
Amount written off during year	-	(8,000)	(8,000)
At 30 September 1995	<u>80,000</u>	<u>2,000</u>	<u>82,000</u>
	=====	=====	=====

- (i) The associated company investment represents 40% of the issued share capital of Airport Services Limited and £30,000 in Loan Notes secured against that company's book debts. The share of post acquisition profits shown above is based upon management accounts after management adjustments which have not been audited. The audited accounts for the year to 31 December 1995 are not available.

The Group's share of the net asset value of the associated company at the balance sheet date is estimated to be approximately £24,000, it is not materially different from the value at the date of acquisition. Thus the premium paid above this is estimated to be approximately £26,000.

- (ii) The unquoted investment represents 10,000 Shares of £1 each in Tankerton Plastics Limited and the Directors consider the above valuation of £2,000 to be the market value at 30 September 1995. The Directors consider the diminution in value of £8,000 to be temporary in nature.

## 16 Creditors: Amounts Falling Due Within One Year

	Group		Company	
	1995	1994	1995	1994
	£	£	£	£
Bank overdrafts	239,422	5,754	-	-
Trade creditors	425,318	64,704	46,885	16,608
Other taxes and social security	63,686	21,968	23,081	-
Obligations under hire purchase and finance agreements	26,174	-	2,532	-
Taxation	37,206	28,513	5,566	-
Other creditors	31,270	-	-	-
Accruals and deferred income	26,640	10,273	5,915	1,000
Amounts owed to subsidiaries	-	-	35,856	-
Proposed dividend	34,762	-	34,762	-
	<u>884,478</u>	<u>131,212</u>	<u>154,597</u>	<u>17,608</u>
	=====	=====	=====	=====

## Notes (continued)

## 16 Creditors: Amounts Falling Due Within One Year (continued)

The Company, together with certain of its subsidiaries, has provided to their bankers cross guarantees to provide fixed and floating charges over substantially all of the assets of the Group as security for bank overdrafts. At 30 September 1995, the total borrowings and acceptance credits of other companies guaranteed amounted to £210,465. Interest is charged at a rate of 2.75% over bank base rate in respect of the overdrawn balances.

## 17 Creditors: Amounts Falling Due After More Than One Year

	Group		Company	
	1995	1994	1995	1994
	£	£	£	£
10% Loan Stock	280,000	-	280,000	-
Hire Purchase Agreements between two and five years	28,594	-	12,051	-
	<u>308,594</u>	<u>-</u>	<u>292,051</u>	<u>-</u>
	-----	-----	-----	-----

The 10% Loan Stock is unsecured and is repayable by the Company on or before 31 March 1999.

## 18 Obligations Under Hire Purchase and Finance Lease Agreements

	Group		Company	
	1995	1994	1995	1994
	£	£	£	£
<i>Obligations in respect of the above are due as follows:-</i>				
Within one year	26,174	-	2,532	-
Within one to two years	12,458	-	2,532	-
Within two to five years	16,136	-	9,519	-
	<u>54,768</u>	<u>-</u>	<u>14,583</u>	<u>-</u>
	-----	-----	-----	-----

Hire purchase liabilities are secured on the related assets.

## Notes (continued)

## 19 Other Financial Commitments

The annual commitments of the Group under non cancellable operating leases were as follows:-

	Land and Buildings		Plant and Machinery	
	1995	1994	1995	1994
	£	£	£	£
<i>Operating leases which expire:-</i>				
Within one year	-	-	5,729	-
Between two and five years	12,764	-	13,376	-
	<u>12,764</u>	<u>-</u>	<u>19,105</u>	<u>-</u>
	-----	-----	-----	-----

## 20 Deferred Taxation

The movement in the provision for deferred taxation is as follows:-

	£
Provision at 1 October 1994	32,585
Subsidiaries acquired during year	1,285
	<u>33,870</u>
Charge for the year to the profit and loss account	(1,285)
Transfer from re-valuation of reserve	9,202
	<u>41,787</u>
	-----

The provision for deferred taxation calculated on the liability method is set out below:-

	Amount Provided		Total Potential Liability	
	1995	1994	1995	1994
	£	£	£	£
Arising from the re-valuation of plant and machinery:-				
Capital Gains Tax	-	-	-	19,873
Accelerated capital allowances	67,638	32,585	67,638	32,585
Losses available for future relief	(25,851)	-	(25,851)	-
	<u>41,787</u>	<u>32,585</u>	<u>41,787</u>	<u>52,458</u>
	-----	-----	-----	-----

## Notes (continued)

## 21 Called Up Share Capital

	1995	1994
	£	£
<b>Authorised</b>		
57,021,648 Ordinary Shares of 1p each	-	570,216
1,999,098 Deferred Ordinary Shares of 24p each	-	479,784
11,500,000 Ordinary Shares of 5p each	575,000	-
47,978,400 Ordinary Shares of 1p each	479,784	-
	<u>1,054,784</u>	<u>1,050,000</u>
	-----	-----
<b>Allotted, called up and fully paid</b>		
22,262,098 Ordinary shares of 1p each	-	222,621
1,099,098 Deferred Ordinary Shares of 24p each	-	479,784
6,952,420 Ordinary shares of 5p each	347,621	-
	<u>347,621</u>	<u>702,405</u>
	-----	-----

On 19 January 1995, the capital of the Company was reduced by £479,784 by cancelling and extinguishing all of the deferred shares of 24p. In addition the Share Premium account of the Company was also reduced by £72,432.

On 21 September 1995, an Ordinary Resolution was passed to increase the authorised share capital of the Company by £4,784 by the creation of 478,352 new Ordinary Shares of 1p each. On the same day, a further Resolution was passed to consolidate 57,500,000 of the Ordinary Shares of 1p each on a one for five basis.

As part consideration for the acquisition of the entire issued share capital of Edenbridge Investments Limited, 12,500,000 new Ordinary 1p Shares were allotted.

## 22 Share Premium Account

	1995	1994
	£	£
At 1 October 1994	75,800	72,432
Premium on shares issued during the year	250,000	5,260
Less costs of issue	(2,531)	(1,892)
Losses cancelled in capital reduction	(72,432)	-
At 30 September 1995	<u>250,837</u>	<u>75,800</u>
	-----	-----

## Notes (continued)

## 23 Re-Valuation Reserve

	Group		Company	
	1995	1994	1995	1994
	£	£	£	£
At 1 October 1994	116,692	-	-	-
Surplus on re-valuation of plant and machinery	-	149,277	-	-
Transfer to deferred tax provision	(9,202)	(32,585)	-	-
Transfer to profit and loss account	(29,832)	-	-	-
Decrease in value of trade investment	(8,000)	-	(8,000)	-
At 30 September 1995	69,656	116,692	(8,000)	-
	-----	-----	-----	-----

## 24 Other Reserves

	1995	1994
	£	£
<i>Goodwill write off reserve:-</i>		
Balance at 1 October 1994	(50,000)	-
Prior year re-classification between reserves	(63,287)	-
As re-stated	(113,287)	-
Purchased goodwill in subsidiary	-	(63,287)
Arising on consolidation of subsidiaries	(125,291)	(50,000)
Balance at 30 September 1995	(238,578)	(113,287)
	-----	-----

The above re-classification represents goodwill previously written off to the profit and loss account transferred to the goodwill write off reserve (note 25).

## 25 Profit and Loss Account

	Group		Company	
	1995	1994	1995	1994
	£	£	£	£
Balance at 1 October 1994	(559,942)	(509,872)	(585,366)	(571,352)
Prior year re-classification	63,287	-	-	-
As re-stated	(496,655)	(509,872)	(585,366)	(571,352)
Retained (loss)/profit for the year	(9,257)	13,217	66,685	(14,014)
Cancelled losses (notes 21 and 22)	552,216	-	552,216	-
Re-valuation reserve - transfer	29,832	-	-	-
Balance at 30 September 1995	76,136	(496,655)	33,535	(585,366)
	-----	-----	-----	-----

## Notes (continued)

## 26 Reconciliation of Movement in Shareholders' Funds

	Group		Company	
	1995	1994	1995	1994
	£	£	£	£
Profit for the financial year	47,767	37,217	123,711	(14,014)
Dividends	(57,024)	(24,000)	(57,024)	-
	<u>(9,267)</u>	<u>13,217</u>	<u>66,687</u>	<u>(14,014)</u>
Other recognised gains and losses relating to the year	(17,202)	116,692	(8,000)	-
New share capital subscribed net of issue costs	372,467	5,998	372,467	205,968
Goodwill on consolidation of subsidiary	(125,291)	-	-	-
Goodwill written off	-	(63,287)	-	-
	<u>220,717</u>	<u>72,620</u>	<u>431,154</u>	<u>191,954</u>
Opening shareholders funds	284,955	212,335	192,839	885
	<u>505,672</u>	<u>284,955</u>	<u>623,993</u>	<u>192,839</u>
	-----	-----	-----	-----

## 27 Pension Commitments

The Group operates both defined benefit and defined contribution pension schemes. All pension contributions are charged to the profit and loss account to spread the cost of the pensions over the employees working lives. The assets of the scheme are held separately from those of the Group in independently administered trusts.

## 28 Reconciliation of Operating Profit to Net Cash Inflow From Operating Activities

	1995	1994
	£	£
Operating profit	110,914	65,096
Exceptional items	(21,686)	-
Share of profit of associated undertaking	(722)	-
Depreciation charges	40,236	29,636
Loss on sale of tangible fixed assets	409	-
Decrease/(increase) in stocks	(341,798)	(18,662)
Decrease/(increase) in debtors	(551,641)	(24,427)
Increase/(decrease) in creditors	451,254	26,493
	<u>(313,034)</u>	<u>78,136</u>
	-----	-----
Net cash (outflow)/inflow from operations		

## Notes (continued)

**29 Analysis of Changes in Cash and Cash Equivalents During the Year**

	1995	1994
	£	£
Opening balance at 1 October	(5,515)	(16,047)
Net cash (outflow)/inflow	(202,503)	10,532
Closing balance at 30 September	(208,018)	(5,515)
	-----	-----

**30 Analysis of the Balance of Cash and Cash Equivalents as Shown in the Balance Sheet**

	1995	1994	Change	1994	1993	Change
	£	£	£	£	£	£
Cash at bank and in hand	31,404	239	31,165	239	-	239
Bank overdraft	(239,422)	(5,754)	(233,668)	(5,754)	(16,047)	10,293
	(208,018)	(5,515)	(202,503)	(5,515)	(16,047)	10,532
	-----	-----	-----	-----	-----	-----

**31 Major Non Cash Transactions**

During the year the Company acquired Edenbridge Investments Limited and its subsidiary undertakings. The consideration for the purchase of subsidiary undertakings that occurred during the year represents the issue of 12,500,000 1p Ordinary Shares issued at a premium of 2p and the issue of £280,000 Loan Notes bearing interest at 10% per annum. Further details of the acquisition are set out in note 32.

**32 Purchase of Businesses**

The purchase of Edenbridge Investments Limited and subsidiaries was accounted for as an acquisition from 21 September 1995.

There is no difference between the net book values and fair values of the assets in Edenbridge Investments Limited acquired by the Group.

## Notes (continued)

## 32 Purchase of Business (continued)

	Fair Value to the Group £
Tangible fixed assets	260,800
Intangible fixed assets	19,525
Stock	333,951
Cash in hand	7,299
Debtors	537,865
Creditors	(612,945)
	<hr/>
Net assets acquired	546,495
Goodwill	125,291
	<hr/>
Total consideration	671,786
	-----
<b>Satisfied by</b>	
<i>Shares allotted:-</i>	
- Nominal value	125,000
- Share premium	250,000
Loan Notes	280,000
Cost of acquisition	16,786
	<hr/>
	671,786
	-----

Goodwill has been transferred to the Goodwill Write Off Reserve.

The effects of the acquisition from the date of purchase to the year end on the cash flows of the Group were not material.

## 33 Analysis of the Net Outflow of Cash and Cash Equivalents in Respect of the Purchase of Subsidiary Undertakings

	£
Bank overdrafts of acquired subsidiary undertakings	(195,873)
Cash in hand of acquired subsidiary undertakings	2,299
	<hr/>
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	(193,574)
	-----



**Notes (continued)****34 Substantial Acquisitions**

The summarised results of the subsidiary company, Edenbridge Investments Limited, prepared in accordance with the accounting policies of the subsidiary prior to acquisition for the period from 2 April 1995 to 21 September 1995 are shown below:-

	£
Turnover	1,126,274
Operating loss	43,295
Loss before taxation	56,459
Taxation credit	(24,566)

The loss after tax of the subsidiary for the year ended 2 April 1995 was £143,740.

**35 Capital Commitments**

There were no capital commitments at the year end.

**36 Post Balance Sheet Events**

In January 1996, Scotswood Industries plc increased its shareholding in Airport Services Limited from 40% to 94% Airport Services Limited became a consolidated subsidiary on this date having previously been accounted for as an associated company.

Costs in respect of the Company's admission to the Alternative Investment Market totalled £31,038 of which £6,038 was incurred before the year end and included as an exceptional item in these accounts (see note 5) the balance of £25,000 has not been accrued in these accounts as the Listing took place after the year end.